FINTREX finance

YOUR TRUSTED FINANCE PARTNER

Inspiring Confidence

Fintrex Finance Limited

Integrated Annual Report 2023/24

FINTREX
finance

Inspiring Confidence

In the business of finance, longevity is the name of the game and we at Fintrex believe that our time has been forged by the certitude of our stakeholders. Built on trust, we stand firm in an industry that is littered with pitfalls, and we have affirmed our position in the hearts and minds of those who have been a part of our story. This year we highlight the many whose courage has been kindled by us; women entrepreneurs and changemakers who have gone above and beyond in transforming every aspect in their respective industries. We too have done the same, extending our trust to many who have gone the extra mile in revitalising the fields of sustainable energy, agronomy and much more. And at the end of a successful year, it was through inspiring the confidence of Sri Lankans all over the island in our own way, that we have become the success that we are today.

Contents

Welcome to our Integrated Annual Report

Our 3rd Integrated Annual Report for the financial year 2023/24, under the theme 'Inspiring Confidence' demonstrates a fair and balanced view of the Company's financial and operational performance over the 12 months period ending 31st March 2024, highlighting our strategy, sustainability philosophy, stakeholder considerations and the value creation under the six-capital reporting structure stipulated by the Integrated Reporting Framework. With greater strategic emphasis on women entrepreneurs, changemakers who have transformed industries and sustainable finance, we continued to inspire confidence in our clientele across the nation in affirming our success story amidst a volatile industry landscape during the financial year.

Our Integrated Approach

The Report underscores integrated thinking, which centers on adopting a holistic perspective towards the Company's sustainable value creation for the stakeholders in the short, medium and long term. By integrating the interests of our stakeholders with the activities encompassing strategies, capitals, business model, risk and governance, performance, input/outputs and outcomes, we strive to comprehend the interconnection of these elements thereby delivering enhanced value for the stakeholders in line with our strategic objectives.

Scope and Boundary

This report presents a comprehensive view of the Company's operations for the financial year 2023/24. Hence, the reporting period covers the period from 1st April 2023 to 31st March 2024 (herein referred to as FY 2023/24) in correspondence with the Company's financial reporting cycle. The report outlines Fintrex's primary business function as a proactive financial service provider within the domestic market.

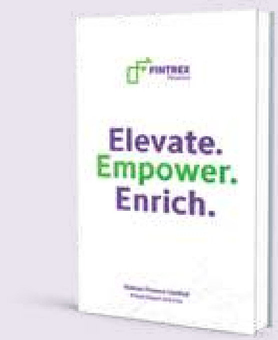
Evolution of FFL Integrated Annual Reports

This section illuminates the transformative journey of FFL's annual report since its inception. FFL consistently endeavors to elevate the standard of quality and transparency in its reporting.

2021/22

Elevate, Empower, Enrich

Our inaugural integrated annual report symbolized a significant milestone in our journey towards comprehensive and cohesive reporting.



2022/23

The Path of Endurance

The adoption of GRI (Global Reporting Initiative) standards and alignment with Sustainable Development Goals (SDGs) marked a pivotal moment in our commitment to robust reporting practices and sustainable development.

Reporting Frameworks

The report is prepared in accordance with the guidelines of the Integrated Reporting Framework specified by the International Integrated Reporting Council (IIRC). In addition, the Report is in alignment with the 'TAGS' (Transparency, Accountability, Governance, Sustainability) reporting standards and the guidelines given by the Institute of Chartered Accountants of Sri Lanka (ICASL). Furthermore, the Report has voluntarily adopted the GRI Sustainability Reporting Guidelines and UN Sustainability Development Goals. The report also confirms all the relevant laws, rules and regulations, financial reporting standards and guidelines.

Our adherence to these standards and guidelines underscores our commitment to collective responsibility in driving progress, sustainability, and positive change at the corporate and national level ensuring transparency, accountability and well-governed reporting practices.

About this Report

Financial Reporting Frameworks

- Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act No.7 of 2007
- Finance Business Act No. 42 of 2011 and amendments thereto

Integrated Reporting

- The International Integrated Reporting Framework

Sustainability Reporting

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

Corporate Governance Reporting

- Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Finance Business Act No. 05 of 2021 Corporate Governance

Assurance

- Sri Lanka Auditing Standards (SLAuSs)
- Sri Lanka Standard on Assurance Engagements (SLSAE) 3000; Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka

GRI Disclosure	Response
GRI 2-1: Organizational details	
Legal name	Fintrex Finance Limited
Nature of ownership and legal form	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.
Location of its headquarters	No 851, Dr. Danister De Silva Mawatha (Baseline Road) Colombo 14.
Countries of operation	Sri Lanka
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-month period from 1st April 2023 to 31st March 2024 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	
a). describe its policy and practice for seeking external assurance, including whether and how the highest governance body and senior executives are involved;	The company has adopted a combined assurance approach to verify the accuracy and completeness of the information contained in this integrated report. The contents included herein have been first approved by the respective business heads. All financial information has been further reviewed by the Audit Committee before submission to the Board of Directors for approval. Moreover, we have sought the assistance of Messrs. Ernst and Young, Chartered Accountants to provide independent assurance on the company's financial statements.
b) i. provide a link or reference to the external assurance report(s) or assurance statement(s);	The external assurance report is given in page 174.
ii. describe what has been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process;	The financial statements presented in this report have received assurance from our external auditors Messrs. Ernst & Young and the Independent Auditor's Report is given in the page 182.
iii. describe the relationship between the organization and the assurance provider.	This is an independent assurance engagement. The Board of Directors' recommendation is obtained in determining the external assurance provider and shareholders' approval has been obtained at the Annual General Meeting to appoint Messrs. Ernst & Young.

Forward-Looking Statements

This Report may contain "forward-looking statements" regarding the future performance of the Company which may involve risks and uncertainties that could lead the actual results to differ from its current expectations. However, due to the unpredictable and volatile nature of financial markets and industry, which can lead to unforeseen events, FFL recognizes that future milestones may diverge from those outlined in the Report. FFL acknowledges such disruption to the roadmap may be inevitable and while every effort is made to provide assurance, it cannot be guaranteed that the envisioned future will precisely align with the path ahead.

Statement of Responsibility

The Board of Directors of Fintrex Finance Ltd, bearing ultimate responsibility for the accuracy of the Integrated Annual Report, affirms to all stakeholder that due consideration of materiality was a paramount focus during the report's preparation. While we have presented the Company's value creation process through the six-capital reporting framework, we have also voluntarily adhered to the GRI standards and UN SDGs in disclosing our sustainability commitment during the reporting period. Hence, the report presents a comprehensive review of the matters that are most material to the Company, stakeholder considerations and the strategies in place to drive sustainable progress.

The report has also been prepared in accordance with the International Integrated Reporting Council's Integrated Reporting Framework. The Board also assumes responsibility for the financial statement presented in this report which has received assurance from the external auditors Messrs. Ernst & Young.

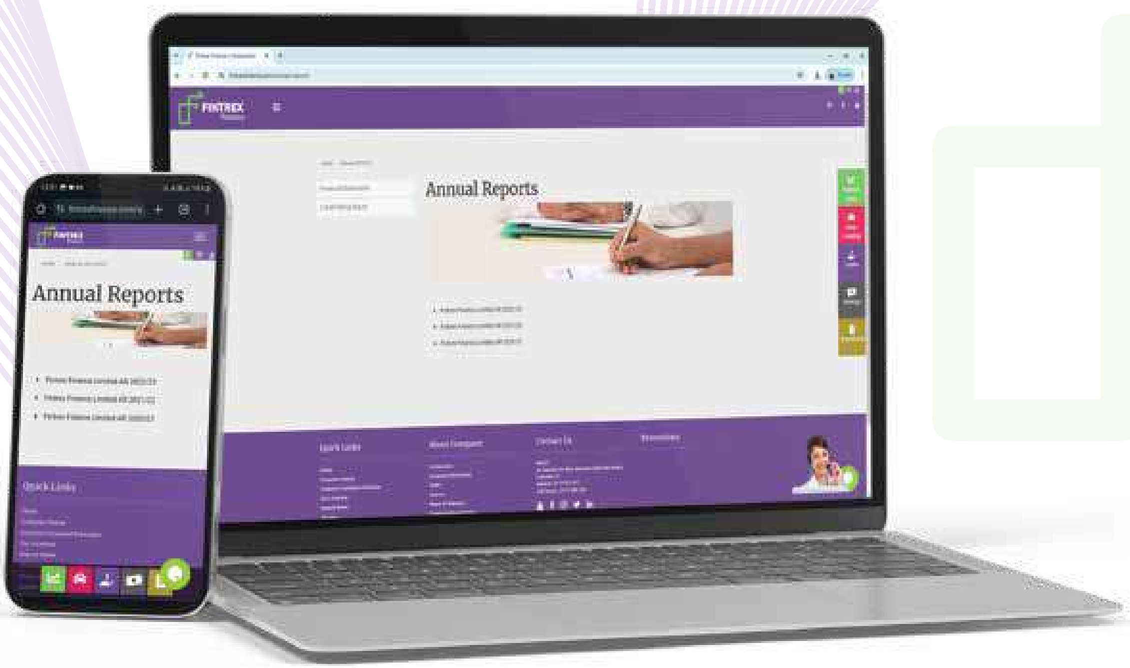
Feedback and Queries;

Your comments and queries on this Report are welcome and we invite you to communicate your feedback to the designated person below.

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



Our Profile

Incorporated in 2007, 'Fintrex Finance Ltd', has emerged as a proactive player in the non-banking financial realm by carving out innovative financial solutions in ensuring the financial well-being of its customers, both individuals and businesses with its steadfast commitment to excellence.

The brand "Fintrex" coined from the words 'financial entrepreneurs' and 'experts' is a powerful combination that sets the company apart from the rest, reflecting the team's potential to maximize efforts and unlock value for its customers. It signals a clear bias for action, speed and agility.

With an unwavering dedication to emerge as a top financial services provider in Sri Lanka generating value for all stakeholders, the Company currently occupies a significant space within the financial services sector, reaching out to its clientele with tailored financial solutions for their evolving needs. The range of products and services includes leasing, savings, fixed deposits, SME loans and green loans where the Company places greater emphasis on the provision of financial assistance to the SME segment, the backbone of a healthy economy. By extending financial support to grow and develop this segment, FFL continues to make a substantial impact on society at large, driving the economic growth in the Country.

Accommodating the needs of the new era of digital banking, the company continues to strengthen its digital footprint through technology advancement to facilitate greater process efficiencies and satisfy the expectations of the modern clientele. The adoption of technology is also anticipated to ensure environmentally sustainable operations, thereby minimizing the impact on the environment.

Over the years, the Company has nurtured a robust team who are equipped with the required technical knowledge and capabilities to compete in a dynamic business environment. With continued exposure to professional development, the Company persists in strengthening its team to comprehend and assist with the financial needs of the clientele.

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.

Fintrex Finance Ltd is a registered finance Company under the Central Bank of Sri Lanka owned by a Special Purpose Vehicle (SPV) Bluestone 1 (Pvt) Limited, which comprises a consortium of world-class investors including Fairfax Holdings, a global insurance giant who is the largest shareholder (70%), while Amaliya (Pvt) Ltd and Rosewood (Pvt) Ltd together hold 24% of the equity shareholding, and the remaining 6% holds other shareholders. 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. In 2018, the ownership moved from a trusted Sri Lankan conglomerate to another trusted multinational, giving FFL the continued strength to forge ahead and pursue its corporate goals.

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

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
Rights 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

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

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)

12 YEARS
OF FINANCIAL EXCELLENCE

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 launched- Dream Planner, Over Drive, Flexy Fix and Gold Purchase loan

2023

AUGUST
Recognized as **Most Respected Entities - LMD**

DECEMBER
Won the **Bronze Award** (NBFI Sector - total group asset up to Rs. 20Bn) at the **Annual Report TAGS Awards**.

MARCH
Awarded **Great Place to Work Certification**.

Relocation of Kurunegala Branch.

Relocation of City Branch and renamed as **"Signature Branch"**.

Recorded **PAT of Rs. 110Mn** and total asset and deposit base reached to **Rs. 15Bn** and **Rs. 6.3Bn** respectively.

Introduced new product Fintrex Smart Phone Loan, Fintrex Study Pulse, Fintrex Solar Loan and re-branded agriculture loan scheme as Fintrex AgriNex.

Key Landmarks 2023/24

Our Product Lines

GRI 2-6

Activities, value chain and other business relationships

a. Report the sector(s) in which it is active	Financial sector
b. Describe its value chain, including:	
i. The organization's activities, products, services, and markets served;	FFL is an active player in the non-banking financial sector and is a licensed finance company regulated by the Central Bank of Sri Lanka. Key activities of the Company include; • Leasing • Savings • Deposits • Gold Loans • Money Market • SME Finance [See below for more details on our product offerings.] Serves SME market segment which includes slow and middle income segment clientele.
ii. the organization's supply chain	As a provider of financial services, the development of our products does not require direct sourcing of material from suppliers. However, we utilize suppliers for the following requirement; • Purchasing items such as stationery, fixed assets, electronic equipment etc. • Telecommunication Service providers such as Dialog, Mobitel. • System providers In total, we currently have a supplier base of 35 with whom we have a long-term relationship.
iii.the entities downstream from the organization and their activities;	Fintrex has a customer base of 14,000+, of which the majority are long term customers. They are dispersed across the regions island wide.
c. report other relevant business relationships;	FFL signed a Memorandum of Understanding with Ideal Motors (Pvt) Ltd, for optimizing market opportunities through a joint strategic alliance for shared and combined business success.
d. describe significant changes in 2-6-a, 2-6-b, and 2-6-c compared to the previous reporting period.	There are no significant changes to Fintrex's business activities and business relationships compared to the previous financial year.

Our Product Lines

Leasing

Fintrex Easy Leasing
Fintrex Easy Leasing is tailored to provide flexible and swift financing solutions for a variety of motor vehicles. This service aims to cater to the needs of different borrowers by offering quick processing and disbursement of funds, ensuring a seamless and efficient leasing experience.

Our financing options cover both brand new and reconditioned cars, whether they are registered or unregistered. We cater to vehicles running on petrol, as well as hybrid and electric models, aligning with the growing trend towards eco-friendly transportation.

Fintrex Easy Leasing provides facility to various types of borrowers, including salaried employees, individuals engaged in business, SMEs, and corporate clients.

The minimum tenor (duration) of the facility offered is 12 months, with a maximum tenor of 60 months, offering borrowers a range of repayment periods to choose from.

Fintrex Smart Cash
Fintrex Smart Cash is designed to provide swift and versatile financing options for a range of motor vehicles. This service caters to a diverse clientele by offering quick processing times and a variety of repayment terms, ensuring that borrowers can meet their financial needs promptly and efficiently.

One of the standout features of Fintrex Smart Cash is its commitment to processing and disbursing funds within 24 hours. This rapid turnaround time is significantly faster than traditional loan processing, enabling borrowers to access the funds they need quickly.

The financing is available to a variety of individuals and entities, including salaried employees, individuals engaged in business, SMEs, and corporate clients. The minimum tenor of the facility offered is 13 months, while the maximum is 60 months, providing borrowers with a range of repayment options.

Revolving Draft

Fintrex Over Drive is designed to provide customers with an additional cash reserve to meet various financial needs throughout the year. By comprehending the customers' borrowing needs which vary throughout the year, Over Drive 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 on their requirements within the pre-approved credit limit. Further, it allows capital repayments, bringing the liability down during the tenor, making it an ideal financial tool for both individuals and businesses.

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. We provide two types of business loans, including short terms loans and long-term loans to purchase stocks and raw material, meet recurring expenditure, and invest in capital goods, respectively.

Business Loans

Long-term loan

FFL is committed to empowering businesses by providing long-term loan facilities tailored to support significant investments. Our long-term loans are designed to help businesses acquire essential assets such as property, vehicles, and machinery. These investments are crucial for business expansion, operational efficiency, and competitive advantage. With flexible terms and the option of personal guarantees, our long-term loans are structured to meet the diverse needs of the clientele.

Short-term loans

Fintrex offers tailored short-term loans designed to meet the immediate working capital requirements of businesses. These loans are structured to provide quick access to funds, enabling businesses to manage their day-to-day operations efficiently and capitalize on short-term opportunities. With a repayment period of 12 months or less, our short-term loans are an ideal financial tool for maintaining smooth operational flow and addressing urgent financial needs.

Fixed Deposits

"**Vishvasa**" Fixed Deposit offers individuals a secure avenue to grow their savings with competitive interest rates, providing a higher return, particularly in a challenging economic environment. Backed by world-class investors and a robust governance and risk management system, we guarantee reliable investment plans that prioritize our clients' convenience and financial well-being. Clients may choose from a range of deposit terms, with options available from a minimum of 1 month to a maximum of 60 months. This flexibility allows individuals to tailor their investments according to their financial goals and liquidity needs at a competitive interest rate subject to CBSL ceiling rates.
Interest can be paid out at maturity or on a monthly basis, providing clients with the flexibility to choose a payment schedule that aligns with their financial preferences and cash flow requirements.

We offer a cashback facility against fixed deposits, allowing clients to access up to 90% of the value of their investment. This facility provides liquidity and financial flexibility, subject to terms and conditions.

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, FFL offers three savings products; ‘Vishishta’ savings account for those who are above the age of 18 years, ‘Shreshta’ senior citizens’ savings account for those who are above the age of 60 years, and ‘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.

Our Product Lines

Gold Loan

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 the latest technology and quick service while ensuring maximum security for the assets.

Money Market Savings Account

Fintrex Flexy Fix Money Market Savings Account is aimed at corporate and high net worth individuals and 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.

Agriculture Loan Scheme

Fintrex has revitalized its agricultural loan scheme under the new name "Fintrex AgriNEX." Derived from the words "Agri" for agriculture and "NEX" for Nexus, AgriNEX signifies the interconnectedness of various agricultural activities. This revamped initiative aims to offer customized financial solutions to meet the specific needs of farmers and agricultural entrepreneurs. With competitive installment options and flexible repayment terms, Fintrex AgriNEX is poised to alleviate financial constraints and empower agricultural stakeholders to invest in their enterprises for sustainable growth.

Investment Planner Account

Dream Planner is an innovative savings plan, designed to empower customers to achieve their financial dreams. With Dream Planner, customers can set aside a fixed amount of savings every month, ensuring disciplined savings towards their desired financial goals. This product offers a unique opportunity for individuals to plan and achieve their aspirations, whether it's purchasing a dream home, funding education expenses, or building a retirement fund. Customers can set a target amount they wish to achieve by the end of an agreed target period. Whether it's saving for a down payment on a house or accumulating funds for a dream vacation, Dream Planner helps customers stay focused on their objectives. Dream Planner offers flexibility in choosing the target period, ranging from a minimum of 1 year to a maximum of 5 years. This allows customers to align their savings plan with their specific timeline and financial objectives.

Recognition and Achievements

TAGS AWARDS 2023

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

MOST RESPECTED ENTITIES IN SRI LANKA 2023

Compiled by

LMD

(Second consecutive year)

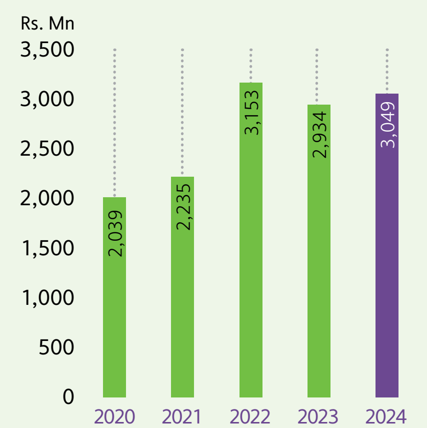
Great Place to Work Certified™ 2024 - 2025 (Third consecutive year)

Financial Highlights

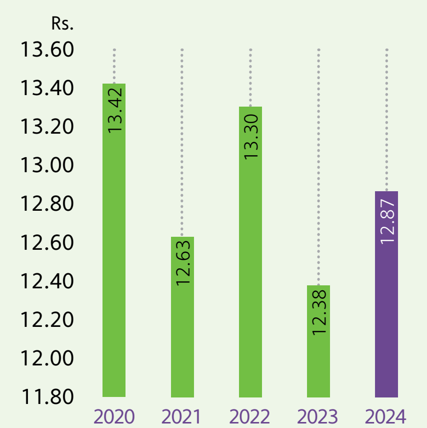
For the Year Ended 31 March,	2024 Rs. '000	2023 Rs. '000	Change %
Results for the year			
Gross Income	2,882,334	2,368,382	22%
Interest Income	2,761,979	2,264,367	22%
Interest Expenses	1,739,683	1,811,036	4%
Impairment (Charge)/ Reversal	168,833	-182,571	192%
Operating Expenses	941,719	819,511	-15%
Profit/(Loss) before tax	369,765	-444,736	183%
Profit/(Loss) after income tax	110,112	-219,089	150%
Financial Position			
Shareholder's fund	3,048,880	2,934,108	4%
Deposits from customers	6,295,627	4,743,530	33%
Leases,loans and advances	13,175,790	9,269,294	42%
Borrowings	4,856,684	3,021,448	61%
Total Assets	15,120,892	10,978,227	38%
Investor Information (Rs.)			
Earnings per share	0.46	-0.92	150%
Net assets per share	12.87	12.38	4%
Financial Indicators (%)			
Return on shareholders' funds	3.68	-7.20	151%
Return on average assets	0.84	-1.86	145%
Net interest margin	8.42	4.12	104%
Cost to income ratio	82.42	147.04	44%
Gross non performing loan	11.24	11.21	0%
Net non performing loan	8.89	4.74	-88%
Statutory Ratios (%)			
Core Capital Ratios - Minimum requirement- 8.5%	16.07	25.24	-36%
Total Risk Weighted Capital Ratio - Minimum requirement - 12.5%	16.07	25.24	-36%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirment -10%)	42.41	60.72	-30%

Total Assets

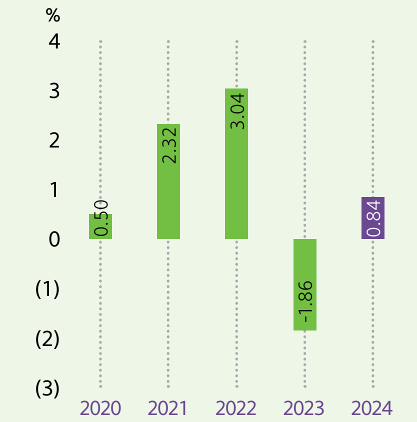
Total Equity



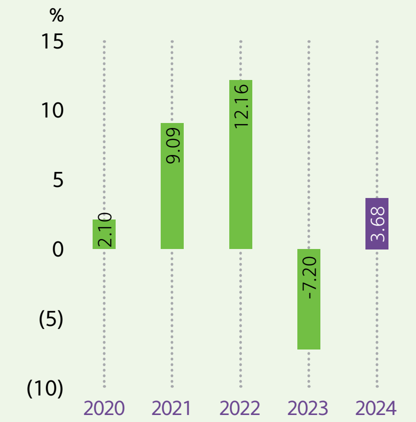
Net Assets Per Share (NPS)



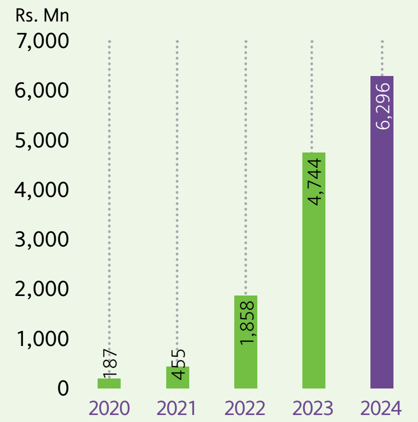
Return on Assets (ROA)



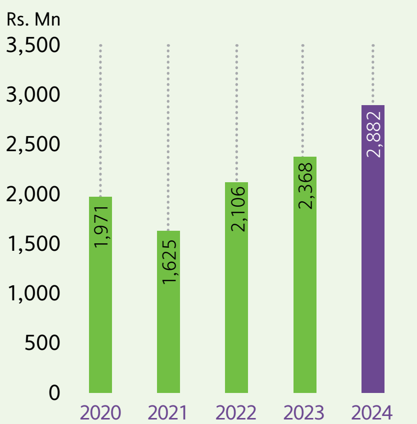
Return on Equity (ROE)



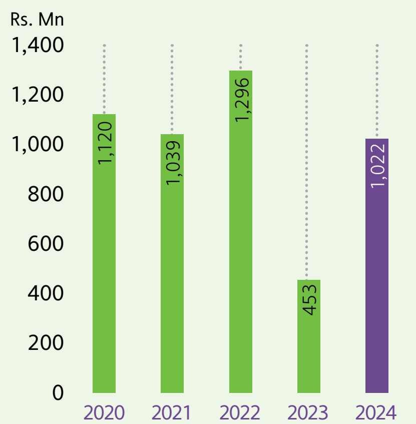
Deposits Base



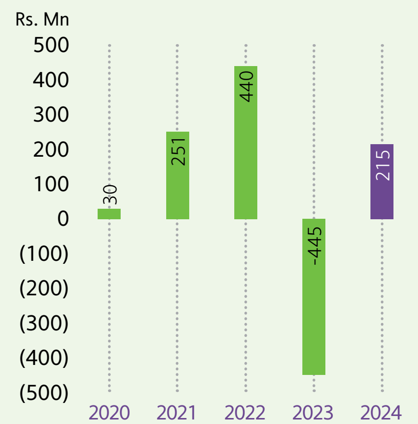
Gross Income



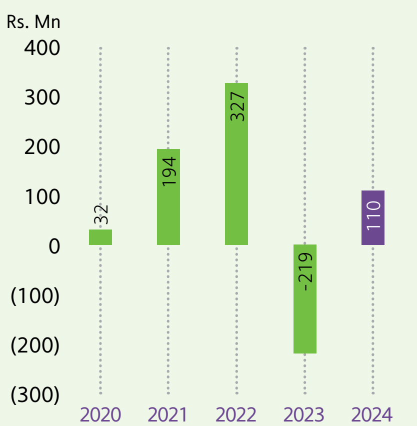
Net Interest Income



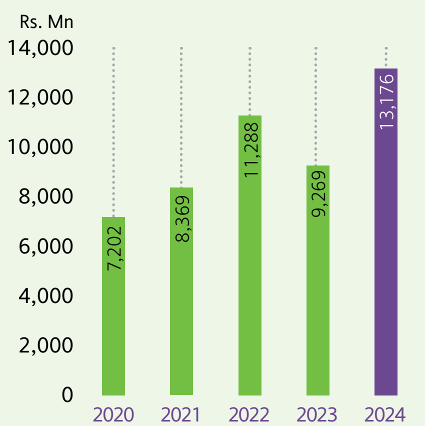
Profit Before Tax



Profit After Tax



Net Lending Portfolio



Impairement Charges

Inspiring Digitalization

Mr. Sumith Alwis, the proprietor of Phone Planet, embarked on his entrepreneurial journey in 2006. Beginning as a small-scale mobile phone shop, Phone Planet has established itself as a respected Company in the industry, known for delivering high quality mobile phones and accessories. Their steadfast dedication to quality and customer satisfaction has firmly established itself as a respected and leading name in the industry.

In addition to growing his business, Mr. Alwis has successfully launched his own mobile phone brand, further establishing Phone Planet's reputation for innovation and excellence in the market.

"Fintrex Finance Limited provided me with liquidity support during the Corona pandemic. The pandemic posed significant obstacles, but Fintrex Finance's commitment to understanding and addressing the needs of small businesses like mine made a substantial difference. Additionally, I have been able to purchase several vehicles with the support of Fintrex Finance, further contributing to the growth and expansion of my business"

- Mr. K. H. A. Sumith Alwis, Proprietor - Phone Planet -


the Monsters
SONY
PS5

Our Company demonstrated resilience with strong liquidity, profitability, capital adequacy and quality indicators

Reflections from the Chairman

Dear Stakeholder,

I am pleased to present to you the Annual Report of Fintrex Finance Limited for the financial year ending 31st March 2024. The Management was able to diligently execute its strategic plan and successfully navigate the challenging conditions that prevailed during the year under review. The strategies implemented were driven by the core principles of customer-centricity and innovation while adopting a prudent approach to value creation and being sensitive with empathy to the well-being of internal and external stakeholders. The results reflect the Company's strength in corporate stewardship during times of adversity.

Context

After enduring a particularly volatile year in 2022, the Sri Lankan economy began to improve during the year under review. In particular, the Central Bank of Sri Lanka (CBSL) relaxed its policy rates in 2023 to stimulate economic growth, which was reflected in a positive GDP growth in the second half of the year.

Foreign exchange inflows were enhanced due to expansion in tourism earnings, higher remittances and reasonable export revenues that boosted the external sector, resulting in increasing of foreign exchange reserves. By 31st March 2024, key economic parameters had improved, with interest rates adjusting downwards, the rupee appreciating to Rs. 300/- to the US dollar, and inflation down to single digit. The IMF has forecast a GDP growth of 1.8% for Sri Lanka in 2024. Although all the economic parameters are showing progress, economic recovery is still fragile, and the nation needs to persevere with the on-going reforms to achieve sustainable growth. The Company will continue to capitalize on opportunities that arise in sectors which are showing strong growth, and we are optimistic about expanding the credit portfolio while preserving credit quality.

With effect from 1st April 2023, the classification of non-performing loans was tightened to more than 90 days past due (previously more than 120 days past due). The NBFI sector will need to continue managing risks due to the prevailing economic conditions which will also exert pressure on the already-high sectoral non-performing loan ratio. However, as the economy undergoes revival, the increased economic activities and enhanced employment opportunities will contribute to a brighter outlook for the NBFI sector.

Company Performance

During the year under review, our Company placed strong emphasis on expanding the credit portfolio while preserving credit quality by focusing on selective customer and product segments. The restrictions on vehicle imports continued, thus reducing the scope for credit expansion and the prevailing volatility in market valuations necessitated greater risk management, controls and more frequent reviews to assess the business impact. As a result of this strategic approach and risk management initiatives, our Company demonstrated resilience with strong liquidity and capital adequacy ratios, improvement in profitability and a significant reduction in gross nonperforming loans ratio.

The Company maintained strong liquidity levels throughout the year and deployed the excess funds by investing in short-term government securities. Despite the notable downward adjustment in market interest rates by end 2023 due to easing of monetary policy and reduction of policy interest rates by a total of 650 basis points, the Company was able to post net interest income of Rs.1.02 billion compared to Rs. 0.45 billion in the prior year, an increase of 126%.

The Company commenced the year with a non-performing loans ratio of 14.13% in April 2023 as a direct effect of the new classification rules being tightened by the regulator to more than 90 days past due from the previous more than 120 days past due. As a responsible financial partner, Fintrex engaged closely with customers, putting our customer centricity pledge into action. This enabled the Company to bring down the non-performing loans ratio to one of the lowest in the industry at 11.24% by the end of March 2024.

As a result of prudent recovery measures, Fintrex achieved an impairment reversal of Rs. 169 million compared to a charge of Rs. 183 million reported in the previous year.

The company for the financial year under review posted a Net Profit of Rs. 110 million, growth of 150% over the previous financial year.

One of the key strengths of the Company is its strong capital position. The Company's Tier I and Total Capital ratio was 16.07%, significantly higher than the statutory requirement of 12.5%.

Significant Milestones

During the year, we were conferred with the "Great Place to Work" certification for the third consecutive year by the Great Place to Work Institute in Sri Lanka. Likewise, we were honored with the Bronze Award at the Annual Reports TAGS Awards 2023, organized by the Institute of Chartered Accountants of Sri Lanka for the second consecutive year, and were also listed amongst the Most Respected Companies in Sri Lanka by LMD for the second consecutive year.

Sustainability Focus

GRI 2-22

We continue to maintain our sustainability commitment primarily focusing on the betterment of those who are in need. We strongly believe that we have the potential to make a significant social impact by empowering those individuals who are struggling to achieve their economic wellbeing, extending our extensive financial acumen and affordable finance. On the other hand, we concentrate on

Reflections from the Chairman

CSR initiatives to address various needs of the marginalized communities. Moving a step further as a responsible corporate, our sustainability commitment also encompasses environmental sustainability where we persistently strive to fulfill our obligation to conserve the planet in which we live.

Governance

We have established a strong governance foundation that provides us with the framework 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 organization to provide direction to the management in creating value for the stakeholders and sustaining our competitive position.

Board Changes

I would like to welcome the two new independent directors Mr. Kapila Ariyaratne (with effect from 01st November 2023) and Mr. J F R De Fonseka (with effect from 01st April 2024) who joined the Board. Both of them bring a wealth of knowledge in the banking, finance and IT fields and will add significant value to our deliberations.

Appreciations

I express my gratitude to all our stakeholders who have stood by us, appreciating our commitment to ethical business practices and our well-balanced approach to business growth and profitability. Our employees have consistently demonstrated unwavering commitment and dedication to the Company. Their efforts are greatly appreciated.

Our customers have remained our pillar of inspiration, motivating us to be a genuine financial partner in their time of need. Our mutually supportive sustainable business model, and customer centric approach have been valued by our customers, and this had led to our customers retaining the business relationship with us throughout many years.

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

I would like to thank my fellow directors on the Board for their support during the year. The management team led by the CEO has ably implemented the strategic plan and objectives with resounding support from our valued employees

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

In conclusion, I would like to thank all stakeholders for their continued patronage, trust and confidence placed in our pursuit of excellence.

Ajit Gunewardene
Chairman

“Our commitment extends beyond profitability, it encompasses resilience, adaptability and responsible management.”

CEO's Review

Dear Stakeholder,

Our journey during the financial year 2023/24 has been one of stability and resilience, where we have been able to navigate through the rapidly evolving financial landscape with agility and foresight. We have remained steadfast in our commitment to provide exceptional service and products that meet the evolving needs of our customers. Our team's dedication has been instrumental in driving the Company's growth and success, enhancing our customer experience while retaining our competitive edge in an intensely competitive environment. The comparative financial year 2022/23 was defined by the country's unprecedented economic crisis post-independence, which led to catastrophic impacts across all aspects of daily living. Early signs of stability were seen during the second half of FY 2022/23 along with the approval of the International Monetary Fund's (IMF) Extended Fund Facility (EFF) program in March 2023, together with other macro-economic policy changes, leading to a confident restoration of the Country's economy. Thus, IMF's approval of Extended Fund Facility was a crucial step in restoring macroeconomic stability. Hence, the FY 2023/ 24 was an important milestone year of economic recovery, restoring Sri Lanka's ability to bounce back amidst adversity.

The financial services industry, including banks, Non-Banking Financial Institutions (NBFI's) and insurance companies, has indeed been at the forefront of navigating a complex array of challenges. The period under review saw the asset base of the NBFI sector growing by 5.1%, largely driven by increased investments in government securities. The reduction in the leasing portfolio of the NBFI sector can be attributed to the government's curtailment of motor vehicle imports to preserve foreign exchange. Furthermore, the financing of pre-owned vehicles was impacted by the high interest rates that prevailed during the first half of the year.

Macro-prudential Measures by the Regulator

In 2023, Sri Lanka's financial landscape was considerably impacted by credit quality dynamics and the Central Bank's enhancement of regulations. The Central Bank of Sri Lanka (CBSL), recognizing the importance of managing Non-Performing Loans (NPL's), has been proactive in implementing policies to address this issue. The classification of non-performing loans was tightened to more than 90 days past due (previously more than 120 days past due) with effect from 1st April 2023. CBSL's Financial Stability Review of 2023 highlighted the financial sector's resilience despite the economic downturn, with signs of stabilization in financial markets and a recovery phase in the credit cycle.

Financial Performance

Despite the challenging economic conditions, Fintrex demonstrated a resilient performance in FY 2023/24, maintaining a stable financial position. A greater focus on lending, coupled with increased effort and volumes, played a pivotal role in driving revenue growth. Superior customer service ensured strong customer retention and satisfaction, further boosting our financial results. We also strengthened our recovery processes, placing greater emphasis on managing impairments effectively, which helped maintain our non-performing loans (NPL's) at a manageable level. These combined efforts enabled the company to maintain a stable financial position, which is reflected in the improvement of our overall revenue growth.

In the financial year 2023/24, Fintrex Finance recorded a top-line growth of 22%, reaching Rs. 2.88 billion, driven by portfolio expansion. The Company notably strengthened its recovery efforts, resulting in a reversal of impairment charges for Rs. 169 million compared to a charge of Rs. 183 million in the previous year. The increase in operating income, combined with the reversal of impairment charges, led to a 250% rise in Net Operating Income, reflecting effective asset and liability management. These strategies translated to a 183% increase in operating profit before tax on financial services, amounting to Rs. 370 million. Consequently, the Profit After Tax improved to Rs. 110 million, an increase of 150% over the previous year. Both the asset base and liabilities indicated an increase, with the liability growth by 50% and growth in assets by 38%, maintaining a healthy balance sheet.

People Management

Skilled migration (Brain drain) continues to be a critical challenge in Sri Lanka's labor dynamics, particularly due to the recent economic challenges the country has faced, which led to many professionals migrating seeking greener pastures. In response, we placed significant emphasis on building our team and retaining talents while actively creating a thriving work environment. We recognized the importance of empathy, ensuring that we supported our staff during tough times. By fostering positive work experience, we aimed to provide equitable opportunities for growth and development. Our commitment to employee well-being remains at the forefront of our organizational strategy. We believe that by nurturing our team and providing a supportive work environment, we can continue to thrive even in challenging times.

Customer-Centric Strategy

Customers are at the heart of our strategy and value proposition. During the year, we prioritized customer satisfaction through exceptional experiences. We relocated our City branch to a more spacious building in Colombo 3, providing unmatched convenience and named it as Fintrex Signature. Similarly, our Kurunegala Branch was also relocated to the heart of the city, providing easy access and convenience.

Achievements

During the year, we were conferred with the "Great Place to Work" certification for the third consecutive year by the Great Place to Work Institute in Sri Lanka. Apart from that, the Company won the Bronze Award at the Annual Reports TAGS Awards 2023, organized by the Institute of Chartered Accountants of Sri Lanka for the second consecutive year. We were also listed amongst the Most Respected Companies in Sri Lanka by LMD for the second consecutive year.

Way Forward

In our strategic approach, we maintain a keen awareness of the macro-economic landscape, allowing us to make informed decisions. Our goal is to ensure sustainable profitability while mitigating potential risks. To achieve this, we adopt a proactive approach and closely monitor market dynamics, regulatory landscape, macro-economic factors, which impact our decision making and resource allocation. In summary, our commitment extends beyond profitability, it encompasses resilience, adaptability and responsible management.

Acknowledgements

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 trust in Fintrex as a responsible employer in taking care of them amidst challenges. We remained committed to serving our clients, providing them with the necessary guidance and mentorship to overcome their financial constraints to achieve their targets.

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, E&Y Sri Lanka 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. I look forward to your support in the years to come.

Jayathilake Bandara
General Manager/ Chief Executive Officer

Inspiring Health and Nutrition

Over 25 years, Mr. Leslie Bernard has been a prominent businessman who seamlessly blends traditional farming techniques with modern technology to create an efficient agricultural operation. By respecting time-honored practices while embracing innovative advancements, Leslie's Agro optimizes crop yields, enhances sustainability, and ensures the high-quality productions, resulting in improved resource utilization and reduced environmental impact. His commitment extends beyond farming as he actively shares his extensive knowledge through comprehensive agricultural training programs which cover various aspects of organic farming, offering valuable insights and techniques enhancing sustainable agriculture development.

"Fintrex Finance has been a reliable financial partner, consistently providing us with innovative investment ideas and maintaining high service standards, I value Fintrex's approach to customer relationships; the connections they build are long-lasting and mutually beneficial. Fintrex also ensured to deliver their financial solutions by understanding our specific needs. They have also provided my staff with valuable investment ideas, enhancing our operations and growth. Their willingness to visit our premises to meet our requirements exemplifies their commitment to personalized and effective service. We look forward to continuing our partnership with Fintrex Finance Limited, which has offered us consistent support and exceptional service. "

- Mr. Leslie Bernard, Director - New Bernards Animal Feeds (Pvt) Ltd, Leslie's Agro -

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. Kapila Ariyaratne
Independent Non-Executive
Director

Mr. Ajit Gunewardene
Chairman

Mr. Ajit Gunewardene is the Founder and 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, 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 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 a member of the Board of the BOI. He is current Chairman of Teejay Lanka PLC. 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. Prior to JKH, he was 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 52 plus 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 forums and is the author of "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 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 two-year restructure, culminated in a strategic sale of the Company to Sagawa, Japan.

Mr. Ahamed Sabry Ibrahim
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 this appointment, 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 and Regal Images International Ltd. He has also been a Director of HNB

Board of Directors

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 is also a Fellow Member of the Chartered Institute of Management Accountants/ CGMA, UK. Mr. Perera was named CEO of Teejay Group in May 2018. 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 a 13-year 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 and Teejay India Pvt Limited. He also serves as an Independent Director and Chairman of the Audit Committee of Teejay Lanka PLC. 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 and was Group Director Finance of the CBL Group (Ceylon Biscuits) and an Executive Director of CBL Investments Limited, the Holding Company, and 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 was the Vice Chair of the Global Markets Committee. He was a past Chairman of the Industrial Association of Sri Lanka 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 on the Board of the Sri Lanka Accounting and Auditing Standards Monitoring Board. In 2019, he also served as an Independent Director, Bank of Ceylon and chaired its Audit Committee. Mr Jayasinghe possesses over 35 years of experience in the areas of General Management, Finance & Planning, Corporate Finance, Banking, Treasury, Risk, Audit and Compliance.

Mr. K. Sivaskantharajah
Independent Non-Executive Director

Mr. K. Sivaskantharajah, is an Attorney-at-Law , Solicitor, (England and Wales) having been admitted to the Bar in October 1981 and has over 40 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.

Mr. Kapila Ariyaratne
Independent Non-Executive Director

Mr. Kapila Ariyaratne has over 38 years of banking experience, having worked for several local as well as international banks. Before joining the Fintrex Board, he was General Manager/Chief Executive Officer at Seylan Bank PLC since 2011.

Making his entry into banking in 1984 as a Management Trainee at Grindlays Bank PLC, Mr. Ariyaratne spent the next 38 years with several local and international banks, including ABN Amro Bank NV, Mashreq Bank PSC, Arab National Bank (Riyadh), People's Bank and Nations Trust Bank PLC.

While a substantial part of his experience is in Corporate Banking, he has hands-on experience in International Trade Finance Operations, Customer Service Operations, Credit Risk Management, Institutional and Correspondent Banking as well as SME and Microfinance. Being a key member of the team that undertook the restructuring of a key State sector bank in 2001, Mr. Ariyaratne is also familiar with the mechanisms of bringing about key changes in large organisations in order to meet the present day challenges and to optimise the opportunities.

Mr Ariyaratne was the Chairman of the Seylan Developments PLC and also served on the Board of Lanka Financial Services Bureau Ltd. He was the Chairman of the Sri Lanka Banks' Association, a member of the Governing Board of the Institute of Bankers of Sri Lanka and of the National Payments Council under the Central Bank of Sri Lanka.

Mr. Ariyaratne currently serves as a Non-Executive Director on the Boards of Ceylinco Insurance PLC and RIL Property PLC.

An old boy of Royal College, Colombo, Mr. Ariyaratne is a First Class Honours Graduate of the University of Colombo and is also a holder of a Diploma in Business and Financial Administration.

Corporate Management

Mr. Jayathilake Bandara
General Manager/ Chief Executive Officer

Mr. Nishantha Hettiarachchi
Chief Information Officer

Mr. Manjula Tennakoon
Chief Financial Officer

Mr. Nimal Luxshman
Chief Internal Auditor

Mr. Samantha Weragoda
Head of Business Development - Special Projects

Mr. Sanjeewa Buwanakabahu
Head of Human Resources & Administration

Mr. Hirantha Perera
Head of Legal

Mr. Kamal Kumarasinghe
AGM - Recoveries & Portfolio Management

Mr. Namal Sumanaratne
Head of Credit

Mr. Dinesh Gunasekara
AGM - Business Channels Development

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 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. Nishantha Hettiarachchi
Chief Information Officer

Mr. Hettiarachchi has been a part of Fintrex since 2018, bringing with him over 25 years of rich experience in the Information Technology domain. Within this period, he has dedicated 19 years to the banking sector and 5 years to the non-banking financial sector. His professional journey encompasses 13 years in Corporate Management, with 9 years in Banking and 5 years in non-banking financial sector.

Prior to joining Fintrex Mr. Hettiarachchi served as the Assistant Vice President (AVP) of Information Technology department at the National Development Bank. He has demonstrated proficiency in managing IT environments by providing value addition to the business operation. He has provided leadership for many technical and software projects and implemented them successfully.

A specialist in Core Banking Transformation, Mr. Hettiarachchi has spearheaded numerous successful implementation projects in this area. His expertise extends to international setting, having served as a core banking implementation consultant for an overseas bank in Nigeria.

