ASIA ASSET FINANCE PLC

ANNUAL REPORT 2022/23

RESONANCE OF SUCCESS

ASIA ASSET FINANCE PLC

A finance company with a golden heart

Muthoot Group Company

CONTENT

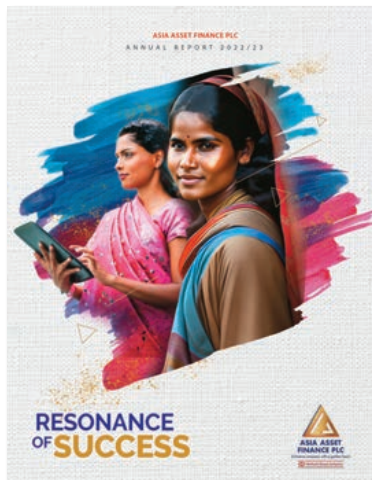
ASIA ASSET FINANCE PLC
A Finance Company with a Golden Heritage
Muthoot Group Company

RESONANCE OF SUCCESS

Navigating through external headwinds, Asia Asset Finance was successful in achieving strides of excellence in its performance. Our significant progress thus far has enabled us to create an impact by making a difference in the lives of women through focused lending facilities which empower them towards their financial aspirations and independence. As we carve a niche in the Non-Bank Financial sector with our unique positioning, we have made significant progress, in transforming the lives of women across the length and depth of our nation. This we believe is the true resonance of excellence in our journey as we commit to empower and transform the lives of women.

ABOUT THIS REPORT

IT GIVES US GREAT PLEASURE TO PRESENT THE THIRD INTEGRATED ANNUAL REPORT OF ASIA ASSET FINANCE PLC CREATED IN ACCORDANCE WITH THE REPORTING REQUIREMENTS OF THE INTEGRATED REPORTING FRAMEWORK (IR) UNDER THE CAPITAL MANAGEMENT REPORTING STRUCTURE. OUR REPORT HAS BEEN STRUCTURED TO PROVIDE OUR STAKEHOLDERS WITH A COMPREHENSIVE PICTURE OF THE COMPANY AND ITS PERFORMANCE DURING THE FINANCIAL YEAR 2022/2023.



REPORTING CONTENT, SCOPE, AND BOUNDARY

The contents of this publication conclusively report the operations of Asia Asset Finance PLC from 1st April 2022 to 31st March 2023 and contains information relating to financial and non-financial developments of the Company including comprehensive coverage of operational and financial performance, strategy, risk management and compliance, an overview of corporate governance, sustainability practices and future plans among other themes.

MATERIALITY

The content of this report has been arranged on the basis of materiality, where we have given prominence to matters that substantially affect the Company's ability to create and sustain value over the short, medium and long-term. The Company conducts regular external stakeholder engagement in ascertaining aspects material to its significant stakeholders. In addition, materiality is also assessed internally in ascertaining the aspects material to the Company and to fine-tune and streamline its strategy and processes to manage these material issues. The process to determine what aspects are material is explained in greater detail on page 25 of this report.

ASSURANCE

Assurance is provided by a combination of internal and external sources. The content included in this Integrated Report has been approved by the respective business heads and reviewed by the Corporate Management Team prior to submission to the Board of Directors for approval. Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLAS), guided by the International Financial Reporting Standards (IRFS). An independent review of the Company's Financial Statements as at 31st March 2023 has been carried out by the Company's External Auditors BDO Partners Chartered Accountants. Their report is shown on pages 114 to 117. The sustainability aspects of the report are not externally assured.

BOARD RESPONSIBILITY

The Board of Directors understand their responsibility for ensuring the accuracy and completeness of this Integrated Report. Accordingly, the Board confirms that it has collectively reviewed the content of the Integrated Report and has approved it for release. The Board further confirms that there are no material restatements of information.

FEEDBACK AND ENQUIRIES

Any queries and clarifications related to and regarding this Annual Report should be directed to:

K K Radhika Dilrukshi
Compliance Officer

Compliance Department

Tel.: 0117699020
E-mail: compliance@asiaassetfinance.lk

ASIA ASSET FINANCE AT A GLANCE

WHO WE ARE

OVER FIVE DECADES OF SERVICE

WE ARE A FULLY LICENSED, DEPOSIT-TAKING INSTITUTION REGISTERED AND REGULATED BY THE CENTRAL BANK OF SRI LANKA AND A FULLY OWNED SUBSIDIARY OF MUTHOOT FINANCE LTD WHICH IS THE LARGEST GOLD LOAN COMPANY IN INDIA. ENABLING AND EMPOWERING THE CITIZENS OF OUR COUNTRY TO HAVE THE MEANS AVAILABLE TO GROW IN THEIR BUSINESS AND PERSONAL LIVES.

Over its five decades of business excellence Asia Asset Finance has emerged as one of Sri Lanka's most respected and admired financial service providers. Offering a comprehensive suite of financial services and driven by a strong mandate of sustainability, our goal is to become a premier finance company in Sri Lanka. Our concentrated efforts in pursuing accelerated growth through an extensive geographical reach, digital platforms and an array of innovative products along with operational excellence have enabled us to create value responsibly and build partnerships that last generations.

The Company was incorporated as a Private Limited Liability Company in September 1970, re-registered under the Companies Act No.07 of 2007 in January 2008 with a name change and converted to a public company in March 2012. Our mission includes statements regarding the framework of the duties and responsibilities that we have undertaken towards our customers, shareholders, our employees and their families and the society. Overall, we have aspired to provide services which are high in quality, innovative, ethical, sustainable and mutually beneficial. Our ultimate goal is to promote financial inclusivity and empower our communities.

Our corporate objective is to empower the citizens of our country to grow in their business and personal lives. We aspire to be a unique financial services provider which endeavours to provide our customers with non-traditional financial services, thereby contributing to the growing financial aspirations of our society. We are a progressive organisation focusing on building a workplace around a common purpose and values - giving employees the energy, passion and motivation to be responsible individuals, who will take bold decisions and drive the company forward. We are proud to be an inclusive organisation providing opportunities for females enabling female empowerment through inclusive financing opportunities and equal working opportunities.

OUR GOALS

To become a premier finance company in Sri Lanka

OUR VISION

"Empowering people, transforming lives"

MISSION

Towards the customers
The solutions we provide for our customers financial needs would be unconventional, innovative and relevant for their needs to improve their quality of life whilst maintaining superior levels of customer service which would go well beyond their expectations.

Towards the shareholders
Build shareholder value and provide substantial shareholder returns through relentlessly improving our performance and operations with sustainable effective strategies.

Towards our family of employees
A Company that fosters and harnesses equality amongst employees along with personnel development and to create the perfect work-life balance in the organisation.

Towards society
To be an ethical financial service provider, promoting the betterment of the societies we work and live in while maintaining transparent financial records and practices. We aim to provide financial solutions to all segments in our society and eliminate financial exclusion in our society.

Values of our company

- Honesty and Integrity
- Flexibility
- Innovation
- Passion for Excellence
- People Oriented
- Genuine Concern for the Client

ASIA ASSET FINANCE AT A GLANCE

OUR STRENGTHS

What sets as apart in the Non-Bank Financial Institutions (NBFI) sector:

- With our experience of consistent and reliable service, our strengths lie in the confidence and recognition we have gained over the past 53 years of service as a premier finance company in Sri Lanka with an 'A-' ICRA rating.
- Highly skilled and dedicated team.
- Strength of our parent company Muthoot Finance, a global financial services company based in India with assets over Rs. 2.54 trillion worldwide.
- Muthoot Finance posted profits exceeding Rs. 100 billion from its global operations. This exceeds the total collective profits earned by the NBFI sector in Sri Lanka. This colossal strength of our parent company who holds the largest gold loan portfolio globally provides impetus for Asia Asset Finance to build its competitive positioning as a gold – focussed financier. With this assurance our customers are provided an unmatched service in terms of gold loans as well as other services.
- A culture which respects gender diversity and recognises the importance of empowerment of women. Almost 51% of our customer base 42% of our team consists of women.
- Loyal customer base developed over the years with superior service and trust.
- Extensive geographical reach with 75 branches located across the island.
- Unparalleled service and security for gold loans.

WHAT WE OFFER

GOLD LOANS

As a fully owned subsidiary of Muthoot Finance, owner of the largest gold loan portfolio around the globe, we are the premium gold loan providers in the country providing customers with financing facilities at competitive rates. The Company has carved a niche in the competitive Gold Loan segment in the NBFI sector. Over the years, innovative gold – backed financing products have been introduced to the market which has strengthened our positioning as a trusted gold loan provider.

FIXED DEPOSITS

We offer attractive rates on Fixed Deposits with consistent returns. Customers can also experience the convenience of placing deposits via our new mobile application – Luckewallet.

MORTGAGES

Convenient mortgage services to take customers a step closer towards making their dream home a reality.

LEASES

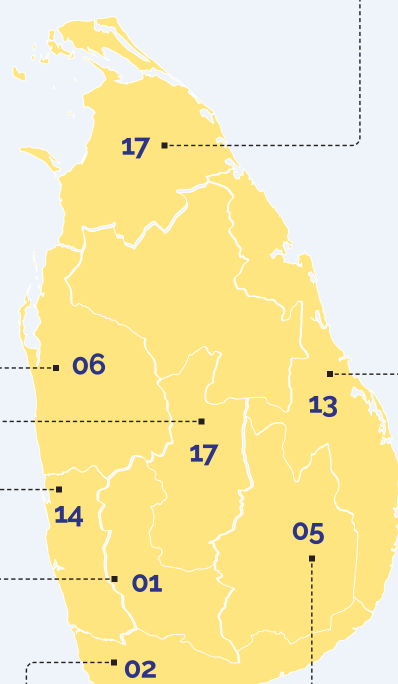
Vehicle and equipment lease facilities with flexible payment terms, minimum documentation and door-to-door service.

LUCKEWALLET

During the year we launched, an innovative online digital wallet – Luckewallet. This digital wallet features several functionalities from digital customer onboarding, online FD processing, loan processing, daily customer interactions with AAF, daily banking needs and utility payments. As a member of Common Electronic Fund Transfer Switch (CEFTS), this Mobile App has embedded all core features, providing our customers with the ease of operations to perform their transactions in real-time at their convenience.

OUR EXPANSIVE FOOTPRINT

HAVING EXPANDED OUR BRANCH NETWORK SIGNIFICANTLY OVER THE YEARS, WE NOW SERVE OUR CUSTOMERS THROUGH 75 STRATEGICALLY PLACED BRANCHES ACROSS THE COUNTRY. OUR WIDE GEOGRAPHICAL FOOTPRINT ENSURES THAT WE REACH OUT TO ENSURE FINANCIAL INCLUSIVITY ACROSS UNDERSERVED AND UNSERVED SEGMENTS OF THE COMMUNITY.



North Western Province

Chilaw	Puttalam
Kalpitiya	Uddappuwa
Kurunegala	Wennappuwa

Central Province

Agarapathana	Matale
Bogawantalawa	Naula
Digana	Nawalapitiya
Gampola	Pundaluoya
Haputale	Pussellawa
Hatton	Ragala
Hawa Eliya	Thalawakale
Katugastota	Wattegama
Maskeliya	

Western Province

Beruwala	Kotahena
Elakanda	Mattakkuliya
Gampaha	Moratuwa
Grandpass	Mathugama
Head Office	Negombo
Homagama	Panadura
Kaluthara	Wellawatte

Northern Province

Atchuvely	Mulankavil
Changanai	Mullaitivu
Chavakachcheri	Nelliady
Cheddikulam	Oddusuddan
Chunnakam	Point Pedro
Jaffna	Puthukudiyiruppu
Kilinochchi	Vavuniya
Manipay	Velani
Mannar	

Eastern Province

Akkaraipattu	Ninthavur
Batticaloa	Pottuvil
Chenkalady	Sammanthurai
Kalawanchikuddy	Thirukkovil
Kalmunai	Trincomalee
Kanthale	Valaichchenai
Kinniya	

Southern Province

Galle	Matara

Sabaragamuwa Province

Kegalle

Uva Province

Badulla	Monaragala
Mahiyanganaya	Passara
Welimada	

ALIGNING WITH GLOBAL SUSTAINABILITY GOALS

At Asia Asset Finance we understand the importance of contributing positively to the success of global initiatives such as the UN Sustainable Development Goals for 2030. We have aligned our business practices to help achieve the targets and be a part of the development of our nation within the international framework of operational excellence.

THE GLOBAL GOALS

ASIA ASSET FINANCE AT A GLANCE

OUR INSPIRING JOURNEY

Our presence of over 53 years is defined by the significant strides of progress made over the years. This has enabled us to carve a niche within the NBFI sector.

1970 – Commenced business as a Registered Finance Company (RFC) known as Finance & Land Sales Ltd

1980 – Asia Asset Finance Ltd incorporated

2004 – Acquired and restructured by Asia Capital PLC.

2011 – Listed in the Colombo Stock Exchange as Asia Asset Finance PLC.

2014 – Muthoot Finance acquires controlling equity stake from Asia Capital PLC.

2020 – Asia Asset Finance PLC celebrates 50 years of trust and stability

2022 – Branch network reaches a milestone of 50 branches with the opening of the Maskeliya branch.

HIGHLIGHTS OF THE YEAR

Rs. 25 billion asset base

Paperless office

Electronic onboarding

75 branches

Embarked on several green initiatives

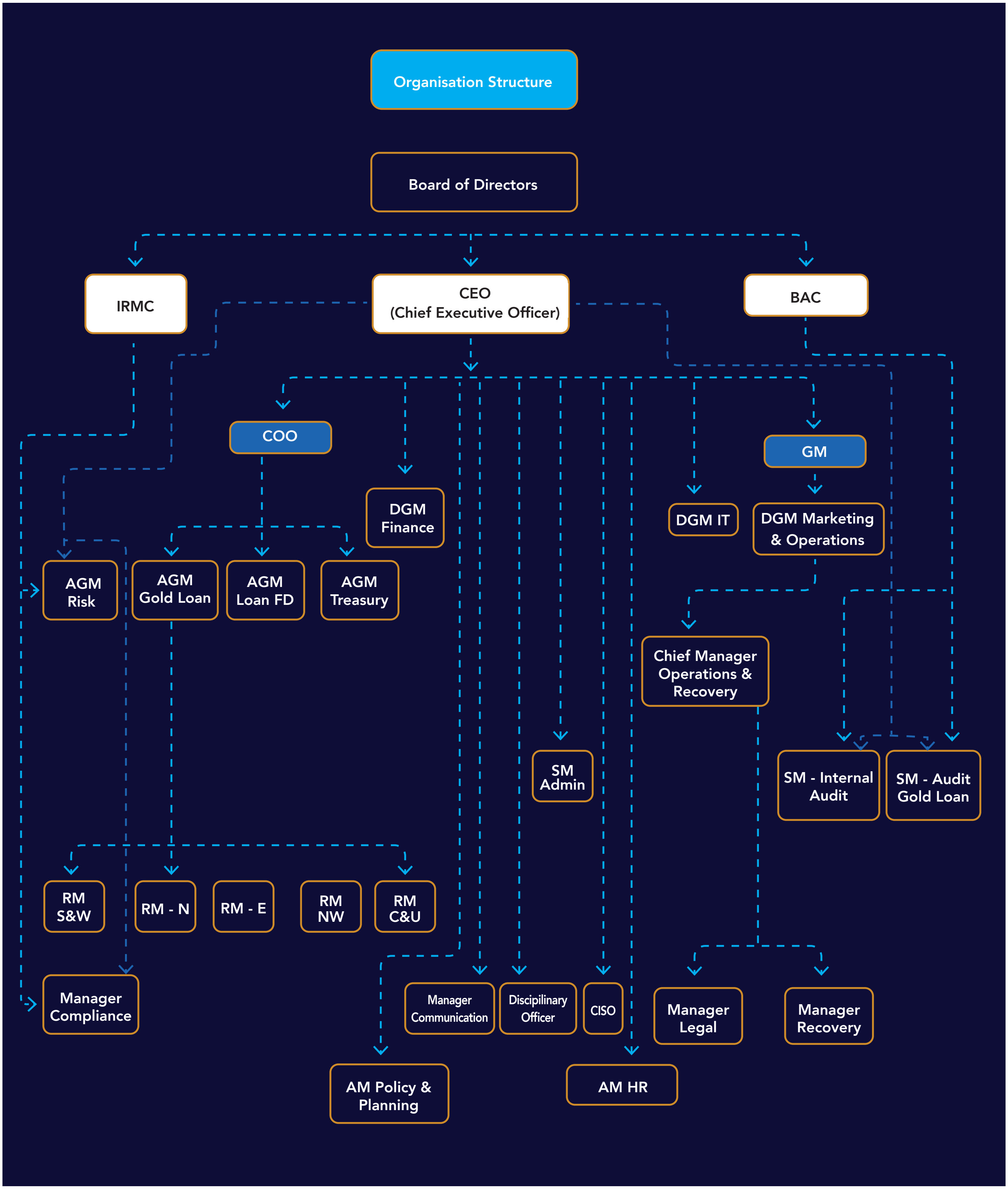
Complete digitalisation of the operations

CSR initiatives

Introduced the Gold Card for customers

Launch of the Digital Application Luckewallet

ORGANISATION STRUCTURE

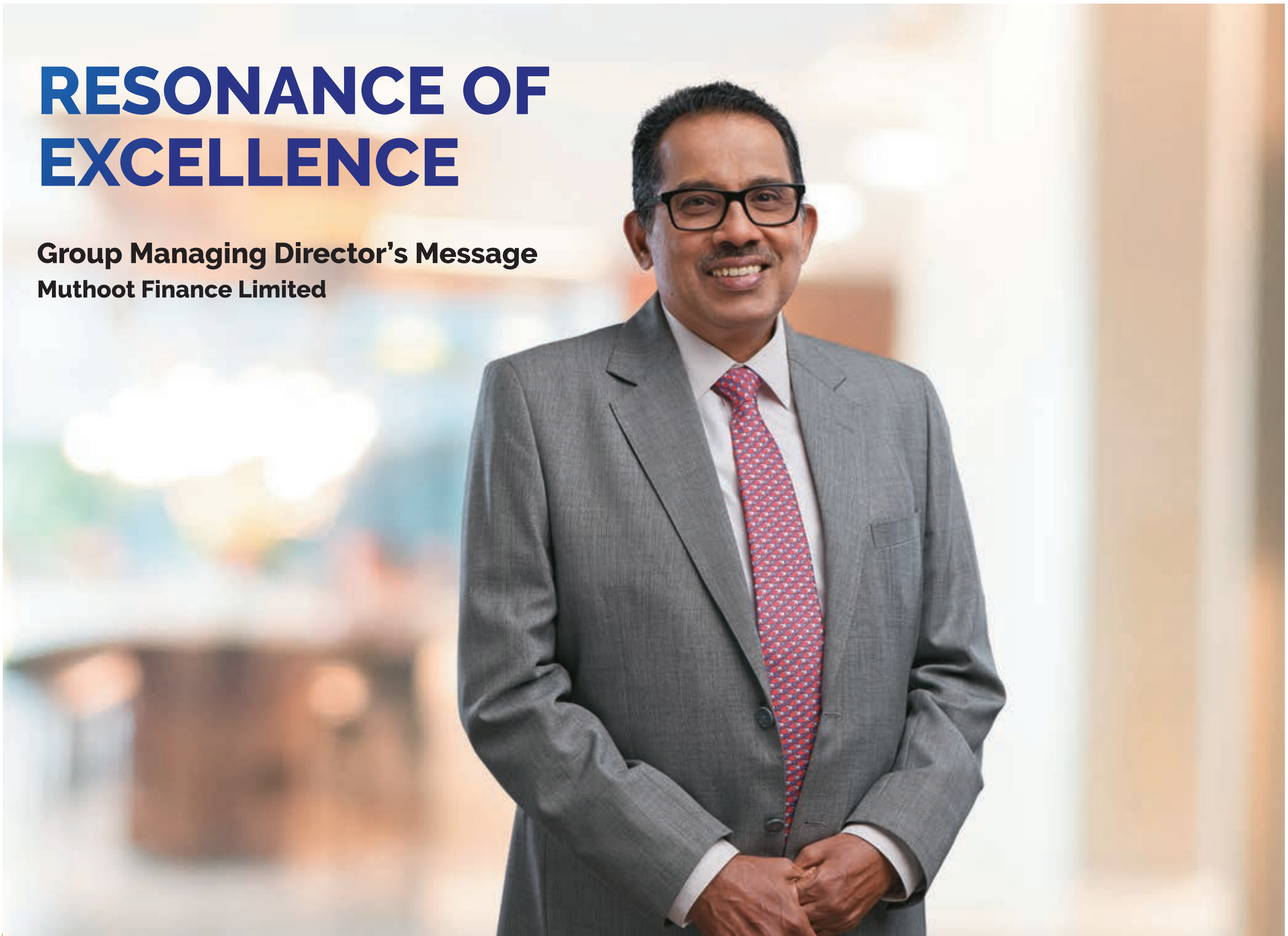


PERFORMANCE HIGHLIGHTS

	2022/2023	2021/2022
Financial Performance (Rs Mn)		
Gross Revenue	**6,006**	3,182
Net Interest Income	**1,741**	1,252
Profit Before Tax	**360**	202
Taxation	**(64)**	(84)
Profit After Tax	**295**	118
Position as at the year end (Rs. Mn)		
Cash and Cash Equivalents	**2,063**	1,398
Loans and Receivables	**19,478**	15,813
Total assets	**25,013**	19,342
Fixed Deposits	**13,275**	8,695
Financial ratios (%)		
Profitability Perspective		
Operating Profit	**295**	118
Net Interest Margin	**8.94**	7.98
Return on Assets (ROA)	**1.18**	0.61
Equity Holders		
Earnings per Share(Rs)	**2.38**	0.95
Net Asset Value per Share (Rs.)	**24.24**	22
Price to book Value (Times)	**3.49**	6.5
Return on Equity (%)	**9.81**	4
Earning Yield%	**0.24**	0.66
Debt Holders		
Debt to Equity Ratio (Times)	**7.15**	5.90
Interest Cover (Times)	**1.10**	1.15
Statutory Ratio		
Tier 1 (Minimum requirement 8.5%)	**27.43**	27.77
Statutory liquidity Ratio (Times)	**0.34**	0.24
Non-Performing Ratio	**12.79**	12.14
Quality of Loan Portfolio) (%)		
Gross Non-Performing Loans Ratio %	**12.79**	12.14
Net Non-Performing Loans Ratio %	**5.84**	2.89
Provision Coverage Ratio	**63.52**	69.6

RESONANCE OF EXCELLENCE

Group Managing Director's Message
Muthoot Finance Limited



"AMID STRINGENT POLICIES, RECORD-HIGH INFLATION AND DECLINING CONSUMER INCOME, OUR RESILIENT BUSINESS MODEL AND KEY FOCUS ON GOLD LOANS WITHIN THE COMPANY'S PORTFOLIO REMAINED THE PRIMARY DRIVERS BEHIND THE FISCAL YEAR'S OUTSTANDING PERFORMANCE."

GROUP MANAGING DIRECTOR'S MESSAGE

Dear Stakeholder,

I herewith present the Annual Report for the financial year 2022/23 and am pleased to report that Asia Asset Finance PLC recorded yet another commendable performance during the period under review. Despite considerable challenges, particularly with respect to the volatility and harsh conditions experienced on the domestic front, I am heartened to note that the Company leveraged on its core strengths to drive value, while pursuing new avenues of innovation and growth.

Amid stringent policies, record-high inflation and declining consumer income, our resilient business model and key focus on gold loans within the Company's portfolio remained the primary drivers behind the fiscal year's outstanding performance. These were further underpinned by strong brand and marketing promotions, improvements in capacity building, inclusive strategies, branch expansion and digital transformation; a multifaceted approach that enabled the company to weather turbulent conditions and successfully emerge from the chaos.

Asia Asset Finance PLC effectively achieved a year-on-year revenue growth of 88.72% to reach a performance of Rs. 284.31Mn during the year, in comparison to the previous year's Rs119.45 Mn. In addition, resource optimisation and cost control measures allowed the organisation to battle the rising cost of operations and record a profit after tax of Rs. 295.31 Mn as opposed to Rs. 118.56 Mn the year before. Gold loans maintained their dominant position within the company's portfolio, and as at the end of the year gold loan constituted 77.8% of the total portfolio, which is an increase of 41.16% year over year.

Future growth and prosperity remains incumbent on the nation reaching stability and improved economic activity. However, while the prudent policies and timely course corrections made during the year has certainly placed Sri Lanka on the road to recovery, strict policies will continue to characterise industry dynamics, and pose challenges in the immediate future.

Against this backdrop, supported by the strength of the world's largest Gold Financing company Muthoot Finance as its parent entity, Asia Asset Finance PLC will continue to capitalise on its synergistic capabilities to reinforce and enhance our overall value proposition. We will continue to pursue strategies of branch expansion and digitalisation, which will undoubtedly deliver greater levels of convenience and accessibility to our valued customer base, while enabling greater market penetration in the years ahead. As in the past, our commitment to sustainability will continue to be reflected within our operations. However, the company has taken steps to venture into the field of sustainable financing in order to capture an emerging market and support the future of our planet.

As a company built on empowering individuals from all walks of life, we are geared to foster a future of inclusivity, empowerment and equality. We remain poised to create a powerful resonance of success that will permeate across the island, and positively impact every stakeholder group for the foreseeable future.

George Alexander Muthoot

Group Managing Director
Muthoot Finance Ltd

28th April 2023

"ASIA ASSET FINANCE PLC EFFECTIVELY ACHIEVED A YEAR-ON-YEAR REVENUE GROWTH OF 88.72% TO REACH A PERFORMANCE OF RS. 284.31MN DURING THE YEAR, IN COMPARISON TO THE PREVIOUS YEAR'S Rs. 119.45 Mn."

ADVANCING WITH AGILITY AND STABILITY

CHAIRMAN'S MESSAGE

"THE CUSTOMER DEPOSIT PORTFOLIO RECORDED AN INCREASE OF RS. 4580 MN DURING THE YEAR TO REACH RS. 13,275 Mn, REFLECTING INCREASED CUSTOMER CONFIDENCE IN THE COMPANY."

CHAIRMAN'S MESSAGE

Dear Stakeholder,

The year under review posed seemingly insurmountable challenges to the business landscape in Sri Lanka, and yet I am pleased to announce that Asia Asset Finance PLC demonstrated incredible resilience to rise above adversity. The report you now hold details the admirable performance recorded by the company during the 2022/23 financial year. This was made possible only due to Asia Asset Finance PLC's strong value proposition, underpinned by a longstanding stability, a reputation for trust, the passion of its people, and a quest for innovation, which collectively empowered the organisation to successfully navigate a climate of uncertainty.

OPERATING ENVIRONMENT

In 2022, the Sri Lankan economy plummeted by 7.8% year over year, to report its largest annual decline in its post-independence history, against the backdrop of an economic crisis that brought the nation to a standstill. Supply disruptions induced by the crisis led to acute shortages in consumer goods, energy, and inputs across various sectors. The underlying cause of unprecedented decline in foreign exchange liquidity resulted in significant rise in prices. Record-high inflation further exacerbated these conditions, thereby contributing towards a heightened cost of doing business.

Stringent policy measures came into effect during the year, primarily to address burgeoning inflation that prevailed and prevented the crisis from intensifying further. The financial services industry was consequently characterised by a high degree of volatility, leading many organisations within the sector to cope up and remain attuned to changes in the environment in order to respond in a timely and appropriate manner, and remain a step ahead. Due to a weakening in the borrowers' capacity to repay loans owing to an environment of high inflation and weaker economic conditions, the willingness to lend displayed a corresponding decline. As a result, activities related to financial services and ancillary financial services decreased by 11.0% in 2022, compared to growth of 7.0% in 2021..

In order combat the high inflationary environment, during the period spanning August 2021 to April 2022 the Central Bank increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), by a collective 900 basis points each on four separate occasions between August 2022 and April 2023, bringing the rates to 27.89% and 22.63%, respectively. The rates were further increased by 100 basis points each in March 2023. The Policy interest rates in the inter bank call money market touched a high of 15.5% (SDFR)and 16.5%(SLFR) before cooling off. The money market touched a record high of 31% amidst the turmoil. The volatile environment and the high policy interest rates resulted in an increased demand for short-term borrowings and investments. A marked shift towards gold loans was witnessed, owing to the product's greater stability and assurance, and its ability to provide customers with essential timely monetary support amidst a challenging environment.

COMPANY PERFORMANCE

Despite the increased credit risk climate that prevailed during the year, Asia Asset Finance PLC maintained a stable outlook, and successfully recorded a performance well above industry standards, underscored by a capital adequacy ratio of 27.43%. The Company's performance was supported by our core offering of gold loans, which at 77.81% of the total value, continued to comprise a majority of its portfolio.

Despite a constrained growth environment, the Company effectively achieved a year-over-year revenue growth of 88.72% to reach a performance of Rs. 284.31 Mn. I am proud to note that led by robust strategies and improved cost-efficiencies, Asia Asset Finance PLC was able to post its highest-ever annual profitability of Rs. 284.31Mn during the period under review, in comparison to the Rs. 119.45 Mn recorded in the previous year.

Apart from higher interest income arising out of growth in loans & advances portfolio , other major factors which contributed to our success were cost containment through digitalisation, adoption of a lean and flat organisation structure, prudent operational cost reduction measures and implementation of robust risk management practices.

Even amid escalating costs, supply disruptions and lockdown, the Company continued along its trajectory of expansion, and successfully grew its island-wide network by 16 branches during the year to reach a number of 75 branches. The growth in physical presence was performed in conjunction with a movement towards digitalisation, with the latter primarily supported by the launch of the company's mobile banking app 'Luckewallet' during the year. These efforts enabled improved accessibility and convenience, particularly among customers challenged by fuel scarcities and mobility restrictions.

The Company resultantly recorded an asset growth of 29.3% to reach Rs. 284.31 Mn from the preceding year's Rs. 119.45 Mn, while the net asset value per share grew by Rs. 2.06 to reach to Rs. 24.24 during the year.

The Company also retained its "A -" rating from Lanka Rating Agency during the year, indicating its inherent strength and long term stability. The customer deposit portfolio recorded an increase of Rs. 4580 Mn during the year to reach Rs. 13,275 Mn, reflecting increased customer confidence in the Company.

A SOLID CORPORATE GOVERNANCE FRAMEWORK

As an organisation operating within the financial services industry, principles of good governance, transparency and accountability are the cornerstone of our operations, and are key aspects of securing and maintaining integrity and trust among our wide-ranging, diverse stakeholder base.

We continuously map and assess emerging risks and opportunities in order to mitigate challenges and drive strategies for future growth, while adhering to the stringent standards and policies that govern the industry in which we operate. Furthermore, sustainable principles are embedded within the organisation's operations, ensuring our ability to deliver long-term value.

As in the previous years, we have continued to adhere to all applicable governance standards and frameworks and remain in compliance with all statutory requirements. The Board of Directors continues to play a key role in managing risks, while engaging in the oversight and stewardship of the Company.

As a majority-owned subsidiary of Muthoot Finance Ltd, we continue to be reinforced by the strength and expertise of the largest gold financing company in India. Our ability to leverage on these strengths, coupled with an unwavering commitment towards delivering efficiency, customer-centricity and convenience enabled us to deliver an unmatched experience to our customers and gain traction in the market, even amid the challenging backdrop outlined in this report.

MOVING FORWARD

While the global economic outlook remains unfavourable, Sri Lanka has already begun to exhibit signs of recovery, particularly owing to the timely policy interventions that served to contain the crisis and prevent any further escalation. We anticipate the market would consequently be more conducive to growth in the coming financial year. The perceived challenges include increased pressure placed on recoveries affecting the industry's credit growth as well as factors like pressure on forex front , compressed treasury margins, volatility of interest rates etc.

Our drive for expansion and growth remains undeterred, and we remain confident that our unique solutions will serve to support all segments of population at this critical juncture. We believe that our offering of increased accessibility to financing solutions combined with our unique approach towards women empowerment will promote and enable financial inclusion in the country.

ACKNOWLEDGEMENTS

I would like to place on record my gratitude towards the staff and the senior management for their dedication and passion, that enabled us to deliver exceptional results on the face of overwhelming odds. I thank the Board Members for their continued guidance and support, which was instrumental in navigating a challenging environment. Finally, thank you to our valued customers for the loyalty and trust you have placed in us over the years – we look forward to many more years of fruitful partnership, to enable us to deliver you the resonance of success!

V. A. Prasanth

Chairman/Independent
Non Executive Director

28th April 2023

SETTING NEW BENCHMARKS OF PERFORMANCE

CHIEF EXECUTIVE OFFICER'S REVIEW

"AAF REPORTED IT'S HIGHEST ANNUAL PROFITABILITY IN THE HISTORY AND CONTINUED TO MAINTAIN A VERY HEALTHY CAPITAL ADEQUACY RATIO OF 27.43% DESPITE THE EXTERNAL CIRCUMSTANCES CONFIRMING THE STRENGTH AND STABILITY OF OUR BUSINESS MODEL."

Dear Stakeholder,

It gives me great pleasure to present to you the Audited Financial Statements of Asia Asset Finance PLC for the year 2022/23, together with an account of our operations during the year. The past three years have posed considerable challenges to the nation, its people, and its economy. However it is heartening to note that we are now on the road to recovery, supported by corrective action and stringent policy measures that were implemented during the period under review.

Despite the financial services sector facing significant pressures owing to economic volatility and drastic shifts in policy frameworks, I am pleased to report that our Company recorded an exceptional performance. The Company's core focus on Gold Loans continued to hold us in good stead and enabled the organisation to remain resolute and unflinching amid a particularly tumultuous environment.

OPERATING ENVIRONMENT

Underscored by political and social unrest, a shortage of essential goods and high levels of inflation, overall economic activity remained subdued. The anticipated post-COVID revival did not come into effect, and resultantly, real GDP contracted by 7.8% in 2022, in comparison to the marginal growth of 3.5% witnessed in 2021.

The far-reaching impacts of the crisis served as key drivers that elevated credit risk across the corporate and household sectors during the period under consideration. During the year, the industry's gross non-performing loan ratio was recorded at 16.01%, while the market share decreased to 5.1%.
To counteract the effects of inflationary pressures, policy interest rates were raised to an unprecedented degree, thereby increasing interest cost for the financial services sector. The unstable climate and high interest rates saw a corresponding increase in demand for short-term investments. A considerable surge in gold loans and pawning was witnessed due to the reduction of disposable incomes and high cost of living. Conversely, leasing and other lending products displayed a decline in demand due to prolonged import constraints aimed at mitigating the forex crisis and reduced consumer purchasing power.

Many businesses across key sectors were negatively impacted by the turbulent conditions that came into play. However the run-on effects from the Easter Sunday attacks and the pandemic, coupled with the harsh operating climate that came into effect during the period under review stifled activities within the SME sector, which exhibited a considerable downturn. The Central Bank of Sri Lanka therefore requested non-banking financial institutions to extend the concession of the debt moratorium to impacted borrowers in all economic sectors including MSMEs.

OUR STRATEGY

Responding to Customer Needs

Asia Asset Finance PLC takes pride in offering an unmatched proposition that combines unique products with unrivalled accessibility and service efficiency. We continued to pursue building on these strengths during the year in order to enhance our performance and further cement our position in the market.

The increased propensity towards investing in gold loans augured well for the Company due to high demand and continuous value increase during periods of economic volatility. The gold portfolio increased by Rs. 4.8 billion which constitutes 77.81% of our total portfolio.

The Company continued to focus on expanding its branch network to enable greater convenience and reach. The existing network of 59 branches was augmented by a further 16 branches which served to circumvent the decline in customer mobility witnessed during the year, in the wake of fuel shortages and the increased cost of transportation. In a further bid to elevate customer value, the Company launched our 'Luckewallet', which promoted greater levels of communication and transparency, with all customers empowered to access information related to their assets and liabilities on a real-time basis with the touch of a button.

"ADDITIONALLY, ASIA ASSET FINANCE PROVIDES INVALUABLE ASSISTANCE TO THE UNDERSERVED FEMALE COMMUNITY, WHILE ENABLING THEIR PROGRESS THROUGH OUR WOMEN FOCUSED PRODUCTS. WE CONTINUE TO BE INSPIRED BY THE DEDICATION AND STRENGTH OF OUR INTREPID FEMALE CUSTOMERS WHO CONSTITUTE THE MAJORITY OF OUR CUSTOMER BASE, AND CONTINUE TO PROGRESS AGAINST ALL ODDS."

The Company's foray into micro-mortgages continues to serve and uplift the lives of citizens at grassroot level. Additionally, Asia Asset Finance provides invaluable assistance to the underserved female community, while enabling their progress through our women focused products. We continue to be inspired by the dedication and strength of our intrepid female customers who constitute the majority of our customer base and continue to progress against all odds.

Our robust business model has continued to support Sri Lankans across the island throughout their time of need and we are gladdened that we were able to contribute towards their overall well-being in a year characterised by uncertainty and adversity.

SUSTAINABLE, EFFICIENT OPERATIONS

The Company is supported by a strong technological framework, which enabled

CHIEF EXECUTIVE OFFICER'S REVIEW

us to achieve high levels of efficiency and effectiveness and reap significant benefits during the year. Most operations within the organisation are fully automated, thereby reducing the overall dependency on physical, paper-based communications by as much as 80%. This farsighted initiative empowered us to mitigate our dependency on imported goods and negate the impact of the escalating costs that prevailed during the year, while significantly reducing the organisation's carbon footprint as a result of our conscious focus on digitalisation.

Human capital came under significant pressure during the year, owing to increased taxation and a heightened inflationary environment. The Company focused on supporting employees' essential requirements and ensured enhanced cash inflows throughout the year, while maintaining a positive and a happy work environment. AAF extended its commitment not only to staff members but to families of our staff in the wake of the crisis. We also remained focused on promoting gender inclusivity and diversity within the workforce in order to promote equal opportunity and drive equitable growth.

Principles of corporate social responsibility are firmly etched within the value system of Asia Asset Finance PLC and as such, our commitment towards the community remained undeterred during the year under review. Each branch within the network contributed towards the welfare of the community through timely donations that supported the continued education of the youth, while providing essential food items to deserving families. Blood donation camps were conducted to support aspects of health and well-being, in addition to a range of other initiatives designed to address the primary needs of both the present and the future.

OUR PERFORMANCE

Against a challenging backdrop, our Company remained steadfast and maintained a strong performance well above industry standards, as evidenced by the healthy gross profit margin recorded by the organisation during the year.

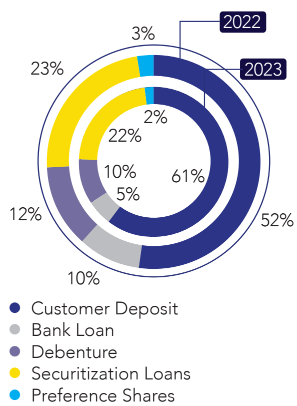
Primarily due to the overarching strategies mentioned previously in my review, Asia Asset Finance PLC successfully recorded a year-on-year revenue growth of 88.72% to reach a performance of Rs. 284 Mn. Furthermore, prudent resource management and cost-efficiencies enabled the organisation to combat the rising cost of operations to achieve a profit after tax of Rs.284Mn which was 138% increase from the previous year.

In this year's performance AAF reported it's highest annual profitability in the history and continued to maintain a very healthy capital adequacy ratio of 27.43% despite the external circumstances confirming the strength and stability of our business model.

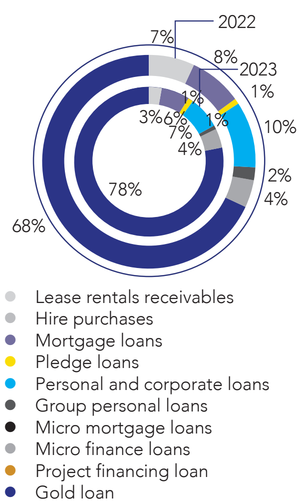
Performance Review

	2017	2018	2019	2020	2021	2022	2023
Secured Loans (Secured Portfolio through Movable and Immovable Property)	3,422,041,570	4,841,197,800	8,536,872,710	10,358,387,630	10,762,898,260	14,493,808,520	**18,682,863,880**
Unsecured Loans (Other Portfolio Secured through Guarantees)	5,128,655,900	5,161,994,340	4,031,627,150	3,476,406,770	3,271,096,840	2,851,204,120	**2,517,652,738**
	8,550,697,470	10,003,192,140	12,568,499,860	13,834,794,400	14,033,995,100	17,345,012,640	**21,200,516,619**

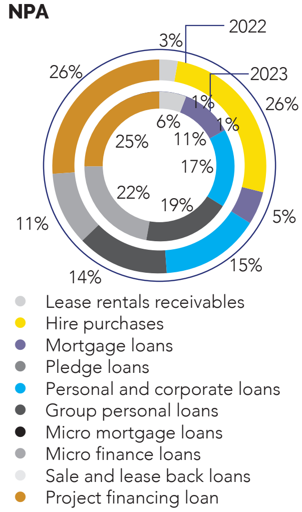
Funding Mix



Portfolio Composition



Product-wise NPA



The non-performing accommodation of Asia Asset Finance PLC exhibited a marginal increase of 0.31%, primarily due to the previously detailed pressures placed on customer income streams. However, the Company was able to curtail the impacts of these macro-economic conditions due to strong recovery mechanisms and prudent credit risk management. In addition the Company ensured ample provisioning was made to mitigate any losses from a weak credit environment due to the volatile economic conditions. Accordingly, the NPA of gold loans which represent a significant portion of our portfolio was recorded at a mere 0.4%, in comparison to the NPA of 1.3% witnessed in the preceding year.

Despite escalating prices, AAF's cost to income ratio (excluding taxes on financial services) for the year improved to 32.5% from the 36.5% recorded previously, owing to the cost efficiencies achieved during the year. The Company's net asset value per share grew to reach Rs. 24.24 during the year under review, from the previous year's figure of Rs. 22.19.

LOOKING AHEAD

With the global economy experiencing significant setbacks, the journey towards Sri Lanka's economic revival remains challenging. However, with the government successfully progressing with the IMF plan, consumer sentiment is on the rise and the economy is expected to recover during the latter part of 2023. One of the key challenges which remains during the year would be the outflow of human capital which could impair the expected revival of our economy.

Furthermore, strong regulatory sanctions, particularly with respect to the reduced NPA age recognition will place greater pressures on recoveries and thereby could result in an increased burden on the NBFI overall credit growth. Against this backdrop, improved economic activity is an imperative to maintain stability for the foreseeable future.

Asia Asset Finance PLC will continue to invest in expansion to drive improved convenience and accessibility to the general public, while consecutively driving opportunities for growth across all walks of life. We will maintain our drive towards women empowerment, further reinforced by the introduction of innovative female-oriented products in the near future, designed to improve their independence and potential for progress. With the onset of the energy crisis and the burgeoning impact of climate change on people and the planet, the Company is taking steps to explore the field of sustainable financing. We believe that collectively, these measures will deliver consistent returns and serve our stakeholders well into the future.

APPRECIATION

I would like to acknowledge the invaluable contribution of the staff members at Asia Asset Finance PLC. Their tireless efforts undoubtedly served as a key driver of the Company's strong performance during the year.

My gratitude goes out to the Chairman and Board of Directors for their guidance, foresight and insight, which enabled the organisation to navigate a challenging operational climate. I would further like to place on record my heartfelt appreciation to the Managing Director Muthoot Finance and to the rest of the group for their contribution towards our growth over time.

I wish to express my gratitude to the customers, investment partners and all other stakeholders who have journeyed with us over the years. I thank you for your continued loyalty and trust and we pledge to uphold it in the years to come.

Rajiv Gunawardena
Chief Executive Officer

28th April 2023

BUSINESS MODEL

VALUE CREATION AT ASIA ASSET FINANCE

At Asia Asset Finance, we have structured all our business activities to generate sustainable value for all parties; the Company and all internal stakeholders, to directly or indirectly benefit from the business. Our value creation activities are primarily targeted towards sustainable practices and targeted corporate social responsibility activities which help to create long term value to our communities.

INPUTS

FINANCIAL CAPITAL	Financial resources that are available to drive strategy and expansion plans Optimum Product Mix Liquid Asset Maintenance, Customer Deposits Pricing
HUMAN CAPITAL	The skills, competencies and dedication of our employees. Outsourced Service Providers People Development Talent Management Rewards and Retention Disciplinary Monitoring
SOCIAL & RELATIONSHIP CAPITAL	Relationships maintained throughout the branch networks and communities. Building relationships with all stakeholders
MANUFACTURED CAPITAL	Our constantly improving physical infrastructure. Expansion in branch network
INTELLECTUAL CAPITAL	Knowledge and innovation in systems, processes and standards The strength of our brands Brand building Compliance Building corporate culture
NATURAL CAPITAL	Sustainable energy and water consumption Reduce energy and water wastage and minimise consumption.

Vision

"Empowering people, transforming lives."

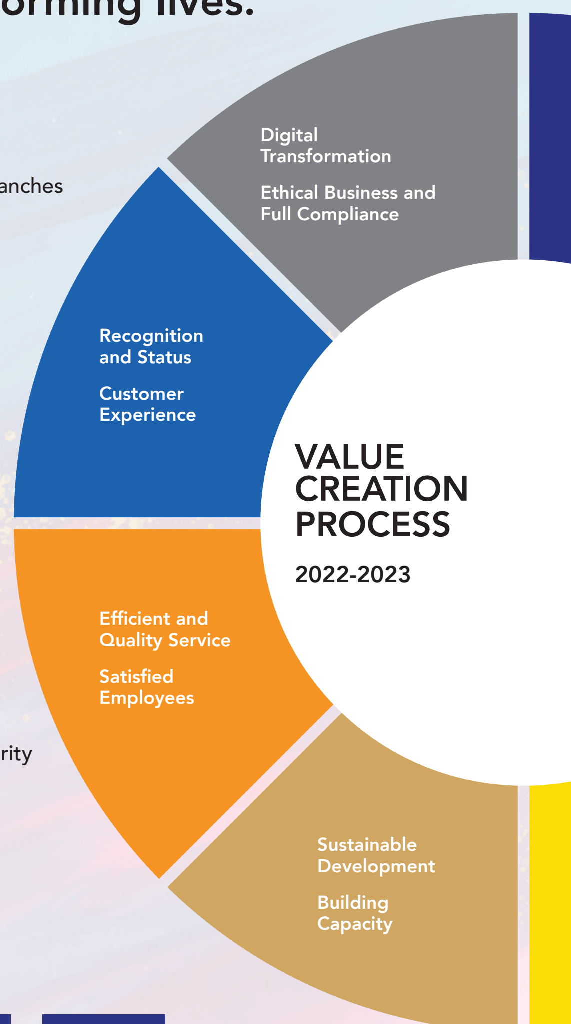
16
New branches opened

7
Layer security protocol

Employees

58% Male	**42%** Female

High priority to gender equality



	OUTPUT	OUTCOMES
FINANCIAL CAPITAL	Budgeted profitability and Balance Sheet	Enhancement of Reserves Share Price Increase Maintenance of Statutory Capital Adequacy Requirements Growth Achievements Budgeted Dividend Declaration
HUMAN CAPITAL	No race, religion or caste discrimination when recruiting. Actively engaged in and focused on equal opportunity employment.	Increased Employee Productivity Motivated Workforce Reduced Turnover Increased Internal Recruitment Compliance with Internal Processes
SOCIAL & RELATIONSHIP CAPITAL	Development of communication channels and online presence through mobile app and enhanced website services. Increased community awareness through CSR initiatives	Increased customer retention Wider customer reach Gold loan customer loyalty program 100% online options to obtain services and for customer onboarding
MANUFACTURED CAPITAL	Deposit and lending portfolio	Growth Increased Customer satisfaction increased Repeat customers Enhanced Brand Value Increased cross selling
INTELLECTUAL CAPITAL	Special structured and focused training and development programs conducted locally in both Sinhala and English.	Enhanced organisational know-how Development of best practices and process excellence Ability to predict and face Industry challenges
NATURAL CAPITAL	Efficient energy and water management and consumption practices Environmentally friendly initiatives	Reduced energy and water consumption (Branches are given targets to curtail energy usage) Initiated steps to convert offices to solar energy Eliminated paper use in office and marketing (100% paperless processes, no leaflet distributions)

OPERATING ENVIRONMENT

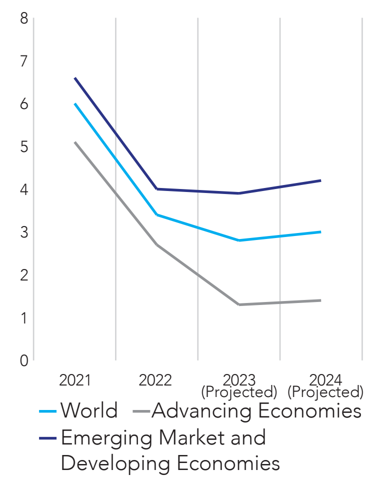
GLOBAL ECONOMY

2022 witnessed a significant slowdown in the global economy, with GDP growth reaching 3.4%, against the preceding year's 6.0%. Emerging market and developing economies too experienced a corresponding decline, exhibiting a GDP growth of 4.0% in 2022, in comparison to the 6.6% recorded in 2021. The COVID-19 pandemic's effects are still being felt globally, while the war in Ukraine sparked a renewed crisis that disrupted the food and energy markets and exacerbated food instability and hunger in many developing nations. High inflation prompted a global cost-of-living crisis that plunged millions into poverty and led to the rise of other economic hardships while also causing real incomes to recede. The climate crisis continued to pose implications across the world, triggering natural disasters that inflicted severe consequences on economies, societies and the planet.

However, at present, the devastating effects of the pandemic and the Russia's war on Ukraine appear to be waning, setting up the global economy for a gradual but steady recovery. China is making a strong return after reopening its economy, which will in turn relieve strain on the global supply chain. Additionally, supply chain disruptions appear to be diminishing as the restrictions prevailing within the energy and food sectors subside. Parallel to this, the widespread and coordinated tightening of monetary policy by the majority of central banks ought to start to yield positive outcomes, with inflation returning to desirable levels in the future.

Owing to the aforementioned dynamics, the IMF projects the world economy to record a GDP growth of 2.8%, followed by a marginal recovery in 2024 to reach 3.0%. Notably, the prospects of emerging markets and developing economies seem promising, with a projected 3.9% GDP growth in 2023, and a subsequent growth of 4.2% in 2024.

Global Economic Growth



Source: IMF, April 2023 World Economic Outlook

In 2022, in the throes of the worst economic crisis to affect the nation since independence, Sri Lanka's economy contracted by 7.8% year over year, marking the nation's greatest annual GDP decrease in its post-independence history. As a result of the crisis, acute shortages of items essential towards economic activity were witnessed, particularly with respect to consumer products and fuel and electricity, in addition to the shortage of key inputs across various industries. These dynamics were principally caused by a significant increase in price due to a dramatic drop in market liquidity for foreign exchange. However, timely and prudent policy measures served to curb the trajectory of high inflation and prevent the impacts of the crisis from intensifying further.

Policy interest rates were raised to historic highs in an effort to lower inflationary pressures and the importation of non-essential goods and services were restricted, in order to stem outflows of foreign currency. By reducing demand pressures, easing supply-side constraints and improving access to essential imports including fuel and industrial supplies, these efforts helped the economy gradually stabilise. As a strong indicator of the intensity of the consequences of the economic difficulties faced during the year, all three of the nation's major economic sectors; Industry, Services, and Agriculture witnessed downturns in 2022.

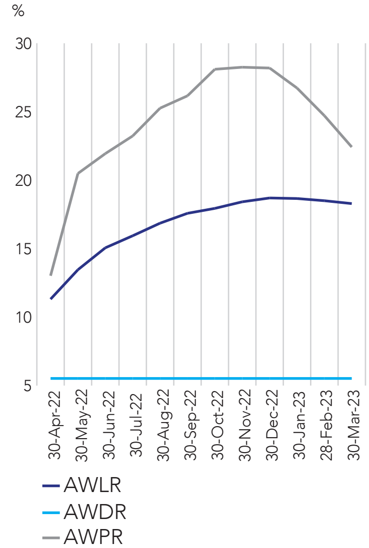
Headline inflation as measured by the Colombo Consumer Price Index (CCPI), rose from 12.1% at the close of 2021 to reach a figure of 69.8% in September 2022. The rate then fell to to 57.2% by the end of 2022. The National Consumer Price Index (NCPI, 2013=100) followed a similar trend. Commencing at a rate of 14.0% at the end of 2021, the index rose significantly to peak at 73.7% in September 2022, and declined to reach a moderate performance of 59.2%.

MONETARY AND FISCAL POLICY

The Central Bank maintained its tight monetary policy stance from August 2021 through August 2022 in an effort to curb inflationary pressures and restrict its potential. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), which serve as the Central Bank's two main policy interest rates, were each increased by 10 percentage points during the period. This strategy was primarily to address the significant increase in the country's inflation and the notable disparity that was evident between the policy interest rate and the market interest rate due to imbalances in the external and fiscal sectors.

Since the COVID-19 pandemic broke out in early 2020, a prolonged period of monetary accommodation was was prevelent, which led which led to significant risks to the inflation outlook. This prompted the Central Bank to raise policy interest rates by 7 percentage points in April 2022, followed by an increase in 100 basis points in July of that year. This tightening of monetary conditions helped to correct the anomaly in the interest rate structure and restrain the development of demand-driven inflationary pressures in addition to relieving pressure on the external sector and preventing the expansion of adverse inflationary expectations.

Interest Rate Movement



Source: IMF, April 2023 World Economic Outlook

THE FINANCIAL SERVICES INDUSTRY

During the period under review, the crisis' widespread effects were a major factor in raising credit risk in both the corporate and consumer sectors. The unprecedented increase in policy levels led to an increase in interest costs across the industry, while the demand for short-term investments rose, against the backdrop of an unstable economic environment and high interest rates.

Despite the country's weakening economy, the Licenced Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector continued to exhibited growth in 2022. The LFCs and SLCs industry grew in terms of assets and deposits with adequate capital and liquidity buffers throughout 2022, despite problems brought on by the slowdown of credit growth, deteriorating profitability and an increase in non-performing loans as indicated by Stage 3 loans.

The Masterplan for the consolidation of Non-Bank Financial Institutions was implemented with an overarching goal to create strong and stable financial institutions over the medium term, protecting the interests of sector depositors and maintaining the stability of the financial system.

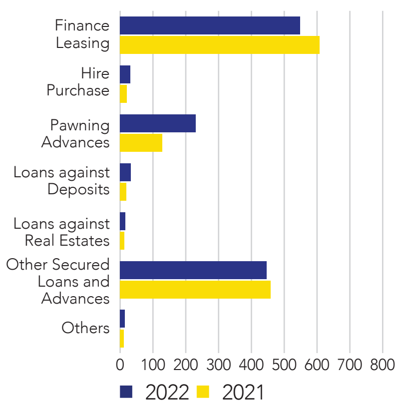
By the end of 2022, the NBFI sector's total assets reached Rs. 1,611.2 billion, equating to 5.2% of the total assets of Sri Lanka's financial system. 127 new branches were opened by the sector in 2022. Subsequently, at the close of the year, 1,834 branches comprised the entire financial services industry, of which 1,204 branches were situated beyond the confines of the Western Province, corresponding to 65.6% of the total network.

