



**Nation Lanka
Finance PLC**

Annual Report 2023/24

MOVING FORWARD WITH RESILIENCE

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MOVING FORWARD WITH RESILIENCE

Nation Lanka Finance is optimistic about the future as positive changes are underway to support the growth and sustainability of their business. With a renewed focus on innovation and customer-centric solutions, Nation Lanka Finance is poised to enhance its service offerings. Strategic partnerships and a customer-first approach are all contributing to a brighter outlook for the company. With a new leadership team , new investments and a clear vision for the future, Nation Lanka Finance is well-positioned to thrive in the evolving financial landscape and continue to serve its customers moving forward with resilience.

Financial Highlights

	Group			Company		
	2023/24 Rs. 000's	2022/23 Rs. 000's	Change %	2023/24 Rs. 000's	2022/23 Rs. 000's	Change %
Financial Performance						
Gross Income	1,466,585	1,141,787	28%	1,466,585	1,141,787	28%
Interest Income	1,463,292	1,133,729	29%	1,463,292	1,133,729	29%
Interest Expense	(1,868,485)	(1,300,109)	-44%	(1,868,485)	(1,300,109)	-44%
Net Interest Income	(405,193)	(166,380)	-144%	(405,193)	(166,380)	-144%
Impairment of Loans and Other Losses	(331,113)	(454,689)	27%	(331,113)	(454,689)	27%
Net Operating Income	(540,723)	(202,569)	-167%	(540,723)	(202,569)	-167%
Operating Expenses	(1,733,300)	(808,773)	-114%	(1,733,300)	(808,773)	-114%
Loss before VAT on Financial Services & Income Tax	(2,274,023)	(1,011,342)	-125%	(2,274,023)	(1,011,342)	-125%
Loss for the Year	(2,226,102)	(911,140)	-144%	(2,226,102)	(911,140)	-144%
Total Comprehensive Expense for the Year	(2,258,511)	(914,429)	-147%	(2,258,511)	(914,429)	-147%
Financial Position						
Accommodations (adjusted for Impairment)						
Lease	465,498	404,341	15%	465,498	404,341	15%
Loans	1,194,176	1,279,559	-7%	1,194,176	1,279,559	-7%
Hire Purchase	48,013	103,610	-54%	48,013	103,610	-54%
Micro Finance	566,328	924,187	-39%	566,328	924,187	-39%
Pawning	1,686,851	568,818	197%	1,686,851	568,818	197%
Real Estate & Investment Property	1,794,228	1,404,809	28%	1,794,228	1,404,809	28%
Investment in Kanrich Finance Limited	-	1,121,884	-100%	-	1,121,884	-100%
Other Assets	3,690,769	3,130,788	18%	3,690,769	3,130,788	18%
Total Assets	9,445,863	8,937,995	6%	9,445,863	8,937,995	6%
Public Borrowings	5,249,540	6,267,356	16%	5,249,540	6,267,356	16%
Bank & Other Borrowings	2,764,247	1,431,126	-93%	2,764,247	1,431,126	-93%
Other Liabilities	991,748	319,020	-211%	992,320	319,594	-210%
Total Liabilities	9,005,535	8,017,503	-12%	9,006,107	8,018,076	-12%
Stated Capital	4,108,421	2,330,073	-76%	4,108,421	2,330,073	-76%
Retained Earnings	(3,717,674)	(1,461,049)	-154%	(3,718,246)	(1,461,621)	-154%
Net Assets	440,328	920,492	-52%	439,755	919,919	-52%
Tier 1 Core Capital	-	-		108,561	500,689	-78%
Information per Ordinary Share						
Earnings/(Loss) Rs.	(0.31)	(0.31)	0%	(0.31)	(0.31)	0%
Net Assets Rs.	0.06	0.31	-81%	0.06	0.31	-81%

PRODUCT WISE - INTEREST INCOME (COMPANY)

Interest Income	2023/24 Rs. 000's	2022/23 Rs. 000's	Change %
Lease	110,047	165,434	-33%
Term Loans	245,450	180,819	36%
Micro Finance	419,823	401,199	5%
Hire Purchase	18,553	39,641	-53%
Pawning	535,262	230,270	132%
Other Lending	134,157	116,365	15%
Total Interest Income (Gross)	1,463,292	1,133,729	29%

FIVE YEAR SUMMARY - COMPANY

Item	2020	2021	2022	2023	2024
Deposit Base	6,441,690	5,247,606	5,355,163	6,267,356	5,249,540
Lending Base	5,949,499	4,409,430	4,835,176	4,655,409	5,755,094
Total Assets	8,738,439	7,262,633	7,035,278	8,266,672	9,445,863
Total Turnover	1,949,608	1,188,081	843,820	1,141,787	1,466,585
Total Equity	1,072,611	919,919	728,317	999,560	439,755
Tier 1 Core Capital	878,412	500,689	413,088	610,255	108,561

Asset Growth

6%

Net Asset Growth

-52%

Net Asset per Share Growth

-81%

Decrease in Net Operating Income

-167%

Earnings per Share Growth

0%

Deposit Base Growth

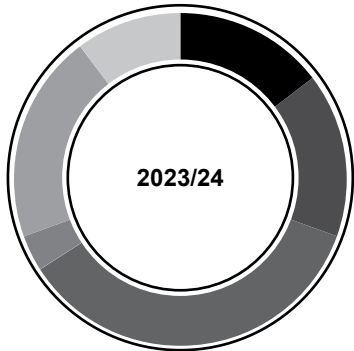
-16%

Lending Base Growth

21%

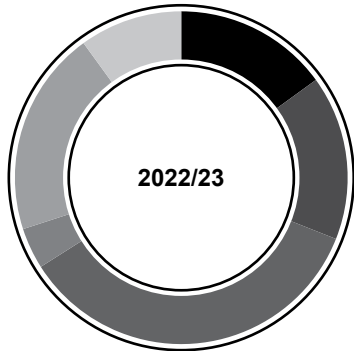
Financial Highlights

Product Wise - Interest Income



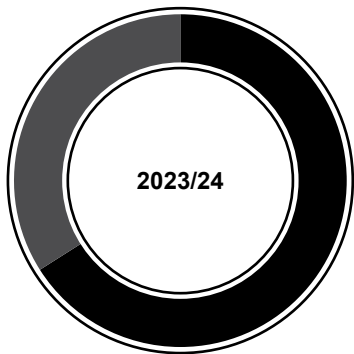
- Lease
- Term Loans
- Micro Finance
- Hire Purchase
- Pawning
- Other Lending

Product Wise - Interest Income



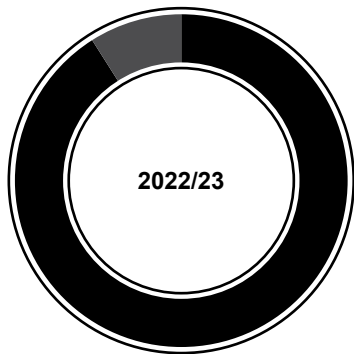
- Lease
- Term Loans
- Micro Finance
- Hire Purchase
- Pawning
- Other Lending

Funding Composition



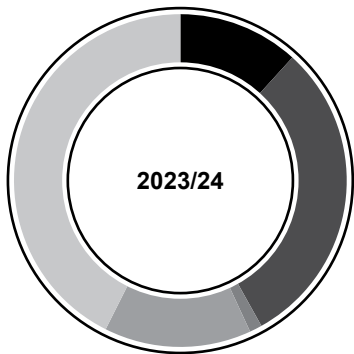
- Fixed Deposits (Public)
- Bank & Other Borrowings
- Debentures

Funding Composition



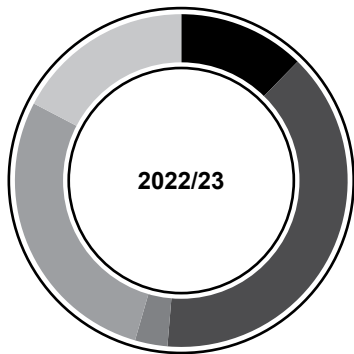
- Fixed Deposits (Public)
- Bank & Other Borrowings
- Debentures

Product Wise - Interest Income



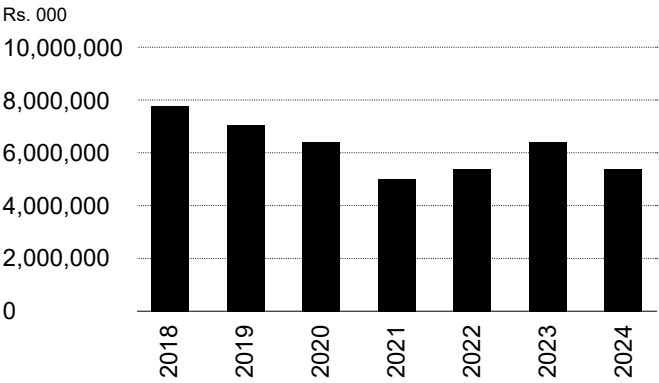
- Lease
- Loans
- Hire Purchase
- Micro Finance
- Pawning