He has been instrumental in driving digital transformation initiatives within business environments. His contributions include the re-engineering business process, the implementation of efficient software solutions, the adoption of data driven business models, and setting up IT governance, formulation of necessary policies and procedures.

Mr. Hettiarachchi holds 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. Manjula Tennakoon
Chief Financial Officer

Mr. Tennakoon is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka. He holds a Bachelor of Business Administration Special Degree from the University of Colombo and an MBA Degree from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura. He also holds a Diploma in Taxation from the Sri Lanka Institute of Taxation while being a Certified Information System Auditor.

He commenced his career as a Management Trainee at George Steuart & Co. Ltd and has over 15 years of experience in non-bank financial institutions including both managerial and senior managerial positions in The Finance Company PLC, Prime Finance PLC, HNB Finance PLC and Orient Finance PLC.

Mr. Nimal Luxshman
Chief Internal Auditor

Mr. Nimal Luxshman counts over 49 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. Samantha Weragoda
Head of Business Development - Special Projects

Mr. Samantha Weragoda is a highly regarded professional in the financial sector, currently serving as the Head of Business Development (Special Projects). Armed with a Bachelor of Science (General) degree from the University of Peradeniya and certified as a Lean Black Belt Practitioner by APEX Institute of Management Services, he has elevated his academic credentials with an Executive MBA from the esteemed Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

Embarking on his professional journey as a Management Trainee at Central Finance in 2004, Mr. Weragoda has navigated through various roles, including Senior Manager (Credit). His journey has taken him through different positions, demonstrating his versatility and growth within the industry. His trajectory has brought him to his current pivotal role at Fintrex Finance. Within the organization, he has been an indispensable part of the strategic team, making substantial contributions to the development and streamlining of business processes. His unwavering commitment to continuous improvement, adaptability to change, and collaborative approach with stakeholders have played a pivotal role in enhancing service quality and efficiency.

With a wealth of experience exceeding 20 years in the financial sector, Mr. Weragoda is distinguished for his exceptional communication skills and leadership qualities. Acknowledged for his adeptness in building and sustaining enduring relationships with both internal and external stakeholders, he has established a high level of trust and confidence. As an invaluable team member, he remains dedicated to contributing to the growth and success of Fintrex Finance, assuming a key role in its strategic development and fostering a culture of excellence.

Mr. Sanjeewa Buwanakabahu
Head of Human Resources & Administration

Mr. Sanjeewa Buwanakabahu boasts over 18 years of hands-on experience across banking and finance, manufacturing, and service sector industries. Throughout his career, he has served as a strategic HR Business Partner for esteemed organizations including People's Bank, Modern Pack Lanka (Pvt) Ltd, CBL Foods International (Pvt) Ltd, Siyapatha Finance PLC, and Renuka Group of Companies. His contributions have been instrumental in the planning and execution of projects aimed at securing the right talent, fostering a work environment conducive to employee happiness and safety, and cultivating a performance-driven culture with an engaged and productive workforce.

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

Driven by a passion for training and development, continuous improvement, and various disciplines in HR/General Management, Mr. Buwanakabahu has made significant contributions as a visiting lecturer and trainer at esteemed institutions such as 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 27 years of experience in the fields of banking, finance, insurance and compliance, of which 14 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. He then 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, LOLC Life Assurance Ltd, and further he has been the Compliance Officer for both LOLC Insurance Companies. Mr. Perera has completed his Bachelor of Laws' degree at

Corporate Management

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 provided leadership and mentoring for the successful implementation of core recovery strategies while developing and executing targeted recovery objectives 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, Mr. Kumarasingha has been working with the Fintrex family for for nearly 10 years. He 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.

Mr. Namal Sumanaratne
Head of Credit

Mr. Namal Sumanaratne carries with him over 30 years of experience in the Banking & Finance Sectors. His banking and financial sector career spans over 21 years' experience in credit management and 9 years' experience in operations, portfolio management and branch banking.

Mr. Namal gained hands on experience in credit management for specialized products such as Leasing and Factoring over a considerable period and has gained experience in SME/MME credit management.

He started his career at Seylan Bank as a Banking Assistant and held different positions in Mercantile Leasing Ltd and Nations Trust Bank as Operations Executive, Portfolio Manager and Manager Credit for Leasing, Factoring and SME/MME.

Prior to joining Fintrex Finance Ltd, he was attached to Softlogic Finance PLC and held Positions as a Head of Factoring & Business Loans and later promoted to the position of Head of Credit.

Mr. Dinesh Gunasekara
Assistant General Manager - Business Channels Development

Mr. Dinesh Gunasekara's career exemplifies a commitment to excellence and a depth of expertise in the finance and banking industry, particularly in the specialized field of leasing. Over his 23 years of experience, he has consistently demonstrated his ability to drive market share, enhance brand positioning, and increase revenue.

With a diverse background in leasing, Mr. Gunasekara has refined his skills in developing and executing targeted business initiatives that foster customer growth, achieve sales objectives, and boost profitability. His leadership qualities shine through as he effectively communicates and leads teams, building long-term relationships both internally and externally.

During his tenure at Nations Trust Bank, spanning 17 years, Mr. Gunasekara held various positions, showcasing his upward trajectory within the organization. Starting as an Assistant Manager in Corporate Leasing, he ascended to the role of Assistant Vice President in Leasing. His contributions to strategic teams highlight his ability to streamline processes and enhance service quality and efficiency.

Mr. Gunasekara holds an MBA from Cardiff Metropolitan University, complemented by certification as a Management Accountant from CMA Australia. His active involvement in the Colombo Toastmasters Club underscores his commitment to personal and professional development, particularly in communication and leadership skills.

Senior Management

Mr. Nuwan Fernando
Head of Deposits

Mr. Weranga Jayasekara
Senior Manager - Operations

Mr. Yenuka Geemal
Senior Manager - Treasury

Mrs. Theja Malawaarachchi
Senior Manager - Legal

Mr. Niroshan Karunathilaka
Senior Manager - Internal Audit

Ms. Dulmani Jayasekara
Risk and Compliance Officer

Mr. Salika Wijesekara
Senior Manager - Business Development

Mr. Aruna Fernando
Senior Manager - Recoveries

Mr. Upul Ranjan
Senior Manager - Gold Loan Operations

Mr. Indika Bogala
Senior Manager - IT

Mr. Maduka De Silva
Senior Manager - Recoveries

Mr. Sameera Indrajith
Regional Manager-Business Development

Senior Management

Mr. Adrian Philip
Regional Manager-Business Development

Mr. Nihal Ekanayake
Senior Manager - Finance

Mr. Granville Samarakoon
Senior Manager - Deposits and Mobilization

Mrs. Aruni Gunawardena
Company Secretary

Mr. Lalaka Siriwardena
Senior Manager - SME Credit

Mr. Samila Imbulana
Senior Manager - Deposits and Mobilization

Branch Managers

Mr. Amila Sandaruwan
Signature Branch

Mr. Sagara Kumara
Kurunegala Branch

Mr. Dilak Wanigathunga
Matara Branch

Mr. Isuru Rodrigo
Gampaha Branch

Mr. Harsha Athauda
Kiribathgoda Branch

Mr. Pasindu Bhashitha
Pettah Branch

Mr. Dinesh Thilakaratne
Negombo Branch

Mr. Pathum Thennakoon
Maharagama Branch

Mr. Nalaka Liyanage
Malabe Branch

Mr. Vajira Abeysinghe
Galle Branch

Mr. Anuradha Nanayakkara
Kalutara Branch

Inspiring Women Entrepreneurship

Mrs. Kumari, alongside her husband, embarked on their entrepreneurial journey while she was still pursuing her studies. They started with a small-scale home-based production of household cleaning items in 2012. Despite the numerous challenges that come with being a new entrepreneur, Mrs. Kumari's determination and dedication drove the business as a leading company renowned Super White Lanka (Pvt) Limited, which manufactures and distributes household cleaning products. Presently , the company operates from a fully-fledged factory, employs over 80 staff members, and owns a fleet of 20 vehicles. Mrs. Kumari's exceptional entrepreneurial spirit has been widely recognized and she has received several prestigious accolades, including the Best Enterprise Award and the Best Women Entrepreneur Wayamba Wijayabhimani "Viyawasaya Vishishtatha Sammana Pradhanaya 2020," held in 2022.

"Fintrex has been an essential partner my business journey, playing a crucial role in our achievements. Their practical approach consistently meets the unique needs of my business, providing invaluable assistance and expertise that fuels our ongoing growth. Even in challenging market conditions, Fintrex stands out with their prompt responses and adaptable processes, which have been vital in navigating the complexities of the business landscape.

I eagerly look forward to the continued success of our partnership in the years to come."

- Mrs. S. B. M. Hemalatha Kumari, Directress - Super White Lanka (Pvt) Ltd -

How We Create Value

Input

Financial capital encompasses the funds and borrowings that are available to the Company to generate Company's financial wealth and profit potential into the future.

Financial Capital

Total Equity – Rs. 3,048 Mn
Total Deposits – Rs. 6,295 Mn
Total Debt – Rs. 4,856 Mn

Page 72

Manufactured Capital encompasses the physical infrastructure and digital infrastructure we utilize in value creation and sustaining our competitive position

Manufactured Capital

Branch Network – 16
New product Introduced - 03

Page 82

Intellectual capital comprises of ICT systems, knowledge and expertise of human resources, brand reputation and organizational culture that contributes to our value and competitiveness.

Intellectual Capital

Launching CEFTS facility
Adopting a data driven approach
Process automation

Page 87

Human capital embodies the economic value of the employee's knowledge, skills and expertise that increases the Company's productivity and profitability.

Human Capital

Staff Strength – 265
Training Hours – 4,709

Page 92

Social & Relationship capital comprises of the mutually beneficial relationships we have fostered over the years with our stakeholders; customers, investors & shareholders, regulators and the community

Social & Relationship Capital

Industry collaborations
Community awareness initiatives

Page 101

Natural capital encompasses all renewable and non-renewable resources we have , where we concentrate on mindful utilization of those scarce resources in sustaining value creation and long-term sustainability.

Natural Capital

Energy consumption revenue per Rs. 1Mn decreased by 12%
Tree planting campaign
5s Implementation

Page 110

Our Product Lines

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 Customer deposits

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
- NPS: Rs. 12.87
- ROE: 3.68%
- ROA: 0.84%

Customer-centricity
- Total Active Customers: 14,172
- Deposit Base Growth: 33%
- Lending Portfolio Growth: 43%

Digital Delivery
- CEFTS implementation
- Implementation of Payment Management system (PMS)
- 99% Cashless disbursement through Credit Management System (CMS)

High Employee Engagement
- Total training hours by all employees: 4,709
- Average training hours per employee: 18 Hrs
- Awarded as one of Sri Lanka's Best Workplaces

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

Strategy that Led Our Way

FFL's core strategic objective is focused on delivering long-term value for all its stakeholders contributing to the sustainable development of the Country. Hence, we annually review our strategic plan in line with the evolving macroeconomic and industry environment, thereby adapting it to drive growth amidst shifting dynamics. We are steadfast in financially empowering businesses and individuals (including women entrepreneurs) that operate within the SME segment. Through this effort, we contribute to the GDP growth of the country enhancing the well-being of all Sri Lankans.

The financial year 2023/24 was characterized by economic uncertainties that overshadowed the growth progress. The economic setback during the first half of the year posed challenges for businesses, mainly impacted by the downturn in key industry sectors, inflationary pressure, high interest rate environment and tax hikes. It was only towards the latter part of the year that the overall macroeconomic environment became conducive for businesses to make significant progress, resulting in Sri Lanka recording a 4.5% YoY growth in the fourth Quarter of 2023. Against this backdrop, we had to demonstrate resilience and strategic agility in sustaining growth and creating value for the stakeholders.

Strategic initiatives during the FY 2023/24

- Concentrated on the growth of the loan portfolio while focusing on lending growth on a progressive basis. FFL expects to achieve gross portfolio of Rs. 24.3Bn at the end of 2025, increasing the existing portfolio by Rs. 10.7Bn (78.6%).
- Refrained from aggressive branch expansion, although two branches (City branch and Kurunegala branch) were deliberately relocated to strategic locations to better penetrate asset and liability customer segments
- Adapted a stringent screening and evaluation process in recruitment to select the right talent for the job position. This was intended to bolster the customer base sustaining service excellence
- Expansion of product offerings introducing “Revolving Draft” and “Speed Draft” for business enterprises that operate within the SME segment.
- Reinforced customer relations by taking a proactive role in supporting them during crisis periods. This includes granting moratoriums, and offering relief packages and consultations to navigate the financial difficulties during the period.
- Carried out 9 Mega Campaigns to enhance brand image and visibility amongst the communities utilizing BTL activities and TTL activities on Social media platforms such as Facebook.

Resource Allocation

- Allocate Rs. 6.82Mn for staff training and development
- Allocate separate sub unit under HR department for new recruitments and training with the assistance of internal consultants who have exposure in vast areas.
- Allocate Rs. 30.9Mn on IT Improvements
- Allocate Rs. 9.2Mn for BTL promotional campaigns
- Allocate Rs. 37.2Mn for branch relocation and Head Office expansion

Outlook

- Focus on growing the loan portfolio concentrating on driving leasing, capitalizing on the improved market sentiments for vehicle imports
- Strengthen our team to uplift the Company’s brand reputation enhancing our competitive edge
- Facilitate mobile financing to propel digitalization and ensure convenience and accessibility to customers
- Facilitate "study loans" extending financial support for the next generation to pursue higher education aspirations
- Expand into Green financing introducing Solar Loans and leasing for electric vehicles

Our Focus on Sustainable Development

GRI 2-22

Statement on Sustainable Development Strategy

Our sustainable development strategy is centered on people and the difference we could make in their lives by giving them access to affordable finance to fulfil their business and individual goals. Therefore, we have integrated core sustainability principles into our strategies, operations and decision-making to ensure the long-term economic viability and resilience of the business in a rapidly changing business landscape. As an ongoing process, we believe sustainability requires continuous investments into environmental, social and governance aspects to sustain long-term value creation for the stakeholders. Hence, we have embraced sustainable business practices across all levels of our operations to minimize the Company's environmental footprint and empower communities alongside enhancing the governance framework in managing our sustainability agenda.

Key aspects of our sustainability strategy include;

1. Financial inclusion

We foster financial inclusion through offering affordable and accessible financial solutions for the SME customer segment including women entrepreneurs.

2. Social empowerment

We support social empowerment through extending financial support for SMEs' and women entrepreneurs towards their socio-economic development. In addition, FFL carries out Corporate Social Responsibility (CSR) initiatives to uplift the communities by addressing their pressing needs.

3. Capacity building of employees

We focus on the capacity building of our employees through continued exposure to learning and development opportunities. This has enabled the company to enhance the knowledge and skill set of its workforce in driving business growth aligning with sustainable principles.

4. Reducing internal footprint

We make consistent efforts to reduce the internal environmental footprint through process automation for resource optimization (reducing paper usage), energy and water conservation as well as waste management. We also implemented the 5S system along with lean practices to create a more organized and productive workplace.

5. Green financing

During the year, FFL initiated financial support for environmentally friendly business initiatives and intends to enhance the focus in this area in the next financial year.

Refer to the Reflections from the Chairman for the statement on the relevance of sustainable development to the organization.

Sustainability strategy	Targets achieved during FY 2023/24
Financial inclusion	14,172 customers served 10% of SME Business loans disbursed from total loans Rs. 3,466Mn total loans for Women entrepreneurs
Social empowerment	02 mega CSR projects in addition to the departmental CSR initiatives. 10% of the current portfolio represents agricultural assistance More than 22.4 % of the total portfolio represents assistance for women.
Capacity building	Nearly all the staff were given training in various aspects through 125 well-structured trainings.
Reducing internal footprint	Per employee electricity consumption has been reduced by 3%.
Green financing	Recently launched Solar Loan lending facility Granting leases for electric vehicles

GRI 2-23

Policy commitments for responsible business conduct

We conduct business ethically and responsibly respecting human rights. This has enabled us to foster an equal-opportunity work environment with zero tolerance for any form of discrimination. In this effort, we are guided by the following commitments and practices;

- Commitment to achieve 11 UN Sustainability Development Goals
- Code of Conduct for Employees
- Labour Laws
- Non-discriminatory Policy
- Diversity and Equal opportunity for employees

Our Focus on Sustainable Development

GRI 2-24

Embedding policy commitments

FFL embeds its policy commitments for responsible business conduct mainly through oversight of the Board and the senior management on the implementation of ethical business practices across all levels of operations including the practice of regulatory compliance, risk management and non-discrimination.

No	Division	Description	Board Approval Date	Next Review Date	Policy owner responsible for the review
1	Administration	Procurement Policy	September 2023	September 2025	Head of Human Resources & Administration
		Outsourcing Policy	September 2023	September 2025	
		Security Policy	September 2023	September 2025	
		Procedure - CCTV Operations for AML/CFT Purposes	September 2023	September 2025	
2	Credit	SME Credit Policy Manual	May 2024	May 2026	Head of Credit
		Lending Policy	September 2021	September 2023	
		Credit Policy 2W Leasing, 3W Leasing and 4W Leasing and Loans	September 2023	September 2025	
		Valuation Policy	June 2023	June 2025	Chief Financial Officer/ Head of Credit
3	Deposit	Procedure Manual Fixed Deposits and Savings	September 2023	September 2025	Head of Deposits
		Policy - Fixed Deposits and Savings	September 2023	September 2025	
		Procedure Manual for Cash Backed Loans (CBL) against Fixed Deposit and Savings	December 2023	December 2025	
		Policy on Anti Money Laundering & Combating Financial Terrorism (KYC Policy)	March 2024	March 2026	
4	Finance & Treasury	Accounting Policy	June 2023	June 2025	Chief Financial Officer
		ALCO Policy	May 2024	May 2026	
		Investment Policy	May 2024	May 2026	
		Unidentified Direct Deposits Procedure	May 2023	May 2025	
		Impairment Procedure	November 2022	November 2024	
		Finance Procedure Manual	December 2023	December 2025	
		Procedure Manual on Fixed Asset Management	December 2023	December 2025	
		Impairment Procedure	December 2023	December 2025	
		Statutory Returns Procedure Manual	December 2023	December 2025	
		Policy and Procedure Progressive Discounts for Provisioning Calculation	May 2023	May 2025	
		Classification and Measurement of Credit Facilities Policy	May 2023	May 2025	

No	Division	Description	Board Approval Date	Next Review Date	Policy owner responsible for the review
		Policy on Contingency Funding Plan	June 2023	June 2025	Chief Financial Officer
		Liquidity Risk Management Framework	June 2023	June 2025	
		ICAAP	July 2023	July 2025	
		Visa Debit/ATM Cards Procedure Manual	November 2019	Product is not operating	
5	HR	Human Resources Policy	January 2024	January 2026	Head of Human Resources & Administration
		Staff Promotion Policy	January 2023	January 2025	
		Staff Personal Loan and Staff Lease – Bike Policy and Procedure	May 2020	Temporarily suspended	
		Staff Remuneration Policy	Sept 2023	September 2025	
		Disciplinary Policy	Sept 2022	September 2024	
		Staff Leave Policy	Sept 2022	September 2024	
		Smart Ride - Staff Personal Loan	July 2022	July 2024	
		Succession Plan	February 2023	February 2025	
		Policy on Identifying Key Management Personnel (KMP)	September 2023	September 2025	
6	IT	IT Security Policy	March 2024	March 2025	Chief Information Officer
		Network Security Policy	March 2024	March 2025	
		IT Password Policy	December 2023	December 2024	
		IT Asset Management Policy	December 2023	December 2024	
		User Access Management Policy	December 2023	December 2024	
		Back up Policy	December 2023	December 2024	
		Green IT Policy	December 2023	December 2024	
		Disaster Recovery Policy	March 2024	March 2025	
		Information Classification Policy	March 2024	March 2025	
		Firewall Access Management Policy	December 2023	December 2024	
		Incident Response Policy	December 2023	December 2024	
		Remote Access Policy	December 2023	December 2024	
		Laptop Policy	December 2023	December 2024	
		Email Policy	December 2023	December 2024	
		Physical & Environment Security Policy	March 2024	March 2025	
		Malware Protection Policy	February 2024	February 2025	
		System Acquisition, Development and Maintenance Policy	February 2024	February 2025	
		Acceptable Use Policy	February 2024	February 2025	
		Mobile Based e-Money Services Policy	August 2022	August 2024	
		Identification of Critical Information Systems	August 2022	August 2024	

Our Focus on Sustainable Development

No	Division	Description	Board Approval Date	Next Review Date	Policy owner responsible for the review
7	Legal	Legal Policy	June 2023	June 2025	Head of Legal
		Legal Procedure	June 2023	June 2025	
8	Marketing	Communication Policy	October 2023	October 2025	Manager - Brand and Marketing Communication
		Marketing Policy	March 2023	March 2025	
		New Product Development Process	June 2022	June 2024	
9	Operations	Business Continuity Plan	April 2024	April 2026	Head of Human Resources & Administration
		Procedure for Archiving Documents	March 2023	March 2025	Senior Manager - Operations
		Insurance Procedure Manual	December 2022	December 2024	
		Business Location Opening/ Relocation Policy	February 2023	February 2025	Head of Human Resources & Administration
		Customer Complaint Handling Policy & Procedure	March 2023	March 2025	Head of Customer Service Excellence
10	Recovery	Recoveries Procedure Manual Collection/Recovery Policy	January 2024	January 2026	AGM- Recoveries & Portfolio Management
		Court Bonded Vehicles Operating Mechanism and Provision Requirement	January 2024	January 2026	
		Post Covid Revival & Rehabilitation Policy	November 2021	Not Applicable	
		Policy on Overdue (Penal) Interest Rate	May 2023	May 2025	
		Allocation of Payment Policy	July 2023	July 2025	
		Manual of Procedure - Repossession	April 2023	April 2025	
		Manual of Procedure - Yard Operations	August 2022	August 2024	
		Write Off Policy	May 2024	May 2026	
11	Risk	Stress Testing Policy	April 2024	April 2026	Risk Officer
		Credit Risk Management Policy	May 2023	May 2025	
		Risk Management Policy	July 2023	July 2025	
		Market Risk Management Policy	June 2023	June 2025	

No	Division	Description	Board Approval Date	Next Review Date	Policy owner responsible for the review
12	Compliance	Compliance Charter	August 2022	August 2024	Compliance Officer
		Compliance Policy	July 2023	July 2025	
		Related Party Transaction Policy and Procedure	May 2023	May 2025	
		Governance Framework	October 2022	October 2024	
		Procedure for Board of Directors to seek independent external advice	October 2022	October 2024	
		Policy on Ultimate Beneficial Ownership	October 2022	October 2024	
		Policy and Procedure UNSCR Sanction Screening	May 2023	May 2025	
		Matters Reserved for the Board of Directors	November 2022	November 2024	
		Policy on Managing Potential Conflicts with the Related Parties of the Board of Directors and Senior Management	February 2023	February 2025	
13	Trade Finance	Trade Finance Policy Operations Manual	September 2021	Temporarily suspended	
14	Gold Loan Operations	Policy on Gold Loans Operation	December 2023	December 2025	Senior Manager - Gold Loan Operations
15	Internal Audit	Internal Audit Charter	August 2022	August 2024	Chief Internal Auditor
		Board Audit Committee Charter/ Term of Reference	April 2023	April 2025	
		Whistle Blowing Policy	October 2023	October 2025	
		Policy on Non-Audit Services Provided to the Company by the External Auditor	May 2023	May 2025	

Our Focus on Sustainable Development

GRI 2-25

Processes to remediate negative impacts

The Company's main approach to remediate negative impacts is through its established grievance-handling mechanism to resolve grievances. This system allows employees to raise any of their concerns to their departmental heads, the Head of HR, and corporate management. In addition, we encourage Open-door policy where employees can freely express their opinions, feedback and suggestions. As for the customers, they can voice their complaints and suggestions through directly contacting the Head office and the branch network or through the official website and social media platforms.

GRI 2-26

Mechanisms for seeking advice and raising concerns

The mechanisms for individuals to seek advice and raise concerns at FFL include a grievance handling system, performance evaluation and open-door policy. The grievance handling procedure provides employees the opportunity to raise their issues and concerns with their superiors while performance evaluation creates a platform to discuss their career goals and advancement. The Open-door policy is an avenue for employees to discuss matters of importance to them with their hierarchy.

GRI 2-27

Compliance with laws and regulations

FFL maintains strict compliance with all the rules and regulations stipulated by CBSL for non-banking financial sector institutions. Hence, there were no significant instances of non-compliance with laws and regulations, and no fines were paid during the reporting period.

GRI 2-28

Membership associations

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

Our Impact on the Economy

Economic Value Creation

The Economic Value Creation demonstrates the efficacy of our operations, and the contribution we have made to the Sri Lankan economy benefiting all our stakeholders.

Value Creation comes in the form of salaries and benefits for the employees, supplier payments, payments made to capital providers by way of interest and dividends, payment of taxes to the government and investments made to community development.

Direct Economic value generated in FY2023/24 – Rs. 2,882Mn

- Interest Income – Rs. 2,762Mn
- Other operational income – Rs. 120Mn

Direct Economic value distributed in FY2023/24 – Rs. 2,882Mn

- Interest payments to depositors and lenders - Rs. 1,740Mn
- Salaries & benefits for employees – Rs. 571Mn
- Supplier payments – Rs.200Mn
- Tax payment to Govt. – Rs. 261Mn
- Profit to the shareholders - Rs. 110Mn

Drive Digital Banking Innovations

FFL contributes to a digital economy by promoting the transition to digitalization in facilitating customer convenience and efficiencies. Driving Digitization by converting internal manual processes to a digital platform ensures time management, real-time access to management information, resource optimization and efficiency.

- We have enabled CEFTS inwards and outwards to our stakeholders to make transactions accurately and on time.
- Payment and credit processes are fully digitalized and encourage paperless process for those streams.

Community Development

FFL extends support by uplifting the communities through various Sustainability initiatives by addressing their pressing needs. This in turn contributes to poverty alleviation and social development of underprivileged communities.

- 02 CSR Mega Campaigns in addition to the branch / department wise CSR projects.

Employment Generation

FFL provides direct employment to 265 individuals via its island wide branch network.

Indirect employment is provided for various support service providers as well as by provision of financial solutions to support enterprises of varying scales including self-employed individuals.

Paid Internship opportunities are also made available for university undergraduates.

FFL is a registered practical training institution of the Institute of Chartered Accountants of Sri Lanka (ICASL) for signing articles during internship, which enables creation of qualified finance professionals in the future.

Our Impact on the Economy

Empowering Female Entrepreneurs

We promote affordable finance for women entrepreneurs to develop their businesses, poverty alleviation, and achievement of gender equality by encouraging financial independence for women.

- Women represent 22.4% in our lending portfolio
- Total value of loan disbursement for women – Rs. 3,466Mn

Developing Regional Economies

We support the development of regional economies by leveraging our presence across key strategic locations in providing support for SMEs and individuals. This has also contributed to increasing infrastructure and human talent while nurturing regional partnerships along the financial value chain.

- Total of 16 branches
- Support for 67% of businesses outside Colombo

Improving Financial Literacy in Society

We conduct awareness campaigns periodically to improve the financial literacy of our clients and society at large to ensure their financial stability and prosperity.

- Conducted 09 Mega Campaigns to enhance the customer's awareness during FY.

Stakeholder Relationships

Approach to Stakeholder Engagement

GRI 2-29

Stakeholder engagement is a significant component of our value creation, as it provides the opportunity for the Company to understand the needs and expectations of each stakeholder group, thereby integrating their concerns into strategic development. FFL has identified customers, employees, regulators, investors, shareholders and the community & environment as its core stakeholders that could impact the Company's value creation towards long-term growth. Meaningful stakeholder engagement has also played a role in enhancing the Company's reputation and competitive edge in the finance industry in Sri Lanka.

How We Identified our Stakeholders

FFL's key stakeholders were identified by the senior management based on their level of influence on the Company's business activities and their interest in the Company.

GRI 2-29 **i. Categories of stakeholders**	GRI 2-29 **ii. Purpose of the stakeholder engagement**	GRI 2-29 **iii. How the organization seeks to ensure meaningful engagement with stakeholders**
Customers (Women entrepreneurs, individuals, SME Customers)	• To offer our financial products and superior service • To create product awareness • To obtain customer feedback • Maintain good relations	We engage with our customers through our branch network, field staff, social media platforms, and via the corporate website. We build meaningful relations with our customers by providing a range of financial solutions to support their empowerment. Also, we continually maintain our good relations and communication with them to understand their evolving requirements, thereby developing various product offerings to address their concerns. Furthermore, we also utilize this meaningful engagement to obtain valuable insights into our products and services. **Women represent 22.4% of our customer base and we believe that this distinct stakeholder segment requires greater assistance for finance given their limited access to funding.

Stakeholder Relationships

GRI 2-29 i. Categories of stakeholders	GRI 2-29 ii. Purpose of the stakeholder engagement	GRI 2-29 iii. How the organization seeks to ensure meaningful engagement with stakeholders
Employees	• To provide training and development to sustain growth • To create awareness of issues • To seek opinions/ suggestions • To appreciate and reward their high performance	Fintrex has a diverse workforce dispersed across the head office and branch network who belong to all ethnic and religious backgrounds in the Country. Meaningful employee engagement takes place at different levels including engagement initiatives/staff events at HO and branches, performance evaluation, training programs, intranet/staff meetings, and WOW rewards and CEO's club rewards carried out on a monthly basis. Additionally, the Company also engages with employees through the "Fintrex Innovation Ideas" platform. GRI 2-30 **Collective Bargaining Agreements** Fintrex employees are not unionized hence the Company does not engage in collective bargaining. The company is a member of the Employer's Federation of Ceylon (EFC) and governs under the 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 Labour • Health and Safety best practices *(Refer to Human Capital Report for more information on human resource management)*
Regulators (CBSL)	• To update on Regulatory Compliance • To report compliance with Labour Standards	We ensure meaningful engagement with our regulators through regulatory submissions including periodic returns, directives and circulars and the Annual Report. In addition, the Company also responds to the queries and concerns of the regulators in a timely and efficient manner in fostering positive regulatory relationships.

GRI 2-29 i. Categories of stakeholders	GRI 2-29 ii. Purpose of the stakeholder engagement	GRI 2-29 iii. How the organization seeks to ensure meaningful engagement with stakeholders
Community and Environment	• To empower communities • To ensure financial inclusion • To facilitate the growth of entrepreneurial ventures • To protect the environment	Our meaningful engagement with the community and the surrounding environment takes place at different levels; 1. Through financial support to individuals and businesses, that in turn empowers communities. 2. Through CSR initiatives carried out to uplift living standards and ensure social wellbeing. 3. Through the provision of career opportunities including internships at the branch level, empowering youth at the regional level. The environment is intrinsically linked with our business activities and the community in which we operate. Hence, the Company consistently implements various activities to reduce energy, water and paper consumption at the workplace, proactively ensuring that the Company does not cause any intentional harm to the environment. Moreover, during the year the Company initiated sustainable finance emphasizing financial support to environmentally friendly green business initiatives.
Investors	• To access low-cost funding • To create awareness of our business amongst the larger investor network	We ensure meaningful engagement with investors mainly through our Annual Report and the Annual General Meeting. In addition, to establish new funding lines, we conduct investor presentations. Additionally, the Company indirectly engages with investors through compliance with all laws and regulations.
Shareholders	• To report financial performance • To align their interest and expectations with the strategy • To support long term value creation	We ensure meaningful engagement with shareholders through the Annual Report and the Annual General Meeting.

Materiality

The material impacts that can significantly influence FFL's operations and performance are identified based on the trends in the operating environment and stakeholder expectations. Therefore, while we constantly remain vigilant of the external forces that impact our business activities, we also sustain meaningful relationships with all our stakeholders to be informed of their interests and expectations. By carefully assessing the stakeholder expectations, we continue to align our strategy to meet those expectations alongside financial value creation. Creating value for each stakeholder remains a top priority on our business agenda.

GRI 3-1

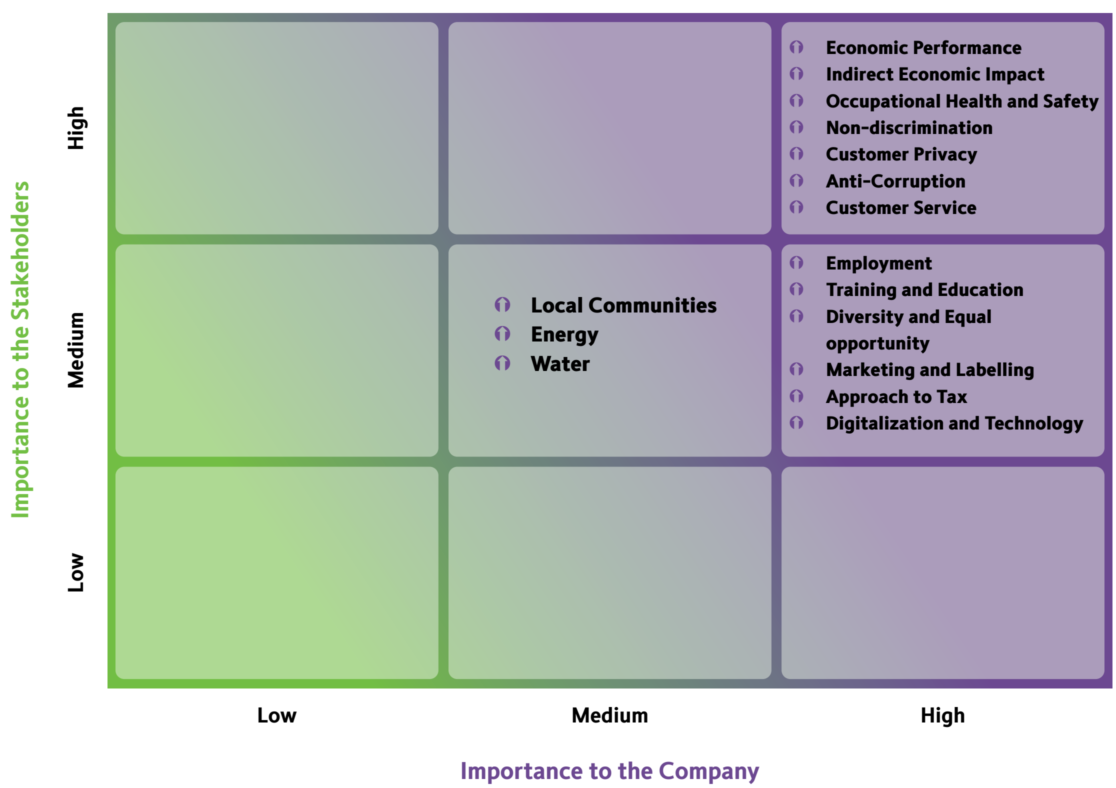
Process to Determine Material Topics

The material topics discussed in this report are selected using the GRI approach where material topics are identified by the senior management of the Company and prioritized based on their significance to the Company and its stakeholders. FFL does not specifically consult stakeholders to determine material topics. However, our well-established relationships with them over the years at various levels have enabled us to gain a comprehensive understanding of their expectations and concerns. This in turn has been instrumental in prioritizing our material topics for disclosure.

GRI 3-2

List of Material Topics

Considering the changing industry landscape and the macroeconomic environment, new topics have been determined as material for the current reporting period. Therefore, in addition to the list of material topics (listed below) prioritized in the previous reporting period, two other impacts pertaining to Customer Service and Approach to Tax have been included in the financial year under review.



GRI 3-3

Management of Material Topics

GRI 3-3	Material Topics		
	GRI 201 **Economic Performance**	GRI 203 **Indirect economic impacts**	GRI 205 **Anti-corruption**
Impacts on the economy, environment, and people, including impacts on their human rights;	All our stakeholders are impacted by the direct economic value generated by the Company	Our significant indirect economic impacts include job creation for the local community, financial inclusion of low-income community	Incidents of corruption may negatively impact our performance and brand reputation
Whether the negative impacts are from Company activities or business relationships	So far, no negative impact	So far, no negative impact	So far, no negative impact
Policies and commitments regarding the material topic	FFL has expressed its voluntary commitment to UN SDGs - SDG 8 – Decent Work & Economic Growth	FFL has expressed its voluntary commitment to UN SDGs - SDG 1 - No Poverty - SDG 5 – Gender equality - SDG 10 – Reduced inequalities	A robust governance and risk framework is in place to respond to instances of corruption.
Actions taken to manage the topic and related impacts	We adopt appropriate sales strategies as well as marketing and communication to ensure continued returns.	We develop products and services tailored to the evolving needs of the customer alongside maintaining service excellence. Also, we prioritize hiring from the local community contributing to job creation in the community.	Through risk assessment of operations and related awareness training and communication, Compliance with CG best practices & internal controls, we manage to minimize the risk impact on our business.
Tracking the effectiveness of the actions taken	Internal and external audits are carried out to ensure continued economic value creation	Increased customer base and the strong workforce at Head Office and branch levels are proof of the effectiveness of our actions	Improvements to Risk and Governance frameworks based on the evolving regulatory and industry requirements
How engagement with stakeholders has informed the actions taken and its effectiveness	It is the loyalty and commitment of all our stakeholders that supports our continued economic value generation	Customer engagement has enabled us to understand their requirements. Also, engaging local human capital at the branch level has led to improved field-level mobilization in the areas	Stakeholders act as whistleblowers of unethical conduct and exert pressure on the Company to prioritize ethical business and anti-corruption.

Materiality

GRI 3-3	Material Topics		
	GRI 207-1 **Approach to Tax**	GRI 302 **Energy**	GRI 303 **Water**
Impacts on the economy, environment, and people, including impacts on their human rights;	FFL accommodate all tax obligations, strictly adhering to a policy that prohibits any involvement in tax evasion or avoidance. FFL does not have a specific tax strategy aimed at shielding income or minimizing tax payments.	Reduced energy consumption within the Company will lead to energy saving, minimizing the environmental impact and cost.	Efficient water consumption within the Company will lead to efficient resource usage.
Whether the negative impacts are from Company activities or business relationships	So far, no negative impact	So far, no negative impact	So far, no negative impacts
Policies and commitments regarding the material topic	We comply with all applicable tax regulations	FFL has expressed its voluntary commitment to UN SDGs SDG 12- Responsible Consumption & Production	FFL has expressed its voluntary commitment to UN SDGs SDG 12- Responsible Consumption & Production
Actions taken to manage the topic and related impacts	FFL complies with all the applicable tax laws and regulations in Sri Lanka by paying taxes on time and accurately.	Implement energy-saving measures within the Company and raise awareness of the same amongst the employees.	Reduce water wastage within the Company by raising awareness of the same amongst the employees.
Tracking the effectiveness of the actions taken	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.	Periodical monitoring of energy consumption at the Head Office and Branch level	Periodical monitoring of water consumption at the Head Office and Branch level
How engagement with stakeholders has informed the actions taken and its effectiveness	Stakeholders positively view a company that pays taxes, as tax payment is viewed as a fulfilment of the Company's civic responsibilities	All stakeholders who value environmental sustainability support energy conservation	All stakeholders who value environmental sustainability support water conservation

GRI 3-3	Material Topics		
	GRI 401 **Employment**	GRI 402 **Occupational Health & Safety**	GRI 404 **Training & Education**
Impacts on the economy, environment, and people, including impacts on their human rights;	Recruiting the right candidates at the right time will deliver value to the customers and drive the Company's long-term strategy.	A healthy and safe work environment (with reduced risks and accidents) will improve the efficiency of the workforce including their workplace satisfaction and motivation for better performance.	Enhancing the skills and capacities of employees will lead to increased productivity thereby better positioning the Company for business growth.
Whether the negative impacts are from Company activities or business relationships	No negative impact	No negative impact	No negative impact
Policies and commitments regarding the material topic	Human Resource Policy	• Adopted OHSAS 18001 health and safety guidelines. • Conducted Hazard Identification and Risk Assessment (HIRA) study.	• Training Needs Assessment • Develop Annual Training Calendar and allocate budget for the same • Performance Management • Career Development opportunities
Actions taken to manage the topic and related impacts	Effective recruitment and retention strategy including the provision of benefits for full-time employees for effective implementation of business strategy.	• Maintaining the highest standards of health and safety at the workplace complying with necessary safety measures. • Educating employees on health and safety.	Conducting regular training and development programs to develop employee capacities
Tracking the effectiveness of the actions taken	Have in place a systematic and unbiased recruitment process	Have in place proper health and safety measures and promote a culture of safety	• Performance Evaluation based on KPIs • Retention and turnover rate • Employee feedback after training
How engagement with stakeholders has informed the actions taken and its effectiveness	All stakeholders support a fair and systematic recruitment process	Stakeholders contribute to health & safety through following necessary health and safety measures	All stakeholders appreciate the Company's effort to develop their employees

Materiality

GRI 3-3	Material Topics		
	GRI 405 **Diversity & Equal Opportunity**	**GRI 406** **Non-Discrimination**	**GRI 413** **Local Communities**
Impacts on the economy, environment, and people, including impacts on their human rights;	A diversified workforce and equal opportunity work environment will ensure fair representation creating a positive impact on the organization.	A non-discriminatory environment will ensure a safe and supportive work culture for employees to progress. It will also lead to a satisfied customer base	Impacts are on the community at large as our engagement is largely through financial inclusion and CSR initiatives.
Whether the negative impacts are from Company activities or business relationships	No negative impact	No negative impact	No negative impact
Policies and commitments regarding the material topic	• Non- discriminatory policy • Respect for human rights We also voluntarily support; • SDG 5 – Gender Equality • SDG 10 – Reduced inequalities	• Non- discriminatory policy • Respect for human rights We also voluntarily support; • SDG 5 – Gender Equality • SDG 10 – Reduced inequalities	We are committed to the welfare of all communities. Our voluntary support to SGDs includes; • SDG 1 -No Poverty • SDG 2 -No hunger • SDG 5 - Gender equality • SDG 8 – Decent work & economic growth • SDG 10 - Reduced inequalities
Actions taken to manage the topic and related impacts	Maintaining diversity in governance bodies and the workforce, ensuring equal basic salary and remuneration to both men and women.	Implement necessary measures/protocols to prevent discrimination.	CSR initiatives based on community needs, fostering better customer relations and provision of financial solutions tailored to their needs.
Tracking the effectiveness of the actions taken	Employee grievance mechanism to bring to light any discrimination/unfair treatment	Employee and customer feedback	• Customer complaints • Feedback received on our welfare/CSR projects
How engagement with stakeholders has informed the actions taken and its effectiveness	All stakeholders appreciate our effort to maintain diversity and equality in the workplace.	All stakeholders appreciate our effort to maintain a non-discriminatory environment	Our stakeholders appreciate our contribution to social welfare

GRI 3-3	Material Topics	
	GRI 417 Marketing & Labelling	**GRI 418 Customer Privacy**
Impacts on the economy, environment, and people, including impacts on their human rights;	Marketing compliance and providing appropriate product information will positively impact the customers	Ensuring customer privacy will safeguard the business' reputation and the brand.
Whether the negative impacts are from Company activities or business relationships	No negative impacts	No negative impacts
Policies and commitments regarding the material topic	Compliance with all CBSL regulations Also guided by our business ethics	• Compliance with all CBSL regulations • IT Security and IT risk management Policies in place
Actions taken to manage the topic and related impacts	We carry out fair and responsible Marketing Communication Campaigns.	We carry out ongoing IT security improvements to ensure Customer Data Privacy.
Tracking the effectiveness of the actions taken	Customer feedback & complaints received directly and through social media, website	Customer feedback & complaints
How engagement with stakeholders has informed the actions taken and its effectiveness	Our stakeholders value ethical business	Our stakeholders appreciate our effort to safeguard customer information

	New Material Topics included	
	Customer Service	**Digitalization and Technology**
Reason for materiality	Customer service has become a key differentiator in the fiercely competitive industry landscape	Increased preference for digital financial transactions makes it imperative to drive digital evolution
FFL Response to the Material Topic	Ongoing efforts to improve customer service through training and development of employees to provide a seamless service to the customers	Ongoing adoption of technology while strengthening of information security platform

Inspiring Trade

Mr. Gamini Moragoda, the founder of Minsara Bookstore, established the bookstore in 2007. Over the years, it has gained popularity among book enthusiasts across Sri Lanka, not only for its extensive collection but also for pioneering initiatives that enrich the reading experience. He is not only a visionary founder of Minsara Bookstore, but also holds influential positions as the President of the National Book Trade Association and the President of the United Trade Association in Gampaha.