In comparison to the 6.1 percent growth registered in 2021, the asset base of the industry increased by Rs. 123 billion, or 8.3 percent and amounted to Rs. 1,611.2 billion by the end of 2022. The portfolio development of loans and advances served as the primary driver of asset growth, with a surge in investments and liquid assets, serving as a secondary contributor. Accordingly, 74.4% of the sector's total assets constituted loans and advances.

By the end of 2022, finance leases dominated the sector's loans and advances portfolio and comprised 41.6% of all loans and advances, decreasing from the 48.3% recorded the end of 2021. In order to restrict the outflow of foreign currency, the government continued to enforce limitations on the importation of motor vehicles, which led to a decline in the leasing portfolio's percentage of total loans and advances.

However, compared to the rise of 9.9% at the end of 2021, the loans and advances portfolio of the industry increased by 5.0% and was worth Rs. 1,199.2 billion by the end of 2022. The increase in pawning/gold loans, which increased by 77.5% by the end of 2022, was the key factor supporting the rise of the loans and advances portfolio.

Total Loans and Advances (Gross) by Product-wise for 2021 and 2022

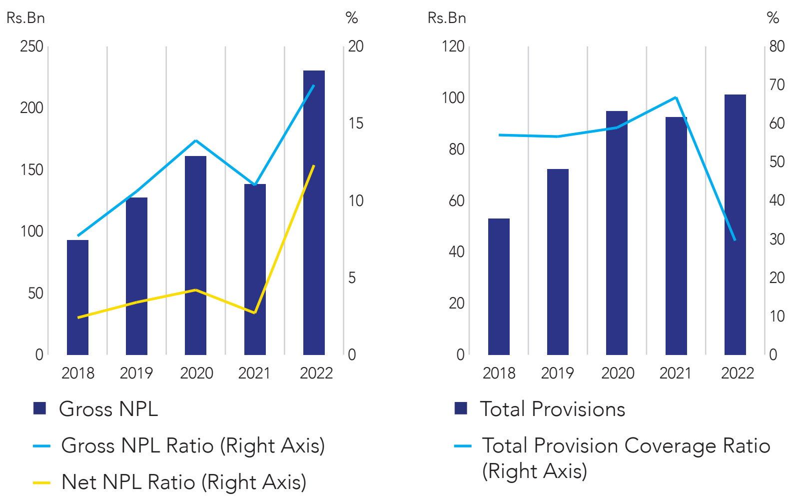


Source: Central Bank of Sri Lanka

In comparison to the decline of 13.9% recorded at the close of 2021, total gross NPLs/Stage 3 loans climbed by 66.1% by the end of 2022. On April 1, 2022, the time-based classification of PLs was replaced with the SLFRS 9 classification of Stage 3 Loans, which required FCs to adopt a 120-day grace period for Stage 3 loans rather than the previous 180-day allocation. The sector's Gross Stage 3 Loans Ratio significantly climbed to 17.5% as of the end of 2022 from 11.0% in 2021 due to the combined effect of converting the loan classification technique into an SLFRS-based strategy, expired debt moratoria and the consequences of unfavourable macro-economic conditions.

OPERATING ENVIRONMENT

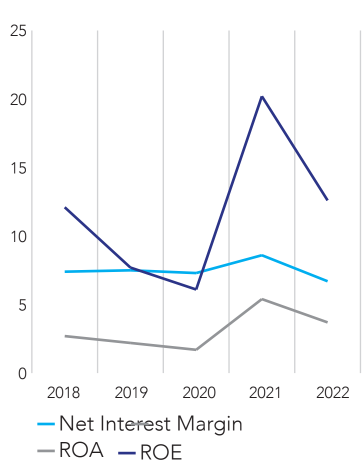
Non Performing Loans and Provision Coverage of the FCs and SLCs Sector



Source: Central Bank of Sri Lanka

Compared to 2021, the sector's profitability after tax decreased by 21.0% year-on-year, declining from the Rs. 55.6 billion recorded in 2021 to Rs. 43.9 billion in 2022, mostly as a result of a significant rise in interest costs. The significant decline in the Return on Equity (ROE) to 12.6% and the Return on Assets (ROA) before tax to 3.7% in 2022 compared to the corresponding 2021 values of 20.2% and 5.4% indicated the degree of this decline in profitability. The efficiency ratio increased to 68.9% in 2022 and the cost to income ratio rose to 87.3% from the 72.6% recorded in the preceding year.

Profitability Indicators of the FCs and SLCs sector



Source: Central Bank of Sri lanka

In contrast to the 18.2% increase registered in 2021, the sector's net interest income declined by 12.3% to reach Rs. 115.2 billion in 2022. Despite an increase in interest income of Rs. 54.7 billion, equating to a growth of 25.2%, interest expenses significantly increased by 82.8% year-on-year to reach Rs. 70.9 billion. As a result, the sector's net interest margin dropped from 8.6% in 2021 to 6.7% in 2022, which in turn contributed to the sector's declining profitability.

SECTOR OUTLOOK

Stringent policy changes will continue to underscore industry dynamics, posing challenges with respect to recoveries, while promoting overall stability. However, on March 20, 2023, the IMF Board authorised a 48-month extension of the Extended Fund Facility (EFF) of SDR 2.286 billion (approximately $3 billion) to facilitate Sri Lanka's economic policies and reforms, thereby reinforcing the road to recovery. Against this backdrop, it is anticipated that the financial services sector will exhibit growth in the medium to long-term.

ENGAGING WITH OUR STAKEHOLDERS

At Asia Asset Finance PLC, we consider engaging with our stakeholders as a significant aspect of ensuring sustainable value creation and the long-term growth of the Company. Encouraging the proactive engagement of all our stakeholders thereby deriving their opinions and insights remains invaluable in building an effective strategy and implementing change. Therefore, we have identified several key stakeholders that include shareholders, employees, suppliers, investors, customers, regulators and the community who impact our operations determining the Company's bottom line. Therefore, we remain committed to creating maximum value for all our stakeholders in ensuring continued business progress.

Stakeholder	Purpose of Engagemnt	Mode of Engagemnt	Engagement Mechanism	Frequency of Engagement
Shareholders or other investors	To provide timely and relevant information to existing/ potential investors ensuring competitive returns to their investments	Investor forums via online platforms	Annual Reports and Annual General Meetings	Anually
			Extraordinary General Meetings	As necessary
			Interim financial statements	Quarterly
			Press releases & CSE announcements	As necessary
			Investor forums	Quarterly
			Corporate Website	Ongoing (Continuously)
Customers	Create product awareness To provide a high level of service Obtaining customer feedback (customer compliants/ suggestions) Maintain customer relations	Communication using online platforms and digital communication tools	Personalised interactions	Continuous
			Customer complaint handling process	Continuous
			Customer Satisfaction Surveys	Quaterly
			Market Surveys	Biannually
			Communication through multiple media platforms.	Continuous
			Corporate Website	Continuous
Employees	Engaging in the value creation process	Face to face discussions and engaging through Online platforms (Internal & External)	Training & Development	As required
			Individual performance Appraisals	Annually
			Intranet	Continuous
			Code of conduct and Whistle Blower Policy	Continuous
			One-on-one interactions based on our open-door policy	Quarterly
			Confidential employee satisfactory survey.	Quarterly
			Fostering a work-life balance	Continuous

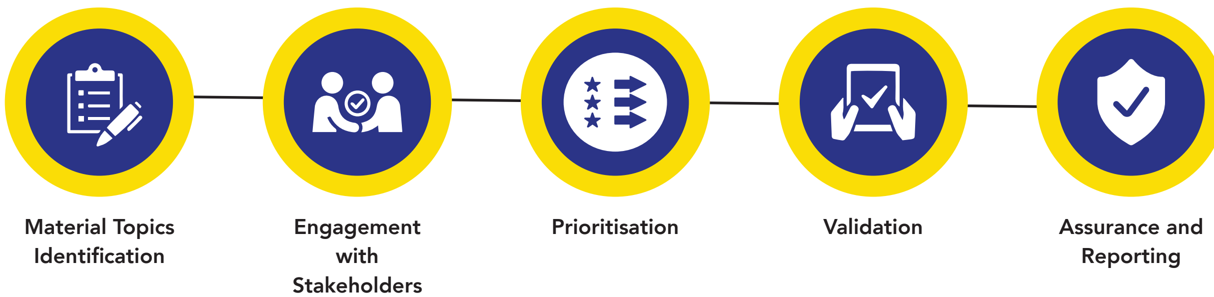
STAKEHOLDERS

Stakeholder	Purpose of Engagemnt	Mode of Engagemnt	Engagement Mechanism	Frequency of Engagement
Government and the Regulators	To ensure compliance with Corporate Governance best practices and all other regutory requirements	Discussion through online platform	Off-site surveillances with periodic returns.	Weekly, Monthly, Quarterly and Annually
			On-site surveillances	Annually
			Compliance with directives and circulars	Continuous
			Meetings, consultations & press releases.	As necessary
			Dedicated personnel for continuous, personalised interaction	Continuous
Community	To stregthen relationships with communities in which we operate	Communicating through online platforms and digital communication tools	Corporate website and social media page.	Continuous
			Establishment of a CSR Committee	Continuous
			Implementing projects to benefit the society and the environment	As necessary
			Company website	Continuous
			Media releases	Continuous
Business Partners and Value Added Service Providers	To foster mutually beneficial partnerships that support business growth	Communicating through digital communication tools	Dedicated personnel to interact with different types of suppliers and service providers.	Continuous
			Prioritised engagement with local suppliers	Continuous
			Mutually beneficial, long term relationships being the focus during contractual negotiations	Continuous

MATERIALITY MATTERS

At Asia Asset Finance, we approach materiality in a manner which is guided by our base principles of sustainable growth and to ensure we conduct all our activities in a socially responsible manner. Overall, we aim at delivering positive returns to our shareholders and clients. We also follow these principles to decide which Environmental, Social and Governance (ESG) issues are most relevant to our company. To gather the information needed to conduct our materiality assessment, we engage with our diverse set of internal and external stakeholders who are interested in and/or are directly affected by our company's business. We use their feedback to help us to guide our strategic direction and to be more precise during decision making.

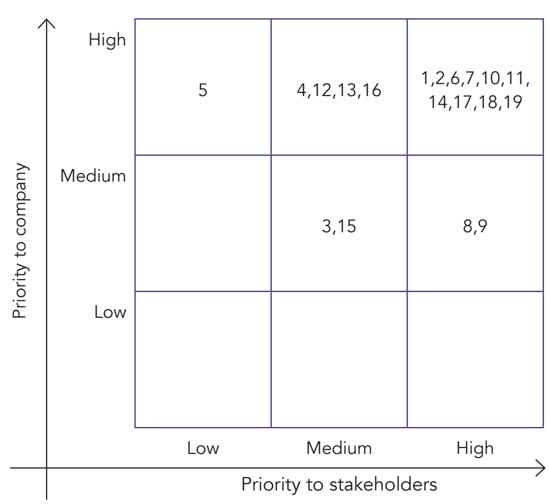
Upon identifying all factors material to our business, we have categorised them according to their importance and the level of impact that they have on us and our external stakeholders.



Rank	Aspect / Material topic	Why we consider this to be material	Level of Importance	
			To Company	To Stakeholders
1	Economic Performance	Economic performance has been marked as a high priority item to both internal and external shareholders as the performance will determine the return from conducting business in terms of revenue and profitability to us and increase in the returns payable to shareholders. It also measures our performance in relation to the prevailing market conditions and helps us to maintain optimum operational costs.	H	H
2	Market Presence	As our market presence increases and our share of the market increases, we are able to expand our locations and provide employment opportunities to individuals from the local communities and provide them with industry standard remuneration. As such this matter is of high importance to both parties.	H	H
3	Indirect Economic Impacts	Our investments in infrastructure to support our growing network gives benefits of a medium level priority to both internal and external stakeholders.	M	M
4	Procurement Practices	We ensure to support local suppliers by obtaining our services from them. It is of a high priority to us as our goals include ensuring the wellbeing of the community.	H	M
5	Anti-corruption	Risk assessment of operations and related awareness training and communication, compliance with CG best practices & internal controls.	H	L
6	Sustainable financing	Environmental, Social and Governance (ESG) considerations have come to dominate many investment decisions in recent years, and we are increasingly focusing on offering financing solutions for green energy projects, agriculture, as well as other social inclusion and entrepreneurship ventures.	H	H
7	Energy	The efficient consumption of energy is of vital importance to us and our stakeholders as it has an overall impact on the resources of the country and global pollution rates.	H	H
8	Water	We endeavour to minimise water wastage and water conservation as part of our best practices concerning the environment.	H	M

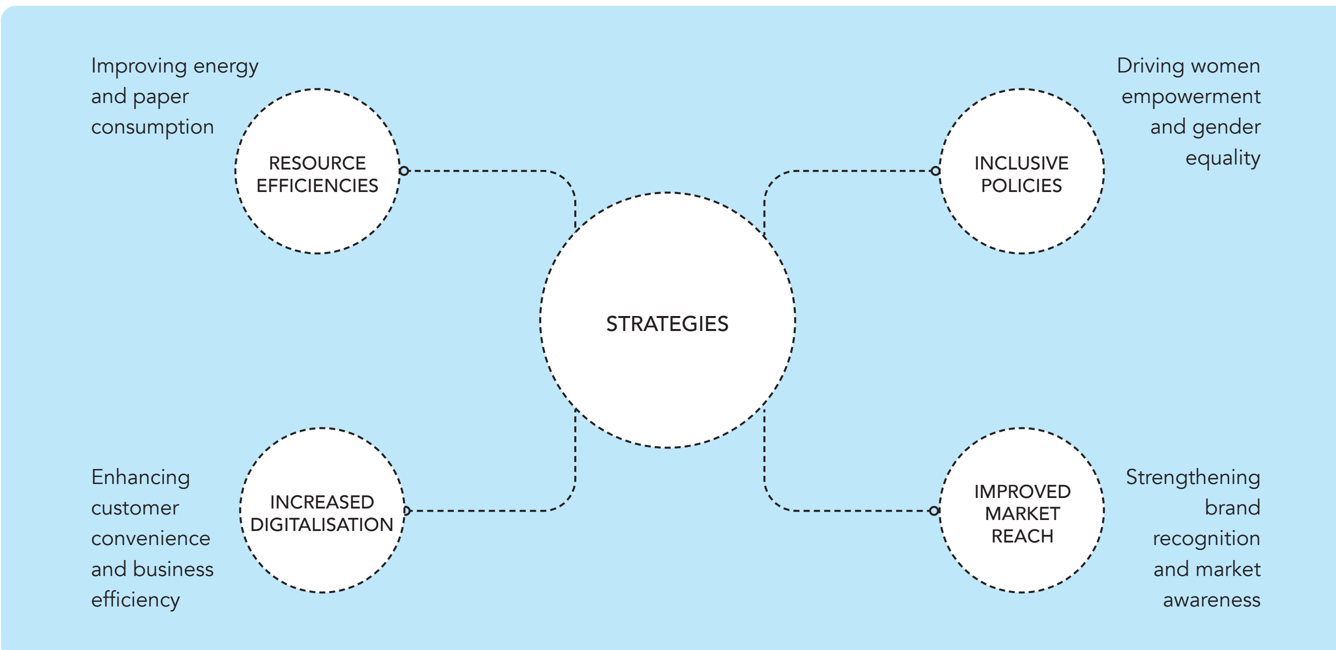
MATERIALITY

Rank	Aspect / Material topic	Why we consider this to be material	Level of Importance	
			To Company	To Stakeholders
9	Waste management through digitalisation	Managing and minimising waste is a part of our sustainability agenda and we continuously improve our processes through digitalisation, going paperless and responsible management of waste.	H	M
10	Employment	Our employees are our biggest strength as our performance depends on them, so it is highly material to our business. Under this topic we are concerned about employee recruitment and retention and the provision, provision of benefits for full time employees.	H	H
11	Occupational Health and Safety	The safety and health of our employees within the work environment is critical to maintaining high levels of performance. We ensure to maintain a safe and healthy work environment by educating employees on health and safety and give high importance to maintaining compliance with all safety measures.	H	H
12	Training and Education	The development of the skills and knowledge of the employees who work with us is given high importance as their performance and general job satisfaction will improve as they grow. We conduct skill development programs regularly to develop employee skills and knowledge.	H	M
13	Diversity and Equal Opportunity	We are in a stage of giving high importance to equality and women's empowerment. In all our practices we have a high number of women leaders when compared to other organisations and we ensure equal basic salary and remuneration to both men and women in our employment.	H	M
14	Non-discrimination	We have a strict non-discrimination policy and this not only applies to employees but all our stakeholders.	H	H
15	Local Communities	We have aligned all our practices which have a direct and indirect impact on local communities to support their general wellbeing and improve their quality of life and also maintain better relations.	M	M
16	Marketing and Labeling	We maintain accurate and easily comprehensible details in our marketing communications which contributes to a wider reach.	H	M
17	Accessibility	Customer service enhancement through remote channels.	H	H
18	Customer Privacy	We are highly conscious of the privacy of our customers and maintain strict confidentiality at all times.	H	H
19	Compliance	Ensure full compliance with all applicable laws and regulations by maintaining strong governance and oversight framework	H	H



OUR STRATEGY

During the year under review, Asia Asset Finance PLC adopted a multi-pronged strategy to drive value to our wide-ranging stakeholder groups. These strategic focus areas enabled the Company to deliver growth, even amid a challenging and volatile environment. All strategies contribute towards our commitment to delivering value across people and the planet, and align with the Sustainable Development Goals (SDGs) of the UN.



INCLUSIVE POLICIES

We have in place a strict non-discriminatory policy with respect to all interactions with both internal and external stakeholders. As an organisation, we adhere to a stringent employee process that ensures we do not discriminate based on race, religion, gender, age or caste. We believe that diversity contributes towards creativity, wide-ranging insights and a broad spectrum of skills and capabilities and therefore welcome individuals from wide-ranging backgrounds, opinions and abilities to our team.

We offer ascending career pathways to our employees and enable growth via strategically developed comprehensive training programs which are conducted regularly and in a structured manner. Employees are offered the opportunity to hone their knowledge and their technical and professional skills in order to enhance their overall value proposition and achieve their goals through personal development.

OUR STRATEGY

WOMEN EMPOWERMENT AT ASIA ASSET FINANCE PLC

Female empowerment is an overarching theme that underscores the company's strategy and decision making. We primarily engage in empowering women within the workforce and across our customer base.

EMPOWERING A FEMALE WORKFORCE

At present, Asia Asset Finance PLC relies on a female workforce that comprises 42% of our staff, with two women in key leadership positions; the Head of Human Resources and the Head of Compliance, who hail from Jaffna and Galle respectively.

Our Staff is
42%
Female

22%
of our Senior Leadership is Female

EMPOWERING FEMALE CUSTOMERS

As our main product is gold loans, a significant proportion of our customer base is female. We offer an unmatched customer proposition, which was further strengthened during the year through the implementation of loyalty card program for our Gold Loan customers.

Our Customer Base Is
42%
Female

Rs. 21.2 Bn
In Loans

RESOURCE EFFICIENCIES

The company believes in the necessity of sustainability and the responsible consumption of resources and has therefore deployed a number of strategies to nurture environmentally friendly operations. A notable step in this regard was the elimination of the use of printed material within the office and the restructuring all our processes to achieve 100% paperless operations. We strictly stand against the use of leaflets and printed advertising and promotion materials.

Additionally, the company took steps to address energy concerns during the year under review. The following initiatives underpin our efforts to minimise energy consumption:

- All branches are instructed to allow the air conditioning units and the elevators to only remain functional during set times throughout of the day.
- Each branch has been provided with targets to control energy usage.
- All employees have been briefed accordingly and continue to comply with all guidelines with dedication and enthusiasm in order to achieve maximum results.
- We have also taken steps to convert all our offices to be powered by solar energy which we envision will serve to reduce our impact on the environment.

IMPROVED MARKET REACH

Asia Asset Finance PLC possesses exceptional brand strength as a subsidiary of the world's largest Gold Financing Company, Muthoot Finance. Our Gold Loan continues to hold dominance within our product base, and we have identified a significant increase in demand over the past years.

However, despite the presence of a strong foundation and a solid base of products, our brand recognition must be nurtured further in order to reach its full potential. In this regard we have heavily invested in an aggressive marketing campaign to promote our brand and our portfolio of products. The company further relaunched its Micro Mortgage product to focus on a grassroots approach to lending and has taken steps to gain increased market awareness and conduct one-on-one marketing for our FD products.

Marketing

All marketing is strictly through Social Media, Television and Radio. No printed materials

Luckewallet

A fully automated digital wallet spanning all key functionalities that support digital customer onboarding, online FD processing, loan processing, customer interaction with AAF, Gold Loan payments and top-ups, daily banking needs and utility payments and customers to perform their transactions in real-time at their convenience.

Automated Disaster Recovery

Installation of a state-of-the-art hardware platform that uses virtualisation technology to drive zero operation down-time

A fully functional automated disaster recovery and online real-time hardware infrastructure monitoring facility

Increased Cyber Security

A 24x7 operating Security Operating Center (SOC) to monitor and alert internal and external cyber threats

Annual IT audit and assurance including system and security process conducted by external auditors

Other Developments

Fully digitalised and automated receipts, e-Documents and real-time SMS notifications to customers

Customer Loyalty card for Gold Loan customers to enable customer identification and to access the digital equivalent of their documents

Introduction of information dashboards for the management to make real-time decisions

EMPOWERING WOMEN-LED BUSINESSES

MANAGEMENT DISCUSSION AND ANALYSIS

In Sri Lanka women own only 25% of SMEs. AAF has always led the way by promoting women entrepreneurs to achieve business success. By lending to women-led businesses we create business opportunities and help women achieve financial independence.

DELIVERING ROBUST PERFORMANCE LEVELS AND FINANCIAL RESILIENCE

FINANCIAL CAPITAL

Asia Asset Finance ended the year under review with a concrete operational performance, having navigated the storm with a series of forward-looking strategies. The company continues to rely on its financial capital to achieve company's overall goals and objectives, while engaging in farsighted investments to drive future growth and long-term value generation.

OUR FINANCIAL CAPITAL

Financial capital comprises the funds available to the organisation for the production of services, and is usually obtained from shareholders' equity, debt, or revenue generated from operations or investments.

The collective resources or equity that supports the business

GT The profitability and income generated by a company's operations

SIGNIFICANCE TO THE COMPANY

The stability and performance of a company operating within the financial services industry is key towards gaining the public's trust and promoting investor confidence. Prudent management, farsighted investment and good governance ensure long-term business continuity, while enabling the delivery of consistent returns.

Rs. 25,012 Mn
TOTAL ASSETS

Rs. 6,006 Mn
REVENUE GENERATED

Rs. 284 Mn
PROFIT FOR THE YEAR

Strategy	Purpose	Material issues addressed	Impacted Stakeholders
Prudent management of equity	To enable business stability, manage risks and ensure consistent returns	GRI 201: Economic Performance	Shareholders
Optimising performance	To ensure business development and improve profitability	GRI 201: Economic Performance	Customers Employees Shareholders

FINANCIAL CAPITAL

PRUDENT MANAGEMENT OF EQUITY

TOTAL ASSETS

Total assets as at 31 March 2023, stood at Rs. 25.012 billion, following a growth of 29.32% from the Rs. 19.34 billion recorded in the previous year. Consequently, the asset base grew by Rs. 5.6 billion during the period under review. A majority of the company's total assets include interest earning assets which consist of cash and cash equivalents, loans and receivables, lease rentals receivables and stock out on hire, and other financial assets, which accounted for Rs. 23.98 billion, in comparison to the previous year's figure of Rs. 18.2 billion.

CASH AND CASH EQUIVALENTS

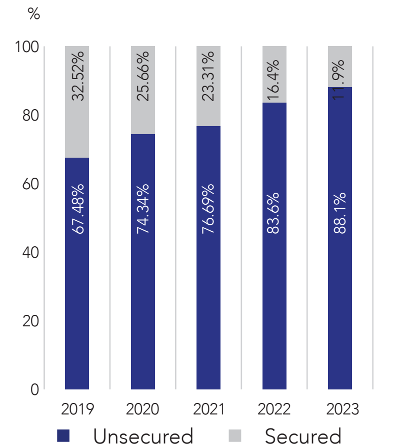
Cash and cash equivalents as at 31 March 2023 amounted to Rs. 4.51 billion compared to the Rs. 2.39 billion achieved as at 31 March 2022 and includes notes and coins, bank balances and investments. The company primarily funded monetary requirements utilising cash inflows generated from customer deposits, owing to the thriving market conditions and high interest rates that prevailed during the period in question. Furthermore, the company settled its contractual liabilities such as debentures and long-term borrowings throughout the year and particularly towards the latter part of the financial year. The company commenced borrowing at variable rates with future expectations of a gradual decrease in market interest rates that would align with the recovery of prevailing economic conditions.

LENDING PORTFOLIO

The lending portfolio refers to a collection of loans and receivables, lease rentals receivables held by the company. Maintaining a well-secured lending portfolio is essential towards mitigating the adverse impacts that may arise from a potential loss experienced in particularly volatile sectors.

The company's lending base stood at Rs. 21.2 billion as at the close of the year, displaying an increase of 22.23% over the previous year. The loans and receivables component of the lending portfolio experienced a significant growth of 28.33% during the period under review. The gold loan product continued to hold its position as the key contributor towards the growth of the loan portfolio and recorded an exceptional performance, as evidenced by its expansion of Rs. 4.8 billion in comparison to the previous year. The remarkable growth of the gold loan product played a significant role in driving the overall growth of the lending portfolio.

Secured Vs Unsecured



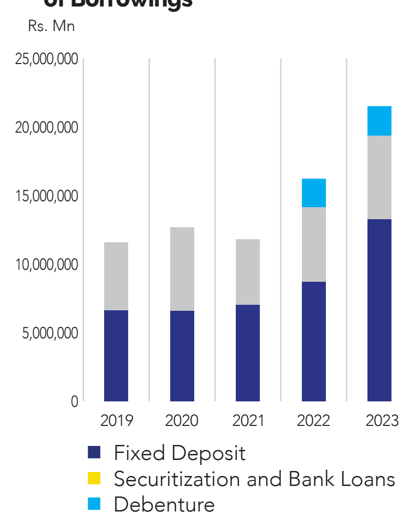
CREDIT QUALITY

The company successfully maintained a significantly lower non-performing loan (NPL) ratio compared to the overall performance of the Non-Banking Financial Institution (NBFI) sector. Consequently, in the financial year ending 31 March 2023, the company reported a gross NPL ratio of 12.79% and a net non-performing loan ratio of 5.84%. The aforementioned ratios serve as significant indicators of the company's credit quality. The relatively low gross NPL ratio showcases the company's ability to manage and mitigate credit risk, while the negative net non-performing loan ratio implies that the company has fully provided for the non-performing loans it has accumulated. These results reflect the company's robust credit management practices and highlight its strong position in maintaining far better credit quality against industry players. The overall credit quality of assets was improved despite the challenging macro-economic conditions as we enhance the accuracy of our forecasting and ensure that the company sufficiently provides for delinquent facilities. We employ an Expected Credit Loss (ECL) model that considers default risk and make provisions accordingly.

LIABILITY OVERVIEW

As at 31 March 2023, the company's liabilities amounted to Rs. 22.0 billion, representing a 32.7% increase from the Rs. 16.6 billion recorded as at 31 March 2022. The liabilities of the company consist of funds due to banks, funds due to depositors, debt instruments and other borrowed funds, and other financial liabilities. The 32.7% increase in liability was primarily driven by a 52.7% increase in funds due to depositors, which amounted to Rs. 13.3 billion compared to Rs. 8.7 billion in the previous year, in line with the growth of the lending portfolio.

Composition of Borrowings



DUE TO DEPOSITORS

The total amount of customer deposits held by the company stood at Rs. 13.27 billion, representing an increase of Rs. 4.58 billion compared to the previous financial year. The growth in customer deposits indicates a strong level of customer confidence and loyalty towards the company. The company successfully attracted new depositors while maintaining adequate levels of liquidity to support its business operations. The fixed deposit renewal ratio remained closer to 60%, and remained indicative of the company's ability to retain its existing customers and sustain their trust and satisfaction over the years.

Customer Deposit

Shareholders' equity of the company stood at Rs. 3.010 billion as at 31 March 2023, reflecting a significant increase from the previous year's figure of Rs. 2.75 billion. The rise of Rs. 255 billion in shareholders' equity is primarily attributable to the profit achieved during the year. However, this increase was partially offset by the payment of final dividends of Rs. 28.9 million for the year ended 31 March 2022. The growth in shareholders' equity signifies the company's improved financial position and the accumulation of retained earnings over the period under review.

OPTIMISING PERFORMANCE

Gross Income

The gross income of the company recorded a growth of 35.4% to reach Rs. 6.0 billion, compared to Rs. 4.43 billion recorded in the preceding period, while the company's performance for the year reached Rs. 284.31 million, compared to the indicator's performance of Rs. 119.45 million in the previous year. Other operating income recorded a marginal increase to reach

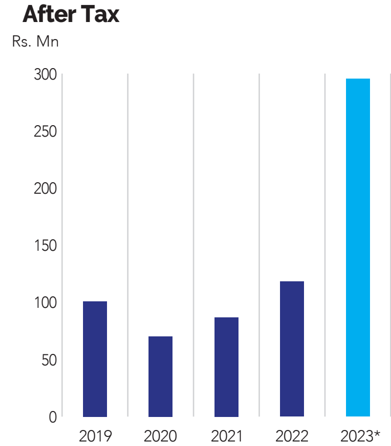
Rs. 614.6 million compared to the previous year's Rs. 606.6 million.

Gross Income

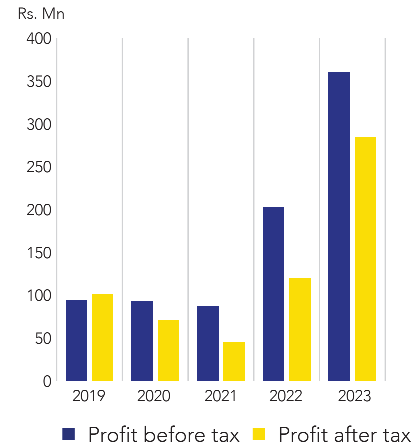
PROFIT BEFORE AND AFTER TAXES

Reflecting the growth in profit after tax, the company recorded increases in total assets and equity during the year. Consequently, Return on Assets (ROA) stood at 1.18% during the year, in comparison to the previous year's 0.61%, while Return on Equity (ROE) was recorded at 9.8 in comparison to the previous year's ratio of 4. Impairment charges and other administrative expenses exhibited a double-digit growth of 47.01%. Income tax charge was primarily due to an decrease in the deferred tax assets, consequent to the change in the income tax rate to 30% from the previous rate of 24%; a measure which came into effect from July 01, 2022. The effect of the overall reversal in deferred tax assest was more than the current tax liability and was computed at two different income tax rates, of which the rate of 24% was made applicable to the taxable income for the first half of the year, with the rate of 30% utilised for the latter half of the year.

Profit After Tax



Profitability



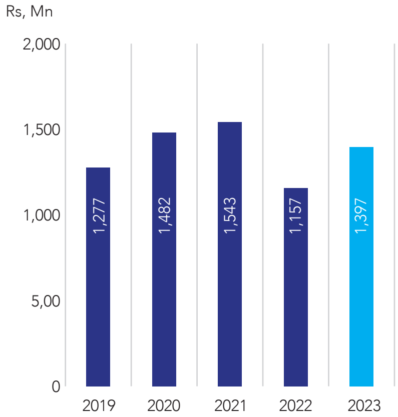
OPERATING EXPENSES

Total operating expenses for the year amounted to Rs. 1.95 billion compared to the Rs. 1.62 billion reported in the previous financial year.

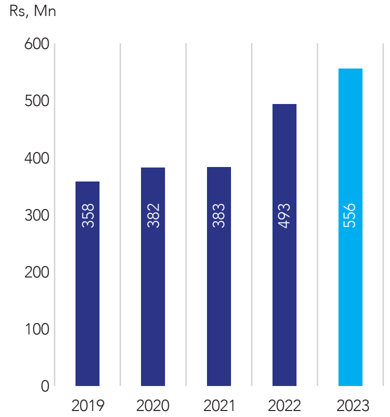
The aforementioned result was mainly attributable to the increase in personnel expenses by 19.43%, amounting to a total value Rs. 80.36 million a significant increase over the Rs. 333.3 million recorded in the previous year. The year-on-year growth in personnel expenses primarily arose from the increase in remuneration, new recruitments and the increase in other staff related expenses. In addition, other operating expenses for the year increased by 16.22% to reach Rs. 983 million from the preceding year's Rs. 823.5 million. This increase was attributable to multiple factors, i.e., the collective impact of price hikes in relation to almost all expense categories, the increase in foreign currency related payments for the maintenance of assets owing to the sharp depreciation of the Sri Lankan Rupee against the US Dollar, and two consecutive increases in VAT, which saw the figure increase from 8% to 15% during the year However, consequent to the efforts taken to contain the operating expenses despite inflationary pressures, AAF's Cost to Income ratio (excluding taxes on financial services) for the year ended 31 March 2023 improved to 32.5% from the 36.5% recorded in the previous year.

FINANCIAL CAPITAL

Movement of Operating Expenses



Impairment Charge

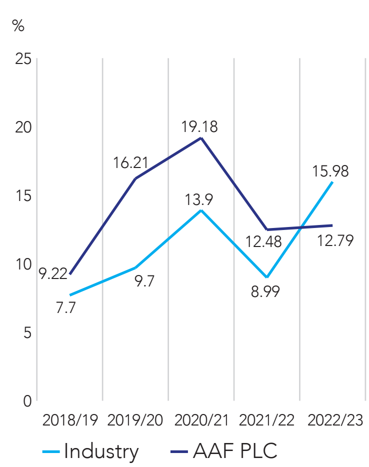


IMPAIRMENT CHARGES

Impairment charges and other losses for the year increased to Rs. 556.09 million compared to previous year's provision of Rs. 492.9 million, thereby recording the highest provision the AAF has ever made for a single year throughout its history. The impairment charge was derived individually and collectively by means of management overlays to account for potential losses.

The aforementioned factors are considered to be extremely satisfactory given the unprecedented macro-economic volatilities that prevailed throughout the year under review. Total operating income for the year recorded a significant increase of 47.01% and stood at Rs. 1.39 billion, compared to the Rs. 1.16 billion reported in 2022.

NPL



DEFINING OUR COMPETITIVE EDGE WITH OUR REACH AND TECHNOLOGY PLATFORMS

MANUFACTURED CAPITAL

Manufactured capital refers to the physical assets and infrastructure that a financial institution uses to provide its services. Our manufactured capital facilitates the provision of financial services, such as savings and fixed deposits, gold loans, micro mortgages and more. Therefore, in developing our manufactured capital, we are positioned to deliver greater convenience, security and accessibility to our customer base across the island and build a stronger market presence, which in turn supports improved returns.Additionally, as a financial services entity, we are required to offer safety and security to our customers a proposition that is supported by our physical infrastructure.

OUR MANUFACTURED CAPITAL

At Asia Asset Finance manufactured capital refers to the physical assets and infrastructure that enables us to provide our services and includes our buildings, equipment, vehicles, IT infrastructure, and other tangible resources. It comprises:

Robust IT infrastructure to promote safety and security and support technological advancements and the development and implementation of digital solutions

The continuous expansion of our branch network

SIGNIFICANCE TO THE COMPANY

Building our branch network and developing IT infrastructure serves to enhance the company's operational efficiency and overall customer experience. Furthermore, as we grow, we require specialised solutions to help streamline operations and increase the efficiency and sustainability of our existing processes.

By establishing a strong and reliable IT framework, organisations can ensure the protection of sensitive data and information, mitigate cybersecurity risks and maintain the integrity of their systems. IT further supports us in streamlining our workflows, enhancing efficiency and optimising resource utilisation. The improved accessibility, stability and reach achieved through the development of manufactured capital assist in improving top-line performance, while cost-efficiencies and productivity improve overall bottom-line performance.

Rs. 63.7 Mn
INVESTED IN BRANCH EXPANSION

16
NEW BRANCHES OPENED

Rs. 21.5 Mn
INVESTED IN DEVELOPING IT INFRASTRUCTURE

MANUFACTURED CAPITAL

Strategy	Purpose	Material issues addressed	Impacted Stakeholders
Introduction of branches to contribute to our market presence.	Helps build market reach and offers increased customer accessibility and convenience Offers employment opportunities and increased CSR investment	GRI 202: Market Presence	Customers Employees Community
Implementing advanced security protocols to our IT systems supported by a Security Operating Centre (SOC)	Increased levels of security, stability and trust	GRI 418: Customer Privacy GRI 419: Socio-economic Compliance	Customers Shareholders
Implementing a 7 layer security protocol	To safeguard the gold of our gold loan customers	GRI 419: Socio-economic Compliance	Customers
Investing in new software developments and a comprehensive MIS	To help facilitate real-time decision making and simplify the ability to analyse current performance	GRI 203: Indirect Economic Impacts	Investors Employees
Launched 'Luckewallet' and developed AI and WhatsApp chatbot assistants	Improve the customer experience and elevate brand awareness	GRI 202: Market Presence	Customers

BRANCH EXPANSION

We achieved significant growth in our branch network during the year under review. The company successfully established 16 new branches island-wide, bringing the extent of our network to 75 branches.

Our Approach: Through the establishment of these branches, we were able to generate improved employment opportunities and easier access to our services to our customers from across the island. Additionally, our Corporate Social Responsibility (CSR) projects were facilitated through our foray into these locations. Any expenses that would originally be utilised for branch opening ceremonies were instead funnelled into funding local schools in need of equipment.

IT INFRASTRUCTURE

Over the past year, our IT department has undertaken numerous initiatives to drive the complete digitalisation and automation of our operational processes. As a result, our company has gained a futuristic reputation in the market. This is largely attributable to our recognition of the crucial role that technology and infrastructure plays in supporting our operations and enhancing customer service.

Our Approach: Through the implementation of advanced security measures, our IT infrastructure instills confidence within our customer base by assuring the protection of their assets. Moreover, we offer customers the convenience of conducting all their transactions and interactions through our mobile application platform. The aforementioned mobile application enhances convenience by enabling utility payments from any location, while ensuring a seamless experience for our customers.

As part of our IT infrastructure enhancements, we have implemented a Security Operations Center (SOC) equipped with cutting-edge capabilities. The SOC enables us to monitor our firewall and related tools according to best practices, which in turn supports proactive identification and responsiveness towards potential or existing threats. This advanced capability empowers us to take prompt action in mitigating risks and maintaining the security of our systems and data.

Other improvements and movements towards a digital culture include setting in place the necessary infrastructure to support our revolutionary mobile app which has offered an unprecedented level of convenience to our customers. Accordingly, Luckewallet serves as a fully automated digital wallet spanning the key functionalities that enable digital customer onboarding, online FD processing, loan processing, and Gold Loan payments and top-ups while supporting customer interaction with Asia Asset Finance and empowering customers to carry out daily banking needs, engage in utility payments and perform their transactions in real-time at their convenience.

We have successfully implemented fully automated disaster recovery protocols, which ensures that in event of a primary system failure, our backup system can swiftly return to its online status within a few minutes. This seamless and rapid recovery mechanism has been instrumental in delivering an uninterrupted service to our customers. It serves as a valuable addition to our infrastructure and bolsters our ability to provide a reliable and continuous service to our valued stakeholders.

Internally, we have undertaken significant developments, including the implementation of an Enterprise Resource Planning (ERP) system. This software solution has played a vital role in integrating various business processes and functions into a single, unified system. With the aid of the ERP system, the company is equipped to efficiently manage and automate a wide range of organisational activities, such as payment processing, human capital management, inventory management, supply chain operations, and customer relationship management (CRM), among key functions. Audit software has been established to simplify the process of auditing record keeping and managing audit activities at any given time, thereby eliminating any inconveniences. Additionally, we have created a BI (Business Intelligence) dashboard designed to ensure that decision-makers have all the necessary data at their fingertips, thereby empowering them to make informed and efficient decisions.

As a financial service provider it is our primary responsibility to safeguard the assets of the customers who have entrusted us with their wealth. Our key focus lies in safeguarding these assets, particularly with respect to the physical gold products that constitute a majority of the financial assets we protect. Therefore we have implemented a 7 layer security protocol to ensure the safety of these assets while they remain in our possession.

OUTLOOK

As we move forward our future plans involve investing in more automation with regard to our IT solutions. We hope to integrate AI technology enhancements into our organisational processes; e.g., we are currently taking steps to utilise AI integrated methods to perform bank reconciliations in real-time to improve efficiency. Additionally, AI will be utilised during the customer onboarding process to calculate the customer credit score quickly and efficiently and thereby facilitate accurate decisions.

Our IT infrastructure is slated to undergo constant improvements in the future due to the appointment of an IT Steering Committee designed to drive the strategic decision-making process. Our IT systems and procedures are audited on an annual basis by an external third-party expert in order to ensure continued system integrity and optimised performance.

With the objective of further strengthening our brand in the market, we will continue to expand our physical locations in order to provide services to a larger geographic range. Future plans include the incorporation of sustainable infrastructure into our constructions, including the addition of solar power units to every branch within our network.

THE STRENGTH OF OUR INTELLECTUAL CAPITAL UNDERPINS OUR CAPACITY FOR INNOVATION AND RESPONSIVENESS, FOSTERING TRUST AND CONFIDENCE

INTELLECTUAL CAPITAL

As a leading Non-Bank Financial Institution (NBFI) in Sri Lanka backed by the strength of our parent company, we have become increasingly aware of the tremendous opportunities for sustainability and societal benefits in today's business environment through the development of and investment in intellectual capital.

OUR INTELLECTUAL CAPITAL

Our intellectual capital encompasses the company's intangible assets, knowledge, expertise and intellectual property. It comprises:

A strong brand backed by the reputation and strength of our parent company Muthoot Group.

The skills knowledge and experience of our employees who are the backbone

SIGNIFICANCE TO THE COMPANY

Intellectual capital plays a significant role in driving the performance of financial companies. The intangible nature of our products demands a stronger reliance on intellectual capital to enable growth, build a strong competitive advantage and thereby cement our position in the market.

Rs. 32.2 Mn

INVESTED IN DIGITISATION AND AUTOMATION

Rs. 3.3 Mn

INVESTED IN EMPLOYEE TRAINING AND DEVELOPMENT

Rs. 82.8 Mn

INVESTED IN BRAND RECOGNITION AND REPUTATION BUILDING

Strategy	Purpose	Material issues addressed	Impacted Stakeholders
Introduction of LMS system	To facilitate the training and development of our employees	GRI 404: Training and Education	Employees
Aggressive marketing strategies	To promote our products and increase brand awareness	GRI 202: Market Presence GRI 201: Economic Performance	Customers Shareholders
The launch of the Gold Customer Loyalty Program	To deliver exceptional customer service	GRI 202: Market Presence GRI 201: Economic Performance	Customers
Investment in digital processes, systems and platforms	To capture, share and apply knowledge within the organisation and deliver efficiencies across the business process	GRI 203: Indirect Economic Impacts	Customers Employees
Investing in recruitment and talent development	To attract, retain and nurture talented professionals in the financial industry and thereby offer a strong product and service proposition	GRI 401: Employment	Employees

KNOWLEDGE AND EXPERTISE

The unmatched knowledge skills, and expertise of our employees within the company enables us to make informed decisions, provide accurate and insightful financial advice and deliver high-quality services to clients. The deep understanding of financial markets, regulations and industry trends adds value by ensuring effective risk management, efficient operations and optimised investment strategies.

Our Approach: Our internally developed LMS offers specialised training and development programs which are structured to develop strategic focus areas which are invaluable towards both employee development and organisational growth. The training programs are conducted regularly and are available in a tri-lingual format, i.e., English and Sinhalese/Tamil. The organisation focuses primarily on recruiting employees at a trainee level to serve the two-pronged benefits of promoting job opportunities within the community, while promoting focused growth and development that aligns with and benefits the general strategic direction of our company. Our training programs are designed in a comprehensive and effective manner to equip new recruits to face the complexities of the financial services industry and provide the necessary support to understand and execute their responsibilities. All employees go through a comprehensive training schedule upon joining the company and shall not be eligible for confirmation/ promotion unless and until they complete the scheduled compulsory training (s).

In addition to in-house training, we provide our employees with financial support through a reimbursement scheme that enables employees to complete their higher studies. The Company reimburses the cost(s) of any qualifications obtained in job related areas which would enhance and update the knowledge of the staff in line with fast changing developments in the external environment. In addition, the Company staff regularly attend soft skills and grooming programs apart from the trainings which are provided to enhance the technical skills. Our senior management comprises of a group of highly qualified individuals, who possess BA and MBA qualifications. We therefore hope to develop our junior employees and nurture their knowledge to enable opportunities for career progression within the organisation regardless of their age.

We possess a team who possesses industry specific exposure in the financial services industry both within the Company as well as experience gained from other companies in the sector. This enhances our team's collective exposure and experience.

BRAND AND REPUTATION

Expertise, thought leadership and a track record of delivering exceptional financial services has enabled us to establish our company as a reliable and trustworthy partner. Our positive brand and reputation attracts clients, investors and other stakeholders, leading to increased market share and business opportunities.

Our Approach: Among the range of brands within our portfolio, our Gold Loan Product has continued to hold a pre-eminent position in the market. At present we are the leading NBFI in Sri Lanka with respect to Gold Loans; a testament to our commitment to excellence and the support of our parent company which serves as the largest Gold Loan provider in India. We anticipate that the implementation

INTELLECTUAL CAPITAL

of aggressive marketing and promotional strategies will promote our other products more effectively in an intensely competitive industry, while enabling us to gain increased traction and recognition within the country.

The Gold Loyalty Program was introduced during the year to further reinforce brand loyalty and customer satisfaction. Our gold customer segment is, by default, primarily female. In line with our goals towards female empowerment, this loyalty program provides additional facilities and benefits to the female clientele who have entrusted us with their assets, and further strengthens and rewards the partnership we have built with them over the years.

INVESTMENT IN DIGITAL PROCESSES, SYSTEMS AND PLATFORMS

As a progressive and innovative finance company committed to improve operation efficiency levels, we have continuously focused on improving our digital platforms. During the year, the Company launched the Luckewallet mobile app which features a wide spectrum of services. This innovative app enables our customers to open accounts, perform Gold Loan payments and enable top – up of facilities, access daily banking needs at the convenience of our customers. We also focused on strengthening our security protocols of our IT infrastructure. (More details are provided in Manufactured Capital section of the Annual Report)

Our Approach: The Company will continue to strengthen its IT infrastructure to keep pace with the aspirations of its customer base who will always look for innovative services as well as innovative services.

OUTLOOK

We will continue to place great emphasis on building our brand reputation and increasing our market share. The Company is well positioned with a wide portfolio of products and brands further supported by the strong brand equity of our parent company, which can be leveraged to a greater degree to deliver optimised performance and returns. By developing our brand, improving our communications, and harnessing the power of technology we hope to streamline our processes, which will greatly strengthen our brand awareness to enable the Company to further strengthen its position in the NBFI sector.

BUILDING A DIVERSE AND INCLUSIVE TEAM FOCUSSED ON NURTURING POTENTIAL

Human Capital

We understand that our employees are our most valuable asset and that their intrinsic capabilities drive our growth. That is why we have fostered a secure and supportive environment where they can fulfil their responsibilities while pursuing personal and professional growth. We are proud to promote an equal opportunity work environment that celebrates ethnic diversity at both our Head Office and at Branch levels. To reinforce our commitment to inclusivity, we have implemented a non-discriminatory policy that ensures no one is subjected to discrimination based on factors such as religion, colour, sexual orientation, gender identity, age, marital status, disability or any other basis in the workplace. The enduring relationships we have built with our employees over the years are a testament to our commitment in this are and we are proud to have maintained an industry-standard employee turnover rate during the review period.

OUR HUMAN CAPITAL

Our human capital constitutes a range of aspects related to individuals employed within the company. It comprises:

Health, wellbeing and welfare of the workforce

Engagement, motivation, skills and capabilities and the capacity for employee growth

SIGNIFICANCE TO THE COMPANY

Asia Asset Finance PLC recognises that the strength of a company lies in a dedicated workforce, which embodies the company's mission and goes above and beyond to achieve success. The unwavering commitment of our employees forms a powerful connection that drives our progress and creates a lasting impression on our customers.

Rs. 3.3 Mn
INVESTED IN TRAINING AND DEVELOPMENT

462
TRAINING HOURS

Rs. 413.6 Mn
INVESTED IN REMUNERATION AND REWARDS

HUMAN CAPITAL

As an organisation committed to excellence, we understand that effective HR Governance is crucial for creating a fair, transparent, and inclusive workplace. By adhering to sound governance principles, we uphold the principles of equality diversity, and respect for all individuals within our workforce. This not only enhances employee satisfaction and engagement but also promotes a positive organisational culture where everyone has the opportunity to thrive and contribute their best.

Strategy	Purpose	Material issues addressed	Impacted Stakeholders
Employee diversity and equal opportunity	To provide opportunities for equitable growth and become an employer of choice	GRI 405: Diversity and Equal Opportunity GRI 401: Employment	Employees
Remuneration and benefits	To attract the right talent and motivate employees to drive improved performance	GRI 401: Employment	Customers Shareholders
Training, development and career progression	To foster a learning culture and drive mutually beneficial growth and development	GRI 404: Training and Education	Employees Shareholders Customers
Health, welfare and wellbeing	To build a strong, healthy and motivated workforce	GRI 403: Occupational Health and Safety	Employees
Engagement and communication	To create an environment transparency, openness, innovation, collaboration and knowledge sharing	GRI 406: Non-Discrimination	Employees

EMPLOYEE DIVERSITY AND EQUAL OPPORTUNITY

Our commitment to diversity and equal opportunity extends far beyond the confines of our organisation. We actively seek to provide employment opportunities to talented rural youth from remote areas, including those hailing from disadvantaged backgrounds. By extending these opportunities, we make significant strides in promoting societal development and fostering inclusivity in regions where untapped talent often resides.

Our Approach: In our unwavering pursuit of diversity and equal opportunity, we engage our employees in an ongoing dialogue to better understand their aspirations, concerns and prospects for growth. We foster a culture of open communication where every individual's voice is not only heard but also truly valued. Our senior management is passionately involved in connecting with our junior staff members, fostering meaningful mentorship relationships and guiding them throughout their journey of career progression.

Moreover, we consistently communicate and highlight the multitude of career advancement opportunities available, enabling our employees to chart a clear and fulfilling path for their professional development both within our organisation and beyond.

TEAM COMPOSITION

As at 31st March 2023 our team comprised 481 employees all of whom were employed on permanent basis. Throughout the year, we hired 336 new employees to support our growth and operations of 75 branches. All employees work on a full-time basis, with 82.6% in permanent positions.

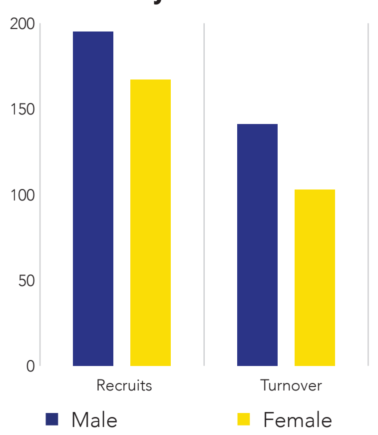
Employment Grade	Male	Female	Total
Non-executive	175	201	376
Executive	48	26	74
Junior Management	73	13	86
Middle Management	27	05	32
Key and Senior Management	18	01	19
Total	341	246	587

Age Groups	Non-Executive	Executive	Junior Management	Middle Management	Key and Senior Management
18 to 25 Years	141	9	01	00	00
26 to 35 Years	121	53	53	10	01
36 to 45 Years	9	10	25	14	15
46+ Years	3	02	07	08	03
Total	274	74	86	32	19

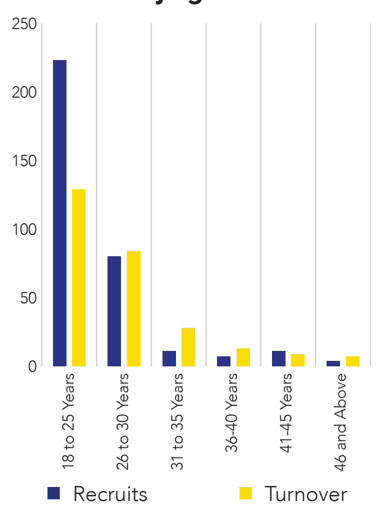
RECRUITMENT AND TURNOVER

During the economic crisis in Sri Lanka, the country faced a significant outflow of skilled manpower as talented individuals sought opportunities overseas. Efforts were made by Asia Asset to address this issue by implementing measures to retain local talent, promote investment and create a conducive environment for professional growth.

New Recruits and Turnover by Gender

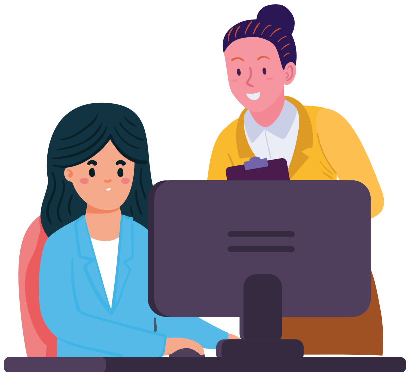


New Recruits and Turnover by Age



NEW RECRUITS AND TURNOVER BY REGION

Branch	Recruitment	Resignation
North	59	47
East	36	23
South	3	11
Western	40	32
Uva	29	09
Central	61	54
North West	39	28
Head Office	69	66
Total	336	270



EMPOWERING WOMEN

At our organisation, we have a steadfast commitment to cultivating a work environment that wholeheartedly embraces diversity and inclusivity.

We firmly believe in the significance of promoting gender equality and we have taken comprehensive measures to strengthen our policy framework, employee practices, and human resource strategy. Our ultimate objective is to foster a workplace where women can thrive in their careers while maintaining a harmonious work-life balance. We take immense pride in the fact that nearly half, a remarkable 42%, of our staff comprises women.

Female representation at Board level	00	00%
Female representation at Senior Management Level	01	5.3%
Female Branch Managers	09	12%

HUMAN CAPITAL

REMUNERATION AND BENEFITS

Our remuneration structure is designed to reward our employees for their contributions and provide them with financial stability and growth opportunities. We conduct regular market research to ensure that our compensation packages remain competitive and aligned with industry standards. By offering competitive salaries, performance-based incentives and annual bonuses, we recognise and appreciate the hard work and dedication of our employees.

Our Approach: In the year under consideration, we implemented a robust bonus program that provided employees with three bonuses distributed across each quarter.

In addition to financial rewards, we believe in providing a wide range of benefits that support the holistic well-being of our employees.

A total of Rs. 513.88 Mn was disbursed to employees in the form of remuneration and benefits.