Product Wise - Interest Income

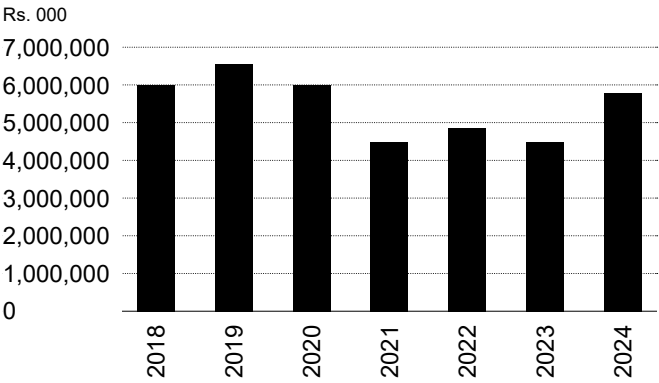


- Lease
- Loans
- Hire Purchase
- Micro Finance
- Pawning

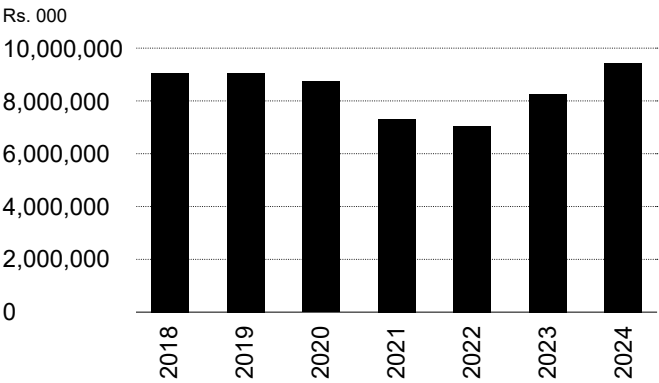
Deposit Base



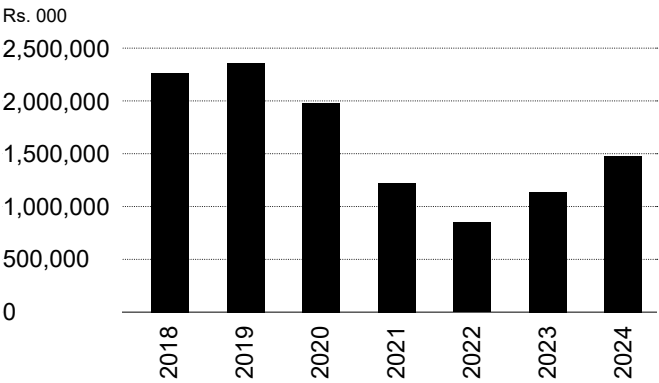
Lending Base



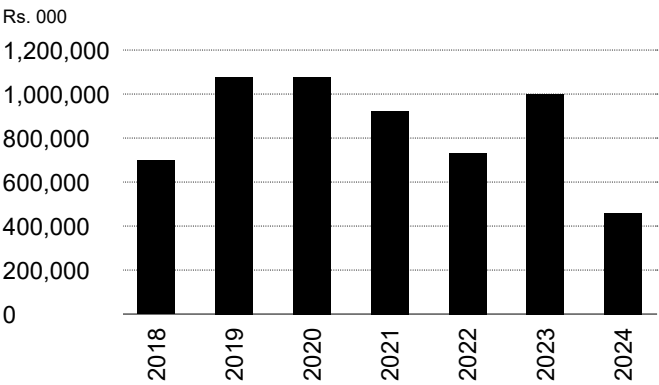
Total Assets



Total Turnover



Total Equity



Tier 1 Core Capital



VISION

**To Be The most
Trusted and Revered
Finance Company
where it's Employees
and Shareholders
will be Happy and
Proud as one.**

MISSION

**Being the Most
Customer-centric
Organisation in the
Financial Services
Industry with the
urgency of serving
“Now” not today.**

Chairman's Review

It is my privilege to welcome you to the annual review of Nations Lanka PLC for the financial year 2023/2024, a period marked by significant transformation, resilience, and strategic evolution.

This year, we embarked on a path of stabilization and growth amid evolving economic and regulatory landscapes. Through disciplined execution, we have strengthened our foundations, setting the stage for sustainable progress.

OPERATING ENVIRONMENT: SRI LANKA AND GLOBAL

The year has been challenging yet transformative, with both local and global factors impacting our business operations. In Sri Lanka, macroeconomic instability, exchange rate volatility, and fluctuating interest rates presented unique challenges. However, the easing of inflation and currency stability positively affected our financial performance, enabling us to achieve a favorable impact on the bottom line. Global economic uncertainties added complexity, particularly concerning regulatory compliance, financial stability, and governance. Yet, these challenges have only strengthened our commitment to prudent management, underscoring the importance of sound governance and risk management practices.

STRATEGIC DIRECTION AND PERFORMANCE

Our primary strategic focus remains on bolstering internal controls and advancing a robust governance framework. The merger with Kanrich Finance Ltd., in line with the Central Bank of Sri Lanka (CBSL) directive, has been a cornerstone of this strategy. Post-merger, our assets have increased significantly, adding substantial value to our portfolio. We now operate 40 business locations, and the infusion of Rs. 500 million in partial capital payment aligns with our mission to meet the minimum capital requirements mandated by regulatory authorities. These measures ensure that we have a solid capital foundation while enhancing operational efficiencies and expanding our footprint.

STEERING THROUGH THE LOCAL ENVIRONMENT

In navigating the local regulatory environment, our focus has been on stability and sustainability. A key component of this approach has been our concerted effort to reduce risk through improved collections and the strategic closure of public liabilities. With the amalgamation, we streamlined our branch network to 33 locations and recalibrated our workforce, downsizing staff by 50% to optimize operational costs. These adjustments are essential to maintain resilience and safeguard our financial health amidst local challenges.

TECHNOLOGY-DRIVEN TRANSFORMATION

A critical part of our journey this year was the successful completion of an IT migration, which included implementing a new general ledger system. This technological advancement not only enhances our operational efficiency but also strengthens our data security, transparency, and control systems. Leveraging these innovations, we are better positioned to support future growth and comply with regulatory standards.

HUMAN CAPITAL

Our people are our most valuable asset, and post-merger, we have focused on restructuring our human capital to drive efficiency. Despite a significant downsizing, we remain committed to nurturing talent and building a culture that supports professional growth and development. This leaner, focused team aligns with our strategic objectives and ensures operational agility.

COMPLIANCE CULTURE

A key objective this year has been to transition from a non-compliant to a fully compliant organization. Our governance policies and processes have been reinforced, fostering a compliance-oriented culture that meets all regulatory and operational standards. Through enhanced internal controls and risk management, we are proactively addressing compliance requirements, which is vital to our continued success and reputation.

Chairman's Review

WAY FORWARD

Looking ahead, we are pursuing capital infusion to strengthen our financial position further and support strategic growth. This capital will bolster our resilience and provide a buffer against potential market volatility. Our priority remains ensuring the company's stability and long-term viability, focusing on risk management, compliance, and operational efficiencies.

BOARD CHANGES

In line with our strengthened governance framework, we welcomed new board members who bring diverse expertise and perspectives, enriching our leadership team. These appointments underscore our commitment to upholding the highest standards of corporate governance and provide a strong foundation for our ongoing transformation.

APPRECIATION

On behalf of the Board, I extend my sincere gratitude to our shareholders, customers, and partners for their continued support and confidence. I also thank our dedicated employees for their hard work and resilience, as they are integral to our progress. Together, we are building a more stable, robust, and future-ready Nations Lanka PLC. We look forward to another year of growth and sustainable value creation as we strive to achieve our strategic objectives.



Victor Ramanan
Chairman

8th November 2024

CEO's Review

The year 2023/2024 marked a period of significant transformation for Nations Lanka PLC. We faced substantial challenges, but through strategic actions and careful decision-making, we laid the foundation for long-term stability and growth. This period was defined by our unwavering commitment to navigate complex regulatory landscapes, adapt to a volatile economy, and streamline our operations. Despite these efforts, we ended the year with a net loss, a result of one-time restructuring expenses, compliance investments, and strategic decisions intended to reposition the company for sustainable profitability. As we look ahead, our priorities are clear: ensure financial resilience, fortify governance, and create value for our stakeholders in a challenging but promising market landscape.

FINANCIAL PERFORMANCE

In terms of financial performance, the company achieved a notable increase in gross income, rising to Rs. 1,466,584,514 from Rs. 1,141,786,672 the previous year. This increase reflects our strategic focus on maximizing existing revenue streams and optimizing collections, especially given the company's recent shift away from new lending activities since 2022. While this growth in gross income was encouraging, our year-end financials reflect a net loss. This outcome was largely influenced by costs associated with the merger, investments in technology upgrades, and regulatory capital compliance. Despite this result, we are encouraged by the positive impacts of recent exchange rate adjustments and interest rate changes, which have bolstered our overall income and improved our outlook for future growth.

STRATEGIC TRANSFORMATION THROUGH MERGER

The completion of our merger with Kanrich Finance Ltd. was a major milestone and an essential step toward achieving our strategic goals. This merger, mandated by the Central Bank of Sri Lanka (CBSL), significantly expanded our asset base, increased our branch network, and positioned us as a stronger competitor in the finance sector. With 40 business locations post-merger, our geographical reach and service accessibility have grown, enabling us to better serve a diverse clientele. Furthermore, the partial capital payment of Rs. 500 million has allowed us to move closer to meeting CBSL's minimum capital requirements, creating a stronger financial backbone. This strengthened capital position enhances our ability to respond to market challenges, while the expanded operational footprint opens up new opportunities for growth and client engagement across Sri Lanka.

OPERATIONAL STREAMLINING AND RISK MANAGEMENT

Following the merger, a top priority has been operational streamlining to improve efficiency and reduce costs. With an expanded network and workforce post-merger, we embarked on a strategic consolidation of our operations. This involved reducing our branch network to 33 locations to better align with our core markets and downsizing our workforce by 50% to optimize overheads. We concentrated on recovery and collections, recognizing the importance of reinforcing our risk management framework in a climate of regulatory changes and economic volatility. These steps enabled us to manage liabilities

more effectively and minimize potential risks, reinforcing our long-term financial stability. While the restructuring presented initial costs, we are confident that our leaner, more agile structure will be instrumental in driving future profitability and resilience.

DIGITAL TRANSFORMATION AND TECHNOLOGY ENHANCEMENTS

Embracing digital transformation has been central to our strategy this year. In line with our operational overhaul, we successfully completed an IT migration and deployed a new general ledger system. This system upgrade enhances accuracy in financial reporting, streamlines data management, and ensures real-time monitoring—improving both transparency and regulatory compliance. The investment in technology also aligns with our ambition to build an agile, future-ready organization. By enhancing our digital infrastructure, we are creating a scalable foundation that will not only improve internal efficiencies but also enable us to adapt more effectively to market demands and expand our digital services for customers.

BUILDING A CULTURE OF COMPLIANCE

Compliance has been a key focus area, as we worked to transition from a non-compliant to a fully compliant organization. The financial sector today is shaped by stringent regulatory requirements, and Nations Lanka PLC is committed to exceeding these standards. Over the past year, we have established a more robust governance framework that emphasizes transparency, accountability, and regulatory adherence at every level. Strengthened internal controls,

CEO's Review

regular audits, and best-practice policies have been introduced to enhance our compliance and risk management practices. As a company, we believe that compliance is not just a requirement but a foundation for sustainable growth, fostering trust among regulators, investors, and clients alike.

HUMAN CAPITAL AND ORGANIZATIONAL DEVELOPMENT

Human capital is central to our mission, and this year we focused on realigning our workforce to support our streamlined operations. The merger brought an expanded workforce, and we made careful adjustments to optimize our staffing. While this involved a reduction in the workforce, our remaining team is well-positioned to deliver on our strategic goals. We continue to prioritize professional development and create a supportive work environment to retain and motivate our talented employees. As we move forward, our human capital strategy will be focused on building a high-performance team that is agile, client-focused, and committed to upholding our values.

PATH FORWARD: CAPITAL STRENGTHENING AND SUSTAINABLE GROWTH

Looking ahead, our main objective is to secure a capital infusion that will strengthen our financial position and enable us to pursue growth opportunities with greater confidence. Strengthening our governance framework, improving operational efficiency, and maintaining a culture of compliance will continue to be our guiding principles. With our new structure, upgraded technology, and reinforced governance, we are well-

prepared to capture opportunities and drive sustainable growth in the years to come. Our top priority remains to ensure the company's financial stability and resilience, creating a foundation for long-term value creation for our stakeholders.

ACKNOWLEDGMENTS

In closing, I extend my deepest gratitude to our Board of Directors for their guidance and unwavering commitment. I also thank our shareholders for their trust, our clients for their loyalty, and our dedicated employees for their resilience and hard work. Together, we have made tremendous progress this year, navigating challenges and setting a course for a brighter future.