"I am grateful for the opportunity to provide my comments for Fintrex Finance Limited Annual Report. It is evident that Fintrex Finance has swiftly gained widespread customer acclaim and has established a solid reputation within our community in a relatively short period. Having been associated with Fintrex Finance for a significant duration, we are pleased to highlight the Company's achievement in earning customer appreciation. This is a testament to their dedication and commitment to delivering excellent financial services. It is for this reason that the Gampaha United Trade Association has chosen Fintrex Finance as our main sponsor for the Year 2024 - 2025. Fintrex Finance has demonstrated its ability to foster trust through its transparent practices, customer-centric approach, and positive impact on the local economy. We hope that Fintrex Finance will continue to fulfill its clients' needs promptly and ensure trust and transparency in the future, further solidifying its position in the industry."

- Mr. H. D. G. Moragoda, The President - United Trade Association Gampaha -

Operating Landscape

Economic Outlook

Global Economy

In 2023, the Global economy was on recovery mode after the devastating Covid pandemic in 2020 and its aftershocks, leading to surging of inflation and interest rates, disruption of supply chains and increasing poverty levels across the globe.

Global economic activity continues to soften, amid the effects of tight monetary policies, restrictive financial conditions, and weak global trade growth. After a sharp economic slowdown in 2022 (3%) and another decline last year (2.6%), global output growth is set to edge down in 2024 (2.4%), marking the third consecutive year of deceleration. The recent conflict in the Middle East has heightened geopolitical risks and raised uncertainty in commodity markets, with potential adverse implications for global growth. This comes while the world economy is continuing to cope with the lingering effects of the overlapping shocks of the past four years; the COVID-19 pandemic, the Russian Federation's invasion of Ukraine, and the rise in inflation and subsequent sharp tightening of global monetary conditions.

Economic Growth

Near-term prospects are diverging. Growth in advanced economies as a whole, and in China, is projected to slow down in 2024 to well below its 2010-19 average pace. Meanwhile, aggregate growth is set to improve in EMDEs (Emerging Markets and Developing Economies) with strong credit ratings, remaining close to pre-pandemic average rates. Although overall growth is also expected to firm somewhat from its 2023 low in EMDEs with weak credit ratings, the outlook for many such countries remains precarious, given elevated debt and financing costs, and idiosyncratic headwinds such as wars and conflict.

Real GDP (% change from previous year)

	2021	2022	2023e	2024f	2025f
World	6.2	3.0	2.6	2.4	2.7
Advanced economies	5.5	2.5	1.5	1.2	1.6
United States	5.8	1.9	2.5	1.6	1.7
Euro area	5.9	3.4	0.4	0.7	1.6
Japan	2.6	1.0	1.8	0.9	0.8
Emerging Market and Developing Economies (EMDEs)	7.0	3.7	4.0	3.9	4.0
China	8.4	3.0	5.2	4.5	4.3
Russian Federation	5.6	-2.1	2.6	1.3	0.9
Mexico	5.8	3.9	3.6	2.6	2.1
Saudi Arabia	3.9	8.7	-0.5	4.1	4.2
India	9.1	7.2	6.3	6.4	6.5

Source: Global Economic Prospects - January 2024

Inflation

Global headline and core inflation have continued to decline from 2022 peaks. Nonetheless, inflation remains above target in most advanced economies and about half of inflation-targeting EMDEs. Global inflation is projected to remain around 5.8% in 2024 above its 2015-19 average (3.2%). Monetary tightening in advanced economies is believed to be in the final phase with first cuts to interest rates expected to happen during the year 2024, however, real policy interest rates are expected to remain elevated for some time, as inflation returns to target only gradually. This will keep the stance of advanced-economy monetary policies restrictive in the near-term, following the largest and fastest increase in U.S. real policy rates since the early 1980s.

	Core Inflation %			Headline Inflation %		
	World	Advanced economies	EMDEs	World	Advanced economies	EMDEs
Nov-22	15.0	15.0	15.0	8.9	8.9	9.5
Dec-22	14.2	13.1	14.4	8.9	8.1	9.3
Jan-23	13.9	14.2	13.8	8.4	7.6	9.0
Feb-23	14.1	14.8	14.1	8.5	7.1	9.2
Mar-23	13.5	14.3	13.3	7.4	6.7	8.2
Apr-23	12.2	12.9	11.6	6.8	5.7	7.6
May-23	11.6	12.0	11.1	6.2	5.2	6.5
Jun-23	10.2	10.9	10.1	5.5	4.5	5.6
Jul-23	8.8	10.5	8.3	4.7	4.2	4.8
Aug-23	8.2	9.3	7.9	4.7	4.1	4.9
Sep-23	7.8	8.5	7.4	4.5	3.8	5.0
Oct-23	6.5	6.9	6.2	4.3	3.5	4.8
Nov-23	6.2	6.2	6.4	4.0	3.2	4.8

Source: Global Economic Prospects - January 2024

Interest rates

Long-term yields on advanced-economy government bonds were volatile in 2023, reflecting shifting expectations about the path of future interest rates and sizable movements in term premia. Although yields have retreated from their late-October peaks, they still imply increased fiscal vulnerabilities, given that median global government debt has risen by 20 percentage points of GDP since 2007, when U.S. yields were last at their current levels. The drag on growth from monetary tightening is expected to peak in 2024 in most major economies, assuming an orderly evolution of broader financial conditions. Thus far, headwinds to growth from elevated interest rates have been offset, to some degree, by households and firms spending out of savings buffers, resilient risk appetite, and extended maturities on stocks of low-cost debt, as well as by expansionary fiscal policy in some cases, most notably the United States.

Bond Yieds of Advanced Economies

Month	Bond Yield %
Dec-21	0.7
Jan-22	1.0
Feb-22	1.2
Mar-22	1.4
Apr-22	1.9
May-22	2.1
Jun-22	2.5
Jul-22	2.2
Aug-22	2.2
Sep-22	2.9
Oct-22	3.3
Nov-22	3.1
Dec-22	3.0
Jan-23	3.0
Feb-23	3.2
Mar-23	3.2
Apr-23	3.1
May-23	3.2
Jun-23	3.3
Jul-23	3.4
Aug-23	3.6
Sep-23	3.7
Oct-23	4.1
Nov-23	3.8
Dec-23	3.4

Source: Global Economic Prospects - January 2024

Risks & Challenges

Risks to the outlook remain tilted to the downside, although they have become somewhat more balanced since June 2023, following continued declines in inflation and the stabilization of advanced-economy banking systems after stresses early last year. The recent conflict in the Middle East, coming on top of Russia's invasion of Ukraine, has sharply heightened geopolitical risks. Intensification of these conflicts, or increasing geopolitical tensions elsewhere, could have adverse global repercussions through commodity and financial markets, trade, and confidence. Recent attacks on commercial vessels transiting the Red Sea have already started to disrupt key shipping routes, eroding slack in supply networks and increasing the likelihood of inflationary bottlenecks. In a setting of escalating conflicts, energy supplies could also be substantially disrupted, leading to a spike in energy prices. This would have significant spillovers to other commodity prices and heighten geopolitical and economic uncertainty, which in turn could dampen investment and lead to a further weakening of growth.

Global Financial Developments

Monetary tightening in advanced economies is concluding, with subsequent easing of policy interest rates likely to proceed at a measured pace. This, alongside softening inflation, could keep real policy rates elevated for an extended period, following the largest and fastest increase in real U.S. policy rates since the early 1980s. In the United States, tight monetary policy reflects better than expected growth outturns. In the Euro area, persistent core inflation has played a larger role. Reflecting both the outlook for policy rates and volatile term premia, government bond yields in advanced economies in October reached their highest levels since the late 2000s. Although yields have pulled back since then, they remain at levels that will put upward pressure on the cost of capital for governments and firms as debts are rolled over.

High financing costs have been reflected in credit market developments. Advanced-economy banks have been reporting restrictive lending standards, and bank credit growth has slowed sharply. In addition, corporate bankruptcies and credit card delinquencies have picked up. Although private sector debt-service ratios remain generally manageable, reflecting the stock of debt issued at low fixed rates, they have been trending up, most notably in China. Risk appetite in advanced-economy financial markets has nonetheless been resilient, which has somewhat mitigated the tightening effect of higher interest rates on broad financial conditions. Indeed, equity volatility was subdued in the second half of 2023, while corporate credit spreads were generally below 2000-19 median levels.

Across EMDEs, a rising number of Central Banks have started cutting policy rates, with further reductions expected in the coming months, especially in Europe and Latin America. Most EMDEs have so far exhibited few signs of financial stress, despite higher interest rates. This is likely due to a mix of factors, including better-than-expected growth, limited current account vulnerabilities, and declining inflation following proactive monetary tightening, all of which have helped contain currency depreciation. Unlike other large EMDEs, China has undergone a period of notable financial strain. Subdued growth prospects and upheaval in the property sector have contributed to debt defaults by property developers, net sales of debt and equity securities by foreign investors, and a decline in the exchange value of the renminbi.

Economies with weak credit ratings, roughly one in four EMDEs, continue to face prohibitively high financing costs. Lacking access to market-based financing, these countries ceased international bond issuance two years ago. In addition, and in contrast to other EMDEs, their currencies depreciated substantially last year by as much as 30%, a threshold often associated with currency crises.

Operating Landscape

Local Economy: Sri Lanka

Sri Lanka is on a path of recovery, with the country and its people being admirably resilient, facing numerous challenges due to the unprecedented economic crisis.

In 2022, Sri Lanka experienced the worst economic crisis in its post-independence history, as longstanding structural weaknesses were exacerbated by exogenous shocks and policy mistakes. Poor governance, a restrictive trade regime, weak investment climate, and monetary indiscipline contributed to macroeconomic imbalances. Fiscal indiscipline led to high fiscal deficits and large gross financing needs (GFN). Together with risky commercial borrowing, this elevated debt vulnerabilities led to a rapid growth in debt to unsustainable levels. After losing access to international financial markets in 2020, official reserves dropped to less than a week of imports in early 2022, and the forex liquidity constraint led to severe shortages of essential goods. The country announced an external debt service suspension in April 2022, pending debt restructuring. The economy contracted by 7.3%, amid high inflation and a sharp currency depreciation with the rupee declining from 200 to 370 levels against the USD. During the period Jan- May 2024, the rupee appreciated against the USD from 330 levels to 300 as a large share of households faced declining disposable incomes, food insecurity and increased malnutrition levels with poverty doubling, and inequality widened. As per the World Bank, poverty has increased in Sri Lanka from 11 percent in 2019 to almost 26 percent in 2024.

To restore macroeconomic stability, the government undertook significant structural and policy reforms. Several critical reforms implemented under an International Monetary Fund (IMF), Extended Fund Facility (EFF) program, including cost-reflective utility pricing and new revenue measures, have already contributed to macroeconomic stability. Other key reforms related to debt, fiscal management, trade, investment, and State-Owned Enterprises (SOEs) continue to advance. The government concluded the domestic debt restructuring in September 2023. As of end-November 2023, an Agreement in Principle for debt restructuring was reached with official creditors. Negotiations with commercial creditors are continuing in parallel. The IMF reached a staff-level agreement on the second review of the EFF in March 2024. The third IMF EFF review is expected to be carried out on 12th June 2024, where Sri Lanka is hopeful of a successful conclusion due to the significant improvement of macro-economic indicators of the country, with inflation coming down to 1.5% in April 2024, down from 6.4% at the start of the year, policy rates at single digit levels (Standing Deposit Facility Rate 8.5%, and Standing Lending Rates 9.5%), with Foreign reserves increasing to USD 5.4 Billion in May 2024.

Economic Growth

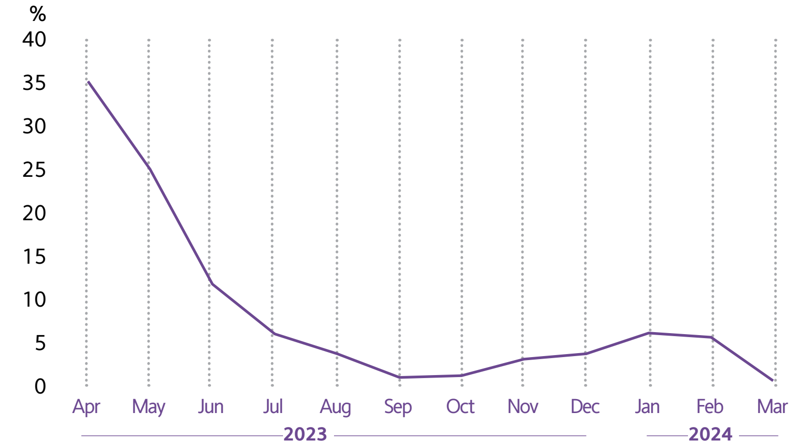
The economic contraction slowed to 2.3% in 2023, following a deep contraction of 7.3% (year-on-year, YoY) in 2022. Demand remained weak on account of lower disposable incomes, high borrowing costs, depleted household buffers, and supply chain disruptions continued for most of the year. After contracting 16 % (YoY) in 2022, industry shrunk by a further 9.2% in 2023, driven by a slowdown in the construction, textiles, and mining sectors. Construction was hit by the suspension of government projects and input shortages, and the textiles and garments sector shrunk as global demand slowed and input costs increased. On the upside, agriculture expanded, driven by surplus rice production following a successful Maha cultivation season. Although the overall sector contracted by 0.2% (YoY), promising signs of economic activity were visible in transport, accommodation, and food and beverage services – driven by the rebound in tourism even as financial services, real estate, and IT-related services continued to contract.

The closure of micro, small and medium enterprises that are vulnerable for external shocks such as the Easter Attacks in 2019 and Covid Pandemic 2020-2022 also had a significant impact on the country's labour force participation, unemployment etc.

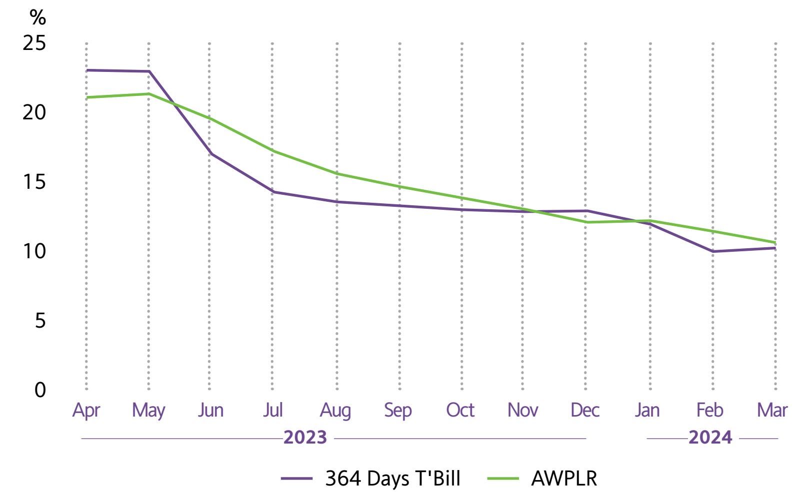
Inflation

Following a sharp spike in 2022, inflation fell in 2023. After peaking at 69.8% in September 2022 (YoY), inflation, as measured by the Colombo Consumer Price Index (CCPI), decelerated to single-digits by July 2023. It continued to decline thereafter, falling to 1.3% (YoY) in September 2023, driven by the large base effect, currency appreciation, phasing out of monetary financing, and better supply conditions. However, with the recent spike in food prices amid inclement weather, and pass-through of fuel and utility prices (following further increases in water and electricity tariffs in 2023), headline inflation increased to 5.9% in February 2024 (YoY). Core inflation (computed excluding food and energy prices) was 2.8 % (YoY) in February 2024. The National Consumer Price Index showed a similar trend to the CCPI.

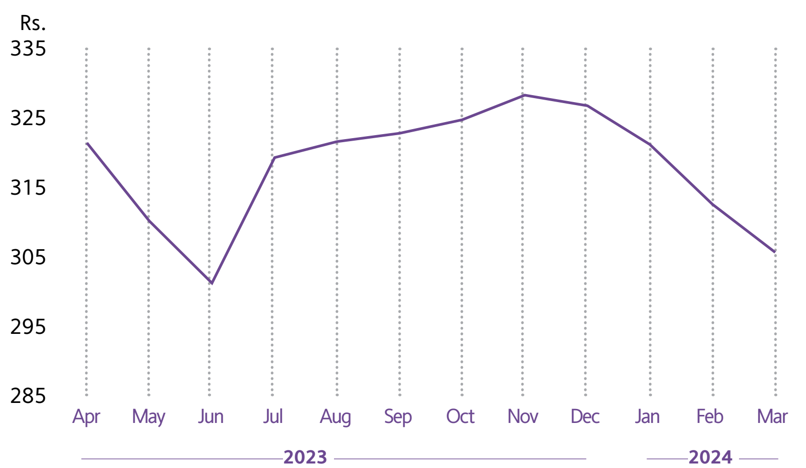
CCPI YoY Change



364 Day T'Bill Vs AWPLR



Month End Spot $1



Interest Rates

Interest rates began to decline, reflecting monetary easing and improved liquidity conditions. After almost two years of monetary tightening, moderating inflation in mid-2023 allowed the Central Bank of Sri Lanka (CBSL) to return to a loosening cycle. Policy rates were reduced by 650 basis points between June and November 2023, bringing the Standing Deposit Facility rate down to 9% and the Standing Lending Facility rate to 10%. The Statutory Reserve Ratio was also reduced by 200 basis points to 2% in August 2023, releasing approximately Rs. 200 billion in liquidity. CBSL relaxed restrictions imposed on the ability of banks to access standing facilities through open market operations in February 2024, which further improved overnight liquidity. Combined with monetary easing and clarity on domestic debt restructuring, this resulted in a decline in market interest rates, with a sharper adjustment at the short end of the yield curve. For example, the rates on 91 day Treasury bills (T-bills) decreased by 20% percentage points between March 2023 and March 2024. This sharp reduction in short-term interest rates helped to normalize the inverted yield curve somewhat.

While the public debt to GDP ratio declined, the government's GFN remained high due to a large T-bill rollover at high domestic interest rates. Public and publicly guaranteed debt is estimated to have declined to 105.7% of GDP in 2023 (from 119.2% of GDP in 2022), due to an improved primary balance, reduced SOE losses,10 negative domestic real interest rates for most of the year, and currency appreciation. However, GFN continued to be high, as a large T-bill rollover at high domestic interest rates amid low demand for long-term Treasury bonds (T-bonds) led to GFN increasing from an estimated 25.6% of GDP in 2022 to an estimated 27.2% of GDP in 2023. The outstanding T-bill stock (14.8% of GDP at end-December 2023) is likely to continue exerting fiscal pressures.

Operating Landscape

Risks and Challenges

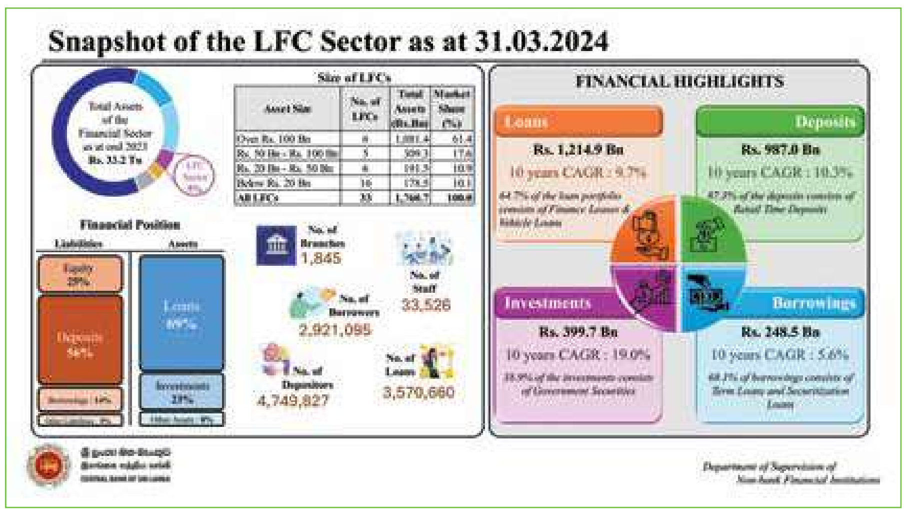
The economy is expected to continue to stabilize in 2024 and beyond. Growth is projected to be positive in 2024, as private consumption picks up from a low base. Moderate growth is forecast over the medium term due to the ongoing fiscal adjustment, lower real incomes amid higher taxes, and the emigration of skilled workers. Inflation is likely to rise moderately in the near term due to new revenue measures and the dissipation of favorable base effects and remain benign in the medium term as demand continues to be subdued. The modest economic recovery will likely be insufficient to reverse welfare losses experienced during the crisis, and the poverty rate is estimated to remain above 22% until 2026. Falling household spending on health and education is likely to impact future human capital, especially in poorer households. The current account is projected to be in surplus in 2024 as tourism recovers to pre-crisis levels and remittances remain strong, while import demand continues to be muted. Over the medium term, a small current account deficit is forecast as imports gradually increase with the recovery in the economy. The accumulation of reserves will continue, on the back of foreign exchange inflows and a favorable current account in 2024, despite the repayment on swap lines extended by the Reserve Bank of India to the CBSL.

Restoring debt sustainability will require a sufficiently deep debt restructuring, in addition to continued reforms to enhance medium-term growth, otherwise debt pressures are likely to remain high. Despite an improvement in revenues, largely due to VAT reforms and better tax administration, the fiscal balance is projected to worsen in 2024 due to the bank recapitalization requirements included in the national budget. Beyond 2024, additional revenues (mainly from administration reforms and a proposed property tax) and reduced debt interest payments (as government's domestic financing costs decline) will improve fiscal sustainability, whilst successful debt restructuring is expected to help restore debt sustainability. However, the broader fiscal adjustment is likely to have an adverse impact on disposable incomes, weaken demand, and weigh down growth in the short term. Ultimately, a medium-term pick-up in economic growth is needed to secure a substantial reduction in the sovereign debt stock.

Downside risks remain high, given a narrow path to recovery, limited buffers and elections. These risks include a protracted or insufficiently deep debt restructuring, reform fatigue or reversal linked to the elections in late 2024, and a weaker recovery following deeper scarring effects of the crisis – including even lower real incomes, more job losses and further emigration of labour. A larger than expected increase in imports, including via the removal of import restrictions on vehicles, could exert depreciation pressures on the rupee and contribute to rising inflation. This could reverse the marginal poverty reduction (1.1 % percentage points) expected in 2024. On the upside, a strong and sustained implementation of the structural reform program could boost confidence and attract fresh capital inflows. Tourism and remittances could provide further upsides.

LFC Sector Performance

Composition



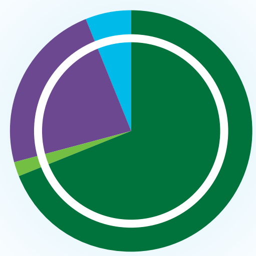
The LFC sector comprises 33 companies having a total asset base of Rs. 1.76 Trillion as at 31st March, accounting for 5% of Sri Lanka's finance industry, of which 6 companies with an asset base of over Rs. 100 Bn takes away 61% of the LFC total market share of assets. Between Rs. 50-100 Bn, there are 5 companies accounting for 17.6% market share and another 6 companies in the size of Rs. 20-50 Bn taking a market share of 10.9%. The smaller LFC's below the Rs. 20 Bn asset criteria comprises the majority of 16 companies accounting for a mere market share of 10.1% as at 31st March 2024.

The Central Bank of Sri Lanka has taken steps for amalgamation of smaller LFC's to improve scale and overall strength to the LFC industry.

Overall, the LFC Industry witnesses an improvement of profitability and most companies maintained adequate capital adequacy levels, providing assurance of strength in a turbulent competitive industry.

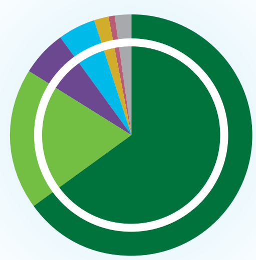
Assets and Advances

Composition of Assets as at 31.03.2024



Loan & Advances	69.0%
Cash & cash Equivalents	2.3%
Investments	22.7%
Other Assets	6.0%

Composition of Loans and Advances as at 31.03.2024



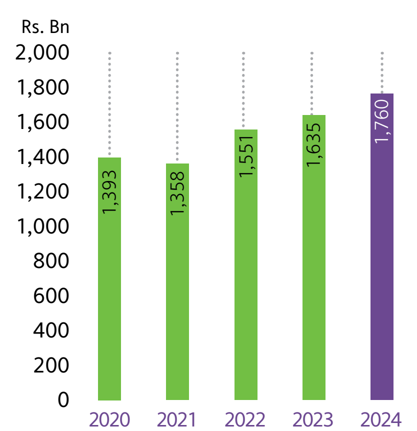
Finance Leases & Vehicle Loans	64.7%
Loans Secured by Gold	19.0%
Personal and Housing Loans	5.8%
Business and Working Capital Loans	4.8%
Loans against Deposits	2.5%
Microfinance Loans	1.5%
Other Loans	1.7%

The Licensed Finance Companies (LFC) sector encountered numerous challenges during the period concerned, primarily stemming from a reduced demand for their core business. Historically, LFCs' have been involved in providing funding for vehicle purchases and their business model has evolved around leasing and hire purchases. However, continuous restrictions on vehicle imports as a measure to limit foreign exchange outflow has significantly contracted the leasing and hire purchase portfolio of LFCs'. This contraction has been further exacerbated by a slowdown in domestic economic activity. Hence, the sector diversified its business towards pawning advances/gold-backed loans. The pawning portfolio of the sector increased sharply in 2021 and 2022, nevertheless, in 2023, there was a noticeable deceleration in the growth of pawning advances which reflect the base effect. Borrowers resorted to pawning mainly for consumption as elevated inflation and eroded disposable income of households made them borrow through pawning. LFCs' facilitated this need as their lending was backed by gold, which is viewed as a haven asset amidst economic turbulences. Nevertheless, heightened exposure to pawning advances may pose a risk due to the inherent volatility of gold prices in the global market. While moving towards diversification presents opportunities for growth, it is concurrently emerging as a risk to the sector.

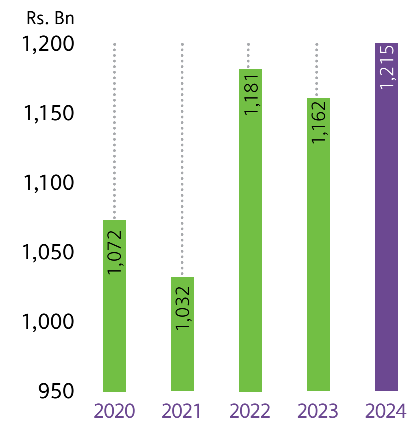
LFC sector also had to restructure their asset loan books, to provide relief to the clients who are under distress, which in turn impacted the company's profitability due to impairment provisions. Gross Non-Performing Loan ratio slightly improved from 15.9% in March 2023 to 14.7% in March 2024.

In spite of all these challenges, the LFC's managed to increase the loan granted, from Rs.1.16 Bn to Rs. 1.21 Bn, a 4.5% YoY growth in the credit, which is a positive sign of economic recovery.

Assets

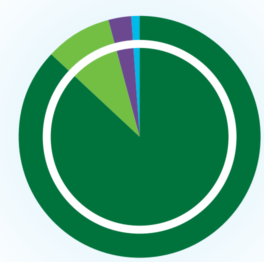


Loans



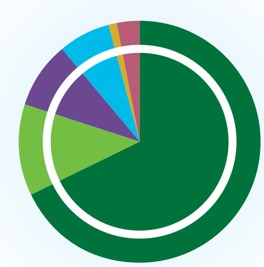
Deposits and Borrowings

Composition of Deposits



Retail Time Deposits	87.3%
Institutional Time Deposits	8.8%
Savings Deposits	3.3%
Foreign Currency Deposits	0.5%
Dormant and Other Deposits	0.2%

Composition of Borrowings

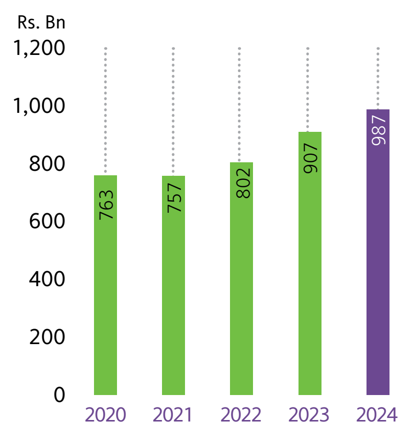


Term Loans and Securitization Loans	68.1%
Debt Securities	11.6%
Foreign Currency Borrowings	9.4%
Overdraft Facilities	6.7%
Due to Related Parties	0.6%
Other Borrowings	3.6%

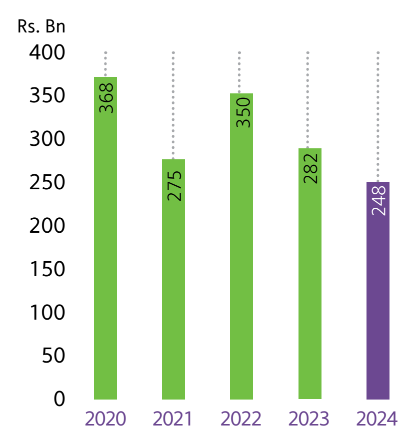
Operating Landscape

Increasing stable funding sources eased the pressure on the sector's funding risk. On an overall basis, capital and deposits were on an increasing trend, while borrowings were on a declining trend during the period under review. Successful implementation of the Masterplan for Consolidation, which helped to build up confidence in the sector caused an increase in capital, an improvement in deposit growth, and a decline in borrowings in the sector. However, declining interest rates with monetary policy easing may cause a reversal in deposit growth and declining borrowings in the sector. Overall, with the easing of interest rates, industry borrowings have reduced from Rs. 282 Bn in March 2023 to Rs. 248 Bn in March 2024, (a decline of 11.9% YoY)

Deposits



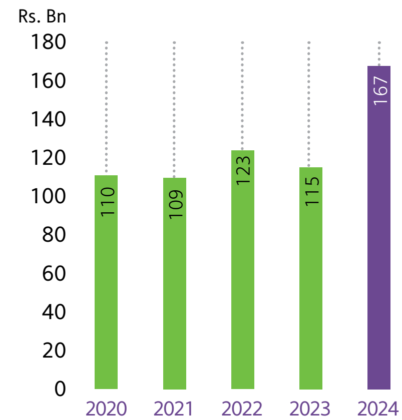
Borrowings



Profitability

Profit after Tax (PAT) of LFCs increased in the financial year 2023/24 to Rs. 51.4 Bn compared to the previous year's Rs. 34 Bn. Increased revenue including interest income and reduced impairment charges for loan losses positively contributed to the increase of profitability of the sector. However, reducing new impairment charges when stage three loans are rising may not be sustainable. Nevertheless, economic challenges have not abated, and the sector will have to continue evolving its business model in mitigating risks and ensuring the sector's resilience during economic turbulence.

Net Interest Income



FFL Outperformed the LFC industry

Indicator	Ratio	Fintrex %	NBFI Sector* %
Asset Quality	Gross Non Performing Advances to Total Advances	11.24	14.70
	Net Non Performing Advances to Total Advances	8.89	9.40
	Impairment Coverage Ratio	20.9	7.00
Profitability	Net Interest Margin	8.42	10.10
Liquidity	Regulatory Liquid Assets to Total Assets	7.77	14.80
	Regulatory Liquid Assets to Deposits	10.53	26.30
Growth	Asset Growth (YoY)	37.74	7.70
Capital Adequacy	Core Capital to Risk Weighted Assets	16.07	21.00
	Capital Base to Risk Weighted Assets	16.07	21.90

Financial Capital

Snapshot

What we did

Sustaining financial performance against an uncertain macroeconomic landscape during the year remained challenging. However, we continued to implement appropriate sales strategies and marketing initiatives to ensure our financial returns. In doing so, we improved our operational efficiency, implemented effective cost control strategies and maintained healthy capital and liquidity levels.

What we achieved

- A growth in profitability along with expansion in loan and deposit portfolio.
- Maintained the funding mix at the ratio of 60:40 in between deposits and borrowings.
- Stayed in line with all the CBSL requirements in terms of capital adequacy, liquidity, and financial reporting.
- Outperformed the NBFI industry in terms of quality, growth and return yardsticks.

Stakeholder Groups impacted

All Stakeholders

Related Material Themes

Economic Performance
Indirect Economic Impact

SDG Impact

8 DECENT WORK AND ECONOMIC GROWTH

Way Forward

- Create economic value for the stakeholders
- Maintain healthy liquidity and capital levels
- Improve operational efficiency

Challenges

- Fluctuating market conditions (high inflation, interest rate pressure, currency depreciation)
- Volatile macroeconomic landscape
- High tax regime
- Increased competition
- Increased overhead costs

Space for Improvement

- Demonstrate adaptability and agility in responding to changes in the operating environment.
- Adapt strategies to navigate potential challenges
- Focus on cost and resource optimization
- Implement more customer centric strategies
- Product portfolio expansion
- Operational efficiency through process enhancement

Overview

The first half of the financial year presented a challenging environment for business activities, in turn affecting financial value creation. Prevailing economic conditions dampened business activities and loan demand, restricting opportunities for loan disbursement which is a key driver of Fintrex's revenue. However, a welcome turnaround in economic growth emerged towards the latter half of the year, offering a more positive outlook and improved market conditions.

Our financial capital encompasses the funds and borrowings that are available to the Company to generate the Company's financial wealth and profit potential into the future.

At Fintrex, we are committed to creating financial capital value in meeting the expectations of the stakeholders, sustaining competitive advantage and long-term growth.

Managing our financial capital to support value creation

We manage our financial capital by adopting responsible financial management practices that prioritize long-term sustainability and value creation for the stakeholders. While being vigilant to the changing market landscape and economic uncertainties, we continually follow prudent cost management and optimize resource allocation to maximize our financial returns. This, in turn, has inspired confidence among our stakeholders in our ability to generate financial wealth.

Financial Performance

The financial year under review presented a complex landscape for Sri Lanka's financial services sector. While the industry was slowly recovering from the 2022 macroeconomic crisis, lingering effects continued to pose challenges. Import restrictions on motor vehicles remained in place, and the Sri Lankan rupee, though stabilising, maintained a higher exchange rate against the US dollar. Additionally, the Central Bank of Sri Lanka (CBSL) adopted fewer rigid policies compared to the previous years, but some aspects of the financial environment remained challenging.

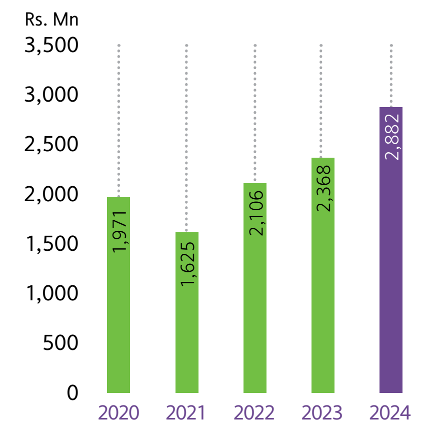
Despite these headwinds, Fintrex Finance successfully navigated this complex environment. Our data-driven approach, continuous process improvement initiatives, and a Company-wide culture of cost consciousness proved to be valuable assets. By implementing effective cost control strategies, the Company achieved sustainable growth and improved the value created for our shareholders and other stakeholders in the face of these ongoing challenges.

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 Gold Loan, Leasing, SME loan, and 'Smart Draft'. Against this backdrop, the Company deployed additional resources and implemented close screening and monitoring to improve loan recoveries. Various strategic initiatives were launched to improve the recoveries of Non-Performing Assets (NPA), such as customer counselling, legal and recovery clinics, and continuous task force efforts to educate and convince customers to pay loan installments on time. With the rise in vehicle prices, value of collaterals increased by reducing the credit risk.

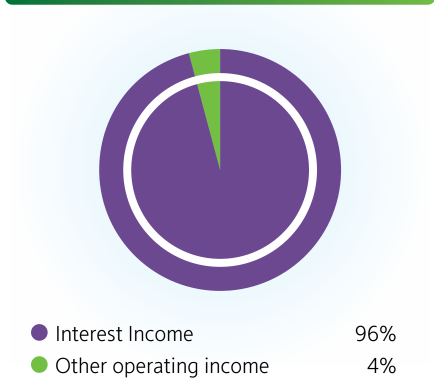
Total Revenue

Fintrex experienced a significant boost in its gross revenue, climbing from Rs. 2.37 billion to Rs. 2.88 billion, marking a robust growth of Rs. 514 million or 21.69%. This achievement stands out, especially considering the turbulent economic conditions characterized by heightened uncertainty. The primary driver behind this revenue surge was the substantial increase in interest income, which grew by 21.98% (Rs. 498 million) to reach Rs. 2.76 billion from Rs. 2.26 billion in the previous financial year of 2022/23.

Gross Income



Composition of Gross Income



Interest Income

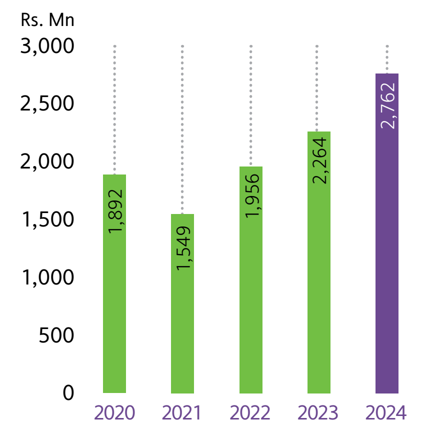
The Company's recent increase of the business volumes significantly impacted the company's financial performance. The major contributor to the growth in interest income was finance leases which grew by 27% from Rs.823 million in 2022/23 to Rs.1.04 billion during the financial year due to the expanding of the business volumes. Moreover, the other key contributor to the growth was the gold loan interest income which increased by Rs. 52 million, representing 62% growth compared to the previous FY from Rs. 85 million to Rs. 137 million.

Other interest income, which includes interest earned on placements with banks and other finance companies, as well as interest income from investments in government securities such as Treasury Bills and Treasury Bonds, reached Rs. 252 million during the financial year under review. This represents an increase of 36% compared to the previous financial year. The Company strategically took the advantage of fluctuating interest rates by investing excess funds in high yielding treasury bills and built up the investment portfolio to Rs. 1.07 billion.

The Company anticipates that the current macro-economic factors will persist in the upcoming financial year, although the growth rate may be influenced by changes in interest rates which are expected to decline in the forthcoming financial year. However, investor and business confidence must be monitored as they could potentially have a lasting impact on interest income, while a wider gap between interest income and interest expenses may emerge, purely dependent on market interest rates.

The Company will continue to closely monitor external market dynamics while strongly emphasising safeguarding the loans and advances portfolio to achieve the targeted interest income. Concurrently, the Company will continuously assess and enhance the efficiency of our risk management and optimisation strategies for loans and leasing operations, ensuring they align with any evolving economic circumstances.

Interest Income



Composition of Interest Income

Finance Leases	37.76%
Vehicle loan	7.98%
Loans and Advances	25.11%
Gold Loan	4.96%
Overdue Interest	11.68%
Early Termination and other	3.40%
Investments	9.12%

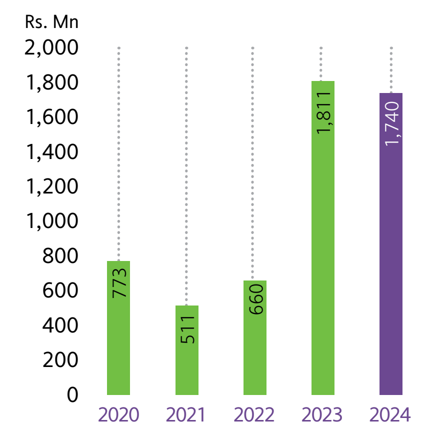
Interest Expense

Total interest expenses, including interest payable to customers and banks, other borrowed fund decreased by 4% during the year under review, in contrast to the 174% increase observed in the previous financial year.

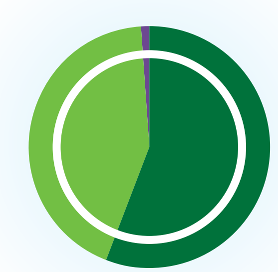
Interest expenses incurred on deposits represent 56% of the total interest expenses. In the year under review, interest expenses on deposits increased significantly by 36% to Rs. 978 million as a result of increase in public deposits from Rs.4.7billion in the previous financial year to Rs.6.3 billion as at the end of the year 2023/24. In contrast, interest expenses on public deposits increased by 849% to Rs. 721 million in the 2022/23 compared to the FY 2021/22 due to steep increase in market interest rates.

Interest expenses related to institutional borrowings, including bank overdrafts and bank term loan facilities, recorded a decrease of 31% to Rs. 738 million during the financial year under review, compared to the previous financial year's expenses of Rs. 1.08 billion. The Company obtained new loan facilities worth Rs. 3.8 billion and repaid Rs. 1.9 billion in loans during the year under review.

Interest Expenses



Composition of Interest Expense



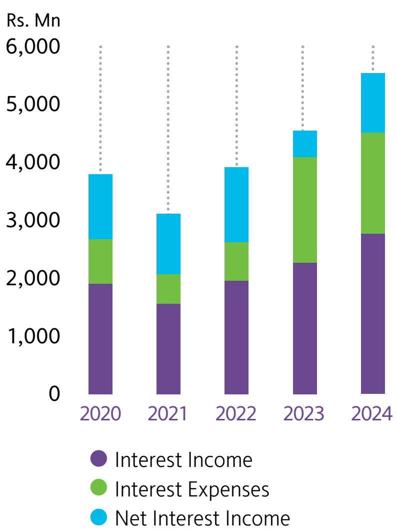
Interest on Deposits	56%
Interest on Institutional Borrowings	43%
Interest on Lease Creditors	1%

The unpredictable hike in interest rates due to the adverse economic conditions resulted in an increase in interest expense for the financial year 2022/23. 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.

Net Interest Income

The net interest income increased by 126%, amounting to Rs. 1.02 billion during the year under review compared to Rs. 453 million earned in the previous financial year. This is mainly attributed to the reduced interest expenses and increase in interest income recorded during the year under review. The Company deployed several strategies to manage net interest income growth, including product re-pricing aligned with market fluctuations and adjusting the funding structure to secure funds at favourable rates amidst the high-interest rate regime which prevailed in the country.

Interest Income, Interest Expenses and NII



Other Operating Income

The Company recorded a growth of 16% in other operating income, also referred to as non-interest income, amounting to Rs. 120 million during the year under review. In comparison, the previous financial year recorded an income of Rs. 104 million. Non-interest income encompasses various sources such as fee and commission income, recovery of debt written off, gains or losses from property, plant, and equipment disposals, as well as gains or losses from financial investments and other income.

Among these sources, the largest contribution to the operating income was derived from fee and commission income and recoveries from debt written off income, accounting for a combined share of 92% of the total other operating income. The earnings from other income constituted 4% of the Company's gross income.

Total Operating Income

The components of operating income include net interest income and other income. The Company achieved a total operating income of Rs. 1.14 billion for the financial year ending on 31st March 2024, in contrast to the earnings of Rs. 557 million in the previous financial year.

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.941.7 million or by 15% compared to the financial year 2022/23 (Rs.819.5 million). The primary factor driving this surge was the rise in personal expenses, which grew by Rs. 66.1 million, along with an additional increase of Rs. 56.2 million in all other operating costs collectively. Increase in personnel expenses is primarily driven by new recruitments to facilitate increased business volumes and rising employment benefits amidst a high-inflation in operating environment.

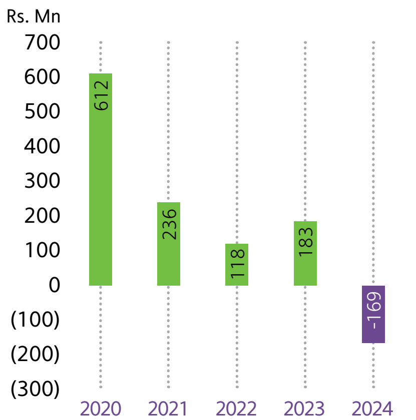
The operating expenses also increased due to our aggressive marketing drive to expand customer reach, grow business, promote, and position our brand in the marketplace and continuous visits and recovery programs at branches. During the year, two main branches, namely Signature and Kurunegala, were relocated and led to further increase in operating expenses.

Impairment Charges

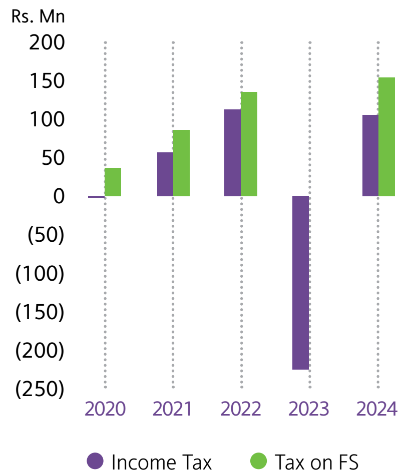
Impairment reversal of Rs. 168.8 million recorded a notable 192% decrease during the year under review, compared to Rs. 182.6 million impairment charge recorded in the previous financial year. This noteworthy achievement is attributed to the effective management of gross non-performing loans even amidst the economic crisis. Despite the challenges posed by the adverse external operating environment, the Company's efforts in mitigating risks and maintaining asset quality have played a crucial role in achieving this considerable decrease in the impairment charge.