TRAINING, DEVELOPMENT AND CAREER PROGRESSION

Nurturing the growth and proficiency of our employees is a fundamental pillar of our organisation. We understand that in order to excel in their current roles and carve a path for long-term professional development, continuous enhancement of knowledge and skills is essential. Our unwavering commitment to fostering employee growth is exemplified through a diverse range of learning and development initiatives that instil a culture of excellence within our workforce.

Our Approach: Throughout the year, we proactively implemented a series of comprehensive training programs, tailored in accordance with the unique circumstances posed by the economic crisis. These initiatives were strategically designed to bolster employee morale, fortify skill sets, and align our workforce with the dynamic demands of our business objectives.

Our training approach covered a wide spectrum of skills. Soft skills training focused on customer service, telephone etiquette, grooming, sales and marketing. Technical training provided in-depth knowledge of products like Gold Loans and Fixed Deposits, as well as functional areas such as finance, human resources and operations. We fostered an inclusive learning environment by extending these training opportunities across all employee levels, ranging from seasoned senior management to dedicated trainees. Ultimately our goal was to empower every individual within our organisation to unleash their full potential and contribute to our collective success.

Average hours of training that the organisation's employees have undertaken during the reporting period, by:

i.

Gender	Training hours per person
Female	58.5
Male	49

ii. Employee category

Category	Training hours per person
Trainees	80
Permanent Employees	54

We also have a succession planning program in place which identifies high performing employees and provides the required developmental training to groom them towards the next level of leadership and developing a well-established leadership pipeline.

Our benefits package includes

- Medical benefits
- Special Allowances
- Staff Welfare Loan
- Death Donation
- Annaul Trips and other staff gatherings
- Staff Trainings
- Fund for Higher Education are given to permanent staff (full time)
- Annual Trips and Staff Gatherings
- Staff Trainings are for all staff
- 84 working days Maternity leave and 2 hours per day feeding hours are given as per the SL Labor Law.

Soft Skills	Technical Skills
Stress Management	AML/CFT Compliance For Financial Institutions
Counselling Skill for Managers	ChatGPT Workshop
Personality Development And Corporate Etiquette	Foreign Exchange Regulations for Financial Institutions
Achieving Excellence in Branch Manager Role	Futuristic Payment and Settlement Systems
Customer Service Comprehensive Training	FD Mobilisation Training
How to be an Effective Manager	FD Training
Leadership Development Program	Gold Quality Training
Staff Grooming	GL Product Training
Integrated Risk Management	Gold Loan Orientation and Motivation Training
Artificial Intelligence	Technical Training on Gold Loan
Regulatory Framework Relation to NBF Institutes	Gold Loan Training for New Recruits
Guideline for Effective Supervisory Skills	Advance Negotiation Skill Training
Telephone Skills for Excellent Customer Service - Training	Gold Loan FD Mobilisation Training For New Branches
Principles of Financial Managers for Non-Financial Professionals	Managing Non Performing Advances And Recover Through Litigation
Training on Regular Irregularities in Gold Loan	Payroll Management
Zero Tolerance Policy	Recent Developments In Labor Laws
Code of Conduct	Operation And Preventive Maintenance Of Diesel Generators
How to Address Customers in a Professional Way	Certificate Course In Forensic Accounting
Sales and Marketing Training	Compliance & Email Policy
Managing Under Performance And Unprofitability	IT Training
Training on Employee Misconduct	Whistleblower Policy
Communication Policy	Induction
	BM On-the-Job Training
	Cashier Training
	HR Policy Training
	Cost Control for BMs & SMs
	GL Marketing for All Branches
	Insurance Training
	Basic Financial and Cashier Training for All BMs
	Training for Rectifying GL Audit Issues
	Legal Implications in Improving Working Environment
	GL Training for Non-GL Branches
	Customer Protection Framework
	Training on HR Admin IT

HUMAN CAPITAL

Soft Skills	Technical Skills
	◆ Training on Repeating Irregularities ◆ Finance Payment Digitization Training ◆ Training for Newly Opened Branches Regarding Overall Company Policy ◆ Policy Training on FD ◆ GL Training and Policy for New Recruits ◆ Training on Risk Management ◆ Training on HR Automated Process ◆ Branch Incharge Training for Newly Appointed Staff ◆ IT and Digitization Training ◆ Google Workspace Training ◆ Foreign Exchange (For-Ex) Training ◆ Compliance Training for All Staff ◆ FD Mobilisation Training ◆ Training on Enhancing Insurance Limits ◆ IT Training on Automation ◆ GL Marketing Recovery and Addressing Customer Queries ◆ GL Auction Process ◆ Risks Pertaining to GL Process ◆ Cash Operation Control and Common Audit Observations ◆ FD Marketing Processes and Customer Care ◆ Incentive Mechanism and Earning More for Branch Staff and Managers ◆ Diploma in Compliance ◆ Finance for Non-Financial Professionals ◆ IMAS Training on Gold Loan Card Allocation and HRIS Management

PERFORMANCE MANAGEMENT

Assessing the performance of employees is crucial for recognising excellence and identifying opportunities for future growth within the company. To achieve this, we conduct an annual performance evaluation based on Key Performance Indicators (KPIs). This evaluation serves as a basis for determining annual increments and promotions, providing employees with incentives to strive for higher levels of performance.

Our evaluation process combines both automated and face-to-face appraisals, ensuring a comprehensive assessment of our workforce. For senior management, we employ a 360-degree evaluation approach, leveraging a digital platform. This process involves gathering feedback from subordinates, colleagues, supervisors and self-evaluations by the employees themselves. By soliciting diverse perspectives, we gain a thorough understanding of employees' competencies and behaviours, enabling us to develop their work skills and proficiencies in the long term.

HEALTH, WELFARE AND WELLBEING

Occupational health and safety is a key priority and we are committed to maintaining high standards of health and safety within our workplace. We have a health and safety officer who is responsible for ensuring health and safety of our employees while the administration department hold the indirect responsibility for ensuring healthy working conditions. The company further focuses on the holistic well-being of the workforce throughout the year.

Our Approach: Asia Asset Finance was deeply committed to the wellbeing of our employees amidst the ongoing recovery from the impact of COVID-19 and the prevailing Sri Lankan economic crisis. We recognised the challenges posed by fuel shortages, power cuts, rising inflation, food scarcity, riots and social uncertainty and responded accordingly through a wide range of supportive measures. Their welfare and safety remained our utmost priority as we navigated through those complex circumstances.

Asia Asset Finance implemented a range of attractive measures to support our staff, including:

- Cultivating properties owned and managed by AAF to ensure a stable food supply for employees and their immediate families.
- Collecting and storing dry rations to alleviate any scarcity concerns.
- Offering flexible working hours to accommodate personal needs and promote work-life balance.
- Enabling work-from-home arrangements to ensure employee safety and productivity.
- Providing three bonuses every quarter as a rewarding incentive.
- Offering vegetables, rice and dry rations to staff during shortages at a nominal price.
- Conducting regular awareness and interactive sessions to instil hope and confidence in the staff about the country and the company's future.
- Offering growth opportunities within the company, aligned with the expansion of company activities across the country.
- Communicating clear career progression opportunities to inspire staff growth within the organisation and the country.
- Encouraging engagement between senior management and junior staff members, fostering dialogue on aspirations, grievances and opportunities.
- Extending support to staff and their immediate families through the provision of dry rations, coconuts and vegetables.
- Introducing a revised employment policy that allows spouses and immediate family members to join the AAF family, promoting a sense of unity and inclusivity.

ENGAGEMENT AND COMMUNICATION

Promoting employee engagement is vital for achieving success, as it cultivates a sense of belonging and keeps employees motivated. We encourage an open-door culture that allows employees to engage in constructive discussions with their superiors and subordinates, fostering healthy discourse and collaboration.

Our Approach: Despite the challenges imposed by the economic crisis, we implemented a range of initiatives to foster a strong sense of camaraderie among employees and their families. Some initiatives during the year are highlighted below:

Regional sports days

Regional trips

Daily lunch competition

Karaoke night

HUMAN CAPITAL

Hopper Night

Cultivation of lands through "Shramadhana"

Breast Cancer Awareness Program

Company trip

Christmas Party

Sinhala and Tamil New Year festival

GRIEVANCE HANDLING

Asia Asset Finance recognises the importance of effective grievance handling as an integral part of our commitment to creating a supportive and inclusive work environment. We understand that grievances can arise from various sources, including interpersonal conflicts, workplace policies or perceived injustices. By having a robust grievance handling system in place, we aim to address and resolve these concerns in a fair, timely and confidential manner.

GRIEVANCE HANDLING

1 - Identifying the grievance through informal meeting with related parties

2 - Formal grievance in writing

3 - Evaluate the grievance

4 - Conduct formal investigations

5 - Resolution

OUTLOOK

The company will continue to enhance and build its employee value proposition through the following strategies:

- Enhance employee development through talent management, training and career progression opportunities.
- Promote diversity and inclusion by empowering women and providing equal opportunities for individuals from disadvantaged backgrounds.
- Strengthen employee engagement and well-being through engaging activities, flexible arrangements and support during challenging times.

MAKING A POSITIVE IMPACT ON OUR PEOPLE AND SOCIETY

Social and Relationship Capital

Asia Asset holds a genuine appreciation for the immeasurable value of social and relationship capital. We cherish the authentic bonds we have cultivated with our cherished customers, esteemed businesses and the vibrant community. Our sincere commitment revolves around fostering these connections, as we have already achieved remarkable milestones. Yet, we aspire to transcend our established horizons and continue making a positive difference in the lives we touch, reaching new heights of success together.

Strategic relevance	Material issues addressed
Enhanced customer engagement through digital platforms, expanding our network from 59 branches to 75 branches. Sustained support to customers during the tumultuous economic crisis offering relief measures and assistance Generated a business of Rs. 34.2 Billion Gold Loans and Rs. 13.3 Billion Fixed Deposits through new customers, reflecting our continued growth and expansion	Market Presence Procurement Practices Local Communities Marketing and Labelling Customer Privacy Environmental and socio-economic compliance
How we created value	
Invested Rs. 60 Million in marketing communications to reinforce our brand presence and attract a larger customer base, driving further growth and success	

CUSTOMERS

Asia Asset proudly serves a substantial customer base, surpassing 54,906 Gold Loans and 5,471 Fixed Deposits individuals and small and medium-sized enterprises. This diverse clientele benefits from our comprehensive lending solutions in Gold Loans, Mortgage Loans, Fixed Deposits and other financial services. Our commitment to trust, ethics and service excellence, coupled with compliance with legal and regulatory requirements, ensures that we consistently deliver on our customer promise. By fostering long-term, mutually beneficial relationships through engagement, exceptional service and empathy, we distinguish ourselves in an industry often characterised by transactional interactions.

Additionally, we have experienced a remarkable 35% Gold Loans and 44% Fixed Deposits growth in our customer base, a testament to our dedication and customer-centric approach.

QUANTIFYING OUR CUSTOMER BASE

- **54,906** total Gold Loan customers and **5,471** Fixed Deposits customers.
- **35%** Growth in Gold Loans customer base and **44%** Fixed Deposit customer base.

BEING THERE FOR OUR CUSTOMERS DURING THE SRI LANKAN ECONOMIC CRISIS

During the challenging period of Sri Lanka's economic crisis, Asia Asset took proactive initiatives to support its customers. Recognising the impact of the crisis and the hardships faced by individuals and businesses, we implemented measures to provide relief and assistance. Through dedicated efforts, we assessed the needs of vulnerable customers and extended the necessary provisions to help them overcome financial challenges. By standing by our customers during this difficult time, Asia Asset demonstrated its commitment to their wellbeing and resilience in

SOCIAL AND RELATIONSHIP CAPITAL

navigating through the economic crisis. Some measures we took to empower our customers through such trying times included:

- Dry rations / Gift vouchers were given to staff.
- We conducted 04 community kitchen sessions in each area and in total we feed more than 1500 less fortunate people.

CUSTOMER OUTREACH

Asia Asset Finance has strategically set up a robust network of 75 branches, including its Head Office, throughout the country. This extensive branch network not only positions the company competitively but also enhances its ability to capture a larger market share and contribute to bottom-line profitability. In the past year, we rapidly expanded our branch presence by establishing numerous new branches, allowing us to cater to customers in previously untapped geographical area as well as to better serve Sri Lankans through a time of ever growing economic uncertainty.

TRANSFORMING COMMUNICATION CHANNELS AND EMPOWERING CUSTOMERS

AAF is committed to enhancing communication channels and promoting a focused range of financial products. We understand the importance of effective engagement with our customers and building strong brand recognition in the market. In line with our aspirations to be a leading finance company, we have increased our marketing budgets and diversified our channels, including social media, TV, radio and ATL/BTL marketing initiatives. By leveraging these platforms, we aim to connect with our target audience and elevate our brand presence.

UNLOCKING FINANCIAL INCLUSION THROUGH DIGITALISATION: AAF'S PATH TO A DIGITAL FUTURE

In an increasingly digitalized world, AAF envisions a future where customers embrace digital operations as a way of life. Recognising the existing gap in digital financial inclusion within the Sri Lankan society, we have embarked on a mission to improve operational efficiencies and cater to the evolving digital financial needs of our customers and stakeholders, spanning from urban centres to the remotest villages we serve.

To realize our vision of digital financial inclusion, AAF has introduced a range of innovative digital initiatives that empower our customers and enhance their financial experiences. Let's delve into some of these remarkable initiatives:

Gold Loan Mobile App: As trailblazers in the industry, we launched the industry's first fully operational Gold Loan Mobile App, aptly named 'Home Gold Loan.' This pioneering solution enables customers to request gold loans, manage the approval process, track the gold loan officer's movements and swiftly conclude transactions, all within the convenience of a mobile app. The 'Home Gold Loan' app proved indispensable during the challenging times of the Covid-19 pandemic, empowering us to provide financial assistance to over 1,500 customers across the country, despite travel restrictions. While the demand for 'Home Gold Loans' has waned with the easing of restrictions, the app remains a versatile platform facilitating various other banking, finance and redemption services.

Online Fixed Deposit (FD) Platform: To offer our customers a seamless and contactless experience, we developed an online FD platform. Through this platform, customers can conveniently fill in the Fixed Deposit Mandate using a PDF form sent via a secure link. The verification process incorporates a One Time Password (OTP), ensuring the integrity of transactions. Customers can then digitally submit their completed FD mandate and supporting documents, effect online funds transfers, and finalise their transactions without the need to physically visit our branch offices. This initiative, which commenced during the Covid-19 pandemic, has proven to be a game-changer, enabling hassle-free and secure FD transactions.

AAF Luckewallet: At the heart of our digitalisation efforts is the AAF Luckewallet, a tailored software solution accessible to both iOS and Android users. Designed to align seamlessly with our processes and workflow, this innovative app promotes increased efficiency and convenience. The AAF Luckewallet empowers customers with comprehensive control over their financial activities, including fixed deposits, gold loans, savings accounts and various other loan facilities. With its user-friendly interface and the tagline 'Access Your Wealth from Anywhere,' the app lives up to its promise, enabling customers to perform transactions, view their account details, transfer funds, and seamlessly settle regular payments such as utility bills via standing orders.

PRODUCT RESPONSIBILITY: EMPOWERING CUSTOMERS WITH INFORMED CHOICES

In the face of a competitive marketplace and socio-economic challenges, AAF stands firm in its commitment to disciplined and prudent operations. Our dedicated staff members undergo rigorous training to uphold responsibility, efficiency and adherence to contractual obligations, terms and conditions. We understand the importance of enabling our customers to make informed decisions on products and services that align with their repayment capacities.

At AAF, we prioritise customer privacy and the security of their data and information. We operate in strict compliance with all relevant legislature and regulatory requirements, ensuring that product responsibility remains at the core of our operations. By maintaining the highest standards, we aim to instil trust and confidence in our customers, empowering them to navigate the financial landscape with peace of mind.

SUPPLIERS AND BUSINESS PARTNERS

At our company, we deeply value the partnerships we have established with our suppliers, outsourcing partners and service providers. These collaborations are essential for the seamless functioning of our operations and our shared success. We sincerely appreciate the value they bring to our business and remain committed to nurturing strong and beneficial relationships with them.

In addition to prioritizing these partnerships, we have implemented a comprehensive set of policies and procedures to govern our interactions. These measures are designed to ensure fairness and a positive outcome for all parties involved. By fostering an environment of transparency, fairness and mutual benefit, we aim to create an atmosphere where trust and cooperation thrive.

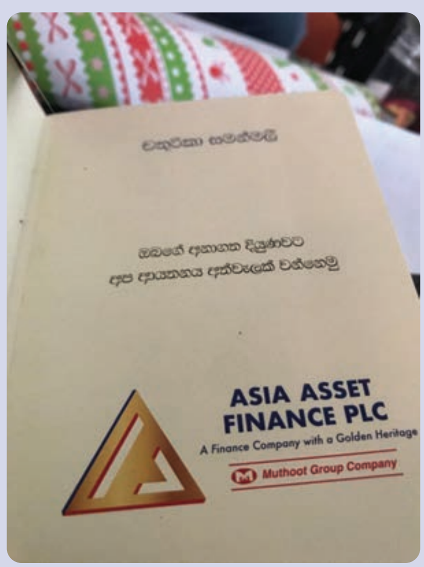
COMMUNITY ENGAGEMENT: UPLIFTING LIVES

Throughout the year, AAF has undertaken several Corporate Social Responsibility (CSR) projects aimed at uplifting the lives of those affected by the economic crisis. Our initiatives have focused on addressing the immediate needs and challenges faced by individuals and communities, offering support and empowerment during these difficult times.

CREATING MOMENTS OF JOY WITH THE FUTURE GENERATION

Location: Citrus Waskaduwa

Impact: 40 children were entertained to lunch and a day out with fun and games



SOCIAL AND RELATIONSHIP CAPITAL

SCHOOL BAGS AND DRY RATIONS TO FAMILIES ACROSS THE COUNTRY

Impact: 404 students

SPREADING THE JOY OF THE FESTIVE SEASON WITH CHILDREN

Impact: Provided lunch, Christmas gifts, and stationery for 50 kids, promoting well-being and education.

COMMUNITY KITCHEN ON SATURDAYS

Impact: served over 1500 lunch packs to our community






BLOOD DONATION CAMPAIGN

Impact: donated over 100 pints of blood




OUTLOOK

1. Building strong and healthy relationships and goodwill with our communities.
2. Social empowerment of the communities where we serve to enhance livelihoods.
3. Provide relief measures and personalised assistance to the community during difficult time periods.

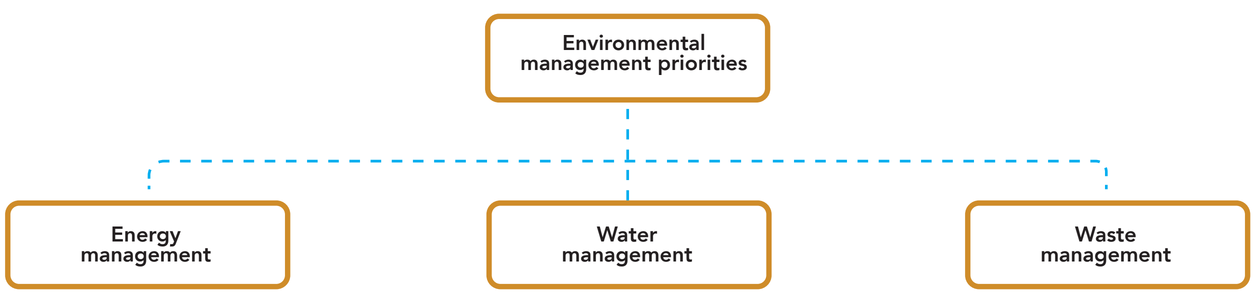
NURTURING OUR NATURAL RESOURCES

NATURAL CAPITAL

Safeguarding our natural resources is an integral aspect of the company's operational and business sustainability, which permits us to not only establish ourselves as a responsible corporate citizen but also as a contributor to ecological equilibrium. As such, we have a vested interest in minimising our negative environmental impact and creating value through natural capital.

Strategic relevance	Material issues addressed
◆ Resource efficiencies	◆ Efficient energy consumption
◆ Increased digitalisation	◆ Minimise water wastage and water conservation
HOW WE CREATED VALUE	
Adopting a completely paperless work process	
Initiating the process of converting all our branches into solar technology to eliminate our dependency on fossil fuels	
Energy saving during 2022/23- 19%	

MANAGING OUR NATURAL CAPITAL IMPACT



ENERGY MANAGEMENT

Asia Asset Finance consistently works towards achieving energy efficiency, switching to non-renewable energy sources and eliminating wastage. To this end, we've adopted a number of methods including the implementation of solar energy at our branches, using energy efficient equipment as well as committing to reduce our consumption during our day-to-day activities at each office premises by educating our employees. We are dedicated to operating in a socially and ecologically conscious manner and combine both technology and operational solutions into our day-to-day operations to reduce carbon emissions and move towards a sustainable future.

Key energy management initiatives:

- Implementation of solar energy at the prime branches and introducing energy efficient equipment to lower the maintenance cost. With the introduction of solar we aim to reduce our consumption of fossil fuels and minimise our carbon footprint.
- Educating staff regurlarly to reduce consumption during the day-to-day activities at each office premises and reduce the electricity bills.
- Setting targets across all branches to curtail energy consumption.
- Limiting operation time of air conditioners and lifts
- Reduction of the use of chemicals such as toner which are harmful to the environment.

- Carefully planning and coordinating our branch visits to eliminate unnecessary travel and reduce fuel consumption.
- Use of public transport wherever possible instead of company owned vehicles for corporate travel.

Electricity usage	2022/23	2021/22
Units (kWh)	4677	5575
Cost (Rs.)	344,295.76	246,685.95
Energy intensity (Cost/ Employees)	3,217.72	3,008.36

(Head office: 107 Employees- 2022/23 and 82 Employees- 2021/22)

WATER MANAGEMENT

Our commitment to minimising our water footprint revolves around advocating best practices on water usage. All our employees are educated on the importance of conserving water and additionally, the Company also takes prompt action in terms of repairs and maintenance, thereby minimizing wastage or leakage.

As a financial service provider our water footprint is limited to the drinking and sanitation needs of our employees. Despite our limited consumption, we have set out the Company-wide water reduction targets to reduce the day-today water consumption.

Water usage	2022/23	2021/22
Units (m3)	62	71
Cost (Rs.)	8658.46	7034.40
Water intensity (Cost/ Employees)	80.92	85.78

WASTE MANAGEMENT

Asia Asset Finance strives to reduce waste and responsibly discharge waste through resource efficiency and Recognising processes from which waste can be eliminated.

Key waste management initiatives:

- Introduction of a complete paperless work process. This is a continuous effort and through this initiative the use of paper is fully eliminated.
- Food waste to livestock feed Collected waste food given to a Piggery.
- Electronic waste collected and disposed via approved agents.

A PAPERLESS WORKPLACE

Our paperless environment facilitates an eco-system that supports collaboration between teams, simplifies communication between departments, supports informed decision making and ultimately helps to improve employee productivity and customer service.

Our processes are digitalised end-to-end and ranging from HR, finance, digital customer on-boarding, digital document scanning and automated customer due diligence, to online credit approvals, our teams have the resources and capability to carry out their duties effectively and efficiently in a paperless environment.

ENVIRONMENTAL CONSERVATION PROJECTS

At Asia Asset Finance we consider it a moral obligation to interact with the environment in a sustainable manner and strive to conserve our natural resources. Apart from our internal green initiatives we also make it a point to contribute towards the planet through various environmental sustainability campaigns. Our operations do not pose a direct threat to any natural habitats, fauna or flora. However, we are committed to raising environmental awareness of our employees through training opportunities and voluntary environmental initiatives.

- Donation of a water pump to Yala National Park to provide water for animals during the dry season.

- Tree planting projects

During the year we organised a tree planting campaign and planted over 10,000 trees at a property in Nawalapitiya. This project was carried out engaging all our head office staff in an effort to build awareness and communicate the importance of conserving our planet.

NATURAL CAPITAL

ENVIRONMENTAL COMPLIANCE

We have complied with all relevant environmental laws, certifications, standards and guidelines and there were no significant fines or monetary sanctions for non-compliance during the year.

OUTLOOK

- Continue investing in technologies and processes to further improve our performance in energy and water management and minimising waste.
- Strengthen our focus on renewable energy sources.
- Continue our efforts towards biodiversity conservation and ensure compliance with all relevant laws and regulations.
- Contributing to our natural environment to ensure sustainability through refucing, reducing, recycling (RRR).

TRAILBLAZER IN WOMEN'S CRICKET

STEWARDSHIP

Asia Asset Finance PLC has always promoted cricket. As a company in the forefront of empowering women, AAF has chosen Chamari Athapaththu as the corporate brand ambassador. She is the current captain of the women's Twenty 20 International team of Sri Lanka.

An inspiring role model of women's cricket she was named as Sri Lanka 2016-17 Woman Cricketer of the Year and is the first Sri Lankan woman to play franchise cricket.

Subsequent to her exemplary performance against the New Zealand cricket team, Chamari became ranked 1 in women's ODI rankings.

BOARD OF DIRECTORS

K. R. BIJIMON
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

R. A. B. BASNAYAKE
SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

K. G. K. PILLAI
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

G. M. ALEXANDER
NON-INDEPENDENT
NON-EXECUTIVE DIRECTOR

V. A. PRASANTH
CHAIRMAN/ INDEPENDENT
NON-EXECUTIVE DIRECTOR

R. J. A. GUNAWARDENA
CHIEF EXECUTIVE OFFICER

J. P. D. R. JAYASEKARA
INDEPENDENT
NON-EXECUTIVE DIRECTOR

V. A. PRASANTH

Chairman/ Independent Non-Executive Director (Appointed w.e.f. 2nd June 2020)

V.A Prasanth, M.B.M; C.A.I.I.B; CRISC is a commercial banker with over 37 years of all-round exposure in Retail & Corporate banking, Treasury Operations and Information Security. Formerly he worked with the Indian Bank as General Manager and Chief Information Officer. During this time, he was in-charge of Information Technology and Digital Banking. V.A Prasanth also served as the Chief Financial Officer at Indian Bank, and also headed two prominent zones of the Bank as Zonal Manger. He has over two decades of experience in Financial Markets – Headed the Forex Dealing Room at Mumbai during 1994 - 1998, the Head of Singapore Treasury during 2001-2005, Head of Treasury Back Office during 2009-2011, and also the Administrator of Wealth Management Services for Indian Bank (WMS) between 2009 and 2011. V.A Prasanth is at present associated with the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad, as Senior Domain Expert (SDE) and is also empaneled as Subject Matter Expert (SME) with Indian Institute of Banking & Finance (IIBF), Mumbai. He was appointed as the Chairman of Asia Asset Finance in June 2020.

R. J. A. GUNAWARDENA

Chief Executive Officer

Mr. Rajiv Gunawardena is the Chief Executive Officer / Director of Asia Asset Finance PLC. He was appointed to the Board in December 2009.He is responsible for setting and implementing the organisation's vision and strategy and for the management of the entire organisation's operations. He has a Bachelor of Science degree in Business and Information Systems from the United Kingdom and has completed his Masters of Professional Accounting at Monash University Australia. Prior to joining Asia Asset Finance, he has worked in the capacity of Senior Investment Analyst at Asia Capital PLC. He was a lecturer in Accounting at the Australian College of Business and Technology.

R. A. B. BASNAYAKE

Senior Independent Non-Executive Director

Mr. Rajitha Basnayake is an Independent Management and ICT Consultant with 35+ years of extensive experience in ICT and Business Management providing leadership to mission critical ICT and Business Process Transformation projects enabling business strategies of a wide variety of industry sectors predominantly encompassing Financial services, Digital Entertainment, FMCG/ consumer durables, Retailing / Distribution and Food & Beverage manufacturing /Distribution, Hospitality and Information Technology solution delivery.

He brings extensive experience in Business Consultancy services as Director Advisory Services of Ernst & Young Sri Lanka providing Business Advisory and ICT Advisory solutions for mission critical private and public sector projects in Sri Lanka and overseas. He was a project Director for key strategy, Effectiveness/ adequacy assessments, Process Improvement and Core Business Systems implementation/ review initiatives of stock exchange, leading Sri Lankan corporates covering Manufacturing, Retailing / Distribution, Automotive, Banking Public/ Private sector, Insurance and Overseas projects involving the African Continent, Maldives and UAE. He has played a pivotal subject matter expert role in Strategy, Process transformation projects involving ADB,UNIDO,ICTA, e- Government Initiatives in Transportation, Judicial System and Education in Sri Lanka. His EY experience spans across IT, Business Advisory and Auditing working /managing teams with EY Australia, EY India and EY Malaysia. He was also a trainer for EY Tools and Frameworks.

He currently serves on the Board of Asia Asset Finance PLC as Senior Independent Non-Executive Director and also as Chairman of Evoke International Ltd, leader in Digital Entertainment industry Sri Lanka. Furthermore he currently functions as Senior Management Consultant at Latex Green (Pvt) Ltd, the regional leader in the Natural Latex Foam industry.

During his career he has spearheaded ICT operations of Asia Capital Group a highly diversified conglomerate into capital markets, non-banking finance, insurance, digital entertainment, tea packaging, leisure, technology as Group Chief Information Officer and held key Senior Management positions in ICT at The Lion Brewery Ceylon Ltd. as Head of Information Technology and Richard Pieris Distributors Ltd. as Manager Information Systems. He counts over 20 years experience as a key member of the strategic leadership teams of these companies and Ernst & Young. He was also a visiting lecturer for the MSc in Information Technology study program conducted by Informatics Institute of Technology in collaboration with Keele University UK. Rajitha holds a Master Degree with Distinction from Keele University UK, Executive Diploma in Business Administration with Distinction from University of Colombo and British and Australian Professional IT qualifications.

K. G. K. PILLAI

Non-Independent Non-Executive Director

Kiran G at present functions as the Head of the Internal Audit & Inspection Department of Muthoot Finance Limited. He graduated from the Kerala University with a Bachelor of Science Degree in Mathematics. He is also a Chartered Accountant from the Institute of Chartered Accountants, India. He currently functions as the Head of the Internal Audit and Inspection Department, which employs a team of 1000 auditors. He possesses over 19 years of specialist experience in auditing with expertise in operational, financial and regulatory compliance. He has a proven track record and experience in strategic reporting on internal control to the Audit Committee, including providing expertise and advice on risk management techniques. Further, he has experience in coordinating work with risk, legal, surveillance and vigilance departments. He provides his expertise to act as a resource person for other departments in their design, implementation and monitoring of activities across the organisation.

BOARD OF DIRECTORS

J. P. D. R. JAYASEKARA

Independent Non-Executive Director

Mr Danasiri Rupakumara Jayasekera holds a BA (Special) Degree in Economics with a second class upper division. He possesses over 33 years of progressive experience in taxation, ICT banking and finance. He assumed office as an Assessor to the Department of Inland Revenue in 1984 and was promoted to the position of Senior Assessor in 1994. In the year 2005, he was promoted as Deputy Commissioner, thereafter he was promoted as Commissioner and also to Senior Commissioner. Since 2015 July, he has performed duties as Senior Additional Project Director of Revenue Administration Management Information System (RAMIS) which is an IT project in order to automate the entire IRD Taxes. At the time of retirement he performed duties as Deputy Commissioner General (Information Technology) of the Department. Mr Jayasekera during tenure of his office, underwent training and participated in several overseas taxation programs including Workshop on Tax Modeling in Austria in 2001, training program on Advancing Management Potential held in United Kingdom in 2003, specialised training program on Audit Management in India in 2007, program on Post due diligence relating to the customs expansion modernization held in Angola in 2012.

He has also received valued exposure in double taxation treaty negotiations signed with Seychelles and Saudi Arabia. He has participated in strategic level forums as a delegate to conferences such as 'OECD Global Forum on VAT' held in France in 2012 and the 'Fourth IMF – Japan High Level Tax Conference for Asian Countries' in Tokyo , Japan in 2013, Ministerial workshop on Blue Economy and Maritime Silk Road in China.

He was a member of the team related to negotiation of the proposed Trade agreement with China in 2014. He was one of the members of Evaluation Committee in preparation of Due Diligence Reports in respect of RAMIS project who visited countries such as Singapore and Angola. Mr. Jayasekera hold a membership of APFA (Association of Public Finance Accountants of Sri Lanka) and also an active member of China Sri Lanka Society. He is also a social worker holding positions and memberships in several societies and associations.

K.R. BIJIMON

Non-Independent Non Executive Director

Mr. K R BIJIMON is a Fellow Member of the Institute of Chartered Accountants of India, New Delhi, Associate of Indian Institute of Banking and Finance Mumbai and Fellow Member of Certified Management Accountants, Institute of Srilanka. He holds a LLB degree from the MG University and an MBA from the Cochin University,

He has over 27 years of experience in the field of financial services and is employed in the Muthoot Finance Limited since inception. As Executive Director & COO of the Company he oversees credit, operations of zonal offices, internal audit, marketing, Information technology, recovery and legal and vigilance departments of the Company.

He is the Chief Operating Officer for global operations of Muthoot Group (USA, UAE, UK, Nepal & Sri Lanka). He has been the driving force in Muthoot Group expanding its operations to USA, UK, Nepal and Sri Lanka.

Shri. K.R. Bijimon is Director in Muthoot Group Companies viz. Muthoot Home Fin (India) Ltd., Muthoot Securities Ltd., Muthoot Commodities Ltd., Muthoot Forex Ltd., Muthoot Finserv USA INC. Asia Asset Finance PLC Sri Lanka and Belstar Microfinance Ltd, Chennai.

He is also a member of the Board of Governors of Muthoot Institute of Technology and Science (MITS).

GEORGE ALEXANDER

Non-Independent Non Executive Director

Mr. George Alexander has completed his Master's in Business Administration from the University of North Carolina – Kenan & Flagler Business School and holds a bachelor's degree in Mechanical Engineering from the University of Kerala - TKM College of Engineering. He is currently working in his family business as the Deputy Managing Director of Muthoot Finance and takes care of operations across the states of Karnataka, Goa and Telangana in India. He has the additional responsibility of heading the global operations of The Muthoot Group in the U.S.A as well. Alongside this, he also serves on the board of three other group companies (Asia Asset Finance, Muthoot Insurance Brokers and Belstar Finance & Investments).

Muthoot Finance is an Gold Loan NBFC (Non-Banking Finance Company) and is the flagship company of The Muthoot Group. It was listed in 2011 and is traded in BSE & NSE. It is currently the largest gold loan company in the country. Apart from Muthoot Finance, The Muthoot group has 16 other divisions, such as hospitality, health care, equity & commodity trading, insurance broking etc. The group is four generations old and George represents the fourth generation. Prior to joining his family business, he had worked for ING & Kotak Mahindra Bank in India.

Aside from work, George has served as the chair for the Confederation of Indian Industries – Young Indians Bangalore Chapter in 2015. He was one among 10 Indians chosen to represent India for AIYD (Australia India Youth Dialogue) at Sydney and Melbourne in 2013 & 2022.He was the finance chair for the Entrepreneur's Organisation Bangalore from 2016-2018. He is at present serving on the Board of advisors at University of North Carolina's – Kenan-Flagler Business School and on the board of XIME Business school Bangalore .

SENIOR MANAGEMENT


RAJIV GUNAWARDENA
Chief Executive Officer


ROSHAN DE SILVA GUNASEKERA
Chief Operating Officer


M THIRUNEELAKANDAN
General Manager


GEETHIKA ELWALAGE
Deputy General Manager - Finance


JAYANTHA WEERAPULLIGE
Deputy General Manager - Marketing


INDITHA JAYATHILAKA
Deputy General Manager - Information Technology


SAMIRA WEVELDENIYA
Assistant General Manager - Fixed Deposit


SAJITH ATAPATTU
Assistant General Manager - Risk


PRAVEEN PEIRIS
Assistant General Manager - Treasury

SENIOR MANAGEMENT

THARANGA WIJESENA

Chief Manager - Operations & Recovery

SUMINDA HETTIGE

Senior Regional Manager - North Western Region

PRIYANTHA WIJESINGHE

Senior Regional Manager - Western and Southern Region

SUREN SUBRAMANIAM

Regional Manager - Central & Uva Region

K. B. ANEESH

Regional Manager - Eastern Region

RAJAPIRABU SIVAGEETHAN

Regional Manager - Northern Region

KASUN FERNANDO

Regional Manager

PRAMOD HINIDUMA

Senior Manager - Internal Audit

JOJI JOSEPH

Senior Manager - Gold loan Audit

RAVI PANAWALA

Senior Manager Administration

S LUXMAN

Senior Manager Branch Supervision

RADHIKA DILRUKSHI

Head of Compliance

MANOJ GAMAGE

Chief Information Security Officer (CISO)

SARANJA RATNASINGAM

Head of Human Resource

SHIRANTHI GUNAWARDENA

Consultant - Legal

SENIOR MANAGEMENT

RAJIV GUNAWARDENA

Chief Executive Officer

Mr. Rajiv Gunawardena is the Chief Executive Officer / Director of Asia Asset Finance PLC. He was appointed to the Board in December 2009. He is responsible for setting and implementing the organisation's vision and strategy and for the management of the entire organisation's operations. He has a Bachelor of Science in Business and Information Systems from the United Kingdom and has completed his Masters of Professional Accounting at Monash University Australia. Prior to joining Asia Asset Finance, he has worked in the capacity of Senior Investment Analyst at Asia Capital PLC. He was a lecturer in Accounting at the Australian College of Business and Technology.

ROSHAN DE SILVA GUNASEKERA

Chief Operating Officer

Mr. Gunasekera joined Asia Asset Finance PLC in April 2010. Mr. Gunasekera pocesses more than 28 years of post-qualifying experience in the Finance Sector having commenced his career as a Credit Officer at Commercial Leasing Company Limited in 1994. Mr. Gunasekera is a graduate from the University of Sri Jayewardenepura and holds an MBA from the University of Colombo. He has part qualifications from the Chartered Institute of Management Accountants (CIMA) UK. Mr. Gunasekera is a member of the Association for Overseas Technical Senior Management Scholarship (AOTS) - Japan and is a visiting lecturer in Financial Services Marketing at the University of Colombo - Sri Lanka. Mr Gunasekera is currently reading for the Doctor of Business Administration at the University of Colombo.

THIRUNEELAKANDAN

General Manager

Mr. Thiruneelakandan, General Manager, joined AAF PLC in the year 2003 and is a professional banker with more than four decades of experience in Developing Banking including Project Financing, Credit Management, Foreign Exchange Management, Business and Financial transformation and diversification.His ability to convince others with his persuasive consultancy skills and pleasing personality, led him to build up a massive high end corporate and individual clientele with over 2000 clients at AAF PLC.He plays a leading role in providing leadership to young professionals who join the Company lacking the banking experience and managing credit and lending.He loves to build high performing teams which will lead to develop a variety of programs at AAF for highly potential staff. He believes in authentic leadership and is deeply passionate and committed to do well by doing good and has led to develop programs at AAF for high potential talent.

GEETHIKA ELWALAGE

Deputy General Manager - Finance

Geethika Elwalage has varied exposure of over 15 years in the financial services sector. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She has additional experience of three years in the audit sector having worked at BDO Partners. Further, she holds a Master Degree in Business Administration from the University of Sri Jayewardenepura.

JAYANTHA WEERAPULLIGE

Deputy General Manager - Marketing

Mr. Jayantha Weerapullige joined Asia Asset Finance PLC in 2008. Currently he serves as the DGM – Marketing and he served as Senior Manager Lending for 3 years prior to being promoted as AGM and in 2022 he was promoted to DGM position. Mr. Jayantha Weerappulige holds a B.Com (Special) degree in Business Administration and an MBA from the University Colombo. He counts over 21 years of working experience in Marketing, Credit, Operations, Accounts of which 16 years were spent in the Finance sector and he also has the experience in the banking sector in his previous employment with Peoples Merchant Bank during the period from 2003 to 2008. He holds more than 13 years of experience in the top management of Asia Asset Finance PLC. He is responsible for overlooking branch networks as well as overall operations of the branches which comprises Marketing, Credit, Administrations & Recoveries. He is further responsible for product & business development, strategic planning & implementation.

INDITHA JAYATHILAKA

Deputy General Manager - Information Technology

Mr. Inditha Jayathilaka is the mastermind solution provider for all IT related tasks at Asia Asset Finance PLC. He has more than 12 years of experience in banking and finance solution development and implementation. He received his BSc in MIS from the University College of Dublin. Over the course of his career, he gained experience from various sectors, ultimately specialising in the financial sector by providing mission critical software and infrastructure solutions. At present, he oversees the Information Technology department by providing IT related infrastructure, software and security service.

SAMIRA WEVELDENIYA

Assistant General Manager- Fixed Deposit

Mr. Samira Weveldeniya joined AAF in June 2006 as the Negombo Branch Manager and was appointed to the post of Regional Manager - Fixed Deposit in 2009 followed by a subsequent appointment as the Senior Manager - Fixed Deposits in 2011. He was promoted as Assistant General Manager - Marketing in 2014. He has over 21 years of experience in Deposit Marketing in the Finance Sector and is currently working in the capacity of AGM-Fixed Deposits and contributes to the fund mobilisation and branch development of the company. Prior to joining AAF, Mr. Weveldeniya worked at the Ceylinco Development Bank where he was awarded many times for his achievements in marketing. Mr. Weveldeniya holds an MBA from the Buckinghamshire New University in UK and was conferred the Postgraduate professional status of Certified Professional Marketer- Asia (CPM - Asia) by The Asia Marketing Federation (AMF). He is also an Associate Member of The Certified Management Accountants - Australia (AMA-Australia). Apart from that he is also a Certified Member.

SAJITH ATAPATTU

Assistant General Manager - Risk

Mr. Sajith Atapattu joined Asia Asset Finance PLC in 2010 and currently holds the position of Assistant General Manager - Risk. Throughout this extensive period of 13 years, Mr Atapattu has taken various roles and assumed increasing responsibilities, from Credit and Recovery to Operations, Administration and Risk, where he has amassed a wealth of experience in key areas of the organisation. He has gained comprehensive understanding of the interplay between different departments and the importance of aligning their efforts to achieve overarching organisational goals. Mr Sajith Atapattu began his career at London Mutual Credit Union (UK), an organisation dedicated to promoting financial inclusion. During his tenure at LMCU, he has gained valuable insights into the intricacies of the financial sector and developed a deep understanding of the importance of providing accessible financial services to all individuals. He holds a Bachelor's degree from the University of Keele - UK.

PRAVEEN PEIRIS

Assistant General Manager - Treasury

Mr. Praveen Peiris joined Asia Asset Finance PLC in 2014 and has over 19 years of Financial and Treasury experience. He started his career at a Global Audit Firm in 2004 and joined the Non-Banking Financial Sector in 2008. Prior to joining Asia Asset Finance PLC, he worked as Manager – Treasury in a listed finance company. He has expertise in Treasury Management including Strategic Risk Management, Asset – Liability Management and Cash Management. He is Competent in Operational Management and has the capacity of handling financing of high-value projects. Mr. Peiris holds an MBA from the University of Wales, U.K and is a Finalist at the Chartered Institute of Management Accountants, U.K

THARANGA WIJESENA

Chief Manager - Operations & Recovery

Having joined Asia Asset Finance PLC in 2012 as an Assistant Branch Manager, Mr. Tharanga Wijesena has climbed his way to the top management within a short span of time owing to his technical expertise and practical experience in the industry. He holds overall responsibility for the recovery of the Non Gold Loan portfolio and legal operation of the head office. He completed his bachelor's studies in management specialist in business administration by obtaining a reputed BSc. Business Administration (Special) Degree from the University of Sri Jayewardenepura. Subsequently, he continued his postgraduate studies in business administration specialised in finance and obtained an MBA (Finance) from the University of Colombo. His education background in management specialised in business administration and finance has enabled him to introduce customer focused management into day-today management of the operations.

SUMINDA HETTIGE

Senior Regional Manager - North Western Region

Mr. Suminda Hettige graduated from the University of Sri Jayewardenepura in 2006 with a Bachelor of Science (Specialised in State Management and Valuation). He is currently reading for his MBA at the University of Ruhuna, of Sri Lanka. Mr. Hettige joined AAF in January 2011 as a branch manager, and he was promoted as senior Branch Manager in 2015 and as a Regional Manager in 2021. Currently, Mr. Hettige serves as a Senior Regional Manager - North Western Region of the company. He commenced his career in 2006 at Sampath Leasing and Factoring (currently known as Siyapatha Finance PLC). He was also with Orient Finance in 2008 as a Branch Manager. He holds over 15 years' experience in the Finance Sector.

PRIYANTHA WIJESINGHE

Senior Regional Manager - Western and Southern Region

Mr. Priyantha Wijesinghe joined AAF in October 2010 as a Branch Manager and was promoted as Senior Branch Manager in 2016. Currently Mr. Wijesinghe serves as a Regional Manager of the Company. He holds over 17 years experience in the finance sector. He commenced his career in 1999 as a cashier at People's Bank before entering the University. Prior to joining Asia Asset Finance PLC Mr. Wijesinghe worked at Sampath Leasing & Factoring Ltd. At the time of leaving Sampath Leasing Limited Mr. Wijesinghe was the Assistant Branch Manager Kurunegala & Project Manager Micro Finance. He was instrumental in introducing Two Wheel Tractors to the product portfolio of Sampath Leasing and Factoring Ltd in 2007. Mr. Wijesinghe also worked at SEEDS (GTE) Ltd as a Project Marketing Manager – EM Technology and Senior Training Officer of North Central Region till March 2005. Mr. Wijesinghe holds a B.Sc. (Special) Degree in Agriculture (Specialised in Agricultural Extension). He also holds part qualification at The Chartered Institute of Marketing (CIM UK). He is currently reading for his MBA at the Wayamba University of Sri Lanka.

SUREN SUBRAMANIAM

Regional Manager - Central & Uva Region

Suren Subramaniam became a member of Asia Asset Finance in 2008, initially as an Executive. Throughout his tenure, he has served in multiple roles within the organisation, managing Fixed Deposits, Loans and Leasing products. With over 18 years of experience in the financial sector, Mr. Subramanium currently holds the position of Regional Manager for Gold Loans, overseeing 21 branches in the Uva and Central Provinces.

SENIOR MANAGEMENT

K. B. ANEESH

Regional Manager - Eastern Region

Mr. K.B. Aneesh joined AAF in the year 2019. In the year 2020, he was promoted as Regional Manager - Northern region and currently overlooking Eastern Region. He started his career in the year 2006 as a Cooperative Executive in Gold Loan at HDFC Bank, India. Thereafter joined Muthoot Finance in the year 2008 as a Junior Audit Executive. In the year 2014, promoted as Regional Audit Manager of muthoot Finance and was subsequently seconded to Asia Asset Finance in 2019. Aneesh – posess overall 19 years experience in the Gold Loan industry and also holds a postgraduate degree in Commerce from the Mahatma Gandhi University.

RAJAPIRABU SIVAGEETHAN

Regional Manager - Northern Region

Mr. Rajapirabu Sivageethan graduated from the University of Wolverhampton (UK) with a Bachelor of Arts (Hons) in Business Management and He has the Professional Qualification of "Master Project Manager" by the power vested in the Board of Standards of the AAPM. Mr Rajapirabu Sivageethan joined AAF in December 2018 as a Branch Manager. Currently Mr Sivageethan serves as a Regional Manager of the company. He commenced his career in 2010 at Bartleet Finance (currently known as Orient Finance PLC.) as a Marketing Executive. He joined Alliance Finance in 2013 as a Branch Manager. He holds over 13 years of experience in the Financial Sector.

KASUN FERNANDO

Regional Manager – Eastern Region

Mr. Kasun Fernando joined Asia Asset Finance PLC in the year of 2007 'Marketing Executive'. Prior to joining AAF, he started his career as a Marketing Officer at Seylan Merchant Bank in the year of 2000 and is currently known to have 22 years of experience in Fixed Deposits mobilisation in the industry. He had also worked as Branch Manager in Wennappuwa from the year of 2010 to 2020 and then he worked as Senior Manager of Fixed Deposits, overlooking Northern, Western, Central and Uva province branches. Currently he is working in the capacity of Regional Manager - Eastern Region.

PRAMOD HINIDUMA

Senior Manager - Internal Audit

Mr. Pramod Hiniduma is responsible for overlooking the Branch Operation Audit, Department & Offsite Audit function in AAF. Mr.Pramod holds a Bachelor of Business Administration (Special) degree in University of Colombo in 2014. He is an Associate Member of SLIM & Certified Business Accountant of CA Sri Lanka. He counts over seven years of experience in the Finance Sector as an Internal Auditor and more than three years of experience in External Auditing. He started his career as an Audit trainee at Ernst and Young. He is currently pursuing an MBA in Finance in University of Colombo.

JOJI JOSEPH

Senior Manager -Gold Loan Audit

Mr. Joji Joseph has obtained his Master's degree in Commerce from the Calicut University Kerala India. He was the Regional Audit Manager of Muthoot Finance (India's Largest Gold Loan Company) Thanjavur region having 80 branch network from 2017 to 2019 and he also held the position of Mobile Audit incharge of Chennai regions. He joined Muthoot Group, in 2008. He has 12 years experience in Auditing at Muthoot Finance.

RAVI PANAWALA

Senior Manager Administration

Mr. Ravi Panawala joined Asia Asset Finance in 2007 and his career spans over 16 years of experience in the fields of Administration and procurement. His experience in the company enables him to provide the best of the administration operation to the organisation.

SIVARAJAH LUXMAN

Senior Manager Branch Supervision

Sivarajah Luxman joined Asia Asset Finance PLC in August 2010 as a marketing officer at the Jaffna branch and was appointed as a Branch In Charge for Kilinochchi in 2012. He progressively rose up the career ladder up to Senior Manager Branch Supervision. He counts over 11 years of experience at Asia Asset finance PLC. He also followed a BSc degree at the University of Jaffna.

RADHIKA DILRUKSHI

Head of Compliance

Mrs. Radhika Dilrukshi joined Asia Asset Finance PLC in 2023 and she was enrolled as an Attorney –at – Law in 2020. She holds an LLB degree from the University of Colombo and an LLM degree from University of West of England. Before joining the Asia Asset Finance PLC she worked as a practicing Lawyer. She is a member of the Bar Association of Sri Lanka.

MANOJ GAMAGE

Chief Information Security Officer(CISO)

Mr. Manoj Gamage is the Chief Information Security Officer (CISO) of Asia Asset Finance PLC and he is responsible for the overall security of the organisation's information systems. He joined AAF in January 2015 and has over 10 years of Information and Technology experience.He commenced his career at a Software Company in 2013 as a IT Support Executive. He holds a Master of Business Administration (MBA) degree from the Malaysia University and is a Professional Member (MBCS) of the British Computer Society UK and a Passed Finalist of The Chartered Institute of IT UK.He is also a member of Information Systems Audit and Control Association (ISACA).

SARANJA RATNASINGAM

Head of Human Resource

Ms. Saranja Ratnasingam joined Asia Asset Finance PLC in 2021 as Executive HR and subsequently promoted as the Assistant Manager HR. She holds a Bachelor's degree in Business Management from the Uva Wellassa University and obtained Chartered Qualification in Human Resource Management from the Chartered Institute of Personnel Management.

SHIRANTHI GUNAWARDENA

Consultant - Legal

Mrs. Shiranthi Gunawardena was enrolled as an Attorney-at-Law in 1975. She served as a Law Officer at the People's Bank up to the year 1986 and thereafter joined Mercantile Credit Limited as the Deputy General Manager - Legal. In the year 1992, a Partnership was formed under the name Gunawardena and Ranasinghe Associates, wherein she is the senior partner and presently she is practicing under the name and style of Shiranthi Gunawardena Associates. Mrs. Gunawardena is also the Legal Consultant to the Finance House Association where all registered Finance Companies are members.

CORPORATE GOVERNANCE

NOTE: The below mentioned numbering is used to coincide with the "section 1" of the Finance Business Act (Corporate Governance) Direction, No. 05 of 2021 issued by the Central Bank of Sri Lanka.