Thank you for your continued support and confidence as we move forward in this journey, building a stronger, more resilient Nations Lanka PLC.



Nirosh Madawala
Chief Executive Officer (Acting)

30th October 2024

Board of Directors

1. Mr. Victor Ramanan

Chairman (Non-Executive)

Mr. Victor Ramanan is a Sri Lankan born British National residing in London. Being educated in Sri Lanka and UK.

He is a versatile marketer and administrator with more than 33 years of hands on experience working in many countries including United Kingdom, Kuwait, Dubai, Bahrain, Germany, France, USA and Sri Lanka. He has worked in areas such as IT, HR, Marketing and Business Development of which more than 17 years has been in the fields of Oil & Gas, Logistics and Real Estate sectors.

Presently holds positions as a Chairman, Deputy Chairman & Director in the under mentioned companies.

- ♦ Nation Lanka Finance PLC – Chairman
- ♦ Nawaloka College of Higher Studies (NCHS) – Deputy Chairman/CEO
- ♦ Nawaloka Hospitals PLC - Director

2. Mr. Ahalape Gamage Maheen Priyantha

(Non- Independent/Non-Executive)

Mr. Maheen was appointed to the Board of Lanka Credit and Business Finance Limited in May 2018. With 26 years of working experience in the marketing field, he is currently serving as the Managing Director and Chairman of Maweli Credit and Investment (Pvt) Ltd. In addition to that he is also serving as a Director in the Board of Directors of Singhe Capital Investment Limited. Mr. Maheen holds a diploma in Human Resource Management from the National Institute of Business Management (NIBM) Sri Lanka.

3. Mrs. K G D W K Bandara

(Non-Executive/ Independent)

Mrs. Deepani Bandara, possesses over 24 years of Professional experience as a practicing Attorney-at-Law, specializing in commercial and Financial Services industry.

Mrs. Deepani Bandara, has gained extensive experience and Professional Skills, during her carrier.

Mrs. Bandara, has rendered here services as a Panel Lawyer at CBC Finance PLC- Kandy, Manager Legal at Indra Traders (Pvt) Ltd, Assistant General Manager - Legal /Company Secretary at Sinhaputhra Finance PLC and has gained vas experience in a Licensed Finance Companies. She is also practicing as a Freelance Lawyer at Kandy Bar.

4. Mrs. S A Wickramasinghe

(Non-Executive/ Independent)

Mrs. S A Wickramasinghe holds a B. Sc. Accountancy (Special) Degree 2nd Class Upper Division from University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She is also holder of a Fellow Member of Institute of Certified Management Accountants of Sri Lanka, Fellow Member of the Institute of Chartered Professional Managers, Life Member of Certified Professional Accountants, a Fellow Member of the Association of Accounting Technicians of Sri Lanka and a member of the Association of Chartered Certified Accountants. She has 20 years of experience in the field of finance and International Marketing in Manufacturing and Export oriented organizations.

5. Mrs. Luckshmi Menaka Minu Jayawickrema

(Non-Executive/Independent)

Joined w.e.f. 26th March 2024

Mrs. Jayawickrama holds 37 years of legal expertise; she is a veteran attorney known for her dedication to justice and integrity. As a life member of the Bar Association of Sri Lanka and an Attorney-at-Law of the Supreme Court of Sri Lanka, she holds a distinguished academic background, Master of Laws (LL.M) specializing in Human Rights, Criminal Justice and Administrative Law from the University of Colombo. Currently pursuing a Master of Philosophy/Doctor of Philosophy (MPhil/ PhD) at the University of Colombo, she has worked as an Attorney-at-Law in the District Court of Colombo and as an Assistant Director General at Commission to Investigate Allegations of Bribery and Corruption, Deputy Director General and Director General for the Prevention of Bribery and Corruption. She has also served as the Additional Secretary (Legal) to His Excellency the President and served as the Additional Secretary (Legal) to the Ministry of Justice.

6. Mr. Maura Gunawansha

(Non-Executive/Independent)

Joined w.e.f. 26th March 2024

Having successfully completed his school career at the Dharmaraja College of Kandy, in 1982 he was selected to the Faculty of Law of the University of Colombo and in 1986 he passed out as a LL.B. Graduate and joined the Law College of Sri Lanka. Thereafter having completed his studies at the Law College he was enrolled as an Attorney-at-Law in 1988 and practiced as a Junior Counsel in the Chamber of Mr. Ranjan Suwandarathna,

Board of Directors

President's Counsel. In 1993 he commenced his independent practice as a Civil Law Counsel and in May 2019 was appointed as a President's Counsel since then to date, he serves as an active practitioner in the field of Civil Law, appearing in the Trial Courts, Appellate Courts and the Supreme Court of Sri Lanka. Presently serves as a visiting lecturer of Sri Lanka Law College. Since December 2019 to February 2024 served as a non-executive director of Mobitel (Pvt) Ltd.

7. Mr. Udaya Seneviratne

(Non-Executive/Independent)

Joined w.e.f. 26th March 2024

Udaya Seneviratne is a distinguished public administrator with a remarkable career spanning over 37 years. His expertise extends across various domains, including public service, business management, finance, and the cooperative sector. He has held pivotal roles in government and corporate organizations, contributing significantly to national development and governance. As the former Secretary to the President of Sri Lanka, he played a key role in shaping policy and driving strategic initiatives at the highest levels of governance.

He holds Master of Science in Mass Communications, University of Kelaniya, Postgraduate Diploma in Management, Open University of Sri Lanka, Diploma in Co-operative Marketing, Institute of Co-operative Development, Postgraduate Diploma in Local Government Studies, University of Colombo, Postgraduate Diploma in Communication Development, University of Colombo, Bachelor of Science in Physical Sciences, University of Kelaniya, Diploma in Marketing Management, SLIDA.

He has served as Governing Council Member of University of Kelaniya, Director of Sanasa Life Insurance (PVT) Ltd, Director of Sanasa Greenmart (PVT) Ltd, Director of Sanasa Campus (PVT) Ltd, Secretary to the President of Sri Lanka, Secretary to the Ministry of Science, Technology & Research, Secretary to the Ministry of Mahaweli Development and Environment, Additional Secretary to the Ministry of Foreign Affairs, Secretary to the Ministry of Highways and Investment Promotions, Secretary to the Ministry of Sugar Industry Development, Acting Secretary to the Ministry of Coconut Development & Janatha Estate Development, Secretary to the Ministry of Productivity Promotion, Secretary to the Ministry of Sports, Deputy Secretary to the Treasury, Ministry of Finance & Planning, Additional Secretary to the Ministry of Finance & Planning, Director General, National Institute of Cooperative Development, Principal of the School of Co-operation, Chairman and Director roles in various government and corporate organizations, including Sri Lanka Telecom, National Film Corporation, Shell Gas Company Ltd, and more. Additional responsibilities include chairing and serving on boards and authorities such as the Sri Lanka Telecommunication Regulation Commission, Sri Lanka Sustainable Development Council, and Sri Lanka Standards Institute.

8. Mr. Kosala Suranga Wimalasiri

(Non-Independent / Non-Executive)

Joined w.e.f. 18th April 2024

Mr. Kosala Wimalasiri is with a rich background spanning 17 years in the financial services industry and Property Development. With expertise in Team Leadership, Strategic Planning, Business Development, Marketing Strategy, and Business Strategy, Mr. Wimalasiri, has consistently driven operational excellence and business growth. Holding a Master of Business Administration from Cardiff Metropolitan University, Mr. Wimalasiri, has held pivotal leadership roles in finance industry. Mr. Wimalasiri's career trajectory showcases progressive responsibility, with a keen ability to inspire a shared vision, employ situational leadership, and influence others effectively. Mr. Wimalasiri excels in enabling teams to achieve their fullest potential. Known for strategic foresight, perseverance, and problem-solving acumen, Mr. Wimalasiri, is a self-motivated professional who thrives in high-pressure environments, delivering tangible results and creating a lasting impact.

Corporate Governance Report

Corporate governance is the system that encompasses principles, policies, procedures, and clearly defined responsibilities and accountabilities used by the Board of Directors (BOD), shareholders (including minority shareholders), and other stakeholders to manage and mitigate conflicts of interest inherent in the principal-agent structure of business corporations.

The corporate governance framework at Nation Lanka Finance PLC guides the company in formulating, communicating, and achieving its corporate strategies and objectives. It ensures that decision-making processes are transparent, accountable, and aligned with stakeholder interests.

GOVERNANCE FRAMEWORK AND BOARD RESPONSIBILITIES

The Board of Directors (BOD) is responsible for the overall governance of the Company and for developing and establishing an effective corporate governance framework. This framework facilitates the smooth implementation, control, and monitoring of governance systems throughout the organization.

To ensure the effective functioning of corporate governance, the BOD has delegated specific responsibilities to Board Sub-Committees and Management Committees. These committees play a key role in defining roles and responsibilities, establishing clear reporting lines, and systematically reviewing the external and internal environmental impacts on business operations.

In our effort to strengthen governance at Nation Lanka Finance PLC, we have adopted and complied with the following key guidelines and regulatory requirements:

1. The Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).
2. Finance Business Act Direction No. 05 of 2021, issued by the Central Bank of Sri Lanka (CBSL), which outlines mandatory corporate governance requirements for licensed finance companies.
3. The Listing Rules of the Colombo Stock Exchange, particularly Section 7.10 on Corporate Governance for listed companies.

The Central Bank of Sri Lanka has also introduced new regulations aimed at enhancing transparency and accountability among finance companies, further strengthening the governance framework within the sector.

REPORTING ON GOVERNANCE PRACTICES

This year's Corporate Governance Report outlines the ways in which our governance framework operates, including the roles and responsibilities of the Board and its five sub-committees. Detailed information on our governance structure can be found on pages 13 to 56 of this Annual Report.

The report is organized into three main sections:

Section 1: Compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance for Licensed Finance Companies, issued by the Central Bank of Sri Lanka.

Section 2: Adoption of The Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

Section 3: Compliance with Section 7.10 of the Listing Rules on Corporate Governance for Listed Companies, issued by the Colombo Stock Exchange.

BOARD MEETINGS

Details of Board Meetings held during the year are summarized in the table below:

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Section One: Compliance with Finance Business Act Direction No. 05 of 2021

The Finance Business Act (Corporate Governance) Direction No. 5 of 2021 for licensed finance companies, issued by the Monetary Board of the Central Bank of Sri Lanka, is a key regulatory requirement for Nation Lanka Finance PLC. The following subsections outline the Company's compliance with this Direction (subject to the transitional provisions provided therein):

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

Section	Direction	Status of Compliance	Reference to Annual Report
1.	Board's overall responsibilities		
1.1	Assume overall responsibility and accountability for the operations of the Company, by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements	Complied with. The Board has the overall responsibility and accountability for the operations of the Company and carried out functions listed in 1.2 to 1.7 of the Direction.	
1.2	Business Strategy and Governance Framework		
(a)	Approving and overseeing the implementation of the Company's overall business strategy with measurable goals for next three years and update it annually in view of the developments in business environment	Complied with. A Board approved strategic plan is in place addressing the Company's overall business strategy. The Board provides direction in the development of short, medium and long term strategies of the Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies.	
(b)	Approving and implementing the Company's governance framework	Complied with. Board approved Governance Framework is in place to commensurate with the Company's size, complexity, business strategy and regulatory requirements.	
(c)	Assessing the effectiveness of the Governance Framework periodically	Complied with. The Governance Framework is reviewed annually according to the changes in operating environment or as and when required according to the regulatory developments and changes.	