	2020	2021	2022	2023	2024
Impairment Charge (Rs. Mn)	612.2	236.4	117.5	182.6	-168.8
Number of days past due	**180**	**180**	**180**	**120**	**90**

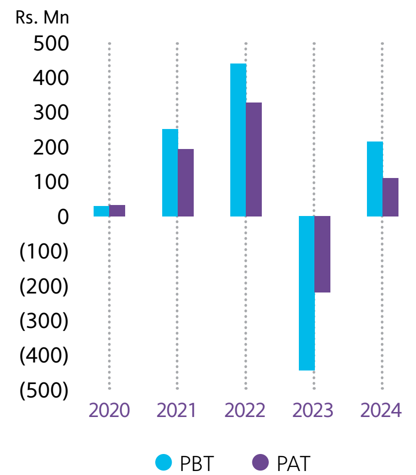
Impairment Charges



Income Tax & VAT on FS



PBT & PAT



Taxation

The Company's tax charges encompass various types of taxes, including direct and indirect taxes such as corporate income tax, Value Added Tax on financial services (VAT on FS), and Social Security Contribution Levy (SSCL). For the financial year ending 31st March 2024, the effective tax rate was 70%.

The income tax charge increased by 147% to Rs.105.3 million due to deferred tax asset reversal in the current financial year. The deferred tax asset of Rs. 159.3 million was reported in the financial year compared to a deferred tax asset of Rs.263.6 million reported in the prior year. However, there is no tax payable during the period under review.

The Value Added Tax (VAT) on financial services of Rs.135.5 million was charged during the year. Due to the loss reported, the Company did not incur any expenses during the financial year ending 31st March 2023.

The Social Security Contribution Levy (SSCL) of Rs. 18.8 million was charged during the year under review. The SSCL rate applied during 2023/24 was 2.5% on the value addition attributable to financial services.

Profitability

Leveraging on FFL's core competencies and appropriately backed by the right strategy and staunch commitment to success, the company was able to record robust pre- and post-tax profits amounting to Rs. 215 million and Rs. 110 million, reflecting an outstanding 148% and 150% YoY growth.

Despite experiencing subdued loan book growth during the first two quarters of the financial year, with the persistent decline in policy rates and uptick in credit demand, we recorded an impressive 42% YoY growth in the total loan portfolio, whilst keeping funding costs relatively lower, backed by repricing gains especially during the latter half of the year. Accordingly, we recorded a 126% remarkable growth in net interest income boosted primarily by a YoY growth in lending volumes of 42% and improved core margins (NIM) that moved up by 4.30% YoY to 8.42%.

The Company's return on average assets (ROA) calculated on profit after tax increased by 145% to record 0.84% as of 31st March 2024 compared to negative 1.86% as of 31st March 2023. The return on average equity (ROE) increased by 151% to record 3.68% as of 31st March 2024.

FINANCIAL STABILITY

Asset Management

Lending Portfolio

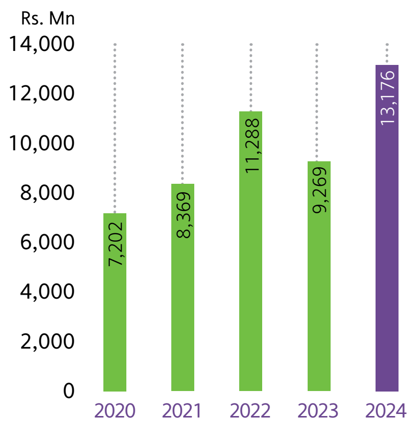
Despite the economic challenges faced by the country, the Company's net lending portfolio experienced an increase of 42%, totalling Rs. 13.18 billion, compared to Rs. 9.27 billion recorded in the previous financial year. Also, the total finance lease net portfolio increased by 44% to Rs. 7.26 billion as of 31st March 2024, compared to Rs. 5.03 billion recorded as of 31st March 2023. The gold loan product, which was introduced in two years back, has shown a remarkable growth of 26% from Rs. 518 million (2022/23) to Rs. 651 million in FY 2023/24 and represents 5% of the total portfolio.

The value of gross portfolio recorded a growth of 34% reaching to Rs. 13.64 billion at the end of the financial year 2023/24 compared to the previous year. The finance lease, which represents 56% of the entire portfolio, remains a significant contributor.

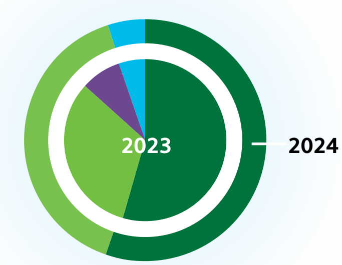
Financial Capital

Product	2024		2023	
	Gross Portfolio (Rs. Mn)	%	Gross Portfolio (Rs. Mn)	%
Finance Lease	7,575.78	56%	5,550.44	54%
Hire purchase	-	0%	0.11	0%
Loans and Advances	5,411.63	40%	3,265.08	32%
Trade finance	5.07	0%	831.50	8%
Gold Loans	650.69	5%	517.64	5%
Factoring receivables	-	0%	20.36	0%
Grand total	**13,643.17**	**100%**	**10,185.14**	**100%**

Net Lending Portfolio

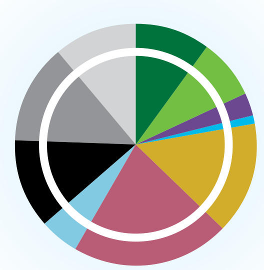


Composition of Gross Lending Portfolio



	2024	2023
Finance Lease	56%	54%
Loans and Advances	40%	32%
Trade finance	0%	8%
Gold Loans	5%	5%

Industry Analysis of Gross Portfolio



Agriculture & Fishing	10%
Construction	8%
Financial and business services	3%
Infrastructure	1%
Manufacturing	15%
Services	21%
Tourism	5%
Trades	12%
Transport	13%
Other customers	11%

Assets Quality

The maintenance of a high-quality credit portfolio is a crucial factor for the growth and success of LFCs. One key indicator of credit quality is the Non-Performing Loans (NPL) ratio, which measures the proportion of loans that has not been recovered from the total loan portfolio and its debtor age is more than 90 days. In the year under review, Fintrex Finance demonstrated excellent credit quality and further improved its performance.

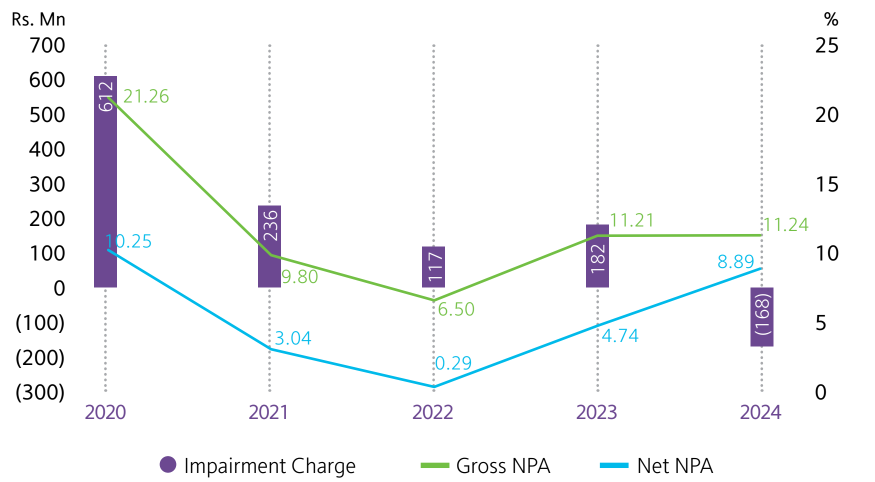
Despite the sector NPL showcasing a notable uptick triggered by heightened default risks and stringent NPL classification effected from 1st April 2023, our staunch recovery efforts coupled with proactive risk management initiatives enabled us to control the 90-day NPL at 11.24%, as at the balance sheet date, in contrast to the high industry average of 14.7% (Source: CBSL).

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 the Company's long-term growth objectives, our primary focus has been on prioritizing the quality of our assets.

Enhancement of the credit quality of lending disbursements, resulted in a 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, while increasing the total asset base. This increase in volumes 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 cash flows, providing a solid foundation for sustainable returns. This allows us to navigate through market fluctuations and economic uncertainties more effectively, ensuring long-term stability and strengthens the Company's reputation and credibility in the market.

Asset Quality



Total Assets

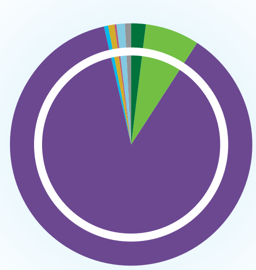
During the year under review, the Company's total assets recorded a 38% increase to Rs. 15.12 billion as of 31st March 2024. This is in contrast to the 13% decrease to Rs. 10.98 billion recorded as of 31st March 2023 attributed to the constrained operating conditions and financial liquidity in the market during the previous financial year.

The Company's commitment to implementing strong strategies for expanding the loans and advances portfolio, coupled with our ability to navigate emerging challenges, continue to support the growth of total assets.

Furthermore, the Company maintains a diligent monitoring process for the asset mix and takes appropriate measures to ensure effective management of assets. These initiatives contribute to the stability of the asset base, facilitate optimised asset growth, and help maintain a high-quality asset portfolio.

A substantial majority, precisely 87%, of the total asset base is comprised of the lending portfolio while 7% of the total assets consists of investments.

Composition of Total Asset



Cash and cash equivalents	2.20%
Investments	7.07%
Leases, loans and advances	87.14%
Other receivables	0.56%
Net deferred tax assets	1.05%
Investment property	0.12%
Right of use asset	1.20%
Intangible assets	0.06%
Property, plant and equipment	0.59%

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 organization.

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 set out by CBSL. The ratio of total liquidity assets to liquidity assets requirement stood at 168% at the end of the FY 2023/24, demonstrating a solid financial position.

Funding and Investments

We have aligned our investment portfolio to meet the rising statutory liquidity requirements accompanying the growth in customer deposits. Any surplus liquidity has been strategically placed in high-yielding money market accounts to maximize interest earnings.

Financial Capital

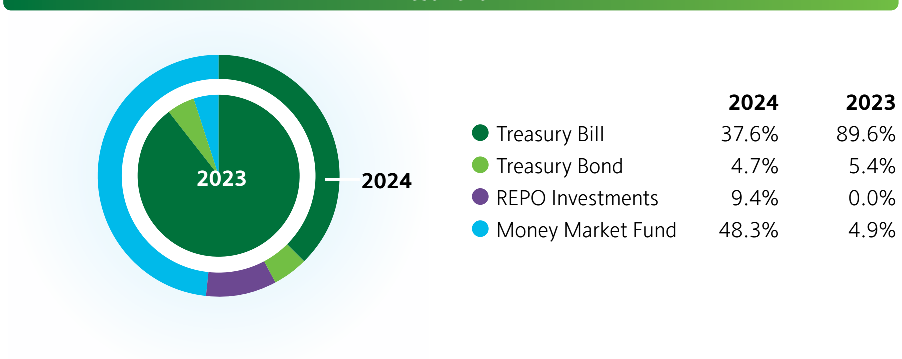
The borrowing portfolio saw a substantial 61% increase amounting to Rs. 4,857 million compared to the previous year. This rise can be attributed to Fintrex securing new term loan facilities aimed at supporting additional lending initiatives and expanding business operations, capitalizing on the improving economic landscape in the country.

Of the entire investment portfolio, treasury bills now constitute Rs.402 million, a notable decrease from the previous year's Rs.684 million (41%). This adjustment reflects our strategy to uphold essential government security holdings in treasury bills while strategically diversifying excess funds into higher-yielding alternative investments, responding to the reduced interest rates on treasury bills.

Investment Mix	2024 (Rs. Mn)	%	2023 (Rs. Mn)	%
Treasury Bill	402	37.6%	684	89.6%
Treasury Bond	50	4.7%	41	5.4%
REPO Investments	100	9.4%	-	0.0%
Money Market Fund	516	48.3%	38	4.9%
Total	1,068	100.0%	763	100.0%

Fintrex remains steadfast in its commitment to sound financial management practices and intends to persistently assess and refine its capital structure to facilitate its growth ambitions. Through strategic financial optimization, the company is poised to capitalize on evolving opportunities within the dynamic technology sector, ensuring sustainable long-term prosperity.

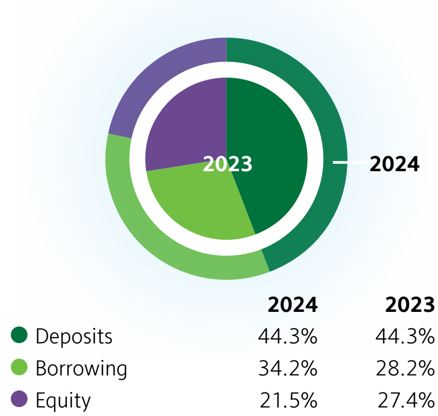
Investment Mix



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	2024 (Rs. Mn)	%	2023 (Rs. Mn)	%
Deposits	6,296	44.3%	4,744	44.3%
Borrowing	4,857	34.2%	3,021	28.2%
Equity	3,049	21.5%	2,934	27.4%
Total	**14,201**	**100.0%**	**10,699**	**100.0%**

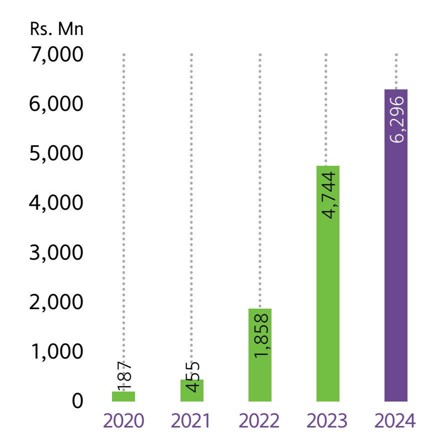
Funding Mix



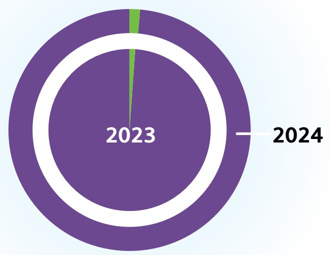
The deposit base reported a significant growth of 33% from Rs. 4.7billion to Rs. 6.3 billion during the year under review, as a result of enhanced customer confidence and continuous deposit drive with the collaboration of employees, and implementation of robust deposits campaigns. This surge in deposits 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.

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

Deposits Growth



Deposit Base



	2024	2023
Savings Deposits	1.44%	1.28%
Fixed Deposits	98.56%	98.72%

Capital Adequacy

Capital adequacy is a measure of a company's financial strength, expressed as a ratio of its capital to its risk-weighted assets. It demonstrates the company's ability to maintain sufficient equity and supplementary capital to withstand unexpected losses.

In the LFCs sector, organisations with an asset base below Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 8.50% and a total capital ratio of 12.50% under the capital adequacy framework, and organisations with an asset base above Rs. 100 Bn are required to maintain a minimum Tier I capital adequacy ratio of 10.00% and a total capital ratio of 14.00%.

As of 31st March 2024, Fintrex Finance maintained a Tier I capital ratio of 16.07% and a total risk-weighted capital ratio of 16.07%. As of 31st March 2023, the Company's core capital ratio was 25.24% and the total risk-weighted capital ratio was 25.24%. The core capital and capital funds of the Company as at end of the financial year under review amount to Rs. 2.71 billion and Rs. 3.05 billion, respectively, comfortably exceeding the regulatory requirements set by the CBSL.

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% and Tier 2-12.5%), we demonstrate our unwavering commitment to sound governance and risk management practices. This not only ensures our compliance with regulatory requirements but also strengthens our reputation as a responsible and well-managed financial institution.

	Regulatory Minimum	2024
Tier 1 Capital Ratio (%)	8.50	16.07
Total Capital Ratio (%)	12.50	16.07

Shareholders' Funds

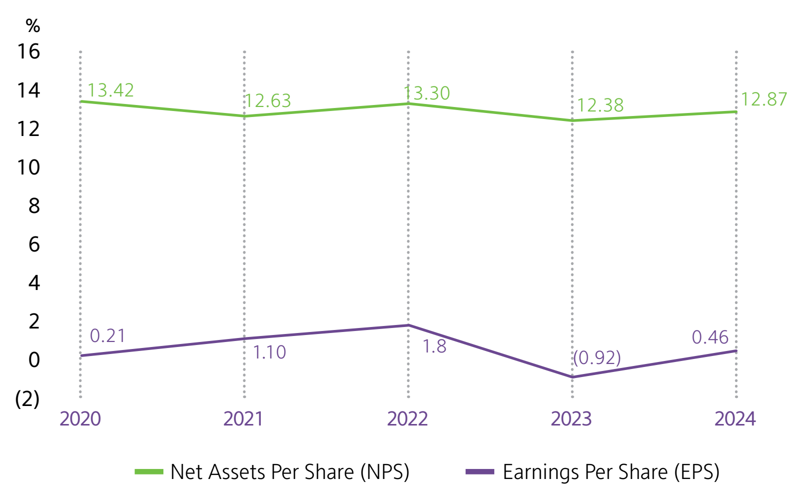
Creating value for shareholders remains a primary focus for Fintrex Finance, and therefore, strategies are implemented for the continual increase in retained earnings, which serves as the primary source of capital infusion.

The shareholders' fund serves as a crucial measure of the financial capital of a company, reflecting the stakeholders' investments and retained earnings. At the end of the financial year under review, the Company's total shareholders' fund grew by 4% to Rs. 3.05 billion, compared to Rs. 2.93 billion in the previous financial year.

The Company's ability to maintain growth in shareholders' funds despite the continuing challenges in the macroeconomic environment is attributed to our legacy of financial stability, ethical business practices, and a strong commitment to achieving sustainable long-term growth.

The Company experienced a significant 150% increase in Earnings Per Share (EPS) during the 12 months ending on 31st March 2024 to Rs. 0.46 compared to negative Rs. 0.92 recorded during the 12 months ending on 31st March 2023. The net asset value per share recorded a growth of 4% to reach Rs. 12.87 as of 31st March 2024, compared to Rs. 12.38 reported on 31st March 2023.

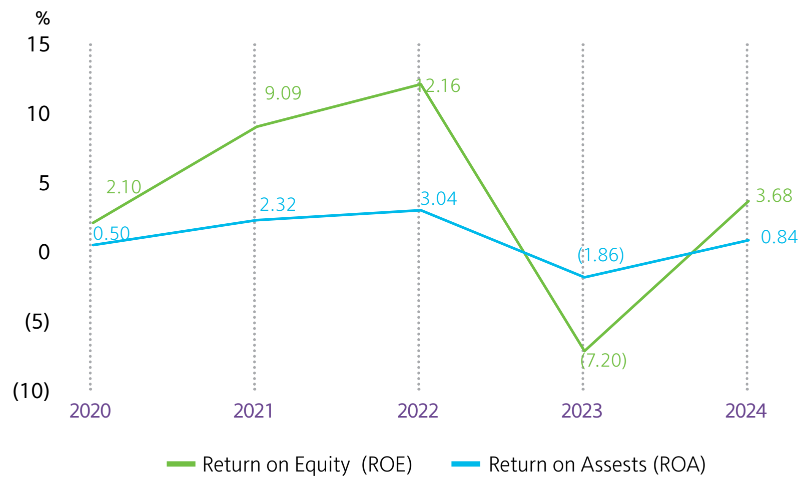
EPS & NPS



Financial Capital

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 3.68% while Return on Asset is 0.84% for the current financial year due to the profit earned.

ROE & ROA



Management's Efficiency

In the current financial year, our management team has demonstrated exceptional proficiency in steering the company towards substantial improvements in financial performance and operational resilience. Building upon the foundation of last year's challenges, we have achieved remarkable strides, notably transforming a previous year's loss of Rs. 219 million into a profit of Rs. 110 million, a notable 150% increase in profitability.

Key to this turnaround has been our proactive approach in enhancing efficiency across all facets of our operations. By implementing strategic cost management initiatives and optimizing resource allocation strategies, we have effectively managed expenditures while maximizing operational efficiency. This disciplined approach not only safeguarded our financial capital but also positioned us to capitalize on new growth opportunities.

Our commitment to innovation and responsiveness to market demands has further bolstered our results. Introducing new high-yield products and expanding our loan book by 42% alongside a 33% increase in customer deposits, underscore our agility and responsiveness to customer needs. These initiatives have not only diversified our revenue streams but also strengthened our market position.

Risk management remains a cornerstone of our operational strategy. By continually assessing and mitigating risks, we have maintained the stability of our financial position amidst evolving economic conditions. This proactive risk management approach has fortified our resilience against potential disruptions, ensuring sustained growth and stability.

Furthermore, our steadfast dedication to nurturing stakeholder relationships continues to be pivotal. Transparent communication, robust governance practices, and consistent value delivery have deepened trust and confidence among our shareholders, lenders, and investors. These strong relationships have been instrumental in fortifying our financial capital and positioning us favourably for future growth endeavours.

As we look ahead, our management team remains committed to continuous improvement and sustainable growth. With a solid foundation of achievements in the current year, we are poised to leverage our expertise, adaptability, and market insights to capitalize on emerging opportunities. By maintaining our focus on operational excellence and stakeholder value creation, we are confident in our ability to achieve sustained profitability and enhance shareholder value in the years to come.

Economic Contribution

GRI 201-1

Direct economic value generated and distributed

Our sustainability agenda is designed to enhance economic benefits for our depositors, lenders, employees, suppliers, and the government, fostering sustainable growth for the company. In the financial year 2023/24, we generated Rs. 2.88 billion in economic value, marking a significant increase from Rs. 2.4 billion in the previous year, an improvement of Rs. 513.95 million.

The highest economic value was distributed to our lenders and depositors who placed the utmost trust on Fintrex, amounting to Rs. 1,740 million (60.36%). Economic value provided for our skilled workforce was Rs. 571 million (19.82%). Additionally, Rs. 260.75 million (9.05%) and Rs. 200.63 million (6.96%) were allocated to the government and suppliers respectively during the Financial Year 2023/24. These efforts underscore our dedication to creating sustainable economic benefits across our stakeholder spectrum.

	2024 Rs. Million	%	2023 Rs. Million	%	Change Rs. Million	%
Economic Value Generated						
Interest Income	2,761.98		2,264.37		497.61	
Other income	120.35		104.01		16.34	
Total	**2,882.33**		**2,368.38**		**513.95**	
Economic Value Distributed						
To Depositors and Lenders						
Interest Expenses	1,739.68		1,811.04		-71.35	
	1,739.68	60.36%	1,811.04	76.47%	-71.35	-13.88%
To Employees						
Salaries and other benefits	571.16		505.10		66.06	
	571.16	19.82%	505.10	21.33%	66.06	12.85%
To the Government						
Income tax	105.29		-225.64		330.93	
Tax on financial service	154.36		-		154.36	
Crop Insurance Levy	1.10		-		1.10	
	260.75	9.05%	-225.64	-9.53%	486.39	94.64%
To Suppliers						
Other Operating Expenses	329.90		277.14		52.76	
Impairment charges	-168.83		182.57		-351.40	
Depreciation and amortization	39.56		37.26		2.30	
	200.63	6.96%	496.97	20.98%	-296.34	-57.66%
Economic Value Retained	110.11	3.82%	-219.08	-9.25%	329.19	64.05%
Total	**2,882.33**	**100.00%**	**2,368.38**	**100.00%**	**513.95**	

Manufactured Capital

Snapshot

What we did

The unconducive business landscape during the year curtailed our investment in manufactured capital. However, we maintained our physical and digital assets with some improvements to cater to the evolving needs of the clientele.

What we achieved

We continued our strong relationships with customers, even onboarding new customers to the portfolio. Our unique financial solutions, easy and flexible service delivery and digital channels succeeded in maintaining customer satisfaction and loyalty.

Stakeholder Groups Impacted

Customer

Employees

Related Material Themes

Customer Privacy
Customer Service
Digitalization and Technology

SDG Impact

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Way Forward	Challenges	Space for Improvement
• Reinforce technology infrastructure to enhance the efficiency and effectiveness of delivering exceptional customer experience • Build digitally enabled financial solutions • Developing products to the evolving customer needs • Reinforcing customer relationships through relevant financial assistance and mentorship	• High cost involved in technology transformation • Rapidly changing industry landscape and customer needs • Macroeconomic volatility that hinders forward planning	• Investment in technology advancement and in fostering a digitally enabled workforce • Expansion of branch network for better reach • Skill enhancement of staff at the branch level for better customer engagement and service delivery • Enhancing cybersecurity protocols to protect against evolving threats and ensuring the integrity and confidentiality of customer data. • Upgrading IT infrastructure to support scalability, reliability, and agility, including cloud migration strategies and infrastructure-as-code practices. • Exploring partnerships with technology vendors, startups, or research institutions to leverage expertise, access innovative solutions, and stay ahead of industry trends.

Overview

We consider investing in developing and reinforcing our manufactured capital as a vital aspect of our value-creation process. Nevertheless, macroeconomic pressures during the financial year curtailed our expenditure leading to limited spending on infrastructure improvement. However, we brought in some changes to our existing physical and digital assets to maintain our competitive position in the market.

Managing our manufactured capital to support value creation

We manage our manufactured capital by strategically planning and allocating finances for acquisition, expansion or replacement of it in line with the Company's goals and objectives. This demonstrates our commitment to delivering superior customer experience within an ever-evolving industry landscape. Subsequently, this has ***inspired confidence*** in our customers and employees in our material capacity to meet their expectations.

Our Manufactured Capital encompasses the physical infrastructure (head office building and branch network) and digital infrastructure (IT assets and network architecture) we utilize in value creation and sustaining our competitive position.

At Fintrex, manufactured capital serves as a key strength in driving operational excellence and ensuring sustainable growth.

Composition of Property, Plant Equipment (PPE)

Type of Manufactured Capital	31st March 2024 Value (Mn)	31st March 2023 Value (Mn)
Furniture & Fittings	47.24	56.42
Office Equipment	29.54	28.83
Computer Equipment	12.87	15.67
Mobile Devices & Tabs	0.04	0.39

Building a Solid Branch Footprint

Our well-established branch network that covers 16 strategic locations, remains the direct touchpoint for customers at the regional level. A majority of branches are strategically located in central commercial and metro hubs around the Western Province, while other branches are located in key geographical locations in the regions.

With these physical touchpoints, customers can directly access our services and reach customer service assistants at their convenience. During the year, given the unfavourable environment for business expansion, we refrained from expanding our branch network. However, we relocated two branches, namely the Signature branch and Kurunegala branch to strategic locations in harnessing better opportunities to grow our assets and lending portfolio.

Opening of Signature Branch

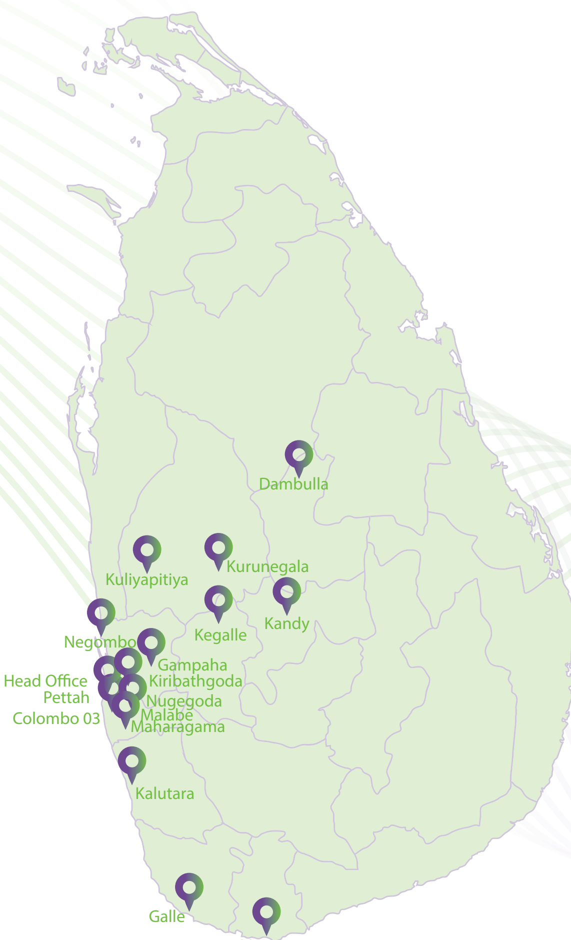
FFL renamed its City Branch as Signature Branch, moving it into a premier location in Colombo city. The Signature Branch was introduced as an icon in Colombo 3 in attracting the high end customer segment. With an area of 4,900 square feet and an unique ambiance, this branch accommodates 74 staff members, and upholds our image as a financial service provider committed to excellence. Thus far, we have received positive feedback from customers who have experienced our service excellence, tailored to their specific needs.

Manufactured Capital

Relocation of Kurunegala Branch

As the 4th largest portfolio of Fintrex, the Kurunegala Branch was relocated to a strategic location close to the central bus stand.

All branches are equipped with up-to-date equipment and technology know-how, including an able team to service the intrinsic and varied financial needs of the clientele. We consistently strive to maintain service excellence by enhancing the capacities of our branch staff. Through exposure to various technical and soft skill training programs, we have inculcated in them the financial acumen and adept customer handling techniques that are vital to sustaining the market share within the industry. Over the years, these efforts have proved fruitful, resulting in the maintenance of a loyal and long-standing customer base.



Revamping Customer Contact Center

FFL revamped its 'Call Center' during the year with a new title **'Customer Contact Center (CCC)'** signifying its wider scope apart from handling customer calls. This new Customer Contact Center has elevated its capacity by introducing lead generation, First Call Resolution (FCR) facility as well as 'Sentiment' concept to gauge an in-depth insight into customer behaviour and concerns in making informed decisions. The Center also has the capacity for direct handling of customer grievances.

Establishing Digital Channels

In our ongoing journey to emerge as a digitally enabled financial service provider, we have managed to transform a significant proportion of our internal processes and customer service platforms into a technology-driven interface. This has enabled us to ensure a seamless service experience for customers including speedy and easy service delivery while optimizing resource utilization. Internal process efficiencies in particular have led to reduced paper usage, reducing expenditure.

Technology Improvements & Upgrades During FY 2023/24

Enhanced Cybersecurity Measures:
In response to the evolving threat landscape, we fortified our cybersecurity defenses by implementing advanced threat detection and prevention mechanisms. One significant enhancement during FY 2023/24 was the migration of our Company's antivirus guard from signature-based detection methods to Endpoint Detection and Response (EDR) model. This transition represents a paradigm shift towards more proactive and sophisticated cybersecurity measures.

In addition to implementing the above, we implemented a PAM (Privileged Access Management) solution to further strengthen our security posture. PAM enables granular control and monitoring of privileged access to critical systems and sensitive data, reducing the risk of insider threats, credential misuse, and unauthorized access. By enforcing least privilege principles and implementing just-in-time access controls, our PAM solution enhances accountability, transparency, and compliance with regulatory requirements.

Data Analytics and Insights:
Leveraging advanced analytics and business intelligence tools, we intensified our efforts to derive actionable insights from vast volumes of data generated across our organization. By harnessing the power of data analytics, we were able to gain deeper insight into customer behavior, market trends, and operational performance, enabling data-driven decision-making and targeted interventions to drive business growth.

IT Security-Related Activities During FY 2023/24

In line with our commitment to maintaining robust cybersecurity practices and mitigating technological risks, several key initiatives were undertaken during the financial year 2023/24 to strengthen our organization's resilience against cyber threats. The significant IT security-related activities conducted during the year include;

A. Development of New Policies Based on CBSL's Technological Risk Framework:
We proactively aligned our cybersecurity policies and procedures with the guidelines outlined in the Technological Risk Framework provided by the Central Bank of Sri Lanka (CBSL). By leveraging this framework, we developed comprehensive policies that address emerging cyber threats, data protection requirements, and regulatory compliance mandates. These policies serve as a blueprint for establishing a robust cybersecurity posture and ensuring the confidentiality, integrity, and availability of our IT infrastructure and data assets.

B. Awareness Cybersecurity Training Conducted by External Consultants:
Recognizing the importance of fostering a culture of cybersecurity awareness across our organization, we engaged external consultants to conduct comprehensive cybersecurity training sessions for all staff members, including members of the Board of Directors. These training sessions covered a wide range of topics, including common cyber threats, best practices for safeguarding sensitive information, incident response procedures, and regulatory compliance obligations. By raising awareness and empowering employees with the knowledge and skills needed to identify and mitigate cyber risks, we have strengthened the human firewall in reducing the likelihood of security incidents stemming from human error or negligence.

These IT security-related activities underscore our unwavering commitment to prioritizing cybersecurity as a fundamental aspect of our business operations. By continually enhancing our policies, procedures, and workforce awareness, we strive to mitigate cyber risks effectively, protect our organization's assets, and uphold the trust and confidence of our stakeholders in an increasingly interconnected and digital world.

IT Risk Management Related Activities During FY 2023/24

During the financial year 2023/24, our organization prioritized proactive IT risk management strategies to identify, assess, and mitigate potential risks that could impact the security, availability, and performance of our IT systems and assets. The significant IT risk management related activities conducted during the year include;

A. Enhancement of Risk Governance Framework:
Building upon existing risk governance structures, we enhanced our IT risk governance framework to foster greater transparency, accountability, and alignment with business objectives. This involved refining risk management policies, procedures, and reporting mechanisms to ensure effective oversight and decision-making at all levels of the organization.

B. Continual Monitoring and Review:
Recognizing the dynamic nature of IT risks, we established robust mechanisms for continual monitoring and review of our risk landscape. This involved leveraging automated monitoring tools, threat intelligence feeds, and key risk indicators (KRIs) to detect emerging risks in real-time and initiate timely remediation actions as necessary.

C. Adherence to Regulatory Compliance Requirements:
We remained vigilant in monitoring regulatory developments and compliance requirements relevant to IT risk management. This includes aligning our practices with industry standards, frameworks, and regulatory guidelines to mitigate legal and regulatory risks and uphold our commitment to ethical conduct and corporate governance.

Developing Products Tailored to Customer Needs

We have developed a range of products to cater to the evolving needs of customers, which are delivered to them through our branch network. During the year, taking into account the current customer needs within the country's macroeconomic context, we introduced three new products; Smart Phone, Study Loan and Solar Loan. In addition, existing products that specifically target the SME segment were also aggressively promoted in order to create a better business environment for the segment. Furthermore, the Agriculture Loan Scheme was rebranded as Fintrex AgriNEX, offering tailored financial support to famers and agricultural entrepreneurs.

Our unique financial solutions were introduced to customers by leveraging the Company's technology interface, digital marketing and direct personalized engagement methods. These include communicating via WhatsApp, Viber, Messenger, SMS and e-flyers on our product portfolio to prospective clients. During the year, 9 "Mega Campaigns" were also carried out as a BTL activity utilizing social media to enhance product and brand awareness amongst potential customers.

Intellectual Capital

Snapshot

What we did

Considering the stagnant business situation throughout the year, we had to restrict investments in enhancing intellectual capital. Hence, we focused on key strategic improvements which include reinforcing the IT governance area as per the CBSL directives, sustaining the brand's presence in the customer's perception via targeted mega campaigns, introducing three new products and aggressively driving SME-related products as well as continuing professional development of human resources.

What we achieved

We were able to maintain brand loyalty amongst the existing customers while creating portfolio awareness amongst the potential customers. This was further reinforced by the service excellence of our well-equipped team and the strong and secure ICT platform.

Stakeholder Groups Impacted


Customer


Employees

Related Material Themes

Training & Education
Digitalization & Technology

SDG Impact

Way Forward	Challenges	Space for Improvement
• Technology advancement towards improved efficiencies and customer convenience • Workforce capacity building to deliver competitive advantage • Focused marketing efforts to create product awareness & expansion of customer base	• Rapidly evolving industry landscape driven by technological advancements, shifting consumer expectations and a changing regulatory landscape	• Facilitation of a data-driven approach to decision-making considering the significance of it in the finance industry for making informed decisions. • System and processes streamlining to introduce new product development (quick tournaround times) in responding to the changing market demands and client requirements. • Automation of routing tasks (account management, transaction processing, or customer inquiries) to provide faster response times, reduce errors, and deliver a more seamless customer experience.

Overview

Against an adverse business climate during the year, we had to curtail investments in the growth of intellectual capital. Hence, we focused on sustaining the existing intangible assets with few improvements.

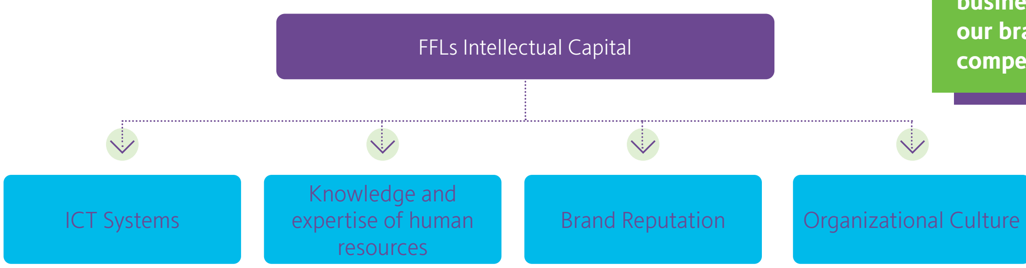
Our intellectual capital comprises ICT systems, knowledge and expertise of human resources, brand reputation and organizational culture that contributes to our value and competitiveness.

At Fintrex, we consider our intangible assets as a vital component that drives performance, innovation, and brand equity leading to enhanced customer confidence and brand recognition.

Employees' collective commitment and capacity support the realization of our overarching business objectives and enhance our brand image, ensuring our competitive edge.

Managing Our Intellectual Capital to Support Value Creation

We manage our intellectual capital by taking measures to strengthen it to achieve our strategic objectives and stakeholder value creation. These include reinforcing our ICT systems, enhancing the capacities of human resources to ensure customer service excellence and maintaining brand loyalty through engaging in marketing and communication activities. Our strong governance and risk culture acts as the foundation that directs our efforts towards realizing our vision, mission and values. In our unique way, we were able to ***inspire confidence*** in our customers that the Company is resilient to navigate uncertainties and remain relevant in the long term.



GRI 203-1

Infrastructure Investments and Services Supported

During the financial year, we invested in the development of the following infrastructure to streamline our operations.

Revamping of Existing Inventory Management System

Our efforts to revamp the existing inventory management system have yielded significant efficiency gains for the Company. Through strategic upgrades and optimizations, we have streamlined inventory tracking, enhanced supply chain visibility, and improved resource allocation. This has resulted in reduced operational costs, minimized stockouts, and accelerated order fulfillment, ultimately enhancing our competitiveness in the market.

Upgrade of KPI Automation in HRIS

In line with our commitment to leveraging technology for organizational excellence, our IT department undertook the upgrade of several critical applications, including the implementation of KPI automation in our HRIS (Human Resources Information System). This upgrade has revolutionized our performance tracking and evaluation processes, allowing us to monitor key metrics seamlessly, identify areas for improvement, and drive strategic decision-making based on real-time insights. As a result, we have enhanced employee productivity, optimized resource allocation, and fostered a culture of continuous improvement across the organization.

ICT Systems

Our technology-driven systems remain one of the most significant intangible assets that contribute to the Company's performance and value creation. Hence, we gradually persist in our journey towards technology transformation in bringing in internal process efficiencies and customer convenience. Over the years, such implementations have contributed to reduced processing times enhancing the customer experience, including optimization of resources. On the other hand, these implementations have also contributed to fostering a digitally literate workforce. In assimilating the workforce towards a digital culture, we conduct IT knowledge-sharing sessions weekly for all IT staff and periodic IT awareness sessions for all employees.

Data-Driven Approach to Decision Making

The data-driven approach we have adopted to inform and guide our decision-making process adds value to our operations through empirical evidence and quantitative analysis of relevant information. This approach is implemented in four ways;

1. Dashboards
2. Recovery Process Automation
3. Impairment Process Automation
4. Management Information System (MIS)

Dashboards

A foremost step in making data-driven decisions is the customization of our dashboards to provide us with up-to-date insights. This allows immediate access to key metrics and trends that can provide valuable insights for decision-makers to identify areas for improvement related to various operations of the organization. Consequently, we were able to base our actions on accurate and timely information generated through these dashboards.

Recovery Process Automation

We have automated our recovery system by converting the way we manage and analyse our recovery information. As a result, we were able to gain valuable insights related to our recovery process, in turn contributing to enhancing its efficiency.

Core features of the Automated Recovery Process;

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

Impairment Process Automation

We have also automated the impairment process to obtain better insights into financial outcomes. To this end, we implemented advanced data analytics and predictive models, to precisely assess the potential impairment and its impact on the Company's income. This advanced system that gives the privilege of improved forecasting capacity has enabled us to understand future financial scenarios, plan resource allocation accordingly, and optimize operations while effectively managing risks to ensure the long-term sustainability of the Company. This automated impairment system encompasses easy-to-use forecasting tools which makes it an ideal tool for guiding financial planning and improving overall performance.

Management Information System (MIS)

Our MIS system offers a complete dashboard to obtain a comprehensive perspective of the Company's performance through monitoring and analysing key metrics across the business segments including Lending, Fixed Deposits (FD), Savings, and Gold Loan performance. Consequently, the Company was able to gather invaluable information on the Company's present situation and progress, taking a data-driven approach to driving strategy. This dashboard offers many advantages including a user-friendly interface for ensuring easy access and interpretation of performance data. This system also provides us with the necessary tools to improve our operations, recognize growth opportunities and sustain the competitive edge within the evolving industry landscape.

Enabling of CEFTS Inwards/Outwards

FFL implemented CEFTS to provide customers with faster and more convenient fund transfer options. By integrating CEFTS into our services, we offer customers a cutting-edge payment solution that meets their needs for speed, reliability and convenience. This ensures seamless transactions with minimal hassle while assuring customers that transactions are conducted in compliance with high-security standards.

Cyber Security and IT Governance

IT security assessments are carried out by FFL through conducting penetration testing, vulnerability testing and IT general control assessments, following which security controls are implemented based on the recommendations. In addition, the IT risk management aspect was also strengthened by introducing a technology risk management framework in line with the CBSL guidelines and regulations.

While we also have a Business Continuity Plan (BCP) in place to ensure the resilience of our operations and risk minimization, we periodically review IT policies, thereby improving them to meet the industry standards and best practices. Additionally, cybersecurity awareness programs were also conducted for employees to keep them up to date on developments and threats in the IT security field.

IT Security Improvement Measures During FY 2023/24

During the financial year 2023/24, significant advancements were made to bolster our IT security framework, ensuring robust protection against evolving cyber threats. Key measures implemented include:

Implementation of Privileged Access Monitoring System (PAM)

To enhance our security posture, we deployed a Privileged Access Monitoring System. This system is designed to meticulously monitor the activities of super users and external parties, providing an additional layer of security and accountability within our IT infrastructure.

Upgrade to Advanced EDR Solution

We transitioned from our legacy antivirus software to a cutting-edge Endpoint Detection and Response (EDR) solution. This upgrade offers superior capabilities to detect and respond to new and sophisticated virus attacks using advanced technology, thereby significantly improving our overall security.

Intellectual Capital

Annual Vulnerability Assessment and Penetration Testing

We continued our commitment to security by conducting annual vulnerability assessments and penetration testing through an external party. These assessments are crucial for identifying potential gaps in our IT environment, enabling us to address vulnerabilities proactively and maintain a secure operational landscape.

Development of New Policies and Procedures

In addition to technical enhancements, we have developed and implemented new security policies and procedures. These policies are designed to ensure comprehensive security measures are in place across the company, covering all aspects of our operations and reinforcing our commitment to maintaining a secure environment.

These initiatives reflect our ongoing dedication to strengthening our IT security measures, ensuring the protection of our data and systems in an increasingly complex threat landscape.

Knowledge and Expertise of Human Resources

The collective knowledge, skills, abilities and potential of our human resources drive our sustainable growth and long-term value creation, ensuring our market position within a competitive industry landscape. Our workforce, which includes financial entrepreneurs and experts with extensive industry knowledge is fully equipped to navigate customers through their financial difficulties, enabling them to strengthen their financial foundation. It is in the hands of these individuals that lies the power to sustain our clientele, ensuring their satisfaction and loyalty through exceptional service and meaningful relationships.

Given the pivotal role they play in our value creation, we continue to strengthen them by offering opportunities for professional development through a mix of technical and soft skill trainings. During the year, 125 such training programs were offered to enhance their existing skills and acquire new competencies. The training programs focus on system training, recoveries, gold loans, cost savings initiatives, valuation, branch security, CEFTS implementation, cashier trainings, cyber security, sales excellence, SWIFT system, ICAAP development and implementation and mentoring programs. Furthermore, we have also adopted a meticulous hiring process where we strive to recruit the best fit for the job.