1.	Board's Overall Responsibilities		Findings
1.2	**Business Strategy and Governance Framework**		
	a.	Check the Board's approval of the overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.	**Complied**
	b.	Check that the board approval of governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.	**Complied**
	c.	Check that the Board has assessing the effectiveness of its governance framework periodically.	**Complied**
	d.	Check that the appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.	**Complied**
1.3	**Corporate Culture and Values**		
	a	Check that the FC ensures that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.	**Complied**
	b.	Check that the FC playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	**Complied**
	c.	Check that the FC promoting sustainable finance through appropriate environment, social and governance considerations in the FC's business strategies.	**Complied**
	d.	Check that the Board approving the policy of communication with all stakeholders including depositors, shareholders, borrowers and other creditors in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.	**Complied**
1.4	**Risk Appetite, Risk Management and Internal Controls**		
	a.	Check that establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.	**Complied**
	b.	Check that the ensuring the implementation of appropriate system and controls to identify, mitigate and manage risks prudently.	**Complied**
	C.	Check that the adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.	**Complied**
	d.	Check that the 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**
1.5	**Board Commitment and Competency**		
	a.	Check that all members of the board shall devote sufficient time on dealing with the matters relating to affairs of the FC.	**Complied**
	b.	Check that all members of the board shall possess necessary qualifications, adequate skills, knowledge and experience.	**Complied**
	c.	Check that the board shall regularly review and agree the training and development needs of all the members.	**Complied**
	d.	Check that 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**
	e.	Check that the board shall resolve to obtain external independent professional advice to the board to discharge duties to the FC.	**Complied**

1.6	**Oversight of Senior Management**		
	a.	Check that 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**
	b.	Check that defining the areas of authority and key responsibilities for the senior management.	**Complied**
	c.	Check that ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.	**Complied**
	d.	Check that ensuring there is an appropriate oversight of the affairs of the FC by senior management.	**Complied**
	e.	Check that ensuring the FC has an appropriate succession plan for senior management.	**Complied**
	f.	Check that meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	**Complied**
1.7	**Adherence to the Existing Legal Framework**		
	a.	Check that ensuring that the FC does not act in a manner that is detrimental to the interest of and obligations to, depositors, shareholders and other stakeholders.	**Complied**
	b.	Check that adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	**Complied**
	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**
2.	Governance Framework		
2.1	**Check that the board shall develop and implement a governance framework in line with followings,** 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. 1) role of the company secretary. m) Board sub committees and their role; and n) limits on related party transactions.		Partially Complied
3.	Composition of the board		
	3.1	Check that the board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirement of the size, complexity and risk profile the FC.	**Complied**
	3.2	Check that the number of directors on the Board shall not be less than seven (07) and not more than thirteen (13)	**Complied**
	3.3	Check that 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**

CORPORATE GOVERNANCE

3.4	Check that 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 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**
3.5	**Executive Directors**	
a.	Check that 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**
b.	Check that 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 exiting senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappointed as a non-executive director subject to provisions contained in direction 4.2 and 4.3	**Complied**
c.	Check that 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.	**Complied**
d.	Check that all executive directors shall have a functional reporting line in the organisation structure of the FC.	**Complied**
e.	Check that the executive directors are required to report to the board through CEO.	**Complied**
f.	Check that executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	**Complied**
3.6.	**Non – Executive Directors**	
a.	Check that 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**
b.	Check that a non-executive director cannot be appointed or function as the CEO/executive director of the FC.	**Complied**
3.7.	**Independent Directors**	
a.	Check that 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**
b.	Check that independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.	**Complied**

c.	Check that 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 any FC. ii. Director or 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 has shown in its last audited statement of financial position. 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. 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. 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 hold shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC. vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC. 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. 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 exceeds10% of the stated capital as shown in its last audited statement of financial position of the FC.	**Complied**
d.	Check that 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**
e.	Check that an independent director shall immediately disclose to the Board any change in circumstances that may affect that 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**
3.8	**Alternate Directors**	Not Applicable
a.	Check that representation through an alternate director is allowed only; i. With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and ii. If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to been abroad.	
b.	The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.	
c.	A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same board.	
d.	An alternate director cannot be appointed to represent an executive director.	
e.	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.	
3.9	**Cooling off period**	Not Applicable

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	a.	Check that 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 reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.	
	b.	Check that 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.	
	3.10	**Common Directorships** Check that 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 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**
	3.11	Check that 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**
4.	Assessment of Fitness and Propriety Criteria		
	4.1	Check that 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**
	4.2	Check that a person over the age of 70 years shall not serve as a director of FC.	**Complied**
	4.3	Check that 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, 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. b). Prior approval of the Monetary Board base on the assessment of the Director/ Department of Supervision of Non-Bank Financial Institutions in 4.3(a) c). Maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors. 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**
5.	Appointment and resignation of directors and senior management		
	5.1	Check that 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**
6.	The Chairperson and the CEO		
	6.1	Check that 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**
	6.2	Check that the chairperson shall be an independent director, subject to 6.3 below.	**Complied**

	6.3	Check that 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.	**Complied**
	6.4	**Responsibilities of the Chairperson**	
		Check that the responsibilities of the chairperson shall at least include the following: a. Provide leadership to the Board. b. Maintain and ensure a balance of power between executive and non-executive directors. c. Secure effective participation of both executive and non-executive directors. d. Ensure the Board works effectively and discharges its responsibilities. e. Ensure all key issues are discussed by the Board in a timely manner. f. Implement decisions/directions 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. h. 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. j. Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.	**Complied**
	6.5	**Responsibilities of the CEO**	
		Check that 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**
7	Meetings of the Board		
	7.1	Check that 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**
	7.2	Check that 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 Meeting	**Complied**
	7.3	Check that 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**
	7.4	Check that a director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	**Complied**

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	7.5	Check that 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
	7.6	Check that 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
	7.7	Check that 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
	7.8	Check that 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
	7.9	**Scheduled Board meetings and Ad Hoc Board Meetings** Check that 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
8.	Company Secretary		
	8.1	a.) Check that 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. b.) Check that 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 To be complied by 01.07.2024
	8.2	Check that 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 regulation are followed.	Complied
	8.3	Check that the company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.	Complied
	8.4	Check that 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
	8.5	Check that 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
	8.6	Check those 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
9.	Delegation of Functions by the Board		
	9.1	Check that 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

	9.2	Check that 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**
	9.3	Check that the Board may establish appropriate senior management level Sub-committees with appropriate DA to assist in Board decisions.	**Complied**
	9.4	Check that 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**
	9.5	Check that 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.	
10.	**Board Sub Committees**		
	10.1 a.	Check that for the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs.20 bn and FCs with asset base of less than Rs.20 bn, subject to transitional provisions stated in direction 19.3	Not Applicable
		Board Sub Committees shall establish a Board Audit Committee(BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration committee and Related Party Transactions Review Committee	**Complied**
		Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	
	b.	Check that each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.	**Complied**
	c.	Check that the Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.	**Complied**
	d.	Check that each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.	**Complied**
	e.	Check that each Board sub-committee shall consist of at least three board members and shall only consist of members of the Board, who have skills, knowledge and experience relevant to the responsibilities of the committee.	**Complied**
	f.	Check that the Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.	**Complied**
	10.2	**Board Audit Committee (BAC)** The following in relation to the BAC	
	a.	Check that the chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit	**Complied**
	b.	Check that the Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.	**Complied**
	c.	Check that the secretary to the BAC shall preferably be the Chief Internal Auditor.(CIA)	**Complied**

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d.	Check that external Audit Function	**Complied**
	i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.	
	ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	**Complied**
	iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	**Complied**
	iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	**Complied**
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the board on engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Not Applicable
	vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and the scope of the audit, including, (i)an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	**Complied**
	vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	**Complied**
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	**Complied**
	ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.	**Complied**
e.	Check that the BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	**Complied**
f.	Check that the BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors and supervisory with respect to internal audit function of the FC.	**Complied**
g.	Check that internal Audit Function i. The committee shall establish and independent internal audit function (either in house or outsourced as stipulated in the finance business act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.	**Complied**
	ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.	**Complied**

	iii. The BAC shall take the following steps with regard to the internal audit function of the FC: (i) Review of the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work. (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit. (iii) Assess the performance of the head and senior staff members of the internal audit department. (iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care. (v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies. (vi) Examine the major findings of internal investigations and management's responses thereto.	**Complied**
h.	Check that the BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	**Complied**
i.	Check that meetings of the committee i. The BAC shall meets as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview. iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.	**Complied**
10.3	**Board Integrated Risk Management Committee (BIRMC)** Check that the following shall apply in relation to the BIRMC:	
a.	Check that the BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	**Complied**
b.	Check that the secretary to the committee may preferably be the CRO.	**Complied**
c.	Check that the committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.	**Complied**
d.	Check that developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	**Complied**
e.	Check that the BIRMC shall review the FC's risk policies including RAS, at least annually.	**Complied**
f.	Check that the BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	**Complied**
g.	Check that the committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	**Complied**

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h.		Check that BIRMC shall annually assess the performance of the compliance officer and the CRO.	**Complied**
i.		Compliance Function	
	i.	Check that BIRMC shall establish an independent compliance function to assess the FC's compliance with Laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.	**Complied**
	ii.	Check that For FCs with asset base of more than Rs.20 bn, a dedicated compliance officer considered to the senior management with sufficient seniority, who is independent form day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting',i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	**Complied**
	iii.	Check that for FCs with assets base of less than Rs.20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Not applicable
	iv.	Check that the BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimise the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;(iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (V) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time ; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest intergrity.	**Complied**
j.		**Risk Management Function**	
	i.	Check that BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	**Complied**
	ii.	Check that for FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.	**Complied**
	iii.	Check that the CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	**Complied**
	iv.	Check that the BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ;	**Complied**
	(iv)	effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	**Complied**
	v.	Check that the CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	**Complied**
	vi.	Check that the CRO shall maintain an updated risk register, which shall be submitted to the BIR.MC on a quarterly basis.	**Complied**
	vii.	Check that the BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	

10.4	**Nomination Committee** Check that the following shall apply in relation to the Nomination Committee	
a.	Check that the committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	**Complied**
b.	Check that secretary to the nomination committee may preferably be the company secretary.	**Complied**
c.	Check that the committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	**Complied**
d.	Check that the committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	**Complied**
e.	Check that the selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	**Complied**
f.	Check that the committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	**Complied**
g.	Check that the committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	**Complied**
h.	Check that upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	**Complied**
i.	Check that the committee shall consider and recommend (or not recommend) the re election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	**Complied**
j.	Check that the committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management	**Complied**
k.	Check that a member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	**Complied**
10.5	**Human Resource and Remuneration Committee** Check that the following shall apply in relation to the Human Resources and Remuneration Committee:	
a.	Check that the committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	**Complied**
b.	Check that the secretary to the human resource and remuneration committee may preferably be the company secretary.	**Complied**
c.	Check that the committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	**Complied**
d.	Check that there shall be a formal and transparent procedure in developing the remuneration policy.	**Complied**
e.	Check that the committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.	**Complied**

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	f.	Check that the remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.	Complied
	g.	Check that the committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.	Complied
	h.	Check that the committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied
11.	Internal Controls		
	11.1	Check that FCs shall adopt well-established internal control systems, which include the organisational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied
	11.2	Check that proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimise 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
	11.3	Check that all employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	Complied
12.	Related Party Transaction		
	12.1	Check that Board shall establish a policy and procedures for related party transactions, which covers the following. a) All FCs shall establish a Related Party Transactions Review Committee {RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors. b) All related party transactions shall be prior reviewed and recommended by the RPTRC. c) The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation. ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable. iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	Complied

	12.2	Check that the committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. a) Directors and senior management. b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa. d) Directors and senior management of legal persons in paragraph (b) or (c). e) Relatives of a natural person described in paragraph (a), (b) or (d). f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	**Complied**
	12.3	Check that the committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: a) Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee. b) Charging of a lower rate of interest 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 favorable terms, 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; or e) Maintaining reporting lines and information flows between the FC 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**
13.	Group Governance		
	13.1	**Check that responsibilities of the FC as a Holding Company**	
	a.	Check the FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.	**Complied**
	b.	b) Check that the Board of the FC shall: i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group wide policies. ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework. iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries. iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.	**Complied**
	c.	Check that the FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.	**Complied**

CORPORATE GOVERNANCE

	d.	Check that the Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.	**Complied**
	e.	Check that the FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.	**Complied**
	13.2	**Check that responsibilities as a Subsidiary** If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	Not applicable
14.	Corporate Culture		
	14.1	Check that 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**
	14.2	Check that 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**
	14.3	Check that 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**
15.	Conflict of Interest		
	15.1	a) Check that 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**
		b) Check that 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, 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.	**Complied**

16.	Disclosures	
16.1	Check that 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. The Board shall ensure that at least following disclosures are made in the Annual Report of the FC. i. Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements. ii. Chairperson, CEO and Board related disclosures • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the company. • Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity. • Number/percentage of board meetings of the FC attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member. iii. Appraisal of board performance • An overview of how the performance evaluations of the Board and its committees have been conducted iv. Remuneration • A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non- financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the FC to its directors and senior management. v. Related party transactions • The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. • The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC. vi. Board appointed committees • The details of the chairperson and members of the board committees and attendance at such meetings. vii. Group Structure • The group structure of the FC within which it operates. • The group governance framework.	**Complied**

CORPORATE GOVERNANCE

viii. Director's report A report, which shall contain the following declarations by the Board:

- The FC has not engaged in any activity, which contravenes laws and regulations.
- The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested.
- The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors.
- The business is a going concern with supporting assumptions; and
- The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.

ix. Statement on Internal Control

- A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.
- The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.
- A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.
- A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions

x. Corporate governance report

- Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.

xi. Code of Conduct

· FC's code of business conduct and ethics for directors, senior management and employees.

- The Chairperson shall certify that the company has no violations of any of the provisions of this code.

xii. Management report

- Industry structure and developments
- Opportunities and threats
- Risks and concerns
- Sustainable finance activities carried out by the company
- Prospects for the future

xiii. Communication with shareholders

- The policy and methodology for communication with shareholders.
- The contact person for such communication.

Approved by,

Signature :

Date: 28.04.2023

Name: Radhika Dilrukshi

Signature:

Date: 28.04.2023

Name: Mr. Rajiv Gunawardana

Designation: Director / CEO

Annexure

BOARD MEETING ATTENDANCE FROM 01ST APRIL 2022 TO 31ST MARCH 2023

No.	Name of the Director	Executive	Non-Executive	Independent	Non-independent	Attendance at Board meetings (held within monthly intervals)											
						20.04.2022	23.05.2022	21.06.2022	20.07.2022	22.08.2022	20.09.2022	21.10.2022	22.11.2022	16.12.2022	25.01.2023	21.02.2023	20.03.2023
1	Mr. V. A. Prasanth			√		√	√	√	√	√	√	√	√	√	√	√	√
2	Mr. R. J. A. Gunawardena	√				√	√	√	√	√	√	√	√	√	√	√	√
3	Mr. R. A. T. P. Perera			√		√	√	√	√	√	√	√	√	√			
4	Mr. G. Alexander		√			√	√	√	√	√	√	√	√	√	√	x	√
5	Mr. K. R. Bijimon				√	√	√	√	√	√	√	√	√	√	√	√	√
6	Mr. R. A. B. Basnayake			√		√	√	√	√	√	√	√	√	√	√	√	√
7	Mr.J. P. D. R. Jayasekara			√		√	√	√	√	√	√	√	√	√	√	√	√
8	Mr. K. G. K. Pillai				√	√	x	√	√	√	√	√	x	√	√	√	√

CORPORATE GOVERNANCE

BDO

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E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

Report of factual findings in accordance with the Corporate Governance direction issued by Central Bank of Sri Lanka

To The Board of Directors of Asia Asset Finance PLC

We have performed the procedures agreed with you and enumerated in an annexure to this report, with respect to the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL). Our engagement was undertaken in accordance with the principles set out in Sri Lanka Standards on Related Service 4400 (SLSRS 4400) applicable to agreed-upon procedure engagements. The procedures were performed solely to assist you to meet the compliance requirement of the Corporate Governance Direction.

We report our findings in the Annexure as set out from page 68 to 85.

Because the above procedures do not constitute an audit or review made in accordance with Sri Lanka Auditing Standards, we do not express any assurance on the compliance with the direction of Corporate Governance issued by CBSL.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with Sri Lanka Auditing Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of Asia Asset Finance PLC, taken as a whole.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo 02

28th April 2023

HSR/dm

RISK MANAGEMENT

RISK MANAGEMENT INTRODUCTION.

Risk Management has become one of the key factors in the corporate world when it comes to decision making and ensuring the business strategy progress with minimum impact from internal and external factors. A robust risk management framework positively impacts the short, medium, and long- term success of the Company. Given the multitude of challenges in the operating environment, having prudent risk awareness is a vital requirement when determining the forward strategy and risk mitigation along the way with the objective of maximizing returns to all stakeholders of the company, Asia Asset finance PLC continues to strengthen the risk management function with improvements of the Risk Culture of AAF which has resulted in more dynamic approach to the risk management with all department units and branches getting involved.

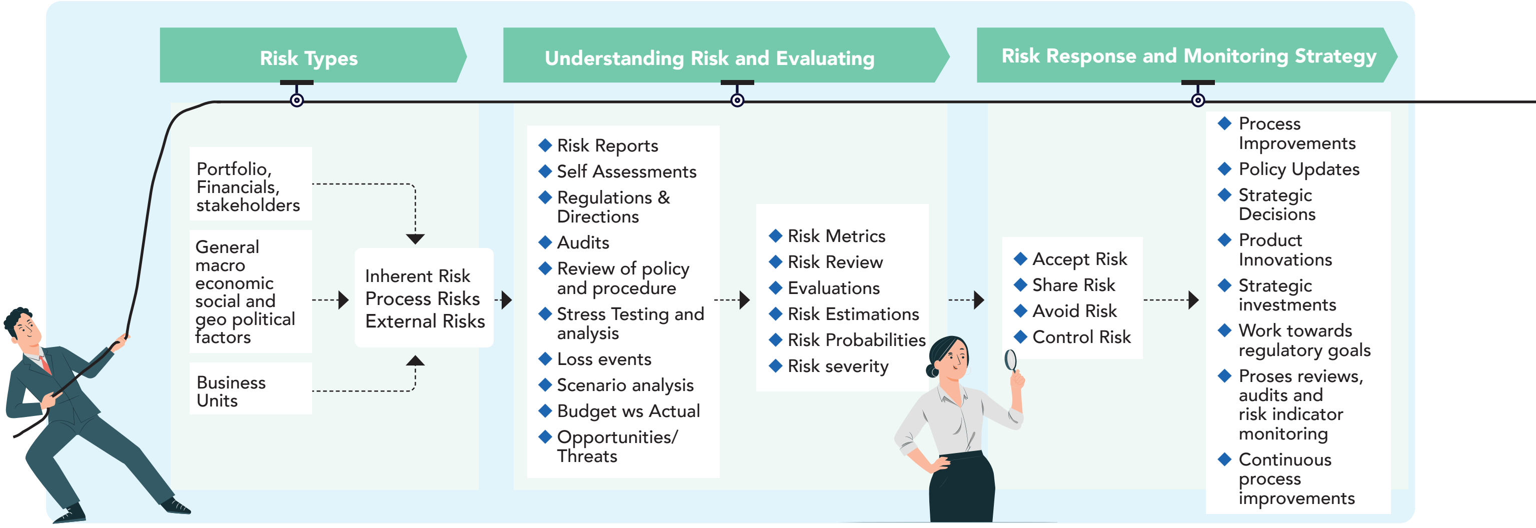
At Asia Asset Finance PLC, the Board of Directors and the Senior Management as well as all staff representing all business units and branches plays a crucial role in risk identification and formulating strategies and implementing the risk management framework.

Year 22/23 began with the domino effects of the Covid-19 pandemic and the macro-economic issues that were faced by the country, businesses, and citizens. The pandemic and Macro economic conditions during the past year had worsened with Macro Economy deteriorating further with geo political impacts. Risk Management wise these situation gave rise to further risk identifications as well as to change the impact and likelihood of previously identified risks. New Risk management Dynamics were identified which required advanced, quick and dynamic risk responses to be introduced. Current financial year has witnessed one of the worse depts of Macro economic conditions with Inflation, Foreign Reserves, unemployment, LKR depreciating and Energy crisis recording figures that are worse for the past decades. As response the monitory policy has changed drastically with high interest rates to tax policy amendments and curtail of imports etc. Such volatility in the markets have impacted every business unit of the company with the Market Risk to credit risk to operational risk to liquidity risk and Financial Risk. Certain Risk Reponses that include Digitalisation of processes, Renovation of the document management system and developments on how we communicate with customer has further enhanced the risk management framework.

THE RISK STRATEGY

The risk strategy certainly required some tweaking during the year 22/23. The Risk appetite and tolerance had to be adjusted according to the anticipation of a volatile year of business. Company was faced with worst case scenarios and the comfort of the dynamic risk management process has enabled to navigate these troubled waters during the year.

RISK MANAGEMENT PROCESS



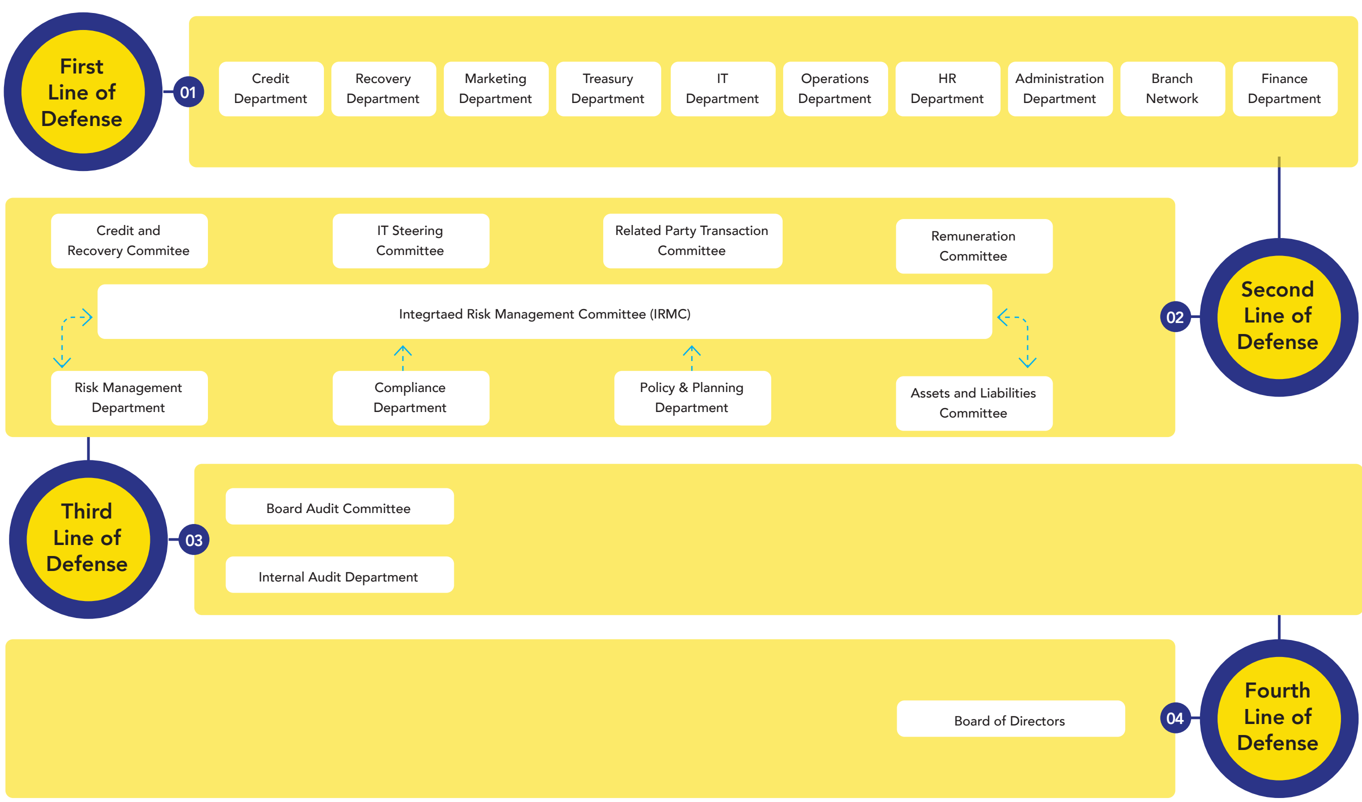
Pillars of the Risk management framework of Risk Identification, Analysis of the Risk impact, Risk Response, Monitoring and Reporting of the risk and communication of risk were all revamped in order to stabilise the volatility in the business and ensure that the budgets designed with the consideration of the Risk based decision making and stress testing.

Risk Committees played a critical role in strengthening the risk management framework. Risk Committees are tasked providing Oversight, Guidance and strategic direction and most importantly the Risk Committees support the constant improvement of the risk culture withing AAF. Below mentioned Risk committees had established and monitors the AAF risk appetite and tolerance levels. Risk committees define acceptable levels of risk-taking, taking into account the organisation's objectives, industry regulations, and stakeholder expectations. .The Risk Committees represents both management and board level committees which also fulfills the requirement of the corporate governance framework. These committees are set up with the vision of covering all business units as well as the branches, who acts as the first line of defense. Further committees are in place to ensure the IRMC / BOD directions are carried out and to ensure compliance with the policies and procedures. Risk committees provide invaluable oversight, expertise, and guidance in managing risks across the organisation. Their role in promoting effective risk management practices helps protect the organisation's reputation, financial stability, and long-term success.

RISK MANAGEMENT

In doing so, the Company has established the following Risk Management Committees

Board Integrated Risk Management Committee (BIRMC)	BIRMC is the Board subcommittee responsible for overseeing the risk management function of the Company in line with the directions of the regulatory authorities and those of the Board of Directors.
Assets & Liability Management Commit tee (ALCO)	Asset and Liability Committee (ALCO) is the formal Management Committee established to manage various risks that arise due to mismatches of contractual maturities of the assets and liabilities (Gap Analysis) of the Company and other operational risks related to liquidity, Interest rate risks, exchange, and segment-wise credit exposures. The investment committee functions under ALCO to evaluate and make recommendation to ALCO on matters relating to investments.
Board Credit Committee	Board Credit Committee is established in order to evaluate and give Directions to the management at the time of new product developments and enhancements or curtailing current products. Further the committee reviews the past actions and monitors the performance of the loan base
Board Audit committee	Board Audit committee Ensuring the Company adopts, maintains and applies appropriate accounting and financial reporting processes and procedures; Facilitating the independence of the external audit process and addressing issues arising from the audit process; and Ensuring the Company maintains effective risk management and internal control systems. Also Reviewing financial statements and other financial information distributed externally monitoring the procedures in place to ensure the Company is in compliance with the Finance Business Act, CSE Listing Rules, CBSL Regulations and other legislative and reporting requirements
Board IT Committee	The Information Technology Committee(ITC) is an advisor to the Board and management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters.ITC monitors formulation and implementation of company's IT strategy and strategic alignment assess , value delivery , resource management, risk management and performance management of AAF IT function in enabling the business strategies and functions of the company



RISK APPETITE STATEMENT. (RAS)

At Asia Asset Finance (AAF), the Risk Appetite Statement (RAS) plays a crucial role in the Risk Management framework. It serves as a guiding document for management, committees, and staff to align their actions with the organisation's risk tolerance and goals. Despite the challenging nature of the past four financial years, AAF effectively managed the impacts of external environmental factors through the dynamic approach established by the RAS.

The fiscal year 2022/2023 presented unprecedented challenges that were unfamiliar to most risk frameworks. Recognising the magnitude of these challenges, AAF strengthened its risk framework to ensure its ability to effectively address them. The Risk Committees diligently maintained an updated RAS that reflected the evolving risks, providing essential guidance during strategic decision-making processes.

MAIN RISKS UNDER THE RADAR.

Asia Asset Finance (AAF), risk can be divided into three main factors. This policy emphasises the need to analyse and identify specific risks applicable to AAF, as well as develop strategies to effectively identify, monitor, and mitigate these risks. The following are the primary categories of risk considered

CONTROLLABLE RISKS:

a. Operational Risk: This involves the risk of losses arising from inadequate or failed internal processes, systems, internal and external fraud or human errors. AAF will implement measures to identify and address operational risks, ensuring efficient and effective operations.

b. IT Risk: This refers to the potential for financial loss or disruptions in operations due to inadequate information technology systems, cybersecurity threats, or system failures. AAF will focus on identifying and managing IT risks through robust security measures, regular system audits, and contingency plans.

c. Compliance Risk: This encompasses the risk of legal or regulatory sanctions, financial loss, or reputational damage arising from non-compliance with applicable laws, regulations, or internal policies. AAF will establish rigorous compliance frameworks and procedures to ensure adherence to all relevant legal and regulatory requirements

INHERENT RISKS:

a. Liquidity Risk: This relates to the possibility of not having enough funds to meet financial obligations as they become due. AAF will employ sound liquidity management practices, including maintaining adequate reserves, diversifying funding sources, and regularly stress-testing liquidity positions.

b. Credit Risk: This involves the potential for financial loss due to default or non-payment by borrowers. AAF will implement robust credit risk assessment processes, including evaluating borrower creditworthiness, setting appropriate lending limits, and regularly monitoring loan portfolios to identify and mitigate credit risks

OUTSIDE (UNCONTROLLABLE) RISKS:

a. Market Risk: This refers to the risk of financial loss arising from adverse market movements, such as fluctuations in asset prices, exchange rates, or commodity prices. AAF will closely monitor market conditions, employ hedging strategies when appropriate, and maintain diversified portfolios to mitigate market risks.

b. Interest Rate Risk: This entails the potential for financial loss due to changes in interest rates. AAF will establish interest rate risk management practices, including interest rate hedging and modeling potential scenarios to assess the impact of interest rate changes on the organisation's financial position

CREDIT RISK

Credit risk is an inherent risk for any company engaged in lending activities, and AAF understands the significance of effectively managing this risk. To address credit risk, AAF has established a robust Credit Risk Policy that encompasses key precautions during loan approval and proactive monitoring measures for risk mitigation

External factors such as inflation, debt moratoriums, unemployment, exchange rate fluctuations, high interest rates, and commodity price volatility can have a substantial impact on credit risk. AAF recognises the potential consequences of these scenarios and has integrated them into their risk management strategies. The company takes a proactive approach by undertaking product developments, product promotions, and even temporarily discontinuing certain products to mitigate the adverse effects of these high-impact factors.

AAF's credit risk mitigation efforts extend beyond individual products or promotions. The company ensures that management teams are equipped with comprehensive policy manuals covering all aspects of credit operations. These manuals provide guidelines for new product development, as well as effective strategies for loan recovery. By adopting this comprehensive approach, AAF ensures that credit risk is managed systematically across the organisation.

Furthermore, AAF remains vigilant in monitoring and adapting to changes in the credit environment. The company's management teams continuously evaluate market conditions, assess potential risks, and make necessary adjustments to their credit risk mitigation strategies. This proactive stance helps AAF stay ahead of emerging challenges and reinforces their commitment to sound credit risk management practices.

Concentration risk is a significant aspect related to credit risk, encompassing factors such as geographical, sectoral, and product concentrations within a loan portfolio. AAF has recognised the importance of addressing concentration risk and has implemented strategies to mitigate its impact.

RISK MANAGEMENT

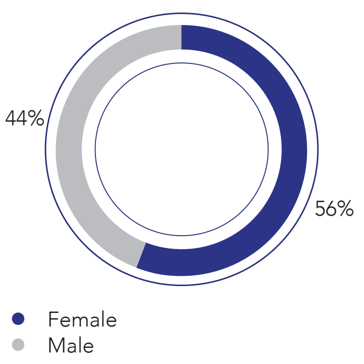
In 2016, AAF shifted its long-term lending strategy toward secured lending, which has proven to be successful. This strategic shift has helped diversify the portfolio and reduce the concentration of unsecured loans. Furthermore, gold lending has emerged as a driving force behind AAF's loan portfolio in recent years. Given the uncertainty surrounding vehicle prices and moratoriums, gold loans have served as effective risk mitigation tool.

To further mitigate concentration risk, AAF has expanded its product offerings to include other successful products, such as micro mortgages. These specialised products cater to specific segments of society and have demonstrated success for both customers and AAF. By diversifying its product portfolio, AAF reduces its reliance on any single product and spreads its risk across multiple lending categories

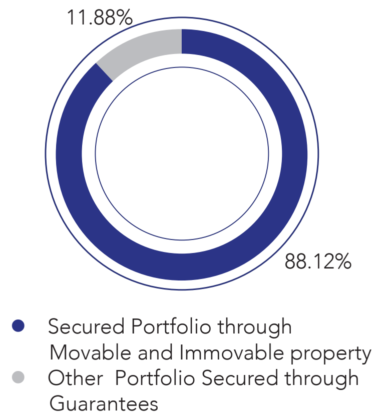
Additionally, AAF's expanding branch network has played a crucial role in mitigating geographical concentration risk. The broader reach provided by the branch network ensures that AAF serves customers across different regions, reducing its exposure to the risks associated with concentrated geographic areas

By adopting these robust credit risk management practices, AAF aims to safeguard its lending activities and protect its financial stability. The company's proactive stance towards credit risk mitigation demonstrates its commitment to maintaining a secure and sustainable lending portfolio

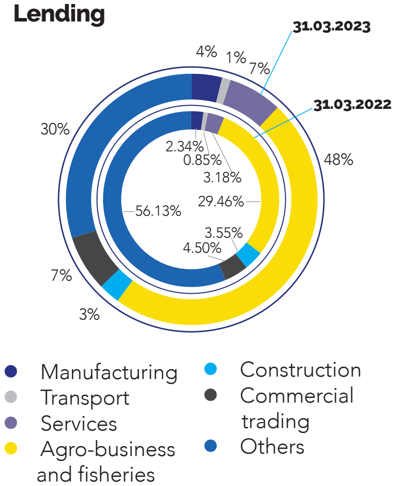
Gender-wise Lending



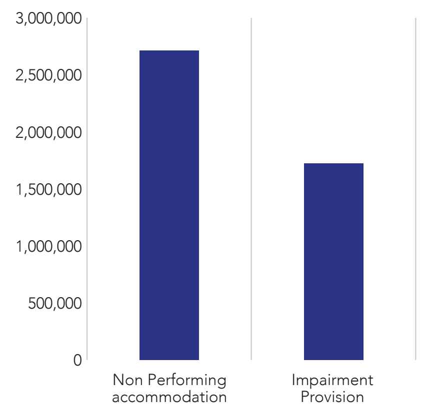
Secured Portfolio



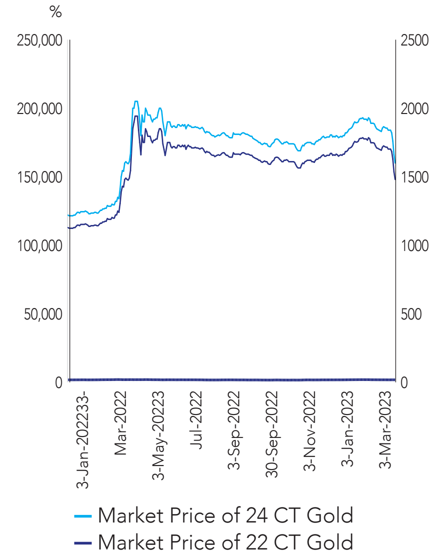
Sector-wise Lending



NPA and Impairment – Comparison with Annual Report year and previous year 31.03.2023



Gold Price



LIQUDITY RISK,

Liquidity risk is indeed an inherent risk for financial institutions, including Asia Asset Finance (AAF). It primarily pertains to the ability of the firm to fulfill payment obligations without compromising future cash flows or income generation. AAF recognises the significance of maintaining a strong liquidity position to ensure financial stability and meet its obligations effectively

During the period of debt moratoriums, AAF experienced cash flow impacts, which affected its liquidity position. Additionally, borrowing became more challenging due to the need to maintain Net Interest Margin (NIM) despite high interest costs. Furthermore, customers started shifting their investments towards alternative options such as money market accounts, T-bills, and securitizations and move away from traditional investments, such as term deposits and savings.

By actively monitoring liquidity positions, conducting regular stress tests, and implementing effective cash flow management practices, AAF sought to mitigate liquidity risk. The company remained vigilant to identify any potential liquidity shortfalls and took necessary steps to maintain adequate liquidity buffers

Furthermore, AAF continuously evaluated market trends and adjusted its strategies accordingly to adapt to changing customer preferences and market conditions. This allowed the company to optimize its liquidity management and navigate through the challenges posed by the debt moratoriums and evolving investment landscape. Through these proactive measures, AAF aimed to strike a balance between maintaining a competitive edge in the market and ensuring robust liquidity management, thereby mitigating liquidity risk and safeguarding its financial stability.

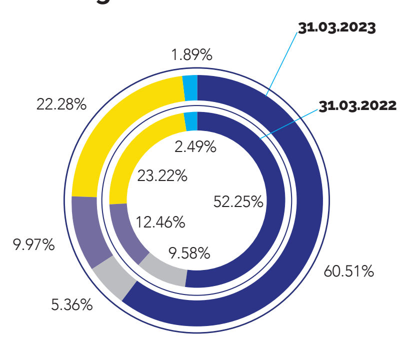
ALCO (Asset Liability Management Committee) convened regularly, often meeting more than once a month, especially when sudden requirements arose. The management recognised that the volatility in interest rates and exchange rates necessitated vigilant treasury management. Holding a robust liquidity position without compromising the Net Interest Margin (NIM) was a key objective for the organisation

Given the nature of lending products and the introduction of new products that involved deposits, risk committees played a vital role in guiding the business strategy. These committees provided valuable insights and recommendations to mitigate risks effectively.

The ALCO, comprising members from various departments, such as finance, risk management, and treasury, focused on optimizing the balance between assets and liabilities. They closely monitored market conditions, interest rate movements, and exchange rate fluctuations to proactively identify potential risks and opportunities

Company managed to maintain the required level of deposit liabilities as well as a Capital Adequecy Ratio well above the statutory requirement right through out the financial year.

Funding Mix



- Customer Deposit
- Bank Loan
- Debenture
- Securitization Loans
- Total Capital

MARKET RISK

Market risk played a significant role in the operational landscape of AAF during the year 2022-2023. The company directly experienced the impact of commodity price risk and exchange rate fluctuations and world gold price movements, as these factors are closely linked to the value of gold securities.

On the local front, AAF felt the impact of macroeconomic conditions, resulting in nearly doubled exchange rates. Additionally, the global geopolitical situation and the onset of a global recession contributed to fluctuations in gold prices

To mitigate the potential risks associated with market volatility, AAF incorporated key risk mitigations within its credit risk policy and recovery policy. The company conducted regular analyses, including stress testing, to assess the potential impact of price fluctuations on Key capital ratios including the Capital Adequacy Ratio (CAR)

By employing these risk mitigation techniques, AAF was able to proactively address the adverse impact of high volatility. The automatic application of these risk mitigating techniques ensured that AAF's processes remained aligned with the changing market conditions, allowing the company to effectively navigate the challenges posed by market risk.

Continuous monitoring of market conditions, coupled with robust stress testing and risk analysis, empowered AAF to identify potential vulnerabilities and take appropriate measures to mitigate the impact of market risk. These measures strengthened the company's risk management framework, providing greater resilience and adaptability to market fluctuations

With a focus on gold loans as a business strategy due to the strength of the product and security, AAF is exposed to the commodity market risk, hence the products require to be designed in a manner to face such risks. Hence the products are designed in a mixture of interest rates, Advance value and period, which is controlled and put forward as different products diversifying the product portfolio. One of the key KPI's has been to take steps to strengthen the credit quality of the portfolio to a level where the commodity market risk is mitigated. Credit Risk Management guideline offers staff on how to improve the credit quality of the base to a level of continuous sustainability.

AAF's focus on gold loans as a core business strategy exposes the company to commodity market risk. To mitigate this risk, AAF adopts a proactive approach by designing its products in a manner

RISK MANAGEMENT

that accounts for potential fluctuations in commodity prices. These product designs incorporate elements such as interest rates, advance value, and loan periods, which are carefully controlled and diversified to create a balanced product portfolio. This diversification strategy within the portfolio itself, helps to mitigate the impact of fluctuations in gold prices on the overall portfolio performance.

Strengthening the credit quality of the loan portfolio is a key performance indicator (KPI) for AAF. By focusing on improving the credit quality, AAF seeks to enhance the resilience of its portfolio against the commodity market risk. The Credit Risk Management guidelines provide staff with guidance on how to effectively manage credit risk and improve the overall quality of the loan portfolio. This includes activities that should be performed on a monthly basis to increase the robustness of the portfolio.

INTEREST RATE RISK

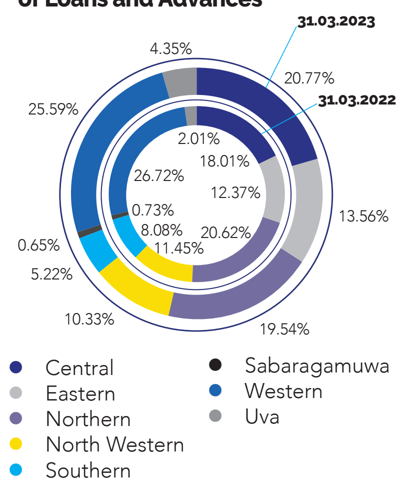
Interest rate risk is a significant factor within the broader category of market risk for AAF. Given its importance and direct applicability to the business strategy, AAF treats interest rate risk as a key risk factor. The fiscal year 2022/2023 commenced with a low-interest rate environment; however, there was a sudden and substantial increase in interest rates as a measure to address macroeconomic conditions such as inflation.

This abrupt shift in interest rates necessitated a revision of the business plan and the overall business strategy, as the Risk Appetite Statement (RAS) needed to adapt to the heightened volatility. AAF responded to this challenge by introducing innovative product offerings and strategically managing the concentration of its existing portfolio. The portfolio concentration proved to be advantageous in light of the interest rate changes, providing mitigation against repricing risk

To effectively manage the impact of interest rate fluctuations, AAF proactively developed new products that were strategically aligned with the company's overall business strategy. These new products were specifically designed to adapt to the changing interest rate environment, allowing AAF to navigate potential adverse effects on its Net Interest Margin (NIM).

By introducing these innovative products, AAF was able to mitigate the negative impact of rate increases on its NIM. The careful design and implementation of these products ensured that the organisation could achieve its budgeted NIM and maintain its financial performance objectives.

Geographical Distribution of Loans and Advances



COMPLIANCE RISK

Compliance risk is a critical aspect for AAF to ensure adherence to all applicable laws, regulatory guidelines, directions, and general codes of conduct. By mitigating compliance risk, AAF aims to protect the company's reputation and the interests of its stakeholders

In the face of economic downturn and technological advancements, the enforcement of new directions and regulations has become more stringent. Consequently, management teams, board committees, and the Board of Directors at AAF have placed significant emphasis on ensuring the company operates within the prescribed guidelines and laws set forth by statutory authorities and within the country's legal framework

As AAF expanded its branch branch network to 75 branches surpassed the asset base of 25 billion, additional compliance requirements came into effect. The management teams and relevant stakeholders successfully complied with these new compliance measures

AAF recognises the importance of having robust compliance procedures and frameworks in place to address the evolving regulatory landscape. The company actively monitors changes in laws and regulations to ensure ongoing compliance and mitigate compliance-related risks.

By diligently following the directions and guidelines from regulatory bodies, and operating within the legal framework of the country, AAF strives to uphold its commitment to compliance. This approach not only protects the company's reputation but also instills confidence in its stakeholders, ensuring transparency and ethical practices throughout its operations.

IT RISK

The years 2021-2022 and 2022-2023 marked a highly active period for AAF's IT departments. The challenges posed by customer service channels, rising costs, sustainability requirements, and dynamic business strategies necessitated technological advancements and innovations. IT emerged as a key driver in finding solutions to address these challenges.

AAF underwent a significant transformation in how it interacts with customers and processes their requirements. The introduction of various technological initiatives played a crucial role in this transformation. One notable initiative was the launch of the Luckewallet app and the Gold Card, which provided customers with a convenient, secure and user-friendly platform to engage with AAF's services. Additionally, the implementation of management systems, management dashboards, and an all-inclusive internal audit app showcased AAF's commitment to technological advancement.

These technological advancements not only enhanced AAF's customer experience but also contributed to the efficiency and effectiveness of internal operations. By leveraging technology, AAF aimed to streamline processes, improve decision-making, and enhance overall operational performance.

Another significant goal achieved by AAF was the transition towards a paperless environment. The company worked diligently towards the objective of making 75% of its operations paperless. This commitment to sustainability aligns with AAF's broader environmental goals, reducing its carbon footprint, and promoting a greener approach to business operations.

The integration of advanced technology and the drive towards a paperless environment showcased AAF's dedication to embracing innovation and sustainability. These initiatives not only positioned AAF at the forefront of technological advancements within the industry but also contributed to a more efficient, customer-centric, and environmentally conscious organisation.

As technology advancements bring about new opportunities, it is crucial to address the increased IT risk associated with these developments. AAF recognised this and placed special emphasis on creating an IT security framework to mitigate potential risks.

Each step of technological development underwent a thorough risk review process, ensuring that risks and corresponding mitigations were carefully evaluated. This comprehensive approach encompassed IT processes, hardware, data, and systems. Multiple groups conducted extensive testing to validate the effectiveness and applicability of the implemented risk mitigations.

To oversee IT risk management, an IT steering committee comprising members appointed by the Board of Directors, Head of IT, Chief Information Security Officer (CISO), Internal Audit, and Risk Management was established. This committee played a pivotal role in ensuring that disaster recovery plans, business continuity strategies, IT policies, and IT security policies were regularly updated. Compliance with these policies was paramount to involving all relevant stakeholders and building a strong IT risk framework.

Continuous engagement, both internally and externally, was a key aspect of maintaining an effective IT risk framework. Regular communication and collaboration with internal teams and external experts ensured that the risk framework remained up-to-date and aligned with the evolving IT landscape. By staying proactive and engaging in ongoing discussions, AAF aimed to stay ahead of potential IT risks and protect the organisation from potential threats.

Through these comprehensive measures, AAF sought to mitigate IT risks, safeguard critical IT assets, protect sensitive data, and ensure the resilience of its IT infrastructure. The strong IT risk framework provided a solid foundation for secure and efficient operations, minimising the potential disruptions and vulnerabilities associated with technological advancements.

OPERATIONAL RISK

The year under review began with the impact of the Covid-19 pandemic, followed by the challenges posed by the moratorium and subsequent economic downturn. However, the operational risk faced by AAF has further intensified due to the energy crisis, social and political instability, Macro Economic condition, and HR related issues.

Operational risk encompasses various factors such as asset loss (including data breaches), Internal and external theft, operational breakdowns, and delays that can hinder the company's ability to generate projected income or maintain smooth processes.

In the current environment, operational risk has emerged as a key concern due to the dynamic nature of its impact and the rapidly changing probability of occurrence. It is crucial for AAF to proactively plan and discuss reported operational risks, employing a continuous methodology for risk identification.

The internal audit department plays a pivotal role in monitoring the effectiveness of mitigating strategies throughout the organisation's business operations. The internal audit function is divided into two units, one working in-house and the other visiting branches for verification. This approach ensures comprehensive coverage and oversight of operational risk management practices. Further the management committees support the operation risk with independent monitoring of policy and procedure and continued discussion with business unit heads.

To address the challenges posed by potential disruptions, AAF has improved its business continuity plan. This plan outlines procedures and measures to be implemented in the event of a disaster, ensuring that all critical areas are covered. Additionally, specific disaster recovery procedures have been retested to validate their effectiveness and identify any areas that require improvement.

HR risk represents a significant component of operational risk within AAF. The volatile economic conditions and political instability experienced during the year have led to a tendency for individuals to seek better opportunities overseas. This has posed challenges not only in retaining internal staff but also in managing the risk associated with outsourced operations, particularly

RISK MANAGEMENT

IT services. Any issues related to staffing, such as high turnover rates or insufficient expertise, can result in operational disruptions that impede the timely functioning of the business.

To address these HR risks, AAF has placed special attention at both strategic and operational levels. At the strategic level, efforts were made to manage staff retention by creating a supportive work environment, offering competitive compensation packages, and implementing employee engagement initiatives. These measures aim to foster loyalty and job satisfaction, reducing the risk of losing valuable talent. Additionally, AAF recognised the importance of investing in training and development programs to enhance the skills and capabilities of its workforce. By improving the quality of the staff cadre, AAF ensures a competent and skilled workforce that can effectively contribute to the organisation's operational success.

HR risk management is an ongoing process that requires continuous monitoring and adjustment. AAF's HR department, in collaboration with management teams, plays a crucial role in identifying and mitigating HR risks. This includes implementing robust recruitment and selection processes, conducting regular performance evaluations, providing career development opportunities, and addressing employee concerns promptly. Risk Management works closely with the business unit heads and HR to ensure the carder requirements and succession plans are reviewed periodically and inbuilt into the business strategy.

MANAGING RISK.

In the year under review, AAF placed significant emphasis on monitoring the effectiveness of its risk mitigations as outlined in the policies, procedures, and guidelines. The organisation recognised the importance of maintaining a strong compliance culture, which was achieved through the active involvement of risk committees, specialised departments, and business units.

Key departments, such as the Internal Audit, Policy and Planning Division, and Compliance Functions and Risk Department, played a vital role in the monitoring and reporting of risks. These departments were responsible for regularly assessing the implementation and effectiveness of risk mitigations across the organisation. They ensured that risk monitoring and reporting mechanisms were in place, allowing for timely identification and escalation of risks to the appropriate risk committees and the Board of Directors (BOD). This approach fostered a culture of transparency and accountability, enabling the organisation to make informed decisions and take necessary actions to mitigate risks effectively.

The monitoring and reporting of risks served as a vital feedback loop for the risk committees and the BOD, enabling them to assess the overall risk profile of the organisation and make informed strategic decisions. This continuous monitoring and reporting framework played a crucial role in promoting risk awareness, fostering a risk-conscious culture, and maintaining the overall effectiveness of AAF's risk management efforts.

INFORMATION TECHNOLOGY COMMITTEE REPORT

THE COMPOSITION OF THE COMMITTEE

The Information Technology Committee (ITC) functions as a Board Sub-committee with board approved terms of reference.

The Information Technology Committee(ITC) has been established to advise the Board and management on current and future information technology related issues. It assists the Board in governing and overseeing Company's information technology related matters.

The Committee comprised of the following members,

Mr. Rajitha Basnayake (Chairman)

Mr. V. A Prasanth

Mr. J. P. D. R Jayasekara

Mr. Rajiv Gunawardena (Director/CEO)

Mr Inditha Jayatileke (DGM IT)

The Committee is responsible and reports to the Board of Directors. Mr. Rajitha Basnayake, Mr. J.P.D.R. Jayasekara and Mr. V. A. Prasanth are Non Executive Directors.

TERMS OF REFERENCE

The Committee , by providing insight and timely advice and discussion, assists the Board of Directors to effectively carry out its responsibilities in relation to Information technology matters of the company.

ITC monitors formulation and implementation of company's IT strategy and assess strategic alignment, value delivery, resource management, risk management and performance management of company's IT function in enabling the business strategies and functions of the company.

AUTHORITY

The Information Technology Committee operates at the Board level but does not assume the Board's accountability. Nor does it play a role in day-to-day management

The ITC must work in partnership with the other board committees to provide input to , review and amend the aligned corporate and IT strategies . Possible partnerships with:

- The Audit committee on major IT risks
- The IRM committee on technology risk ,value delivery and alignment
- Remuneration committee , on performance measurement .

The Committee has been empowered to:

1. Provide guidance on the overall IT strategy and monitor progress
2. Review IT capital and annual expenditure budgets and significant IT investment decisions , prior to them being sent to the Board of Directors for approval
3. Review formulations and amendments to IT policies and procedures and periodically assess the effectiveness of implementation and adherence
4. Provide guidance in strengthening systems and processes in relation to technology risk management and resilience
5. Scan emerging technologies ,, advise on digital transformation initiatives , and its potential use for competitive advantage and risk mitigation .

MEETINGS

The Committee held Four meetings during the year under review.

Mr. Rajitha Basnayake 4/4

Mr. V. A Prasanth 3/4

Mr. J. P. D. R Jayasekara 4/4

Mr. Rajiv Gunawardena 4/4

Senior Management staff, chief information security officer (CISO) are also invited to attend IT meetings as and when required. The proceedings of the IT Committee meetings are reported to the Board of Directors. The minutes of the Committee meetings are tabled and ratified at meetings of the Board and approval of the Board is thus obtained for implementation of the recommendations made by the Committee. Follow up action will be taken on outstanding matters on a regular basis.

KEY ACTIVITIES DURING THE PERIOD UNDER REVIEW

The committee reviewed the IT Strategic Plan together with the Digital Transformation Road map initiatives aligned to achieve company's strategic growth objectives . AAF IT achieved significant milestones during the period under review as well underpinning rapid growth of island-wide branch network and omnichannel marketing strategies improving customer experience and quality of service.

Other notable IT initiatives implemented include the launch of AAF Luckewallet App on IOS and Android platforms linked to the core business system , Implementation of hybrid Security Operations Center (SOC) protection organisation against cyber threats , customer service process digitalisation with AI initiatives, process optimisation of e-Audit solution, Gold Loan customer on-boarding App, Business process and paperless office automation solutions contributing heavily for the improvement of productivity, efficiency, customer service and strengthening of internal control systems.

The committee reviewed the adequacy of IT risk management framework, policies, procedures in compliance with CBSL directives and leading information security practices and guidelines and provided guidance to reinforce technology risk management and resilience.

The Committee also reviewed significant IT capital and recurring expenditure items proposed for procurement and recommended them for approval by the Board of Directors.

Rajitha Basnayake
Chairman

Information Technology Committee
15th June 2023

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

THE COMPOSITION OF THE COMMITTEE

The Integrated Risk Management Committee (IRMC) functions as a Board Sub-Committee in compliance with Sections 8 of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 with board approved terms of reference.

The IRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the Compliance Function of the Company.

The Committee comprised of the following members,

Mr. V. A. Prasanth (Chairman - Appointed w.e.f. from 01 July 2020)

Mr. R. A. T. P Perera retired with effect from 24/12/2022

Mr. J.P.D.R Jayasekera

Mr. R. J. A Gunawardena (Director/CEO)

Mr. Roshan De Silva Gunasekera (Chief Operating Officer)

Mr. K. R Bijimon

The Committee is responsible and reports to the Board of Directors. Mr. R.A.T.P. Perera retired with effect from 24/12/2022. Mr V.A Prasanth and Mr J.P.D.R. Jayasekera are Independent Non Executive Directors.

TERMS OF REFERENCE

The main objective of the IRM Committee is to assist the Board of Directors to effectively carry out its responsibilities relating to financial and other connected affairs of the Company, to protect interests of all Stakeholders

The main responsibility of the Committee is to assess risks faced by the Company such as credit risk, market risk, liquidity risk, operational risk, compliance risk and strategic risk. In fulfilling its duties, the Committee covers the following areas.

The Committee is empowered to:

- Review the quality of the credit portfolio including delinquency monitoring and adequacy of the allowances for impairment.
- Review the Credit and Funding Concentrations Risks.
- Review financial performance and the Capital Adequacy of the Company.
- Review progress on operational risk throughout the Company, including IT operations.
- Review of Business Continuity and Disaster Recovery Plan related issues.
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO)
- Review the Company's Compliance with laws and regulations
- Propose appropriate measures for corrective action as part of the risk mitigation process.
- Review the Asset and Liability Management Policy including the specific risk limits and monitoring the compliance

MEETINGS

The Committee held twelve meetings during the year under review. Senior Management staff also attend meetings as and when required. The number of IRMC meetings were increased to monthly meetings considering the importance of evaluating the risk levels and risk mitigation strategies of the Company. The proceedings of the IRM Committee meetings are regularly reported to the Board of Directors.

NO OF MEETINGS ATTENDED

Mr. V. A Prasanth	12/12
Mr. R. A. T. P Parera	9/9
Mr. R. J. A Gunawardena	9/12
Mr. J. P. D. R Jayasekara	12/12
Mr. K. R Bijimon	6/12

REGULATORY COMPLIANCE

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny.

V.A. PRASANTH
Chairman

IRMC
15th June 2023

REMUNERATION COMMITTEE REPORT

COMPOSITION

The Remuneration Committee appointed by the Board of Directors includes the following Directors:

Mr. V. A Prasanth (Chairman - Appointed w.e.f. from 01 July 2020)

Mr. R. A. T. P Perera (ceased in terms of section 86 (viii) of the Article of Association retired with effect from 24/12/2022)

Mr. G. M Alexander

Mr. R. A. B Basnayake

Mr. J. P. D. R Jayasekara

The Chairman of the Committee, Mr. V.A. Prasanth, Mr. R. A. T. P Perera, Mr. R. A. B Basnayake and Mr. J. P. D.R. Jayasekara are Independent Non- Executive Directors.

REMUNERATION POLICY

The Asia Asset Finance Remuneration Policy aims to draw, motivate and retain talent in a competitive environment. The policy aims to ensure that the total remuneration package is adequately competitive to attract the best talent from the industry

The Company's remuneration framework for the Chief Executive Officer, Directors and Corporate Management Team is structured to identify the contributions made by them and to remunerate appropriately. The policy further takes into consideration both short-term and long-term objectives of the Company when finalizing incentives.

SCOPE

The Remuneration Committee evaluates and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Chief Executive Officer and the members of the Senior Management in addition to recommending the Directors fees payable to Non Executive Directors.

The Chief Executive Officer, who is responsible for the overall management of the Company, attends meetings by invitation and participates in evaluations except in instances where his own interest, performance and compensation packages are discussed.

The Committee also evaluates and recommends the bonuses and special performance allowances pertaining to the Management level against key performance indicators and goals set out at the beginning of the year. The succession plan in the Company is also evaluated by the Committee.

FEES

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

COMMITTEE MEETINGS

A formal meeting of the Committee takes place whenever necessary.

During the financial year 2022-23, the Committee met on Three occasions.

NO OF MEETINGS ATTENDED

Mr. V. A Prasanth	3/3
Mr. G. M Alexander	3/3
Mr. R. A. B Basnayake	3/3
Mr. J. P. D. R Jayasekara	3/3
Mr. R. A. T. P Perera	1/1

V.A. PRASANTH
Chairman

Remuneration Committee
15th June 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Asia Asset Finance PLC have the pleasure in submitting their Report together with the Audited Financial Statements of the Company for the year ended 31st March 2023.