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Section	Direction	Status of Compliance	Reference to Annual Report
(d)	Appointing and defining the roles and responsibilities of the Chairperson and the Chief Executive Officer (CEO)	Complied with. The Chairman and the Chief Executive Officer have been appointed by the Board. The Chairman provides leadership to the Board and the CEO is responsible for effective management of the Company's operations. Roles and responsibilities of the Chairman and the CEO have been defined and approved by the Board.	
1.3	Corporate Culture and Values		
(a)	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior	Complied with. Nation Lanka Finance strives to build a sound corporate culture which reinforces ethical, prudent and professional behavior.	
(b)	Playing a lead role in establishing the Company's corporate culture and values including developing a code of conduct and managing conflicts of interest	Complied with. Corporate values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Company has developed a Code of Conduct and Ethics which applies to all employees. A policy on management of conflicts of interest is in place.	
(c)	Promoting sustainable finance through appropriate environmental, social and governance considerations in the Company's business strategies	Complied with. The Company has continued to take progressive action to manage our direct and indirect environmental, social and governance impact.	
(d)	Approving the policy of communication with all stakeholders in the view of projecting a balanced view of the company's performance, position and prospects in public and regulators	Complied with. The Board approved Communication Policy is in place which covers all stakeholders including depositors, shareholders, borrowers and other creditors.	
1.4	Risk Appetites, Risk Management and Internal Controls		
(a)	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework	Complied with. A Risk Appetite Statement (RAS) is in place which is in line with Company's business strategy and governance framework.	
(b)	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	Complied with. Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Integrated Risk Management Committee. Risk Reports are submitted to the Committee by the Management on a quarterly basis. The decisions and action taken to mitigate possible risks are submitted for Board's information where necessary.	Refer pages 57 & 63-69

Section	Direction	Status of Compliance	Reference to Annual Report
(c)	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically	Complied with. Adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board Audit Committee. The Committee is assisted in this function by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of internal control systems and management information systems, the results of which are reported to the Audit Committee. The Committee appraises the scope and results of internal audit reports and system reviews. The decisions and actions taken are submitted for Board's information and/or action (if deemed necessary).	
(d)	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances	Complied with. Board approved comprehensive Business Continuity and Disaster Recovery Plan (BCP) is in place.	
1.5	Board Commitment and Competency		
(a)	Devote sufficient time on dealing with the matters relating to affairs of the Company	Complied with. Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.	
(b)	Possess necessary qualifications, adequate skills, knowledge, and experience	Complied with. Members of the Board possess experience, qualifications, adequate skills, and knowledge in the relevant fields.	
(c)	Regularly review and agree the training and development needs of all the members	Complied with. The Board being the highest governing body recognizes the need of training and development and enhancing knowledge on business environment. A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company. Any training programs relevant to the Board are communicated to the Board for the Directors' participation. Further, the annual self-assessment scheme by Directors covers aspects on training to identify training needs of Directors.	

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Section	Direction	Status of Compliance	Reference to Annual Report
(d)	Adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments	Complied with. The Company has adopted a scheme of annual self- assessment to be undertaken by each Director, and of its Boards as a whole and that of its committee and filed with the Company Secretaries.	
(e)	Obtain external independent professional advice to the Board to discharge duties to the Company	Complied with. The Board is permitted to seek independent professional advice on any matters when deemed necessary. A Board approved procedure is in place for this purpose.	
1.6	Oversight of Senior Management		
(a)	Identifying and designating senior management who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management	Complied with. The Board has identified and designated the Senior Management, as defined in the Section 17 of the Finance Business Act Directions No.05 of 2021 on Corporate Governance.	
(b)	Defining the areas of authority and key responsibilities for the senior management	Complied with. The key responsibilities of the senior management are defined in the job descriptions of each member and have been approved by the Board.	
(c)	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the Company's strategic objectives	Complied with. Members of the Senior Management possess experience, qualifications, adequate skills, and knowledge in the relevant fields.	
(d)	Ensuring there is appropriate oversight of the affairs of the Company by senior management	Complied with. The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the CEO. Affairs of the Company handled by the Corporate Management are reviewed and discussed at the monthly Board Meetings. Further, Board sub-committees and other management committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.	
(e)	Ensuring the Company has an appropriate succession plan for senior management	Complied with. A succession plan for senior management personnel is in place.	
(f)	Meeting regularly with the Senior Management	Complied with. The members of the senior management regularly make presentations and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.	

Section	Direction	Status of Compliance	Reference to Annual Report
1.7	Adherence to the Existing Legal Framework		
(a)	Ensuring that the Company does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders	Complied with. The Company operates within the Board approved Governance Framework and the interests of depositors, shareholders and other relevant stakeholders are considered in conducting business operations.	
(b)	Adhere to the regulatory environment and ensure compliance with relevant laws, regulations, directions and ethical standards	Complied with. The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. A Code of Business Conduct and Ethics is also in place for all employees and Directors.	
(c)	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	Complied with. Fit and Proprietary of the Board of Directors is assessed annually and new appointment of the Board and Senior Management (as defined in Corporate Governance Direction No. 05 of 2021) is made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.	
2.	Governance Framework		
2.1	Develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021 on Corporate Governance	Complied with. A Board-approved Governance Framework is in place.	
3.	Composition of the Board		
3.1	A balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company	Complied with. The Board possesses adequate skills and experience in the relevant fields.	Refer pages 11-12
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	Complied with.	
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	Complied with. The total period of service of all Non-Executive Directors is less than 9 years as at date.	
3.4	Requirement of eligible Non-executive directors to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions	Mr. V. R. Ramanan, chairman was given special approval to continue due to his shareholding of the company.	
3.5	Executive Directors		
(a)	Appointment, election or nomination of an employee as a Director	Not Applicable.	
(b)	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management	Not Applicable.	

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Section	Direction	Status of Compliance	Reference to Annual Report
(c)	In the event of presence of the executive directors CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	Not Applicable.	
(d)	Executive Directors shall have a functional reporting line in the organization structure of the Company.	Not Applicable.	
(e)	The Executive Directors are required to report to the Board through the CEO.	Not Applicable.	
(f)	Executive Directors shall refrain from holding executive directorships or senior management positions in any other entity.	Not Applicable.	
3.6	Non-Executive Directors (NEDs)		
(a)	NEDs shall possess credible track records and necessary skills, competency and experience to bring an independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	Complied with. The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields.	Refer pages 11-12
(b)	A non-executive director cannot be appointed or function as the CEO/Executive Director.	Complied with.	
3.7	Independent Directors		
(a)	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	Complied with. The Board comprises of five Independent Non-Executive Directors. Accordingly, the number of Independent Non- Executive Directors exceeds one-third of the total number of Directors on the Board.	
(b)	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	Complied with. All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, a proven track records, and sufficient experience in the given fields.	
(c)	Criteria of non-executive director for independence. i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC. ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that five Non-Executive Directors are Independent as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance.	

Section	Direction	Status of Compliance	Reference to Annual Report
	<p>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.</p> <p>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.</p> <p>v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.</p> <p>vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.</p> <p>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.</p> <p>viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.</p>		
(d)	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.	No such circumstance transpired during the reporting period.	
(e)	An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.	No such circumstance transpired during the reporting period.	

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Section	Direction	Status of Compliance	Reference to Annual Report
3.8	Alternate Directors		
(a)	Criteria to represent through an alternate director	Not Applicable.	
(b)	The existing directors of the company cannot be appointed as an alternate director to another existing director of the company.	Complied with. No such situations have arisen.	
(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)	Appointment of Alternate Director to represent an Independent Director.	Not applicable	
3.9	Cooling off Periods	No such appointments have been made during the period under review.	
3.10	Common Directorships Director or a senior management shall not be nominated, elected, or appointed as a director of another Finance Company subject to exception mentioned in the Direction 3.5 (f)	Complied with. No Directors or Senior Managers held positions in other Finance Companies during the year 2023/2024.	
3.11	A Director shall not hold office as a Director or any other equivalent position in more than 20 Companies/ Societies / bodies, including subsidiaries and associates.	Complied with. No Director holds directorships in excess of 20 companies/ societies/ bodies/institutions.	
4.	Assessment of Fitness and Propriety Criteria		
4.1	No person shall be nominated, elected or appointed as a director or continue as a director unless that person is a fit and proper person to hold office as a director in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	Complied with. The appointments, resignations or continuation of the Directors are made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.	
4.2	The age of a Director shall not exceed 70 years.	Complied with. All Directors are below the age of 70 years as at 31st March 2024.	
4.3	Criteria to hold office as a director, exceeding 70 years of age up to maximum of 75 years of age.	No such appointments occurred during the year 2023/2024.	
5.	Appointment and resignation of directors and senior management		
5.1	The appointments, resignations or removals of Directors or Senior Management shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied with. The appointments, resignations or removals of Directors or Senior Management are in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction No. 6 of 2021.	

Section	Direction	Status of Compliance	Reference to Annual Report
6.	The Chairperson and the CEO/Managing Director		
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	Complied with. The positions of the Chairman and the CEO are separate and performed by two different individuals and responsibilities of the Chairman and the CEO have been defined and approved by the Board.	
6.2	The chairperson shall be an independent director, subject to 6.3 below.	Not Complied with.	
6.3	Appointment of an Independent Director as a Senior Director when the Chairperson is not independent. In the 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. The Senior Director will serve as the intermediary for other directors and shareholders. Non- Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	Complied with.	
6.4	Responsibilities of the Chairperson	Complied with. The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner. There is a constructive relationship among all Directors and they work together in the best interest of the Company. The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting. The Chairman does not engage in direct supervision of senior management or any other day to day operational activities. Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.	
6.4	Responsibilities of the CEO/Managing Director	Complied with. The CEO functions as the apex Executive-In-Charge of the day-to-day management of the Company's operations and business. The Board approved responsibilities of the CEO are in place.	