Brand Reputation

In the dynamic landscape of the financial industry, maintaining a strong brand reputation is paramount to our success. Over the past year, we have undertaken strategic initiatives aimed at attracting new customers, retaining existing ones, and solidifying our position as a trusted financial partner.

During the year we initiated nine (9) “Mega Campaigns” as a BTL (below the line) activity, executed primarily based on different branches in the Western Province to increase brand awareness amongst customers and to empower them with our exclusive financial solutions. Additionally, regular customer communication was also maintained through WhatsApp, SMSs and e-flyers that share information on our unique products and service offerings. This weekly communication ensures that our customers and potential customers are continuously provided with the information they require to make informed decisions regarding their financial health. Further, customers were also reached through online commercial platforms such as ikman.lk. By providing timely and relevant information, we foster trust and loyalty among our customer base, ensuring that they feel supported and valued.

Against the current macroeconomic environment, we took the initiative to introduce products that cater to the needs of the hour. Hence, three new products were introduced to the portfolio; namely, Mobile Phone Loan, Study Loan and Solar Loan apart from aggressively promoting some of the existing products that cater to the specific financial needs of SME customers. These include Revolving Draft, Dream Planner, Flexy Fix and Gold Purchase Loan.

Joint Promotions with Vehicle Dealers

Throughout the financial year, we have fostered strategic partnerships with a network of reputable vehicle dealers. These collaborations have enabled us to leverage their extensive reach and customer base, facilitating mutually beneficial promotional activities that drive traffic to both our financial products and their vehicle offerings.

Our joint promotions with vehicle dealers have been part of integrated marketing campaigns aimed at enhancing brand awareness and generating leads. By combining our respective expertise and resources, we have been able to create compelling marketing initiatives that resonate with our target audience and drive engagement.

International Customer Service Week Celebrations

Fintrex Finance embarked on a momentous journey as it launched Customer Service Week 2023 with great enthusiasm and warmth, not only at its head office but also across all branches. The week-long celebration was a heartfelt tribute to the unwavering support and loyalty of Fintrex's esteemed customers, who graced the occasion with their presence.

The festivities commenced with a memorable inauguration ceremony at the head office, where senior management, staff members, and cherished customers came together in a spirit of camaraderie and appreciation.

Across all branches, staff members joined in the celebration, with each location adding its unique flair to the festivities. From themed decorations to special events

and promotions, Fintrex branches spared no effort in showcasing their appreciation for customers and their unwavering commitment to delivering exceptional service.

Throughout Customer Service Week, Fintrex organized a series of engaging activities designed to foster team spirit and reinforce the organization's customer-centric culture.

As Customer Service Week drew to a close, the spirit of appreciation and dedication continued to resonate within the Fintrex community. Energized by the success of the celebrations, staff members and customers alike were reminded of the importance of collaboration, empathy, and excellence in creating memorable experiences and building lasting relationships.

Looking ahead, Fintrex remains committed to upholding its tradition of excellence in customer service and ensuring that every interaction leaves a positive and lasting impression. Customer Service Week 2023 served as a powerful reminder of the organization's core values and its relentless pursuit of customer satisfaction and success.

Sending Birthday Wishes/Gifts for Customers on FD Platform

Throughout the financial year, we have remained dedicated to maintaining these connections through personalized engagement initiatives, including the heartfelt gesture of sending birthday wishes and gifts to our valued clients.

As part of our commitment to celebrating the special moments in our customers' lives, we have implemented a program to send personalized birthday wishes to each of our clients. These messages convey our appreciation for their continued support and serve as a reminder of the importance we place on each individual relationship.

In addition to sending birthday wishes, we have gone a step further by accompanying these messages with thoughtful gifts. These tokens of appreciation are carefully selected to reflect the preferences and interests of each client, ensuring that they feel valued and cherished on their special day.

Organisational Culture

Our governance framework provides the foundation upon which our operations are built. It delineates the roles, responsibilities, and decision-making processes within the organization, ensuring that all actions are aligned with our overarching objectives and values.

By identifying, assessing, and mitigating risks proactively, we safeguard our business operations and protect the interests of our stakeholders. This disciplined approach to risk management enables us to navigate challenges effectively and seize opportunities for growth.

We have implemented comprehensive policies and procedures that govern our business activities, promoting transparency and accountability at every level of the organization. These policies serve as guiding principles, ensuring that our actions are conducted in accordance with legal and regulatory requirements, industry best practices, and our own ethical standards.

We actively encourage our employees to freely express their opinions, concerns, and ideas. By inculcating an open-door culture, we foster trust, collaboration, and innovation within the organization. This transparent and inclusive approach strengthens the relationships between employees and senior management, creating a cohesive and resilient workforce.

Human Capital

Snapshot

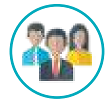
What we did

We continued to recruit, manage, train and develop our employees to increase their value for the Company. However, greater emphasis was given to the recruitment process, adopting a meticulous approach towards selecting the most suitable candidate for a given job position in the backdrop of high turnover in the industry.

What we achieved

Our skilled employees are ready to take our products to the market upholding our brand reputation. A meticulous approach to recruitment has resulted in onboarding top-tier talent for the workforce.

Stakeholder Groups Impacted



Employees

Related Material Themes

Employment
Occupational Health & Safety
Training & Education
Diversity and Equal Opportunity
Non-Discrimination

SDG Impact

Way Forward

- Building a strong workforce to cater to the diverse customer demands
- Attract and retain right expertise to sustain our market position
- Strengthen retention strategies and enhance opportunities for professional growth
- Strengthen the organization's employer brand

Challenges

- Brain drain due to macroeconomic uncertainties
- Rapidly evolving industry landscape in terms of customer needs and technology adaptation
- Ensuring the security and confidentiality of employee data
- Developing and managing policies for remote or hybrid work arrangements

Space for Improvement

- Investment in leadership development
- Implementation of Performance Improvement Plan (PIP)
- Implement regular surveys to identify the level of satisfaction and address issues promptly
- Invest in HR Technology and systems that streamline processes
- Invest in more health and wellness program

Overview

The macroeconomic landscape that prevailed during the reporting period had an adverse impact on human capital across industry sectors. The economic challenges forced many to seek employment overseas, resulting in a notable brain drain in the country. This trend led Fintrex to implement a meticulous recruitment process to attract individuals with the right knowledge and skill set.

Managing Our Intellectual Capital to Support Value Creation

We manage our human capital by supporting the development and enhancement of their competencies, thereby ***inspiring their confidence*** to carry forward our Strategic Plan. Our Human Resource Policy is formulated to attract the right knowledge and expertise to the organization in supporting its growth plan and market position within the competitive industry landscape. To this end, we nurture a favourable work environment while fostering a learning culture that is conducive to employee growth and development.

Our human capital embodies the economic value of the employee's knowledge, skills and expertise that increases the Company's productivity and profitability.

At Fintrex, our workforce remains one of the most important assets that drive success through their innovation, dedication and expertise, forming the foundation upon which achievements are built.

GRI 2-7

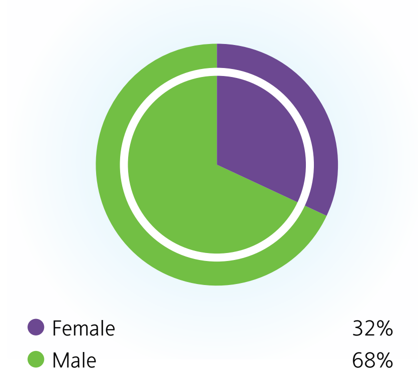
Employee Profile

Currently, FFL engages a cadre of 265 employees of which 181 are male and 84 are female employees. They come from various racial, ethnic, socioeconomic and cultural backgrounds, making our Fintrex family a culturally diverse inclusive unit protected by the Company's Non-discriminatory Policy.

Employees by Gender

Gender	FY 2023/24		FY 2022/23	
	No of Employees	%	No of Employees	%
Male	181	68.3	163	66.5
Female	84	31.7	82	33.5
Total	**265**	**100.0**	**245**	**100.0**

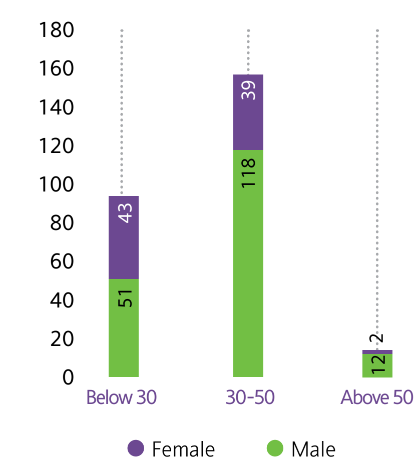
Employees by Gender



Employee by Category

Employee Category	No. of Employees		
	FY 2023/24	FY 2022/23	FY 2021/22
Corporate Management	10	09	08
Chief Manager	-	01	-
Senior Manager	17	11	15
Manager	39	31	35
Assistant Manager	43	28	29
Senior Executive	43	45	50
Executive	78	75	76
Junior Executive	35	45	61
Total	**265**	**245**	**274**

Employees by Age Analysis



Employee by Location

Branch	No. of Employees FY 2023/24	FY 2022/23
Dambulla	6	7
Galle	6	6
Gampaha	9	10
Head Office	99	93
Kalutara	8	7
Kandy	9	11
Kegalle	9	8
Kiribathgoda	8	13
Kuliyapitiya	7	6
Kurunegala	15	12
Maharagama	7	7
Malabe	7	6
Matara	10	10
Negombo	8	10
Nugegoda	7	6
Pettah	8	7
Signature	41	24
Yard - Kelaniya	1	1
Grand Total	**265**	**245**

GRI 2-8

Workers who are not employees

FFL has outsourced some of its peripheral operations (such as cleaning at Head Office and branches, Security) to third-party service providers. Furthermore, FFL outsourced employees for IT, Customer Contact Centre and this includes a total of 13 personnel who are not employees but whose work is controlled by the organization.

GRI 405-1

Diversity of Governance Bodies and Employees

Diversity of Employees by Gender and Employee Category

Employee Category	Female	%	Male	%	Total	%
Corporate Management	-	0.0%	10	100.0%	10	3.8%
Senior Manager	3	17.6%	14	82.4%	17	6.4%
Manager	4	10.3%	35	89.7%	39	14.7%
Assistant Manager	12	27.9%	31	72.1%	43	16.2%
Senior Executive	6	14.0%	37	86.0%	43	16.2%
Executive	39	50.0%	39	50.0%	78	29.4%
Junior Executive	20	57.1%	15	42.9%	35	13.2%
Grand Total	**84**		**181**		**265**	**100.0%**

Diversity of Employees by Age Group and Employee Category

Employee Category	Below 30	30-50	Above 50	Grand Total
Corporate Management	-	5	5	10
Senior Manager	-	14	3	17
Manager	-	36	3	39
Assistant Manager	5	37	1	43
Senior Executive	11	30	2	43
Executive	49	29	-	78
Junior Executive	29	6	-	35
Grand Total	**94**	**157**	**14**	**265**
%	35.5%	59.2%	5.3%	100.0%

GRI 405-2

Ratio of Basic Salary and Remuneration of Women to Men

Despite their background and gender orientation, all employees are paid industry-par remuneration for their specific job categories. We maintain equality in the ratio of remuneration for both male and female employees.

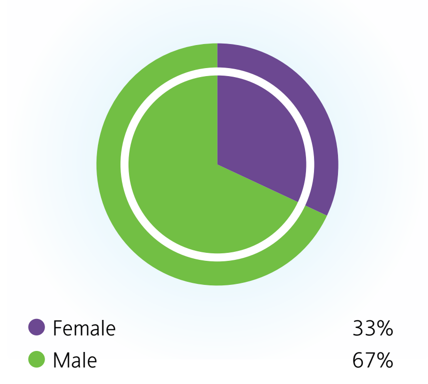
The Company regularly assesses market rates and conducts periodic salary surveys, thereby adjusting salaries and total compensation packages to remain competitive, including offering promotions to deserving employees in consultation with department heads.

GRI 401-1

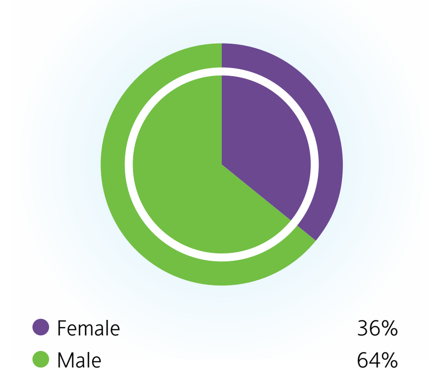
New Employee Hires and Employee Turnover

During the year, we approached recruitment meticulously in attracting the right skill set for the relevant job position. Thus, 163 new employees were recruited to various job categories at the Head Office and Branch level to support the growth and expansion of the Company.

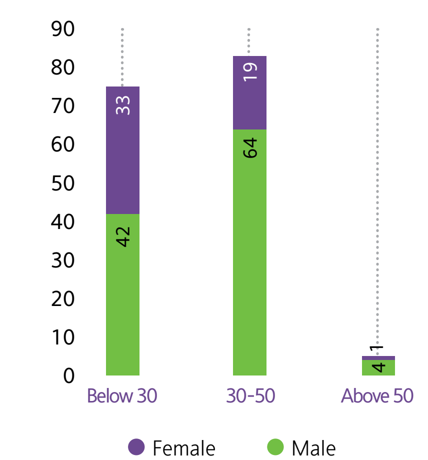
New Recruitments by Gender



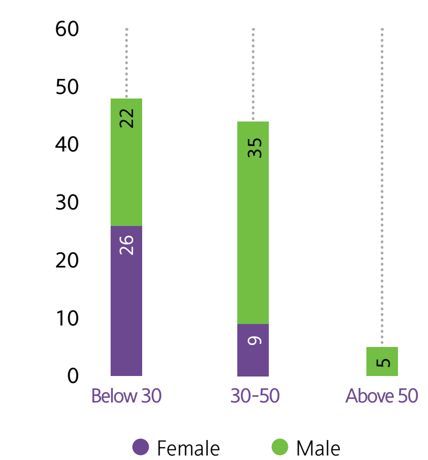
Employee Turnover by Gender



New Recruitments by Age Group



Employee Turnover by Age Group



To foster growth within the Company, our recruitment process prioritizes internal candidates to fill the vacant position. Failing which, as the next step, external candidates are sought through placing advertisements on print and online job portals.

The Company managed to maintain an industry-par turnover ratio during the period with an average turnover ratio of 2.06%

Employee Retention

Employee retention was ensured mainly through the establishment of a solid training and development platform and engagement initiatives. In addition, a favourable work environment was also fostered through work-life prioritization, various recreational activities and sports events to sustain employee motivation and satisfaction.

Professional Development of Employees

We conduct training needs analysis in facilitating employee development and career advancement via performance evaluation. The identified skill gaps are addressed through carefully curated training programs. Training was offered in the form of coaching and mentorship in collaboration with the HR department. Additionally, we utilize audit reports and meetings (Steering Committee meetings, Board meetings, and Departmental meetings) to assess the necessary skill enhancements, thereby facilitating training programs to address those areas.

During the financial year, the Company provided 125 extensive training and development opportunities for its employees including specialized programs such as Leadership Development. FFL invested Rs. 6.82Mn on Training and Development activities covering a total of 4709.49 training hours.

Training includes a mix of internal and external training initiatives that were conducted by qualified resource personnel. Training organized within the Company was generally handled by members of the senior management who have extensive industry acumen. External training includes those organized by CBSL, the Banking Institute and other organizations such as the Labour Department, CIPM, SLID, CIMA, CASL and etc.

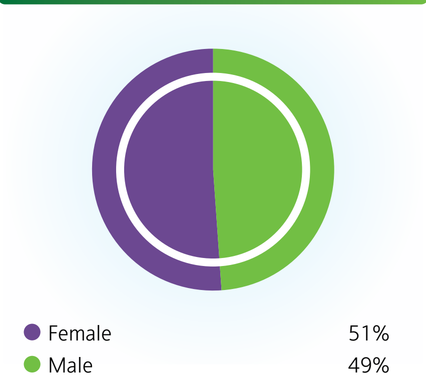
Human Capital

GRI 404-1

Average Hours of Training Per Year Per Employee

During the reporting period, on average 17.76 hours of training per year per employee was undertaken.

Training Hours by Gender



Grade	Total Hours
Corporate Management	170.6
Senior Manager	278.1
Manager	823.5
Executive	3,437.1
Total	**4,709.4**

GRI 404-2

Programs for Upgrading Employee Skills

FFL conducted a total of 125 training programs that include 36 external trainings and 89 internal trainings.

Type of Training	Areas Covered
Technical trainings	Professional Branding, Best Practices for Teller, Compliance, Risk Management, Awareness program, Accounting standards,
On-the-job training	Risk analysis, Cashier trainings, Knowledge sharing, Induction, Gold loan, Communication, Recruitment, Savings product, System Training, Procedure manual, FD trainings
Coaching and Mentoring	Training & Mentoring
Soft skills development	Grooming, Fire & First Aid
Leadership training based on 360-degree evaluations	Personal Development

Performance-Driven Culture (KPI driven)

We have established a KPI-driven approach to assessing employee performance and identifying areas for improvement. By agreeing on achievable KPIs, we provide employees with a clear direction to progress in their job roles and realize their career aspirations. Formal performance reviews are conducted periodically; mid-year and at the end of the year to assess employee performance against established objectives and expectations. Employees who demonstrate exceptional performance, exceed expectations, and consistently contribute to the success of the organization are conferred with performance-based rewards that include bonuses, salary increaments, or promotions in affirming their outstanding performance.

Performance Improvement Plan (PIP)

A Performance Improvement Plan (PIP) was also developed to help employees to improve their performance.

These guidelines are intended to provide a structured approach to managing employee performance under the Performance Improvement Plan, ensuring clarity, fairness, and accountability throughout the process.

1. Selection Criteria: Employees falling within the bottom segment of the normal appraisal curve and new employees failing to demonstrate required competencies will be selected for the Performance Improvement Plan (PIP).

2 . Goal Setting and Monitoring: The selected employees are provided with short-term goals aligned with the annual goal-setting framework. After which, the progress will be monitored every two months, with a total PIP duration of six months and three review meetings within this period.

3. Review Meetings: PIP review meetings are conducted in the presence of the immediate supervisor and an HR representative. The minutes of these discussions will be documented and shared with the CEO and stored in the employee's personal file.

4. Training and Development:

Step 1 - Identification of Training Needs: During PIP meetings, the immediate supervisor and HR representative will assess the employee's performance and identify any areas where additional training or development may be required. These could include technical skills, soft skills, or job-specific knowledge needed to meet performance expectations.

Step 2- HR Facilitation: The HR department will take the lead in facilitating the identified training sessions. This involves coordinating with relevant trainers or training providers (internal/external) to ensure that appropriate training resources are made available to the employee.

Step 3 - Progress Monitoring: The effectiveness of the training will be monitored throughout the PIP period to track the employees' improvement in the identified areas.

Step 4 - Feedback and Support: The employee will receive ongoing feedback and support from both their immediate supervisor and HR throughout the training process. This includes providing guidance on how to apply newly acquired skills in their day-to-day work and addressing any challenges or obstacles they may encounter.

5. Evaluation and Recommendations: At the conclusion of the PIP period, if an employee has not shown improvement despite guidance and training, the immediate supervisor and HR manager will recommend a course of action to the CEO.

6. Documentation and Accountability: All PIP reviews will be thoroughly documented through a Performance Improvement Plan (PIP) Evaluation Form to support decisions. Those employees failing to meet improvement expectations are obliged to accept management decisions, which could include further actions as deemed necessary.

GRI 404-3

Percentage of Employees Receiving Regular Performance and Career Development Reviews

	%
Regular Performance Review and Career Development Review	65
Performance Review and Career Development Reviews Twice a Year	35

GRI 401-2

Benefits Provided to Full-Time Employees

We believe that the quality of the benefits provided to full-time employees is a significant factor in retaining employees' satisfaction and motivation. Hence, the benefits provided to our full-time employees mainly include remuneration aligned with a standardized salary structure and additional perks in line with industry norms.

The Company maintains full compliance with all the legal requirements related to employee compensation including minimum wage regulations, budgetary relief allowance contribution to the Employee Provident Fund (EPF), contribution to the Employee Trust Fund (ETF), Saturday allowance payments, sales-related incentives, gratuity payments and tax deductions.

The Medical Insurance Policy offers coverage for the employees and their families with various medical expenses including OPD claims with significant coverage limits.

GRI 2-19

Remuneration Policies

Fintrex Finance maintains a compensation and benefits structure that attracts and retains employees with the required attitude, personal and professional skills, and qualifications to encourage superior performance towards achieving the goals and objectives of the organization. The Policy is developed and finalized by the Head of Human Resources with the input and guidance of Corporate Management. For it to be effective, it must be approved by the Board of Directors following the recommendation of the Board Human Resources and Remuneration Committee.

GRI 2-20

Process to Determine Remuneration

The remuneration decisions are overseen by the Board Human Resources and Remuneration Committee along with selected members from the BOD.

Employee Benefits	2023/24 (Rs. Mn)	2022/23 (Rs. Mn)
Salaries and wages	343.08	294.39
Staff bonus	-	39.60
Other staff related costs	156.82	161.23
Defined contribution plan costs- EPF & ETF	48.68	43.10
Gratuity Benefits paid during the year	4.11	1.40

Human Capital

Staff Welfare and Engagement

Recognizing that our work force is a vital asset, Sports and Welfare Club organized a health camp for staff members to undergo medical checkups to promote their focus on physical well-being. In an effort to boost team spirit and foster staff engagement, FFL hosted the “Fintrex Senehase Awurudu Ulela” in April 2023, celebrating the Sinhala and Tamil New Year. Moreover, Sports and Welfare Club organized “Fintrex Premier League (FPL)" in March 2024, a cricket tournament aimed at strengthening relationships among branch and head office staff members.

Medical Health Camp

"Fintrex Senehase Awurudu Ulela” - 2023

Fintrex Premier League (FPL) - 2024

Fintrex Sports and Welfare Club

The Welfare fund is funded by staff members from their voluntary contribution and is overseen by an Advisory committee consisting of 17 members where the committee is chaired by the Chief Information Officer as the President while CEO acts as Patron of the Welfare Club. The Accumulated welfare fund as of 31st March 2024 was Rs. 4.6Mn where this fund is subject to an annual independent audit.

Additionally, the Executive Committee is reappointed every two years to ensure adherence to company policies and ethical labour practices. During the year under review, the newly elected committee has taken several steps to enhance the staff benefits. The death donation for a staff member was raised by 166.66% and death donation for immediate family member was increased by 100%. These adjustments provide greater relief to staff and their families during challenging times. During the Financial Year a total of Rs. 765,000/- was disbursed to staff members by way of death donation for immediate family members and gifts for child birth.

Members of Sports and Welfare Club

GRI 401-3

Parental Leave

Maternity leave is provided for female employees in line with the Shop and Office Employees Act, of 1954. This grants a leave package of 12 weeks (84 days) excluding weekly holidays, Poya days and statutory holidays. At present, there is no paternity leave scheme at FFL though male employees are granted leave as needed for their parental obligations.

GRI 406-1

Incidents of Discrimination and Corrective Actions Taken

During the financial year, there were no incidents of discrimination reported.

Managing Grievances

Our structured complaint-handling system has vested the task of attending to and resolving the grievances of all departmental heads, the Head of HR, and corporate management. This system ensures that grievances are handled promptly and fairly with a focus on resolution and maintaining positive work relationships within the organization. While most employee grievances are resolved within 7 days, concerns and issues relating to compensation and benefits are taken separately under the performance management policy.

Sexual harassment-related grievances are taken up by the Head of HR and General Manager/ CEO of Fintrex Finance Ltd and are directed to the Disciplinary Committee (DC) if necessary, to make the ultimate decision on the matter. Any concerns regarding the Head of HR are inquired into by Disciplinary Committee while concerns regarding the CEO are managed by the Remuneration Committee and the Remuneration Committee will be informed by the Head of HR.

Employee Satisfaction

FFL was awarded the Certificate of Great Place To Work (GPTW) for the third consecutive year, by participating to the survey in 2023 conducted by Great Place to Work Organization.

Whistleblowing Policy

The Company's whistleblowing policy allows employees and stakeholders to anonymously report fraud, corruption/ unethical conduct, breach of any law, abuse or misuse of delegated authority, misuse of company assets /funds, unauthorized disclosure of confidential information and non-adherence to company policies, procedures and CBSL directions etc. All concerns will be treated in strict confidentiality, and every effort will be made to safeguard the whistleblower's identity.

GRI 403-1

Occupational Health and Safety Management System

We prioritize the well-being and safety of our employees as a fundamental value and thus remain committed to maintaining the highest standards of health and safety in the workplace. This includes regular inspections of the workplace to identify and address potential risks, as well as the implementation of safety protocols and procedures to promote safe work practices.

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

We also adopted OHSAS 18001 health and safety guidelines as a framework for efficiently managing occupational health and safety within the organization. In addition, we conduct a Hazard Identification and Risk Assessment (HIRA) study to systematically assess the hazards and their associated risks thereby implementing appropriate measures to manage them.

Fire wardens and first aid personnel are also trained to effectively respond to emergencies and are responsible for evacuating employees in the event of a fire or other emergencies. They have also been given training in first aid to provide immediate medical assistance to employees who are injured or unwell.

During the financial year, there were no work-related injuries or work-related ill health reported.

Engaging Employees

Employees are encouraged to get involved in the Company's decision-making through the encouragement of open communication and expression. This includes participation in training programs, contribution to the newsletter, systematic onboarding following induction, "IDEA" platform to voice innovative ideas, as well as sports events such as Cricket tournaments.

Magazine

The Company's very own newsletter "The Mag", was launched with the objective of sharing useful updates and newsworthy content whilst providing entertainment and reading pleasure to our staff. This newsletter provides a platform for sharing insights and promotes healthy two-way communication between the Company and the Staff, serving as a powerful communication tool within the Company in driving its aspiration to reach its goals.

Furthermore, this newsletter intends to offer a balanced mix of content, including company and industry news, general knowledge, creative pieces, and brain teasers; providing content that resonates with everyone in the company.

Apart from staying updated and connected, we believe "The Mag" will benefit staff members in many ways, including providing everyone an opportunity to share their talents in creative writing, poetry or reporting, in three languages: Sinhala, Tamil or English.

Rewards and Recognition

FFL recognizes the exceptional contribution of its staff members through its thoughtfully designed employee recognition scheme. The "WOW Rewards Scheme" recognizes and rewards the employees who bring forth innovative solutions and utilize creative thinking with regard to customer support, cost controls, product enhancement, and revenue expansion. The CEO and the senior management directly acknowledge these individuals, expressing gratitude with rewards and celebrations enhancing their morale and commitment.

Work-Life Prioritization

Employees are encouraged to maintain a state of balance between their personal and professional endeavours. As such, employees are offered flexible work hours, especially for those involved in long-distance travel and work-from-home arrangements when required.

Compliance with Labour Laws

FFL is in full compliance with all the applicable labour laws and has not faced any fines and/or penalties for non-compliance with any labour laws during the reporting period.

Social & Relationship Capital

Snapshot

What we did

During the financial year, we concentrated on supporting customers through their financial difficulties under the prevailing macroeconomic climate. We limited brand-building initiatives to only BTL mega campaigns under a restricted base. The IT platform was also strengthened by introducing a new IT risk management framework and improvements to IT governance.

What we achieved

As always, our customers stood by us, trusting our ability to support their financial well-being. Despite a volatile macroclimate, we managed to maintain our brand's visibility, earning the customers' faith in our products and services. We also met the expectations of all other stakeholders.

Stakeholder Groups Impacted

- Customers
- Investors & Shareholder
- Community
- Regulators

Related Material Themes

Local Communities
Marketing and Laballing
Customer Privacy
Customer Service

SDG Impact

Way Forward

- Persistent effort to provide a seamless customer experience
- Tailored products to the evolving needs of the customers
- Increase investments in sustainable initiatives

Challenges

- Low credit growth in the current macroeconomic context
- Inflationary pressures, high interest rates and high taxation impacting customers' disposable income, thereby reducing repayment capacity

Space for Improvement

- Introduce more initiatives to enhance customer service
- Creating better product awareness amongst the customers
- Expansion of customer base venturing into the realm of green financing
- Increase our social footprint through more CSR projects

Overview

Sri Lanka's challenging macroeconomic developments throughout the year required additional efforts to sustain customer relationships. Elevated prices, high interest rates and tax hikes added pressure on customers' disposable income, forcing financial institutions to introduce various relief measures to support their clients. Against this backdrop, Fintrex adopted an empathetic approach to assist customers who are facing financial difficulties and support SME entrepreneurs alongside for creation of economic value generation.

Our Social & Relationship capital comprises the mutually beneficial relationships we have fostered over the years with our stakeholders - customers, investors and shareholders, regulators and the community, who provide us the social license to operate.

Fintrex sustains strong relations with all these stakeholders in better understanding their needs thereby delivering proactively to meet their requirements. These long standing relationships of trust also serve as a key competitive strength for the Company.

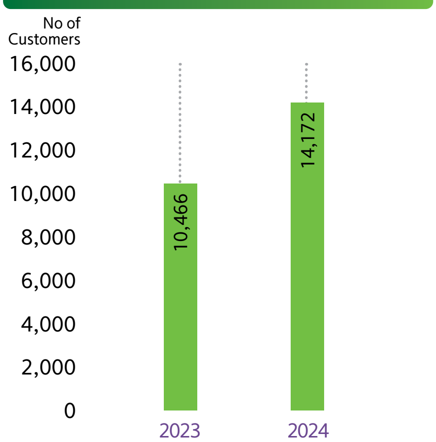
Managing Our Social & Relationship Capital to Support Value Creation

We manage our social & relationship capital by making significant investments to enhance the value delivered to our stakeholders. While we strive to ensure fast and easy financial solutions to the customer's requirements, we also concentrate on introducing innovative digital services to pave the way in the digital age. We accommodate the interests of the investors, shareholders, regulators, and the community while being responsive to their concerns, thereby building trust and long-term relationships. Ultimately, these stakeholder relationships demonstrate our commitment to transparency, collaboration, and mutual understanding, fostering a positive reputation and ***inspiring confidence*** among stakeholders and the broader community at large.

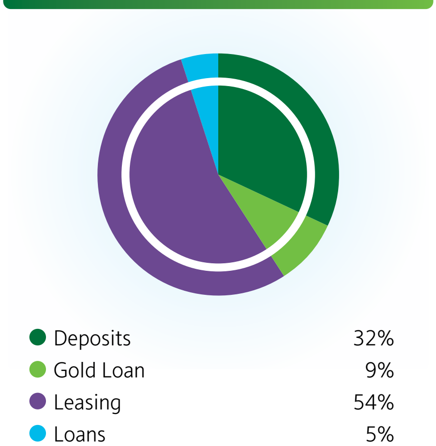
Creating Value for Customers

Building and reinforcing customer relationships is not just a business strategy but a core value that drives everything we do. By prioritizing these connections, we have not only retained customer loyalty and trust but also fueled our market expansion and elevated our brand Fintrex to new heights of success. As we continue on this journey, we remain committed to nurture these relationships and deliver exceptional experiences that enrich the lives of our customers.

No of Active Customers



Product Wise Customer Base



IInnovative Products for Customers' Unique Needs

We have introduced a range of products to cater to the diverse financial needs of our customers including the specific needs of SME customers. Some of the key products in our portfolio include Easy Leasing, Over Drive, Smart Draft, Vehicle Loans, Dream Planner, Flexy Fix, Vishwasa Fixed Deposits and Ranshakthi Gold Loan which were specifically designed to meet the evolving expectations of both individuals and corporate customers.

Core Product Categories & Features

A. Fintrex Easy Leasing

FFL offers leasing products that are customized to meet the specific requirements of our diverse customer base seeking to fulfil their dream of owning a vehicle.

B. Fintrex Smart Cash

The facility promises to process and disburse funds within 24 hours, which is significantly faster compared to traditional loan processing times.

C. Fintrex Over Drive

This innovative financial product is specifically designed for the business community and facilitates revolving financing for the working capital requirements of businesses.

D. Dream Planner

This innovative saving plan offers customers the opportunity to save for a future investment based on specific objectives such as planning for higher education, wedding etc., aligning with their cash flows.

E. Flexy Fix

This saving solution benefits customers who seek short-term financial gains at higher returns against their liquid savings balances and offers the option of earning higher interest on their idle funds.

F. Ranshakthi Gold Loan Facility

This offers the convenience of cash against customers' gold, including an additional facility to purchase gold articles of customers' choice where Fintrex has established strategic partnerships with local Jewelers.

Products Introduced During FY 2023/24

During the last quarter of the FY 2023/24, FFL introduced three new products, namely, Fintrex Smart Phone Loan, Fintrex Study Pulse and Fintrex Solar Loan, and rebranded the agriculture loan scheme as Fintrex AgriNEX.

A. Smart Phone Loan

FINTREX SMART PHONE LOAN

We are proud to introduce Snappay, a groundbreaking innovation in smartphone financing, driven by Fintrex Smart Phone Loan. As we witness a surging demand for smartphone ownership across Sri Lanka, Snappay emerges as a transformative solution, offering seamless access to the latest Samsung Android smartphones. By leveraging Fintrex Smart Phone Loan as the financing mechanism, Snappay redefines the landscape of mobile technology accessibility.

Snappay streamlines the smartphone procurement journey, empowering customers to effortlessly select their preferred Samsung device and apply for financing through Fintrex Smart Phone Loan. With a range of competitive instalment options, flexible repayment terms, and swift approval processes, Snappay ensures that acquiring one's desired smartphone is within reach, free from financial barriers.

Driven by Fintrex's unwavering commitment to financial inclusivity and regulatory adherence, Snappay delivers a secure and transparent borrowing experience at the customers' convenience. Through innovative features and a digital foundation, Snappay places the utmost emphasis on customer security and satisfaction.

B. Study Loan

FINTREX STUDY PULSE

The "Fintrex Study Pulse" student loan program is designed with a holistic approach to enhance accessibility and foster excellence in higher education, to ensure that no deserving child should be deprived of education due to lack of finances. Our initiative offers flexible financing options, breaking down financial barriers that often hinder students from accessing quality educational opportunities. With a commitment to nurturing academic excellence, we empower students to enroll in reputable institutions and pursue programs that enhance their knowledge and skills, ultimately preparing them for successful careers. Moreover, by investing in education, we contribute to the development of a skilled workforce, driving economic growth, innovation, and competitiveness in the global marketplace. Beyond financial assistance, our program aims to empower future leaders, innovators, and changemakers who will positively impact society and the economy.

At the core of the "Fintrex Study Pulse" program are its key features tailored to meet the diverse needs of students. These include flexible financing options, allowing students to choose loan terms that align with their academic journey and future career aspirations. Additionally, the program offers competitive interest rates and repayment terms, ensuring affordability and financial sustainability for borrowers. Furthermore, our initiative provides comprehensive support services, including career counselling and guidance, to help students make informed decisions about their academic and professional paths. By combining financial assistance with academic support, the "Fintrex Study Pulse" program aims to inspire students to realize their fullest potential and cultivate a more promising future for themselves and their communities.

C. Solar Loan

In contributing to Sri Lanka's renewable solar energy generation, Fintrex Solar Loan caters to residential consumers, corporate entities and extended its reach to Small and Medium Enterprises (SMEs), recognizing their pivotal role in driving sustainable development. SMEs' and corporations can leverage the Fintrex Solar Loan to invest in solar energy solutions, not only to reduce operational costs but also to bolster their Corporate Social Responsibility (CSR) efforts. By embracing solar power, businesses can demonstrate their commitment to environmental sustainability while reaping long-term financial benefits through reduced energy expenses, reduced carbon footprint and enhanced brand reputation.

Moreover, the Fintrex Solar Loan embodies FFL's dedication to fostering a greener economy and promoting eco-friendly business practices. Through strategic partnerships with reputable solar equipment suppliers and installers, FFL ensures that borrowers have access to high-quality products and reliable installation services. By facilitating the transition to solar energy, FFL empowers businesses to embrace sustainable energy solutions, aligning with global efforts to combat climate change and build a more resilient and environmentally conscious society.

In essence, the Fintrex Solar Loan represents more than just a financial product; it embodies FFL's vision of a sustainable future powered by clean and renewable energy. By providing accessible financing options and promoting solar adoption across residential, commercial, and corporate sectors, FFL aims to catalyze a paradigm shift towards a cleaner, greener, and more sustainable energy landscape. Through collaborative efforts with stakeholders and a steadfast commitment to environmental stewardship, FFL endeavours to create a brighter tomorrow for generations to come.

D. Agriculture Loan Scheme

As a responsible corporate citizen operating within Sri Lanka's predominantly agricultural economy, we recognize our duty to support and foster the growth of the agricultural sector. At Fintrex Finance, we understand that agriculture is the backbone of our nation's economy, creating food security, sustaining livelihoods ,and driving rural development. It is with this profound understanding that we introduce AgriNEX, our innovative financial solution designed to inspire farmers and entrepreneurs across the agricultural value chain.

Derived from the words "Agri" for agriculture and "NEX" for Nexus, AgriNEX symbolizes the interconnectedness of various agricultural activities. It serves as a vital link, connecting farmers, processors, distributors, and technology providers, thus enhancing collaboration and efficiency within the sector.

In line with our commitment to sustainable development and inclusive growth, AgriNEX offers tailored financial support to address the specific needs of farmers and agricultural entrepreneurs. Whether it's acquiring modern equipment, upgrading machinery, or securing capital for farm operations, AgriNEX provides accessible and flexible financing options.

We understand the challenges faced by farmers in accessing credit and essential resources. Therefore, AgriNEX prioritizes simplicity, speed, and reliability in its loan approval process. By offering competitive instalment options and flexible repayment terms, we aim to alleviate financial constraints and inspire farmers to invest in their agricultural enterprises.

At Fintrex Finance, we believe that supporting agriculture is not just a business opportunity but a moral imperative. Through AgriNEX, we reaffirm our commitment to being a trusted partner for farmers, enabling them to thrive and contribute to the prosperity of our nation. Together, let us cultivate a brighter future for Sri Lanka's agricultural sector, driving sustainable growth and economic resilience.

Support Through "Customer Care Recovery Clinics"

In times of economic uncertainty, it's essential for financial institutions to demonstrate empathy and support towards their customers facing financial hardships. At FFL, we proactively introduced the concept of "Customer Care Recovery Clinics" as a testament to our commitment to assisting borrowers navigate through challenging times.

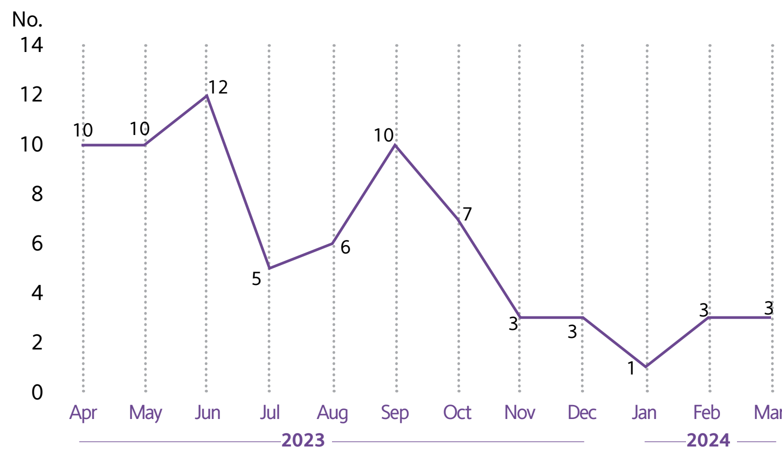
Consequently, the collection efforts were also carried out in a manner that is favourable to both Fintrex and its customers. These clinics created space for one-to-one discussions between the Fintrex staff and the customers to understand their specific financial hurdles, thereby offering practical solutions for the clientele to overcome these financial difficulties through appropriate flexible repayment schemes and solutions to regularize contracts. By far, this mutually beneficial methodology to assist and manage our customers has proved successful in strengthening our customer relationships and fostering trust and loyalty.

Effectively Managing Complaints

FFL is dedicated to empowering the customer's voice and ensuring their satisfaction through a robust complaint-handling procedure. By providing accessible channels for complaint submission, taking immediate action, and continuously striving for improvement, we have not only decreased complaints over time but also strengthened trust and loyalty among our valued customers. Our well-established customer-compliant handling procedure permits customers to lodge their complaints in writing, calling the hotline, visiting the respective branch, head office or any other officer in the Company. All complaints are properly recorded, and it is the foremost duty of the Customer Service Excellence officer to ensure that the complaints are resolved completely to the customer's satisfaction within a reasonable period from the date of the receipt of the complaint.

We, as a reputed financial institution, also remain committed to our obligation to identify and address the root causes of these issues, which resulted in a significant decrease in complaints over the years.

Number of Complaints Received: 01st April 2023 to 31st March 2024



Customer Service Week

Looking ahead, Fintrex remains committed to upholding its tradition of excellence in customer service and ensuring that every interaction leaves a positive and lasting impression. Customer Service Week 2023 served as a powerful reminder of the organization's core values and its relentless pursuit of customer satisfaction and success.

Across all branches, staff members joined in the celebration, with each location adding its unique flair to the festivities. From themed decorations to special events and promotions, Fintrex branches spared no effort in showcasing their appreciation for customers and their unwavering commitment to delivering exceptional service.

Additionally, the Customer Steering Committee, comprised of a corporate member and other key staff members, continues to meet monthly to discuss enhancing customer service, introducing new initiatives, and ensuring that clients are served in the best possible way. This committee underscores Fintrex's ongoing dedication to continuously improving and adapting its services to delight customers by exceeding their expectations.

Social & Relationship Capital

Brand Building through Mega BTL Campaigns

Recognizing the importance of prudent resource allocation, we organized Nine "Mega BTL Campaigns" that were carried out strategically throughout the year across our branch network. These campaigns were focused on building brand awareness among the existing and potential clientele, thereby onboarding new clients to the portfolio. Our direct marketing techniques also include ground-level initiatives carried out at the branch level by our designated team and include the distribution of brochures, flyers, leaflets, and voucher offers to raise awareness of our products and the brand, driving sustainable growth and market expansion.

Leveraging the power of social media, particularly the Facebook platform, we engaged with our target audience cost-effectively and efficiently. These campaigns were designed to enhance brand awareness and attract new customers to our portfolio, even amidst economic challenges. As a result of these mega BTL campaigns, we were able to achieve rapid growth consecutively, with monthly disbursements above Rs.1Bn.

GRI 417-3

Incidents of Non-Compliance Concerning Marketing Communications

There were no incidents of non-compliance concerning marketing communication during the reporting period.

Fintrex remains steadfast in its commitment to regulatory compliance and customer trust in marketing communications. Our track record of full compliance with CBSL directives and zero incidents of customer complaints regarding misleading or incorrect information is a testament to our unwavering dedication to upholding the highest standards of ethical conduct. As we move forward, we will continue to prioritize transparency, integrity, and customer-centricity in all our marketing communication efforts, ensuring that we maintain the trust and confidence of our valued customers.

Customer Privacy

Fintrex remained committed to protecting customer information and upholding the highest standards of IT security, risk management, and governance during the financial year. Through ongoing investments in technology, employee training, and policy formulation, we continue to fortify our defences against cyber threats and vulnerabilities, safeguarding the trust and confidence of our valued customers. As we look ahead, we remain vigilant and proactive in adapting to emerging risks and regulatory requirements, ensuring the continued protection of customer data and privacy. Building upon our existing IT risk management framework, we established a new framework aligned with CBSL guidelines to comprehensively address emerging threats and vulnerabilities.

We conducted comprehensive IT security awareness training sessions for employees, reinforcing their understanding of their roles and responsibilities in preserving customer privacy and data confidentiality.

In accordance with guidelines issued by the Central Bank of Sri Lanka (CBSL), we diligently implemented measures to fortify our IT security infrastructure and mitigate potential risks.

GRI 418-1

Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data

We are pleased to report that during the reporting period, there were no incidents of complaints concerning breaches of customer privacy or loss of customer data. This underscores our unwavering commitment to safeguarding the confidentiality, integrity, and availability of customer information.

Customer Feedback

Fintrex is dedicated to amplifying the voice of our customers through our Customer Contact Centre operations. By providing multiple communication channels and facilitating prompt action on customer feedback and suggestions, we demonstrate our unwavering commitment to customer satisfaction and continuous improvement. As we continue to listen, learn, and evolve based on customer insights, we remain committed to delivering exceptional experiences that exceed customer expectations and build lasting trust and loyalty.

We utilize various communication modes, including emails, the official website, calls, WhatsApp, and Viber platforms, to ensure that customers can provide feedback through their preferred channels.

Creating Value for the Community

We recognize our role as a responsible corporate entity and are deeply committed to contributing to the socioeconomic development of the communities we serve. Through various initiatives and programs, we actively engage with local communities to support their well-being and enhance their living standards.