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission and values are given on page 3 of this Report.

PRINCIPAL ACTIVITIES

The Company's principal activities during the year were savings/deposit mobilisation, lending activities including finance lease/ vehicle loan facilities, gold loans, mortgage loans, personal loans and other credit facilities, value added services and digital financial services. There were no significant changes in the nature of the principal activities of the Company during the year under review. The Directors do hereby declare that to the best of their knowledge, the Company has not engaged in any activity, which contravenes laws and regulations.

This Report includes the information as required by the Companies Act No. 07 of 2007, Finance Business Act (Corporate Governance) Direction No. 05 of 2021 read together with Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiaries and their performance during the year with comments on financial results, future strategies and prospects are contained in the CEO's Review on pages 14 to 17 which forms an integral part of this Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company has been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange. Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 28th April 2023.

The Financial Statements of the Company duly signed by the Deputy General Manager Finance and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

AUDITORS REPORT

The Auditor's Report on the Financial Statements is given in pages 114 to 117.

FINANCIAL RESULTS

	2023-2022 Rs Mn	2021-2022 Rs Mn
Total Income	6,006	3,182
Net Interest Income	1,741	1,252
Profit before Taxation	360	202
Income Tax Reversal/(expense)	64	84
Profit after Taxation	295	119
Loans and Advances	20,643	16,087
Lease rentals receivable and Hire	230	491
Total Assets	25,012	19,342
Deposits from Customers	13,275	8,695
Total Equity	**3,011**	**2,756**

DIVIDENDS

Company has paid preference share dividend Rs.0.07 per share as final dividend from the profit of 2021 -2022 financial year on 28th July 2022.

PROPERTY, PLANT AND EQUIPMENT

An analysis of the Property, Plant and Equipment of the Company is disclosed in note 23 of the Financial Statements on pages 154 to 157.

STATED CAPITAL

The stated Capital of the Company as at 31st March 2023 was Rs. 3,010 Mn.

CSR EXPENSES

The Company has made CSR expenses of Rs. 3.1 Mn.

CAPITAL COMMITMENTS

Capital commitment is Rs. 4.05 Mn for software as at 31st March 2023

PROVISIONS

Impairment Provision is Rs 556 Mn and Provision for Depreciation is Rs 121 Mn and Amortization is Rs 8.9 Mn as at 31st March 2023

PROVISION FOR THE TAXATION

The provision for Taxation is 64 Mn.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory dues have been paid up to date, or have been provided for in the Financial Statements.

CONTINGENT LIABILITIES

Details of contingent liabilities and capital commitments as at 31st March 2023 are set out in notes 37 and on page 173 of the Financial Statements.

POST BALANCE SHEET EVENTS

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the Financial Statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risk faced by the Company. The Directors review this process through the Audit Committee.

GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operation in the foreseeable future.

Accordingly, the Financial Statements are prepared based on the going concern concept

DIRECTORS WHO HELD OFFICE DURING THE YEAR

The Directors of the Company during the year were as follows.

Mr. V. A. Prasanth
Chairman/ Independent Non Executive Director

Mr. R. J. A. Gunawardena
Chief Executive Officer

Mr. R. A. T. P. Perera
Independent Non-Executive Director
(with effect from 24/12/2022)

Mr. G.Alexander
Non- Independent Non-Executive Director

Mr. K. R. Bijimon
Non- Independent Non-Executive Director

Mr. K. G. K. Pillai
Non- Independent Non -Executive Director

Mr. R. A. B. Basnayake
Senior Independent Non-Executive Director

Mr. J. P. D. R. Jayasekara
Independent Non-Executive Director

ALTERNATE DIRECTORS

Mr. K. G. K. Pillai

Non- Independent Non-Executive Director

(Alternate Director to Mr. K. R. Bijimon)

APPOINTMENTS DURING 1ST APRIL 2022 TO 31ST MARCH 2023

Nil

RESIGNATIONS 1ST APRIL 2022 TO 31ST MARCH 2023

Mr. R. A. T. P. Perera

Independent Non-Executive Director
Ceased in terms of section 86 (viii) of the Articles of Association of the Company with effect from 24/12/2022

APPOINTMENTS AFTER THE CONCLUSION OF THE YEAR

Nil

RESIGNATIONS AFTER THE CONCLUSION OF THE YEAR

Nil

DIRECTORS WHO HELD OFFICE AS AT THE END OF THE ACCOUNTING PERIOD

Mr. V. A. Prasanth
Chairman / Independent Non Executive Director

Mr. R. J. A. Gunawardena
Chief Executive Officer

Mr. G. Alexander
Non- Independent Non- Executive Director

Mr. K. R. Bijimon
Non- Independent Non-Executive Director

Mr. K. G. K. Pillai
Non- Independent Non – Executive Director
Mr. R. A. B. Basnayake

Senior Independent Non-Executive Director

Mr. J. P. D. R. Jayasekara
Independent Non-Executive Director

ALTERNATE DIRECTORS

Mr. K. G. K. Pillai

Non-Independent Non-Executive Director

(Alternate Director to Mr. K. R. Bijimon)

of the 7 Directors, Mr. R. A. B. Basnayake is an Independent Non- Executive Director and the Senior Director of the Board.

DIRECTORS RETIRING (AT THE ANNUAL GENERAL MEETING)

1) Mr. J. P. D. R. Jayasekara retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

2) Mr. R. A. B. Basnayake retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

CORPORATE GOVERNANCE

The Board of Directors confirm that the Company is compliant with the Finance Companies Direction (Corporate Governance) No.03 of 2008 and section 7.10 of the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, an Integrated Risk Management Committee, a Related Party Transactions Committee, Remuneration Committee, an IT Steering Committee and a Credit & Recovery Committee and a Nominations Committee function as Board sub committees with Directors who possess the requisite qualifications and experience. The composition of the said committees is as follows;

AUDIT COMMITTEE AS AT 31ST MARCH 2023

Mr. R. A. B. Basnayake
(Senior Independent Non-Executive Director) - Pro tem Chairman

Mr. V. A. Prasanth
(Independent Non-Executive Director) - Member

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director) - Member

Mr. K. G. K. Pillai
(Non- Independent Non – Executive Director) - Member

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

INTEGRATED RISK MANAGEMENT COMMITTEE AS AT 31ST MARCH 2023

Mr. V. A. Prasanth

(Chairman/ Independent Non- Executive Director) - Chairman

Mr. R. J. A. Gunawardena
(Chief Executive officer) - Member

Mr. R. D. S. Gunasekara
(Chief Operating Officer) - Member

Mr. K. R. Bijimon
(Non- Independent Non- Executive Director) - Member

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)

- Member

RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2023

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)

- Chairman

Mr. K. R. Bijimon
(Non- Independent Non- Executive Director) - Member

Mr. R. A. B. Basnayake

(Senior Independent Non-Executive Director) - Member

REMUNERATION COMMITTEE AS AT 31ST MARCH 2023

Mr. V. A. Prasanth
(Independent Non-Executive Director)

- Chairman

Mr. G. Alexander
(Non- Independent Non-Executive Director)
- Member

Mr. R. A. B. Basnayake
(Senior Independent Non-Executive Director) - Member

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)

- Member

IT COMMITTEE AS AT 31ST MARCH 2023

Mr. R. A. B. Basnayake
(Senior Independent Non-Executive Director) - Chairman

Mr. V. A. Prasanth
(Independent Non-Executive Director)

-Member

Mr. R. J. A. Gunawardena
(Chief Executive officer) - Member

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)
- Member

Mr. Inditha Jayathilake -
DGM - IT Member

CREDIT & RECOVERY COMMITTEE AS AT 31ST MARCH 2023

Mr. V. A. Prasanth
(Independent Non-Executive Director)

- Chairman

Mr. R. J. A. Gunawardena
(Chief Executive officer) - Member

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)
- Member

Mr. K. R. Bijimon
(Non-Independent Non-Executive Director)
– Member

NOMINATIONS COMMITTEE AS AT 31ST MARCH 2023

Mr. R. A. B. Basnayake
(Senior Independent Non-Executive Director)
- Chairman

Mr. J. P. D. R. Jayasekara
(Independent Non-Executive Director)

- Member

Mr. K. R. Bijimon
(Non-Independent Non-Executive Director)
– Member

Mr. G. Alexander
(Non- Independent Non-Executive Director)
- Member

DIRECTORS' INTEREST REGISTER

In terms of the Companies Act No.07 of 2007 an Interest Register is maintained during the accounting period under review. This Annual Report also contains particulars of entries made in the Interest Register.

DIRECTORS REMUNERATION AND OTHER BENEFITS OF DIRECTORS

Directors' remuneration and other benefits of directors are stated in the note 9 on page 141 of the Financial Statements.

ASIA ASSET FINANCE PLC (ORDINARY)
MAJOR TWENTY SHAREHOLDER LIST AS AT 31ST MARCH 2023

	NAME	As at 31st March 2023 NO. OF SHARES	%	As at 31st March 2022 NO. OF SHARES	%
1	MUTHOOT FINANCE LIMITED	90,558,778	72.92	90,558,778	72.92
2	SEYLAN BANK PLC. / SENTHILVERL HOLDINGS (PVT) LTD	7,692,693	6.19	7,692,693	6.19
3	J.B. COCOSHELL (PVT) LTD	7,665,965	6.17	4,416,027	3.56
4	HATTON NATIONAL BANK PLC. / SRI DHAMAN RAJENDRAM ARUDPRAGASAM	3,095,431	2.49	3,095,431	2.49
5	PEOPLE'S LEASING & FINANCE PLC. / MR.W.K.R.JAYAKODY	1,501,280	1.21	1,501,280	1.21
6	MR K.M.S.M. RAZEEK & MR K.S.M. RAJUBDEEN & MR S.M.R. MOHAMED	740,000	0.60	740,000	0.60
7	PMP FINANCE PLC/K.L.G. UADAYANGA	565,000	0.45	-	-
8	MR C.W. GUNASEKARA	500,000	0.40	500,000	0.40
9	MR P.P. SUBASINGHE	360,306	0.29	360,306	0.29
10	MR. W. K. R. JAYAKODY	338,792	0.27	338,792	0.27
11	MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	299,999	0.24	299,999	0.24
12	MR T.S. SALIM	251,127	0.20	251,127	0.20
13	MR R. UDALAGAMA	249,830	0.20	249,830	0.20
14	SAMPATH BANK PLC. / MR. ABISHEK SITHAMPALAM	229,389	0.18	229,389	0.18
15	DFCC BANK PLC. / MR.C.R.PERERA	200,000	0.16	200,000	0.16
16	MR U.C. BANDARANAYAKE & MRS L. BANDARANAYAKE	200,000	0.16	200,000	0.16
17	MR C. RAMACHANDRA	180,000	0.14	180,000	0.14
18	MR L.S.C. DE SILVA	175,125	0.14	175,125	0.14
19	FAST GAIN INTERNATIONL LIMITED	159,000	0.13	159,000	0.13
20	MR M N B HERATH	130,000	0.10	130,000	0.10
		115,092,715	92.67	111,277,777	89.60
	OTHERS	9,102,818	7.33	12,917,756	10.40
	TOTAL	124,195,533	100	124,195,533	100.00

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

ASIA ASSET FINANCE PLC (ORDINARY)

SHARE DISTRIBUTION AS AT 31ST MARCH 2023

From	To	No. of Holders	No. of Shares	%
1	1,000	1,389	307,307	0.25
1,001	10,000	440	1,794,925	1.44
10,001	100,000	184	6,112,411	4.93
100,001	1,000,000	23	5,466,743	4.40
Over 1,000,000		5	110,514,147	88.98
		2,041	124,195,533	100.00

CATEGORIES OF SHAREHOLDERS

Local Individuals	1,956	10,673,141	8.59
Local Institutions	73	22,725,427	18.30
Foreign Individuals	10	79,187	0.07
Foreign Institutions	2	90,717,778	73.04
	2,041	124,195,533	100.00

SHARE PRICES

	As at 31.03.2023		As at 31.03.2022	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest during the year	24.01.2023	9.00	06.01.2022	11.00
Lowest during the year	18.08.2023	5.00	30.03.2022	5.40
As at end of the year	31.03.2023	8.30	31.03.2022	6.70

Public Holding percentage as at 31st March 2023	27.084%
Number of shareholders representing the above percentage	2,040
The float adjusted market capitalization as at 31st March 2023	Rs. 279,185,066.49

ASIA ASSET FINANCE3 PLC

DIRECTOR'S SHAREHOLDING AS AT 31ST MARCH 2023

		No. of Shares	%
1	Mr. V. A. Prasanth	-	-
2	Mr. R. J. A. Gunawardena	-	-
3	Mr. R. A. T. P. Perera	-	-
4	Mr. G. M. Alexander	-	-
5	Mr. K. R. Bijimon	-	-
6	Mr. K. G. K. Pillai (Alternate Director for Mr. K R Bijimon)	-	-
7	Mr. R. A. B. Basnayake	-	-
8	Mr. J. P. D. R. Jayasekara	-	-

ASIA ASSET FINANCE PLC (PREFERENCIAL)
MAJOR TWENTY SHAREHOLDER LIST AS AT 31ST MARCH 2023

	NAME	AS AT 31.03.2023		AS AT 31.03.2022	
		NO. OF SHARES	%	NO. OF SHARES	%
1	MUTHOOT FINANCE LIMITED	39,687,516	95.867	39,687,516	95.867
2	J.B. COCOSHELL (PVT) LTD	1,353,458	3.269	1,353,458	3.269
3	COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	50,000	0.121	50,000	0.121
4	MR. W.A.J. SANJEEWA	49,790	0.120	50,000	0.121
5	DFCC BANK PLC / MR.K.S.D.SENAWEERA	48,131	0.116	72,250	0.175
6	MR. Y.R.P. DE SILVA	37,349	0.090	19,598	0.047
7	MERCHANT BANK OF SRI LANKA & FINANCE PLC / Y.R.P. DE SILVA	27,621	0.067	25,657	0.062
8	MR. R.J. THOMAS	23,741	0.057	23,741	0.057
9	BANSEI SECURITIES CAPITAL (PVT) LTD / N.A.WAKISHTA	22,574	0.055	22,390	0.054
10	MR. G.V. SANJAYA	15,007	0.036	15,007	0.036
11	MR. G.R. SELLAHEWA	15,000	0.036	15,000	0.036
12	MR. N.A. WAKISHTA	13,600	0.033	13,400	0.032
13	MR.S.M.C.N.SAMARAKOON	8,273	0.020	2670	0.006
14	MISS M.A.B.C. MANCHANAYAKE	7,389	0.018	7,389	0.018
15	LOLC FINANCE PLC/ N.B.SENARATHMUDALI	4,354	0.011	-	-
16	MR. L.L. MIGARA	4,279	0.010	4,279	0.010
17	MRS. S. MANAWADU	3,834	0.009	3,030	0.007
18	MR P.SIVAPATHASUNTHARAM & MR. S.SANJIETH	3,000	0.007	100	0.000
19	MRS. R. SIVAPATHASUNTHARAM	2,000	0.005	2,000	0.005
20	MR.G.D.JINADASA	2,000	0.005	-	-
		41,378,916	99.953	41,367,485	99.925
	OTHERS	19,595	0.047	31,026	0.075
	TOTAL	41,398,511	100.000	41,398,511	100.000

ASIA ASSET FINANCE PLC (PREFERENCE)
SHARE DISTRIBUTION AS AT 31ST MARCH 2023

From	To	No. of Holders	No. of Shares	%
1	1,000	60	12,031	0.03
1,001	10,000	13	42,693	0.11
10,001	100,000	10	302,813	0.72
100,001	1,000,000	0	0	0.00
Over 1,000,000		2	41,040,974	99.14
		85	41,398,511	100.00

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

CATEGORIES OF SHAREHOLDERS

Local Individuals	74	202,816	0.49
Local Institutions	9	1,507,846	3.64
Foreign Individuals	1	333	0.00
Foreign Institutions	1	39,687,516	95.87
	85	41,398,511	100.00

SHARE PRICES

	As at 31.03.2023		As at 31.03.2022	
	Date	Price (Rs.)	Date	Price (Rs.)
Highest during the year	23.09.2022	12.50	23.08.2021	16.90
Lowest during the year	28.11.2022	7.60	28.09.2021	8.00
As at end of the year	31.03.2023	10.50	29.03.2022	11.00

Public Holding percentage as at 31st March 2023	4.133%
Number of shareholders representing the above percentage	84
The float adjusted market capitalization as at 31st March 2023	Rs. 17,965,447.50

ASIA ASSET FINANCE3 PLC
DIRECTOR'S SHAREHOLDING AS AT 31ST MARCH 2023 (PREFERENCE)
DIRECTOR'S SHAREHOLDING AS AT 31ST MARCH 2023

		No. of Shares	%
1	Mr. V. A. Prasanth	-	-
2	Mr. R. J. A. Gunawardena	-	-
3	Mr. R. A. T. P. Perera	-	-
4	Mr. G. M. Alexander	-	-
5	Mr. K. R. Bijimon	-	-
6	Mr. K. G. K. Pillai (Alternate Director - Mr. K. R. Bijimon)	-	-
7	Mr. R. A. B. Basnayake	-	-
8	Mr. J. P. D. R. Jayasekara	-	-

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is on page 215.

AUDITORS

The Financial Statements for the year ended 31st March 2023 have been audited by Messrs. BDO Partners (Chartered Accountants) who offer themselves for reappointment. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

The Auditors Messrs. BDO Partners, Chartered Accountants were paid Rs.2,598,000/- as Audit fees by the Company.

A resolution relating to their reappointment and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

V. A. Prasanth
Chairman/ Director

R. A. B. Basnayake
Senior Director

P. R. Secretarial Service (Private) Limited
Secretaries

30th June 2023

RESPONSIBILITY OF THE DIRECTORS OF THE COMPANY

The responsibility of the Directors in relation to the financial statements of the company is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provision of the Companies Act No.07 of 2007,is set out in the independent Auditors' report appearing on pages 114 to 117. The Directors are required by the companies Act No.07 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statements of affairs of the Company as at the end of the financial year and the profit and loss and cash flows of the Company for the financial year.

The Directors confirm that the financial statements of the Company for the year ended 31st of March 2023 have been prepared and presented in accordance with Sri Lanka Accounting Standards and Companies Act No.07 of 2007.In preparing the financial statements appropriate accounting policies have been selected and applied consistently, whilst reasonable and prudent judgments and estimates have been made.

The Board of Directors of Asia Asset Finance PLC ("Board") holds the responsibility of approving and monitoring the strategic objectives and corporate values of the Company. Further they ensure that these strategies are communicated within the organisation, stakeholders, lenders and creditors. This strategic responsibility extends to cover the overall risk policy and risk management procedures for at least the subsequent three years. The obligations of the Board also extend to reviewing internal structure and management of the organisation.

The hierarchy of the organisation must be monitored and continually assessed resulting in the identification of capable and qualified personnel whose position must be defined so as to review and oversee the policies, management and the strategic objectives of the business. This periodic assessment of the organisation would result in selection and nomination of Directors to the Board and other personnel to different positions in the hierarchy. The interests of all personnel are brought to notice and lead to lesser conflicts of interests between such persons, their benefits and the Company. This assessment would result in a diverse hierarchy spanning personnel from different fields of expertise representing a wide range of operational and business aspects.

The Board must also draft and implement a succession plan for key management personnel. Communication of such plans, risk policies and other strategic objectives requires regular meetings of the Board. The hiring of Auditors is a duty of the Board so as to ensure that a third party without vested interest in the Company, reviews its operations or assets and examines the conduct of the personnel and the Company in detail, on a regular basis. Such a review must be communicated to all stakeholders with an interest in the operations of the Company so as to improve transparency and trust between the Company and such persons.

The Board has the power to appoint a Chairman and a Chief Executive Director in accordance with the Financing Leasing (Corporate Governance) Direction No. 04 of 2009. The Board could seek for independent advice and assistance to supplement the Board in discharging their duties. However, the procedure to receive such assistance could be resolved by the Board. Independency of the Directors could be maintained by ensuring that a Director who has a direct or indirect interest, whether monetarily or personal could abstain from voting for a Board resolution of such a matter and such a Director would not be considered to constitute the quorum. Certain matters could be formally recognised by the Board to lie within their parameters of decision making.

The Board shall, if it considers that the relevant establishment is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to lenders and other creditors, forthwith inform the Director of the Department of Supervision of Non- Bank Financial Institutions of the situation of the relevant establishment prior to taking any decision or action. The Board shall include in the relevant establishment's Annual Report, an annual corporate governance report setting out the compliance with this Direction. The Board is responsible for ensuring that the Company maintains proper books of accounts of all transactions and prepares financial statements for each financial year which gives a true and fair view of the Company's state of affairs for that time period which is a statutory obligation under Section 150 of the Companies Act No.07 of 2007. The Board shall adopt a scheme of self- assessment to be undertaken by each director annually and maintain records of such assessments.

The Directors have adopted the "going concern basis" in preparing the Financial Statements. Having reviewed the Group's business plans, the Directors are satisfied that the Company has adequate resources to continue in operation.

The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Group, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other statutory obligations including retirement gratuities as were due as at the Balance Sheet date have been either duly paid or have been appropriately provided for in the Financial Statements.

On behalf of the Board of Directors;

V. A. Prasanth
Chairman

R. J. A. Gunawardena
Director/CEO

28th April 2023

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

In line with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by Chartered Accountants of Sri Lanka, the Board of Directors ("Board") of Asia Asset Finance PLC ("Company") presents this report on internal control over financial reporting.

The Board has overall responsibility for ensuring the adequacy and effectiveness of internal control over financial reporting of the Company. The system of internal controls is primarily designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failing to achieve the policies and business objectives. However, it is important to note that the system of internal controls stipulated can provide reasonable but not absolute assurance against material misstatement of financial information, records, or against financial losses and frauds. In light of the above, the Board has established a continuous process of identifying, evaluating and managing the significant risks faced by the Company.

KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

This includes enhancing the system of internal control over financial reporting, especially when there are changes to the 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 management is tasked with assisting the Board in the implementation of the policies and procedures related to risk and control. This includes identifying and assessing the risks faced by the Company as well as providing inputs on design, operation and monitoring of internal controls over financial reporting to mitigate and control these risks.

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

The Board has established specialized Sub Committees to assist in ensuring the effectiveness of the Company's day-today operations in line with the corporate objectives, strategies, annual budget as well as the approved policies and business directions.

Policies, charters, procedures are in place covering functional areas of the Company, recommended by the Board appointed Committees, and are approved by the Board. All policies, charters and procedures are regularly reviewed and approved by the Board. The Board Audit Committee follows up the regular reviews of policies, charters, and procedures through the Compliance officer to ensure timely updates.

The Internal Audit Department of the Company monitors compliance with policies and procedures, and their suitability of design and effectiveness on an ongoing basis. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee, branches and service departments are audited to provide independent and objective assurance on operations and performance.

Information systems and its surrounding technology infrastructure which support financial reporting are independently assessed by specialized information systems audit team to ensure confidentiality, integrity and availability triads are preserved to reinforce the confidence level of the data processing technology facilities.

The Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.

A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk on misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The risk department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis, and internal audit department reviews the compliance and apprises the Board Audit Committee where necessary.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration for requirements of SLFRS 9 "Financial Instruments". The required modules have been implemented and progressive improvements on processes and controls are being made to strengthen the processes and controls around the management information systems and reports required for model validation and compliance in line with SLFRS 9.

CONFIRMATION

Based on the above processes, the Board affirms 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 and has been done in accordance with Sri Lanka Accounting Standards and the regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company. There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non-compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

Messrs. BDO Partners has reviewed the above Directors' Statement on Internal Control over Financial Reporting and report is included in the Company's Annual Report for the year ended 31 March 2023. They have 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 over financial reporting of the Company. Their report on the statement of internal control over financial reporting is given on page 107 of this annual report.

R. J. A. Gunawardena
Director/CEO

Rajitha A B. Basnayake
Pro tem Chairman
Audit Committee

28th April 2023

INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS

BDO

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Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE BOARD OF DIRECTORS OF ASIA ASSET FINANCE PLC

INTRODUCTION

We were engaged by the Board of Directors of Asia Asset Finance PLC ("The Company") to provide assurance on the Directors' Statement on Internal Control ("the Statement") included in the annual report for the year ended 31st March 2023.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Licensed Finance Companies/Finance Leasing Companies on the Directors' Statement on Internal Control" issued in compliance with Section 10(2)(b) of the Finance Leasing (Corporate Governance) Direction No. 04 of 2009, by the Institute of Chartered Accountants of Sri Lanka.

OUR RESPONSIBILITIES AND COMPLIANCE WITH SLSAE 3051

Our responsibility is to issue a report to the Board on the Statement based on the work performed. We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3051 – Assurance Report for Licensed Finance Companies and Finance Leasing Companies on Directors' Statement on Internal Control issued by The Institute of Chartered Accountants of Sri Lanka.

SUMMARY OF WORK PERFORMED

Our engagement has been conducted 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 system of internal control for the Company.

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

1. We had an initial meeting with the Deputy General Manager Finance and other relevant key management personnel of the Company and discussed the Company's approach in assessing, designing and the effectiveness as well of the Company's internal controls over financial reporting.

2. Requested all correspondence related to Directors' Assessment on design and effectiveness of the Internal Control of the Company and performed further procedures including the following:

2.1 We independently reviewed the documentation of internal controls related to the key processes provided by the management and confirmed the completeness of such documentation by performing walkthroughs and test of controls.

2.2 We reviewed the findings by Internal Auditors related to internal control weaknesses including the suggestions for improvements.

2.3 Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees such as the Audit Committee.

3. Considered whether the Directors' Statement on Internal Control covers the year under review and adequate processes are in place to identify any significant matters arising.

4. Considered whether the Directors have disclosed that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, whether it has been in place for the year under review and whether it is regularly reviewed by the Board. Further, we considered whether the explanations given in the statement are consistent with our understanding.

5. Reviewed other documentation prepared by, or for the Directors, to support their Statement on Internal Control.

6. Obtained written representations from Directors on matters material to the Statement on Internal Control when other sufficient and appropriate audit evidence cannot reasonably be expected to exist.

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

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 have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo 02

28th April 2023

HSR/dm

BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee, which is appointed by the Board of Directors of the Company, consists of the following Independent Non- Executive Directors who possess in depth expertise and knowledge in the Finance Industry:

- Mr. J.P.D.R. Jayasekara (Chairman)
- Mr. K.R. Bijimon
- Mr. R.A.B. Basnayake

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of

the Company, in order to ensure that related parties are treated on par with other shareholders and constituents of the Company. It is also established to enhance corporate transparency and promote fair tractions. The committee is responsible for reviewing related party transaction as well.

Furthermore, the core objective of the Related Party Transactions

Review Committee is to ensure that the interest of shareholders is taken into consideration when entering into related party transactions and compliant with the rules. The Related

Party Transactions Review Committee conducts its activities as per its Charter, Policy and Guidelines and is entrusted with the task of reviewing related

party transactions other than those transactions explicitly exempted under the Listing Rules of the Colombo Stock Exchange.

OBJECTIVES, RESPONSIBILITIES AND DUTIES

The Related Party Transactions Review Committee carries out the following duties and responsibilities:

- To ensure that any related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties.
- To ensure proper review and approval is carried out by the Committee either prior to the transaction being entered into or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.
- To monitor disclosure of transactions between the Company and any of its Related Parties as required in compliance with legal and / or regulatory requirements stipulated by the Listing Rules of the Colombo Stock Exchange, Central Bank of Sri Lanka and Sri Lanka Financial Reporting Standards.
- To monitor financial accommodations granted to Key Management Personnel, major shareholders and Related parties.
- To monitor business transactions with institutions where the Directors of the Company have an interest either as Directors or major shareholders.
- To monitor that all related party transactions are transactions on normal commercial terms and not prejudicial to the interests of the Company or its minority shareholders.

PROFESSIONAL ADVICE

The Committee has assessed and/ or ensured that they have access to internal and external resources and may seek the advice of the External Auditors of the Company, Counsel or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee with respect to any Related Party

Transaction and obtain such advice as and when necessary

MEETINGS

The Committee met four times during the year to review and discuss related party transactions. The following points were discussed at every meeting.

1, Financial accommodations Granted to Directors, Key Management Personnel, Major Share Holders, Parent Company, Related Companies and Directors of the Parent Company.

2. Directors Deposits as at …

3. KPM Deposits as at 31.03.2023 and KPM relatives Deposits as at ...

The minutes of the meetings were submitted to the Board of Directors.

KEY ACTIVITIES DURING THE YEAR UNDER REVIEW

During the year 2022/23, there were no non - recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

The Committee discussed existing transactions with related parties, and recommended the procedure to be followed for future transactions. The Committee is in the process of developing policies and procedures to identify related parties prior to transactions, seek approval where necessary and to report in compliance with regulatory and / or legal requirements.

FUTURE OUTLOOK

The Committee will continue to review related party transactions to ensure the Company is in compliance with its stipulated framework governing related party transactions. The committee will also adopt new practices and policies to ensure that the committees maintains the highest standards in its governance structure and will seek external support where necessary.

J.P.D.R Jayasekara
Chairman

15th June 2023

BOARD AUDIT COMMITTEE REPORT

COMPOSITION

The Board-appointed Audit Committee comprises five Non- Executive Directors of whom four are Independent Directors

The members of the board-appointed audit committee in the year under review were:

Mr. R.A.T.P. Perera (Chairman) INED –until 24 December 2022;
Retired w.e.f .24.12.2022

Mr. V. A. Prasanth – INED

Mr. R. A. B. Basnayake –
(Pro tem Chairman) from 27/01/2023
SINED

Mr. J. P. D. R. Jayasekara - INED

Mr. K. G. K. Pillai - NED

*INED - Independent Non-Executive Director

**NED - Non-Independent Non-Executive
SINED - Senior Independent Non-Executive Director

The Committee's composition met the requirements of the rule 7.10.6 of listing Rules of the Colombo Stock Exchange and Finance Business (Corporate Governance) Direction No: 03 of 2008 and the Board Audit Committee Corporate Governance requirements of the rule 10.2 of Finance Business Act (Corporate Governance) Direction No. 5 of 2021.

ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to assist the Board of directors to oversee the financial reporting system, Internal Control mechanism, Internal Audit function and review of independence and performance of External Audit related affairs of the Company, with a view to safeguarding the interest of the shareholders and all other stakeholders.

The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company Rules on Corporate Governance under "Listing Rules of the Colombo Stock Exchange" and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

TERMS OF REFERENCE

The Audit Committee adheres to terms of reference, dealing with its authority and duties established for the purpose of assisting the Board to effectively carry out its responsibilities relating to financial and other connected affairs of the Company.

The Committee is responsible and reports to the Board of Directors. The terms of reference of the committee is reviewed periodically by a Board of directors

ACTIVITIES

Examine any matter relating to the financial and other connected affairs of the Company,

- Make recommendations to the Board of Directors on matters connected with engagement,
- re-engagement, partner rotation period, removal, and audit fees of External Auditors
- Monitor all Internal and External Audit inspection programs and review Internal and External Audit Reports and follow up on recommendations
- Review the efficiency of internal control systems and procedures, in place.
- Review the quality of Accounting Policies and their adherence to statutory and regulatory compliance.
- Ensure that a well-managed sound financial reporting system is in place to provide timely, reliable information to the Board of Directors, Regulatory Authorities, Management, and all other stakeholders.
- Ensure Company policies are firmly committed to the highest standards of good corporate governance practices and that operations conform to the highest ethical standards, in the best interests of all stakeholders.
- Shall review the statutory examination reports of the CBSL and ensure necessary corrective actions are taken in a timley manner and monitor the progress of time bound action plan.

MEETINGS

The Committee held Five meetings during the year to discuss the matters coming under their review. The attendance of the members at the meeting is as follows:

NO. OF MEETINGS ATTENDED

Mr. R.A.T.P.Parera 3/3

Mr. V. A. Prasanth 5/5

Mr. K.G.K. Pillai 4/5

Mr. R.A.B. Basnayake 5/5

Mr. J.P.D.R. Jayasekara 5/5

The formalized minutes of the Committee meetings with details of matters discussed are regularly tabled at Board meetings

The Director/CEO, COO and Senior Managers of Internal Audit are invited to attend all meetings. The Committee also invited members of the Senior Management of the Company to participate in the meetings as and when required. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration. The Company Secretary functions as Secretary to the Audit Committee.

FINANCIAL REPORTING

The Committee reviewed the effectiveness of the financial reporting system in place to ensure that the information provided to the stakeholders is reliable and is in strict adherence and compliance with the requirements of the Sri Lanka Accounting Standards and disclosure requirements

BOARD AUDIT COMMITTEE REPORT

and complies with the statutory provisions of Companies Act No 07 of 2007 and Finance Business Act No 42 of 2011. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company is well monitored.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. The committee has also received a declaration from the external auditors as required by the Companies Act No 07 of 2007, confirming that they do not have any relationship or interests in the Company, which may have a bearing on their independence.

Prior to the commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach, procedures, and matters relating to the scope of the audit. The audit results were discussed at the conclusion of the audit, where the committee reviewed and approved the annual financial statements.

The external auditors were also provided with the opportunity of meeting Non-Executive Directors separately, without any executive being present, to ensure that the auditors had the independence to discuss and express their opinions on any matter which provided assurance to the committee that the management had fully provided all the information and explanations with full access to all relevant areas requested by the auditors

The committee reviewed the non- audit services provided by the external auditors, with a view to ensure that such functions do not impair the external auditors' independence and objectivity.

The audit committee discussed the relevant matters arising interim and final audit with the external auditors together with the management letter of the previous year with the management's responses thereto. The committee has recommended to the Board of Directors that the re-appointment of Messrs. BDO Partners as the independent External Auditor for the financial year ending 31st March 2024 and that the re-appointment together with the fees of the external auditor to be included in the Agenda of the Annual General Meeting to be approved by the Shareholders of the Company.

REGULATORY COMPLIANCE

The Company's procedures in place to ensure compliance with mandatory Finance Company and other statutory requirements were under close scrutiny. The committee reviewed the information requirement of Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, and other reporting requirements of CBSL, SEC, and CSE regulations. and Act No. 05 of 2021, Finance Business of Coporate Governance.

INTERNAL AUDIT

The Audit Committee exercises oversight over the internal audit function. The Committee approves the annual internal audit programme and follows up on the progress during the year. Internal audit reports are presented and reviewed on a regular basis. Issues are raised with a risk rating to ensure more attention is given to high-risk areas. These reviews examine management's responses to the issues raised and recommendations to overcome the issues and the implementation plans.

The processes and the frequency of audits are dependent on the risk level, with higher risk areas being audited more frequently with greater focus. The Committee also ensured that the internal audit function is independent of the activities it audits and that the functions are performed with impartiality, proficiency, and due professional care

INTERNAL CONTROLS

The audit committee through the internal audit function that reports directly to the board audit committee, assessed the effectiveness of the internal controls and procedures for controlling business risk including the controls relating to the use of information technology 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 of the Company is well monitored.

The Committee also regularly reviews the Internal Control Procedures in place to ensure that the necessary controls and mitigating measures are available in respect of the newly identified risk. IT based offsite audit function further strenghened with activities encompassing real time monitoring alerts and exception reporting system.

AAF is now heavily dependent on Business systems and sophisticated IT infrastructure, the committee emphasized the importance of regular IT governance, application, and infrastructure reviews to mitigate risk stemming from these systems.

AAF retained a leading IT Risk advisory service firm to advise company's hybrid Security Operations Center (SOC) operations and to perform bi annual/ annual review and report IT governance , infrastructure ,applications controls and IT risks on our business systems to reinforce internal audit processes. The committee reviewed reports of the auditors and provided guidance in strengthening controls. The implementation of the e-Audit solution on Core business applications streamlining the internal audit process from planning, and execution to exception reporting implemented last year further optimised with upgraded process/ reporting systems resulted in reinforcing risk management processes and internal controls whilst improving productivity, efficiencies of auditing staff.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to the adoption of new and revised Sri Lanka Accounting Standards (SLFRS/ LKAS) applicable to the Company and made necessary recommendations to the Board. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board informed at regular intervals.

Evaluation Accounting judgments, estimates, and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

WHISTLE BLOWER POLICY

whistle blower policy and appropriate procedures are in place and reviewed annually to conduct independent investigations into any reported incidents through whistleblowing or identified through other means. The policy guarantees the maintenance of strict confidentiality of whistleblowing.

During the year under review, no such incident was reported.

CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the audited financials are free from any material misstatements.

Rajitha A B. Basnayake
Pro tem Chairman

Audit Committee
15th June 2023

NOMINATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Board-appointed Nomination Committee comprises five Non- Executive Directors of whom two are Independent Directors.

The members of the board-appointed Nomination committee in the year under review were:

Mr. R. A. B. Basnayake – (Chairman) SINED

Mr. R.A.T.P. Perera INED –until 24th December 2022; Retired w.e.f 24th December 2022

Mr. J. P. D. R. Jayasekara - INED

Mr. G.M. Alexander – NINED

Mr. K.R. Bijimon - NINED

*INED - Independent Non-Executive Director

**NINED - Non-Independent Non-Executive Director

***SINED Senior Independent Non-Executive Director

The Committee's composition met the requirements of the listing Rules of the Colombo Stock Exchange and the Board Nomination Committee Corporate Governance requirements of the rule 10.4 of Finance Business Act (Corporate Governance) Direction No. 5 of 2021 ..

FUNCTIONS OF THE NOMINATION COMMITTEE

1. Implementation of formal and transparent procedure to select/ appoint New Directors and Senior Management. Senior Management shall be appointed with the recommendation of the Director/Chief Executive Officer, excluding the Chief Internal Auditor, Chief Risk Officer, and Compliance Officer.
2. The Committee shall ensure that the Directors and Senior Management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Property of Key Responsible Persons) Direction.
3. The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for appointment to the post of CEO and Senior Management.
4. The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the company and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.
5. The committee shall consider and recommended from time to time, the requirements of additional/ new expertise and the succession arrangements of additional/new expertise, and the succession arrangements for retiring directors and senior management.
6. A member of the nomination committee shall not participate in decision making relating to own appointment/reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.
7. To make recommendations on other related matters referred to the Committee by the Board of Directors.

ACTIVITIES DURING THE YEAR

The Committee met twice during the year to deliberate on appointment and succession planning for key management personnel and to recommend the appointment of two Directors .

POLICIES AND PROCEDURES

The Nomination Committee operates within the terms of reference as approved by the Board. As per the said terms of reference, the Committee shall be constituted with Non Executive Directors, majority of whom may preferably be Independent Non-Executive Directors. The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman.

Rajitha A B. Basnayake
Chairman

Nomination Committee
15th June 2023

PROMOTING GENDER DIVERSITY

FINANCIAL REPORTS

Despite high literacy rates in Sri Lanka only 32% of women are in the workforce. AAF has always created a thriving environment for women to excel and progress in their careers. At AAF 42% of our workforce comprises of females and 12% of our branch managers are women.

INDEPENDENT AUDITOR'S REPORT

BDO

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Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE SHAREHOLDERS OF ASIA ASSET FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia Asset Finance PLC (the "company"), which comprise the statement of financial position as at 31st March 2023, and the statement of income and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 124 to195.

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter

Impairment of loans and receivables

The company's gross loans and receivable amount to Rs. 21.2 billion as at 31st March 2023 (2022: Rs. 17.3 billion) and impairment allowance for the year amounts to Rs. 556 million at 31st March 2023 (2022: Rs. 493 million).

The company measures the impairment of loans and receivables using expected credit loss ("ECL") model as per SLFRS 9: Financial Instruments ("SLFRS 9"). The application of this standard requires management to exercise significant judgments in the determination of expected credit losses, including those relating to loans and receivables. Management applies significant judgment in the determination of estimated future cash flows, probabilities of default and forward-looking economic expectations.

Due to the significance of loans and receivables and the significant estimates and judgment involved, the impairment of these loans and receivables was considered to be a key audit matter.

The impairment provision is considered separately on an individual and collective impairment basis.

In calculating the impairment provision on a collective basis, statistical models are used. The following inputs to these models require significant management judgment:

- The probability of default (PD)
- The exposure at default (EAD)
- The loss given default (LGD)
- The effective interest rates

In assessing loans and receivables on an individual basis, significant judgments, estimates and assumptions have been made by management to:

- Determine if the loan, advance, lease or hire purchase is credit impaired
- Evaluate the adequacy and recoverability of collateral
- Determine the expected cash flows to be collected
- Estimate the timing of the future cash flows

Key areas of significant judgments, estimates and assumptions used by management related to the impact of prevailing macroeconomic conditions in the assessment of the impairment allowance included the following:

- The probable impacts of prevailing macroeconomic conditions and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the company)

- The determination on whether or not customer contracts have been substantially modified due to such stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances

- Forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic conditions that may affect future expected credit losses

The disclosures associated with impairment of loans and receivables are set out in the financial statements in the following notes:

- Note 11 – Impairment charge for lease rentals receivables, hire purchase and loans and advances
- Note 18.8 - Financial assets at amortized cost – Loan and advances
- Note 18.7 - Financial assets at amortized cost – Lease rental receivables and hire purchase

How our audit addressed the key audit matter

Our procedures included the following:

- We obtained an understanding of management's process and tested controls over credit origination, credit monitoring and credit remediation.

- We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.

- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by comparing these to the requirements of SLFRS 9: Financial Instruments, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing macroeconomic conditions and government responses based on the best available information up to the date of our report.

- We test-checked the underlying calculations and data.

In addition to the above, we performed the following specific procedures:

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the company's source documents and information in IT systems.

- We assessed whether judgments, estimates and assumptions used by the management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each of those scenarios. Further, we assessed the reasonableness of the company's considerations of the economic uncertainty relating to prevailing macroeconomic conditions.

For loans and receivables individually assessed for impairment:

- We assessed the main criteria used by management for determining whether an impairment event had occurred.

- Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held.

- We Evaluated the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

For loans and advances affected by government stimulus and debt moratorium relief measures granted:

- We assessed the appropriateness of judgments, reasonableness of calculations and data used to determine whether customer contracts have been substantially modified or not and to determine the resulting accounting implications; and

- Evaluated the reasonableness of the interest income recognised on such affected loans and advances.

We also assessed the adequacy of the related financial statement disclosures.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in

INDEPENDENT AUDITOR'S REPORT

the audit, or otherwise whether it appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain an 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 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 ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4324.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

28th April 2023

HSR/dm

INCOME STATEMENT

For the Year Ended 31st March 2023	Notes	2022/2023 Rs.	2021/2022 Rs.
Interest income	4	5,391,701,835	2,576,080,610
Less: Interest expenses	5	(3,651,051,365)	(1,324,236,291)
Net Interest income	6	1,740,650,470	1,251,844,319
Fees and commission income	7	602,384,100	591,567,029
Other operating income	8	12,249,081	15,065,243
Less: Operating expenses			
Personnel expenses	9	(413,680,997)	(333,319,633)
Depreciation and amortization cost	10	(130,043,715)	(128,652,790)
General and administration expenses		(853,005,581)	(664,817,566)
Impairment charge for lease rentals receivable, hire purchase, loans and advances	11	(556,092,219)	(492,904,299)
Operating profit before value added tax on financial services	12	402,461,139	238,782,303
Taxes on financial services	13	(42,825,463)	(36,500,000)
Profit before income tax		359,635,676	202,282,303
Income tax expenses	14	(64,300,254)	(83,720,568)
Profit for the year		295,335,422	118,561,735
Earnings per share - basic	36.1	2.38	0.95
Earnings per share - diluted	36.2	1.78	0.72

Figures in brackets indicate deductions.

The accounting policies and notes on pages 124 to 195 form an integral part of these financial statements.

Colombo
28th April 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March 2023		**2022/2023**	2021/2022
	Notes	Rs.	Rs.
Profit for the year		295,335,422	118,561,735
Other comprehensive income not to be re-classified to			
profit or loss in subsequent periods (net of tax)			
Actuarial gain on retirement benefit liability	33	8,482,160	1,164,300
Deferred tax effect on components of other comprehensive income	14	2,544,648	(279,432)
Other comprehensive income for the year net of tax		11,026,808	884,868
Total comprehensive income for the year		284,308,614	119,446,603

Figures in brackets indicate deductions.

The accounting policies and notes on pages 124 to 195 form an integral part of these financial statements.

Colombo
28th April 2023

STATEMENT OF FINANCIAL POSITION

As at 31st March 2023	Notes	**31.03.2023** Rs.	31.03.2022 Rs.
ASSETS			
Cash and cash equivalents	16	2,063,128,895	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	17	2,444,830,041	989,433,452
Financial assets at amortized cost - Loans and advances	18.8	19,028,664,556	14,729,182,119
Financial assets at amortized cost - Lease rentals receivable and hire purchase	18.7	449,636,218	1,084,117,530
Other assets	19	127,559,654	123,152,101
Income tax receivable	20	27,593,548	27,698,763
Advances, deposits and prepayments	21	77,034,568	104,518,028
Financial assets - Fair value through other comprehensive income/available for sale	22	506,659	506,659
Property, plant and equipment	23	203,787,014	184,377,810
Right-of-use assets	24	180,642,208	196,496,795
Investment property	25	324,062,193	359,055,287
Deferred tax assets	14.2	37,422,647	101,422,648
Intangible assets	26	47,676,226	44,194,279
Total assets		25,012,544,427	19,341,788,022
LIABILITIES			
Financial liabilities - Due to banks	27	3,763,272	38,990,640
Other liabilities	28	228,236,872	80,227,361
Financial liabilities - Other borrowed funds	29	6,062,427,129	5,458,426,482
Leased liability	30	199,066,151	207,778,443
Due to customers	31	13,274,968,572	8,695,180,272
Debenture	32	2,187,519,136	2,072,877,339
Retirement benefit obligation	33	45,722,533	32,796,379
Total liabilities		22,001,703,665	16,586,276,916
EQUITY			
Stated capital	34	2,205,463,801	2,205,463,801
Retained earnings		588,534,571	464,777,293
Statutory reserve fund and other reserves	35	216,842,390	85,270,012
Total equity		3,010,840,762	2,755,511,106
Total equity and liabilities		25,012,544,427	19,341,788,022
Contingent liabilities and commitments	37	598,044,570	736,356,192
Net assets value per share		24.24	22.19

Figures in brackets indicate deductions.

The accounting policies and notes on pages 124 to 195 form an integral part of these financial statements.

These financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Geethika Elwalage
Deputy General Manager - Finance

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.

R.J.A. Gunawardena
Director/Chief Executive Officer

R. A. Basnayaka
Director

Colombo
28th April 2023
HSR/dm

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary share capital	Preference share capital	General reserve	Statutory reserve fund	Regulatory Loss Allowance Reserve	Retained earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.		
Balance as at 01st April 2021		1,791,478,691	-	3,000,000	76,297,682		351,303,022	2,222,079,395
Total comprehensive income for the year								
Profit for the year		-	-	-	-		118,561,733	118,561,733
Other comprehensive income (net of tax)		-	-	-	-		884,868	884,868
Total comprehensive income for the year		1,791,478,691	-	3,000,000	76,297,682	-	470,749,623	2,341,525,996
Transactions with equity holders recognised directly in equity								
Proceeds from issue of preference shares	34.2	-	413,985,110	-	-		-	413,985,110
Transfers to reserves		-	-	-	5,972,330		(5,972,330)	-
Total transactions with equity holders		-	413,985,110	-	5,972,330	-	(5,972,330)	413,985,110
Balance as at 31st March 2022		1,791,478,691	413,985,110	3,000,000	82,270,012	-	464,777,293	2,755,511,106
Balance as at 01st April 2022		1,791,478,691	413,985,110	3,000,000	82,270,012		464,777,293	2,755,511,106
Total comprehensive income for the year								
Profit for the year		-	-	-	-		295,335,422	295,335,422
Other comprehensive income (net of tax)		-	-	-	-		(11,026,808)	(11,026,808)
Total comprehensive income for the year		-	-	-	-	-	284,308,614	284,308,614
Transactions with equity holders recognised directly in equity								
Dividend paid - Preference shares	35	-	-	-	-		(28,978,958)	(28,978,958)
Transfers to reserves	35	-	-	-	56,861,723		(56,861,723)	-
Transfers to reserves	35					74,710,655	(74,710,655)	-
Total transactions with equity holders		-	-	-	56,861,723	74,710,655	123,757,278	255,329,655
Balance as at 31st March 2023		1,791,478,691	413,985,110	3,000,000	139,131,735	74,710,655	588,534,571	3,010,840,762

STATEMENT OF CASH FLOWS

For the Year Ended 31st March 2023	Notes	2022/2023 Rs.	2021/2022 Rs.
Cash flows from operating activities			
Profit before income tax		359,635,676	202,282,303
Adjustments for			
Depreciation and amortization	10	64,806,550	72,580,622
Amortization of right-of-use asset	10	65,237,164	61,492,097
Interest expenses on lease liability	5	31,420,978	25,478,575
Impairment of lease, hire purchase, loans and advances	11	556,092,219	492,904,300
Early termination of loans, leases and hire purchase		17,618,156	(37,203,068)
Non-cash items included in profit before tax (WHT and Notional tax)		(268,538)	-
Gains from sale of property, plant and equipment, investment property and real estate inventories		(3,911,152)	(2,230,807)
Gain on expiration of operating lease agreement during the year		(2,166,889)	(1,719,551)
Provision for retirement benefit liability	33	8,762,394	6,051,551
Interest expense on other borrowings	5	1,150,280,663	463,925,159
Interest expense on debentures	5	380,783,577	166,360,280
Cash generated from operations before working capital changes		2,628,290,798	1,449,921,461
Changes in working capital			
Decrease in lease rentals receivable and hire purchase		644,983,536	1,085,312,948
Increase in loans and advances		(4,883,695,032)	(4,947,566,069)
Increase in other receivables		(4,407,550)	(101,514,786)
(Increase)/decrease in deposits and prepayments		(23,785,190)	141,585,636
Increase in deposits from customers		4,579,788,301	1,681,493,888
Increase in other non-financial liabilities		194,733,490	41,310,965
Net cash from/(used in) operating activities before income tax payments		3,135,908,353	(649,455,957)
Taxes paid		(2,471,149)	-
Gratuity paid	33	(4,318,400)	(2,226,250)
Lease rent advance paid	30	(82,804,290)	(63,288,541)
Dividednd paid		(28,978,958)	-
Net cash generated from/(used in) operating activities		3,017,335,556	(714,970,748)

For the Year Ended 31st March 2023	Notes	**2022/2023** Rs.	2021/2022 Rs.
Cash flows from investing activities			
Acquisition of property, plant and equipment	23	(74,641,867)	(81,044,789)
Acquisition of intangible assets	26	(12,443,299)	(12,276,583)
Acquisition/additions to investment property	21	(700,000)	-
Proceeds from sale of investment property	21	37,500,000	12,210,000
Settlement for intangible asset		(1,316,500)	-
Proceeds from sale of property, plant and equipment		2,808,208	730,795
Net cash used in investing activities		(48,793,458)	(80,380,577)
Cash flows from financing activities			
Repayment of other borrowed funds	29	(4,585,280,017)	(4,182,257,403)
Proceeds from other borrowed funds	29	4,039,000,000	4,398,000,000
Proceeds from debenture issue		-	992,025,770
Repayment of debenture	32.4	(266,141,780)	(114,973,820)
Proceed from preference share issue	34.2	-	413,985,110
Net cash generated from/(used in) financing activities		(812,421,797)	1,506,779,657
Net increase in cash and cash equivalents		2,156,120,301	711,428,332
Cash and cash equivalents at the beginning of the year	A	2,348,075,363	1,636,647,031
Cash and cash equivalents at the end of the year	B	4,504,195,664	2,348,075,363
At the beginning of the year			
Cash and cash equivalents		1,397,632,551	1,006,233,476
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		989,433,452	654,692,844
Bank overdraft		(38,990,640)	(24,279,289)
		2,348,075,363	1,636,647,031
At the end of the year			
Cash and cash equivalents		2,063,128,895	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost		2,444,830,041	989,433,452
Bank overdraft		(3,763,272)	(38,990,640)
		4,504,195,664	2,348,075,363

Figures in brackets indicate deductions.

The accounting policies and notes on pages 124 to 195 form an integral part of these financial statements.

Colombo

28th April 2023

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

This section provides general information about Asia Asset Finance PLC.

1.1 General

Asia Asset Finance PLC is a Public Limited Liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company has been registered with the Central Bank of Sri Lanka as a Finance company under the provisions of the Finance Business Act No. 42 of 2011 (formerly the Finance Companies Act No.78 of 1988). The company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company and the principal place of business are located at No 76, Park Street, Colombo 03.

1.2 Principal activities and nature of operations

The principal activities of the Company comprise granting leases, hire purchase, mortgage loans, personal loans, mortgage loans, group personnel loans, gold loans, micro finance loans, pledge loans, cheque and invoice discounting and mobilisation of public deposits.

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

1.3 Parent entity and ultimate parent entity

The company's immediate and ultimate parent entity as at 31st March 2023 is Muthoot Finance Limited which was incorporated in India.

1.4 Number of employees

The staff strength of the Company as at 31st March 2023 was 481 (526 as at 31st March 2022).

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

This section provides additional information about the overall basis of preparation that the directors consider is useful and relevant in understanding these financial statements:

- A summary of other significant accounting policies affecting the results and financial position of the Company, including changes in accounting policies and disclosures during the year
- Standards that have been issued which the company has not adopted

2.1 Basis of measurement

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

Item	Basis of measurement
Financial assets measured at fair value through profit or loss	Fair value
Financial assets measured at fair value through other	Fair value
Retirement benefit obligation	Liability is recognised as the present value of the retirement obligation plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses.

2.2 Going concern

The Company has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern.

The Company recorded a strong improvement in profitability compared that the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Company. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and hence has adopted the going concern basis in preparing and presenting these Financial Statements.

2.3 Statement of compliance

The financial statements of the Company as at 31st March, 2023 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the

Companies Act No. 07 of 2007, the Finance Business Act No 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- A statement of profit or loss and other comprehensive income providing the information on the financial performance of the Company for the year under review
- A statement of financial position providing the information on the financial position of the Company as at the year end
- A statement of changes in equity depicting all changes in shareholders' equity during the year under review of the Company
- A statement of cash flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows and
- Notes to the financial statements comprising accounting policies and other explanatory information.

2.4 Responsibility for financial statements

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

2.5 Approval of financial statements by the Board of Directors

The financial statements of Asia Asset Finance PLC for the year ended 31st March 2023 (including comparatives) were approved and authorised for issue on 28th April 2023 in accordance with a resolution of the Board of Directors on 28th April 2023.

2.6 Presentation of financial statements

The assets and liabilities in the statement of financial position are grouped by nature and listed in an order that reflect their relative liquidity and maturity pattern. 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) has been presented in note 42 (current/non-current analysis). No adjustments have been made for inflationary factors affecting the financial statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is legally on enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless it is required or permitted by any accounting standard or interpretation.

2.7 Comparative information

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

2.8 Functional and presentation currency

The financial statements have been presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency.

2.9 Materiality and aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

2.10 Rounding

The amounts in the financial statements have been rounded-off to the nearest Rupee, except where it is otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'.