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Section	Direction	Status of Compliance	Reference to Annual Report
7.	Meetings of the Board		
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Complied with. Board meetings were held regularly, with a total of 12 meetings conducted during the financial year 2023/24. These meetings were primarily held to review the company's performance and address other matters referred to the Board. The circulation of resolutions and papers to obtain the Board's consent was minimized and used only when absolutely necessary.	
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Complied with. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.	
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	Complied with. Notice of Meeting is circulated to the Directors at least 3 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.	
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	Complied with. Directors devote adequate time for Board meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification. The views of the Board of Directors on issues under consideration are ascertained and records of such deliberations are reflected in the minutes.	
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	Complied with. At all Board meetings held during the year 2023/2024, more than one fourth of the numbers of Directors were independent Non-Executive Directors.	
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	Complied with. Meetings are held only with the participation of the Non- Executive Directors, as there were no executive directors.	

Section	Direction	Status of Compliance	Reference to Annual Report
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.	
7.8	A director, who has not attended at least two-thirds 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.	Partly Complied with. All Directors have attended at least two-thirds of the meetings held during the year, and no Director has been absent from three consecutive regular Board meetings during the year 2023/2024, except for Mr. A G M Priyantha, who did not attend due to a pending resignation and acceptance process by the Central Bank of Sri Lanka (CBSL). All other Directors have complied with the attendance requirements.	
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	Meetings were held through physical and electronic means during the year 2023/2024.	
8.	Company Secretary		
8.1	a) The Board shall appoint a Company Secretary considered to be 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) The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	Not Complied. The Company has not yet appointed an in-house Company Secretary, as was intended, and continues to utilize the services of Corporate Arcade Ltd., a qualified company secretary registered under Registration No. SEC/(2)2008/216. Despite the transitional period granted until 1st July 2024, the Company has decided to maintain the arrangement with Corporate Arcade Ltd. for handling secretarial services to the Board and shareholders' meetings, as well as other functions required by law and regulations.	
8.2	All directors shall have access to advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	Complied with. All Directors have access to advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed.	
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Complied with. The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.	

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Section	Direction	Status of Compliance	Reference to Annual Report
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/ or voice recordings/video recordings for a minimum period of 6 years.	Complied with. Minutes of Board Meetings are maintained by the Company Secretaries. Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.	
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the Company.	Complied with.	
8.6	Minutes of the Board meetings shall be recorded insufficient detail, as specified in the Direction, so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties.	Complied with. Detailed minutes are maintained by the Company Secretaries.	
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with.	
9.	Delegation of Functions by the Board		
9.1	The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the Company.	Complied with. The Board approved delegation authority limits is in place.	
9.2	In the absence of any of the sub-committees, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Not applicable. The Board has appointed Board sub-committees as required by the direction	
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Complied with. Assets and Liabilities Management Committee, Credit Committee, and IT Steering Committee are in place.	
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with.	
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	Complied with. The delegation process is periodically reviewed by the Board based on business requirements.	
10.	Board Sub- Committees A transitional period till 01.07.2024 is applicable for the Section 10 of the Direction and during the transitional period provision contained in "Section 8: Board appointed committees" of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 is applicable.		

Section	Direction	Status of Compliance	Reference to Annual Report
10.1	Board Appointed Committees Establishing Board committees, their functions and reporting	Complied with. The company has established five Board Committees, namely the Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Related Party Transactions Review Committee (BRPTRC), Board Human Resource and Remuneration Committee (BHRRC), and Board Nomination Committee (BNC).	Refer pages 57, 58, 60, 61 and 62
10.2	Board Audit Committee (BAC)		
(a)	The Chairman to be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	Complied with. The Chairman of the Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience.	Refer page 11
(b)	All members of the Committee to be Non-Executive Directors	Complied with. All the members of the audit committee are Non-Executive Directors.	
(c)	Functions of Audit Committee; 1) the appointment of the external auditor; 2) the implementation of the Central Bank guidelines; 3) the application of the relevant accounting standards; 4) the service period, audit fee and any resignation or dismissal of the Auditor	Complied with. In accordance with the Terms of Reference, the Committee has made the following recommendations: 1) The appointment of Baker Tilly Edirisinghe & Company, Chartered Accountants as the External Auditor for audit services to be provided in compliance with the relevant statutes. 2) The implementation of CBSL Guidelines applicable to the Auditors. 3) Application of relevant Accounting Standards 4) The service period, audit fee and any resignation or dismissal of the auditor Complied with the requirement that the engagement of the audit partner does not exceed five years.	
(d)	Review and monitor External Auditor's independence and objectivity and the effectiveness of audit processes	Complied with. The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes. The Audit Committee also reviews the nature and scope of the external audit taking in to account of the regulations and guidelines.	
(e)	Develop and implement a policy on the engagement of an external auditor to provide non-audit services	Complied with. In instances where non-audit services are obtained from the External Auditor, prior approval is obtained from the Audit Committee. The Audit Committee evaluates the Company's requirement, nature of the non-audit service required by the Company, fee structure, skills and the experience required to perform the said service of such Auditors.	

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Section	Direction	Status of Compliance	Reference to Annual Report
(f)	Determine the nature and the scope of the External Audit	Complied with. The Committee has discussed and finalized the nature and the scope of audit, with the External Auditors before the audit commences.	
(g)	Review the financial information of the Company	Complied with. Meetings of the Audit Committee are convened for this purpose. The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.	
(h)	Discussion of issues, problems and reservations arising from the interim and final audits with the External Auditor	Complied with. During the year under review the Committee met the External Auditors to discuss issues, problems and reservations relating to audit.	
(i)	Review of the external auditor's management letter and the management's response	Complied with. During the year under review the Committee met the External Auditors to discuss issues, problems and reservations relating to audit.	
(j)	Review of the Internal Audit Function; 1) Review scope, function and resources; 2) Review of Internal Audit Programme; 3) Review of Internal Audit Department; 4) Recommendations on Internal Audit functions; 5) Appraise the resignation of senior staff of Internal Audit and any outsourced service providers; 6) Independence of Internal Audit functions	Complied with. The Company has established an own in-house Internal Audit Department and moreover, M/s Baker Tilly Edirisinghe & Company provides assistance in carrying out branch and other audit assignment. The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each financial year. Audit reports are tabled at the Audit Committee meeting by the Internal Auditors and the relevant items are discussed in detail where required, the Management is invited to attend the meeting to provide clarifications. The Internal Audit function is an independent function which directly reports to the Board Audit Committee.	
(k)	Consider the major findings of internal investigations and management's response	Complied with. Significant findings of investigations carried out by the Internal Auditors along with the responses of the Management are tabled and discussed at Audit Committee meetings.	

Section	Direction	Status of Compliance	Reference to Annual Report
(l)	Participants of Audit Committee meetings	Complied with. The CEO, CIA, CFO generally attend meetings. Other members of the corporate management are invited to attend the meeting when necessary. During the year under review the Committee met twice with the External Auditors, without the presence of Executive Directors.	
(m)	Explicit authority, adequate resources, access to information and obtain external professional advice wherever necessary	Complied with. The terms of reference of the Board Audit Committee includes scope and responsibilities of the Committee. The Committee has full access to information in order to investigate into matters relating to any affair within its terms of reference.	
(n)	Meetings of Audit Committee	Complied with. The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Chief Internal Auditor.	
(o)	Disclosures in the Annual Report	Complied with. The report of the Board Audit Committee includes detailed information about its activities, the meetings held during the year, and the Directors' attendance at those meetings.	Refer page 58
(p)	Recording and maintenance of minutes of meetings	Complied with. The Chief Internal Auditor functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee meeting.	
(q)	Whistle-blowing policy and relationship with External Auditors	Complied with. A Whistle Blower Policy is in place which covers these aspects. The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.	
10.3	Board Integrated Risk Management Committee (BIRMC) The following shall apply in relation to the Integrated Risk Management Committee		

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
(a)	Composition of Integrated Risk Management Committee	Complied with. Committee consists of two Independent Non-Executive Directors, and one Non Independent Non-Executive director who supervises broad risk categories as detailed in this Direction. Other key management personnel and staff are invited as and when the Committee needs their presence.	
(b)	Periodical risk assessment	Complied with. Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Integrated Risk Management Committee at quarterly intervals for necessary guidance.	Refer page 63-69
(c)	Review the adequacy and effectiveness of Management level committees	Complied with. Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.	
(d)	Corrective action to mitigate the effect of risks exceeding the prudent levels decided by the Committee	Complied with. All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The rectification of the position is monitored closely by the Committee.	
(e)	Frequency of meetings	Complied with. Four Integrated Risk Management Committee meetings are held for a calendar year.	
(f)	Action against officers for failure to identify specific risks and take prompt corrective action	Complied with.	
(g)	Submission of risk assessment report to the Board	Complied with. The minutes of the meetings are submitted to the next immediate Board meeting.	
(h)	Establishment of a compliance function	Complied with. The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board Integrated Risk Management Committee held on quarterly.	

Section	Direction	Status of Compliance	Reference to Annual Report
10.4	Board Nomination Committee (BNC) The following shall apply in relation to the Nomination Committee:		
(a)	The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	Complied with. All members of the committee are non-executive directors, with the majority being independent directors.	
(b)	Secretary to the nomination committee may preferably be the company secretary.	Complied with. The Secretary to the committee is the Company Secretary	
(c)	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.	Complied with. The policy on the nomination, election, and appointment of Directors and other key responsible persons is in place. The appointment of new key responsible persons is subject to the recommendation of the BNC.	
(d)	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	Complied with. The BNC has ensured that all the KRPs are fit and proper individuals to perform their functions in accordance with the directives of CBSL. The company has obtained the necessary approval from CBSL for their initial appointments and for the continuing KRPs of Directors.	
(e)	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	Complied with. All KRPs are appointed in accordance with the policy on the nomination, election, and appointment of Directors and other key responsible persons. This policy ensures adherence to the stipulated selection criteria for the appointment of KRPs.	
(f)	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	Complied with. The committee strives to ensure that the composition of Board is structured in a way that prevents any form of domination by an individual or a small group of individuals.	
(g)	The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.	Complied with. The committee has set criteria, that are required for eligibility, to be considered for appointment of management personal of KRPs.	
(h)	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	Complied with. The committee ensures that the stipulated requirements are in compliance for the new appointment of a Director.	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
(i)	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Complied with. The committee ensured that the stipulated requirements are in compliance for re-election of a current Director	
(j)	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management.	Complied with. The Board-approved succession plan for Key Responsible Persons (KRPs), recommended by the BNC, is now in place.	
(k)	A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.	Complied with. Members of the BNC are not involved in the decision-making process for their own appointment or re-appointment.	
10.5	Board Human Resource and Remuneration Committee (BHRRC) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.		
(a)	The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.	Complied with. The committee is chaired by a non-executive director, and its composition complies with the required guidelines.	
(b)	The secretary to the human resource and remuneration committee may preferably be the company secretary.	Complied with. The company secretary serves as the secretary of the BHRRC.	
(c)	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.	Complied with. The company has a Board approved Remuneration policy for Executive Directors and Senior Management. The remuneration of Non-Executive Directors is governed by the board-approved Non-Executive Directors Remuneration Policy, which falls under the purview of the BHRRC and is approved by the Board.	
(d)	There shall be a formal and transparent procedure in developing the remuneration policy.	Complied with. The Remuneration Policy ensures that remuneration (salaries, allowances, and other financial payments) to all employees of the Company is based on considerations such as individual performances, overall Company performance, and industry best practices. The remuneration policy is recommended by the BHRRC and approved by the Board, and subject to periodic reviews.	
(e)	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.		