Fintrex is dedicated to inspiring communities and driving socioeconomic development through impactful initiatives and collaborative engagement.

GRI **413-1**

Operations with Local Community Engagement, Impact Assessments, and Development Programs

CSR Project at Methsevana

In our commitment to driving socioeconomic development and fostering positive change within the communities we serve, Fintrex remains dedicated to supporting Corporate Social Responsibility (CSR) through impactful initiatives. To this end, during the financial year, the company embarked on a significant CSR project focusing on enhancing the well-being of women residing in Methsevena State House of Detention, situated in Gangodawila, Sri Lanka.

Through this project, FFL contributed to creating comfortable living spaces in promoting the well-being of the women by undertaking renovations to improve the infrastructure of this home. We believe that this will enhance the quality of life for women and promote a sense of dignity and belonging, making a tangible difference in the lives of marginalized individuals. This also demonstrates Fintrex’s dedication to creating a more inclusive and equitable society, where every individual could thrive. By leveraging its resources and expertise, Fintrex endeavours to create a lasting change and foster a brighter future for these women, reflecting the company's ethos of corporate citizenship and social responsibility.

Tree Planting Campaign for a Sustainable Sri Lanka

In commemoration of The Finance Houses Association 's 65th anniversary, the FHA sustainability sub-committee proposed an all-island tree-planting campaign in collaboration with FHA member companies. The project was launched in celebration of World Environment Day on 5th June 2023. Fintrex Finance Limited contributed to this initiative, with staff members from various branches actively participating in tree planting. This involvement not only facilitated the physical act of planting but also fostered a sense of community and shared responsibility towards the environment among employees.

Dengue Awareness Hoardings Island-wide

Recognizing the importance of preventive measures and community awareness in combating the deadly mosquito borne disease Dengue, Fintrex partnered with medical authorities to launch an extensive public awareness campaign. In collaboration with medical authorities, the company spearheaded a comprehensive Dengue awareness program, deploying 21 informative cutouts across various locations island wide. The campaign aimed to educate the public about Dengue fever, its symptoms, transmission, and preventive measures through visually engaging and informative cutouts strategically placed in community gathering spots, to maximize visibility and reach across the island. This proactive approach to raising awareness about Dengue fever underscores Fintrex’s dedication to promoting community health and safety.

Social & Relationship Capital

Sponsorships

Southern Eliyakanda Hill Climb 2024

Fintrex proudly sponsored the exhilarating Southern Eliyakanda Hill Climb 2024, showcasing our unwavering commitment to motorsports and community engagement through Corporate Social Responsibility initiatives. This provided us with a unique opportunity to support and promote the spirit of motorsports while contributing to the local community. Our sponsorship underscores our dedication to fostering excitement, innovation, and inclusivity in all that we do.

Throughout the event, we witnessed the passion and skill of the participating drivers as they tackled the challenging tracks of Eliyakanda Hill with speed and precision. Each moment was a testament to the dedication and determination of these athletes, inspiring us to continue supporting their endeavours.

Fintrex looks forward to continuing the journey towards a brighter, more inclusive future, where motorsports thrive and communities flourish.

38th Mercantile Annual Athletics Championship

Fintrex had the privilege of sponsoring the 38th Mercantile Annual Athletics Championship, held on November 25th and 26th 2023, at the Sugathadasa Stadium in Colombo. This annual event, a highlight in the sporting calendar, brought together athletes from various mercantile organizations for two days of thrilling competitions and camaraderie.

This was a testament to our commitment to supporting sports, promoting community engagement, and fostering a culture of excellence. We are proud to have been part of this prestigious event and look forward to continuing our efforts to enrich the lives of individuals and communities through our corporate social responsibility initiatives.

Sponsorship to Trade Associations

In its ongoing efforts to promote community engagement and support local initiatives, Fintrex also extended sponsorship to Trade Association meetings at different locations within our branch network, including providing refreshments for monthly committee meetings. This initiative aims to strengthen ties with traders and business owners while providing them with valuable networking opportunities and support.

Joint Promotions

Through our joint promotion with Ideal Motors and other esteemed vehicle dealers, we have cultivated strategic alliances that have proven to be mutually advantageous. These collaborations have enabled us to tap into their extensive reach and customer base, facilitating promotional activities that enhance the visibility of both our financial products and their vehicle offerings.

Our collaborative efforts with vehicle dealers have been pivotal components of our integrated marketing campaigns. These campaigns have been meticulously crafted to not only enhance brand recognition but also to generate leads and cultivate customer loyalty. By leveraging our combined expertise and resources, we have developed compelling marketing initiatives that resonate deeply with our target audience, driving increased engagement and brand affinity.

The joint promotions with Ideal Motors underscore our commitment to innovation and customer-centricity. Through these synergistic endeavours, we have been able to amplify our presence in the market, effectively capturing the attention of consumers and solidifying our position as a trusted financial partner within the automotive industry.

As we continue to foster and nurture these strategic partnerships, we remain determined in our dedication to delivering unparalleled value and service to our clients. Together with our esteemed collaborators, we are prepared to achieve new levels of success and prosperity in the ever-evolving automotive landscape. We look forward to building upon these partnerships and charting a course for continued growth and innovation in the years to come.

Car Sale Branding and Hoardings

Throughout the year, Fintrex has actively cultivated strategic partnerships with a network of reputable car sales companies. These collaborations have provided us with invaluable opportunities to leverage their extensive reach and established customer base, thereby facilitating mutually beneficial promotional activities with both our financial products and their vehicle offerings.

Fintrex Finance, in collaboration with car sales giants, embarked on an ambitious journey to fortify its position as a leading financial partner in the automotive sector. Our collaboration with car sales entities was not merely transactional; it was a strategic alliance aimed at creating a synergistic relationship that would benefit both parties and, more importantly, the end consumer. By intertwining our financial expertise with the automobile sector, we crafted a narrative of empowerment and convenience.

As part of our collaborative efforts, we have deployed car sale branding and hoardings at different locations island-wide, further amplifying our brand presence and reinforcing our commitment to providing comprehensive financial solutions tailored to meet the diverse needs of our customers.

Creating Value for the Investors & Shareholders

We primarily maintain investor and shareholder relations by aligning their interests with our growth strategy. Hence, economic value generation is carried out alongside integrating sustainability into our business operations in enhancing investor and shareholder confidence. At the same time, we remain responsive to their concerns in the context of their evolving expectations and market conditions, while providing them with timely updates on our financial performance and strategic initiatives to make informed decisions.

Creating Value for the Regulators

We prioritize transparent and open communication with regulators as a fundamental aspect of our commitment to regulatory compliance and risk management. We understand the importance of providing regulators with timely and accurate information about our business operations, financial performance, and compliance efforts to ensure alignment with regulatory requirements and industry standards.

We comply with all the rules and regulations specified by the Central Bank of Sri Lanka (CBSL) for non-banking financial sector institutions. Our adherence to CBSL guidelines underscores our commitment to maintaining the highest standards of integrity, transparency, and regulatory excellence.

Natural Capital

Snapshot

What we did

Our company ethos is driven by our commitment to adopt environmentally friendly practices. We continued with efforts to reduce the carbon footprint impact of our operations on the environment. An extension of our eco-centric approach involves the exploration of avenues for green funding.

What we achieved

During the year, we were able to effectively manage our internal carbon footprint. We also took our initial step towards extending funding lines to eco-friendly initiatives concentrating on sustainable renewable energy and agronomy.

Stakeholder Groups Impacted

All stakeholders

Related Material Themes

Energy
Water

SDG Impact

6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Way Forward	Challenges	Space for Improvement
• Increasing our focus on environmental sustainability • Exploring the space for green financing • Continued efforts to minimize the environmental footprint of the organization	• Rising cost of energy and other essential items which added to the Company's cost base	• The gradual shift towards paperless digital processes • Developing financial products for green financing • Exploring the possibility to covert business premises to Solar Power • Conduct continuous awareness building sessions on advantages of Energy Saving

Overview

The inflationary pressures during the reporting period led to price hikes on many essential items including an increase in electricity tariffs resulting in higher energy costs. This made it imperative for companies to curtail unnecessary expenditures while concentrating on energy-saving measures. Consequently, Fintrex also implemented prudent cost management measures to contain the wastage of natural resources.

Our Natural Capital encompasses all renewable and non-renewable resources we have, where we concentrate on mindful utilization of those scarce resources in sustaining value creation and long-term sustainability.

At Fintrex, the natural resources we use mainly include electricity and water. In addition, we consider efficient waste management and resource optimization as a crucial component of our natural capital that contribute to the health of the ecosystem.

Managing Our Natural Capital to Support Value Creation

We manage our operations in a way that does not pose any harmful impact on our surrounding ecosystem. To this end, we implement appropriate initiatives for efficient energy, water and waste management. Further, we ensure resource optimization by leveraging our technology-driven platforms to minimize any adverse impact of our operations on the environment. As a responsible corporate citizen, creating awareness amongst employees to inculcate environmentally friendly behaviours also remains a vital component of our environmental strategy. We believe our proactive approach to managing natural capital will lead to ***inspiring confidence*** in all our stakeholders about our operations, products, and commitment to ensure their well-being.

Our Environmental Management Practices

Raising Awareness

The Company distributes e-flyers among employees to raise awareness about environmental management practices. These flyers contain tips, guidelines, and information on how individuals can contribute to environmental conservation both within the company and in their personal lives.

Participation in Tree Planting Campaign

FFL staff members across the branches participated in a tree planting campaign, affirming their environmental consciousness. This initiative was organized by the FHA sustainability sub-committee in commemoration of the Finance Houses Association's 65th anniversary.

Energy Management

One of the key priorities in the backdrop of high energy costs was to reduce our energy consumption within the workplace (both at the head office and branch level). As the first step, employees were encouraged to switch off lights when not in use, thereby helping to reduce carbon emissions and drive our sustainable operations. This has also contributed to substantial cost savings.

In addition, the Company also took the initiative to control the temperature of Air-Conditioning and the number of AC units, where instructions were given to employees to maintain all Air Conditioned temperatures at 25C°. In addition, switching off the lights of the Pylon and main name board was adopted to control energy waste. In support of this endeavour, 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.

Natural Capital

The "Green Team" monitors and analyses the electricity usage and provides feedback on remedial measures to reduce energy consumption.

GRI 302-1

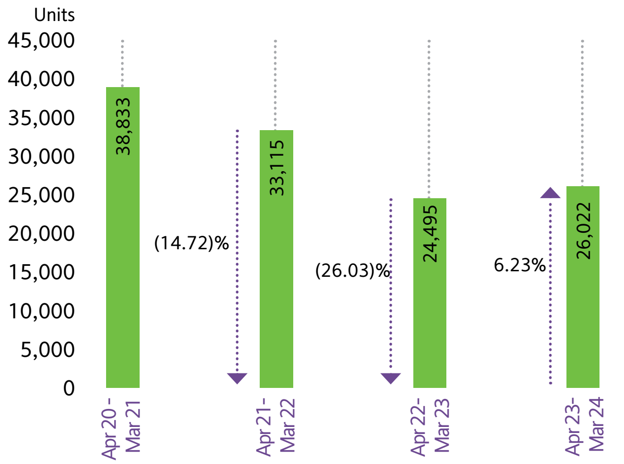
Energy Consumption Within the Organization

We consumed a monthly average of 26022 electricity units during the financial year.

GRI 302-4

Reduction of Energy Consumption

Electricity Consumption (Monthly Average)



Considering the annual averages from 2020 to 2024, FFL's electricity consumption has shown a declining trend over the period 2020-2023, although the consumption of electricity slightly increased by 6.23% during the year under review (FY 2023/24).

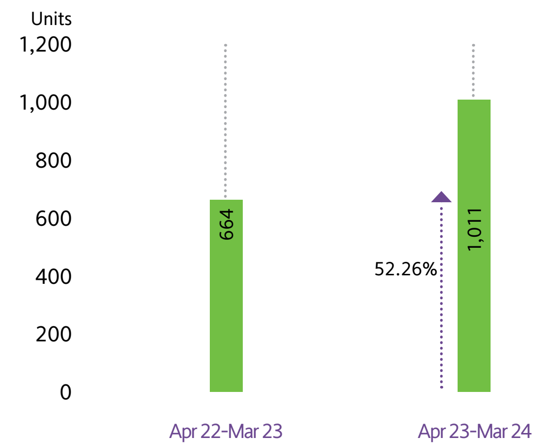
Water Management

FFL's water consumption is limited to usage for sanitary and drinking purposes. Nevertheless, the Company considers it a significant priority to control water wastage and encourages employees for the same through raising awareness on water conservation.

GRI 303-5

Water Consumption

Water Consumption (Monthly Average)



In spite of efforts to curtail water consumption, the overall water consumption increased by 52% during the year under review. The higher electricity and water consumption during the year under review is mainly attributed to the following reasons;

1. Relocation of the Finance department to a new floor adding another 1500 sq. ft to the head office space.
2. Shifted the City branch to a new location at Colombo 7 (rebranded as "Signature" branch). This expanded the floor space from 2800 sq. ft to 4600 sq. ft., and increasing the Signature branch staff count from 44 to 72.
3. Overall increase in the total head count of the company from 245 to 265 (included only permanent cadre staff).

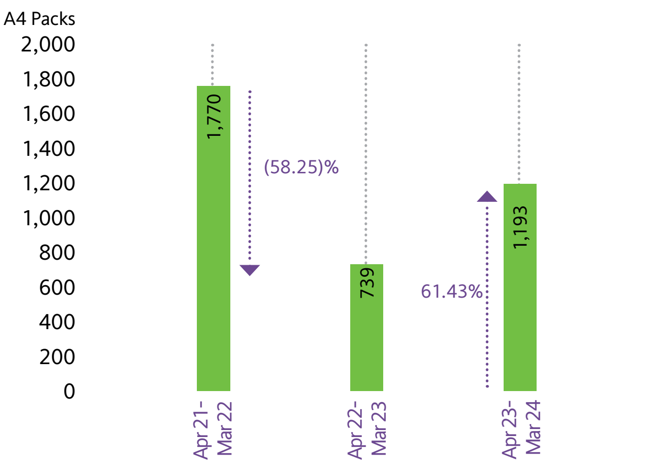
Waste Management

Fintrex also took the initiative to efficiently manage waste generated as a result of its operations. For this purpose, we encouraged our staff to use rough paper for internal documentation and printing. Also, utilizing both sides of the paper and reducing unnecessary printing was encouraged to decrease paper consumption, consequently, lowering its environmental footprint.

Maximizing Resource Efficiency

We have transformed our manual processes into a technology-driven platform, and carry out continuous upgrades to software and technologies to improve our processes and functions. As such, we have digitalized workflows and implemented Credit Management System (CMS) and Payment Management System (PMS) to streamline and optimize the management of financial transactions. Such implementations have led to considerable savings in papers (A4 sheets) including reduced processing times. These platforms have also decreased the physical transfer of documents between the Head Office and the branches, leading to reduced fuel consumption, and the need for photocopies and physical storage.

A4 Consumption (No. of A4 Packs)



Although the A4 paper usage of the Company has considerably reduced over the past two years (from 2021 to 2023), during the year under review (2023/24), there was a substantial increase in the A4 sheets usage due to the following reasons;

1. Increase in number of new recruitment files (files opened for new recruits)
2. Increase in lending files and pawning transactions
3. Increase in legal cases as action taken to recover debts from clients who had defaulted loan payments

Implementation of 5S Methodology

To create a more organized workplace, the Company initiated the popular Japanese 5S methodology during the FY2022/23 and continued during the year under review (FY 2023/24) leading to an increase in Productivity, Quality, Cost Saving, Delivery, Safety and Morale (PQCDSM) within the organization.

Steps Involved in 5S Implementation

Step 1- **Sort (Seiri)** We identified and eliminated waste, redundant processes and inefficiencies that impact our natural capital.

Step 2- **Set in Order (Seiton)**. Established a structured and efficient arrangement of resources and assets optimizing space usage, streamlining workflows and improving accessibility.

Step 3. **Shine (Seiso)** 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 organization.

Step 4. **Standardize (Seiketsu)** Standardized procedures and protocols for managing resources by implementing guidelines, policies, and best practices to ensure consistent and sustainable resource utilization across various departments and locations.

Step 5 : **Sustain (Shitsuke)** As a result of initiating these steps, the Company was able to properly maintain all Standards Operating Procedures (SOP's) and work instructions and sustain these best practices across all levels of staff.

To strengthen our commitment to the implementation of the 5S system, we also carried out training and education programs, auditing, promotional activities, performance monitoring, and continuous improvement initiatives thereby fostering a positive atmosphere towards maintenance of discipline at all levels of employees.

Inspiring the Nation

Winrose Property has embarked on a remarkable journey of growth and success, navigating through dynamic challenges to become a leading real estate agent in Sri Lanka, since its inception in 2011. Over the years, the company has solidified its reputation through industry expertise, innovative strategies, and a relentless commitment to customer satisfaction.

The company is ready to venture into new markets, adopt technological advancements, and broaden its range of services. With a clear vision and an enthusiastic team, Winrose Property aims to reshape Sri Lanka's real estate landscape, consistently elevating industry standards.

"Fintrex Finance has consistently delivered enhanced customer service, taking a practical view of our business requirements. They have stood hand in hand with us, ensuring our financial stability and enabling our expansion plans. We look forward to continuing our relationship with Fintrex Finance as we pursue new opportunities and strive for even greater achievements."

\- Mr. Nuwan Bandara, Chairman - Winrose Property (Pvt) Ltd -

Corporate Governance

Fintrex's Approach to Corporate Governance

At Fintrex, our approach to corporate governance is shaped by our commitment to transparency, accountability and ethical business conduct, that is guided by the industry best practices that we have embraced over the years in serving the interest of the stakeholders. Hence, we persistently remain dedicated to strengthening the Company's corporate governance framework in providing clear direction and internal controls towards attaining our strategic objectives.

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.

This report provides details of the governance system in place at FFL during the period under review.

GRI 2-9

Governance Structure and Composition

The governance structure of FFL is meticulously formulated to include necessary rules and principles on management, internal controls including clear delegation of responsibilities amongst the hierarchy (the Board, Board Sub-Committees and the Senior Management) to ensure ethical and transparent business transactions.

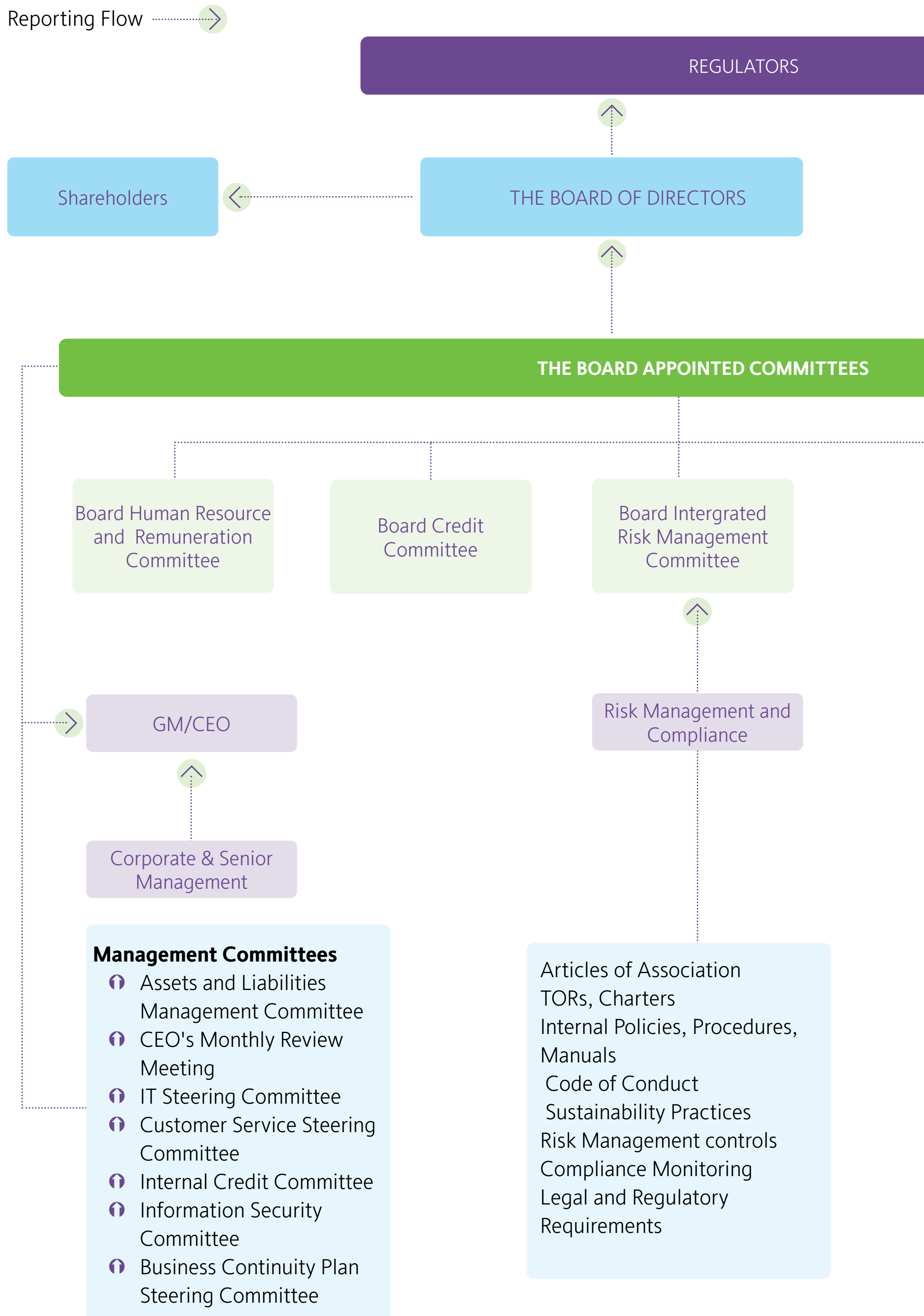
GRI 2-9

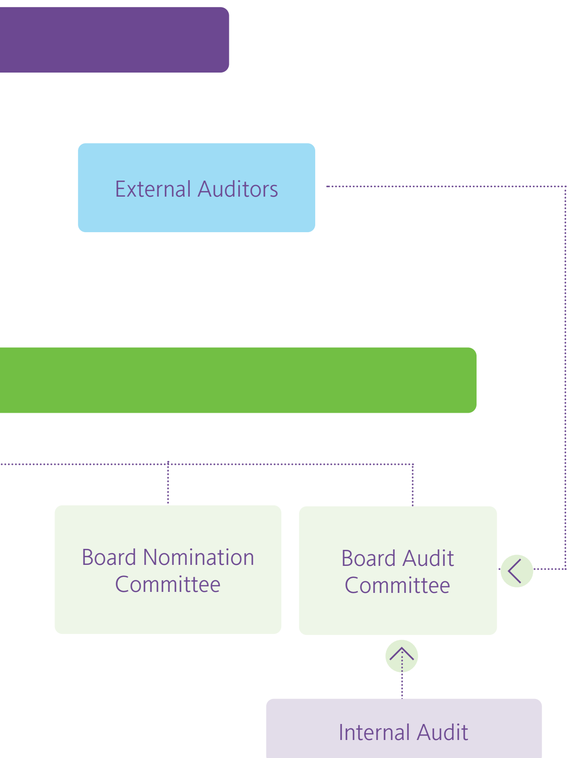
a.) Highest Governance Body

The Board of Directors of FFL, is the highest governing body of the Company and hence, is collectively responsible for decision making and overseeing the management of the Company's impacts on the economy, environment, and people.

Governance Structure.

The governance structure of the Company is as follows





The Board of Directors 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 balanced composition of the Board ensures that a single individual does not dominate the decision-making process.

The Board also reviews governance framework and policies at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment and technological advancements.

Key tasks of the Board of Directors include;
- Approving overall Company Strategies and evaluating the actual performance against the strategies.
- Approving Company's Annual Budget, Audited Financial Statements.
- Reviewing and approving recommendations referred by Sub Committees.
- Approving major capital projects, investments, acquisition, mergers or disposal.
- Approving changes to the existing capital structure.

b.) list the Committees of the highest governance body that are responsible for decision making on and overseeing the management of the organization's impacts on the economy, environment, and people

The Board is responsible for sustainability related decision making and overseeing the management of its impacts. While they make an effort to minimize the negative impacts, continued effort is taken to enhance the positive impacts. Furthermore, the below Board Sub Committees assist the Board in managing these impacts;
- Board Audit Committee (BAC)
- Board Integrated Risk Management Committee (BIRMC)
- Board Nomination Committee (BNC)
- Board Human Resource and Remuneration Committee (BHRRC)
- Board Credit Committee (BCC)

c.) Composition of the highest governance body and its committees

The Board currently comprises eight (8) Directors of whom five are independent non-executive directors as of 31.03.2024. 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 31 to 32.

Changes in the Board composition during the financial year 2023/24.

New appointments	Resignations	Retirements
Mr. Kapila Prasanna Ariyaratne (w.e.f 01 November 2023)	NIL	NIL

Board Meetings

The Board meets once a month unless otherwise required. Additional special meetings are held based on business necessity.

Corporate Governance

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 5 of 2021, issued by the Central Bank of Sri Lanka requirements.

	Name of Director	No. of Board meetings attended during FY	Committee Meeting attended				
			Board Audit Committee	Board Integrated Risk Management Committee	Board Human Resource and Remuneration Committee	Board Credit Committee	Board Nomination Committee
	Number of meetings held	**12**	**15**	**14**	**7**	**5**	**2**
1.	Mr. Ajit Gunewardene (Non- Independent/ Non-Executive)	11/12	-	-	-	5/5	2/2
2.	Mr. Ronnie Peiris (Non-Independent / Non-Executive)	12/12	11/11	14/14	7/7	-	2/2
3	Mr. Shanthanu Nagpal (Non-Independent / Non-Executive)	12/12	14/15	-	7/7	-	2/2
4	Mr. Ahamed Sabry Ibrahim (Independent / Non-Executive)	12/12	-	14/14	-	4/5	2/2
5	Mr. Shrihan B. Perera (Independent / Non-Executive)	12/12	15/15	-	7/7	-	-
6	Mr. Nilam Jayasinghe (Independent / Non-Executive)	11/12	2/4	10/11	6/7	3/3	2/2
7	Mr. K. Sivaskantharajah (Independent / Non-Executive)	11/12	-	11/11	-	3/5	-
8	Mr. Kapila Ariyaratne (Independent / Non-Executive)	5/5	-	3/3	-	2/2	-

Company Secretary

M/s. P W Corporate Secretarial (Pvt) Ltd, served as the Secretaries of the Company up to 31st March 2024. Pursuant to the Finance Business Act Direction No.05 of 2021 on Corporate Governance, the present Company Secretary, Mrs. Aruni Gunawardena who is a qualified Chartered Secretary and a Registered Company Secretary, was appointed in accordance with the Companies (Secretaries) Regulations No. 01 of 2023 made under Section 527 read with Section 222 of the Companies Act No.07 of 2007. The Company Secretary ensures that the requirements stipulated in the laws, directions, rules and regulations as applicable are complied with. The Company Secretary manages and administers the matters of the Board and provides guidance to the Board to discharge its duties and responsibilities diligently. The Company Secretary promotes and encourages the Board to ensure Best Practices on Corporate Governance. All Directors have access to the Company Secretary individually to advise and have services on Board related procedures and matters relating to applicable laws and Corporate Governance.

GRI 2-10

a) Nomination and Selection of the highest governance body

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

The Board Nomination committee selects /appoints new directors and ensure that the appointing director is fit and proper to perform the functions as per the Finance Business Act (Assessment of Fitness propriety of key responsible persons) direction. Upon recommendation of the Nominations Committee the Board of Directors approves the appointment of new directors.

b.) Criteria used for nominating and selecting highest governance body

The Board members are nominated and selected based on their diverse skill set, experience and perspectives to effectively discharge their duties to attain the Company's overarching business objectives. Hence, the Board members are specifically selected based on their wealth of knowledge and experience in the finance field apart from other significant competencies. These diverse competencies along with extensive industry experience has enabled maintenance of skill balance of the Board required for effective governance.

The profiles of the Board are given in pages 31 to 32.

GRI 2-11

Chair of the highest governance body (Role of the Chairman)

The Chairman of the Board is a non-executive and non-independent director who is responsible for leading the Board.

Key tasks of the Chairman includes;

- Providing leadership to the Board
- Securing the effective participation of all Board Members
- Ensuring the Board works effectively and discharges its responsibility
- Implementing decisions / directions of the regulator
- Ensuring appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board
- Overseeing the annual assessment on the performance and the contribution during the past 12 months of the Board and the GM/CEO

I. Separation of role of Chairman and CEO

The role of the Chairman and CEO are segregated to ensure balance of power and authority. Hence, the Chairman heads the Board of Directors ensuring its effective functioning while the CEO shall function as the apex executive-in-charge of the day-to-day-management of the Company's operations and business.

II. Independence

As the Chairperson is non independent, the Board comprises 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 Chairman's performance at least annually.

GRI 2-12

Role of the highest governance body in overseeing the management of impacts

The board is responsible for developing, approving, and updating the Company's vision, value or mission statements, strategies, policies, and goals related to sustainable development. The Board is also responsible for overseeing the Company's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people. These responsibilities are delegated to senior management and is reported to the Board.

GRI 2-13

Delegation of responsibility for managing impacts

The Board has delegated its responsibilities to Board sub-committees that assist the Board in carrying out its responsibilities aligned with the Company's business strategy and direction. These Board sub-committees are responsible for matters within their respective Charters/Terms of Reference and their recommendations are duly communicated to the Board. Therefore, the Chairpersons of Board Sub Committees are responsible for managing the impacts in their respective operational areas, reporting the progress to the Board.

Corporate Governance

Name of the Sub Committee	Responsibility	
Board Audit Committee	Oversee internal controls and financial reporting	The report is available on pages 159 to 160
Board Integrated Risk Management Committee	Oversee the risk management mechanism	The report is available on page 158
Board Human Resource and Remuneration Committee	Oversee the remuneration structure	The report is available on page 161
Board Credit Committee	Managing the credit risk	The report is available on page 162 to 163
Board Nomination Committee	Selection and nomination of BOD and CEO	The report is available on page 164

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	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
Information Security Committee - ISC	Apex management level body responsible for information security and technology resilience of the Company.	Every two months
Internal Credit Committee	Review and approve the credit facilities as per the delegation given by the Board	Need Basis
Business Continuity Plan Steering Committee	To ensure the continuous operation of the business in any given situation.	Bi-annually and Need basis

GRI 2-14

Role of the highest governance body 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 2-15

Conflict of Interest

a) Processes for the Board to ensure that conflicts of interest are prevented and mitigated

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.

b.) Whether conflict of interests are disclosed to stakeholders

Related party disclosures are elaborated under note no. 42 in Audited Financial Statements.

The Board of Directors and other Key Management Personnel make a declaration on their related party interest with the transactions of the Company annually.

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.

GRI 2-17

Collective Knowledge of the BOD on Sustainable development

FFL's Board comprise individuals who are supportive the sustainability philosophy and hence are committed to driving sustainable development through empowering people for economic prosperity. Besides, the Company's overall training and development programs ensures that the Company's leadership advance the collective knowledge, skills, and experience on sustainable development.

GRI 2-18

Evaluation of the performance of the Board

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 continue on the Board. The Chairman acts on the results of the evaluations, and if appropriate, proposes new Directors or seeks the resignation of Directors.

Ethics and Integrity

The right behaviour of employees from top to bottom is shaped by the right policies and procedures in place within the Company. These include code of conduct, whistleblowing policy and Disciplinary policy. These policies offer guidance to the employees in carrying out their duties upholding the highest standards of ethics and integrity. Further, the robust complaint mechanism provides space for the employees to report concerns about unethical and unlawful behaviour and matters of integrity to the relevant hierarchy.

Risk Management

The Board has a sound understanding of the risks associated with the FFL operations and thus provides guidance in establishing risk management systems and related internal controls for effective management of these risks. In this endeavour, the Board is assisted by the Board Integrated Risk Management Committee (BIRMC).

The Risk Management report is given in page 145 for more details.

Compliance on Corporate Governance Principles

The below disclosures are prepared and presented in accordance with the Finance Business Act Directions (Corporate Governance) No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka. This report shall be considered as FFL's Corporate Governance Report for the financial year 2023/24 and is prepared in compliance with this direction.

Corporate Governance

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

No.	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		
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 2023-2025 at its Board Meeting held on 15th December 2022 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. Further Board approved Strategic Plan 2024-2027 has also been established.
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.

No.	Section	Compliance Status	Remarks
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 monthly 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.
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

Corporate Governance

No.	Section	Compliance Status	Remarks
c	The Board shall regularly review and agree on the training and development needs of all the members.	Complied with	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Market experts and professional services are obtained to share new knowledge from time to time. Any training programs relevant to the Board are communicated to the Board Members for the Directors' participation.
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. In line with the Central Bank of Sri Lanka (CBSL) direction on Corporate Governance, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Head of Credit, Head of Recoveries and Portfolio Management, Head of IT, Head of Legal, Head of Human Resources and Administration, Head of Internal Audit and Head of Risk and Compliance have been identified as Key Management Personnel (KMPs).
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.

No.	Section	Compliance Status	Remarks
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 to reviews the policies, establish lines of communication and monitor progress towards corporate objectives.
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 standards.
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.

Corporate Governance

No.	Section	Compliance Status	Remarks
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 8 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
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 had not appointed any Executive Directors.
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	Complied with	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		

No.	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 eight Directors and five out of them are Independent 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	

Corporate Governance

No.	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 2023/24
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	Complied with	
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.	Complied with	
b	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	Complied with	
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.	Complied with	
d	An alternate director cannot be appointed to represent an executive director.	Complied with	
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.	Complied with	

No.	Section	Compliance Status	Remarks
3.9	**Cooling Off Periods**		
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.	Complied with	One Director appointed during the financial year was not previously employed as a CEO or director, of another FC.
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	Complied with	
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 2023/24.
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 detailed profiles of the Directors with the position held by them are 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 22/06/2023.
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 72 years on 29 June 2023 continued in office as director with the approval received from Monetary Board communicated via letter dated 22nd June 2023, from Director of the Department of Supervision of Non-Bank Financial Institutions.

No.	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 Pieris who attained the age of 72 years on 29 June 2023 continued in office as director with the approval received from Monetary Board communicated via letter dated 22nd June 2023, 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 72 years on 29 June 2023 continued in office as director with the approval received from Monetary Board communicated via letter dated 22nd June 2023, 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 eight Directors and only one Director has exceeded 70 years of age during the year 2023/2024
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 2023/24.
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.
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.		

No.	Section	Compliance Status	Remarks
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 assesses the Performance and the contribution during the past 12 months of the Board and the CEO and same being submitted to Director of the Department of Supervision of Non-Bank Financial Institutions.

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No.	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 2023/24, the Board met thirteen 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 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 calendar 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.

No.	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 2023/24.
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 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 financial year eleven Board Meeting out of thirteen were held through electronic means due to the prevailing country situation. Please refer 'Directors' Attendance and Committee Memberships' table given on page no. 118 of the Annual Report. Further, participation in person or through electronic media is clearly recorded in the minutes.
8	**Company Secretary**		
8.1	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 and their engagement terminates on 31st March 2024.

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No.	Section	Compliance Status	Remarks
	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.	Complied with	A transitional period until 01.07.2024 will be granted to appoint Company Secretary an employee of the Company. The Company appointed Mrs. Aruni Gunawardena representing the Senior Management as the Company Secretary with effect from 31.03.2024
8.2	All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.	Complied with	All Directors have access to 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 maintains 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

No.	Section	Compliance Status	Remarks
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.
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. Asset and Liability Committee (ALCO), IT Security and IT Steering Committee are in operation.
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. Chairman and a Secretary for each Committee being appointed. The Report from each Committee is available in the Annual Report.

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No.	Section	Compliance Status	Remarks
(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 a 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.
	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; • M/s Ernst & Young as the external auditors of the Company • Implementation of CBSL guidelines issued to auditors from time to time • Application of Sri Lanka Financial Reporting Standards to the financial reporting • 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 M/s Ernst & Young confirming their independence in carrying out the external audit function of the Company for 2023/24.
	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

No.	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 M/s Ernst & Young twice 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 with 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

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No.	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 2023/24 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 impartially 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 of the Audit Committee will be available in the Annual Report.
	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

No.	Section	Compliance Status	Remarks
	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 of the 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)	**Board Integrated Risk Management Committee (BIRMC)**		
	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 BIRMC 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.
	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 BIRMC 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.

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No.	Section	Compliance Status	Remarks
	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 no such a 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 2023/24.
	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 no such a 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 monthly basis.
(9)	**Related party transactions**		
(1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 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.		
(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.

No.	Section	Compliance Status	Remarks
(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.
(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 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.

Corporate Governance

No.	Section	Compliance Status	Remarks
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.
12	**Related Party Transactions**		Transitional provisions prevailing until 01.07.2024
13	**Group Governance**	-N/A	The Company is fully owned by Bluestone 1 (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 confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with	A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. Further, BAC reviews the policy frequently.
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.

No.	Section	Compliance Status	Remarks
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.
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 2023/24 on 28 June 2024, in Sinhala, Tamil and English newspapers. The Financial statements as at 30 September 2023 published on 28 November 2023 in Sinhala, Tamil and English newspapers.

Corporate Governance

No.	Section	Compliance Status	Remarks
	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	i. Financial Statements Please refer pages 184 to 238 in the Annual Report. ii. Chairperson, CEO, and Board related disclosures. Details of the Directors are given on the pages 31 to 32 and transactions with the Company are given on page 224 of the Annual Report. Declaration was obtained from the Board of Directors of the Company and there is no business relationships with other Directors of the Company. iii. Appraisals of Board Performance A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. iv. Remuneration Please refer page 224 in the Annual Report. v. Related Party Transactions Details of the Directors including names and transactions with the Company are given on Note 42, page 224 of the Annual Report. vi. Board appointed Committees Please refer 'Directors' attendance and Committee Memberships' tables are given on page 158 to 164 of the Annual report. vii. Director's Report Please refer Page 165 in the Annual Report. viii. Statement on Internal Control Please refer Page 172 in the Annual Report. ix. Corporate Governance Report Please refer Page 116 to 144 in the Annual Report. x. Code of Conduct A Board approved Code of Conduct for directors and for all employees is in place and there have been no violations of any of the provisions of this code. xi. Management Report Please refer CEO's Review page 25 in the Annual Report. xii. Communication with shareholders The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders

Risk Management

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 Board Integrated Risk Management Committee (BIRMC).

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. The Committee meets on a monthly basis to assess all types of risk management aspects. During the year under review, thirteen (13) monthly meetings and one (1) special meeting 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.

First 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.

Second line of defence

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.

Third line of defence

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 Management

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.

GRI 205-3

Confirmed Incidents of Corruption and Actions Taken

There were no confirmed incidents of corruption reported during the year under review. However, Fintrex's 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:

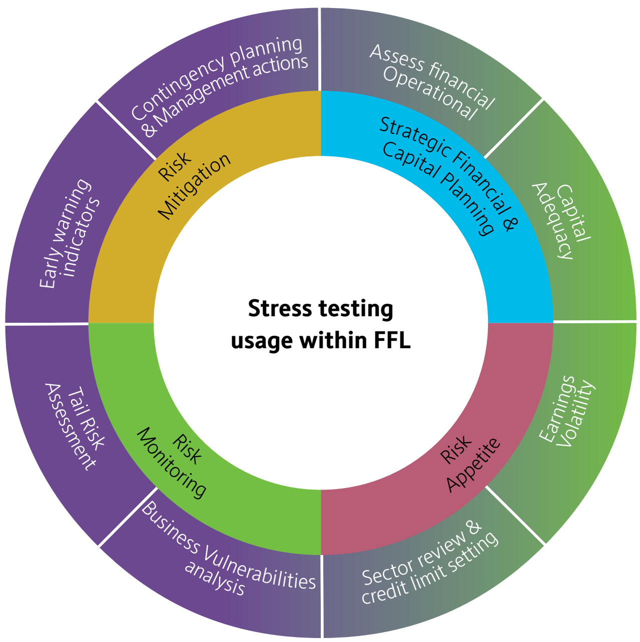
Scenario testing, which examines the impact of a hypothetical future state to define changes in risk factors.

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 Committee

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 Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income 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.

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

Risk Management

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 paybook 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.

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 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 defense 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 appropriateness of 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 SLFRS 09 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 90 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 entities 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.

The credit decision 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 limits of the relevant approver.

Credit recommenders 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 frequently. The review process assesses borrower's performance, including

Risk Management

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 90 days past due 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 appropriate. Following this, the customer's debt may then be placed with a -solicitor, in order to agree an affordable repayment plan with the customer.

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 entities 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.

Customers with risk of credit loss 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 the 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 customers. These customers are, where necessary, managed by specialist in Credit Management, depending on the size of exposure or by the business recoveries team where a credit facility 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 terms and conditions of the credit facility.

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 incorporate term structures and forward-looking information. Regulatory conservatism within the 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 Significant Increase of Credit Risk (SICR) and the formation of a framework capable of consistent application.
- The determination of cashflow 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 have been established.

- 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 lifetime 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):

- **Economic uncertainty** – ECL adjustments primarily arising from uncertainties associated with multiple economic scenarios 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.

Refers to Note No 43 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 risk is the inability to conduct business in base or stress conditions on a risk or leverage basis due to insufficient qualifying capital as well as the failure to assess, monitor, plan and manage capital adequacy requirements.

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 actual or potential financial obligations in a timely manner as they fall due in the short term.

Funding consists of on-balance sheet liabilities that are used to provide cash to finance assets. Funding risk is the risk that current or prospective financial obligations cannot be met as they fall due in the medium to long term, either at all or without increasing funding costs unacceptably.

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:
1. Primary liquid assets include cash and bank balances at commercial banks and excess investment in Government Securities above the CBSL requirement
2. 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.

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 of 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 carried out. Interest rate risk can be measured from either an economic value-based or earnings-based perspective, or a combination of the two.

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.

Risk Management

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.

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 monthly, 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 three years strategic plan for 2024/27 and 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.

11. Model Risk

Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. A model is defined as a quantitative method, system, or approach that applies statistical, economic, financial, accounting, mathematical or data science theories, techniques and assumptions to process input data into estimates.

Fintrex uses a variety of models in the course of its business activities. Examples include the use of model outputs to support customer decisioning, measuring and assessing risk exposures (including credit, market, and climate risk), calculating regulatory capital and liquidity requirements and automation of operational processes.

Inspiring Progress

Mr. Weerakkodi is deeply engaged in the coconut industry, overseeing both coir manufacturing and copra trading. As the owner of a local coir mill, he manages the production of a variety of coconut-based goods, such as coconut fiber, coco peat, and coir-based products.

Through job creation and the delivery of superior products, Mr. Weerakkodi plays a pivotal role in driving economic growth and prosperity in the region. His unwavering commitment to excellence and sustainability underscores his dedication to making a positive impact beyond his agricultural pursuits. With his diversified involvement in the coconut industry, Mr. Weerakkodi continues to foster innovation and advancement, creating a thriving eco-system that benefits both local communities and the broader economy.

"Fintrex Finance Limited has been instrumental in offering me liquidity support during times of need. Their swift responses and adaptable processes and business terms have enabled me to navigate through exceptionally challenging and dynamic market conditions. Their assistance has not only facilitated stability but also empowered me to proactively look into new opportunities for sustained progress and expansion in my ventures. "

- Mr. W. A. G. K. Weerakkodi, Owner - Coir Mill Owner -

Report of the Board Integrated Risk Management Committee (BIRMC)

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

Name	Designation	Attendance/ No of meetings held
Mr. A. S. Ibrahim (Chairman)*	Independent Non-Executive Director	14/14
Mr. J. R. F. Peiris**	Non-Independent Non-Executive Director	14/14
Mr. K P Ariyaratne***	Independent Non-Executive Director	3/3
Mr. S. N. Jayasinghe****	Independent Non-Executive Director	10/11
Mr. K. Sivaskantharajah*****	Independent Non-Executive Director	11/11

* Mr. A S Ibrahim - Chairman – w.e.f 01/01/2024
** Mr. J R F Peiris – Chairman upto 31/12/2023
*** Mr. K P Ariyaratne- Member - w.e.f 01/01/2024
**** Mr. S N Jayasinghe - Member - upto 31/12/2023
***** Mr. K Sivaskantharajah- Member - upto 31/12/2023

The Committee held thirteen (13) formal and scheduled meetings on a monthly basis and one (01) Special Meeting was held on 06th June 2023 during the year under review.

Brief profiles of the Directors representing the committee are given on pages 31 to 32 of the Annual Report.

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

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

Board Integrated Risk Management Committee (BIRMC) 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 Terms of Reference (TOR) of the BIRMC was last reviewed and adopted by the Board of Directors in January 2024. It clearly sets out the membership, source of authority, duties and responsibilities of the BIRMC. Functions of the BIRMC in the Company's overall risk management framework have been discussed in detail on the page 145.