2.11 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency which is the Sri Lankan Rupee (Rs.) at the spot exchange rate prevailing at the date of the transactions being effected. In this regard, the Company's practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2.12 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

Impact of prevailing macroeconomic conditions

The prevailing macroeconomic conditions and their related implications have increased the uncertainty of estimates made in the preparation of the Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the prevailing macroeconomic conditions and the related actions of stakeholders such as government, businesses and customers.

- the extent and duration of the prevailing macroeconomic conditions due to impact on GDP, capital markets, credit risk of customers, impact of unemployment and possible decline in consumer discretionary spending.

- the effectiveness of Government and the Central Bank measures that have been put in place in response to the prevailing circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to impairment of financial assets and recoverable amount assessments of non-financial assets, recoverable value of property, plant and equipment and investment properties.

The impact of prevailing macroeconomic conditions on accounting estimates is discussed under the relevant notes to these Financial Statements.

Significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are given in the related notes.

2.12.1 Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provide scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria:

- managing the financial assets is set out in Note 3.1.3.1.
- The contractual cash flow characteristics of the financial assets is set out in Note 3.1.3.2.

2.12.2 Impairment Losses on Financial assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are based on the assumptions of a number of factors and the actual results may differ, resulting in future changes to the allowance.

Refer Note 3.1.11 for more details relating to impairment loss assessment on financial assets.

2.12.3 Taxation

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to interpretation of the applicability of tax laws, at the time of preparation of these financial statements.

The Company recognises assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.12.4 Deferred tax assets

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

2.12.5 Retirement benefit obligation

The cost of the retirement benefit obligation of employees is determined using an actuarial valuation. The actuarial valuation is based on assumptions concerning the rate of interest, rate of salary increase, staff turnover and retirement age and going concern of the Company. Due to the long-term nature of such obligation, these estimates are subject to significant uncertainty. Further details are given in note 33 to the financial statements.

2.12.6 Useful lives of property, plant and equipment, investment property and intangible assets

The Company depreciates/ amortizes the property plant and equipment, investment property and intangible assets using the straight line method over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects the management's estimate of the period that the Company intends to derive future economic benefits from the use of the property, plant and equipment, investment property and intangible assets. The residual value reflects the management's estimated amount that the Company would currently obtain from the disposal of the asset, after deducting the estimated disposal, as if the assets were already of the age and in the conditions expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economic useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

2.12.7 Leases

2.12.7.1 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 the extension and termination options. The Company applies judgment 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 re-assesses 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 customisation of the leased asset).

2.12.7.2 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.

2.13 Changes in Accounting Policies

The Company has consistently applied the Accounting Policies to all periods presented in these financial statements, except for the changes arising out of amendments to Accounting Standards as set out below.

2.13.1 Changes to already existing accounting standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

Amendments to SLFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether the Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the changes were not a lease modification. The Company has applied practical expedient for Covid-19 related rent concessions which have been extended up to March 2023.

2.13.2 New accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

The Company intends to adopt this amended standard and interpretation, if applicable, when it becomes effective.

Accounting Standard	Description	Effective Date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.	1st January 2023
Amendments to LKAS 1	Classification of liabilities as current or non-current	1st January 2023
Amendments to LKAS 1 and SLFRS Practice Statement 2	Disclosure of accounting policies	1st January 2023
Amendments to LKAS 8	Definition of accounting estimates	1st January 2023
Amendments to SLFRS 16	Lease liability in a sale and leased back	1st January 2024

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Financial instruments – initial recognition, classification and subsequent measurement

3.1.1 Date of recognition

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

3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. Refer Notes 3.1.3 and 3.1.4 for further details on classification of financial instruments.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9 and trade receivables that do not have a significant financing component as defined by SLFRS 15.

The transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss is dealt with through the Income Statement.

Trade receivables that do not have significant financing components are measured at their transaction price at initial recognition as defined in SLFRS 15.

When the fair value of financial instruments (except trade receivables that do not have significant financing components) at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

3.1.2.1 "Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gains/(losses) from trading. In those cases, where the fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

3.1.3 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

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

The subsequent measurement of financial assets depends on their classification.

3.1.3.1 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 and not assessed on instrument-by- instrument basis 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 how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing the newly originated or newly purchased financial assets going forward.

3.1.3.2 Assessment of whether contractual cash flows are solely the payments of principal and interest (SPPI test)

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely the payments of principal and interest on the principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Refer Notes 3.1.3.3 to 3.1.3.5. below for details on different types of financial assets recognised in the Statement of Financial Position. (SOFP)

3.1.3.3 Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are given in Notes 3.1.3.3.1 and 3.1.3.3.2 below.

3.1.3.3.1 Loans and advances to customers

Loans and advances to customers include loans and advances, and lease and hire purchase receivable of the Company.

Details of "Loans and advances to customers" are given in Notes 18.

3.1.3.3.2 Investment in reverse repurchase agreements against the treasury bills and bonds

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a financial asset in the SOFP reflecting the transaction's economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at amortized cost using the EIR with the corresponding interest income/receivable being recognised as interest income in profit or loss.

Details of "Investment in reverse repurchase agreements against the treasury bills and bonds" are given in Note 17.

3.1.3.3.3 Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 16.

3.1.3.4 Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income.

3.1.3.4.1 Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely the payments of principal and interest on principal outstanding.

3.1.3.4.2 Equity instruments designated at FVOCI

Upon initial recognition, the Company elects to classify irrevocably some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI. Details of "Equity instruments at FVOCI" are given in Note 22.

3.1.3.5 Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortized cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3.1.4 Classification and subsequent measurement of financial liabilities

As per SLFRS 9, the Company classifies financial liabilities other than financial guarantees and loan commitments into one of the following categories:

- Financial liabilities at fair value through profit or loss, and within this category are,
  - Held-for-trading; or
  - Designated at fair value through profit or loss;
- Financial liabilities measured at amortized cost.

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company does not have any financial liabilities at fair value through profit or loss.

3.1.4.2 Financial liabilities at amortized cost

Financial liabilities issued by the Company that are not designated at FVTPL are classified as financial liabilities at amortized cost under "Due to banks", "Due to customers", "Other borrowings" or "Subordinated debts" as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in "Interest expense" in the income statement. Gains or losses too are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortization process.

3.1.4.2.1 Due to banks

Details of "Due to banks" are given in Note 27.

3.1.4.2.2 Due to customers

Details of "Due to customers" are given in Note 31.

3.1.4.2.3 Other borrowed funds

Details of "Other borrowed funds" are given in Note 29.

3.1.4.2.4 Debentures

Details of "Debentures" are given in Note 32.

3.1.5 Re-classification of financial assets and liabilities

As per SLFRS 9, Financial assets are not re-classified subsequent to their initial recognition, except and only in those rare circumstances when the company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not re-classified as such re-classifications are not permitted by SLFRS 9.

3.1.5.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Company re-classifies all affected assets prospectively from the first day of the first reporting period following the change in the business model (the re-classification date). Accordingly, prior periods are not restated.

3.1.5.2 Measurement of reclassification of financial assets

3.1.5.2.1 Re-classification of Financial Instruments at 'Fair value through profit or loss'

- To Fair value through other comprehensive income

  The fair value on re-classification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognised in OCI.

- To Amortized Cost

  The fair value on re-classification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

3.1.5.2.2 Re-classification of Financial Instruments at 'Fair value through other comprehensive income'

- To Fair value through profit or loss

  The accumulated balance in OCI is re-classified to profit and loss on the re-classification date.

- To Amortized Cost

  The financial asset is re-classified at fair value. The cumulative balance in OCI is removed and is used to adjust fair value on the re-classification date. The adjusted amount becomes the amortized cost.

  EIR determined at initial recognition and gross carrying amount are not adjusted as a result of re-classification.

3.1.5.2.3 Reclassification of Financial Instruments at "Amortized Cost"

- To Fair value through other comprehensive income

  The asset is remeasured to fair value, with any difference recognised in OCI. EIR determined at initial recognition is not adjusted as a result of reclassification.

- To Fair value through profit or loss

  The fair value on the reclassification date becomes the new carrying amount. The difference between the amortized cost and fair value is recognised in profit and loss.

3.1.6 De-recognition of financial assets and financial liabilities

3.1.6.1 Financial assets

The Company de-recognises a financial asset (or where applicable a part thereof) when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which case the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

3.1.6.2 Financial liabilities

The Company de-recognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.1.7 Modification of financial assets and financial liabilities

3.1.7.1 Financial assets

If the terms of a financial asset are modified, the Company evaluates to ascertain 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

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

asset are deemed to have expired. In this case, the original financial asset is de-recognised and a new financial asset is recognised at fair value.

As per SLFRS 9, if the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

3.1.7.2 Financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

3.1.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the SOFP if, and only if, there is a currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.1.9 Amortized cost and gross carrying amount

The "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance.

The "gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any ECL allowance.

3.1.10 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in Note 43.

3.1.11 Identification and measurement of impairment of financial assets

3.1.11.1 Overview of the ECL principles

As per SLFRS 9, the Company records an allowance for expected credit losses for loans and advances to customers, debt and other financial instruments measured at amortized cost, debt instruments measured at fair value through other comprehensive income and loan commitments.

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within the next 12 months (12M ECL).
- Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL. Refer Note 3.1.11.2 for a description on how the Company determines when a significant increase in credit risk has occurred.
- Stage 3: If a financial asset is credit-impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with a probability of default at 100%. Refer Note 3.1.11.4 for a description on how the Company defines credit impaired and default.
- Purchased or originated credit impaired (POCI) financial assets: Financial assets which are credit impaired on initial recognition are categorised within stage 3 with a carrying value already reflecting the lifetime expected credit losses. The Company does not have POCI loans as at the reporting date.

The key judgments and assumptions adopted by the Company in addressing the requirements of SLFRS 9 are discussed below:

3.1.11.2 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and an expert credit assessment including forward looking information.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 60 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Company individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/ group of customers, portfolios or instruments
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or instruments
- When the value of collateral is significantly reduced and/or realizability of collateral is doubtful
- When a customer is subject to litigation that significantly affects the performance of the credit facility
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants
- When the customer is deceased/ insolvent
- When the Company is unable to contact or find the customer

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The Company regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortized cost or at FVOCI, the Company determines significant increase in credit risk based on the generally accepted investment/non-investment grade definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

3.1.11.3 COVID -19 Impact on Loan and advances

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 in line with the directions issued by the CBSL. Utilization of a payment deferral program does not, all else being equal, automatically trigger a SICR. As such, the key issue will be to distinguish between cases where the payment holidays provide relief from short-term liquidity constraints impacting the borrower that do not amount to a SICR. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgment in the assessment of the impact of the COVID-19 outbreak on the loans and advances portfolio, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures including concessionary financing and payment moratorium.

The impact of the outbreak has been assessed and adjusted in these financial statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. In response to COVID-19 and expectations of economic impacts, key assumptions used in the calculation of ECL have been revised. As at the reporting date, the expected impacts of COVID-19 have been captured via the modelled outcome as well as a separate management overlay reflecting the considerable uncertainty remaining in the modelled outcome given the unprecedented impacts of COVID-19.

Accordingly, the Company took steps to identify the customers showing distress signs in identifying SICR under the individual impairment assessment. Under the individual assessment, customers operating in risk elevated industries including tourism, supplying hardware items, printing and publishing, tobacco related business, passenger transport and electronic items were assessed individually in the ECL model. In addition, as expert credit judgment, the stressed ECL parameters such as PDs and LGDs reflect the real economic scenario that is not reflected due to the deferrals and concessions granted due to COVID-19. Early observations of payment behaviour of expiries for this year were considered in the assessment of the changes in the risk of default occurring over the expected life of a financial instrument when determining staging and is a key input in determining migration.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

3.1.11.4 Definition of default and credit impaired assets

The company considers loans and advances to customers to be defaulted when:

- the borrower is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the borrower becomes 90 days past due on its contractual payments.

In addition, the Company classifies the financial investments under stage 3 when the external credit rating assigned to the particular investment is in "default".

In assessing whether a borrower is in default, the Company reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Company considers non-performing credit facilities/ customers with one or more of indicators set out in Note 3.1.11.2 above as credit impaired.

3.1.11.5 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described in Note 3.1.11.2. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

3.1.11.6 Grouping financial assets measured on collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on individual basis include credit impaired facilities of individually significant customers.

Those financial assets for which, the Company determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on a collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

3.1.11.7. The Calculation of Expected Credit Loss Principle (ECL)

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The Gold Loan PD calculation is computed default over a given time horizon .
- EAD: Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities and accrued financing income from missed payments.
- LGD: 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 lenders would expect to receive, including realisation of any collateral. The weighted average LGDs are used and the weighted average LGD is determined by dividing the total loss for the year by the total exposure of settled defaults of each year.
- LGD Gold Loan: AAF uses non-performing gold loans which are over 120 days past due for LGD calculation of gold loans. Since the physical gold is in the custody of AAF, a forecasted gold value of the respective facility is calculated assuming 20% drop of current gold market price. The ratio between total receivable and the difference in forecasted gold value and total receivable is considered as LGD ratio for respective facilities. A simple average of the LGD of all non-performing gold loans is considered as the LGD ratio of gold loan product.

3.1.11.8 Forward-looking information

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

The Company has identified key drivers of credit risk both quantitative and qualitative

Quantitative drivers of credit risk
GDP growth
Unemployment rate
Interest rate (AWPLR)
Rate of inflation
Exchange rate

Qualitative drivers of credit risk
Status of industry business
Regulatory impact
Government policies

for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and supranational organisations such as IMF.

3.1.12 Write-off of loan s and advances

Loans (and the related impairment allowance accounts) 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.

3.2. Property, plant and equipment

Details of "Property, plant and equipment" are given in Note 23.

3.2.1. Depreciation

Details of "Depreciation" are given in Note 10.

3.3. Intangible assets

Details of "Intangible assets" are given in Note 26.

Amortization recognised during the year in respect of intangible assets is included under the item of "Amortization of intangible assets" under "Depreciation and amortization cost" in income statement. Refer Note 10.

3.4 Investment property

Details of "Investment Property" are given in Note 25.

3.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash–generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

The Company has not determined impairment as at the reporting date due to the COVID-19 pandemic, and each department functions under the business continuity plan as per the Company's risk management strategy, allowing operations to function through alternative working arrangements, whilst strictly adhering to and supporting government directives.

3.6 Deferred tax assets

Details of "Deferred tax assets" are given in Note 14.

3.7 Real estate inventories

Real estate inventories represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.8 Fiduciary assets

The Company provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in these financial statements as they do not belong to the Company.

3.9 Other assets

Details of "Other assets" are given in Note 19.

3.10 Provisions

Provisions are recognised in the statement of financial position when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard – LKAS 37 on

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

'Provision, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. The expense relating to any provision is presented in the statement of income net of any reimbursement.

3.11 Leases

3.11.1 Right-Of-Use Assets – Company as a Lessee

Details of "Rights-of-use assets" are given in Note 24.

3.11.2 Lease Liability

Details of "Lease liability" are given in Note 30.

3.11.3 Finance leases - Company as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the statement of financial position and presents them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes the present value of lease payments to equal the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 18 on "Financial assets at amortized cost – Lease rentals receivable and hire purchase", as appropriate. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.11.4 Operating leases - Company as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Company recognises lease payments from operating leases as income on a straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.12 Other liabilities

Other liabilities include related party payables, VAT on financial services payable, retirement benefit obligation and other amounts payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

3.12.1.1 Value Added Tax (VAT) on Financial Services

Value Added Tax (VAT) on Financial Services is calculated in accordance with Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for value added tax computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rates.

3.12.1.2 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) was imposed with effect from 01st October 2022, at the rate of 2.5% by the Social Security Contribution Levy Act No. 25 of 2022 (SSCL Act).

3.12.1.3 Crop Insurance Levy (CIL)

As per the provision of Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from 01st April 2013 and is payable to the National Insurance Trust Fund. Currently CIL is payable at 1% of the profit after tax.

3.13 Retirement benefit obligation

Details of "Retirement benefit obligation" are given on Note 33.

3.14 Dividends payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and are payable at the discretion of the Company. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard - LKAS 10 on 'Events after the Reporting period'.

3.15 Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are as follows:

3.15.1 Net interest income

3.15.1.1 Interest income and interest expense

Interest income and expense are recognised in the income statement using the effective interest rate (EIR) method.

As per SLFRS 9, the interest income and expense presented in the income statement include:

- interest on financial assets measured at amortized cost calculated using EIR method;

- interest on financial liabilities measured at amortized cost calculated using EIR method.

Effective Interest Rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

3.15.2 Net trading gain/loss on held for trading securities

Results arising from trading activities include all gains and losses from changes in fair value for financial assets 'held for trading'.

3.15.3 Net Fee and Commission Income

Fee and commission income is earned from a diverse range of services provided by the Company to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed and
- Income earned from the provision of services is recognised as revenue as the services are provided.

3.15.4 Other operating income

Other operating income includes gains on property, plant and equipment, hiring income, rent income, dividend income and capital gains/(losses).

3.15.4.1 Dividend income

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

3.15.4.2 Gain or losses on disposal of property plant and equipment, Investment property and real estates

Gains or losses resulting from the disposal of property, plant and equipment, investment properties and real estates are accounted for on cash basis in the statement of profit or loss, in the period in which the sale occurs.

3.15.4.3 Other Income

Other income is recognised on an accrual basis.

3.16 Personnel expenses

Details of "Personnel expenses" are given in Note 9.

3.17 General and administrative expense

General and administrative expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of income in arriving at the profit for the year.

3.18 Income tax expense

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rate of 30%.

3.19 Events after the reporting period

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

In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in the financial statements, where necessary.

3.20 Statement of cash flows

The statement of cash flows has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard – 'LKAS 7' – 'Statement of Cash Flows', whereby gross cash receipts and gross cash payments

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents mainly comprise cash in hand, balances at banks and bank overdrafts.

3.21 Fair value measurement

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

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted pricing in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in note 43 to the financial statements.

4. INTEREST INCOME

Accounting Policy

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The specific recognition criteria, for each type of income, are given below. For all financial instruments measured at amortized cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest on Overdue Rentals

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

Recognition of Moratorium interest income for credit facilities under moratoriums

The Company recognises the moratorium interest income on the concessionary rate during the moratorium period.

Recovery of written-off debts/disposal losses

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

	2022/2023	2021/2022
	Rs.	Rs.
Interest on leases	68,227,094	235,089,142
Interest on hire purchase	-	11,572
Interest on loans	302,842,641	445,976,453
Overdue interest	106,886,156	147,807,893
Recovery of written off contracts	49,680,796	30,525,472
Interest income on early terminated contracts	(17,618,156)	37,203,068
Interest on treasury bills in reverse repurchase agreements	409,755,369	62,428,974
Interest on bank deposits	123,838,091	88,085,738
Interest on gold loans	4,348,089,844	1,528,952,298
	5,391,701,835	2,576,080,610

5 INTEREST EXPENSES

Accounting Policy

Under SLFRS 9, interest income and Interest expense are recorded using the Effective Interest Rate method for all financial assets measured at amortized cost and all financial labilities measured at amortized cost respectively. Revenue can be recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity.

		2022/2023	2021/2022
		Rs.	Rs.
Interest on fixed deposits	Due to customers	2,088,556,599	668,472,279
Interest on savings deposits	Due to customers	9,547	-
Interest on other borrowings	Due to banks	773,712,993	406,329,306
Interest on leased liability	Lease liabilities	31,420,978	25,478,575
Interest on debenture	Due to securities issued	380,783,577	166,360,280
Interest on bank loans	Due to securities issued	376,567,671	57,595,851
		3,651,051,365	1,324,236,291

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

6 NET INTEREST INCOME

Accounting Policy

Net interest margin is the difference between the interest income generated and the amount of interest paid out to lenders. A positive net interest margin indicates the efficiency in investing.

	2022/2023	2021/2022
	Rs.	Rs.
Interest income	5,391,701,835	2,576,080,610
Interest expenses	3,651,051,365	1,324,236,291
	1,740,650,470	1,251,844,319

7 FEES AND COMMISSION INCOME

Accounting Policy

The company earns fees and commission income from a diverse range of services it provides to its customers. Fees and commission income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed and
- Income earned from the provision of services is recognised as revenue as the services are provided.

	2022/2023	2021/2022
	Rs.	Rs.
Documentation charges and service charges	594,558,580	583,615,531
Insurance commission income	7,825,520	7,951,498
	602,384,100	591,567,029

8 OTHER OPERATING INCOME

Accounting Policy

Other operating income includes income earned on other sources, which are not directly related to the normal operations of the Company and is recognised on cash basis.

	2022/2023	2021/2022
	Rs.	Rs.
Gain on disposal of property, plant and equipment	2,173,135	-
Gain on sale of investment property	1,738,018	3,210,240
Dividend income	240,000	240,000
Sundry income	4,182,336	6,613,153
Gain from foreign currency savings	1,726,703	3,282,299
Rent income from investment property	22,000	-
Gain on expiration of operating lease agreements	2,166,889	1,719,551
	12,249,081	15,065,243

9 PERSONNEL EXPENSES

Accounting Policy

Personnel expenses include salaries, bonus, terminal benefit charges and other related expenses. The provision for bonus is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation. Employees are eligible for Employees' Provident Fund (EPF) contribution and Employees' Trust Fund (ETF) contributions in accordance with the respective statutes and regulations. Retirement benefit obligation is recognised in the Statement of Income based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard - LKAS 19 - Employee Benefits.

	2022/2023	2021/2022
	Rs.	Rs.
Directors' remuneration	20,794,000	17,063,000
Salaries and bonus	247,810,469	204,896,843
Defined contribution plan costs - EPF and ETF	31,166,996	27,126,024
Other staff related expenses	105,147,138	78,182,215
Provision for staff retirement benefits	8,762,394	6,051,551
	413,680,997	333,319,633

10 DEPRECIATION AND AMORTIZATION COST

Accounting Policy

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement.

The estimated useful lives are as follows;

Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	6.5 years
Computer hardware	6 years
Investment property building	15 years

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 23.

Depreciation on right-of-use-asset

Right-of-use assets are depreciated over the lease term of the assets in the absence of reasonable certainty that the company will obtain the ownership of such assets by the end of the lease term.

	2022/2023	2021/2022
	Rs.	Rs.
Depreciation of property, plant and equipment and investment property	55,845,199	59,369,439
Depreciation of right-of-use assets	65,237,164	61,492,096
Amortization of computer software	8,961,352	7,791,255
	130,043,715	128,652,790

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

11 IMPAIRMENT CHARGE FOR LEASE RENTALS RECEIVABLE, HIRE PURCHASE LOANS AND ADVANCES

Accounting Policy

The company recognises the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the company in determining the same is explained in Note 18 to these financial statements.

For Loans and advance defined in as threshold, the company assesed for significant increases in credit risk (SICR). If a particular loan is individually impaired, the amount of losses is measured as the difference between the assests's carrying amount and the present value of estimated future cashflows and the haircut value of the securities if available. If any loans and advances have no provisions under individual assessment, such financials assests are then collectively assessed for impairments along with remaining maturity portfolios.

		2022/2023	2021/2022
	Note	Rs.	Rs.
Individual impairment expense	11.1	550,519,930	123,609,060
Collective impairment expense	11.1	5,572,289	369,295,239
		556,092,219	492,904,299
11.1 Product wise Impairment Charges/Reversal of charges			
Lease rentals receivables		(22,638,520)	27,564,121
Hire purchases		(19,500)	904,401
Mortgage loans		24,770,193	12,520,723
Pledge loans		(4,028)	4,028
Personal and corporate loans		377,793,730	419,640,674
Group personal loans		38,285,076	(157,250,869)
Micro finance loans		88,058,424	182,366,821
Sale and lease back loans		-	1,000,000
Project financing loan		90,836	(89,188,808)
Gold loan		49,756,008	95,343,208
		556,092,219	492,904,299

12 OPERATING PROFIT BEFORE VALUE ADDED TAX ON FINANCIAL SERVICES

Accounting Policy

Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement. For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's performance.

	2022/2023	2021/2022
	Rs.	Rs.
Operating profit before value added tax on financial services		
Operating profit before value added tax on financial services is stated after charging all expenses including the following;		
Depreciation and amortization	194,850,265	67,160,695
Depreciation on right-of-use-asset	65,237,165	61,492,097
Auditors' remuneration - external audit current year	2,598,000	2,165,000
- Non-audit	2,354,799	1,649,195
Advertising and business promotion	61,199,550	106,957,115
Professional and legal fees	28,654,051	14,128,298
Operational expenses on investment property		1,334,520
Penalty charges imposed by the regulator	-	10,000,000

13 TAXES ON FINANCIAL SERVICES

Accounting Policy

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 the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non-cash benefits including terminal benefits. VAT on Financial services is charged at the rate of 18%.

Social Security Contribution Levy

Social Security Contribution Levy (SSCL) was imposed with effect from October 01, 2022, at the rate of 2.5% by the Social Security Contribution Levy Act, No. 25 of 2022 (SSCL Act)

	2022/2023	2021/2022
	Rs.	Rs.
VAT on Financial Services	30,000,000	36,500,000
Social Security Contribution Levy	12,825,463	-
	42,825,463	36,500,000

14 INCOME TAX EXPENSES

Accounting Policy

The effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes" is given below. As per Sri Lanka Accounting Standard LKAS 12 "Income Taxes", tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustments to tax payable in respect of the previous year. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Major components of income tax expense for the year ended 31st March 2023 are as follows:

		2022/2023	2021/2022
	Note	Rs.	Rs.
Statement of profit or loss			
Current income tax			
Current income tax charge	14.1	-	-
Previous year under provision		2,844,902	
Total current income tax		2,844,902	-
Deferred tax			
Deferred tax expense		61,455,352	83,720,568
Total income tax expense reported in the income statement		64,300,254	83,720,568
Statement of other comprehensive income			
Deferred tax			
Deferred tax expense		2,544,648	279,432
Total income tax expenses reported in the other comprehensive income		2,544,648	279,432
Current year net effect to the statement of comprehensive income		66,844,902	84,000,000

14.1 Reconciliation of accounting profit and taxable income

		2022/2023	2021/2022
Accounting profit (profit before income tax)		359,635,676	202,282,303
Add : Disallowable expenses		807,368,100	708,835,125
Less : Allowable expenses		(734,164,749)	(862,791,247)
Less : Exempt income		(10,120,318)	(42,204,918)
Add : Adjusted business profit from leasing business		1,412,786	122,772,540
Statutory income		424,131,495	128,893,803
Tax loss brought forward and utilised		(424,131,495)	(128,893,801)
Taxable income/(loss)		-	-
Income tax expense		-	-
Effective income tax rate		30%	24%

Deferred tax assets
Accounting Policy

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

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

As at		**31.03.2023**	31.03.2022
	Note	Rs.	Rs.
Recognised under assets	14.2	62,818,883	135,556,678
Recognised under liabilities	14.2	(25,396,236)	(34,134,030)
Deferred tax asset balance		37,422,647	101,422,648

14.2 Deferred tax assets and liabilities relate to the following:

As at		**31.03.2023**	31.03.2022
	Note	Rs.	Rs.
Deferred tax liability			
Lease rental receivable		(4,362,366)	(16,542,204)
Property, plant and equipment		(21,033,870)	(17,591,826)
		(25,396,236)	(34,134,030)
Deferred tax assets			
Retirement benefit obligation		13,716,760	7,871,131
Carried forward tax loss and unused tax credit	14.2.1	180,280	76,203,007
Transitional adjustment		35,779,388	42,935,265
Right-of-use assets		5,642,455	2,707,596
Provision for impairment of loans and receivables		7,500,000	5,839,679
		62,818,883	135,556,678
Net deferred tax asset		37,422,647	101,422,648

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

14.2.1 On a prudent basis the management has decided to evaluate the recoverability of carried forward tax loss based on the projected taxable profits for the next 3 years and expects to recover Rs. 600,932/- over this period and a deferred tax asset of Rs. 180,280 was recognised during the year. The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

With the enactment of the inland revenue (Amendment) Act No 45 of 2022 income tax rate was revised from 24% to 30% effective from 01st October 2022 of the year of assessment 2022/2023. Accordingly, income tax rate of 30% was applied on the taxable income of the company for the 2nd half of the financial year ended 31st March 2023.

Deferred tax assets and liabilities as at 31st March 2023 were assessed based on the revised income tax rate of 30% which was effective from 01st October 2022

The carrying amount of deferred tax assets is reviewed by the management at each reporting date and recognised to the extent of probable taxable profits in 3 years time as recommended by IR Act No. 24 of 2017.

15 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Accounting Policy

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The summary of significant accounting policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 'Financial Instruments' under the headings of the Statement of Financial Position.

As at 31st March 2023

As at	FVTOCI	Amortized Cost	Total
	Rs.		Rs.
Assets			
Cash and cash equivalents	-	2,063,128,895	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	-	2,444,830,041	2,444,830,041
Financial assets at amortized cost - Lease rentals receivable and hire purchase	-	449,636,218	449,636,218
Financial assets at amortized cost - Loans and advances	-	19,028,664,556	19,028,664,556
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	506,659	23,986,259,710	23,986,766,369

As at	Liabilities at amortized Cost	Total
		Rs.
Liabilities		
Due to customers	13,274,968,572	13,274,968,572
Debenture	2,187,519,136	2,187,519,136
Due to banks	3,763,272	3,763,272
Other borrowed funds	6,062,427,129	6,062,427,129
Total financial liabilities	21,528,678,109	21,528,678,109

As at 31st March 2022

As at	FVTOCI	Amortized Cost	Total
	Rs.		Rs.
Assets			
Cash and cash equivalents	-	1,397,632,551	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	-	989,433,452	989,433,452
Financial assets at amortized cost - Loans and advances	-	14,729,182,119	14,729,182,119
Financial assets at amortized cost - Lease rentals receivable and hire purchase	-	1,084,117,530	1,084,117,530
Financial assets - fair value through OCI	506,659	-	506,659
Total financial assets	506,659	18,200,365,652	18,200,872,311

	Liabilities at amortized Cost	Total
		Rs.
Liabilities		
Due to customers	8,695,180,272	8,695,180,272
Debenture	2,072,877,339	2,072,877,339
Due to banks	38,990,640	38,990,640
Other borrowed funds	5,458,426,482	5,458,426,482
Total financial liabilities	16,265,474,733	16,265,474,733

16 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents include cash in hand and balances placed with banks. These are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

	2022/2023	2021/2022
	Rs.	Rs.
Cash in hand	77,913,890	75,887,122
Cheque in hand	2,844,191	11,430,400
Current accounts with banks	96,474,984	34,682,797
Savings accounts with banks	645,151,270	960,758,915
Savings accounts with banks in foreign currency	12,546,336	10,539,049
Short-term investment	1,228,198,224	304,334,268
	2,063,128,895	1,397,632,551

17 INVESTMENT IN REVERSE REPURCHASE AGREEMENTS AGAINST TREASURY BILLS AND BONDS

Accounting Policy

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, reflecting the transaction's economic substance as a loan provided by the company. The difference between the purchase and resale prices is recorded in 'Interest income' and is accrued over the life of the agreement using the EIR.

	2022/2023	2021/2022
	Rs.	Rs.
Reverse repurchase agreements against treasury bills and bonds	2,444,830,041	989,433,452
	2,444,830,041	989,433,452

18 FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES

Accounting Policy

Loans and receivables are measured at amortised cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the Statement of Income. The losses arising from impairment are recognised in the Statement of Income in "impairment charges for loans and receivables and other losses"

Leasing

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Gold Loans

Gold loan is a secured loan taken by the borrower from a lender by pledging their gold articles (within the range of 18-24 carats) as a collateral. The loan amount provided is a certain percentage of the gold, based on the current market value and quality of gold.

Restructured Loans and Receivables

The company seeks to restructure loans and receivables with additional collateral when the client does not meet payments on a timely manner. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been re-negotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortized cost using the original EIR and are subject to an individual or collective impairment assessment.

As at		31.03.2023	31.03.2022
	Note	Rs.	Rs.
Leases, Hire purchases, Loans and advances			
Gross lease, hire purchases, loans and advances	18.1	21,200,516,619	17,345,012,641
Less: Provision for impairment - Collective	18.2	(604,325,657)	(555,065,479)
Less: Provision for impairment -Individual		(1,086,125,032)	(944,882,357)
Less: Net Interest Margin	18.3	(31,765,157)	(31,765,157)
Net lease, hire purchases, loans and advances		19,478,300,774	15,813,299,648

As at	Note	31.03.2023 Rs.	31.03.2022 Rs.
18.1 Leases, Hire purchases, Loans and advances - Analysis by product			
Lease rentals receivables		557,198,547	1,256,149,473
Hire purchases		-	1,193,001
Mortgage loans		1,253,818,638	1,444,338,182
Pledge loans		269,749,968	105,279,648
Personal and corporate loans		1,540,918,944	1,719,221,402
Group personal loans		307,828,809	379,457,897
Micro Mortgage loans		40,758,924	-
Micro finance loans		732,381,918	747,404,666
Sale and lease back loans		-	1,000,001
Project financing loan		689,467	4,120,150
Gold loan		16,497,171,404	11,686,848,221
		21,200,516,619	17,345,012,641
18.2 Impairment Provisions - Analysis by product			
Lease rentals receivables		92,726,027	157,195,641
Hire purchases		-	1,193,001
Mortgage loans		155,760,872	125,494,317
Pledge loans		-	4,028
Personal and corporate loans		984,690,718	790,916,165
Group personal loans		98,254,684	101,630,173
Micro finance loans		261,608,399	271,437,796
Sale and lease back loans		-	1,000,000
Project financing loan		507,545	3,930,278
Gold loan		96,902,444	47,146,436
		1,690,450,689	1,499,947,835
18.3 Net Interest Margin Analysis by product			
Lease rentals receivable		14,836,302	14,836,302
Mortgage loans		7,708,361	7,708,361
Personal and corporate loans		4,012,749	4,012,749
Group personal loans		2,472,315	2,472,315
Micro finance loans		2,735,430	2,735,430
		31,765,157	31,765,157

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

As at	Note	31.03.2023 Rs.	31.03.2022 Rs.
18.4 Impairment charge to the income statement			
Leases, Hire purchases, loans and advances to customers			
Stage 1		26,129,424	(63,059,492)
Stage 2		(48,362,011)	127,581,256
Stage 3		578,324,806	428,382,536
Total		556,092,219	492,904,300

18.5 Leases, Hire purchases, Loans and advances - Product Analysis by Stagewise

	31.03.2023 Rs.				31.03.2022 Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Leases and hire purchases	294,930,371	51,578,728	210,689,448	557,198,547	765,857,115	177,204,900	314,280,459	1,257,342,474
Loans and advances	15,346,868,665	1,784,655,529	3,511,793,878	20,643,318,072	10,021,766,408	1,221,280,250	4,844,623,509	16,087,670,167
	15,641,799,036	1,836,234,257	3,722,483,326	21,200,516,619	10,787,623,523	1,398,485,150	5,158,903,968	17,345,012,641

18.6 Leases, Hire purchase, Loans and Advances Movements in provision for impairment during the year (Under SLFRS 9)

	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	87,991,942	152,144,457	1,259,811,436	1,499,947,835	151,051,434	24,563,202	1,415,817,553	1,591,432,189
Charge/(write back) to the income statement	26,129,424	(48,362,011)	578,324,806	556,092,219	(63,059,492)	127,581,256	428,382,536	492,904,300
Write off during the year	-	-	(365,589,366)	(365,589,366)	-	-	(584,388,654)	(584,388,654)
Balance at the end of the year	114,121,366	103,782,446	1,472,546,877	1,690,450,689	87,991,942	152,144,458	1,259,811,435	1,499,947,835

18.7 Financial assets at amortized cost – Lease rentals receivable and hire purchase

	31.03.2023				31.03.2022			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross lease rental receivable and hire purchases	294,930,371	51,578,728	210,689,448	557,198,548	765,857,115	177,204,900	314,280,459	1,257,342,474
Less: Provision for impairment	(10,303,749)	(3,575,980)	(78,846,299)	(92,726,028)	(8,566,631)	(16,026,905)	(133,795,106)	(158,388,642)
Less: Net interest margin	(14,836,302)	-	-	(14,836,302)	(14,836,302)	-	-	(14,836,302)
Net lease rentals receivable and hire purchase	269,790,320	48,002,748	131,843,149	449,636,218	742,454,182	161,177,995	180,485,353	1,084,117,530

18.7.1 Movement in provision for impairment during the year (Under SLFRS 9)

	31.03.2023				31.03.2022			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	8,566,631	16,026,905	133,795,106	158,388,642	20,657,455	4,257,410	192,071,388	216,986,253
Charge/(write back) to the income statement	1,737,117	(12,450,926)	7,420,601	(3,293,208)	(12,090,824)	11,769,496	29,078,450	28,757,122
Write off during the year	-	-	(62,369,408)	(62,369,408)	-	-	(87,354,733)	(87,354,733)
Balance at the end of the year	10,303,748	3,575,979	78,846,299	92,726,026	8,566,631	16,026,906	133,795,105	158,388,642

18.7.2 Lease rentals receivable and hire purchase

As at		31.03.2023	31.03.2022
	Note	Rs.	Rs.
Net lease rentals receivables	18.7.3	449,636,218	1,084,117,530
Net hire purchases receivable	18.7.4	-	
		449,636,218	1,084,117,530

18.7.3 Lease rentals receivables

Gross rentals receivable	596,074,612	1,369,603,215
Less:Unearned income	(38,771,558)	(135,046,914)
Pre-paid rentals	(104,507)	(1,109,558)
Lease capitalized charges	-	22,702,730
	557,198,547	1,256,149,473
Less: Net interest margin	(14,836,302)	(14,836,302)
Provision for impairment losses	(92,726,027)	(157,195,641)
	449,636,218	1,084,117,530

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

18.7.4 Hire purchase receivables

	31.03.2023	31.03.2022
	Rs.	Rs.
Gross rentals receivable	-	1,193,001
Less: Unearned income	-	-
Pre-paid rentals	-	-
Provision for impairment losses	-	(1,193,001)
	-	-
18.7.5 Age analysis of lease and hire purchase		
18.7.5.1 Lease and hire purchase receivable not later than 1 year		
Gross rentals receivable	229,799,794	490,952,424
Less: Unearned income	(2,584,058)	(21,917,993)
Pre-paid rentals	(98,987)	(89,712)
Lease capitalized charges	-	2,208,193
Net interest margin	(14,836,302)	(14,836,302)
Provision for impairment losses	(65,521,418)	(56,565,510)
	146,759,029	399,751,100
18.7.5.2 Lease and hire purchase receivable later than 1 year and not later than 5 years		
Gross rentals receivable	366,274,818	879,843,793
Less:Unearned income	(36,187,500)	(113,128,921)
Pre-paid rentals	(5,520)	(1,019,846)
Lease capitalized charges	-	20,494,536
Provision for impairment losses	(27,204,609)	(101,823,133)
	302,877,189	684,366,429

18.8 Financial assets at amortiZed cost – Loans and advances

	31.03.2023				31.03.2022			
	Rs.				Rs.			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances receivables	15,346,868,665	1,784,655,529	3,511,793,878	20,643,318,072	10,021,766,408	1,221,280,250	4,844,623,509	16,087,670,167
Less: Provision for impairment	(103,817,618)	(100,206,467)	(1,393,700,577)	(1,597,724,661)	(79,425,311)	(136,117,552)	(1,126,016,330)	(1,341,559,193)
Less: Provision Net interest margin	(16,928,855)	-	-	(16,928,855)	(16,928,855)	-	-	(16,928,855)
Net Loans and advances receivables	15,226,122,192	1,684,449,062	2,118,093,301	19,028,664,556	9,925,412,242	1,085,162,698	3,718,607,179	14,729,182,119

18.8.1 Movement in provision for impairment during the year (Under SLFRS 9)

	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment	Movement in stage 1 impairment	Movement in stage 2 impairment	Movement in stage 3 impairment	Movement in total impairment
Balance at the beginning of the year	79,425,311	136,117,552	1,126,016,330	1,341,559,193	130,393,979	20,305,792	1,223,746,165	1,374,445,936
Charge/(write back) to the income statement	24,392,307	(35,911,085)	570,904,205	559,385,427	(50,968,668)	115,811,760	399,304,086	464,147,178
Write off during the year	-	-	(302,064,957)	(302,064,957)	-	-	(497,033,921)	(497,033,921)
Balance at the end of the year	103,817,618	100,206,467	1,394,855,578	1,598,879,663	79,425,311	136,117,552	1,126,016,330	1,341,559,193

18.8.2 Impairment charge to the Income Statement

	2022/2023	2021/2022
	Rs.	Rs.
Loans and advances to customers	24,392,307	(50,968,668)
Stage 1	(35,911,085)	115,811,760
Stage 2	570,904,205	399,304,086
Stage 3	559,385,427	464,147,178

19 OTHER ASSETS

Accounting Policy

The Company classifies all their other assets, as other financial assets and other non-financial assets. Other non-financial assets mainly comprise the advance payments, VAT recoverable and sundry receivable.

Deferred expenses

Costs of acquiring new businesses including commission, marketing expenses which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable in the future. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, all the other expenses are deferred.

	31.03.2023	31.03.2022
	Rs.	Rs.
Other assets	127,559,654	123,152,101
	127,559,654	123,152,101

20 INCOME TAX RECEIVABLE

Balance at the beginning of the year	27,698,763	27,698,763
Income tax expense for the year	-	-
Under provision for previous year	(2,844,902)	-
Previous year under provision paid	2,471,149	-
WHT paid during the year	268,538	-
	27,593,548	27,698,763

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

		31.03.2023	31.03.2022
		Rs.	Rs.
21	**ADVANCES, DEPOSITS AND PREPAYMENTS**		
	Accounting Policy		
	Advance payments are carried at historical cost.		
	Advance and prepayments	15,092,421	14,491,178
	Refundable deposits	27,204,800	19,917,100
	Other receivables	34,737,347	70,109,750
		77,034,568	104,518,028

22 FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at	31.03.2023		31.03.2022	
	Number of shares	Directors' valuation* Rs.	Number of shares	Directors' valuation* Rs.
Unquoted cumulative redeemable preference shares				
Platinum Reality Investment Limited	25,000	6,500,000	25,000	6,500,000
Less: Impairment charge		(6,500,000)		(6,500,000)
		-		-
Unquoted Ordinary shares				
Finance Houses Consortium (Private) Limited	45,000	200,000	45,000	200,000
Credit Information Bureau of SL (CRIB)	67	306,659	67	306,659
	45,067	506,659	45,067	506,659

The Directors' valuation of non-quoted securities based on cost of investment less impairment amounts to Rs.506,659/- (2022 - Rs.506,659/-).

23 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Basis of Recognition

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used for more than one year.

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the company and the cost of the assets can be measured reliably.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment.

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

The company applies the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The cost of day today servicing of property, plant and equipment is charged to the statement of income as incurred.

Repairs and maintenance

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of income in the year the asset is derecognised.

Depreciation

Depreciation is recognised in the statement of profit or loss on a straight–line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows;

Plant	8 years
Furniture and fittings	6 years
Office equipment	6 years
Motor vehicles	6.5 years
Computer hardware	6 years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment, and commence to depreciate when they are available for use, i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management. Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted, if appropriate.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Gross carrying amounts

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2023 Rs.
Freehold assets				
Cost				
Plant	20,510,686	-	(20,510,686)	-
Motor vehicle	68,469,541	300,000	(4,751,606)	64,017,935
Office equipment	249,729,526	45,588,751	(419,279)	294,898,998
Computers	82,348,807	6,486,326	(72,500)	88,762,633
Furniture and fittings	40,458,588	22,266,790	-	62,725,378
	461,517,148	74,641,867	(25,754,071)	510,404,944

	Balance as at 01.04.2022 Rs.	Charge for the year Rs.	Disposals/ transfers Rs.	Balance as at 31.03.2023 Rs.
Accumulated depreciation				
Plant	20,510,686	-	(20,510,686)	-
Motor vehicle	51,350,905	6,719,305	(4,144,820)	53,925,390
Office equipment	137,862,873	32,203,759	(390,989)	169,675,643
Computers	42,712,581	10,233,839	(72,500)	52,873,920
Furniture and fittings	24,702,293	5,440,684		30,142,977
	277,139,338	54,597,587	(25,118,995)	306,617,930

	31.03.2023 Rs.	31.03.2022 Rs.
Net Book value		
Plant	-	-
Motor vehicle	10,092,545	17,118,636
Office equipment	125,223,355	111,866,653
Computers	35,888,713	39,636,226
Furniture and fittings	32,582,401	15,756,295
	203,787,014	184,377,810

23.1 During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs.74,641,867- (2022 - Rs.85,094,790/-). Cash payments amounting to Rs.74,641,867/- (2022 - Rs.81,044,789/-) were paid during the year for the purchases of property, plant and equipment.

23.2 Property, plant and equipment include fully depreciated assets having a gross carrying amount of Rs. 147,601,392/- (2022- Rs. 69,648,768/-).

23.3 Temporarily idle property, plant and equipment

There were no property, plant and equipment idling as at 31st March 2023 and 31st March 2022.

23.4 Title restriction on property, plant and equipment

There was no restriction on the title of property, plant and equipment as at 31st March, 2023 and 31st March, 2022.

23.5 Property, plant and equipment pledged as securities for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at 31st March 2023 and 31st March 2022

23.6 Borrowing Costs

There was no capitalized borrowing cost related to the acquisition of property, plant and equipment during the financial year 2023 and 2022.

24 RIGHT-OF-USE ASSETS ON LEASE

Accounting Policy

Basis of recognition

The Company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all leasehold rights except for short-term leases, which are held for use in the provision for services.

Basis of Measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Depreciation

Right-of-use assets are depreciated over the lease term of the assets as there is no reasonable certainty that the company will obtain the ownership of such assets by the end of the lease term.

Derecognition/Termination

Right-of-use assets are derecognised on termination of the agreement with the lessor or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognised in 'Other operating income' in the statement of income in the year the asset is derecognised.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	31.03.2023 Rs.	31.03.2022 Rs.
Cost		
Balance at the beginning of the year	328,185,238	288,006,699
Additions/renewal of operating lease during the year	46,331,984	42,020,478
Capitalized from advance during the year	4,936,667	5,980,000
Expiration of operating lease agreement during the year	(12,394,201)	(7,821,939)
Balance at the end of the year	367,059,688	328,185,238
Accumulated amortization		
Balance at the beginning of the year	131,688,443	70,196,346
Amortization for the year	65,237,164	61,492,097
Expiration of operating lease agreement during the year	(10,508,127)	-
Balance at the end of the year	186,417,480	131,688,443
Net book value	180,642,208	196,496,795

25 INVESTMENT PROPERTY

Accounting Policy

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, to be used in the production or supply of goods or services or for administrative purposes.

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at cost.

De-recognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property is recognised in the statement of income in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the company as an owner occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss. When the company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of income.

The estimated useful life of the buildings is assessed as 15 years.

	31.03.2023 Rs.	31.03.2022 Rs.
Cost		
Balance at the beginning of the year	367,158,647	376,158,647
Additions during the year	700,000	-
Disposals during the year	(35,300,000)	(9,000,000)
Balance at the end of the year	332,558,647	367,158,647
Accumulated Depreciation		
Balance at the beginning of the year	8,103,362	-
Charge for the year	1,247,612	8,103,362
Disposals during the year	(854,518)	-
Balance at the end of the year	8,496,456	8,103,362
Net book value	324,062,191	359,055,285

Fair value of the investment property for the purpose of disclosure in note 25.4 was ascertained by valuations carried out by independent valuers as required by LKAS 40.

25.1 Direct operational expenses recoginized in respect to the above investment property is disclosed in Note 12.

25.2 Rent income recoginized in respect to the above investment property is disclosed in Note 08.

		31.03.2023 Rs.	31.03.2022 Rs.
25.3	**Advance Received for Investment Property**		
	Sandiyakalikuda & Mundalamakadu of Puttalam Rd, Mundalama.	-	1,000,000
	No:723/53, "Lake Terrace" Jayasinghe Mawatha, Korathota Road, Athurugiriya.	1,063,000	1,063,000
		1,063,000	2,063,000

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

25.4 Fair value of the investment property

			31.03.2023		31.03.2022	
Location of the land	Valuer's name and report date	Total extent	Fair value Rs.	Cost Rs.	Fair value Rs.	Cost Rs.
Lot 05, Dangahahena Land, Anamaduwa Road, Andigama.	D. Jayawardene (Incorporated Valuer) - valuation report dated 11th November 2022	0a-0R-39.04 P (0.09965 Ha)	12,850,000	1,250,000	12,000,000	1,250,000
No 25/20, Kalyani Mawatha, Mabola, Wattala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 10th Noveme-br 2022	0A-01R-12.30P	12,188,000	12,453,317	48,700,000	12,453,317
No;21,14th Lane,I.Jothipala Mawatha,Malabe.	D. Jayawardene (Incorporated Valuer) - valuation report dated 11th November 2022	0A-0R-10.00 P (0.0253 Ha)	8,000,000	12,865,866	16,200,000	12,865,866
Lot 1-46 Plan no;3393 at Tembiligaha, Pallegama, Gampola.	D. Jayawardene (Incorporated Valuer) - valuation report dated. 02nd April 2023	02A-02R-15 P	23,000,000	15,064,221	20,500,000	15,064,221
Lot no;1 in Plan no;5644 at Lenadora,Dambulla.	D. Jayawardene (Incorporated Valuer) - valuation report dated 04th April 2023	01A-02R-02.60 P (06122 Ha)	51,000,000	16,644,799	47,800,000	16,644,799
Oslo Furnitures Industries (Pvt) Ltd, Welagane, Maspotha,Kurunegala.	D. Jayawardene (Incorporated Valuer) - valuation report dated 04th April 2023	0A-01R-35.00 P (0.1897 Ha)	57,000,000	46,344,684	47,000,000	46,344,684
Sandiyakalikuda & Mundalamakadu of Puttalam Rd, Mundalama.	"D. Jayawardene (Incorporated Valuer) - valuation report dated 14th March 2020.	05A-03R-01P			50,400,000	35,300,000
Karukottiheevu,Thamputtai 02,Akkaraipattu.	"D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023"	10A-01R-05P (4.1602 Ha)	123,000,000	95,236,734	115,000,000	95,236,734
Galapitamillahena, Polarambegama, Kegalle.	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023"	03A-02R-21.00P (1.4693 Ha.)	31,000,000	25,374,000	25,000,000	25,374,000
No;95,Mallattawela,Wellawaya	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	01A-0R-11.80 P (0.04346 Ha)	15,500,000	5,255,135	10,100,000	5,255,135
Lot No;153B in Plan no;4813/99 at Udangawa, Ambanpola.	D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April 2021.	(0.325 Ha)	13,000,000	12,103,872	13,000,000	12,103,872
Lot No;1 in Plan no;1520 & Lot no;1 in Plan no;1522, "EVERTON ESTATE", Pothupitiya Road, Rakwana	D. Jayawardene (Incorporated Valuer) - valuation report dated 02nd April 2023	73A-03R-17.50P	64,500,000	27,357,721	62,000,000	27,357,721
No:723/53, "Lake Terrace" Jayasinghe Mawatha, Kotathota Road, Athurugiriya.	"D. Jayawardene (Incorporated Valuer) - valuation report dated 11th November 2022"	23.52 P	8,000,000	6,016,123	7,500,000	6,016,123
"Kopiwatta" Lot No:A, Plowatta Road, Minuwangoda.	"D. Jayawardene (Incorporated Valuer) - valuation report dated 05th April 2021."	01A-0R-01..49P (0.4085 Ha.)	55,000,000	55,892,177	55,000,000	55,892,177
			474,038,000	331,858,649	530,200,000	367,158,649

25.5 Movement of Investment Property

	Opening balance Rs.	Charge for the year Rs.	Disposals/ transfers Rs.	Closing balance Rs.
Cost	367,158,649	700,000	35,300,000	332,558,649
Accumulated depreciation	8,103,362	1,247,612	(854,518)	8,496,456
	359,055,287	1,947,612	34,445,482	324,062,193

Investment properties include bare lands and buildings acquired by the company from clients who had defaulted on accommodations granted and purchased properties. These properties are held by the company for capital appreciation and for rental purposes.

Changes in fair values are recognised as gains in the statement of income and included in 'Net other operating income'.

25.6 Measurement of fair values

25.6.1 Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, with appropriately recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the company's investment property portfolio once in three years and the latest valuation done ranges from 30 April 2023 to 31 March 2019. Except for Manipay land (No 55 Nachchimar Kovil Road, Manipay), the fair value of all the properties has been determined based on valuation performed by Mr. D. Jayawardene, Incorporated Valuer, B. Sc. Estate Mgt. & Valuation (Special) A.I.V. (Sri Lanka). Manipay Land was fair valued by Mr. V.Selvanayakam FIV (Sri Lanka) Dip in Agriculture (sri Lanka).

25.6.2 Valuation technique

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values . The value of a perch in the property portfolio ranges from Rs.400,000 to Rs.10,000,000 in the Colombo area and Rs.28,000 to Rs.400,000 outside the Colombo area	The estimated fair value would increase/ (decrease) if: Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used	The estimated fair value would increase/ (decrease) if: Depreciation rate for building was lesser/ (higher)

26 INTANGIBLE ASSETS

Accounting Policy

The company's intangible assets include the value of computer software.

Basis of recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company in accordance with the Sri Lanka Accounting Standard- LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the statement of financial position at cost less any accumulated amortization and any accumulated impairment losses, if any.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful economic lives, amortization and impairment

Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of income in the expense category consistent with the function of the intangible asset. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the Company. There are no indefinite-lived intangible assets which are subject to annual impairment test. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. The Company assumes that there is no residual value for its intangible assets.

Amortization is calculated using the straight– line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Computer software - 8 years

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals/ transfers Rs.	**Balance as at 31.03.2023 Rs.**
Gross carrying amounts				
Cost				
Intangible asset	64,240,743	12,443,299	-	**76,684,042**
	64,240,743	12,443,299	-	**76,684,042**

	Balance as at 01.04.2022 Rs.	Charge for the year Rs.	Disposals/ transfers Rs.	**Balance as at 31.03.2023 Rs.**
Amortization				
Intangible asset	20,046,464	8,961,352	-	**29,007,816**
	20,046,464	8,961,352	-	**29,007,816**

	31.03.2023 Rs.	31.03.2022 Rs.
Net book value		
Intangible asset	**47,676,226**	44,194,279
	47,676,226	44,194,279

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

27 DUE TO BANKS

Accounting Policy

Due to banks include bank overdrafts and 'interest expenses' in the Income Statement.

	31.03.2023 Rs.	31.03.2022 Rs.
Due to bank bank overdrafts	3,763,272	38,990,640
	3,763,272	38,990,640

28 OTHER LIABILITIES

Accounting Policy

Other liabilities include, VAT on Financial Services payable, Tax payable, accrued expenses payable, dividend payable and other amounts payable. These liabilities are recorded at amounts expected to be payable at the reporting date.