Section	Direction	Status of Compliance	Reference to Annual Report
(f)	The remuneration structure shall be in line with the business strategy, objectives, values, longterm 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 with. The committee has ensured that the remuneration structure is aligned with the business strategy, objectives, longterm interests, and cost structure of the company.	
(g)	The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance based incentives.	Complied with. The BHRRC has reviewed the emoluments structure of Key Responsible Personnel (excluding the Chief Internal Auditor, Compliance Officer, and Chief Risk Officer), as well as their Performance Evaluation scores and any changes compared to the previous year's data.	
(h)	The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.	Complied with. The committee adheres to the stated section.	
11.	Internal Controls		
11.1	The Company shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.	Complied with. The Board Audit Committee assists the Board in assessing the adequacy and the integrity of the Internal Controls System and the Management Information System and the financial reporting processes of the Company. The Committee is assisted in this function by Internal Audit Department.	
11.2	A proper internal control system shall, <ul style="list-style-type: none"> ◆ Promote effective and efficient operations ◆ Provide reliable financial information ◆ Safeguard assets; ◆ Minimize the operating risk of losses from irregularities, fraud and errors; ◆ Ensure effective risk management systems; ◆ Ensure compliance with relevant laws, regulations, directions and internal policies. 		
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.		
12.	Related Party Transactions		
12.1	The Board shall establish a policy and procedures for related party transactions, which covers the following.		
(a)	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.	Complied with. The Board has established a Board Related Party Transactions Review Committee, and it is comprised of two Independent Non- Executive Directors and one non independent non-executive director.	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
(b)	All related party transactions shall be prior reviewed and recommended by the RPTRC.	Complied with.	Refer note 41
(c)	The business transactions with a related party that is covered in this Direction.	The Board approved Related Party Transaction Policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties "more favorable treatment" as defined in this Direction.	
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with any person, and particularly with the categories of persons defined in the Direction who shall be considered as "related parties". 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.		
12.3	The Committee shall ensure that the Company 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 Company.		
13.	Group Governance		
13.1	Responsibilities of the Company as a Holding Company	A Company under the name of "Nation Micro Investment Limited (Former Ceylinco Towers)" was incorporated on 26th October 2005, as a fully owned subsidiary of Nation Lanka Finance PLC (Parent).	
13.2	Responsibilities as a Subsidiary	The Company is not a Subsidiary of any Group Company.	
14.	Corporate Culture		
14.1	A Finance Company shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	Complied with. The Company has developed a Code of Conduct and Ethics for all employees.	
14.2	The Finance Company shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	Complied with.	
14.3	A Finance Company shall establish a Whistle Blowing 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 confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	Complied with. A Board approved Whistle Blowing Policy is in place.	

Section	Direction	Status of Compliance	Reference to Annual Report
15.	Conflicts of Interest		
(a)	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Complied with. The Directors make declarations of their interests at appointment, annually and whenever there is a change in same. Directors abstain from voting on any resolution in which the Directors have related party interests and are not counted in the quorum for the relevant agenda item at the Board Meeting.	
(b)	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties.	Not Complied.	
16.	Disclosures		
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.	Complied with. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages. Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the website of CSE.	
	The Board shall ensure that at least following disclosures are made in the Annual Report of the Company.		
(i)	Financial statements In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, <ul style="list-style-type: none"> ◆ 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. 	Complied with. Relevant disclosures are included in the Annual Report under "Statement of Directors Responsibilities" and the "Annual Report of the Board of Directors on the affairs of the Company".	Refer page 75 and 71

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Section	Direction	Status of Compliance	Reference to Annual Report
(ii)	<p>Chairperson, CEO/Managing Director and Board related disclosures</p> <ul style="list-style-type: none"> ✧ 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 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; ✧ Company attended during the year; and Names of board committees in which the director serves as the Chairperson or a member. 	<p>Complied with.</p> <p>Refer “Profiles of the Board Of Directors” in this annual report.</p> <p>Refer Relevant disclosures in this “Corporate Governance Report”.</p> <p>Refer record of the attendance at Board meetings and Board Sub-Committee meetings.</p>	<p>Refer pages 11-12</p> <p>Refer pages 13-56</p> <p>Refer pages 14 and 57-62</p>
(iii)	<p>Appraisal of board performance</p> <ul style="list-style-type: none"> ✧ An overview of how the performance evaluations of the Board and its committees have been conducted. 	<p>Complied with.</p> <p>The Company has adopted a scheme of self-assessment, to be undertaken by each Director, annually. Each member of the Board carried out a self-assessment of his/her own effectiveness as an individual and the Board as a whole and the records of such assessments are maintained by the Company Secretary.</p>	
(iv)	<p>Remuneration</p> <ul style="list-style-type: none"> ✧ A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) ✧ The aggregate values of remuneration paid by the Company to its directors and senior management. 	<p>Complied with.</p> <p>Refer “Remuneration Committee Report” in this annual report.</p> <p>Aggregate values of remuneration paid for Directors and Senior Management for the Year 2023/2024 - Rs. 44.62 Mn</p>	<p>Refer page 60</p>

Section	Direction	Status of Compliance	Reference to Annual Report
(v)	<p>Related party transactions</p> <ul style="list-style-type: none"> ◇ The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO/Managing Director and the relationships among members of the Board. ◇ Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the Company's core capital. ◇ 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 Finance Company. 	<p>Complied with.</p> <p>The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/ relevant relationship between the Chairman and the CEO. No relationships prevail among the other members of the Board.</p>	
(vi)	<p>Board appointed committees</p> <p>The details of the chairperson and members of the board committees and attendance at such meetings.</p>	<p>Complied with.</p> <p>Refer Relevant disclosures in this "Corporate Governance Report".</p> <p>Refer "Annual Report of the Board of Directors on the affairs of the Company" in this annual report.</p>	<p>Refer pages 13-56</p> <p>Refer page 71</p>
(vii)	<p>Group Structure</p> <ul style="list-style-type: none"> ◇ The group structure of the FC within which it operates. ◇ The group governance framework 	<p>Not Applicable.</p> <p>The Group Company is not in operation at present.</p>	
(viii)	<p>Director's report</p> <p>A report, which shall contain the following declarations by the Board</p> <ul style="list-style-type: none"> ◇ The Company has not engaged in any activity, which contravenes laws and regulations. ◇ The directors have declared all related party transactions with the Company and abstained from voting on matters in which they were materially interested. ◇ The Company has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. ◇ The business is a going concern with supporting assumptions; and ◇ The Board has conducted a review of internal controls covering material risks to the Company and has obtained reasonable assurance of their effectiveness. 	<p>Complied with.</p> <p>Refer "Annual Report of the Board of Directors on the affairs of the Company" in this annual report.</p>	<p>Refer page 71</p>

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
(ix)	<p>Statement on Internal Control</p> <ul style="list-style-type: none"> ◇ A report by the Board on the Company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. ◇ The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. ◇ A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance. ◇ A statement of the regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, and rules and directions. 	<p>Complied with.</p> <p>Refer "Directors' Statement on Internal Control" in this annual report.</p> <p>The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.</p> <p>This has been disclosed under the "Corporate Governance Report" and "Annual Report of the Board of Directors on the affairs of the Company"</p> <p>There were no significant supervisory concerns on lapses in the Company's risk management system or non-compliance with these Directions that have been pointed out by the Director of the Non-Bank Supervision Department of the CBSL and requiring disclosure to the public.</p>	Refer page 76
(x)	<p>Corporate governance report</p> <ul style="list-style-type: none"> ◇ 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. 	<p>Complied with.</p> <p>Refer "Corporate Governance Report" in this annual report.</p>	Refer pages 13-56
(xi)	<p>Code of Conduct</p> <ul style="list-style-type: none"> ◇ The Company's code of business conduct and ethics for directors, senior management and employees. ◇ The Chairperson shall certify that the company has no violations of any of the provisions of this code. 	<p>Complied with.</p> <p>The Company has developed a Code of Conduct and Ethics for all employees.</p> <p>The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics by the Company.</p>	
(xii)	<p>Management Report</p> <ul style="list-style-type: none"> ◇ Industry structure and developments ◇ Opportunities and threats ◇ Risks and concerns ◇ Sustainable finance activities carried out by the company ◇ Prospects for the future 	<p>Partly Complied with.</p> <p>Refer "Chairman's Review", "CEO's Review" & "Risk Management Report" in this annual report.</p>	Refer pages 7, 9 and 63-69
(xiii)	<p>Communication with shareholders</p> <ul style="list-style-type: none"> ◇ The policy and methodology for communication with shareholders. ◇ The contact person for such communication. 	<p>Complied with.</p> <p>The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Shareholders, borrowers and other creditors.</p> <p>The Company Secretary communicates with the shareholders through the Annual report, Quarterly Reports, and by notices issued to the shareholders.</p>	

SECTION TWO

Adoption of the Code of Best Practice on Corporate Governance 2017

In line with the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), Nation Lanka Finance PLC has adopted key best practices to enhance governance, including:

- ❖ Ethical leadership and transparency in decision-making
- ❖ Accountability to stakeholders
- ❖ Protection of minority shareholder rights
- ❖ Regular performance evaluation of the Board and its committees

The disclosures below highlight the Company's compliance with, and the extent of, the above Code of Best Practice, which is organized into eight subsections:

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit
- E. Institutional Investors
- F. Other Investors
- G. Internet of Things and Cyber Security
- H. Environment, Society, and Governance (ESG)

Section	Direction	Status of Compliance	Reference to Annual Report
A. Directors			
A.1 The Board		Complied with.	
A.1	Effective Board, which should direct, lead and control the Company	As at the end of the year under review, the Board comprised of eight Non- Executive Directors who are professionals with extensive experience in the different business sectors, including leaderships in quoted companies.	
A.1.1	Board meetings	Complied with. Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review.	
A.1.2	The role and responsibilities of the Board Formulation and implementation of a sound business strategy;	Complied with. The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings.	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
	<p>Appointing the chair and the senior independent directors if relevant;</p> <p>CEO/Managing Director and management team possess the skills, experience and knowledge to implement the strategy;</p> <p>The adoption of an effective CEO/ Managing Director and Key Management Personnel succession strategy;</p> <p>Approving budgets and major capital expenditure;</p> <p>Determining the matters expressly reserved to the board and those delegated to the management including limits of authority and financial delegation;</p> <p>An effective system to secure integrity of information, internal controls, business continuity and risk management;</p> <p>Compliance with laws, regulations and ethical standards;</p> <p>All stakeholder interests are considered in corporate decisions;</p> <p>Recognizing sustainable business development in Corporate Strategy, decisions and activities and consider the need for adopting "Integrated Reporting";</p> <p>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations;</p> <p>A process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks;</p> <p>A process is established for corporate reporting on annual and quarterly basis or more regularly as relevant to the company; and Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.</p>	<p>The Board has put in place a Corporate Management team led by the CEO who possesses required skills, experience and knowledge necessary to implement the strategy.</p> <p>A succession plan for key management personnel is in place.</p> <p>Budgets and major capital expenditure are reviewed and approved by the Board.</p> <p>The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority.</p> <p>The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the Managing Director and other key management personnel.</p> <p>The Board reviews effectiveness of internal control and risk management system on a continuous basis through the sub committees.</p> <p>Compliance function is in place to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business.</p> <p>The views/impact on all stakeholders is considered when corporate decisions are made at Board meetings.</p> <p>The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/ SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and that such statements are published in the newspapers in all three languages.</p> <p>The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/ comments and recommendations submitted to the Board for the final review and approval.</p> <p>Financial reports are prepared on monthly basis and circulated to the Board for their review and necessary actions. Further quarterly financial statements, bi-annual and annual financial statements are prepared and published in line with CSE and CBSL regulations.</p>	