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 BIRMC evaluated its performance during the year as a subset of its performance, effectiveness and efficiency.

During the financial year 2023/24, 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 Board Integrated Risk Management Committee

(Sgd.)
A S Ibrahim
Chairman
Board Integrated Risk Management Committee

Report of the Board Audit Committee (BAC)

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. S. Nagpal
Non-Independent Non-Executive Director

Mr. Nilam Jayasinghe
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 31 to 32 of the Annual Report.
The Board Audit Committee met 15 times during the and the attendance of the members at the Meetings is as follows:

Members	Attendance/No. of Meetings Held
Mr. Shrihan B Perera	15/15
Mr. J. R. F. Peiris *(served till 31.12.2023)*	11/11
Mr. S. Nagpal	14/15
Mr. N Jayasinghe *(Appointed w.e.f 01/01/2024)*	2/4

The Chief Executive Officer, Chief Financial Officer, other senior members of the Management team and the Chief Internal Auditor attended Committee meetings by invitation. The Audit Partner of the External Auditors, M/s. Ernst & Young, was also invited to attend two such meetings during the year. Proceedings of the Audit Committee meetings are reported to the Board of Directors.

Role of the Board 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 and release 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 the release of the same to shareholders.

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

The Audit Committee reviewed the financial reporting systems 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 Audit Committee is satisfied that there are no conflicts of interest between the Company and the Auditor.

In accordance with the above, Messrs. Ernst & Young were appointed as the External Auditors of the Company for the year 2023/2024 as the previous External Auditors Messrs. KPMG have completed a period of 10 years.

Report of the Board Audit Committee (BAC)

The Committee is satisfied that there is no cause to compromise 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.

The annual financial statements 2023/24 were reviewed with the External Auditor and their Engagement and Management Letter and Management's responses thereto were also reviewed.

In conforming with Best Practices, the Committee met with the External Auditor at two meetings in the absence of Chief Executive Officer and other Key Management Personnel to provide an opportunity in discussing 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 respective statutes, to ensure that such engagement in non-audit services, does not impair the independence of the External Auditor.

Risks and Internal Controls

The Audit Committee reviewed the Company's 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 reflects a true and fair view of the affairs of the Company based on the available information.

Additionally, the Committee assessed the effectiveness of the Company's internal controls over financial reporting as at 31st March 2024, as required by Finance Companies (Corporate Governance) Direction 03 of 2008, as assessed in the Directors' Statement on Internal Control on page 172.

The External Auditor has issued an Independent Assurance Report on the Director's Statement on Internal Control. which is included in the page 174.

Internal Audit

During the year under review, 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 systems. 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

Report of the Board Human Resource and Remuneration Committee (BHRRC)

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 2023 to 31 March 2024, are as follows:

Name	Designation	Attendance/ No of meetings held
Mr. J. R. F. Peiris *(Chairman)*	Non-Independent Non-Executive Director	7/7
Mr. Shantanu Nagpal	Non-Independent Non-Executive Director	7/7
Mr. Shrihan Perera	Independent Non-Executive Director	7/7
Mr. S. N. Jayasinghe (served till 31.12.2023)	Independent Non-Executive Director	6/7

The Committee met Seven (7) times during the financial year that ended 31 March 2024 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.
- Ensuring that a Training and Development program/calendar exists on an ongoing basis for all staff.
- 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

Report of the Board Nomination Committee Report (BNC)

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 (CEO) and Corporate Management.

The composition of the Board Nomination Committee up to 31.12.2023 was as follows:

Name	Designation	Attendance/ No of meetings held
Mr. Ajit Damon Gunewardene	Chairman/Director Non-Independent Non-Executive Director	2/2
Mr. Ahamed Sabry Ibrahim	Senior Director Independent Non-Executive Director	2/2
Mr. James Ronnie Felitus Peiris	Director Non-Independent Non-Executive	2/2
Mr. Shantanu Nagpal	Director Non-Independent Non-Executive Director	2/2
Mr. Seminda Nilam Jayasinghe	Director Independent Non-Executive Director	2/2

The composition of the reconstituted Board Nomination Committee effective 01.01.2024 was as follows:

Mr. Seminda Nilam Jayasinghe	Chairman/Director Independent Non-Executive Director
Mr. Ajit Damon Gunewardene	Director Non-Independent Non-Executive Director
Mr. Kapila Ariyaratne	Director Independent Non-Executive Director

The Committee met twice during the financial year that ended 31st March 2024.

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 implement a formal/ transparent procedure to select/appoint new directors and senior management and to appoint senior management with the recommendation of CEO.

- 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 and senior management.

- 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 consider and recommend the requirement of additional new expertise and the succession planning for retiring Directors and senior management.

- 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 and evaluating the right candidate with the necessary skills, knowledge and experience, ensuring the desired diversity of the Board to meet the strategic and statutory demands of the Company.

(Sgd.)
Nilam Jayasinghe
Chairman – Board Nomination Committee

Report of the Board Credit Committee (BCC)

Composition of the Committee

The Board Credit Committee during the year comprised of four (04) Non- Executive Directors, one (01) of whom is non-independent and served/serve on the Board credit committee during the year.

Name	Designation	Attendance/ No of meetings held
Mr. Ajit Gunewardene (Chairman)	Non-Executive Non Independent Director	5/5
Mr. A. S. Ibrahim	Non-Executive Independent Director	4/5
Mr. K. Sivaskantharajah	Non-Executive Independent Director	3/5
Mr. S.N. Jayasinghe (Served till 31/12/2023)	Non-Executive Independent Director	3/3
Mr. K P Ariyaratne (Appointed w.e.f. 01/01/2024)	Non-Executive Independent Director	2/2

Charter of the Committee

The Committee assists the Board of Directors and overseas the Company's credit and lending strategies as its primary activity whilst effectively fulfilling its responsibilities pertaining to credit direction, credit policy and lending guidelines to ensure that relevant regulations are complied with, in order to ensure that the company achieve its overall objectives.

Key responsibilities of the Committee are as follows;

- Review the Company's Credit Risk appetite and credit policies from time to time and make recommendations to the Board.
- Guide the Management on the risk appetite of the Company.
- Review, pricing of credit proposals to maximize returns and credit risk controls in lending to ensure quality of the Company's risk assets.
- To approve/recommend to the Board, credit facilities coming under the purview of the Committee as per Board approved delegated authority.
- Evaluate and recommend sector exposures and parameters based on the risk appetite of the Company.
- Review the cyclical aspects of the economy and the resultant quality of the loan portfolio.
- Monitor and evaluate special reports called for by the Board of Directors.

Activities During FY 2023/24

- Approved credit proposals within the approved limits of the Committee and recommended other credit proposals above its purview to the Board of Directors.
- Reviewed, facilities where there were delays in repayment, including segments which were vulnerable to the current macroeconomic conditions and exposure to stressed sectors.
- Ensured the implementation of appropriate credit controls to maintain the quality of the portfolio.
- Reviewed lending facilities to ensure that they were in line with the Company's lending policies and credit risk appetite.
- Ensured that the lending portfolios were managed as per the stipulated credit risk parameters.

(Sgd)
Ajit Gunewardene
Chairman -Board Credit Committee

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

The Board of Directors of Fintrex Finance Limited has the pleasure in presenting its Annual Report on the State of Affairs of the Company to the Shareholders of Fintrex Finance Limited for the financial year ended 31 March 2024, together with the Audited Financial Statements of the Company and the Independent Auditors' Report on the said Financial Statements, conforming to the relevant statutory requirements. The Financial Statements, reviewed and recommended by the Board Audit Committee, were approved by the Board of Directors on 03 June 2024. The Report includes the information required by the Companies Act No.7 of 2007, Finance Business Act Directions No.05 of 2021 on Corporate Governance, and is also guided by the Recommended Best Practices on Corporate Governance.

This report was approved by the Board of Directors on 20 June 2024. The appropriate number of copies of the Annual Report will be submitted to the Central Bank of Sri Lanka and the Registrar of Companies within the statutory deadlines.

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.PB878.

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 Review, Chief Executive Officer's Review and the Financial Capital, 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.

Financial Statements

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 2024 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 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 Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto attached to this report 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 its amendments 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 170 and forms an integral part of this Annual Report.

Directors' Statement on Internal Control over Financial Reporting

The Board has issued a statement on the internal control mechanism of the Company as per Section 16.1(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The Directors' Statement on Internal Control over Financial Reporting is given on pages 172 to 173 and forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company

The Board has obtained an Assurance Report from the Independent Auditors, Messrs. Ernst & Young, Chartered Accountants on the Directors' Statement on Internal Controls over Financial Reporting as referenced on pages 174 to 175.

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

Independent Auditor's Report

The Company's Auditor Messrs. Ernst & Young, Chartered Accountants performed the audit of financial statements of the Company for the year ended 31st March 2024, and their report on those Financial Statements, as required by Section 168(1) (c) of the Companies Act appears on pages 182 to 183.

Significant Accounting Policies and Changes in Accounting Policies During the Year

Accounting policies adopted by the Company in the preparation of the Financial Statements are given in note 02 to 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 2024, 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 in note no. 03 of the Financial Statements.

Accounting Period

The Financial Accounting period is from 1st April 2023 to 31st March 2024.

Financial Results and Appropriations

Interest Income

The Company recorded a total interest income of Rs.2,761.98 million (Rs.2,264.37 million in financial year 2023) for the year ended 31st March 2024. This represents a growth of total interest income by Rs. 497.61 million or 22.0% compared to the previous year. A more descriptive analysis of the interest income is given in note no. 7 to the Financial Statements.

Profit and Appropriations

The Company's profit before taxation for the financial year 2023/24 amounted to Rs. 215.41 million in comparison to the loss before taxation of Rs.444.73 million in financial year 2022/23. The Company recorded a profit after tax of Rs.110.11 million (Loss after tax of Rs. 219.09 million in financial year 2022/23) for the year ended 31st March 2024. This represents an increase of Rs.329.20 million or 150.3% compared to the previous year. The Company recorded a total comprehensive income of Rs.114.77 million (expense of Rs.218.49 million in financial year 2022/23) for the year ended 31st March 2024. As per the guidelines and criteria laid down in the Section 3 (b) (i) of Finance Companies (Capital Funds) Direction No.1 of 2003 of the Central Bank of Sri Lanka, the Company transferred Rs. 5.50 million to the Company's 'Statutory Reserve Fund' during the year under review (Amount transferred in previous year is zero due to the loss after tax recorded).

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

Description	2023/24 Rs. '000	2022/23 Rs. '000
Profit/(loss) before income tax expense	215,405	(444,735)
Less: Income tax (expense) /benefit	(105,293)	225,647
Profit /(Loss) for the year after taxation	110,112	(219,089)
Other comprehensive income /(expenses)	4,660	596
Unappropriated profit brought forward from previous year	510,630	729,123
Profit available for appropriation	625,402	510,034
Less: Appropriations		
Transferred to statutory reserve fund	(5,505)	-
Transferred to RLAR	(319,522)	
Unappropriated profit carried forward	300,375	510,630

Equity and Reserves

The Equity and Reserves of the Company as at 31st March 2024 and 31st March 2023 are as follows:

Description	31st March 2024 Rs.'000	31st March 2023 Rs.'000
Stated capital	2,369,560	2,369,560
Retained earnings	300,375	510,630
Other reserves (RLAR)	319,522	-
Statutory reserves	59,423	53,918
Total shareholders' funds	3,048,880	2,934,108

Dividends

No dividends were paid during the year ended 31st March 2024 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 of the Company.

Property, Plant & Equipment

The total capital expenditure incurred on Property, Plant and Equipment of the Company in the year ended 31st March 2024 amounted to Rs. 21.57 million (Rs.51.92 million in 2022/23). The detail analysis of Property, Plant & Equipment belonging to the Company as at year end are disclosed in note no 27.

Taxation

The Income Tax rate applicable to the Company's operations is 30% (24% up to 30th September 2022 and 30% from 1st October 2022). The Company was also liable for Value Added Tax (VAT) on Financial Services at 18%. (18% in financial year 2022/23) and Social Security Contribution Levy (SSCL) at 2.5% (2.5% in financial year 2022/23).

The Company has provided deferred taxation on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard-LKAS 12 (Income Taxes).

The Board of Directors

The Board of Directors of the Company as at 31st March 2024 consisted of Eight Directors with wide financial and commercial knowledge and experience.

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 2024 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	Date of appointment to the Board
Mr. Ajit Damon Gunewardene - Chairman	Non-Executive	Non-Independent	w.e.f. 6th April 2018
Mr. James Ronnie Felitus Peiris	Non-Executive	Non-Independent	w.e.f. 6th April 2018
Mr. Shantanu Nagpal	Non-Executive	Non-Independent	w.e.f. 24th April 2018
Mr. Ahamed Sabry Ibrahim	Non-Executive	Independent	w.e.f. 14th June 2021
Mr. Shrihan Blaise Perera	Non-Executive	Independent	w.e.f. 16th July 2021
Mr. Kathirgamar Sivaskantharajah	Non-Executive	Independent	w.e.f. 1st October 2021
Mr. Seminda Nilam Jayasinghe	Non-Executive	Independent	w.e.f. 1st October 2021
Mr. Kapila Prasanna Ariyaratne	Non-Executive	Independent	w.e.f. 1st November 2023

Mr.Jayashantha Francis Rovindra De Fonseka has been appointed to the Board of Directors as an Independent Non-Executive director w.e.f. 1st April 2024.

Interests Register / Related Party Transactions

Except to the extent disclosed under note no. 42 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 2024 and 31st March 2023 are stated below and disclosed under note nos. 11 and 42 to the Financial Statements.

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

Description	2023/24 Rs. '000	2022/23 Rs. '000
Directors' Fees and Emoluments	5,300	4,800

Recommendations for Re-election

Mr A S Ibrahim shall retire in terms of Article 99 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Messrs K P Ariyaratne and J F R De Fonseka 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 73 years on 29th June 2024 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 73 years.

Board Sub Committees

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

Board Audit Committee

- Mr. S B Perera – Chairman
- Mr. S Nagpal - Member
- Mr. S N Jayasinghe – Member

The Report of the Board Audit Committee is given on page 159.

Board Integrated Risk Management Committee

- Mr. A S Ibrahim - Chairman
- Mr. J R F Peiris - Member
- Mr. K P Ariyaratne – Member

The Report of the Board Integrated Risk Management Committee is given on page 158.

Board Human Resource and Remuneration Committee

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

The Report of the Board Human Resource and Remuneration Committee is given on page 161.

Board Credit Committee

- Mr. A D Gunewardene - Chairman
- Mr. A S Ibrahim -Member
- Mr.K Sivaskantharajah -Member
- Mr. K P Ariyaratne - Member

The Report of the Board Credit Committee is given on page 164.

Board Nomination Committee

- Mr. S N Jayasinghe - Chairman
- Mr. A D Gunewardene -Member
- Mr. K P Ariyaratne -Member

The Report of the Board Nomination Committee is given on page 162.

Related Party Transaction Review Committee

- Mr. S N Jayasinghe – Chairman
- Mr. S B Perera - Member
- Mr. K Sivaskantharajah – Member

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. Ernst & Young, Chartered Accountants served as the Auditors during the period under review.

A total amount of Rs. 2,050,000/- is payable by the Company to the Auditors for the year under review as audit fees and non-audit fees. Details are given under note no. 11 to the Financial Statements.

The Auditors have expressed their willingness to continue in office. A resolution to reappoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

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, the Directors confirm that no litigation 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. 38 to the Financial Statements.

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. 39 to the Financial Statements.

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. 37 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 sand Risk Management practices of the company are effective and adhered to.

Annual General Meeting and the Notice to the Meeting

Annual General Meeting of the Company will be held virtually on 28th June 2024 at 4.00 pm centered at the Board Room of Fintrex Finance Ltd at No 851, Dr. Danister De Silva Mawatha, Colombo 14. Notice of the meeting relating to the Annual General Meeting is enclosed at the end of the Annual Report.

Acknowledgement of the Contents of the Report

As required by Section 168(1)(k) of the Companies Act, the Board of Directors hereby acknowledge the contents of this report.

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

A D Gunewardene
Chairman

J R F Peiris
Director

Aruni Gunawardena
Company Secretary

3rd June 2024
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 2024, the Statement of Profit or Loss and Other 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 Executive 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 3 ,2024 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 2023/24, 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 159 to 160.

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 184 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 172 of this Annual Report.

The Company's External Auditors, Messrs. Ernst & Young, 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 182 to 183 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,

Aruni Gunawardena
Company Secretary

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 2024 are prepared and presented in conformity with the requirements of the following:

- Sri Lanka Accounting Standards (SLFRS/ LKAS) 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, and also comply 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 judgment 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 are 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 conduct periodic reviews to ensure that the internal controls and procedures are consistently followed.

The Financial Statements of the Company were audited by Messrs. Ernst & Young, Chartered Accountants and their Report is given on page 182. The Board Audit Committee pre- approves the audit and non-audit services provided by Messrs. Ernst & Young, 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 Ernst & Young's independence and objectivity.

The Company's Board Audit Committee, inter alia, reviewed all the internal 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 159 to 160. 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 is no material litigation against the Company other than those disclosed in Note 38 on page 223 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.

Jayathilake Bandara
Chief Executive Officer

Manjula Tennakoon
Chief Financial Officer

03 June 2024

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with the section 16 (1) (ix) of Finance Companies Corporate Governance Direction No 05 of 2021; the Board of Directors of Fintrex Finance Limited ('the Company') 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 in place at Fintrex Finance Limited. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records, generate reliable financial information and safeguard assets of the Company. However, such a system is designed to manage the Company's' key areas of risk within an acceptable risk profile, rather than eliminating 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 Board regularly reviews this process by assessing key processes related risks against the compensating controls that may affect significant accounts of the Company.

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

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 Report' which appears on the Annual Report.

- 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. Ernst & Young Chartered Accountants have reviewed the above Directors' Statement on Internal Controls included in the Annual Report of the Company for the year ended 31 March 2024 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control system over financial reporting of the Company.

Statement on Prudential Requirements, Regulations and Laws

The Board of Fintrex Finance Limited presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws.

The Board confirms that there are no regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, rules and directions.

By order of the Board

Sgd.
Shrihan B Perera
Chairman-Board Audit Committee

Sgd.
A D Gunewardene
Chairman

Sgd.
Jayathilake Bandara
Chief Executive Officer

Independent Assurance Report

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

GSM/WDPL/LL

INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF FINTREX FINANCE LIMITED

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Fintrex Finance Limited (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report for the year ended 31 March 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

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

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

Our responsibilities and compliance with SLSAE 3051

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

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

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

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

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

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

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

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

Our conclusion

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

03 June 2024
Colombo

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 2023 to 31st March 2024 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 06
	2-2 Entities included in the organization's sustainability reporting	About this Report on page 06
	2-3 Reporting period, frequency and contact point	About this Report on page 06
	2-4 Restatements of information	About this Report on page 06
	2-5 External assurance	About this Report on page 06
	2-6 Activities, value chain and other business relationships	Product Lines on page 13
	2-7 Employees	Human Capital on page 93
	2-8 Workers who are not employees	Human Capital on page 94
	2-9 Governance structure and composition	Corporate Governance on page 116
	2-10 Nomination and selection of the highest governance body	Corporate Governance on page 119
	2-11 Chair of the highest governance body	Corporate Governance on page 119
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance on page 119
	2-13 Delegation of responsibility for managing impacts	Corporate Governance on page 119
	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance on page 120
	2-15 Conflicts of interest	Corporate Governance on page 120
	2-16 Communication of critical concerns	Corporate Governance on page 121
	2-17 Collective knowledge of the highest governance body	Corporate Governance on page 121
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance on page 121
	2-19 Remuneration policies	Human Capital on page 97
	2-20 Process to determine remuneration	Human Capital on page 97
	2-22 Statement on sustainable development strategy	Reflections from the Chairman on page 23
	2-23 Policy commitments	Our Focus on Sustainable Development on page 45
	2-24 Embedding policy commitments	Our Focus on Sustainable Development on page 46
	2-25 Processes to remediate negative impacts	Our Focus on Sustainable Development on page 50
	2-26 Mechanisms for seeking advice and raising concerns	Our Focus on Sustainable Development on page 50
	2-27 Compliance with laws and regulations	Our Focus on Sustainable Development on page 50
	2-28 Membership associations	Our Focus on Sustainable Development on page 50
	2-29 Approach to stakeholder engagement	Stakeholder Relationships on page 53
	2-30 Collective bargaining agreements	Stakeholder Relationships on page 54

GRI Standard	Disclosure	Location (Section and Page Number)
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Materiality on page 56
	3-2 List of material topics	Materiality on page 56
	3-3 Management of material topics	Materiality on page 57
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Capital on page 80
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Intellectual Capital on page 88
	205-3 Confirmed incidents of corruption and actions taken	Risk Management on page 146
GRI 207: Tax 2019	207-1 Approach to tax	Materiality on page 58
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural capital on page 112
	302-4 Reduction of energy consumption	Natural capital on page 112
	303-5 Water consumption	Natural capital on page 112
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Human Capital on page 94
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Capital on page 97
	401-3 Parental leave	Human Capital on page 99
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Human Capital on page 99
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Human Capital on page 96
	404-2 Programs for upgrading employee skills and transition assistance programs	Human Capital on page 96
	404-3 Percentage of employees receiving regular performance and career development reviews	Human Capital on page 97
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Human Capital on page 94
	405-2 Ratio of basic salary and remuneration of women to men	Human Capital on page 94
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Human Capital on page 99
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social & Relationship Capital on page 107
	417-3 Incidents of non-compliance concerning marketing communications	Social & Relationship Capital on page 106
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social & Relationship Capital on page 106

Inspiring Agriculture

Mr. Wijerathna is a dedicated paddy farmer who has been making significant contributions to the economy through his diligent cultivation of paddy and various other crops. With a profound understanding of agricultural practices and a deep respect for the land, Mr. Wijerathna has become a cornerstone of his community, ensuring the steady supply of essential food products.

Beyond his agricultural achievements, Mr. Wijerathna's contributions extend to the local economy. His farming activities create employment opportunities, support local suppliers and businesses, and contribute to the overall economic development of the area. With an extensive comprehension of agricultural methodologies and a profound reverence for the soil and its resources, Mr. Wijerathna exemplifies dedication to sustainable farming practices and environment preservation.

"Fintrex Finance Limited has been instrumental in enhancing my economic contributions by offering essential financial assistance, especially in acquiring agricultural vehicles through Fintrex Easy Leasing. Their quick and effective provision of financial aid, especially through Fintrex Gold Loan, has promptly addressed any financial challenges I've faced. I am grateful for the valuable solutions and support provided by Fintrex Finance, which have greatly strengthened my capacity to make meaningful contributions to the economy."

- Mr. K. D. D. Wijerathna, Paddy Farmer -

Financial Statements

Financial Notes

Independent Auditor's Report

Building a better working world

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

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GSM/WDPL/LL/DM

INDEPENDENT AUDITOR'S REPORT TO THE FINTREX FINANCE LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fintrex Finance Limited ("Company") which comprise the statement of financial position as at 31 March 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and notes to the financial statements, including material 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 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Other Information included in the Company's 31 March 2024 Annual Report

Management is responsible for the other information included in the Company 31 March 2024 annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

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Building a better working world

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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.

03 June 2024
Colombo

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March,	Note	2024 Rs.	2023 Rs.
Gross income	6	2,882,333,920	2,368,381,832
Interest income	7	2,761,979,227	2,264,367,417
Interest expenses	8	(1,739,682,789)	(1,811,035,574)
Net interest income		1,022,296,438	453,331,843
Other operating income	9	120,354,693	104,014,415
Total operating income		1,142,651,131	557,346,258
Impairment (charge)/ reversal on loans and receivables	21.1	168,833,143	(182,570,809)
Net operating income		1,311,484,274	374,775,449
Operating expenses			
Personnel expenses	10	(571,157,294)	(505,104,246)
Premises, equipment and establishment expenses		(171,737,264)	(141,774,244)
Depreciation and amortisation charges		(39,557,368)	(37,262,200)
Other operating expenses		(159,267,303)	(135,370,660)
Operating profit/(loss) before taxes on financial services		369,765,045	(444,735,901)
VAT on financial services		(135,544,067)	-
Social Security Contribution Levy (SSCL)		(18,815,504)	-
Profit/(loss) before income tax expense	11	215,405,474	(444,735,901)
Income tax (expense) / benefit	12	(105,293,599)	225,646,849
Profit/(loss) for the year		110,111,875	(219,089,052)
Other comprehensive income / (expense)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain / (loss) on employee benefits	31.1	(3,559,614)	852,133
Deferred tax effect on employee benefits	32.1	1,067,884	(255,640)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Fair value gain/ (loss) on treasury bonds during the year		7,151,884	-
Other comprehensive income for the year, net of tax		4,660,154	596,493
Total comprehensive (expense)/ income for the year		114,772,029	(218,492,559)
Earnings/ (loss) per share			
Basic / diluted earnings/ (loss) per share	13.1	0.46	(0.92)

Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 189 to 238 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 March,	Note	2024 Rs.	2023 Rs.
ASSETS			
Cash and cash equivalents	14.	333,164,117	341,258,906
Financial investments at amortised cost	15.	1,018,267,562	721,424,223
Financial assets measured at fair value through other comprehensive income	16.	50,402,825	41,604,427
Financial assets at amortised cost- Lease receivables	17.	7,260,199,861	5,030,690,492
Financial assets at amortised cost- Hire purchase receivables	18.	-	109,474
Financial assets at amortised cost- Loans and advances	19.	5,915,589,930	4,235,736,672
Financial assets at amortised cost- Factoring receivables	20.	-	2,757,271
Other receivables	22.	84,759,994	76,352,865
Tax receivables	23.	338,167	35,354
Deferred tax asset	32	159,344,494	263,570,209
Investment property	24.	18,600,000	18,600,000
Right of use assets	25.1	180,713,243	130,272,954
Intangible assets	26.	9,820,894	14,499,083
Property, plant and equipment	27.	89,690,615	101,314,850
Total assets		**15,120,891,702**	**10,978,226,780**
LIABILITIES			
Bank overdrafts		123,234,272	89,071,888
Financial liabilities at amortised cost- due to customers	28.	6,295,627,408	4,743,530,348
Interest bearing loans and borrowings	29.	4,733,449,246	2,932,375,945
Lease liabilities	25.2	186,359,741	135,005,713
Trade and other payables	30.	707,130,169	126,097,738
Employee benefits	31.	26,210,777	18,037,088
Total liabilities		**12,072,011,613**	**8,044,118,720**
EQUITY			
Stated capital	33.	2,369,559,710	2,369,559,710
Statutory reserve fund	34.	59,423,264	53,917,670
Other reserves	35.	319,521,842	-
Retained earnings	36.	300,375,273	510,630,680
Total equity		**3,048,880,089**	**2,934,108,060**
Total liabilities and equity		**15,120,891,702**	**10,978,226,780**
Contingent liabilities and commitments	39.	-	-
Net assets per share (Rs.)		12.87	12.38

We certify that the Financial Statements are prepared and presented in Compliance with the requirements of the Companies Act No.7 of 2007.

Manjula Tennakoon
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,
3 June 2024

Statement of Changes in Equity

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Regulatory Loss Allowance Reserve (RLAR) Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2022	2,369,559,710	53,917,670	-	729,123,239	3,152,600,619
Total comprehensive income for the year					
Profit/ (loss) for the year	-	-	-	(219,089,052)	(219,089,052)
Other comprehensive income net of taxes	-	-	-	596,493	596,493
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**
Balance as at 1 April 2023	2,369,559,710	53,917,670	-	510,630,680	2,934,108,060
Profit/ (loss) for the year	-	-	-	110,111,875	110,111,875
Other comprehensive income net of taxes	-	-	-	4,660,154	4,660,154
Transferred to statutory reserve fund	-	5,505,594	-	(5,505,594)	-
Transferred to RLAR	-	-	319,521,842	(319,521,842)	-
Balance as at 31 March 2024	**2,369,559,710**	**59,423,264**	**319,521,842**	**300,375,273**	**3,048,880,089**

Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 189 to 238 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31 March,	2024 Rs.	2023 Rs.
Cash flows from/(used in) operating activities		
Interest received	2,500,818,410	2,053,243,970
Interest payments	(1,739,682,789)	(1,811,035,574)
Hiring rental received	-	147,760
Receipts from financial investments	251,880,642	184,650,599
Receipts from other operating activities	113,307,079	87,793,477
Cash payments to employees and suppliers	(1,003,857,880)	(730,515,766)
Operating profit/(loss) before changes in operating assets and operating liabilities (Note (a))	**122,465,462**	**(215,715,534)**
(Increase) / decrease in operating assets		
Net investment in loans and advances	(3,737,662,739)	1,835,655,636
Net investment in fixed deposits	-	250,605,473
Net investment in repos	(100,093,407)	204,041,917
Net Investment in treasury bills	281,607,253	(464,845,230)
Net Investment in money market funds	(478,357,185)	(37,724,937)
Net increase in other operating assets	(7,908,604)	3,434,421
Increase / (decrease) in operating liabilities		
Other financial liabilities due to customers	1,552,097,060	2,885,305,571
Net increase / (decrease) in other liabilities	587,113,066	(178,318,390)
	(1,780,739,094)	4,282,438,927
Gratuity paid	(4,113,746)	(1,425,745)
Income tax paid	-	(98,952,591)
Net cash flows generated from / (used in) operating activities	**(1,784,852,841)**	**4,182,060,590**
Cash flows from investing activities		
Purchase of intangible assets	(1,782,000)	(2,430,001)
Purchase of property, plant and equipment	(21,572,647)	(51,925,080)
Proceeds from disposal of property, plant and equipment	-	-
Net cash flows used in investing activities	**(23,354,647)**	**(54,355,081)**

Statement of Cash Flows

For the Year Ended 31 March,	Note	2024 Rs.	2023 Rs.
Cash flows from financing activities			
Net proceeds from loans and borrowings		1,801,073,301	(4,145,404,651)
Proceeds from right-issue		-	-
Payment of lease liabilities		(35,122,987)	(42,082,249)
Net cash flows (used in) / generated from financing activities		1,765,950,314	(4,187,486,900)
Net (decrease) / increase in cash and cash equivalents during the year		(42,257,174)	(59,781,391)
Cash and cash equivalents at the beginning of the year		252,187,018	311,968,409
Cash and cash equivalents at the end of the year (Note (b))		**209,929,845**	**252,187,018**
Note (a) : Reconciliation of (loss)/ profit before tax with cash flows from operating activities			
Profit/ (loss) before income tax expense		215,405,474	(444,735,901)
Depreciation of property, plant and equipment		33,097,179	33,468,073
Depreciation of right-to-use asset (RTU)		43,935,732	44,268,220
Amortization of intangible assets		6,460,189	3,794,127
Provision for gratuity		8,727,820	7,465,164
Impairment charge on loans and advances		(168,833,143)	182,570,809
Fair value gain/(loss) on treasury bond during the year		-	5,311,797
Exchange gain/(loss)		32,027	(40,404)
Sundry income		(6,080,635)	(9,692,331)
Change in interest income receivables		(9,280,175)	(26,325,088)
Profit on disposal of RTU assets		(999,006)	-
Net gain from investment property		-	(11,800,000)
		122,465,462	(215,715,534)
Note (b) : Reconciliation of cash & cash equivalents			
Cash in hand and cash at banks	14	333,164,117	341,258,906
Bank overdrafts		(123,234,272)	(89,071,888)
		209,929,845	**252,187,018**

Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 189 to 238 form an integral part of these Financial Statements.

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 09 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone 1 (Pvt) Ltd on 06 April 2018 and it is now named Fintrex Finance Ltd with effect from 03 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, gold loans 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 2024 (including comparatives for 31 March 2023) were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 03 June 2024.

2.4 Preparation of Financial Statements

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 measured 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 31

2.5 Presentation of Financial Statements

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.6 Functional and Presentation Currency

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

2.7 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.

2.8 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).

2.9 Offsetting
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of Financial Position only when there is a legally enforceable right to offset the 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.

2.10 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

2.10.1 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.

2.10.2 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 45.

2.10.3 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.

2.10.4 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.

2.10.5 Impairment for Financial Assets classified as Fair Value through Other Comprehensive Income
The Company reviews its securities grouped under 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.

2.10.6 Defined Benefit Obligations

The value of the defined benefit obligations is 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.

2.10.7 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.

2.10.8 Fair Valuation of Investment Property

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 business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognized at cost. Subsequent to initial recognition, the investment property is stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Comprehensive Income in the year in which they arise.

Investment property is appraised in accordance with LKAS 40 and SLFRS 13. The Company measures Investment Property at fair value using the market approach. 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 property are provided in Note 24.

2.10.9 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.

2.10.10 SLFRS 16 – Leases

2.10.10.1 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).

2.10.10.2 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.

2.11 Presentation of Financial Statements

The Company presents its assets and liabilities in the Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in notes to the Financial Statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

Notes to the Financial Statements

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 recognized 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.

3.2.1 Interest

Interest income and interest expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The EIR (and therefore, the amortized cost of the asset/ liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Company recognizes interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). 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.

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortized through Interest income/ Interest expense in the income statement.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognized using the contractual interest rate under interest income.

Interest from overdue rentals has been accounted for on cash received basis.

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 recognized 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 18% 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 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 into 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. 03 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 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.
- Deposits placed by Finance Companies

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.

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, placements with banks (less than 3 months), net of unfavorable bank balances and securities purchased under repurchase agreement (less than three months). 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 recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, 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: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are 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 amortized cost or at FVOCI or 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 by considering 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 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 derecognised, 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. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the 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 derecognises 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 active market 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 45.

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. 03 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.

Notes to the Financial Statements

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.

3.3.4 Property, Plant and Equipment

3.3.4.1 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.

3.3.4.2 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.

3.3.4.3 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.

3.3.4.4 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.

3.3.4.5 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.

3.3.4.6 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.

3.3.5 Investment Property

3.3.5.1 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.

3.3.5.2 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.

3.3.5.3 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.

3.3.6 Intangible Assets

3.3.6.1 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.

3.3.6.2 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.

3.3.6.3 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.

3.3.6.4 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.

3.3.7 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.

3.3.7.1 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.

3.3.7.2 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.

3.3.7.3 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.

3.3.7.4 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.

3.3.8 Employee Benefits

3.3.8.1 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

Notes to the Financial Statements

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 2024. The valuation method 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.

3.3.8.2 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.

3.3.8.3 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.

3.3.8.4 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.

3.3.9 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.

3.3.10 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 2023 (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 2024 in the preparation of the Financial Statements for the year ended 31 March 2024.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2024. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2024. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

5.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- Simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

5.2 Other standards

- **International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

- **Classification of Liabilities as Current or Non-current -Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities with covenants as current or non-current.

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

- **Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16**

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

- **Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about,

- the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements.
- quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period.
- the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Notes to the Financial Statements

6. GROSS INCOME

For the year ended 31 March,	2024 Rs.	2023 Rs.
Interest income (Note 7)	2,761,979,227	2,264,367,417
Net other operating income (Note 9)	120,354,693	104,014,415
	2,882,333,920	**2,368,381,832**

7. INTEREST INCOME

For the year ended 31 March,	2024 Rs.	2023 Rs.
Interest income on finance leases	1,042,937,602	822,824,782
Interest income on vehicle loan	220,283,182	267,231,176
Interest income on loans	693,443,421	668,510,578
Interest income on gold Loan	136,942,918	84,502,859
Hiring rental income	-	147,760
Interest income on overdue rentals from customers	322,501,122	191,551,231
Net gain on termination and early settlement of lending facilities	93,990,340	44,948,432
Interest income on government securities	152,962,845	172,108,914
Interest income on placement with banks and other financial institutions	98,917,797	12,541,685
	2,761,979,227	**2,264,367,417**

8. INTEREST EXPENSES

For the year ended 31 March,	2024 Rs.	2023 Rs.
Interest expense on other financial liabilities due to customers	978,033,258	720,871,352
Interest expense on interest bearing loans and borrowings	738,183,038	1,075,159,492
Interest expense on lease liabilities	23,466,493	15,004,730
	1,739,682,789	**1,811,035,574**

9. OTHER OPERATING INCOME

For the year ended 31 March,	2024 Rs.	2023 Rs.
Fee and commission income	92,069,202	49,790,628
Service income from gold loans	2,538,260	9,100,033
Recoveries from written-off contracts	18,699,617	28,902,816
Exchange gain/(loss)	(32,027)	40,404
Sundry income	6,080,635	9,692,331
Profit on disposal of RTU assets	999,006	-
Net Gain from Investment Property	-	11,800,000
Fair value gain/(loss) on treasury bond during the year	-	(5,311,797)
	120,354,693	**104,014,415**

10. PERSONNEL EXPENSES

For the year ended 31 March,	2024 Rs.	2023 Rs.
Salaries and wages	343,079,575	294,391,345
Defined contribution plan costs - EPF and ETF	48,684,259	43,096,775
Defined benefit plan costs - retirement gratuity (Note 31.2)	8,727,820	7,465,164
Staff bonus	13,840,785	(1,075,611)
Other staff related costs	156,824,855	161,226,573
	571,157,294	**505,104,246**

10.1 No. of employees as at the year end	265	245

11. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

For the year ended 31 March,	2024 Rs.	2023 Rs.
Profit/(loss) before income tax expense is stated after charging all expenses including the followings;		
Directors' fees and emoluments	5,300,000	4,800,000
Depreciation of property, plant and equipment (Note 27)	33,097,179	33,468,073
Depreciation on right of use asset (Note 25)	43,935,732	44,268,220
Amortisation of intangible assets (Note 26)	6,460,189	3,794,127
Legal expenses	11,644,781	9,441,529
Secretarial fees	215,397	509,236
Auditors' remuneration		
- Statutory audit	2,050,000	875,000
- Non audit fees	-	650,000
Crop Insurance Levy	1,109,917	-

12. INCOME TAX EXPENSE

The income tax provision of the company is calculated on its adjusted profits at the standard rate of 30% (2023: 24% up to September 2023 and 30% from October 2023), in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the year ended 31 March,	2024 Rs.	2023 Rs.
Recognized in the profit or loss		
Current income tax expense (Note 12.1)	-	-
Prior years under provision/(over provision)	-	4,545,503
	-	4,545,503
Reversal on deferred tax (Note 32.1)	105,293,599	(230,192,352)
Income tax (expense) / benefit	**105,293,599**	**(225,646,849)**

Notes to the Financial Statements

For the year ended 31 March,	2024 Rs.	2023 Rs.
Recognized in the other comprehensive income		
Income tax expense recognised in other comprehensive income		
Charge / (reversal) on deferred tax (Note 32.1)	(1,067,884)	255,640
	(1,067,884)	255,640

12.1 Numerical reconciliation of accounting profits to income tax expense

For the year ended 31 March,	2024 Rs.	2023 Rs.
Accounting (loss)/ profit before tax	215,405,474	(444,735,901)
Adjustments		
Disallowable expenses	101,458,321	305,002,911
Capital portion of lease rentals receivables	2,412,434	11,305,199
Allowable expenses	(32,580,473)	(515,585,875)
Business profit / (loss)	286,695,756	(644,013,666)
Taxable business profit	286,695,756	(644,013,666)
Exempt income	-	-
B/F Loss from previous year	(286,695,756)	-
Total statutory income	-	(644,013,666)
Taxable income /(loss)	-	(644,013,666)
Current income tax expense @ 30%	-	-

12.2 Numerical reconciliation of tax losses

For the year ended 31 March,	2024 Rs.	2023 Rs.
Balance as at beginning of the year (B/F)	644,013,666	-
Utilised during the year	(286,695,756)	-
Balance as at end of the year (C/F)	**357,317,910**	-

The expiry date of the C/F tax losses is 31 March 2029.

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.

For the year ended 31 March,	2024	2023
Profit/ (loss) attributable to equity holders of the company (Rs.)	110,111,875	(219,089,052)
Weighted average number of ordinary shares	236,955,971	236,955,971
Basic / diluted earnings/ (loss) per share (Rs.)	**0.46**	**(0.92)**

13.2 Weighted average number of ordinary shares

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2024	2023	2024	2023
Number of shares in issue as at 1 April	236,955,971	236,955,971	236,955,971	236,955,971
Number of shares issued	-	-	-	-
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

14. CASH AND CASH EQUIVALENTS

As at 31st March,	2024 Rs.	2023 Rs.
Cash and Cheques in hand	158,983,134	226,073,573
Balances with bank and other financial institutions	174,180,983	115,185,333
	333,164,117	**341,258,906**

15. FINANCIAL INVESTMENTS AT AMORTISED COST

As at 31st March,	2024 Rs.	2023 Rs.
Investments in treasury bills	402,092,033	683,699,286
Investments in repurchase agreement	100,093,407	-
Investment in money market funds	516,082,122	37,724,937
	1,018,267,562	**721,424,223**

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31st March,	2024 Rs.	2023 Rs.
Credit Information Bureau of Sri Lanka	331,000	331,000
Investments in treasury bonds	50,071,825	41,273,427
	50,402,825	**41,604,427**

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 2023/24, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

Notes to the Financial Statements

17. FINANCE LEASE RECEIVABLES

As at 31st March,	2024 Rs.	2023 Rs.
Gross lease rental receivables	10,080,038,548	6,816,137,462
Unearned income	(2,504,255,554)	(1,265,699,827)
Total lease rental receivables	7,575,782,994	5,550,437,635
Allowance for individual impairment (Note 17.3.1)	(10,001,264)	(300,319,491)
Allowance for collective impairment (Note 17.3.2)	(305,581,869)	(219,427,652)
	7,260,199,861	**5,030,690,492**
17.1 Finance lease receivables within one year		
Gross lease rental receivables	959,246,728	904,401,930
Unearned income	(26,702,727)	(300,339,022)
Total lease rental receivables	932,544,001	604,062,908
Allowance for individual impairment	(753,791)	(281,663,873)
Allowance for collective impairment	(185,335,883)	(25,345,999)
	746,454,327	**297,053,036**
17.2 Finance lease receivables from one to five years		
Gross lease rental receivables	9,120,791,820	5,911,735,532
Unearned income	(2,477,552,827)	(965,360,805)
Total lease rental receivables	6,643,238,993	4,946,374,727
Allowance for individual impairment	(9,247,473)	(18,655,618)
Allowance for collective impairment	(120,245,986)	(194,081,653)
	6,513,745,534	**4,733,637,456**
17.3.1 Allowance for individual impairment		
Balance as at beginning of the year	300,319,491	56,916,059
Charge / (reversal) during the year	(290,318,227)	247,925,117
Write-off during the year	-	(4,521,685)
Balance as at end of the year	**10,001,264**	**300,319,491**
17.3.2 Allowance for collective impairment		
Balance as at beginning of the year	219,427,652	329,863,080
Charge / (reversal) during the year	86,154,217	(110,435,428)
Balance as at end of the year	**305,581,869**	**219,427,652**
17.3.3 Movements in impairment allowance for lease receivables		
Balance as at beginning of the year	519,747,143	386,779,139
Charge / (reversal) during the year	(204,164,010)	137,489,689
Write-off during the year	-	(4,521,685)
Balance as at end of the year	**315,583,133**	**519,747,143**

17.4 Stage wise net lease receivables

As at 31st March 2024	Total lease rental receivables	Allowance for impairment losses	Net rental receivable
Stage 1	4,988,941,777	(36,941,055)	4,952,000,722
Stage 2	1,666,286,094	(58,738,409)	1,607,547,685
Stage 3	920,555,123	(219,903,669)	700,651,454
Total	**7,575,782,994**	**(315,583,133)**	**7,260,199,861**

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**

18. HIRE PURCHASE RECEIVABLES

As at 31 March,	2024 Rs.	2023 Rs.
Gross hire purchase rental receivables	-	109,474
Unearned income	-	-
Total hire purchase rental receivables	-	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
Balance as at end of the year	**-**	**109,474**
18.1 Hire purchase rentals receivables within one year		
Gross hire purchase rental receivables	-	109,474
Unearned income	-	-
Total hire purchase rental receivables	-	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
	-	**109,474**

19. LOANS & ADVANCES TO OTHER CUSTOMERS

As at 31 March,	2024 Rs.	2023 Rs.
Gold loans	650,688,250	517,643,527
Loans secured by other assets	5,411,632,338	3,265,084,346
Trade finance receivables	5,065,771	831,498,536
Gross loans & advances to other customers	6,067,386,359	4,614,226,409
Allowance for individual impairment (Note 19.2.1)	(19,405,556)	(258,791,910)
Allowance for collective impairment (Note 19.2.2)	(132,390,873)	(119,697,827)
	5,915,589,930	**4,235,736,672**

Notes to the Financial Statements

As at 31 March,	2024 Rs.	2023 Rs.
19.1 Receivables from one to five years	2,691,034,265	1,522,352,821
Receivables within one year	3,209,593,698	2,713,383,851
	5,900,627,962	**4,235,736,672**
19.2.1 Allowance for individual impairment		
Balance as at beginning of the year	258,791,910	159,344,331
Charge / (reversal) during the year	13,443,348	109,128,836
Write-off during the year	(252,829,701)	(9,681,257)
Balance as at end of the year	**19,405,556**	**258,791,910**
19.2.2 Allowance for collective impairment		
Balance as at beginning of the year	119,697,827	186,573,313
Charge / (reversal) during the year	12,693,046	(66,875,486)
Write-off during the year	-	-
Balance as at end of the year	**132,390,873**	**119,697,827**
19.2.3 Movements in impairment allowance for loans & advances to other customers		
Balance as at beginning of the year	378,489,737	345,917,644
Charge / (reversal) during the year	26,136,393	42,253,350
Write-off during the year	(252,829,701)	(9,681,257)
Balance as at end of the year	**151,796,429**	**378,489,737**

Loans and advances to other customers with the contractual amount of Rs. 252,829,701/- written off during the year ended 31 March 2024.