	31.03.2023 Rs.	31.03.2022 Rs.
VAT on FS payable	26,548,218	19,219,220
Customer related payable	130,587,937	11,323,850
Tax payable	33,746,484	814,949
Accrued expenses	29,225,581	38,189,711
Dividend payable	295,751	295,240
Other payable	7,832,901	10,384,391
	228,236,872	80,227,361

29 FINANCIAL LIABILITIES - OTHER BORROWED FUNDS

Accounting Policy

Other borrowed funds include other long-term and short term loans obtained from banks and Financial Institutions. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the Statement of Income. Gains and losses are recognised in the Statement of Income when the liabilities are de-recognised as well as through the EIR amortisation process.

As at		31.03.2023	31.03.2022
	Note	Rs.	Rs.
Securitized borrowings	29.1	4,886,931,464	3,863,981,300
Bank loans	29.2	1,175,495,665	1,594,445,182
		6,062,427,129	5,458,426,482

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

29.1 Securitized borrowings

	As at 01.04.2022 Rs.	Loans obtained Rs.	Interest for the period Rs.	Repayments Rs.	As at 31.03.2023 Rs.
Securitization Loan 33 - HNB Bank Trust	131,987,564	-	2,492,654	(134,480,218)	-
Securitization Loan 34 - HNB Bank Trust	494,291,263	-	45,462,433	(323,460,905)	216,292,791
Securitization Loan 35 - HNB Bank Trust	336,905,024	-	5,981,895	(342,886,919)	-
Securitization Loan 36 - HNB Bank Trust	678,543,870	-	27,972,510	(609,716,746)	96,799,634
Securitization Loan 37 - HNB Bank Trust	436,463,745	-	14,467,065	(398,527,666)	52,403,144
Securitization Loan 38 - HNB Bank Trust	627,935,879	-	61,759,738	(61,754,795)	627,940,822
Securitization Loan 39 - HNB Bank Trust	1,022,757,294	-	83,480,533	(675,183,301)	431,054,526
Securitization Loan 40 - HNB Bank Trust	135,096,661	165,000,000	45,618,469	(259,647,608)	86,067,522
Securitization Loan 41 - Peoples Bank Trust	-	1,217,000,000	260,689,500	(584,948,723)	892,740,777
Securitization Loan 42 - Peoples Bank Trust	-	1,000,000,000	151,221,206	(145,389,318)	1,005,831,888
Securitization Loan 43 - NDB Bank Trust	-	1,000,000,000	74,157,815	(3,766,630)	1,070,391,185
Securitization Loan 44 - NDB Bank Trust	-	407,000,000	409,175	-	407,409,175
	3,863,981,300	3,789,000,000	773,712,993	(3,539,762,829)	4,886,931,464

29.2 Bank loans

	As at 01.04.2022 Rs.	Loans obtained Rs.	Interest for the period Rs.	Repayments Rs.	As at 31.03.2023 Rs.
DFCC Vardhana Bank 03	15,624,970	-	394,214	(16,019,184)	-
HNB Bank Loan 04	320,840,000	-	63,707,829	(180,347,829)	204,200,000
DFCC Vardhana Bank 04	46,875,000	-	7,163,183	(44,663,183)	9,375,000
Sampath Bank Loan 03	54,750,000	-	7,756,447	(57,556,411)	4,950,036
HNB Bank Loan 03	55,540,000	-	4,095,787	(59,635,787)	-
DFCC Vardhana Bank 05	250,815,212	-	55,123,816	(132,297,736)	173,641,292
DFCC Vardhana Bank 06	300,000,000	-	69,470,785	(161,137,448)	208,333,337
Nations Trust Bank Loan 03	300,000,000	-	56,752,491	(156,752,491)	200,000,000
NDB Loan 1	250,000,000	250,000,000	112,103,119	(237,107,119)	374,996,000
	1,594,445,182	250,000,000	376,567,671	(1,045,517,188)	1,175,495,665

29.3 Loan details

Bank	Approved facility	Purpose	Term of the loan	Security	Underline security amount for out-standing balance Rs. Mn
HNB - Securitiza-tion loan 33	Rs.655 Mn	Working capital requirements	23 monthly instalments	Mortgage Bond of gold loan receivable	-
HNB - Securitiza-tion loan 34	Rs.1000 Mn	Working capital requirements	36 monthly instalments	Mortgage bond gold loan receivable	216.29
HNB - Securitiza-tion loan 35	Rs.500 Mn	Working capital requirements	24 monthly instalments	Mortgage bond of gold loan receivable	0.00
HNB - Securitiza-tion loan 36	Rs.337 Mn	Working capital requirements	24 monthly instalments	Mortgage bond lease and group personal loan receivable Rs.500 Mn	96.80
HNB - Securitiza-tion loan 37	Rs.500 Mn	Working capital requirements	26 monthly instalments	Mortgage bond lease and group personal loan receivable	52.40
HNB - Securitiza-tion loan 38	Rs.600 Mn	Working capital requirements	36 monthly instalments	Mortgage bond gold loan receivable Rs. 600 Mn	627.94
HNB - Securitiza-tion loan 39	Rs.1000 Mn	Working capital requirements	18 monthly instalments	Mortgage bond gold loan receivable Rs.1,000 Mn	431.05
HNB - Securitiza-tion loan 40	Rs.135 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable	86.07
HNB - Securitiza-tion loan 41	Rs.1,217 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable	892.74
HNB - Securitiza-tion loan 42	Rs.1000 Mn	Working capital requirements	20 monthly instalments	Mortgage bond gold loan receivable	1005.8
HNB - Securitiza-tion loan 43	Rs.1000 Mn	Working capital requirements	24 monthly instalments	Mortgage bond gold loan receivable	1070.39
HNB - Securitiza-tion loan 44	Rs.407 Mn	Working capital requirements	18 monthly instalments	Mortgage bond gold loan receivable	407.41
HNB Bank Loan 04	Rs.1000 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over gold loan portfolio	205.00
DFCC Vardhana Bank 03	Rs.250 Mn	Working capital requirements	48 monthly instalments	Promissory note	0.00
DFCC Vardhana Bank 04	Rs.150 Mn	Working capital requirements	48 monthly instalments	Promissory note	9.38

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Bank	Approved facility	Purpose	Term of the loan	Security	Underline security amount for outstanding balance Rs. Mn
Sampath Bank Loan 03	Rs.200 Mn	Working capital requirements	48 monthly instalments	Loan agreement for Rs.200 Mn	4.95
HNB Bank Loan 03	Rs.250 Mn	Working capital requirements	36 monthly instalments	Mortgage bond over loan recoverable consisting of business loan, corporate loan, mortgage and gold loans	0.00
DFCC Bank Loan 05	Rs.300 Mn	Working capital requirements	48 monthly instalments	Promissory note for Rs. 300 Mn	173.64
DFCC Bank Loan 06	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for Rs. 300 Mn over gold loan receivable portfolio with collateral margin of 1.3 times	208.33
Nations Trust Bank Loan 03	Rs.300 Mn	Working capital requirements	36 monthly instalments	Primary mortgage for Rs. 300 Mn over gold loan receivable portfolio with collateral margin of 1.5 times	200.00
NDB Loan 1	Rs.500 Mn	Working capital requirements	48 monthly instalments	Primary mortgage for Rs. 500 Mn over gold loan receivable portfolio	375.00

30 RIGHT-OF-USE ASSETS - LEASED LIABILITY

Accounting Policy

At the commencement date of the lease, the company recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The present value of lease commitments has been calculated using the weighted average incremental borrowing rate.

	31.03.2023 Rs.	31.03.2022 Rs.
Balance at the beginning of the year	207,778,443	213,877,898
Additions/renewal of operating lease during the year	46,331,984	42,020,478
Accretion of interest	31,420,978	25,478,575
Payments made during the year	(82,804,290)	(63,288,541)
Expiration of operating lease agreements during the year	(4,052,964)	(7,821,939)
Gain on expiration of operating lease agreement during the year	-	(1,719,551)
Transferred from other advances	392,000	(768,477)
Balance at the end of the year	199,066,151	207,778,443
Weighted average incremental borrowing rate used	40%	10%

30.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption
Sensitivity to incremental borrowing rates

Increase/(decrease) in incremental borrowing rate as at 31st March 2023 by 1%, would have (decreased)/increased the lease liability by approximately Rs. 3.6 Mn (Rs. 2.9Mn as at 31 st March 2022) with a similar (decrease/increase) in Right-of-use assets. Had the company increased/(decreased) the incremental borrowing rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs. 0.037 Mn (Rs. 0.28 Mn 31st March 2022).

31 DUE TO CUSTOMERS

Accounting Policy

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Income. Gains and losses are recognised in the Statement of Income when the liabilities are derecognised.

Deposits of Rs. 392,746,498/- (2022 Rs. 156,851,659/-) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2021, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard the customer rights and confidence. The Company has paid Rs. 14,513,063/- as the premium for the above insurance scheme during the year. (2022- Rs.12,226,988/-).

	31.03.2023 Rs.	31.03.2022 Rs.
Fixed deposits	13,273,274,499	8,695,180,272
Savings deposits	1,694,073	-
	13,274,968,572	8,695,180,272

31.1 Remaining Maturity - Fixed Deposits

As at	Within one year Rs..	Within 1-5 year Rs.	Total Rs.
31.03.2022	8,194,333,141	500,847,130	8,695,180,271
31.03.2023	11,405,904,984	1,867,369,515	13,273,274,499

32 DEBENTURE

Accounting Policy

Debentures issued represent the funds borrowed by the company for long-term and short-term liquidity fund requirements. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Income. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

The debt capital of the company comprises two billion (Rs 2,000,000,000) rated, unsecured, subordinated redeemable debentures issued in October 2020 and August 2021. These debentures are listed in the Colombo stock exchange. ICRA Lanka Ltd upgraded the credit rating of the above debenture to (SL) A- with stable outlook from (SL) BBB + with stable outlook during the financial year 2020/2021 and reaffirmed during this financial year as (SL) A - (Stable).

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	31.03.2023		31.03.2022	
	Number	Rs.	Number	Rs.
Type A Debenture	4,613,000	482,197,484	4,613,000	478,698,258
Type B Debenture	5,387,000	617,508,201	5,387,000	560,802,570
Type A2 Debenture	1,005,100	105,756,155	1,005,100	105,134,997
Type B2 Debenture	3,342,400	337,312,424	3,342,400	333,923,955
Type C Debenture	15,500	1,636,710	15,500	1,627,885
Type D Debenture	5,637,000	643,108,162	5,637,000	592,689,674
	20,000,000	2,187,519,136	20,000,000	2,072,877,339

32.1 Interest Rate of the debentures

Instrument Type	Interest Frequency (Fixed Rate)	Coupon rate (% p.a)	Interest yield as at last trade	Yield to Maturity Of last trade done	Interest rate of comparable Government security
Type A Debenture	Annually	10.28%	Not Traded	Not Traded	26.09%
Type B Debenture	Annually	30.20%	Not Traded	Not Traded	26.09%
Type A2 Debenture	Annually	8.76%	Not Traded	Not Traded	28.44%
Type B2 Debenture	Monthly	29.24%	Not Traded	Not Traded	28.44%
Type C Debenture	Annually	9.26%	Not Traded	Not Traded	27.25%
Type D Debenture	Annually	23.70%	Not Traded	Not Traded	27.25%

32.2 Market price and issue prices of debentures recorded during the year ended 31st March 2023 are as follows:

Instrument Type	Issued Price Rs.	Highest Price Rs.	Lowest Price Rs.	Last Traded Price Rs.	Last traded Date
Type A Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type A2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type B2 Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type C Debenture	100	Not Traded	Not Traded	Not Traded	N/A
Type D Debenture	100	Not Traded	Not Traded	Not Traded	N/A

32.3 Categories:

Instrument Type	Allotment date	Coupon rate (%p.a)	Number	Transaction Cost Rs.	Value Rs.
Type A Debenture	5th October 2020	10.28%	4,613,000	8,398,103	482,197,484
Type B Debenture	5th October 2020	30.20%	5,387,000	9,207,164	617,508,201
Type A2 Debenture	20th August 2021	8.76%	1,005,100	810,367	105,756,155
Type B2 Debenture	20th August 2021	29.24%	3,342,400	2,695,918	337,312,424
Type C Debenture	20th August 2021	9.26%	15,500	9,339	1,636,710
Type D Debenture	20th August 2021	23.70%	5,637,000	4,458,606	643,108,162
			20,000,000	25,579,497	2,187,519,136

32.4 Movement of the Debenture

	31.03.2023 Rs.	31.03.2022 Rs.
Balance at the beginning of the year	2,072,877,339	1,029,465,110
Add :Issued during the year	-	1,000,000,000
Interest expense on subordinated debt	380,783,577	160,540,006
Less : Interest paid on subordinated debt	(266,141,779)	(117,127,777)
Balance at the end of the year	2,187,519,137	2,072,877,339

33 RETIREMENT BENEFIT OBLIGATION

Accounting Policy

The company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 on 'Employee Benefits'.

Recognition of actuarial gains and losses

The company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occurs.

Funding arrangements

The gratuity liability is not externally funded.

Defined contribution plans - Employees' Provident Fund

The company and employees contribute to the Employees' Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

Defined contribution plans - Employees' Trust Fund

The company contributes to the Employees' Trust Fund at 3% on the gross salary of each employee.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	31.03.2023 Rs.	31.03.2022 Rs.
Retirement benefit obligations - gratuity		
Balance at the beginning of the year	32,796,379	30,135,378
Amount charged for the year	17,244,554	4,887,251
Payments made during the year	(4,318,400)	(2,226,250)
Balance at the end of the year	45,722,533	32,796,379
Amount recognised in the statement of Income		
Current service cost for the year	4,466,068	4,219,106
Interest cost for the year	4,296,326	2,260,153
Past service cost	-	(427,708)
	8,762,394	6,051,551
Amount recognised in other comprehensive income		
Actuarial gain for the year	(8,482,160)	(1,164,300)
	(8,482,160)	(1,164,300)

33.1 Messrs. Actuarial and Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the retirement benefit obligation for Asia Asset Finance PLC as at 31st March, 2023. The valuation method used by the Actuary to value the liability is the 'Projected Unit Credit Actuarial Cost Method' recommended by LKAS 19. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

Actuarial valuation for defined benefit obligation was carried out as at 31 March 2023 by Mr. M Poopalanathan, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits.

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service. However, as per the Statute, the Company is liable to pay gratuity only upon the completion of continuous 5 years of service.

33.2 Actuarial assumptions used in calculating the gratuity liability are given below:

	31.03.2023 Rs.	31.03.2022 Rs.
Discount rate	15%	13.1%
Salary increment rate	15%	6%
Staff turnover	19%	28%
Retirement age	60 years	60 years
Mortality	67/70 Mortality Table (Institute of Actuaries, London)	

33.3 Sensitivity analysis

The impact arising from the possible changes in the discount rate and salary escalation rates on the gratuity valuation of the Company is as follows;

	31.03.2023 Rs.	31.03.2022 Rs.
Discount rate		
Effect on retirement benefit obligation due to 1% increase	(2,133,872)	(820,008)
Effect on retirement benefit obligation due to 1% decrease	1,990,512	806,257
Salary increment rate		
Effect on retirement benefit obligation due to 1% increase	1,860,019	784,345
Effect on retirement benefit obligation due to 1% decrease	(2,026,826)	(810,932)

33.4 Analysis of retirement benefit obligation by maturity profile

The following note analyses the defined benefit obligation by the expected future working life time of each individual employee. The expected future working life time considers the probability of an employee's exit due to withdrawal, death or disability prior to the retirement date.

	31.03.2023 Rs.	31.03.2022 Rs.
Within next 12 Months	11,430,633	8,199,095
Between 1-5 Years	18,289,013	13,118,552
Beyond 5 years	16,002,887	11,478,732
	45,722,533	32,796,379

34 STATED CAPITAL

Accounting Policy
Capital

The company maintains an actively managed capital base to cover the risks inherent to the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka .

	31.03.2023		31.03.2022	
	Number	**Rs.**	Number	Rs.
Fully paid ordinary shares	124,195,533	1,791,478,691	124,195,533	1,791,478,691

34.1 Rights of shareholders

The holders of ordinary shares confer their rights to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

All shares rank equally with regard to the company's residual assets.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

34.2 Fully paid Preference Shares

	31.03.2023		31.03.2022	
	Number	Rs.	Number	Rs.
Balance at the beginning of the year	41,398,511	413,985,110	-	-
Shares issued during the year			41,398,511	413,985,110
Balance at the end of the year	41,398,511	413,985,110	41,398,511	413,985,110

These convertible, irredeemable preference shares to be deemed converted to ordinary shares, immediately upon the completion of five years from the date of issue and to be listed subsequently. As such, these shares are considered as a part of equity.

35 STATUTORY RESERVE FUND AND OTHER RESERVES

		31.03.2023	31.03.2022
	Note	Rs.	Rs.
Statutory reserve fund	35.1	139,131,735	83,270,012
General reserve	35.2	3,000,000	3,000,000
Regulatory Loss Allowance Reserve	35.3	74,710,655	-
		216,842,390	86,270,012

35.1 Statutory reserve fund

Statutory reserve fund is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of the Finance Companies (Capital Funds) Direction No. 1 of 2003. The Company transfers a sum equal to not less than twenty (20) per cent of the net profits; so long as the capital funds are less than twenty five (25) per cent of total deposit liabilities, but not less than ten (10) per cent .

35.2 General reserve

General reserve represents the amounts set aside by the directors for general application.

35.3 Regulatory loss allowance reserve

Statutory reserve fund is a reserve which contains profits transferred as required by Section 7.1.3 of the Finance Companies Classiifcation and Measurement of Credit Facilities Direction No. 1 of 2020.

36 EARNINGS PER SHARE

Accounting Policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares into ordinary shares.

36.1 Basic earnings per share

The following reflects the income and share data used in the basic earnings per share computation.

	31.03.2023 Rs.	31.03.2022 Rs.
Amounts used as the numerator		
Profit attributable to ordinary shareholders for basic earnings per share	295,335,422	118,561,735

	31.03.2023 Rs.	31.03.2022 Rs.
Number of ordinary shares used as denominator for basic earnings per share		
Weighted average number of ordinary shares in issue	124,195,533	124,195,533
Basic earnings per share (Rs.)	2.38	0.95

36.2 Diluted earnings per share

The following reflects the income and share data used in the diluted earnings per share computation.

Amounts used as the numerator	Note	**31.03.2023** Rs.	31.03.2022 Rs.
Profit attributable to ordinary shareholders for basic earnings per share		295,335,422	118,561,733

Number of ordinary shares used as denominator for basic earnings per share

	Note	Number	Number
Adjusted weighted average number of ordinary shares in issue	36.2.1	165,594,044	165,594,044
Diluted earnings per share (Rs.)		1.78	0.72

36.2.1 Adjusted weighted average number of ordinary shares in issue

Weighted average number of ordinary shares in issue before dilution	124,195,533	124,195,533
Number of ordinary shares in convertible preference shares	41,398,511	41,398,511
Adjusted weighted average number of ordinary shares in issue	165,594,044	165,594,044

37 CONTINGENT LIABILITIES AND COMMITMENTS

Accounting Policy

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 readily measured as defined in the Sri Lanka Accounting Standard, LKAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'. In the normal course of business, the Company makes various commitments and incurs contingent liabilities. No material losses are anticipated as a result of these transactions.

	Note	**31.03.2023** Rs.	31.03.2022 Rs.
Commitments			
Promissory note to DFCC Bank PLC loans	37.1	450,000,000	700,000,000
Undrawn commitments	37.2	198,053	5,043,900
Bank guarantee	37.3	143,796,517	15,849,066
Capital commitments	37.4	4,050,000	15,463,226
		598,044,570	736,356,192

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

37.1 Promissory notes

The related loan balances on issued promissory notes as at the reporting date are as follows:

	Promissory note value Rs.	Loan outstanding as at 31.03.2023 Rs.
Promissory notes to DFCC Bank PLC	150,000,000	9,375,000
DFCC Vardhana Bank 04	300,000,000	173,641,292
DFCC Bank Loan 05	450,000,000	183,016,292

37.2 Undrawn commitments

Undrawn commitments consist of facilities granted to customers where the company reserves the right to unconditionally cancel or recall the facility at its discretion.

37.3 Bank Guarantee

Purpose	Issue Bank	Bank Guarantee No	Period	31.03.2023 Rs.	31.03.2022 Rs.
Tax appeal	NDB Bank	LG/G23/0326	From 23rd January 2023 up to 22nd January 2024	1,051,182	1,051,182
Tax appeal	NDB Bank	LG/G23/0325	From 23rd January 2023 up to 22nd January 2024	365,948	365,948
Tax appeal	NDB Bank	LG/G23/0330	From 23rd January 2023 up to 22nd January 2024	365,948	365,948
Tax appeal	NDB Bank	LG/G23/0327	From 23rd January 2023 up to 22nd January 2024	7,766,725	7,766,725
Tax appeal	NDB Bank	LG/G23/0323	From 23rd January 2023 up to 22nd January 2024	2,716,302	2,716,302
Tax appeal	NDB Bank	LG/G23/0324	From 23rd January 2023 up to 22nd January 2024	767,987	767,987
Foreign Currency Buying and Selling	Sampath Bank	302921329126	From 15th May 2022 up to 14th May 2023	2,500,000	2,500,000
Tax appeal	NDB Bank	LG/G23/0331	From 23rd January 2023 up to 22nd January 2024	926,681	926,681
Tax appeal	NDB Bank	LG/G23/0332	From 23rd January 2023 up to 22nd January 2024	56,439,716	-
Tax appeal	NDB Bank	LG/G23/0328	From 23rd January 2023 up to 22nd January 2024	4,987,395	-
Tax appeal	NDB Bank	LG/G23/0329	From 23rd January 2023 up to 22nd January 2024	2,813,633	-
				143,796,517	48,008,274

37.4 Capital Commitments

The company has implemented several IT enhancements to improve its overall operations. One of the key enhancements is the development of a mobile application that is linked with the core banking solution. This app enables customers to access their accounts and perform banking transactions on the go. The company has also implemented IT security enhancements to safeguard its data from cyber threats. These include advanced firewalls, intrusion detection systems, and encryption technologies. Capital commitments amounting to Rs. 4,050,000/- includes the cost committed to implement a customer digital onboarding mechanism using mobile based interface to provide a cutting edge digital experience to the customers.

38 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. In respect of pending legal claims where the Company had already made provisions for possible losses in the Financial Statements or has a realisable security to cover the damages are not included below as the Company does not expect cash outflows from such claims. However, further adjustments are made to the Financial Statements if necessary on the adverse effects of legal claims based on the professional advice obtained on the certainty of the outcome and also based on a reasonable estimate. Given below are the unresolved legal claims against the Company as at 31st March 2023 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome. The Company's legal counsel is of the opinion that litigation which is currently pending, will not have a material impact on the reported financial results or future operations of the Company.

		31.03.2023	31.03.2022
	Note	Rs.	Rs.
Cases pending against the company		301,006,845	143,906,845

39 Contingent Liabilities

Except for the contingent liabilities disclosed above, the company does not have any other significant contingent liabilities as at the reporting date.

40 ASSETS PLEDGED

The assets pledged as securities for liabilities have been disclosed under note 29.3.

41. MATURITY ANALYSIS

The table below summarizes the maturity profile of the undiscounted cash flows of the company's Financial assets and liabilities as at 31 March 2023. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the company could be required to pay and the table does not reflect expected cash flows indicated by the company's deposit retention history. An analysis of the total assets employed and the total liabilities at the year end, based on the remaining balance at the reporting date to the respective contractual maturity dates is given below:"

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

MATURITY ANALYSIS

	Less than 3 months Rs.	3-12 months Rs.	1-3 years Rs.	Over 3 years Rs.	Total Rs.
Cash and cash equivalents	2,063,128,895	-	-	-	2,063,128,895
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	-	-	-	2,444,830,041
Other financial assets					
Financial assets - fair value through profit or loss / held for trading					
Financial assets at amortized cost - Loans and advances	16,913,421,432	1,284,175,279	819,850,824	11,217,020	19,028,664,557
Financial assets at amortized cost - Lease rentals receivable and hire purchase	136,169,975	183,328,876	130,137,367		449,636,218
Other assets	14,797,980	23,690,896	85,354,108	3,716,670	127,559,654
Income tax receivable	-	27,593,548	-	-	27,593,548
Deposits and prepayments	15,092,421	34,737,347	27,204,800		77,034,568
Financial assets - Fair value through other comprehensive income/available for sale	-	-	-	506,659	506,659
Right-of-use assets	14,145,796	42,437,389	93,722,656	30,336,367	180,642,208
Property, plant and equipment				203,787,014	203,787,014
Investment property	-	51,414,094	-	272,648,098	324,062,192
Deferred tax asset	15,000,000	22,422,647			37,422,647
Intangible assets	-	-	-	47,676,226	47,676,226
As at 31.03.2023	**21,616,586,540**	**1,669,800,076**	**1,156,269,755**	**569,888,054**	**25,012,544,427**
As at 31.03.2022	14,207,542,313	1,565,928,153	2,110,236,492	1,458,081,062	19,341,788,022
Liabilities					
Financial liabilities - Due to banks	3,763,272	-	-	-	3,763,272
Other liabilities	7,832,901	29,225,581	191,178,390	-	228,236,872
Financial liabilities - Other borrowed funds	949,004,782	2,715,974,874	2,397,447,472		6,062,427,128
Leased liability	10,972,726	36,287,582	110,955,787	40,850,056	199,066,151
Debenture	(109,210,598)	1,224,049,595	588,029,667	484,650,472	2,187,519,136
Due to customers	4,995,775,397	6,410,129,587	1,338,108,829	529,260,686	13,273,274,499
Savings Control	1,694,073				1,694,073
Retirement benefit obligation	-	-	-	45,722,533	45,722,533
As at 31.03.2023	5,859,832,553	10,415,667,219	4,625,720,145	1,100,483,747	22,001,703,664
As at 31.03.2022	5,649,003,429	5,584,493,164	4,498,842,889	853,937,431	16,586,276,913
Net amount					
As at 31.03.2023	15,756,753,987	(8,745,867,143)	(3,469,450,390)	(530,595,693)	3,010,840,763
As at 31.03.2022	8,558,538,884	(4,018,565,011)	(2,388,606,397)	604,143,631	2,755,511,108

42. CURRENT/NON-CURRENT ANALYSIS

	31.03.2023			31.03.2022		
Instrument Type	Within 12 months Rs.	After 12 months Rs.	Total Rs.	Within 12 months Rs.	After 12 months Rs.	Total Rs.
Cash and cash equivalents	2,063,128,895	-	2,063,128,895	1,397,632,551	-	1,397,632,551
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	-	2,444,830,041	989,433,452	-	989,433,452
Financial assets at amortized cost - Loans and advances	18,197,596,712	831,067,845	19,028,664,557	12,632,259,393	2,096,922,726	14,729,182,119
Financial assets at amortized cost - Lease rentals receivable and hire purchase	319,498,851	130,137,367	449,636,218	384,629,455	699,488,075	1,084,117,530
Other assets	38,488,876	89,070,778	127,559,654	108,187,252	14,946,849	123,134,101
Income tax receivable	27,593,548	-	27,593,548	27,698,763	-	27,698,763
Advances, deposits and pre-payments	49,829,768	27,204,800	77,034,568	85,141,678	19,376,350	104,518,028
Financial assets - Fair value through other comprehensive income/available for sale	-	506,659	506,659	-	506,659	506,659
Right-of-use assets	56,583,185	124,059,023	180,642,208	49,782,820	146,713,975	196,496,795
Property, plant and equipment		203,787,014	203,787,014	3,405,103	180,972,707	184,377,810
Investment property	51,414,094	272,648,098	324,062,192	35,300,000	323,755,285	359,055,285
Deferred tax asset	37,422,647		37,422,647	60,000,000	41,422,648	101,422,648
Intangible assets		47,676,226	47,676,226	-	44,194,279	44,194,279
Total assets	23,286,386,617	1,726,157,810	25,012,544,427	15,773,470,467	3,568,299,553	19,341,770,020
Liabilities						
Financial liabilities - Due to banks	3,763,272		3,763,272	38,990,640	-	38,990,640
Other liabilities	37,058,482	191,178,390	228,236,872	72,781,317	7,446,043	80,227,360
Financial liabilities - Other borrowed funds	3,664,979,656	2,397,447,472	6,062,427,128	2,897,598,645	2,560,827,837	5,458,426,482
Leased liability	47,260,308	151,805,843	199,066,151	36,063,212	171,715,231	207,778,443
Debenture	1,114,838,997	1,072,680,139	2,187,519,136	(13,716,403)	2,086,593,742	2,072,877,339
Due to customers	11,405,904,984	1,867,369,515	13,273,274,499	8,194,333,140	500,847,132	8,695,180,272
Savings Control	1,694,073	-	1,694,073	-	-	-
Retirement benefit obligation	-	45,722,533	45,722,533	-	32,796,379	32,796,379
Total liabilities	16,275,499,772	5,726,203,892	22,001,703,664	11,226,050,551	5,360,226,364	16,586,276,915
Net balance	7,010,886,845	(4,000,046,082)	3,010,840,763	4,547,419,916	(1,791,926,811)	2,755,493,105

43 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE AND FAIR VALUE HIERARCHY

43.1 Determination of fair value and fair value hierarchy

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. As at 31st March 2023 the company held the following assets carried at fair value on the statement of financial position. The Company uses the following hierarchy for determining and disclosing the fair value of those assets by valuation technique:

43.2 Financial assets - Fair Value through other comprehensive income

Financial assets - Fair value through other comprehensive income valued using the valuation techniques or pricing models, primarily consists of unquoted investment securities. These unquoted investment securities are valued using observable market data. Inputs to the fair value measurements are reviewed to ensure that they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

43.3 Financial assets - Fair value through profit or loss

Financial assets -Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each security.

43.4 Financial Assets and Liabilities carried at Amortized Cost

The fair value of mixed rate financial assets and liabilities carried at amortized cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence, it is categorized under level 3 in the fair value hierarchy.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

43.4.1 Assets measured at fair value

As at	31.03.2023			
	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Total assets at fair value	506,659	-	-	506,659

As at	31.03.2022			
	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial assets - Fair value through other comprehensive income	506,659	-	-	506,659
Total assets at fair value	506,659	-	-	506,659

44. FINANCIAL REPORTING BY SEGMENT

As per the provisions of Sri Lanka Financial Reporting Standard, SLFRS- 8, the operating segment of the company have been identified based on the product and services offered by the Company of which level of risk and rewards is significantly different from one another. Top management of the company considers the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues are described as follows.

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

Segment results that are reported to the Senior Management Personnel and the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	Finance lease		Hire purchase		Gold Loan	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest income	137,929,191	352,197,721	2,787,190	1,851,257	4,348,089,844	1,528,952,298
Other income	69,145,503	53,625,184	7,000	-	385,765,899	464,559,038
Total revenue	207,074,694	405,822,905	2,794,190	1,851,257	4,733,855,743	1,993,511,336
Segmental result	13,875,270	30,446,770	209,633	82,605	317,197,254	149,562,729
Value added tax on financial services						
Profits from operations						
Income tax charge for the year						
Net profit for the year						
Segment assets	449,636,218	1,084,117,529	-	-	16,400,268,960	11,639,701,785
Unallocated assets	-	-	-	-	-	-
Total assets	449,636,218	1,084,117,529	-	-	16,400,268,960	11,639,701,785
Segment liabilities	403,558,915	968,864,396	-	-	14,719,621,058	10,402,278,663
Unallocated liabilities		-	-	-	-	
Total liabilities	403,558,915	968,864,396	-	-	14,719,621,058	10,402,278,663

In determining segment results, expenses have been allocated on proportionate basis on interest income and the segment liabilities have been proportionately allocated based on segment assets.

	Loans and advances		Investment		Other		Total	
	31.03.2023	31.03.2022	**31.03.2023**	31.03.2022	**31.03.2023**	31.03.2022	**31.03.2023**	31.03.2022
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
	369,302,150	542,564,622	**533,593,460**	150,514,713	**-**	-	**5,391,701,835**	2,576,080,611
	147,465,699	73,382,807	**240,000**	240,000	**12,009,081**	14,825,243	**614,633,182**	606,632,272
	516,767,849	615,947,429	**533,833,460**	150,754,713	**12,009,081**	14,825,243	**6,006,335,017**	3,182,712,883
	34,626,603	46,211,314	**35,770,103**	11,310,338	**804,682**	1,112,260	**402,461,139**	238,782,301
							(42,825,463)	(36,500,000)
							359,635,676	202,282,301
							(64,300,254)	(83,720,568)
							295,335,422	118,561,733
	2,628,395,596	3,089,480,334	**4,508,465,595**	2,387,066,003	**-**	-	**23,986,766,369**	18,200,365,651
	-	-	**-**	-	**1,025,778,056**	1,141,422,370	**1,025,778,056**	1,141,422,370
	2,628,395,596	3,089,480,334	**4,508,465,595**	2,387,066,003	**1,025,778,056**	1,141,422,370	**25,012,544,425**	19,341,788,021
							-	
	2,359,045,895	2,761,035,974	**4,046,452,243**	2,133,295,699	**-**	-	**21,528,678,110**	16,265,474,732
	-	-	**-**	-	**473,025,552**	320,802,183	**473,025,552**	320,802,183
	2,359,045,895	2,761,035,974	**4,046,452,243**	2,133,295,699	**473,025,552**	320,802,183	**22,001,703,663**	16,586,276,915

45. RELATED PARTY DISCLOSURES

As per the Sri Lanka Accounting Standard - LKAS -24 "Related Party Disclosures", the KMPs include those who have the authority and responsibility for planning, directing and controlling the activities of the company. Accordingly, the Board of Directors of the company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the company. The company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates. Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity. During the period under review there were no non-recurrent related party transactions which exceeded 10% of the equity or 5% of the total assets, whichever is lower, in the Company. During the period under review there were no recurrent related party transactions which exceeded 10% of the gross revenue/income.

The Company carries out transactions in the ordinary course of its business on an arm's length basis at commercial rates with related parties. Details of significant related party disclosures are as follows:

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

45.1 Parent and ultimate controlling party

The ultimate parent of the Company as at 31st March 2023 is Muthoot Finance Limited.

45.2 Transactions with related entities

45.2.1 Muthoot Finance Limited

Relationship - Ultimate parent

	Note	31.03.2023 Rs.	31.03.2022 Rs.
Transactions during the year			
Expenses incurred for Muthoot Finance Limited		4,958,509	3,062,967

45.3 Transactions with key management personnel of the company

The key managerial personnel of the Company are the members of its Board of Directors and the parent company. The following transactions were entered into between the Company and its key management personnel and their close family members.

45.3.1 Key management personnel compensation

	Note	31.03.2023 Rs.	31.03.2022 Rs.
Short-term employment benefits paid - Directors		20,794,000	17,063,000
45.3.2 Other transactions with key management personnel			
(a) Items in the Statement of Financial Position			
Assets - Loan and receivables from KMP		8,227,152	10,973,256
Liabilities - Due to KMP		180,414,836	71,189,820
(b) Items in the Statement of Income			
Interest income		499,382	1,461,627
Interest expense		23,897,598	5,862,927
Accommodation outstanding as a percentage of the company's Capital Fund (%)			
Loan and receivables		0.00	0.01
45.3.3 Share transactions with key management personnel			
Number of ordinary shares held at the year end		-	-
45.3.4 Senior management personnel compensation			
Short-term employment benefits paid to Senior Management		61,019,480	75,958,006

46. RISK MANAGEMENT

As a financial institution, thecompany is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent to the company's activities. Managing these risks is critical for the sustainability of the company and plays a pivotal role in all activities of the company. The Company has developed a culture within the organisation, which shapes and influences the risk decisions taken by the management and the employees. The adequacy and the effectiveness of the risk management decisions taken by the company's management will be reviewed regularly through its committees and reported to the "Integrated risk management committee" for reference and guidance. The company believes that successful risk management will enable it to be resilient to any unfavourable event caused by internal or external factors.

46.1 Risk management committees

46.1.1 Assets and liability committee (ALCO)

ALCO is chaired by the Chief Executive Officer and its representatives are the Chief Operating Officer, General Manager, the Deputy General Manager - Finance, the Assistant Manager - Treasury and the Assistant Manager Finance. The committee meeting is held once a month to monitor and manage the assets and liabilities of the company and the overall liquidity position to keep the company's liquidity at healthy levels whilst satisfying regulatory requirements.

46.1.2 Board Audit Committee (BAC)

Audit committee has set up internal audit teams to ensure that the guidelines and processes in the business operations are adhered to in compliance with the policy and procedures. Internal audit plan covers the full scope of the business operations and reports to the BAC on continuous improvements required for the risk management frame work. BAC will oversee financial reporting, Risk Management and Internal controls.

46.1.3 Integrated Risk Management.

RMC is established by the BOD to evaluate and protect the company from financial and non-financial losses. IRMC meets and discuss the risk framework of AAF on a monthly basis. IRMC will guide the management to navigate risk events, scenarios depending on this risk appetite of the Board in order to ensure the overall business strategy is achieved and the stakeholders of the company receive the maximum returns. IRMC strives to improve the risk culture of AAF policies and procedures, technological advancements and training.

46.2 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company. The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital. The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL. The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit and general and other reserves less goodwill, other intangible assets, other comprehensive income losses, deferred tax assets, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

As per the Finance Business Act Direction No 3 of 2018, the Licensed Finance Companies (LFCs) with assets of less than Rs. 100 Bn required to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% and a Core Capital Ratio (Tier 1) of 8.5% by 01st July 2022.

As of 31st March 2023, the Company has maintained Risk Weighted Capital Adequacy Ratios above the CBSL's minimum capital requirements.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	31.03.2023	31.03.2022
	Rs.	Rs.
Tier 1 Capital Ratio (Minimum requirement of 8.5.%)	27.43	27.77
Total Capital (Minimum requirement 12.5%)	27.43	27.77

46.3 Market risk

Market risk is identified by the Company as the possibility of loss to the Company caused by changes in the market variables. Market risk mainly includes interest rate risk, liquidity risk, foreign exchange risk and country risk. Market risk is potential losses arising from changes in earnings, market or future cash flows of a portfolio of financial instruments resultant from adverse movements in market variables such as interest rates, share prices, foreign exchange rates and bond and commodity prices. Most of the Company's operations are exposed to at least one or more elements of market risk. The market risk stems primarily from the interest rate risk of its trading and non-trading books and from exposure to gold prices due to its pawning portfolio.

46.3.1 Re-Investment risk

These are uncertainties with regard to interest rate at which the future cash flows could be re-invested. On an increasing trend, this would be beneficial for Asia Asset Finance PLC.

46.3.2 Net interest position

When the market rates are on a downward trend and the company's earning assets are higher than its liabilities, the risk of net interest position falling is high.

Under SLFRS 9: "Financial Instruments: Recognition & Measurement", the AAF assesses the impairment of loans and advances individually and collectively based on the principles of "expected credit loss" (Refer Note 18 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions made on loans and advances under Direction No. 03 of 2008 on "Classification of loans and advances, Income Recognition and Provisioning" (and subsequent amendments thereof) issued by the CBSL are on "time/delinquency base". Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subject to impairment provision, whereas, no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value through other comprehensive income" carried at fair value or Financial assets/liabilities at amortized cost under SLFRS 9. The "Fair value" is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters at a given point in time may still generate unexpected uncertainty beyond fair value. An "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Hence, the amortized cost of financial investments and financial liabilities under SLFRS 9 is different to the carrying value for regulatory reporting which is the "cost"

46.3.3 Liquidity risk

Liquidity is the ability to efficiently accommodate deposit as also reduction in liabilities and to fund the loan growth and possible funding of the off-balance sheet claims. Liquidity risk arises through maturity mismatch of loans and deposits.

46.3.3.1 Total Liquid Assets

	31.03.2023	31.03.2022
	Rs.	Rs.
Cash in hand	77,913,890	75,887,122
Balances in current accounts	96,474,984	34,682,797
Deposits in commercial banks	657,697,606	971,297,964
Treasury bills and Treasury Bonds	2,444,830,041	989,433,452
Other approved securities	1,228,198,224	304,334,268
	4,505,114,745	2,375,635,603
Available liquid asset	4,505,114,745	2,095,851,859
Required liquid asset	1,099,931,330	901,298,277
Liquid assets to deposit (%)	0.34	0.24
Advances to deposit ratios	160%	199%

46.3.4 Foreign exchange (FOREX) and country risk

FOREX is the risk that finance companies may suffer loss, as a result of adverse exchange rate movements. Country risk is the risk that arises due to cross border transactions. The uncertainty caused by the current economic crisis could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, since Asia Asset Finance PLC does not have any foreign borrowings or foreign transactions, the Company concludes that negative impact on economic crisis will not be substantial on the Company to conduct an in-depth analysis. However, there is a slight impact when budgeting for this cost. The above risks are triggered by the treasury operations.

46.3.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a Financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Techniques used to measure the interest rate risk include, Duration Gap Analysis, VaR and Earnings at Risk. Rate sensitive assets and liabilities are mapped into time buckets based on their maturity period, in order to ascertain the duration gap and overall exposure to interest rate risk.

The company sets out the aggregated level and risk types it accepts in order to achieve business objectives in a risk appetite statement and tolerance thresholds are decided based on the regional concept. This is reviewed on an ongoing basis, and formally approved by Integrated Risk Management Committee every one month. Stress Testing evaluates the potential vulnerabilities in the Company's overall profitability, asset portfolio, liquidity, operations and capital strength under current macro-economic conditions. This assists in the formulation of possible mitigating actions that could be considered in such circumstances. Based on the stress testing, immediate changes are introduced to business cycles through new product types to enhance liquidity and profitability requirement. All the functionality and process are directly linked with the core system for daily and ongoing monitoring process.

The following table demonstrates the sensitivity of the company's profit for the year ended 31 March 2023 and 31 March 2022 to a reasonable possible change in interest rates, with all other variables remaining constant.

Impact on Statement of Income due to interest rate shocks

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

	31.03.2023	31.03.2022
	Rs.	Rs.
Magnitude of 100% shock	590,670,844	237,123,469
Magnitude of 150% shock	443,003,133	177,842,602
Magnitude of -50% shock	147,667,711	59,280,867
Magnitude of -25% shock	221,501,566	88,921,301

46.3.5 Interest Rate Risk (contd...)

46.3.5.1 Interest Rate Exposure on Financial Assets and Liabilities

The table below analyses the Company's interest rate risk exposure on non–trading financial assets and liabilities. The Company's assets and liabilities are included at the carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

As at 31 st March 2023

	Carrying amount Rs.	On Demand Rs	Less than 3 Months Rs	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Non interest bearing Rs.
Assets								
Cash and cash equivalents	80,758,081	80,758,081	-	-	-	-	-	-
Balances with banks and Financial institutions	1,982,370,814	834,930,671	1,228,198,224	-	-	-	-	-
"Loans and receivables - Amortized cost"	19,478,300,774	-	16,354,505,011	1,467,504,155	949,988,191	11,217,020	-	695,086,395
Other Financial assets	506,659							506,659
Total	21,541,936,328	915,688,752	17,582,703,235	1,467,504,155	949,988,191	11,217,020	-	695,593,054
Liabilities								
Due to banks	3,763,272	3,763,272						-
Due to customers	13,274,968,572	-	4,995,775,397	6,410,129,587	1,338,108,829	529,260,686	-	-
Due to customers -Savings	1,694,073	1,694,073						
Debt securities issued	2,187,519,136		(109,210,598)	1,224,049,595	588,029,667	484,650,473	-	-
Other Financial liabilities	6,062,427,129		949,004,782	2,715,974,874	2,397,447,472	-	-	-
Lease liabilities	199,066,151		10,972,726	36,287,582	110,955,787	29,488,077	11,361,979	-
Total	21,729,438,333	5,457,345	5,846,542,307	10,386,441,638	4,434,541,755	1,043,399,236	11,361,979	-
Total interest sensitivity gap	(187,502,004)	910,231,407	11,736,160,928	(8,918,937,483)	(3,484,553,564)	(1,032,182,216)	(11,361,979)	695,593,054

As at 31st March 2022

	Carrying amount Rs.	On Demand Rs	Less than 3 Months Rs	3 to 12 Months Rs.	1 to 3 Years Rs.	3 to 5 Years Rs.	Over 5 Years Rs.	Non interest bearing Rs.
Assets								
Cash and cash equivalents	87,317,522	87,317,522	-	-	-	-	-	-
Balances with banks and financial institutions	1,310,315,029	34,682,797	1,275,632,232	-	-	-	-	-
"Loans and receivables - Amortized cost"	15,813,299,649	-	11,240,607,719	1,298,240,417	1,920,395,539	786,413,128	89,602,136	478,040,710
Other financial assets	506,659	-	-	-	-	-	-	506,659
Total	17,211,438,859	122,000,319	12,516,239,951	1,298,240,417	1,920,395,539	786,413,128	89,602,136	478,547,369
Liabilities								
Due to banks	38,990,640	38,990,640	-	-	-	-	-	-
Due to customers	8,695,180,272		4,765,373,612	3,428,959,530	421,563,718	79,283,411	-	-
Debt securities issued	2,072,877,339	-	(50,322,047)	36,605,644	1,480,044,598	606,549,144	-	-
Other financial liabilities	5,458,426,482	-	813,741,735	2,083,856,910	2,498,333,837	62,494,000	-	-
Lease liabilities	207,778,443	-	8,438,174	27,625,039	98,900,735	72,814,496		-
Total	16,473,253,176	38,990,640	5,537,231,474	5,577,047,123	4,498,842,888	821,141,051	-	-
Total interest sensitivity gap	738,185,683	83,009,679	6,979,008,477	(4,278,806,706)	(2,578,447,349)	(34,727,923)	89,602,136	478,547,369

46.3.6 Commodity Price Risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the company, the volatility in gold prices may adversely affect the profits of the Company. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Product lifetime - As a credit risk management strategy, the Company delivers services in less time, enabling a faster recovery process.

46.3.7 Operational risk

Operational risk is the risk of losses arising from failed internal processes, systems failure, human error, fraud or external events. Operational risks exist in the natural course of business activities, products and processes. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. Operational risks cannot be fully eliminated. However, the company's objective is to contain it within the acceptable levels as determined by the Company's Board of Directors. The company's operational risk management framework clearly articulates the policies, structures and processes in place to manage the different types of operational risk exposures. The Board of Directors, supported by the IRM is responsible for formulating a policy and ensuring the robustness of the operational risk management framework. Loss events are recorded and periodically reported through the Risk Management Unit to the Board of Directors. Meanwhile, Internal Audit also provides assurance to the Board on the effectiveness on the operational risk management processes in place.

46.4 Integrated risk management committee (IRM)

The IRM committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board. IRM assesses all reported risks by the risk management unit and issues directions and guidelines to enhance the policies and procedures to mitigate the risks.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

46.4.1 Risk Appetite

The term "Risk Appetite" refers to the broad types and quantum of risk, the AAF is willing to undertake in implementing its business strategy. It is expressed in the form of tolerance limits and risk trigger points across a range of variables. The Board of Directors has ultimate responsibility for setting the Risk Appetite of the company to ensure that the exposures and risks are maintained within that approved levels.

46.4.2 Credit risk

Credit risk is the likelihood that a borrower or counterparty will not honor its obligations in accordance with the terms of agreement. i.e. the risk of default which is one of the most vulnerable risks faced by any financial institution. Credit risk is inherent to all financial institutions where the main business is lending. The main aim of the "credit risk management" is to minimise the risk and to maximize the risk adjusted rate of return of the financial institution.

The Company conducted an in-depth analysis on the probable customers who would get affected and the scale of impact it may have on the company's lending portfolio due to the prevailing macro-economic uncertainty and COVID-19 and the related impacts to our customers on account of elevated inflation and interest rates. The company manages this by diversifying the lending portfolio across a wide range of products and customer segments which in turn would ensure the resilience of the Company in an economic shock of this nature. The company is comfortable with the existing composition of its loan portfolio and continuous monitoring activities are being carried out to avoid accumulation of exposures to risky segments.

46.4.3 Company's approach to credit risk

Under SLFRS 9: "Financial Instruments: Recognition and Measurement", the AAF assess the impairment of loans and advances individually or collectively based on the principles of "expected credit loss" (Refer Note 18 for details) model which is expected to capture future trends in the economy. However, the regulatory provisions made on loans and advances under Direction No. 03 of 2008 on "Classification of loans and advances, Income Recognition and Provisioning" (and subsequent amendments thereof) issued by the CBSL are on"time/delinquency base". Further, under SLFRS 9, other debt financial assets not held at FVTPL, together with loan commitments and other off balance sheet exposures such as financial guarantees and letter of credits, are subject to impairment provision, whereas no such regulatory provision is required for those financial assets as per the CBSL Direction. As a result, SLFRS 9 recognises higher impairment provisions compared to CBSL guidelines. Financial investments and financial liabilities (other than FVTPL) are carried at "cost" for regulatory reporting purposes while they are classified as "Financial assets measured at fair value through other comprehensive income" carried at fair value or Financial assets/liabilities at amortized cost under SLFRS 9. The "Fair value" is defined as the best estimate of the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. A variety of valuation techniques combined with the range of plausible market parameters as at a given point in time may still generate unexpected uncertainty beyond fair value. An "amortized cost" of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Hence, the amortised cost of financial investments and financial liabilities under SLFRS 9 are different to the carrying value for regulatory reporting which is the "cost".

46.5 Impairment assessment

The Company considers a financial instrument defaulted and, therefore, stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes more than 90 days past or three instalments in arrears due on its contractual payments or when classified as Non-Performing Loan(NPL) as per directions issued by the Central Bank of Sri Lanka (CBSL).

46.5.1 Individually assessed allowances

The allowance is appropriate for each individually significant loan or advance on an individual basis if there is any objective evidence of a potential loss. The Company has currently set individually significant threshold at Rs. 5 Mn for Small and Corporate Loans and for Rs. 1 Mn for Personal loan category. Every customer having an aggregate exposure above that limit is individually assessed for objective evidence of incurred loss. Items considered when determining allowance amounts include, the sustainability of the counterparty's business plan, its ability to improve performance, if it is in a financial difficulty, projected receipts and the expected payout should a bankruptcy arise, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Gold Loan individually assesess through Dud and Suspious articles Low quality articles, Caratage differences articles Weight differences articles which identiifed company internal audit review process.

46.5.2 Collectively assessed allowances

Allowances are assessed collectively for losses on loans and receivables that are not individually assessed. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as loan types, industry codes, and level of arrears). The AAF applies a three-stage approach to measure expected credit losses (ECLs). Financial assets shift through the following three stages based on the change in credit risk since initial recognition.

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

			Subject to		
As at 31st March 2023	Carrying amount	Not subject to ECL Rs.	12-month ECL (Stage 1) Rs.	Life time ECL - not credit impaired (Stage 2) Rs.	Life time ECL - credit impaired (Stage 3) Rs.
Cash and cash equivalents	2,063,128,895	2,063,128,895	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	2,444,830,041	2,444,830,041	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	20,643,318,072	-	15,346,868,665	1,784,655,529	3,511,793,878
Less : Impairment charge	1,597,724,661	-	103,817,618	100,206,467	1,393,700,577
Less : Net interest margin	16,928,855	-	16,928,855	-	-
Net carrying amount	22,257,971,588	-	15,467,615,138	1,884,861,996	4,905,494,455
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	557,198,548		294,930,371	51,578,728	210,689,448
Less : Impairment charge	(92,726,028)		(10,303,749)	(3,575,980)	(78,846,299)
Less : Net interest margin	(14,836,302)		(14,836,302)	-	-
Net carrying amount	449,636,218	-	269,790,320	48,002,748	131,843,149
Financial assets - fair value through other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	(6,500,000)	(6,500,000)	-	-	-
Net carrying amount	506,659	506,659	-	-	-

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

46.5.3 Analysis of credit quality - Maximum exposure to credit risk by class of financial assets

As at 31st March 2022	Carrying amount	Not subject to ECL Rs.	Subject to 12-month ECL (Stage 1) Rs.	Subject to Life time ECL - not credit impaired (Stage 2) Rs.	Subject to Life time ECL - credit impaired (Stage 3) Rs.
Cash and cash equivalents	1,397,632,551	1,397,632,551	-	-	-
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	989,433,452	989,433,452	-	-	-
Loans and advances at amortized cost					
Gross loans and advances	20,643,318,072	-	10,021,766,408	1,221,280,250	4,844,623,509
Less : Impairment charge	1,597,724,661	-	79,425,311	136,117,552	1,126,016,330
Less : Net Interest Margin	16,928,855	-	16,928,855	-	-
Net carrying amount	22,257,971,588	-	10,118,120,574	1,357,397,802	5,970,639,839
Lease rentals receivable and hire purchase at amortized cost					
Gross lease rentals receivable and hire purchase	557,198,548	-	765,857,115	177,204,900	314,280,459
Less : Impairment charge	(92,726,028)	-	(8,566,631)	(16,026,905)	(133,795,106)
Less : Net interest margin	(14,836,302)	-	(14,836,302)	-	-
Net carrying amount	449,636,218	-	742,454,182	161,177,995	180,485,353
Financial assets - fair value through other comprehensive income					
Gross carrying amount	7,006,659	7,006,659	-	-	-
Less : Impairment charge	(6,500,000)	(6,500,000)	-	-	-
Net carrying amount	506,659	506,659	-	-	-

46.6 Analysis of ECL Model under multiple economic scenarios

ECLs must reflect an unbiased and probability weighted estimate of credit losses over the expected life of the financial instrument. The main objective of the probability weighted economic estimates is to convert the historical statistics into more futuristic indicators. Also Primarily Economic factor adjustment is used to convert the Through the Cycle (TTC) PD in to Point in Time (PiT) PDs.

46.6.1 Sensitivity analysis of Impairment provisions on Loans and advances to customers

	Sensitivity on ECL and sensitivity effect on Financial Position			Sensitivity effect on Income
As at 31 March 2023	Stage1 Rs	Stage2 Rs	Stage3 Rs	Rs.
PD 1% increase across all age buckets	27,180,572	1,983,451	-	29,164,023
PD 1% decrease across all age buckets	(27,180,572)	(1,983,451)	-	(29,164,023)
LGD 5% increase	2,690,991	5,347,428	97,811,333	105,849,752
LGD 5% decrease	(2,690,991)	(5,347,428)	(97,811,333)	(105,849,752)
Probability weighted Economic Scenarios				
Base case 10% increase, worst case 5% decrease and best case 5% decrease"	(76,280)	(246,222)	-	(322,502)
Base case 10% decrease, worst case 5% increase and best case 5% increase	76,280	242,965	-	319,245

46.6.1 Sensitivity analysis of Impairment provisions on Loans and advances to customers

	Sensitivity on ECL and sensitivity effect on Financial Position			Sensitivity effect on Income
As at 31 March 2022	Stage1 Rs	Stage2 Rs	Stage3 Rs	Rs.
PD 1% increase across all age buckets	1,582,290	1,978,281	-	3,560,571
PD 1% decrease across all age buckets	(1,582,290)	(1,978,281)	-	(3,560,571)
LGD 5% increase	2,674,500	12,247,965	247,061,406	261,983,870
LGD 5% decrease	(2,674,500)	(12,247,965)	(247,061,406)	(261,983,870)
Probability weighted Economic Scenarios				
"Base case 10% increase, worst case 5% decrease and best case 5% decrease"	35,399	252,757	-	288,156
"Base case 10% decrease, worst case 5% increase and best case 5% increase"	(31,123)	(222,760)	-	(253,883)

46.6.2 Analysis of inputs to the ECL model under multiple economic scenarios

The Company obtains the data from reliable third party sources such as CBSL, International Monetary Fund and/or World Bank in all instances where such projections are available. The following tables set out the key drivers of expected loss and the assumptions used for the AAF's base case estimate, ECLs based on the base case plus the effect of the use of multiple economic scenarios as at 31 March 2021 and 2022. The tables show the values of key forward looking economic variables/assumptions used in each of the economic Scenarios for the ECL calculations.