Section	Direction	Status of Compliance	Reference to Annual Report
A.1.3	Compliance with laws and seeking independent professional advice	<p>Complied with.</p> <p>The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company.</p> <p>The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.</p>	
A.1.4	Access to the advice and services of the Company Secretary	<p>Complied with.</p> <p>All Directors have access to the advice and services of the Company Secretaries to ensure that Board procedures and all applicable rules and regulations are followed.</p> <p>Minutes of Board Meetings are maintained by the Company Secretaries. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.</p>	
A.1.5	Independent judgment of Directors	Complied with.	
A.1.6	Dedication of adequate time and effort by the Board	<p>Complied with.</p> <p>Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged.</p>	
A.1.7	Call for resolution	Complied with.	
A.1.8	Training for Directors	Complied with.	
A.2	Chairman & CEO/Managing Director		
A.2	Separation of the roles and responsibilities of the Chairman and CEO/Managing Director to ensure a balance power and authority, such that no one individual has unfettered powers of decision	<p>Complied with.</p> <p>The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Chief Executive Officer is responsible for managing the Company's business.</p>	
A.2.1	Justification to combine the posts of Chairman and CEO/Managing Director	Not applicable.	
A.3	Chairman's Role		
A.3.1	Role of the Chairman	<p>Complied with.</p> <p>The Chairman provides leadership to the Board and encourages an active contribution of all Non-Executive Directors to the Board's affairs.</p> <p>The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner.</p>	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
		<p>The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretaries circulate formal agenda prior to the Board Meeting.</p> <p>Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.</p> <p>All Directors are encouraged to actively participate in Board's affairs.</p> <p>There is a constructive relationship among all Directors and they work together in the best interest of the Company.</p> <p>Effective communication with shareholders is maintained at the Annual General Meeting providing opportunity for them to express their views and recommendations.</p>	
A.4	Financial Acumen		
A.4	Financial acumen and knowledge	<p>Complied with.</p> <p>The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance.</p>	Refer pages 11-12
A.5	Board Balance		
A.5.1	Have a balance of Executive & Non-Executive Directors	The Board comprises of eight non-executive directors.	
A.5.2 & A.5.3	Independence of Non-Executive Directors	<p>Complied with.</p> <p>Five Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.</p>	
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors	<p>Complied with.</p> <p>The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Listing Rules of the Colombo Stock Exchange and the Finance Business Act Direction No.05 of 2021 on Corporate Governance.</p>	
A.5.6	Appointment of Alternate Director	<p>Complied with.</p> <p>No Alternate Directors have been appointed during the period under review.</p>	

Section	Direction	Status of Compliance	Reference to Annual Report
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	Complied with. Mrs. D Bandara who is an Independent Non-Executive Director serves as the Senior Independent Director of the Company.	
A.5.9	Meetings only with Non-Executive Directors	Complied with. Chairman meets with the Non-Executive Directors whenever necessary.	
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved	Complied with. The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board	
A.6	Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board	Complied with. Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.	
A.6.2	Adequate Notice for Board Meetings	Complied with. Notice of Meeting is circulated to the Directors prior to the meeting for regular Board meetings which are held at monthly intervals.	
A.7	Appointments to the Board		
A.7.1 & A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	Appointment of new directors to the board is done through the nomination committee, subject to regulatory provisions.	
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through an announcement made to the Colombo Stock Exchange (CSE) at the time of their appointment.	
A.8	Re-election		
A.8.1 & A.8.2	All Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
		One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.	
A.8.3	At the resignation the Director should submit a written communication to the board of his reasons for resignation in the event of resigning prior to completion of his appointed term.	Complied with.	
A.9	Appraisal of Board performance		
A.9.1 - A.9.4	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Complied with. The Company has adopted a scheme of self-assessment to be undertaken by each Director annually and filed with the Company Secretaries.	
A.10	Disclosure of Information in respect of Directors		
	Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Disclosure of information on Directors in the Annual Report	Complied with. Information pertaining to Directors is disclosed in the following sections of this Annual Report. Name, qualifications, expertise, material business interests and brief profiles. Related party transactions are disclosed in Note No. 41 of the Financial Statements. Membership of Sub-Committees and attendance at Board Meetings.	Refer pages 11-12 Pages 135-136 Pages 14 and 57-62
A.11	Appraisal of CEO/Managing Director		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO/Managing Director	Complied with.	
B.	Directors' Remuneration		
B.1	Remuneration Procedure		
	The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishment of a Remuneration Committee	Complied with. The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the CEO. No Director is involved in deciding his own remuneration.	

Section	Direction	Status of Compliance	Reference to Annual Report
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	Complied with. All members of the Committee are Non-Executive Directors. The committee members are; (1) Mr. V. R. Ramanan - Non-Executive Director (Chairman) (2) Mrs. A. Wickramasinghe - Independent Non-Executive Director (3) Mr. D. Bandara - Independent Non-Executive Director	
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Refer "Annual Report of the Board of Directors on the affairs of the Company" in this annual report.	Refer page 71
B.1.4	Remuneration of Non- Executive Directors	Complied with. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee whenever they serve on Board sub-committees.	
B.1.5	Consultation with Chairman and/or CEO/ Managing Director for remuneration proposals and access to professional advice	Complied with.	
B.2	Level and make up of Remuneration Levels of remuneration of both Executive and Non - Executive Directors should be sufficient to attract and retain the Directors. Proportion of Executive Directors' remuneration should be linked to corporate and individual performance.		
B.2.1	Level and make up of remuneration of Executive Directors including performance element in pay structure	No Policy available. The Remuneration Committee recommends the remuneration payable to the CEO and Executive Directors. The Board makes the final determination after considering such recommendations.	
	Executive Directors remuneration to promote the long-term success of the company	The Remuneration Committee assesses on the sufficiency of remuneration of Executive Directors including the CEO to ensure current remuneration levels are competitive and promote long-term retention.	
	Remuneration packages in line with industry practices and transparent - performance related elements	The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/ industry rates.	
	Executive share option Non-Executive Directors remuneration	No share options schemes have been offered to the Executive Directors. Non-Executive Directors of the Company are paid a fee in line with the market practices.	
B.3	Disclosure of Remuneration Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board's remuneration as a whole.		

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	<p>Complied with.</p> <p>Refer “Annual Report of the Board of Directors on the affairs of the Company” in this annual report for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company.</p> <p>The aggregate remuneration paid to the Board of Directors is disclosed in Note No. 11 of the Financial Statements.</p>	<p>Refer page 71</p> <p>Refer page 105</p>
C.	Relations with Shareholders		
C.1	Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings		
	The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.		
C.1.1	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	<p>Complied with.</p> <p>Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.</p>	
C.1.2	Separate resolutions for each substantially separate issue	<p>Complied with.</p> <p>A separate resolution is proposed at the AGM for each item to be voted on. Forms of Proxy allow shareholders the option to direct their proxy holder to vote for or against each resolution or to withhold their vote on any matter.</p>	
C.1.3	Properly recording and counting of proxy votes	<p>Complied with.</p> <p>All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.</p>	
C.1.4	Heads of Board Sub-committees to be available to answer queries	<p>Complied with.</p> <p>In the absence of the Chairman of the respective Committee, a co-member will attend to queries raised.</p>	
C.1.5	Summary of procedures governing voting at general meetings to be circulated.	<p>Complied with.</p> <p>Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.</p>	
C.2	Communication with Shareholders		
C.2.1 – C.2.7	The Board should implement effective communication with shareholders.	<p>Complied with.</p> <p>The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company.</p>	

Section	Direction	Status of Compliance	Reference to Annual Report
		<p>A person to contact in relation to shareholders is the Company Secretary.</p> <p>The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.</p>	
C.3	Major and Material transactions Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
C.3.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than one third of the value of the Company's assets.	<p>Complied with</p> <p>Please refer to the 'Annual Report of the Board of Directors on the Affairs of the Company' in this annual report for details regarding the merger.</p>	Refer page 71
C.3.2	Comply with the disclosure requirements and shareholders' approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	No such requirement materialized during the year under review.	
D.	Accountability And Audit		
D.1	Financial Reporting		
D.1	Requirement for Board to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects.	<p>Complied with.</p> <p>The Annual Report of the Company contains the audited Financial Statements together with comprehensive disclosures on the financial position, performance, business model, risk management, governance, internal controls and prospects of the Company to ensure disclosure of a balanced, complete and understandable assessment of the Company.</p>	
D.1.1	Present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	<p>Complied with.</p> <p>The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 and the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.</p>	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
D.1.2	Present interim and other price sensitive public reports and mandated reports to regulators by statute	<p>Complied with.</p> <p>The Board's responsibility over financial reporting is stated in the 'Statement of Directors' Responsibilities' in this annual report.</p> <p>In the preparation of quarterly and annual financial statements, the Company complies with the requirements of the Companies Act No 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and financial statements are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).</p> <p>The Company complies with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.</p>	Refer page 75
D.1.3	Chief Executive Officer's and Chief Financial Officer's Declaration on Financial Statements	<p>Complied with.</p> <p>Prior to approving the Financial Statements for a financial period, the Board obtains the declaration of the CEO and the CFO on their responsibility in respect of financial reporting.</p>	
D.1.4	Declarations by Directors in the Directors' Report	<p>Complied with.</p> <p>Declarations/confirmations pertaining to this Principle are disclosed in the 'Annual Report of the Board of Directors on the affairs of the Company' in this annual report.</p>	Refer pages 71-74
D.1.5	Statements by Directors and Auditors on Responsibility for Financial Reporting	<p>Complied with.</p> <p>The 'Statement of Directors' Responsibilities' and the 'Directors' Statement on the Internal Control System over Financial Reporting' are provided in this annual report.</p> <p>Please refer to the 'Independent Auditor's Report' in this annual report for the auditors' reporting responsibilities.</p>	Refer pages 75-76 Pages 77-81
D.1.6	Include a Management Discussion and Analysis	<p>Partly Complied with.</p> <p>Refer "Chairman's Review", "CEO's Review" & "Risk Management Report" in this annual report.</p>	Refer pages 7, 9 and 63-69
D.1.7	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.	