19.3 Stage wise net loans & advances

As at 31st March 2024	Total loans & advances receivable	Allowance for impairment losses	Net rental receivable
Stage 1	4,593,414,927	(20,134,399)	4,573,280,528
Stage 2	861,134,852	(31,604,502)	829,530,349
Stage 3	612,836,580	(100,057,527)	512,779,053
Total	**6,067,386,359**	**(151,796,429)**	**5,915,589,930**

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**

20. FACTORING RECEIVABLES

As at 31 March,	2024 Rs.	2023 Rs.
Factoring receivables	-	20,362,015
Unearned income	-	-
Allowance for individual impairment (Note 20.1)	-	(17,604,744)
Allowance for collective impairment	-	-
	-	**2,757,271**
20.1 Allowance for individual impairment		
Balance as at beginning of the year	17,604,744	13,535,842
Charge/ (reversal) during the year	9,194,474	4,068,902
Write-off during the year	(26,799,218)	-
Balance as at end of the year	**-**	**17,604,744**

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES

As at 31 March,	2024 Rs.	2023 Rs.
21.1 Impairment charge on loans and receivables		
Charge on finance lease, hire purchase, loans & receivables and factoring receivables	(168,833,143)	182,570,809
Charge / (reversal) on hire rental receivables	-	-
	(168,833,143)	**182,570,809**

The company has been written-off Rs.279,628,919/- 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 place when a facility is overdue more than 30 days.

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. A contract with past due for more than 90 days is considered as Default.

Notes to the Financial Statements

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (CONTD.)

Balance as at 01 April 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
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**
Movement During the Year				
Impairment charge for the year				
Finance lease	(2,950,525)	(71,700,984)	(129,512,500)	(204,164,009)
Hire purchase	-	-	-	-
Loans & advances	2,865,854	(19,445,747)	42,716,285	26,136,392
Factoring	-	-	9,194,474	9,194,474
Hiring rental receivables	-	-	-	-
	(84,671)	**(91,146,731)**	**(77,601,741)**	**(168,833,143)**
Write-off during the year				
Finance lease	-	-	-	-
Hire purchase	-	-	-	-
Loans & advances	-	-	252,829,701	252,829,701
Factoring	-	-	26,799,218	26,799,218
	-	**-**	**279,628,919**	**279,628,919**
Balance as at 31 March 2024				
Finance lease	36,941,055	58,738,409	219,903,669	315,583,133
Hire purchase	-	-	-	-
Loans & advances	20,134,399	31,604,502	100,057,527	151,796,429
Factoring	-	-	-	-
Hiring rental receivables	-	-	-	-
	57,075,454	**90,342,911**	**319,961,197**	**467,379,562**

21.2.1 Stage Transition

	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the year	57,160,125	181,489,643	677,191,856	915,841,624
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from Stage 1	(18,833,767)	15,860,935	2,972,832	-
Transferred from Stage 2	30,166,348	(65,600,400)	35,434,052	-
Transferred from Stage 3	12,272,381	5,552,131	(17,824,512)	-
Write-off during the year	-	-	(279,628,919)	(279,628,919)
Net remeasurement of loss allowance	(23,689,633)	(46,959,398)	(98,184,112)	(168,833,142)
Balance as at the end of the year	**57,075,454**	**90,342,911**	**319,961,197**	**467,379,562**

As at 31 March,	2024 Rs.	2023 Rs.
21.3 Allowance for individual impairment		
Balance as at beginning of the year	576,716,145	229,796,232
Charge / (reversal) during the year	(267,680,406)	361,122,855
Write-off during the year	(279,628,919)	(14,202,942)
Balance as at end of the year	**29,406,820**	**576,716,145**
21.4 Allowance for collective impairment		
Balance as at beginning of the year	339,125,479	516,436,394
Charge / (reversal) during the year	98,847,263	(177,310,915)
Balance as at end of the year	**437,972,742**	**339,125,479**
21.5 Allowance for total impairment		
Balance as at beginning of the year	915,841,624	746,232,626
Charge / (reversal) during the year	(168,833,143)	183,811,940
Write-off during the year	(279,628,919)	(14,202,942)
Balance as at end of the year	**467,379,562**	**915,841,624**
21.6 Product wise individual impairment		
Balance as at beginning of the year	576,716,145	229,796,232
Finance lease receivables	(290,318,227)	243,403,432
Hire purchase receivables	-	-
Loans & advances to other customers	(239,386,354)	99,447,579
Factoring receivables	(17,604,744)	4,068,902
Balance as at end of the year	**29,406,820**	**576,716,145**
21.7 Product wise collective impairment		
Balance as at beginning of the year	339,125,479	516,436,393
Finance lease receivables	86,154,217	(110,435,428)
Hire purchase receivables	-	-
Loans & advances to other customers	12,693,046	(66,875,486)
Factoring receivables	-	-
Balance as at end of the year	**437,972,741**	**339,125,479**
21.8 Product wise total impairment		
Balance as at beginning of the year	915,841,624	746,232,625
Finance lease receivables	(204,164,010)	132,968,004
Hire purchase receivables	-	-
Loans & advances to other customers	(226,693,308)	32,572,093
Factoring receivables	(17,604,744)	4,068,902
Balance as at end of the year	**467,379,562**	**915,841,624**

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.

ECL - Sensitivity analysis

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	354,421,156	(62,967,520)
100% base scenario	306,397,645	(110,991,031)
100% downside scenario	428,176,784	10,788,108

22. OTHER RECEIVABLES

As at 31 March,	2024 Rs.	2023 Rs.
Prepaid expenses	53,230,292	41,539,627
Advance for rent	26,770,000	23,267,318
Other receivables	4,759,702	4,888,379
Hiring rental receivables	-	6,657,541
Allowance for individual impairment	-	-
Allowance for collective impairment (Note 22.1)	-	-
	84,759,994	**76,352,865**

22.1 Allowance for collective impairment

As at 31 March,	2024 Rs.	2023 Rs.
Balance as at beginning of the year	-	1,241,132
Charge / (reversal) for the year	-	(1,241,132)
Balance as at end of the year	-	**-**

23. TAX RECEIVABLES

As at 31 March,	2024 Rs.	2023 Rs.
WHT receivables	338,167	35,354
	338,167	**35,354**

24. INVESTMENT PROPERTY

As at 31 March,	2024 Rs.	2023 Rs.
Balance as at beginning of the year	18,600,000	6,800,000
Change in fair value of investment property	-	11,800,000
Balance as at end of the year	**18,600,000**	**18,600,000**

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 market value of a property.	Per perch value in Hambanthota region ranges from Rs. 400,000/- to Rs.500,000/-	The estimated fair value would increase / (decrease) if comparable property value was higher / (lesser)

25. RIGHT OF USE ASSETS

As at 31 March,	2024 Rs.	2023 Rs.
25.1 Movement of right of use assets		
Cost		
Balance as at beginning of the year	252,082,371	185,374,257
Additions/ renewal operating lease during the year	92,211,707	66,708,114
Advance payment made during the year	6,900,000	-
Early termination of lease	(4,735,686)	-
Balance as at end of the year	**346,458,392**	**252,082,371**
Accumulated depreciation		
Balance as at beginning of the year	121,809,417	77,541,197
Depreciation charge for the year	43,935,732	44,268,220
Balance as at 31 March	165,745,149	121,809,417
Balance as at end of the year	**180,713,243**	**130,272,954**
25.2 Movement in lease liabilities		
Balance as at beginning of the year	135,005,713	110,379,848
Additions/ renewal operating lease during the year	92,211,707	66,708,114
Accretion of interest	23,466,493	15,004,730
Payments to lease creditors	(58,589,480)	(57,086,979)
Early termination of lease	(5,734,692)	-
Balance as at end of the year	**186,359,741**	**135,005,713**
25.3 Amounts recognised in profit or loss		
Interest on lease liabilities	23,466,493	15,004,730
Depreciation of right-of-use assets	43,935,732	44,268,220
	67,402,225	**59,272,950**
25.4 Amounts recognised in statement of cash flows		
Operating activities		
Payment of lease interest	23,466,493	15,004,730
Financing activities		
Payment of lease capital	35,122,987	42,082,249
Total cash outflow for leases	**58,589,480**	**57,086,979**

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 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
Additions during the year	1,611,000	171,000	-	-	1,782,000
Balance as at 31 March 2024	**25,117,835**	**28,318,842**	**5,460,246**	**14,985,000**	**73,881,923**
Accumulated amortization					
Balance as at 31 March 2022	16,648,232	24,921,946	3,280,635	8,955,900	53,806,713
Amortization charge 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
Amortization charge/ adjustments for the year	2,368,897	2,041,166	547,521	1,502,605	6,460,189
Adjustments during the year	-	-	-	-	-
Balance as at 31 March 2024	**21,638,432**	**26,108,216**	**4,369,693**	**11,944,688**	**64,061,029**
Carrying amount					
As at 31 March 2024	**3,479,403**	**2,210,626**	**1,090,553**	**3,040,312**	**9,820,894**
As at 31 March 2023	4,237,300	4,080,792	1,638,074	4,542,917	14,499,083

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 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
Additions during the Year	-	9,013,688	4,598,278	7,906,681	-	54,000	21,572,647
Disposals	-	(3,288,749)	(2,782,975)	(12,470,495)	-	(171,000)	(18,713,219)
Adjustments during the year	-	-	-	-	11,755,339	-	11,755,339
Balance as at 31 March 2024	**270,269**	**56,978,541**	**60,864,648**	**114,747,336**	**24,609,636**	**5,029,510**	**262,499,940**
Accumulated Depreciation							
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
Depreciation charge for the year	-	8,242,639	7,379,030	17,068,237	-	407,273	33,097,179
Disposals	-	(3,228,181)	(2,763,509)	(12,450,826)	-	(171,000)	(18,613,516)
Adjustments during the year	-	-	-	-	11,755,339	-	11,755,339
Balance as at 31 March 2024	**270,269**	**27,435,602**	**47,997,411**	**67,507,470**	**24,609,636**	**4,988,937**	**172,809,325**
Carrying amount							
As at 31 March 2024	**-**	**29,542,939**	**12,867,237**	**47,239,866**	**-**	**40,573**	**89,690,615**
As at 31 March 2023	-	28,832,458	15,667,455	56,421,091	-	393,846	101,314,850

27.1 Cost of fully depreciated assets
Property, plant and equipment included fully depreciated assets amounting to Rs. 118,544,833/- as at 31 March 2024 (as at 31 March 2023 - Rs. 101,861,496/-)

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 2024. 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 safeguard 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 2024.

28. FINANCIAL LIABILITIES AT AMORTISED COST DUE TO CUSTOMERS

As at 31 March,	2024 Rs.	2023 Rs.
Savings deposits	90,646,284	60,871,297
Term deposits	6,204,981,124	4,682,659,051
	6,295,627,408	**4,743,530,348**

29. INTEREST BEARING LOANS & BORROWINGS

As at 31 March,	2024 Rs.	2023 Rs.
Short term loans	2,350,000,000	350,000,000
Long term loans (Note 29.1)	2,331,556,677	2,415,294,557
Interest payables	51,892,569	167,081,388
	4,733,449,246	**2,932,375,945**
29.1 Movement of long term loans		
Balance as at beginning of the year	2,415,294,557	4,541,190,827
Obtained during the year	1,250,000,000	400,000,000
Payments made during the year	(1,333,737,880)	(2,525,896,270)
Balance as at end of the year	**2,331,556,677**	**2,415,294,557**
Payables within one year	1,076,537,996	1,300,404,557
Payables within one to five years	1,255,018,681	1,114,890,000
	2,331,556,677	**2,415,294,557**

Notes to the Financial Statements

29.2 Long term loans analysed by lending institutions

Lending Institution	Credit rating	Capital Outstanding as at 31 March 2024 (Rs.)	Borrowing Terms
Hatton National Bank PLC Loan 2	A(lka) Fitch	110,820,000	Repayable in 47 equal monthly installments of Rs. 3.959Mn and final payment of Rs. 3.927Mn 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 Bluestone1 (Pvt) Ltd
Loan 3		326,680,000	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- Auto Loan Receivable of Rs.700Mn plus Corporate Guarantee for Rs. 750Mn from Bluestone1 (Pvt) Ltd
Peoples' Bank	A(lka) Fitch		Repayable in 48 monthly installments at variable interest rate subject to monthly review.
Loan 5		14,583,333	Security Assigned-Lease receivables of Rs.107.5Mn.
Loan 6		41,666,667	Security Assigned-Lease receivables of Rs.275Mn.
Loan 7		150,000,000	Repayable in 8 semi annual equal installments at variable interest rate subject to monthly review.
			Security Assigned- Pro note and receipts
Nations 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)
Loan 1		132,500,000	Security assigned - Rs.650 Mn over lease receivables. Corporate Guarantee for Rs. 750Mn from Bluestone1 (Pvt) Ltd
Loan 2		77,500,000	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
Cargills Bank PLC	A(lka) Fitch	466,666,668	Repayable in 60 monthly equal installments at variable interest rate subject to monthly review.
			Security Assigned-Loan Receivables of Rs. 782.6Mn
National Development Bank PLC	A-(lka) Fitch	257,140,000	Repayable in 42 equal monthly installments at variable interest rate subject to monthly review.(after an initial grace period of 6 months)
			Security Assigned- Rs.525 Mn over lease receivables
First Capital Ltd - Securitization 03		4,000,000	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months.
			Security Assigned-vehicle loan receivables of Rs.750Mn.
M-Power Capital Ltd Securitization 01		750,000,000	Repayable in 24 months at the fixed interest rate.
			Security Assigned- Lease & Smart Draft Receivables of Rs. 1050Mn

30. TRADE & OTHER PAYABLES

As at 31 March,	2024 Rs.	2023 Rs.
Vendor payables	550,411,809	53,405,676
Bonus provision	13,840,785	-
Insurance premium payables	16,504,914	32,553,592
Other payables	126,372,661	40,138,470
	707,130,169	**126,097,738**

31. EMPLOYEE BENEFITS

As at 31 March,	2024 Rs.	2023 Rs.
Present value of unfunded obligations	26,210,777	18,037,088
Present value of funded obligations	-	-
Total present value of obligations	26,210,777	18,037,088
Fair value of planned assets	-	-
Net retirement benefit obligations	**26,210,777**	**18,037,088**
31.1 Movement in present value of employee benefits		
Balance as at beginning of the year	18,037,088	12,849,802
Expenses recognised in the profit or loss (Note 31.2)	8,727,820	7,465,164
Actuarial (gain) / loss recognized in the other comprehensive income	3,559,614	(852,133)
Benefits paid during the year	(4,113,746)	(1,425,745)
Balance as at end of the year	**26,210,777**	**18,037,088**
31.2 Expenses recognized in the profit or loss		
Interest cost	3,607,418	1,739,472
Past service cost	-	-
Current service cost	5,120,402	5,725,692
	8,727,820	**7,465,164**

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 2024. 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.

31.3 The assumptions used for the actuarial valuation are given below.

As at 31 March,	2024	2023
Discount rate per annum	12.0%	20.0%
Annual salary increment rate	7.0%	10.0%
Staff turnover ratio	21.0%	19.0%
Retirement age	60 Years	60 Years
Mortality table	A 1967/70	A 1967/70
Average future work life time	4.19 Years	4.71 Years

Notes to the Financial Statements

31. EMPLOYEE BENEFITS (CONTD.)

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 7% 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.

31.4 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 2024.

Sensitivity effect on employment benefit obligation	Increase / (Decrease) in the Liability	
As at 31 March,	2024 Rs.	2023 Rs.
Decrease in discount rate (1%)	1,004,514	637,154
Increase in discount rate (1%)	(936,889)	(597,402)
Decrease in salary increment rate (1%)	(1,041,816)	(688,729)
Increase in salary increment rate (1%)	1,100,900	726,208

32. DEFERRED TAX LIABILITIES/ (ASSET)

32.1 Movement of net deferred tax liabilities

As at 31 March,	2024 Rs.	2023 Rs.
Balance as at beginning of the year	(263,570,209)	(33,633,497)
Recognized in the profit or loss		
Amounts reversed during the year	105,293,599	(230,192,352)
Recognized in the other comprehensive income		
Amounts originating / (reversing) during the year	(1,067,884)	255,640
Balance as at end of the year	**(159,344,494)**	**(263,570,209)**
Recognised in statement of profit or loss due to during the year transactions	105,293,599	(177,210,310)
Recognised in statement of profit or loss due to increase in tax rate	-	(52,982,042)
Deferred tax expense recorded in profit or loss	105,293,599	(230,192,352)

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.

32.2 Origination of deferred tax assets / (liabilities)

As at 31 March,	Temporary Difference 2024 Rs.	Tax Effect 2024 Rs.	Temporary Difference 2023 Rs.	Tax Effect 2023 Rs.
Deferred tax assets :				
Employee benefits	26,210,777	7,863,233	18,037,088	5,411,126
Tax loss for the year	357,317,910	107,195,372	654,065,963	196,219,789
Bonus Provision	13,840,785	4,152,236	-	-
Provision for impairment	168,986,818	50,696,045	238,649,769	71,594,931
	566,356,291	**169,906,886**	**910,752,820**	**273,225,846**
Deferred tax liabilities :				
Property, plant and equipment	(13,749,044)	(4,124,713)	(11,680,829)	(3,504,249)
Accelerated depreciation for tax purpose - Leased assets	(2,412,434)	(723,730)	(11,305,199)	(3,391,560)
Right of use asset	(5,646,498)	(1,693,949)	(4,732,759)	(1,419,828)
Investment property	(13,400,000)	(4,020,000)	(13,400,000)	(1,340,000)
	(35,207,976)	**(10,562,392)**	**(41,118,787)**	**(9,655,637)**
Net deferred tax asset / (liabilities)		**159,344,494**		**263,570,209**

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.

32.3 Movement in recognized deferred tax assets and liabilities

For the year ended 31 March,		2024 Charged / (Reversed) in		
	Balance as at 01 April 2023	Profit or Loss	OCI	Balance as at 31 March 2024
Employee benefits	5,411,126	1,384,223	1,067,884	7,863,233
Bonus Provision	-	4,152,236	-	4,152,236
Right of use asset	(1,419,828)	(274,121)	-	(1,693,949)
Provision for impairment	71,594,931	(20,898,886)	-	50,696,045
Property, plant and equipment	(3,504,249)	(620,464)	-	(4,124,713)
Accelerated depreciation for tax purpose - Leased assets	(3,391,560)	2,667,830	-	(723,730)
Investment property	(1,340,000)	(2,680,000)	-	(4,020,000)
Tax loss for the year	196,219,789	(89,024,417)	-	107,195,372
	263,570,209	**(105,293,599)**	**1,067,884**	**159,344,494**

Notes to the Financial Statements

32. DEFERRED TAX LIABILITIES/ (ASSET) (CONTD.)

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**

33. STATED CAPITAL

As at 31 March,	2024 Rs.	2023 Rs.
Issued and fully paid - Ordinary shares of 236,955,971	2,369,559,710	2,369,559,710

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.

34. 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 than 25% of total deposit liabilities. During the Year 2023/2024, the Company transferred Rs.5,505,594/- to the Statutory Reserve Fund.

35. OTHER RESERVES

Other reserves represents the Regulatory Loss Allowance Reserve (RLAR).

36. 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.

37. 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.

38. 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.

39. 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.

39.1 Capital commitments

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

40. COMPARATIVE FIGURES

Comparative figures have been re-classified wherever necessary and conformed to the current year classification.

41. 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
Cargills Bank	Loan Receivables	Long Term Loan	769,811,188
Hatton National Bank PLC	Lease Receivables & Vehicle Loan Receivable	Long / Short Term Loans	1,528,255,198
Commercial Bank of Ceylon PLC	Lease Receivables	Short Term Loan	1,268,562,584
Nations Trust Bank PLC	Lease Receivables	Long Term Loan	414,425,383
Peoples Bank	Lease Receivables	Long Term Loan	172,971,417
Seylan Bank PLC	Lease Receivables	Short Term Loan	643,704,120
National Development Bank PLC	Lease & Loan Receivables	Long Term Loan	636,433,784
Securitization 1 (M - Power Capital Ltd)	Lease & Vehicle Loan Receivables	Long Term Loan	997,723,433
Securitization 3 (First Capital Ltd)	Vehicle Loan Receivables	Long Term Loan	103,895,694

42. 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.

42.1 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.

42.1.1 Transactions with parent Company

There were no transactions occurred during the year with Bluestone 1 (Pvt) Ltd.

42.2 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.

42.2.1 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,	2024 Rs.	2023 Rs.
Short-term employee benefits	5,300,000	4,800,000

42.2.2 There were no loans granted to the Directors of the Company during the Year or outstanding as at the reporting date.

42.2.3 Transactions with related companies

There is no transaction took place with related parties during the financial year under consideration.

43. 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 Board Integrated 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 Act 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

43.1 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).

Notes to the Financial Statements

43. 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, AGM- Business Channels Development, 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. 333.16 Mn at 31 March 2024 (2023: Rs.341.26Mn).

The cash and cash equivalents are held with the following Financial Institutions.

Bank	Balance as at 31 March 2024	Rating
Commercial Bank of Ceylon PLC	(18,542,474)	A
Peoples' Bank	8,938,168	A
Sanasa Development Bank PLC	97,589	BB+
Cargills Bank PLC	787,910	A
Hatton National Bank PLC	109,905,845	A
MCB Bank Ltd.	127,766	A+
Nations Trust Bank PLC	9,655,430	A-
National Development Bank PLC	6,233,398	A-
Sampath Bank PLC	2,789,560	A
Seylan Bank PLC	167,208	A-
NDB Wealth Management Ltd.	516,082,121	A-

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 valuers who possess the expertise to provide 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 and 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, the facility 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 30 days.

The maximum exposure to the credit risk at the reporting date is stated below.

As at 31 March,	2024 Rs.	2023 Rs.
Loans and advances		
Finance lease receivables	7,260,199,861	5,030,690,492
Hire purchase receivables	-	109,474
Loans & advances to other customers	5,915,589,930	4,235,736,672
Factoring receivables	-	2,757,271
	13,175,789,791	**9,269,293,909**

43. FINANCIAL RISK MANAGEMENT (CONTD.)

The above stated Financial Assets are backed with the underlying securities.

As at 31 March,	2024 Rs.	2023 Rs.
Debt and other instruments		
Cash and cash equivalents	333,164,117	341,258,906
Financial investments at amortised cost	1,018,267,562	721,424,223
Financial assets measured at fair value through other comprehensive income	50,402,825	41,604,427
Other receivables	31,529,702	34,813,238
	1,433,364,206	**1,139,100,794**

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 creditworthiness 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.

43.1.1 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 2024	As %	Balance as at 31 March 2023	As %
Agriculture & Fishing	1,330,572,676	10%	629,233,887	6%
Construction	1,137,922,475	8%	811,476,512	8%
Financial and business services	476,372,710	3%	420,479,040	4%
Infrastructure	167,158,435	1%	73,207,126	1%
Manufacturing	1,980,608,856	15%	1,389,041,041	14%
Services	2,864,446,704	21%	2,747,955,385	27%
Tourism	690,235,936	5%	246,275,598	2%
Trades	1,660,813,733	12%	1,654,423,833	16%
Transport	1,829,318,621	13%	1,764,427,902	17%
Other customers	1,505,719,208	11%	448,615,209	3%
Grand total	**13,643,169,353**	**100%**	**10,185,135,533**	**100%**

(b) Concentration by product

Product	Balance as at 31 March 2024	As %	Balance as at 31 March 2023	As %
Finance lease receivables	7,575,782,994	56%	5,550,437,635	54%
Hire purchase receivables	-	0%	109,474	0%
Secured loans	6,062,320,588	44%	3,782,727,873	37%
Trade finance receivables	5,065,771	0%	831,498,536	8%
Factoring receivables	-	0%	20,362,015	0%
Grand total	**13,643,169,353**	**100%**	**10,185,135,533**	**100%**

43.1.2 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

43. FINANCIAL RISK MANAGEMENT (CONTD.)

43.1.2.1 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.

43.1.2.2 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.

43.1.2.3 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.

43.1.3 Credit quality by class of financial assets

The Company assesses 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 2024	Carrying value Rs.	Arrears period (Months) 1-3 Rs.	3-6 Rs.	6-12 Rs.	12+ Rs.
Finance lease receivables	7,575,782,994	6,676,135,377	187,516,197	193,974,227	518,157,193
Hire purchase receivables	-	-	-	-	-
Loans and advances to other customers and factoring	6,067,386,359	5,454,875,281	79,278,565	160,206,137	373,026,376
	13,643,169,353	**12,131,010,658**	**266,794,762**	**354,180,364**	**891,183,569**

As at 31 March 2023	Carrying value Rs.	Arrears period (Months) 1-3 Rs.	3-6 Rs.	6-12 Rs.	12+ 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**

43.1.4 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 liquidity 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 2024 the Company has the unutilised short term and overdraft facilities of Rs.581 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.

43. FINANCIAL RISK MANAGEMENT (CONTD.)

43.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's Financial Assets and Liabilities as at 31 March 2024.

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	333,164,117	333,164,117	333,164,117	-	-	-
Financial investments at amortised cost	1,018,267,562	1,037,410,935	741,268,935	295,811,000		331,000
Financial investments at FV through OCI	50,402,825	52,750,000	-	52,750,000	-	-
Gross loans & receivables to other customers	13,643,169,353	17,296,514,784	1,942,516,676	3,372,530,386	11,806,133,878	175,333,844
Other receivables	84,759,994	84,759,994	84,759,994	-	-	-
Total financial assets	**15,129,763,851**	**18,804,599,830**	**3,101,709,722**	**3,721,091,386**	**11,806,133,878**	**175,664,844**
Financial Liabilities						
Bank overdrafts	123,234,272	123,234,272	123,234,272	-	-	-
Other financial liabilities due to customers	6,295,627,408	6,295,627,407	2,004,426,503	2,474,077,063	1,817,123,841	-
Interest bearing loans and borrowings	4,733,449,246	5,400,209,153	2,691,492,654	1,080,044,938	1,628,671,561	-
Lease Liabilities	186,359,741	285,867,402	16,055,805	48,319,564	172,026,011	49,466,022
Trade and other payables	707,130,169	707,130,169	707,130,169	-	-	-
Total financial liabilities	**12,045,800,836**	**12,812,068,402**	**5,542,339,403**	**3,602,441,565**	**3,617,821,413**	**49,466,022**

43.3 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.

43.3.1 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 the 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 decrease of policy rates and subsequent decrease in treasury bills rates compelled the market rates to reduce significantly. As a result the interest rate risk reduced for all financial institutions of the country including the Company. Due to the decrease in interest rates, cost of funds in the second half of the year reduced 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 gap was already addressed through minimizing gearing via fixed rated public deposits and improving lending yield through incremental disbrusements. 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 flucutation in macroecenomic 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)	1,768,444,360	872,050,709	1,482,031,583	2,529,524,133	4,491,969,978	1,798,293,239	1,302,146,176	14,244,460,178
Rate sensitive liabilities (RSL)	1,525,529,764	2,276,020,205	1,128,552,062	3,193,549,052	1,733,778,241	1,294,881,600	-	11,152,310,925
Period gap	-	(1,403,969,496)	353,479,521	(664,024,919)	2,758,191,738	503,411,639	1,302,146,176	3,092,149,253
Cumulative gap	-	(1,403,969,496)	(1,050,489,975)	(1,714,514,894)	1,043,676,843	1,547,088,482	2,849,234,658	-

The risk arises as a result of exchange rate difference is considered as minimal.

	Sensitivity effect on interest rate 2024 Rs.	2023 Rs.
Decrease in interest rate 5%	142,461,733	52,587,763
Increase in interest rate 5%	(142,461,733)	(52,587,763)

43.4 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.

43.5 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.

44. 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. Hence, 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.

44. CAPITAL MANAGEMENT (CONTD.)

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 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 minimum core 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 2023/24 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.

The details of the computation of capital and the ratios of the Company as at 31 March 2024 are given below:

As at 31 March	2024 Rs.
Issued and paid-up ordinary shares	2,369,559,710
Statutory reserve fund	59,423,264
Retained earnings	300,375,273
General and other reserves	-
Less; Gain/(loss) on valuation of investment property	(14,700,000)
Tier I : Core capital	2,714,658,247
Less; Adjustments to Tier 1 capital	(169,165,388)
Supplementary capital	-
Eligible Tier 2 Capital	2,545,492,859
Total capital	2,545,492,859
Deductions	
Equity Investments in Unconsolidated Banking & Financial Subsidiaries	-
Investments in Capital of Other Banks / Financial Associates	-
Capital base	2,545,492,859
Total risk weighted assets	
Risk weighted amount for credit risk	14,617,657,121
Risk weighted amount for operational risk	1,231,052,223
Risk weighted assets	15,848,709,344
Tier 1 capital ratio (Minimum requirement 8.5%)	
Total eligible core capital (Tier I Capital)	2,545,492,859
Total risk-weighted assets	15,848,709,344
	16.07%

As at 31 March	2024 Rs.
Total capital ratio (Minimum requirement 12.5%)	
Total capital base	2,545,492,859
Total risk-weighted assets	15,848,709,344
	16.07%

45. FINANCIAL INSTRUMENTS

45.1 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 2024			As at 31 March 2023		
	Finance asset at fair value through profit or loss Rs.	Finance asset at amortized cost Rs.	Finance asset at fair value through other comprehensive income (FVOCI) Rs.	Finance asset at fair value through profit or loss Rs.	Finance asset at amortized cost Rs.	Finance asset at fair value through other comprehensive income (FVOCI) Rs.
Assets						
Cash and cash equivalents	-	333,164,117	-	-	341,258,906	-
Financial investments at amortized cost	-	616,175,529	-	-	37,724,937	-
Financial assets - FVOCI	-	-	50,402,825	-	-	41,604,427
Finance lease receivables	-	7,260,199,861	-	-	5,030,690,492	-
Hire purchase receivables	-	-	-	-	109,474	-
Loans & advances to other customers	-	5,915,589,930	-	-	4,235,736,672	-
Factoring receivables	-	-	-	-	2,757,271	-
Financial investments in treasury bills	-	402,092,033	-	-	683,699,286	-
Total financial assets	**-**	**14,527,221,470**	**50,402,825**	**-**	**10,331,977,038**	**41,604,427**

45. FINANCIAL INSTRUMENTS (CONTD.)

	As at 31 March 2024			As at 31 March 2023		
	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	-	123,234,272	-	-	89,071,888	-
Other financial liabilities due to customers	-	6,295,627,408	-	-	4,743,530,348	-
Interest bearing loans & borrowings	-	4,733,449,246	-	-	2,932,375,945	-
Lease liabilities	-	186,359,741	-	-	135,005,713	-
Total financial liabilities	-	11,338,670,667	-	-	7,899,983,894	-

45.2 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 and 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.

45.2.1 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 2024	Level 1	Level 2	Level 3	Total
Financial assets				
Finance asset at fair value				
- Treasury bonds	50,071,825	-	-	50,071,825
- Unquoted shares	-	-	331,000	331,000
Total financial assets at fair value	50,071,825	-	331,000	50,402,825
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	**50,071,825**	**-**	**18,931,000**	**69,002,825**

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**

45.2.2 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 2024 in measuring Fair 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 the 31 March 2024 (Rs. 331,000 as at end of the 31 March 2023) categorized under Financial Investments - FVOCI, of which Fair Value can not be reliably measured is stated at Cost in the Statement of Financial Position.

Notes to the Financial Statements

45.2.3 Fair value of financial assets and liabilities not carried at fair value

	2024		2023	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial Assets				
Cash and cash equivalents	333,164,117	333,164,117	341,258,906	341,258,906
Financial Investments	1,018,267,562	1,018,267,562	721,424,223	721,424,223
Finance lease receivables	7,260,199,861	7,260,199,861	5,030,690,492	5,030,690,492
Hire purchase receivables	-	-	109,474	109,474
Loans & advances to other customers	5,915,589,930	5,915,589,930	4,235,736,672	4,235,736,672
Factoring receivables	-	-	2,757,271	2,757,271
Other receivables	84,759,994	84,759,994	76,352,865	76,352,865
	14,611,981,464	**14,611,981,464**	**10,408,329,903**	**10,408,329,903**
Financial liabilities				
Bank overdrafts	123,234,272	123,234,272	89,071,888	89,071,888
Other financial liabilities due to customers	6,295,627,408	6,295,627,408	4,743,530,348	4,743,530,348
Interest bearing loans & borrowings	4,733,449,246	4,733,449,246	2,932,375,945	2,932,375,945
Lease liabilities	186,359,741	186,359,741	135,005,713	135,005,713
Trade & other payables	707,130,169	707,130,169	126,097,738	126,097,738
	12,045,800,836	**12,045,800,836**	**8,026,081,632**	**8,026,081,632**

46. DIRECTORS RESPONSIBILITIES

The Board of Directors of the Company are responsible for the preparation and presentation of these financial statements.

SUPPLEMENTARY INFORMATION

Inspiring Hope

In 2013, Mrs Kathamuththu with a bold vision to create unique vegetarian cuisine, began a home-based business and eventually expanding into a food outlet. With a profound appreciation for the richness and diversity of Indian cuisine, the founders sought to highlight the extraordinary flavors and textures achievable solely through plant-based ingredients.

Over the past decade, Kalyani Indian Foods has transformed into a cherished destination for high-quality Indian vegetarian food. The unwavering commitment to excellence in operations has fostered a loyal customer base.

"Fintrex Finance has been a steadfast financial partner, continuously providing us with innovative financial investment ideas while maintaining high service standards, with their expert guidance and reliable services, we have been able to navigate the financial landscape effectively and gain significant returns."

- Mrs. Kalyani Kathamuththu, Founder - Kalyani Indian Foods -

10 Years Summary

	2024 Rs. '000	2023 Rs. '000	2022 Rs. '000	2021 Rs. '000	2020 Rs. '000
Operating Results					
Gross Income	2,882,334	2,368,382	2,106,329	1,625,409	1,970,881
Interest Income	2,761,979	2,264,367	1,955,827	1,549,448	1,892,153
Interest Expenses	1,739,683	1,811,036	660,299	510,691	772,623
Net Interest Income	1,022,296	453,332	1,295,528	1,038,757	1,119,531
Net Other Operating Income	120,355	104,014	150,502	75,962	78,728
Total Operatng Income	1,142,651	557,346	1,446,030	1,114,719	1,198,259
Impairment Charge/ (Reversal)	-168,833	182,571	117,544	236,407	612,166
Operating Expenses	941,719	819,511	753,479	541,992	493,619
Tax on Financial Services	154,360	-	134,988	85,525	62,438
Profit before income tax	215,405	-444,736	440,018	250,795	30,035
Income Tax	105,294	-225,647	112,521	56,480	-2,037
Profit after income tax	110,112	-219,089	327,498	194,315	32,072
Financial Position					
Assets					
Cash and cash equivalents	333,164	341,259	312,049	166,533	15,054
Investments	1,068,670	763,029	694,052	238,579	332,587
Leases,loans and advances	13,175,790	9,269,294	11,287,520	8,369,424	7,201,727
Other receivables	85,098	76,388	79,823	45,509	70,175
Net deferred tax assets	159,344	263,570	33,633	-	-
Investment property	18,600	18,600	6,800	6,800	6,800
Right of use asset	180,713	130,273	107,833	61,905	67,055
Intangible assets	9,821	14,499	15,863	17,953	22,396
Property,plant and equipment	89,691	101,315	82,858	38,710	56,634
Total Assets	15,120,892	10,978,227	12,620,432	8,945,412	7,772,428
Liabilities					
Bank overdraft	123,234	89,072	81	125,464	515,678
Borrowings	4,733,449	2,932,376	7,077,781	5,705,517	4,756,931
Deposits from customers	6,295,627	4,743,530	1,858,225	455,374	187,012
Other payables	919,701	279,141	531,745	405,071	226,501
Deferred tax liabilities	-	-	-	19,358	47,496
Total Liabilities	**12,072,012**	**8,044,119**	**6,710,784**	**5,733,618**	**6,860,165**
Equity					
Stated Capital	2,369,560	2,369,560	2,369,560	1,769,560	1,769,560
Reserves	679,320	564,548	783,041	465,068	269,251
Total Equity	3,048,880	2,934,108	3,152,601	2,038,810	1,572,078
Total Liabilities and Equity	**15,120,892**	**10,978,227**	**8,945,412**	**7,772,428**	**8,432,243**
Financial Indicators					
Earning per share (Rs.)	0.46	-0.92	1.80	1.10	0.21
Net assets per share (Rs.)	12.87	12.38	13.30	12.63	13.42
Return on shareholders' funds (%)	3.68	-7.20	12.16	9.09	2.10
Return on average assets (%)	0.84	-1.86	3.04	2.32	0.50
Net interest margin (%)	8.42	4.12	12.58	12.87	13.70
Cost to income ratio (%)	82.42	147.04	52.11	48.62	44.09
Gross non performing loan (%)	11.24	11.21	6.50	9.80	21.26
Net non performing loan (%)	8.89	4.74	0.29	3.04	10.25
Core Capital Ratios (%)- Minimum required 8.5%	16.07	25.24	23.63	23.10	23.00
Total Risk Weighted Capital Ratio (%) - Minimum required 12.5%	16.07	25.24	23.51	22.90	23.00

	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000	2015 Rs. '000
	1,649,056	1,244,630	979,627	742,384	442,047
	1,580,105	1,206,710	943,025	695,078	379,429
	675,008	489,619	430,092	264,312	118,430
	905,097	717,091	512,933	430,766	260,999
	68,951	37,920	36,602	47,307	62,618
	974,048	755,011	549,535	478,073	323,617
	225,661	241,608	102,608	127,919	18,676
	452,390	334,636	312,931	255,252	185,946
	87,943	35,962	24,750	18,995	18,193
	208,054	142,804	109,246	75,906	100,802
	91,721	22,967	6,896	8,111	16,930
	116,333	119,837	102,350	67,796	83,872
	105,143	99,618	119,293	140,843	41,481
	306,841	420,195	363,277	273,287	1,994,186
	7,868,368	5,811,773	5,079,079	4,839,358	2,864,480
	56,500	28,745	28,652	60,944	58,846
	-	-	4,298	-	159
	6,800	23,200	23,200	5,200	3,900
	-	-	-	-	-
	23,341	27,294	34,683	34,554	21,603
	65,249	82,499	103,825	47,456	28,120
	8,432,243	6,493,325	5,756,308	5,401,643	5,012,775
	417,736	432,227	442,745	92,986	1,383,690
	5,469,502	1,540,302	2,106,202	2,648,309	1,781,203
	533,090	2,694,597	1,540,732	1,206,189	485,094
	375,840	321,690	287,288	175,135	151,928
	63,996	-	-	-	-
	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
	231,784	164,215	39,047	-61,272	-129,435
	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**
	0.87	0.89	0.76	0.51	0.63
	11.73	11.23	10.29	9.54	9.03
	7.41	8.31	7.70	5.45	7.18
	1.53	2.33	1.96	1.30	2.36
	12.60	12.29	8.90	8.64	8.89
	49.98	46.67	61.01	59.26	71.24
	7.71	5.74	7.10	4.66	1.94
	1.96	3.23	2.58	1.71	1.21
	17.00	25.00	26.00	25.00	34.00
	17.00	25.00	26.00	25.00	34.00

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
Signature Branch	0117977737	50, Ananda Coomaraswammy mawatha, Colombo 03	headofficebranch@fintrexfinance.com
Kurunegala	0377977901	15, Rajapihilla Road, Kurunegala	kurunegala@fintrexfinance.com
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Kegalle	0357977980	No 440 B,Kandy road, Meepitiya, Kegalle	kegalle@fintrexfinance.com
Kuliyapitiya	0377977979	1st Floor, No 47, Narammala madampe road, Kuliyapitiya	kuliyapitiya@fintrexfinance.com
Gampaha	0337977977	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	117977450	No 867/2, Kandy road, Malabe	malabe@fintrexfinance.com
Maharagama	117977440	249,Wattegedara Junction,High level road, Maharagama	maharagama@fintrexfinance.com
Pettah	117977465	345 Main Street, Gaspaha Junction, Pettah	pettah@fintrexfinance.com

Fintrex Anthem

මේ මුතු ඇටයේ අගය තවත් වැඩි කරනා,
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Together let’s keep on moving…
Lifting each other … reaching higher higher higher …
Building the greatest place for all

නාම් එල්ලෝරුම් ඔන්රායි සේර්න්දූ
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පදපෙළ - නන්දන වික්‍රමගේ
තනුව/සංගීතය - ප්‍රනීත් පෙරේරා
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Notice of Meeting

FINTREX FINANCE LIMITED
[Company Registration No.PB 878]
No.851, Dr. Danister De Silva Mawatha, Colombo 14

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 28, 2024 at 4.00 p.m. centered at No.851, Dr. Danister 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 2024 together with the Report of the Auditors thereon.
2. To re-elect Mr. Sabry Ibrahim as a Director in terms of Article 99 of the Articles of Association of the Company.
3. To re-elect Mr. Kapila Ariyaratne as a Director in terms of Article 103 of the Articles of Association of the Company.
4. To re-elect Mr. J.F.R. De Fonseka as a Director in terms of Article 103 of the Articles of Association of the Company.
5. To pass the ordinary resolution setout below to re-appoint Mr. J R F Peiris who is 72 years of age and will be attaining the age of 73 years on 29th June 2024, as a Director of the Company:-

   "**IT IS HEREBY RESOLVED THAT** Mr. J R F Peiris who is 72 years of age and will be attaining the age of 73 years on 29th June 2024, 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".

6. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

7. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By order of the Board of Directors
FINTREX FINANCE LIMITED

Company Secretary
20th June 2024

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 Registered Office: No.851, Dr Danister Silva Mawatha, Colombo 14, 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	or failing him*
Mr. K.P. Ariyaratne	or failing him*
Mr. J.F.R. De Fonseka	

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 28th day of June 2024 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

		FOR	AGAINST
1)	To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2024 together with the Report of the Auditors thereon.		
2)	To re-elect Mr. Sabry Ibrahim as a Director in terms of Article 99 of the Articles of Association of the Company		
3)	To re-elect Mr. Kapila Ariyaratne as a Director in terms of Article 103 of the Articles of Association of the Company		
4)	To re-elect Mr. J.F.R. De Fonseka as a Director in terms of Article 103 of the Articles of Association of the Company		
5)	To pass the ordinary resolution set out under item 5 of the Notice of Meeting to re-appoint Mr. J R F Peiris who is 72 years of age and will be attaining the age of 73 years on 29th June 2024 as a Director of the Company.		
6)	To pass the Ordinary Resolution set out under item 6 of the Notice of Meeting for the re-appointment of Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Board of Directors to determine their remuneration.		
7)	To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.		

In witness my/our hands this .... day of .... Two Thousand and Twenty Four.

....
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.

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 Registered Office, No.851, Dr Danister Silva Mawatha, Colombo 14, 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

NO OF BRANCHES
16

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. Seminda Nilam Jayasinghe
(Non-Executive Independent)
Mr. Kathirgamar Sivaskantharajah
(Non-Executive Independent)
Mr. Kapila Ariyaratne
(Non-Executive Independent)

BOARD SUB COMMITTEES OPERATING
Board Integrated Risk Management Committee
Board Audit Committee
Board Human Resource and Remuneration Committee
Board Nomination Committee
Board Credit Committee

FINANCIAL YEAR END
31st March

EXTERNAL AUDITORS
Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road,
P.O. Box 101,
Colombo 03
Sri Lanka

COMPANY SECRETARY
Up to 31st March 2024
P. W. Corporate Secretarial (Pvt) Ltd
No 3/17, Kynsey Road,
Colombo 08.

From 01st April 2024
Mrs. Aruni Gunewardena

LEGAL ADVISERS
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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Telephone No: 0117 977 977
E-mail: info@fintrexfinance.com | Website: www.fintrexfinance.com