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Analysis of inputs to the ECL model under multiple economic scenarios

As at 31 March 2023	Scenario	Probability Weighted	2023	2022	2021	2020	2019	2018
GDP Growth (%)	Base case Forecast	40.00%	-12.40%	-1.80%	1.30%	2.70%	3.80%	3.30%
	Best Case Forecast	30.00%	-12.40%	-1.80%	1.33%	2.74%	3.84%	3.34%
	Worst-case Forecast	30.00%	-12.40%	-1.73%	1.26%	2.64%	3.74%	3.24%
Inflation (YoY Average)	Base case Forecast	40.00%	50.30%	18.70%	4.20%	4.80%	3.30%	6.60%
	Best Case Forecast	30.00%	50.30%	16.90%	4.06%	4.60%	3.16%	6.30%
	Worst-case Forecast	30.00%	50.30%	18.92%	4.29%	4.94%	3.40%	6.81%
Interest Rate (PLR)	Base case Forecast	40.00%	21.40%	13.50%	5.75%	10.49%	11.94%	11.33%
	Best Case Forecast	30.00%	21.40%	13.17%	5.58%	10.23%	11.63%	11.05%
	Worst-case Forecast	30.00%	21.40%	13.91%	6.22%	11.18%	12.78%	12.10%
Exchange Rate-YE (US$:LKR)	Base case Forecast	40.00%	325.63	320.00	213.80	191.86	193.64	157.79
	Best Case Forecast	30.00%	325.63	320.00	207.23	182.13	183.59	153.55
	Worst-case Forecast	30.00%	325.63	320.00	250.00	250.00	250.00	218.50
Unemployment (% of Labor Force)	Base case Forecast	40.00%	4.80%	5.20%	5.20%	4.85%	4.40%	4.20%
	Best Case Forecast	30.00%	4.80%	5.18%	5.18%	4.84%	4.39%	4.19%
	Worst-case Forecast	30.00%	4.80%	5.22%	5.25%	4.88%	4.42%	4.22%

As at 31 March 2022	Scenario	Probability Weighted	2022	2021	2020	2019	2018	2017
GDP Growth (%)	Base case Forecast	50.00%	-1.80%	1.30%	2.70%	3.80%	3.30%	4.50%
	Best Case Forecast	25.00%	-1.80%	1.33%	2.74%	3.84%	3.34%	4.55%
	Worst-case Forecast	25.00%	-1.73%	1.26%	2.64%	3.74%	3.24%	4.42%
Inflation (YoY Average)	Base case Forecast	50.00%	18.70%	4.20%	4.80%	3.30%	6.60%	4.00%
	Best Case Forecast	25.00%	16.90%	4.06%	4.60%	3.16%	6.30%	3.83%
	Worst-case Forecast	25.00%	18.92%	4.29%	4.94%	3.40%	6.81%	4.11%
Interest Rate (PLR)	Base case Forecast	50.00%	13.50%	5.75%	10.49%	11.94%	11.33%	11.73%
	Best Case Forecast	25.00%	13.17%	5.58%	10.23%	11.63%	11.05%	11.43%
	Worst-case Forecast	25.00%	13.91%	6.22%	11.18%	12.78%	12.10%	12.54%
Exchange Rate-YE (US$:LKR)	Base case Forecast	50.00%	320.00	213.80	191.86	193.64	157.79	154.22
	Best Case Forecast	25.00%	320.00	207.23	182.13	183.59	153.55	150.49
	Worst-case Forecast	25.00%	320.00	250.00	250.00	250.00	218.50	214.14
Unemployment (% of Labor Force)	Base case Forecast	50.00%	5.20%	5.20%	4.85%	4.40%	4.20%	4.40%
	Best Case Forecast	25.00%	5.18%	5.18%	4.84%	4.39%	4.19%	4.39%
	Worst-case Forecast	25.00%	5.22%	5.25%	4.88%	4.42%	4.22%	4.42%

46.7 Collateral and Other Credit Enhancement

The table below provides an analysis of the current fair values of collateral held and credit enhancements for stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

	Fair Value of Collateral under base case scenario					
As at March 2023	Maximum Exposure to Credit risk Rs.	Immovable Collateral Rs.	Movable Collateral Rs.	Total Collateral Rs.	Net Exposure Rs.	Associated ECL Rs.
Stage 01	15,641,799,036	1,246,059,750	20,543,572,555	21,789,632,305	-	14,672,213,078
Stage 02	1,836,234,257	252,386,550	1,977,046,585	2,229,433,135	-	1,821,202,704
Stage 03	3,722,483,326	800,087,150	634,872,782	1,434,959,932	2,287,523,394	3,164,324,296
	21,200,516,619	2,298,533,450	23,155,491,922	25,454,025,372	2,287,523,394	19,657,740,078

	Fair Value of Collateral under base case scenario					
As at March 2022	Maximum Exposure to Credit risk Rs.	Immovable Collateral Rs.	Movable Collateral Rs.	Total Collateral Rs.	Net Exposure Rs.	Associated ECL Rs.
Stage 01	10,787,623,522	1,696,941,000	17,057,584,648	18,754,525,648	-	7,345,057,338
Stage 02	1,398,485,151	430,005,000	1,468,258,229	1,898,263,229	-	1,849,808,992
Stage 03	5,158,903,968	934,945,000	3,920,149,264	4,855,094,264	303,809,704	5,985,918,461
	17,345,012,641	3,061,891,000	22,445,992,141	25,507,883,141	303,809,704	15,180,784,791

46.8 Concentration of credit risk

AAF manages concentration risk through strategically diversifying the business across industry sectors, products, counterparties and geographies. The company's Credit Committee defines the limits for these segments and ensures compliance. Further, the Board and RMC monitor these exposures. They also make suggestions and recommendations on modifications to define limits based on the trends and developments shaping the business environment while following Muthoot Group requirements.

SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

The Company's concentration of risk in relation to the lending portfolio is managed by the industry sector which is detailed below:

	31.03.2023	31.03.2022
	Rs.	Rs.
Manufacturing	803,946,052	405,522,390
Transport	277,974,848	147,112,020
Services	1,406,061,633	552,395,450
Agro-business and fisheries	10,087,510,052	5,109,599,340
Construction	696,716,405	615,614,450
Commercial trading	1,568,098,496	779,824,410
Others	6,360,209,133	9,734,944,581
Total lending portfolio	21,200,516,619	17,345,012,641
Loans and advances	4,146,146,668	4,400,821,946
Gold loans	16,497,171,404	11,686,848,221
Lease	557,198,547	1,256,149,473
Hire purchase	-	1,193,001
Total receivables	21,200,516,619	17,345,012,641

46.9 Geographical distribution of Loans and Advances

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

	31.03.2023			
	Lease and HP Rs.	Gold loan Rs.	Loans and advances Rs.	Total Rs.
Central	51,155,427	4,147,923,223	204,196,078	4,403,274,728
Eastern	10,884,250	2,665,058,185	198,317,468	2,874,259,903
Northern	48,901,280	3,757,788,989	335,803,474	4,142,493,743
North Western	146,883,941	1,397,269,320	644,806,445	2,188,959,706
Southern	94,291,591	603,741,020	409,467,823	1,107,500,434
Sabaragamuwa	-	137,126,363	1,344,376	138,470,739
Western	205,082,058	2,868,691,425	2,350,552,704	5,424,326,187
Uva	-	919,572,879	1,658,300	921,231,179
	557,198,547	16,497,171,404	4,146,146,668	21,200,516,619

Provincial breakdown for loans and receivable within Sri Lanka is as follows:

	31.03.2022			
	Lease and HP Rs.	Gold loan Rs.	Loans and advances Rs.	Total Rs.
Central	114,966,805	2,805,024,665	204,572,909	3,124,564,379
Eastern	55,875,839	1,881,971,426	207,148,475	2,144,995,740
Northern	75,363,291	3,059,120,887	441,409,609	3,575,893,787
North Western	313,933,164	977,250,816	695,210,085	1,986,394,065
Southern	208,649,275	719,245,229	474,399,290	1,402,293,794
Sabaragamuwa	-	126,451,362	-	126,451,362
Western	488,554,101	1,769,058,772	2,377,808,228	4,635,421,101
Uva	-	348,725,064	273,349	348,998,413
	1,257,342,475	11,686,848,221	4,400,821,945	17,345,012,641

47. COMPARATIVE INFORMATION

Comparative figures and phrases have been re-arranged wherever necessary to conform to the current year’s presentation.

48. ASSESSMENTS RECEIVED BY THE COMPANY

Income tax and VAT assessments received from the Department of Inland Revenue are outstanding as of the reporting date. These assessments have been appealed to Tax Commission and the Commissioner General of Inland Revenue. The Company is confident that these assessments can be sucessfully defended. As a result, no provisions have been made for these balances.

49 EVENTS ATFER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments or disclosure in the Financial Statements.

TEN YEAR SUMMARY
INCOME STATEMENT

For the year ended 31st March	2014	2015	2016	2017
	Rs.	Rs.	Rs.	Rs.
Income	768,716,521	923,347,861	1,383,809,503	2,130,607,576
Interest Income	732,367,042	850,447,095	1,265,001,829	2,020,556,957
Interest Expenses	(437,557,304)	(480,997,160)	(592,688,880)	(919,297,655)
Net Interest Income	294,809,738	369,449,935	672,312,949	1,101,259,302
Net Trading Loss on Equity Securities	5,684,335	24,610,913	(7,947,048)	2,326,220
Other Income	36,349,479	72,900,766	126,754,722	107,724,399
Net Operating Income	336,843,552	466,961,614	791,120,623	1,211,309,921
Less:Operating Expenses				
Personnel Costs	(123,044,068)	(178,237,431)	(249,869,486)	(335,295,267)
Provision for Staff Retirement Benefits Cost	(1,947,985)	(2,630,870)	(3,123,711)	(4,906,571)
Other General & Administrative Expenses	(138,765,746)	(158,582,482)	(244,947,298)	(327,883,585)
Reversal / (Provision) of Losses on Loans and Advances	(29,886,795)	(24,748,372)	(83,947,606)	(227,348,081)
Net Profit / (Loss) Before Income Tax Expenses	43,198,958	102,762,459	209,232,522	315,876,417
Income Tax (Charge)/Reversal	3,318,687	(1,576,656)	(34,014,398)	(37,827,608)
Net Profit / (Loss) after Taxation	46,517,645	101,185,803	175,218,124	278,048,809
Acturial Loss on Retirement Benefit Liability	(196,156)	(1,049,754)	837,345	(2,100,296)
Income Tax on Other Comprehensive Income	54,924	293,931	(234,457)	(588,083)
Other Comphrehensive Income for the Year Net of Tax	(141,232)	(755,823)	602,888	(2,688,379)
Total comprehensive Income for the Year	46,376,413	100,429,980	175,821,012	275,360,430
Earnings per Share	0.08	0.15	0.21	0.33

Figures in brackets indicate deductions

	2018	2019	2020	2021	2022	2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	2,572,365,569	2,868,765,978	3,332,619,279	2,954,814,602	3,181,733,450	6,006,335,016
	2,443,389,400	2,722,660,945	3,043,709,078	2,725,047,628	2,576,080,611	5,391,701,835
	(1,233,214,297)	(1,433,366,344)	(1,704,234,090)	(1,462,362,855)	(1,324,236,291)	(3,651,051,365)
	1,210,175,103	1,289,294,601	1,339,474,988	1,262,684,772	1,251,844,321	1,740,650,470
	(31,406)	(9,220)	(125)			
	129,007,575	146,105,033	288,910,201	229,766,974	606,632,272	614,633,181
	1,339,151,272	1,435,390,414	1,628,385,064	1,492,451,746	1,858,476,593	2,355,283,651
	(264,465,472)	(280,796,890)	(310,582,828)	(268,929,048)	(327,268,082)	(413,680,997)
	(5,754,935)	(5,272,963)	(7,041,239)	(7,163,721)	(6,051,551)	
	(513,394,290)	(633,317,428)	(782,395,544)	(746,670,914)	(829,970,356)	(1,025,874,759)
	(333,396,606)	(357,620,797)	(381,645,114)	(382,940,886)	(492,904,300)	(556,092,219)
	222,139,969	158,382,336	146,720,339	86,747,176	202,282,303	359,635,676
	(43,914,542)	(64,475,297)	(76,566,973)	(41,551,058)	(83,720,568)	(64,300,254)
	178,225,427	93,907,039	70,153,366	45,196,118	118,561,735	295,335,422
	3,554,897	7,022,779	(2,075,633)	4,379,407	1,164,300	8,482,160
	(995,371)	(920,685)	(498,152)	1,051,058	279,432	2,544,648
	2,559,526	6,102,094	(2,573,785)	5,430,465	884,868	11,026,808
	180,784,953	100,009,132.99	67,579,581	50,626,583	119,446,603	284,308,614
	2.12	0.94	0.57	0.36	0.95	2.38

TEN YEAR SUMMARY
BALANCE SHEET

Year ended 31 March	31.03.2014	31.03.2015	31.03.2016	31.03.2017
	Rs.	Rs.	Rs.	Rs.
ASSETS				
Cash & Cash Equivalents	229,616,166	446,524,236	690,797,870	601,891,827
Investment in Reverse Repurchase Agreements against Treasury Bills	184,467,915	259,698,505	328,866,266	433,333,648
Other Financial Assets	112,059,685	9,254,835	8,817,330	50,204,691
Financial Asset -Held for Trading	81,008,250	69,263,955	48,244,689	-
Loans & Advances Including Lease Rentals Receivables and Hirepurchase	2,994,869,411	4,137,897,770	6,527,840,413	8,263,046,222
Financial Asset-Available for Sale	578,617	578,617	506,659	506,659
Vehicle Stock	8,928,571	46,797,426	-	
Real Estate Inventories	-	41,698,793	34,468,475	
Other Debtors ,Deposits & Prepayments	84,251,334	71,228,510	75,137,577	80,386,384
Income Tax Receivable	3,870,578	3,472,184	-	
Property, Plant & Equipment	53,733,373	79,304,388	156,612,515	173,110,135
Investment Property	98,352,117	80,842,794	143,706,564	306,253,164
Deffered Tax Asset	88,626,969	97,845,584	100,402,344	118,202,709
Right - of - Use asset on leases				
	3,940,362,986	5,344,407,597	8,115,400,702	10,026,935,439
LIABILITIES & EQUITY				
Liabilities				
Customer Deposits	3,033,741,505	3,672,180,230	4,796,299,899	5,681,178,140
Bank Overdraft	78,787,246	62,326	166,925,303	36,031,902
Borrowings	64,106,983	344,516,666	1,609,833,175	2,476,518,223
Creditors & Accruals	15,548,199	31,553,729	68,455,301	77,540,353
Retirement Benefits Obligation	6,703,598	10,384,222	12,355,588	18,774,955
Subordinated liabilities				
Lease liability				
	3,198,887,531	4,058,697,173	6,653,869,266	8,290,043,573
Shareholders' Funds				
Stated Capital	945,130,285	1,388,935,273	1,388,935,273	1,388,935,273
Reserves	(203,654,830)	(103,224,849)	72,596,163	347,956,593
Total Equity	741,475,455	1,285,710,424	1,461,531,436	1,736,891,866
Total Equity and Liability	3,940,362,986	5,344,407,597	8,115,400,702	10,026,935,439
Contingent Liabilities and commitments				
Net Asset per Share	1.33	1.53	1.74	2.07

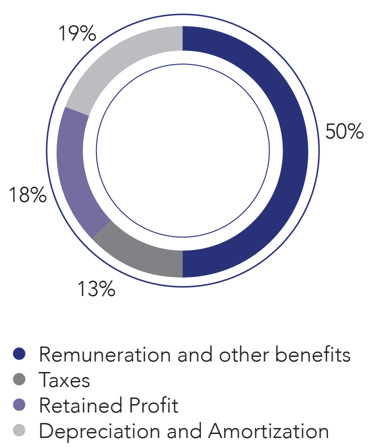
Figures in brackets indicate deductions

31.03.2018	31.03.2019	31.03.2020	31.03.2021	31.03.2022	**31.03.2023**
Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
660,159,119	643,777,198	511,939,133	1,004,439,250	1,397,632,551	2,063,128,895
622,975,267	691,744,740	860,630,696	654,692,844	989,433,452	2,444,830,041
207,458,481	125		-		
			-		
9,528,388,590	11,556,026,398	12,639,536,352	12,410,797,757	15,813,299,649	19,478,300,774
506,659	506,659	506,659	506,659	506,659	506,659
262,088	18,913,569	-	-		
		-			
83,535,832	171,667,000	173,173,036	275,850,871	227,670,130	204,594,222
362,927	3,732,303	27,736,580	27,698,763	27,698,763	27,593,548
158,845,214	169,724,190	178,252,821	197,387,965	228,572,088	251,463,240
352,385,530	393,818,513	399,678,109	376,158,647	359,055,285	324,062,193
112,814,714	249,583,725	225,922,647	185,422,647	101,422,647	37,422,647
		137,210,457	217,810,352	196,496,795	180,642,208
11,727,694,421	13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018	25,012,544,427
6,356,067,246	6,617,344,955	6,585,234,705	7,011,525,892	8,695,180,272	13,274,968,572
454,920,306	131,273,907	58,777,776	24,279,289	38,990,640	3,763,272
3,001,078,792	4,958,735,615	6,086,325,326	4,778,758,726	5,458,426,482	6,062,427,129
36,650,813	217,163,369	96,622,133	40,644,066	80,227,351	228,236,872
20,044,993	22,088,492	29,972,864	30,135,378	32,796,379	45,722,533
			1,029,465,109	2,072,877,341	2,187,519,136
		126,200,873	213,877,899	207,778,444	199,066,151
9,868,762,150	11,946,606,338	12,983,133,677	13,128,686,359	16,586,276,909.15	22,001,703,665
	-				
1,388,935,273	1,640,493,541	1,791,478,691	1,791,478,691	2,205,463,801	2,205,463,801
469,996,998	312,394,541	379,974,122	430,600,704	550,047,308	805,376,961
1,858,932,271	1,952,888,082	2,171,452,813	2,222,079,395	2,755,511,109	3,010,840,762
11,727,694,421	13,899,494,420	15,154,586,490	15,350,765,754	19,341,788,018	25,012,544,427
2.22	18.18	17.50	17.89	22.19	24.24

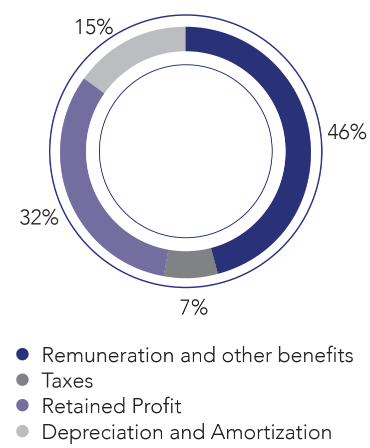
VALUE ADDED STATEMENT

	2021/2022		2022/2023	
Income	3,167,647,639		5,994,085,935	
Other Income	15,065,243		12,249,081	
Cost of borrowing and services	(1,324,236,291)		(3,651,051,365)	
Provisions	(492,904,299)		(556,092,219)	
Value Added Tax	(36,500,000)		(42,825,463)	
	1,329,072,292		1,756,365,969	
Distribution Value Added	As at 31.03.2022		As at 31.03.2023	
To employees				
Remuneration and other benefits	333,319,633	50%	413,680,997	46%
To Government				
Taxes	83,720,568	13%	64,300,254	7%
To Expansion and Growth				
Retained Profit	119,446,603	18%	284,308,614	32%
Depreciation and Amortization	128,652,790	19%	130,043,715	15%
	665,139,594		892,333,580	

Value Added
As at 31.03.2022



Value Added
As at 31.03.2023



SOURCES AND UTILISATION OF INCOME

Sources of Income	2017	2018	2019	2020	2021	2022	2023
Interest	2,020,556,957	2,443,389,400	2,722,660,945	3,043,709,078	2,725,047,628	2,576,080,611	5,391,701,835
Non interest income	107,724,399	129,007,575	146,105,033	288,910,201	229,766,974	605,652,840	614,633,181
Total							
Utilisation of Income							
Employees							
Salaries and other payment to staff	340,201,838	270,220,407	286,069,853	317,624,067	276,092,770	333,319,633	413,680,997
Suppliers and providers of funding							
Interest paid	919,297,655	1,233,214,297	1,433,366,344	1,704,234,090	1,462,362,855	1,324,236,290	3,651,051,365
Other expenses	321,213,825	404,471,801	582,310,816	701,426,576	609,275,579	664,817,566	853,005,581
Provisions and depreciation							
Depreciation and amortisation	34,009,748	45,161,382	51,006,612	80,968,968	92,295,335	134,072,718	130,043,715
Impairment for loans and other losses	227,348,081	333,396,606	357,620,797	381,645,114	382,940,886	492,904,300	556,092,219
Net Income before Government Taxes and Levies							
Income Tax, VAT, SGT, NBT, Crop Insurance, DRL(Incl Deferred Tax	96,257,112	108,671,020	58,373,203	79,140,758	86,651,058	120,779,432	107,125,717
Shareholders							
Dividends - Cheque		58,744,548					28,978,958
Retained profits	275,360,430	180,784,953	100,009,133	67,579,581	50,626,583	119,446,603	284,308,614

QUARTERLY FINANCIAL STATEMENTS 2022/23

STATEMENT OF COMPREHENSIVE INCOME

	For the quarter ended							
	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
Interest Income	561,546,970	585,366,635	647,421,642	675,563,513	986,600,018	1,324,304,587	1,469,430,918	1,611,366,312
Interest Expenses	(319,269,286)	(319,522,919)	(329,762,360)	(355,996,304)	(565,945,790)	(832,283,716)	(1,041,011,248)	(1,211,810,610)
Net Interest Income	242,277,684	265,843,716	317,659,282	319,567,209	420,654,229	492,020,871	428,419,670	399,555,702
Net Trading Gain/(Loss) on Equity Securities	-	-	-	-	-	-	-	-
Other Operating Income	116,613,437	166,689,296	182,955,444	243,806,612	170,486,012	150,498,600	134,031,982	159,616,587
Less: Operating Expenses								
Personnel Costs	(71,035,601)	(77,519,596)	(81,087,040)	(98,819,753)	(103,774,336)	(106,460,220)	(92,576,981)	(102,107,067)
Provision for Staff Retirement Benefits	(2,100,000)	(1,500,000)	(1,200,000)	(57,644)	(1,800,000)	(1,800,000)	(1,800,000)	(3,362,394)
General and Administration Expenses	(177,997,093)	(189,243,827)	(206,039,128)	(217,223,729)	(242,900,851)	(261,409,612)	(244,504,201)	(209,058,179)
Impairment Charge for Lease Rentals Receivable, Hire Purchase and Loans and Advances	(65,045,826)	(114,858,430)	(137,561,620)	(175,438,424)	(145,176,282)	(125,226,615)	(100,336,842)	(185,352,480)
Operating Profit before Value Added Tax on Financial Services	42,712,601	49,411,159	74,726,937	71,834,271	97,488,771	147,623,024	123,233,627	59,292,169
Value Added Tax on Financial Services	(15,000,000)	(6,500,000)	(9,000,000)	(6,000,000)	(17,000,000)	(18,000,000)	(14,000,000)	(19,000,000)
Profit Before Taxation	27,712,601	42,911,159	65,726,937	65,834,271	80,488,771	129,623,024	109,233,627	40,292,169
Income Tax (Expenses) / Reversal	(18,000,000)	(18,000,000)	(26,000,000)	(22,279,432)	(30,000,000)	(30,000,000)	(30,000,000)	25,699,746
Profit for the Period	9,712,601	24,911,159	39,726,937	43,554,839	50,488,771	99,623,024	79,233,627	65,991,915
Actuarial Loss on Retirement Benefit Liability	-	-	-	1,164,300	-	-	-	(8,482,160)
Income Tax on Components of Other Comprehensive Income	-	-	-	279,432	-	-	-	(2,544,648)
Other Comprehensive Income for the Period Net of Tax	-	-	-	1,443,732	-	-	-	(11,026,808)
Total Comprehensive Income for the Period	9,712,601	24,911,159	39,726,937	44,998,572	50,488,771	99,623,024	79,233,627	54,965,107
Earnings Per Share - Basic	0.08	0.20	0.32	0.35	0.41	0.80	0.64	0.53
Earnings Per Share - Diluted	N/A	N/A	N/A	N/A	0.28	0.56	0.48	0.40

STATEMENT OF FINANCIAL POSITION

	For the quarter ended							
	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
ASSETS								
Cash and Cash Equivalents	1,505,297,729	1,589,684,144	1,221,227,168	1,397,632,551	785,560,986	1,309,783,020	1,866,143,673	2,063,128,895
Investment in Reverse Repurchase Agreements Against Treasury Bills and Bonds	662,637,724	1,615,778,416	970,854,778	989,433,452	2,167,153,174	1,946,282,738	1,473,392,143	2,444,830,041
Financial assets at amortized cost - Loans and advances	10,717,812,010	11,767,447,655	13,093,133,328	14,740,388,540	15,402,689,643	17,144,626,288	18,705,183,048	19,028,664,555
Financial assets at amortized cost - Lease rentals receivable and hire purchase	1,914,285,696	1,592,612,366	1,332,011,846	1,072,911,109	900,711,200	719,445,190	535,739,995	449,636,218
Other Assets	12,557,390	3,154,182	42,265	123,152,103	125,713,041	159,754,236	113,425,275	127,559,654
Income Tax Receivable	26,914,725	27,698,763	27,698,763	27,698,763	12,698,763	-	-	27,593,548
Advances, Deposits and Prepayments	259,565,178	199,573,600	179,601,877	104,518,027	105,777,777	105,025,047	78,856,016	77,034,568
Financial assets - Fair value through other comprehensive income	506,659	506,659	506,659	506,659	506,659	506,659	506,659	506,659
Right-of-use assets	214,998,917	194,913,240	195,692,102	196,496,795	194,677,017	185,441,762	184,559,149	180,642,208
Property, Plant and Equipment	155,279,426	154,098,308	166,695,287	184,377,808	190,675,196	181,921,070	187,880,756	203,787,015
Investment Property	376,158,648	367,158,647	367,158,647	359,055,285	324,272,472	323,976,830	323,671,188	324,062,192
Deferred Tax Assets	168,206,685	149,422,647	123,422,647	101,422,647	86,422,647	71,422,647	56,422,647	37,422,647
Intangible Assets	46,185,693	46,886,850	46,363,130	44,194,279	53,522,869	52,199,129	49,904,132	47,676,225
Total Assets	16,060,406,479	17,708,935,477	17,724,408,498	19,341,788,018	20,350,381,444	22,200,384,617	23,575,684,681	25,012,544,425
LIABILITIES								
Financial liabilities - Due to banks	20,592,220	27,613,532	31,064,312	38,990,640	40,199,071	7,805,799	10,098,787	3,763,272
Other Liabilities	32,467,366	27,231,777	48,808,926	80,227,351	244,839,883	235,488,826	255,063,472	228,236,865
Financial liabilities - Other borrowed funds	4,380,195,720	4,218,762,652	4,482,304,516	5,458,426,482	6,352,675,795	6,707,718,653	6,077,439,714	6,062,427,129
Lease liability	213,861,988	200,026,904	202,996,930	207,875,779	209,783,023	205,102,675	203,254,973	199,066,152
Due to Customers	8,095,016,620	8,452,616,899	8,190,949,805	8,695,180,272	8,571,354,210	10,021,478,782	11,943,340,856	13,273,274,499
Saving Control	-	-	-	-	-	-	-	1,694,076
Debenture	1,054,245,190	2,079,705,320	2,024,783,676	2,072,877,340	2,120,320,910	2,111,884,953	2,095,416,238	2,187,519,137
Retirement Benefit Liability	32,235,378	32,290,128	33,085,128	32,796,379	34,187,629	34,260,979	35,194,979	45,722,533
Total Liabilities	13,828,614,482	15,038,247,212	15,013,993,294	16,586,374,244	17,573,360,520	19,323,740,667	20,619,809,019	22,001,703,662
SHAREHOLDERS' FUNDS								
Stated Capital	1,791,478,691	2,205,463,801	2,205,463,801	2,205,463,801	2,205,463,801	2,205,463,801	2,205,463,801	2,205,463,801
Retained Earnings	361,015,623	385,926,782	425,653,722	464,684,828	483,762,672	578,404,547	653,674,674	691,676,088
Statutory Reserve Fund and Other Reserves	79,297,682	79,297,682	79,297,682	85,265,146	87,794,451	92,775,602	96,737,188	113,700,874
Total Equity	2,231,791,996	2,670,688,265	2,710,415,205	2,755,413,775	2,777,020,924	2,876,643,950	2,955,875,663	3,010,840,763
Total Equity and Liabilities	16,060,406,479	17,708,935,477	17,724,408,498	19,341,788,018	20,350,381,444	22,200,384,617	23,575,684,681	25,012,544,425
Net Assets Per Share	17.97	21.50	21.82	22.19	22.36	23.16	23.80	24.24

QUARTERLY FINANCIAL STATEMENTS 2022/23

ORDINARY SHARE

	For the quarter ended							
	30.06.2021	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022	31.12.2022	31.03.2023
Market Value of Shares								
Highest Traded Price	8.3	9.8	9.4	11	7.4	8.1	8.6	9
Lowest Traded Price	5.8	7.0	7.3	5.4	5.6	5	6.2	7.4
Closing Price	7.5	7.0	8.4	6.7	5.6	7.2	7.7	8.3
Total No of Shares	124,195,533	124,195,533	124,195,533	124,195,533	124,195,533	124,195,533	124,195,533	124,195,533
Ordinary Shares held by public as at								
No of Shareholders	2,153	2,088	2066	2107	2097	2131	2080	2040
% of Shareholding	27.08%	27.08%	27.04%	27.08%	27.08%	27.08%	27.08%	27.08%
PREFERENCE SHARES								
Total No of Shares	N/A	41,398,511	41,398,511	41,398,511	41,398,511	41,398,511	41,398,511	41,398,511
Preference Shares held by public as at								
No of Shareholders	N/A	68	76	73	73	74	82	84
% of Shareholding	N/A	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%	4.13%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN US DOLLARS

For the year ended	2022/2023	2021/2022	Change
	US$	US$	%
Interest income	16,488,385	8,586,935	92%
Less: Interest expenses	(11,165,295)	(4,414,121)	153%
Net Interest income	5,323,090	4,172,814	28%
Net trading loss on held for trading securities			
Fees and Commision Income	1,842,153	1,971,890	-7%
Other operating income	37,459	46,953	-20%
Less: Operating expenses			
Personnel expenses	(1,265,080)	(1,111,065)	14%
Depreciation and Amortization Cost	(397,687)	(446,909)	-11%
General and administration expenses	(2,608,580)	(2,194,727)	19%
Impairment charge for lease rentals receivable, hire purchase, loans and advances	(1,700,588)	(1,643,014)	4%
Operating profit before value added tax on financial services	1,230,768	795,941	55%
		-	
Value added tax on financial services	(130,965)	(121,667)	8%
Profit before income tax	1,099,803	674,274	63%
Income tax expenses	(196,637)	(280,931)	-30%
Profit for the year	903,166	393,343	130%
Actuarial loss on retirement benefit liability	25,939	3,881	568%
Deferred tax effect on components of other comprehensive income	7,782	931	735%
Other comprehensive expense for the year net of tax	33,721	4,812	601%
		-	
Total comprehensive income for the year	869,445	398,155	118%

Figures in brackets indicate deductions.

Exchange Rate: 1 USD was LKR 327 as at 31 March 2023 (LKR 300 as at 31March 2022)

The Income Statement and Statement of Financial Position given on pages 118 and 120 are solely for the convenience of shareholders, investors and other users of Financial Statements.

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STATEMENT OF FINANCIAL POSITION IN US DOLLARS

As at 31st March	**31.03.2023**	31.03.2022	Change
	US$	US$	%
ASSETS			
Cash and cash equivalents	6,309,263	4,658,775	35%
Investment in reverse repurchase agreements against the treasury bills and bonds at amortized cost	7,476,544	3,298,112	127%
Financial assets at amortized cost - Loans and advances	58,191,635	49,097,274	19%
Financial assets at amortized cost - Lease rentals receivable and hire purchase	1,375,034	3,613,725	-62%
Other assets	390,091	410,507	-5%
Income tax receivable	84,384	92,329	-9%
Advances, deposits and prepayments	235,580	348,393	-32%
Financial assets - Fair value through other comprehensive income / available for sale	1,549	1,689	-8%
Property, plant and equipment	623,202	614,593	1%
Right-of-use assets	552,423	654,989	-16%
Investment property	991,016	1,196,851	-17%
Deferred tax assets	114,442	338,075	-66%
Intangible assets	145,799	147,314	-1%
Total assets	76,490,962	64,472,627	19%
LIABILITIES			
Financial liabilities - Due to banks	11,508	129,969	-91%
Other liabilities	697,972	267,425	161%
Current tax liabilities	-	-	
Financial liabilities - Other borrowed funds	18,539,533	18,194,755	2%
Lease liability	608,765	692,595	-12%
Due to customers	40,596,234	28,983,934	40%
Debenture	6,689,661	6,909,591	-3%
Retirement benefit obligation	139,824	109,321	28%
Total liabilities	67,283,497	55,287,590	22%
		-	
EQUITY		-	
Stated capital	6,744,538	7,351,546	-8%
Retained earnings	1,799,800	1,549,258	16%
Statutory reserve fund and other reserves	663,127	284,233	133%
Total equity	9,207,464	9,185,037	0.24%
Total equity and liabilities	76,490,962	64,472,627	19%

Figures in brackets indicate deductions.

Exchange Rate: 1 USD was LKR 327 as at 31 March 2023 (LKR 300 as at 31March 2022)

The Income Statement and Statement of Financial Position given on pages 118 and 120 are solely for the convenience of shareholders, investors and other users of Financial Statements.

BASIS OF RATIO

Ratio	Definition
Earnings per share(Rs)	Proft or Loss attributable to ordinary shareholders/Average no of shares
Net Asset Value per share (Rs.)	Total share holders equity/no of shares
Price Earnings (Times)	Market Price per share*no of shares
Price to book value (Times)	Market Price per share/Earning per share
Return on equity (%)	Profit attributble to ordinary shareholders/average share holder equity
Earning yield%	Earning per share/Market Price pershare
Debt to Equity ratio (Times)	borrowings/total share holder equity
Interest Cover (Times)	PBIT/Intersest Expenses
Current ratio	Current assets/Current Liabilities
Gross non performing advances ratio %	Non Performing portfolios /gross portolio
Collective impairement to total loans	Total impairement/gross loans receivable
Operating profit	operting profit before VAT on FS/Interest Income
Net Interest Margin %	Net Interest Income/Average Interest Earning Assets
Return on Assets (ROA)	Net Income/Total Assets
Provision Coverage Ratio,	Total impairement/ Non performing gross loans receivable

FINANCIAL CALENDAR 2022/23

Quartely Publication CSE	Date	Quarter Deadline
31st March 2022	19th April 2022	30th May 2022
30th June 2022	27th July 2022	15th August 2022
30th September 2022	21st October 2022	15th November 2022
31st December 2022	10th February 2023	15th February 2023
31st March 2023	15th May 2023	30th May 2023

Newspaper Publication	Date	Deadline
31st March 2022	22nd June 2022 Lankadeepa	30th September 2022
	22nd June 2022 Daily FT	
	22nd June 2022 Thinakkural	
30th September 2022	Monday 31st October 2022 Daily News	30th December 2022
	Monday 31st October 2022 Aruna	
	Monday 31st October 2022 Thinakkural	

Annual Publication	CSE Date	Deadline
Audited Financilal	16th June 2022	30th June 2022
	30th June 2023	30th June 2023

GLOSSARY OF FINANCIAL TERMS

A

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

ACCRUAL BASIS

The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

ASSET AND LIABILITY COMMITTEE (ALCO)

The committee that is responsible for managing assets and liabilities of the Company.

AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

Average weighted prime lending rate (AWPLR) AWPLR is calculated by the Central Bank weekly based on commercial bank's lending rates offered to their prime customers during the week

ACTUARIAL VALUATION

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets and other relevant costs and values.

C

CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CASH FLOWS

Cash equivalents are short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value.

COLLECTIVE IMPAIRMENT

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at the reporting date.

COMMERCIAL PAPER

An unsecured, debt instrument issued by a company, to finance short-term funding requirements. The debt is usually issued at a discount, reflecting prevailing market interest rate.

COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date. Compounded annual growth rate (CAGR)

CONTINGENCIES

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

COST METHOD

A method of accounting where by the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profiles of the investee rising subsequent to the date of acquisition.

CORPORATE GOVERNANCE

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 others.

CORPORATE SUSTAINABILITY

Business approach that creates long-term consumer and employee value by creating a 'green' strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural and economic environment.

COST TO INCOME RATIO

Operating expenses excluding impairment charge/gold loan auction losses as a percentage of total operating income (net of interest expenses).

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

Risk of financial loss, if a customer or counterparty fails to meet an obligation under a contract.

CREDIT RISK MITIGATION

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

D

DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/ receivable in a financial year other than the current financial year.

DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

GLOSSARY OF FINANCIAL TERMS

DERECOGNITION
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.

DIVIDEND COVER
Profit attributable to ordinary shareholders as a percentage of gross dividends; indicates number of times dividend is covered by current year's distributable profits.

DIVIDEND PAY-OUT RATIO
Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

DIVIDEND PER SHARE (DPS)
Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

DIVIDEND YIELD
Dividend expressed as a percentage of market value of a share. In absence of any capital gains, this shows the return on investing on a share relative to its market price.

E

EARNINGS PER SHARE (EPS)
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's earnings attributable to an ordinary share in issue.

ECONOMIC VALUE ADDED (EVA)
A measure of performance considering 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 asset or liability.

EFFECTIVE TAX RATE
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

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.

EXPOSURE
A claim, contingent claim or position which carries a risk of financial loss.

F

FAIR VALUE
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT OR LOSS
A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

FINANCE LEASE
The lessor retains ownership of the asset but transfers substantially all risks and rewards of ownership to the lessee.

FINANCIAL ASSETS
Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

FINANCIAL GUARANTEE CONTRACT
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

FINANCIAL INSTRUMENT
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

FINANCIAL LIABILITIES
A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity

G

GROSS DIVIDEND
The proportion of profit distributed to shareholders including the tax withheld.

GUARANTEES
An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation

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.

I

IMPAIRED LOANS
Impaired loans are loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

IMPAIRMENT
This occurs when the recoverable amount of an asset is less than its carrying amount.

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.

INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

INDIVIDUAL SIGNIFICANT LOANS

Exposure which are above a certain threshold decided by the management which should be assessed for objective evidence, measurement and recognition of impairment on an individual basis.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

INTEREST COVER

Earnings before interest and taxes divided by interest cost. This indicates the number of times interest expenses is covered by earnings before interest and tax; ability to cover interest expenses.

INTEREST SPREAD

Represents the difference between the average interest rate earned on average interest earning assets and the average interest rate paid on average interest bearing liabilities.

K

KEY MANAGEMENT PERSONNEL (KMP)

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.

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily.

LOSS GIVEN DEFAULT (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

LOAN TO VALUE RATIO (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property.

M

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

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 statement.

N

NET ASSETS VALUE PER SHARE (NAV)

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interestbearing liabilities.

NET INTEREST MARGIN (NIM)

Net interest income expressed as a percentage of average interest earning assets.

NON-PERFORMING LOANS/ ADVANCES (NPL)

The aggregate value of the advances portfolio that has been delinquent for a period of more than four months.

NON-PERFORMING LOANS COVER

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense) NPL RATIO Total non-performing loans as a percentage of the total lending portfolio.

O

OFF-BALANCE SHEET TRANSACTIONS

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

P

PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share; reflects number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

PROBABILITY OF DEFAULT (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

R

RELATED PARTY

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

RETURN ON ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

RETURN ON EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average shareholders' funds/ equity.

REPURCHASE AGREEMENT (REPO)

Contract to sell and subsequently repurchase government securities at a specified date and price.

GLOSSARY OF FINANCIAL TERMS

RISK-WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

S

SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital and revenue reserves.

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 debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

TOTAL SHAREHOLDER RETURN

Combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

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 ADDED

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

Y

YIELD TO MATURITY

Discount rate at which the present value of future cash flows would equals the security's current price

BRANCH NETWORK

No	Branch Name	Branch Address
1	AKKARAIPATTU	NO. 155, AMPARA ROAD, AKKARAIPATTU 8/2
2	BADULLA	NO.49, COCOWATTA ROAD, BADULLA
3	BATTICALOA	NO 187, TRINCOMALI ROAD, BATTICALOA
4	BERUWALA	NO. 199, JAYATHU, GALLE ROAD, BERUWALA
5	BOGAWANTHALAWA	NO: 90, BRIDWEL BAZAR, BOGAWANTHALAWA
6	CHANGANI	MAHAN THANGA PLAZA,CHANGANI
7	CHAVAKACHCHERI	NO.04, A9 ROAD, CHAVAKACHCHERI.
8	CHENKALADY	NEW MARKET ROAD,CHENKALADI
9	CHILAW	39, COLOMBO ROAD,CHILAW
10	CHUNNAKAM	NO. 15, STATION ROAD, CHUNNAKAM
11	WELLAWATTA	NO 507,GALLE ROAD,COLOMBO 06
12	KOTAHENA	NO 31,KATAHENA ST,COLOMBO 13
13	GRANDPASS	NO: 428, MADAMPITIYA ROAD, COLOMBO 14
14	DIGANA	J/2005 11/02. RAJAWELA DIGANA.
15	GALLE	NO74,DEWAMITTAMAWATHA,CHINAGARDEN,GALLE
16	GAMPAHA	NO. 69, COLOMBO ROAD, GAMPAHA
17	GAMPOLA	NO. 63, NUWARA ELIYA ROAD, GAMPOLA
18	HATTON	NO.101, MAIN STREET,HATTON
19	JAFFNA	NO.56/22, STANLEY ROAD, JAFFNA
20	KALAWANCHIKUDI	NO.285, MAIN ROAD, KALAWANCHIKUDI
21	KALMUNI	NO. 69, MAIN STREET, KALMUNI
22	KALPITIYA	MAIN STREET, KALPITIYA
23	KALUTARA	NO 344,KALUTHARA SOUTH,KALUTARA
24	KATUGASTHOTA	NO: 144, KURUNEGALA ROAD, KATUGASTOTA
25	HEAD OFFICE	NO. 76, PARK STREET, COLOMBO 2
26	KEGALLE	NO. 245, MAIN STREET, KEGALLE
27	KILINOCHCHI	NO: 141, ANANDAPURAM, A9 ROAD, KILLINOCHCHI
28	KINNIYA	NO. 88, MAIN STREET , SINNA KINNIYA, KINNIYA 03
29	KURUNEGALA	NO 34, SURATHISSA MAWATHA, KURUNEGALA
30	MAHIYANGANAYA	NO 23, NEW TOWN, MAHIYANGANAYA
31	MANNAR	NO :5, FIRST CROSS STREET, PETHA, MANNAR
32	MASKELIYA	NO: 244,MAIN STREET, MASKELIYA
33	MATALE	NO. 242, MAIN STREET, MATALE
34	MATARA	521,ANAGARIKA DHARMAPALA MW,PABURANA,MATARA
35	MATHUGAMA	K & W CENTRE, NO.5,GAMINI MAWATHA, ALUTHGAMA ROAD, MATHUGAMA
36	MONARAGALA	NO.2 3, DUTUGEMUNU ROAD, MONARAGALA
37	MORATUWA	NO 16, NEW DE SOYSA ROAD, RAWATHAWATTA, MORATUWA
38	MULLAITIVU	MAIN STREET, MULLAITIVU
39	NAULA	NO. 26/3, DAMBULLA ROAD, NAULA

BRANCH NETWORK

No	Branch Name	Branch Address
40	NAWALAPITIYA	NO. 75, AMBAGAMUWA ROAD, NAWALAPITIYA
41	NEGOMBO	NO 17 1/1, STATION ROAD, NEGOMBO.
42	NELLIADY	NO.16, MAHATHMA ROAD, WARD NO 08, NELLIADY.
43	ODDUSUDDAN	MULLAITIVU, MAIN STREET, VIDYAPURAM, ODDUSUDDAN
44	PANADURA	NO.114, D S SENANAYAKE MAWATHA, PANADURA
45	POINT PEDRO	NO.374B MAIN STREET, POINT PEDRO.
46	PUNDALUOYA	"SAMANALA GROCERY",LHALA KADE VEEDIYA, PUNDALUOYA
47	PUSELLAWA	NO: 428, MADAMPITIYA ROAD, PUSELLAWA
48	PUTHUKUDIYIRUPPU	NO.02, PARANTHAN ROAD, PUTHUKKUDIYIRUPPU
49	PUTTALAM	NO.61, KURUNEGALA ROAD, PUTTALAM
50	RAGALA	NO. 67, MAIN STREET, HALGRANOYA,RAGALA.
51	SAMMANTHURAI	NO. 120, AMPARA ROAD, SAMMANTHURAI
52	THALAWAKELE	NO. 8/02, NUWARA ELIYA ROAD, THALAWAKELE
53	TRINCOMALEE	NO.285, CENTRAL ROAD, TRINCOMALEE
54	UDAPPUWA	NO. 75, DIVISION 2, UDAPPUWA
55	VALAICHCHENAI	MAIN STREET, VALACHCHENAI
56	VAVUNIYA	NO. 156, KANDY ROAD, VAVUNIYA
57	VELANAI	VAGALAVADI, VELANI
58	WATTEGAMA	NO: 55, MAIN STREET, WATTEGAMA
59	WENNAPPUWA	NO 716, NEGOMBO ROAD, KATUNERIYA,WENNAPPUWA
60	KANTHALE	NO.137, MAIN STREET, KANTHALE
61	POTHUVIL	MAIN STREET, POTHUVIL
62	WELIMADA	NO.51, NUWARA ELIYA ROAD, WELIMADA
63	HAPUTHALE	NO.27, MAIN STREET, HAPUTHALE
64	AGARAPATHANA	NO.34, MAIN STREET, AGARAPATHANA
65	ACHCHUVELI	NO.53, AVARANGAL ROAD, ACHCHUVELI
66	CHEDDIKULAM	MAIN STREET, CHECDDIKULAM
67	MATTAKKULIYA	NO.3/810, FARM ROAD, MATTAKKULIYA
68	HAWAELIYA	NO.26, UDUPUSSELLAWA ROAD,HAWAELIYA
69	MANIPAI	NO.260,MANIPAI ROAD,MANIPAI
70	ELAKANDA	NO.327, THIMBIRIGASYAYA, HANDALA, WATTALA
71	MULANKAVIL	MANNAR ROAD, MULANKAVI
72	PASSARA	289, MAIN ROAD, PASSARA.
73	THIRUKKOVIL	MAIN STREET,THIRUKKOVIL
74	NINTHAVUR	42/11, MAIN STREET,NINTHAVUR 24
75	HOMAGAMA	NO.486, HOMAGAMA TOWN, HOMAGAMA.

NOTICE OF THE VIRTUAL 12TH ANNUAL GENERAL MEETING OF ASIA ASSET FINANCE PLC FOR THE YEAR ENDED 31ST MARCH 2023

NOTICE IS HEREBY GIVEN that the Virtual 12th Annual General Meeting of Asia Asset Finance PLC will be held on 01st September 2023 at 10.00 am via online platform for the following purposes;

AGENDA

1) To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2023 and the report of the auditors thereon.

2) Mr. J. P. D. R. Jayasekara retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

3) Mr. R. A. B. Basnayake retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.

4) To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.

BY ORDER OF THE BOARD

....

Director/Secretaries

Colombo,. 10th August 2023

Notes:

- A Shareholder is entitled to appoint a proxy to attend and vote at this meeting on his/he behalf.
- A proxy need not be a Shareholder of the Company.
- A Shareholder wishing to vote by proxy may use the Form of Proxy enclosed
- To be valid the completed Form of proxy must be lodged at the Office of the Registrars P. W. Corporate Secretarial Services (Pvt) Ltd, 3/17, Kynsey Road, Colombo 08, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting.
- Shareholders/Proxy holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting

NOTES

NOTES

FORM OF PROXY
ASIA ASSET FINANCE PLC

I/We……

of……………………………………………………………being a Shareholder/Shareholders* of the above named Company,

hereby appoint…………………………………………………………of………………………………………………………………………………

failing him/her.

(1) Mr. V. A. Prasanth or failing him

(2) Mr. R. J. A. Gunawardena or failing him

(3) Mr. R. A. B. Basnayake or failing him

(4) Mr. J. P. D. R. Jayasekara or failing him

(5) Mr. G. Alexander or failing him

(6) Mr. K. R. Bijimon or failing him

(7) Mr. K. G. K. Pillai

as my/our* proxy to represent me/ us* and speak and vote for me/us* on my/our* behalf at the Virtual 12th Annual General Meeting of Asia Asset Finance PLC to be held on ……………………… at …………………… via online platform and at any poll which may be taken in consequence thereof at the aforesaid meeting, and at any adjournment thereof.

I/WE INDICATE MY/OUR VOTE ON THE RESOLUTIONS BELOW AS FOLLOWS;

		For	Against
1.	To receive and consider the Report of the Directors on the State of Affairs of the Company and the Statement of Audited Accounts for the year ended 31st March 2023 and the report of the auditors thereon.	☐	☐
2.	Mr. J. P. D. R. Jayasekara retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	☐	☐
3.	Mr. R. A. B. Basnayake retires by rotation in accordance with Article 87 of the Articles of Association of the Company and being eligible, offers himself for re-election in terms of Article 88 of the Articles of Association.	☐	☐
4.	To re-appoint Messrs. BDO Partners Chartered Accountants as the Auditors to the Company for the ensuing year and to authorise the Directors to determine their remuneration.	☐	☐

Signed this ……………day of…………………………..2023

…………………………………… ……………………………………

Signature of shareholder N.I.C. No

Note: 1. A proxy need not be a Shareholder of the company.

2. Instruction as to completion appear overleaf

Instructions as to completion

1. Kindly perfect the Form of Proxy by filing in legibly your full name, National Identity Card/ Passport/ Company Registration Number, your address and your instructions as to voting and by signing in the space provided and filing in the date of signature. Please ensure that all details are legible.

2. Please mark "X" in appropriate cages, to indicate your instructions as to voting on each resolution. If no indication is given, the Proxy holder in his/her discretion will vote as he/her thinks fit.

3. To be valid, the completed Form of Proxy must be deposited with the Registrars at P. W. Corporate Secretarial Services (Pvt) Ltd, 3/17, Kynsey Road, Colombo 08, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting. No registration of proxies shall be accommodated after the deadline.

4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details (1) overleaf and initial against this entry.

5. In the case of a Company/Corporation, the Proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by Articles of Association/ Act of Incorporation.

6. In the case of a Proxy signed by an Attorney, a certified copy of the Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

CORPORATE INFORMATION

NAME OF THE COMPANY
Asia Asset Finance PLC

LEGAL FORM
Incorporated as a Private Limited Liability Company under the Companies ordinance, No 51 of 1938
(Cap 145) on 23 September 1970 and name changed under the Companies ordinance, No 51 of 1938 (Cap 145)
on 03 October 2006 and Re-registered under the companies Act No.07 of 2007 on 23 January 2008 and converted to a public company under the companies Act No.07 of 2007 on 20 March 2012

REGISTRATION NUMBER
(Under the Companies Act No.17 of 1982)
PVS/PBS 3266

NEW REGISTRATION NUMBER
(Under the Companies Act No.7 of 2007)
PB 139 PQ

REGISTERED OFFICE
No 76, Park street colombo 02

TAXPAYER IDENTIFICATION NUMBER (TIN)
104032664

TELEPHONE
011-7699000

E-MAIL
info@asiaassetfinance.lk

WEBSITE
https://asiaassetfinance.com/

COMPANY SECRETORY
P R Secretarial Services (Pvt) Ltd
59 Gregory Road, Colombo 07.

COMPANY REGISTRAS
P W Corporate Secretari(Pvt) Ltd
3/17, Kynsey Road, Colombo 08

LAWYERS OF THE COMPANY
Shiranthi Gunawardena Associates
1056 Mardana Road,
Colombo 08.

COMPANY AUDITORS - EXTERNAL
BDO Partners 65/2,
Sir Chiththapalam A Gardiner Mawatha,
Colombo 02.

BOARD OF DIRECTORS AS AT 31ST MARCH 2023
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. R. A. T. P. Perera (ceased in terms of section 86 (Viii) of Article of Association of the Company with effect from 24/12/22)
Mr. G. M. Alexander
Mr. K. R. Bijimon
Mr. K. G. K. Pillai
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

ALTERNATE DIRECTORS
Mr. K. G. K. Pillai
(Alternate Director to Mr. K. R. Bijimon) of the 8 Directors, Mr. R. A. B. Basnayake is an Independent Non- Executive Director and the Senior Director of the Board.

AUDIT COMMITTEE AS AT 31ST MARCH 2023
Mr. R. A.B Basnayake
Mr. R. A. T. P. Perera
(ceased with effect from 24/12/22)
Mr. V. A. Prasanth
Mr. J. P. D. R. Jayasekara
Mr. K. G. K. Pillai

INTEGRATED RISK MANAGEMENT COMMITTEE AS AT 31ST MARCH 2023
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. R. A. T. P. Perera (ceased with effect from 24/12/22)
Mr. R. D. S. Gunasekara
Mr. K. R. Bijimon
Mr. J. P. D. R. Jayasekara

RELATED PARTY TRANSACTION REVIEW COMMITTEE AS AT 31ST MARCH 2023
Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon
Mr. R. A. B. Basnayake

REMUNERATION COMMITTEE AS AT 31ST MARCH 2023
Mr. V. A. Prasanth
Mr. R. A. T. P. Perera
(Ceased with effect from 24/12/22)
Mr. G. M. Alexander
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara

IT COMMITTEE AS AT 31ST MARCH 2023
Mr. R. A. B. Basnayake
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. Inditha Jayathilake - Member

CREDIT COMMITTEE AS AT 31ST MARCH 2023
Mr. V. A. Prasanth
Mr. R. J. A. Gunawardena
Mr. J. P. D. R. Jayasekara
Mr. K. R. Bijimon

NOMINATIONS COMMITTEE AS AT 31ST MARCH 2023
Mr. R. A. B. Basnayake
Mr. J. P. D. R. Jayasekara
Mr. K.R. Bijimon
Mr. G.Alexander

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