Section	Direction	Status of Compliance	Reference to Annual Report
D.1.8	Disclosure of Related Party Transactions adequately and accurately in the Annual Report	<p>Complied with.</p> <p>Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in Note No 41 to the Financial Statements in this annual report.</p> <p>Please refer to the responses to the requirements of Section 12 of the Finance Business Act Directions No. 05 of 2021 on Corporate Governance, provided in this annual report.</p>	<p>Refer pages 135-136</p> <p>Refer page 33</p>
D.2	Internal Control		
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	<p>Complied with.</p> <p>The Board is responsible for determining the risk appetite for achieving the strategic objectives of the Company and establishing and overseeing the adequacy and integrity of the Company's risk management processes and internal control systems.</p> <p>The Audit Committee assists the Board in discharging its duties in relation to internal control systems. Internal Audit reviews of the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee.</p> <p>The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.</p>	
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	<p>Partly Complied with.</p> <p>Adequacy and integrity of the Company's internal control systems is reviewed by the Board Audit Committee and the Integrated Risk Management Committee assesses all aspects of risk management on a quarterly basis or more frequently as it deems necessary.</p> <p>The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action.</p> <p>The Board's Statement on the effectiveness of the Company's internal control mechanism is presented in the 'Directors' Statement on internal control system over financial reporting' in this Annual Report.</p> <p>The Company could not obtain the External Auditors' Certification on the effectiveness of the internal control mechanism over financial reporting.</p>	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
D.2.2	Robust assessment of the principal risks faced by the Company	<p>Complied with.</p> <p>The Risk Management Report in this annual report provides an assessment of the risks faced by the Company, along with the processes for risk identification, measurement, and control.</p> <p>Please refer to the 'Integrated Risk Management Committee Report' in this annual report for further details.</p>	<p>refer pages 63-69</p> <p>refer page 57</p>
D.2.3	Internal audit function	<p>Complied with.</p> <p>The Company's Internal Audit function is carried out by in-house internal audit department and the outsourced service provider - Baker Tilly Edirisinghe & Company, who provides assistance in carrying out branch and specialized audit assignments. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings.</p>	
D.2.4	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and document to the Board	Complied with.	
D.3	Audit Committee	Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.	
D.3.1	Composition of the Audit Committee	<p>Complied with.</p> <p>All members of the Board Audit Committee, including the chairperson are Non-Executive Directors and two members are independent non-executive directors as well.</p>	
D.3.2	Duties of the Audit Committee	<p>Complied with.</p> <p>The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.</p> <p>The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors.</p> <p>Please refer responses to requirements of section 10 (2) of the Finance Business Act Directions No.05 of 2021 on Corporate Governance, provided in this annual report.</p>	Refer page 27
D.3.3	Disclosures of the Audit Committee	<p>Complied with.</p> <p>Please refer to the 'Audit Committee Report' in this Annual Report.</p>	Refer page 58

Section	Direction	Status of Compliance	Reference to Annual Report
D.4	Related Party Transactions Review Committee Transactions with related parties should be in manner that would not grant “more favorable treatment” than that accorded to third parties in the normal course of business.		
D.4.1	Related party transactions to be as defined by LKAS 24	Complied with. Related party transactions are defined in accordance with the LKAS 24, CBSL and CSE regulations.	
D.4.2	Establishing a Related Party Transaction Review Committee with a minimum of three Non-Executive Directors.	Complied with. The Related Party Transactions Review Committee was established in August 2015 in line with the Listing Rules of the Colombo Stock Exchange. Please refer to the ‘Related Party Transactions Review Committee Report’ in this Annual Report for detailed Committee information.	Refer page 62
D.4.3	RPT Review Committee's Written terms of reference	Complied with. The Related Party Transactions Committee operates under Terms of Reference and a Board approved Related Party Transactions Policy.	
D.5	Code of Business Conduct and Ethics Requirement to adopt a Code of Business Conduct and Ethics for Directors, Key Management Personnel and all other employees with due disclosures of waivers.		
D.5.1	Disclosure whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel	Complied with. The Company has developed a Code of Conduct and Ethics for all employees.	
D.5.2	Material and Sensitive information is promptly identified and reported	Complied with. Material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	
D.5.3	Policy, process for monitoring and disclosure of shares purchased by Directors, Key Management Personnel or employees	Complied with. All the share dealings of the Directors are disclosed to the CSE promptly as per the CSE Listing Rules.	
D.5.4	Chairman to affirm that code of conduct and ethics has been introduced companywide and he/ she is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics.	Complied with. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics by any Director or Key Management Personnel of the Company. Refer the Chairman's Statement in the Annual Report for details.	Refer pages 7-8
D.6	Corporate Governance Disclosures Requirement to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.		
D.6.1	Disclosure of Corporate Governance	Complied with.	

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
E.	Institutional Investors		
E.1	Shareholder Voting Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders' views to the Board.	Complied with. The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).	
E.2	Evaluation of Governance Disclosures Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	Complied with.	
F.	Other Investors		
F.1	Investing/Divesting Decision		
F.1	Adequate analysis or seek independent advice	Complied with. Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.	
F.2	Shareholder Voting		
F.2	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at Annual General Meeting and exercise their voting rights.	
G.	Internet of Things And Cyber Security		
G.1 – G.5	Internet of Things And Cyber Security	Complied with. Comprehensive IT policy is in place covering network access controls, closer monitoring of the usage of the internet, email and mail server, use of antivirus and firewall servers and software, etc. Please refer to the Risk Management Report for details regarding the disclosure of cyber security risks.	Refer pages 63-69
H.	Environment, Society And Governance (ESG)		
H.1	ESG Reporting	Complied with.	

SECTION THREE

Conformity with the Listing Rules of the Colombo Stock Exchange.

Nation Lanka Finance PLC is in full compliance with Section 7.10 on Corporate Governance under the Listing Rules of the Colombo Stock Exchange. This section outlines the requirements for:

- ◆ Board composition and independence
- ◆ Remuneration policies and disclosures
- ◆ Audit committee responsibilities
- ◆ Risk management and internal control frameworks

Section	Direction	Status of Compliance	Reference to Annual Report
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Complied with Please refer to the 'Annual Report of the Board of Directors on the Affairs of the Company' in this annual report.	Refer page 71
7.6 (ii)	Principal activities of the Entity and its subsidiaries during the year and any changes therein	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' and Section 1.2 of the Notes to the Financial Statements.	Refer page 71 and 90
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied with. Please refer to the 'Information on Ordinary Shares' section in this annual report. The Company has not issued any non-voting shares.	Refer page 133 and 164
7.6 (iv)	The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the Entity complies with the Minimum Public Holding requirement	Complied with. Please refer to the 'Information on Ordinary Shares' section in this annual report.	Refer page 71 and 133
7.6 (v)	The statement of each Directors' holding and CEO/ Managing Director's holding in shares of the Entity	Complied with Please refer to the 'Annual Report of the Board of Directors on the Affairs of the Company' in this annual report.	Refer page 72
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied with. Please refer 'Risk Management' report.	Refer pages 63-69
7.6 (vii)	Details of material issues relating to employees and industrial relations of the Company	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.	
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied with. Information in this regard is disclosed in Note 25 on 'Property, Plant, and Equipment' in the Financial Statements, as well as in the 'Annual Report of the Board of Directors on the Affairs of the Company'.	Refer page 71 and 122

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied with. Please refer Note 40 on 'Stated Capital' in the Financial Statements.	Refer page 133
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied with. Please refer 'Information on Ordinary Shares'.	Refer page 133 and 164
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with. Please refer 'Financial Highlights' and 'Information on Ordinary Shares'.	Refer page 2 and 165
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs sustainability from the book value	Complied with. Please refer Note 25 on 'Property, Plant and Equipment' in the Financial Statements and the 'Annual Report of the Board of Directors on the Affairs of the Company'.	Refer pages 71 and 122
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	Please refer to the 'Annual Report of the Board of Directors on the Affairs of the Company' in this annual report.	Refer page 71
7.6(xiv)	Information in respect of Employee Share Option / Purchase Schemes	No share options schemes have been offered by the Company.	
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	Complied with. Please refer 'Corporate Governance' report.	Refer pages 13-56
7.6 (xvi)	Disclosure on Related Party Transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	Complied with. Please refer Note 41 on 'Related Party Disclosures' in the Financial Statements.	Refer page 135

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange which comprises of five subsections, namely:

- (1) Non - Executive Directors
- (2) Independent Directors
- (3) Disclosures Relating To Directors
- (4) Remuneration Committee
- (5) Audit Committee

Section	Direction	Status of Compliance	Reference to Annual Report
7.10.1	Non-Executive Directors	Complied with.	
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two Non-Executive Directors or such number of Non- Executive Director's equivalent to one third of the total number of Directors, whichever is higher.	All eight Directors are non-executive directors.	
7.10.1(b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Not Complied. The Board comprised of eight Directors as at the conclusion of the immediately preceding Annual General Meeting.	
7.10.1 (c)	Changes to this ratio shall be rectified within ninety days from the date of change.	No such situation has arisen.	
7.10.2	Independent Directors	Complied with.	
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board, whichever is higher, should be independent.	Based on declarations submitted by the Non-Executive Directors, the Board has determined that five Non-Executive Directors are independent.	
7.10.2 (a)	Each Non-Executive Director to submit a signed and dated declaration annually of his/ her independence or non- independence against the specified criteria in Rule 7.10.4.	Complied with. All Non-Executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.	
7.10.3	Disclosure Relating to Directors	Complied with.	
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Please refer to the 'Annual Report of the Board of Directors on the Affairs of the Company' in this annual report.	Refer page 71
7.10.3 (b)	In the event a director does not qualify as independent as per the rules on corporate governance but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless independent, the board shall specify the criteria not met and the basis for its determination in the annual report.	No such circumstance has occurred during the financial year 2023/2024.	
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report which includes information on the nature of his/ her expertise in relevant functional areas.	Complied with. Please refer to the Profiles of the Directors.	Refer pages 11-12
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	Complied with. All new appointments to the Board are announced to the CSE together with the profiles of the Directors, when appointments are made to the Board.	
7.10.5	Remuneration Committee		
	A listed Entity shall have a Remuneration Committee.		

Corporate Governance Report

Section	Direction	Status of Compliance	Reference to Annual Report
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with. The Remuneration Committee comprises of three Non-Executive Directors	
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and CEO/ Managing Director, to the Board	Complied with. The Remuneration Committee recommends the remuneration payable to the CEO and other management personnel. The Board makes the final determination after considering such recommendations.	
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee A Statement of remuneration policy Aggregate remuneration paid to Executive and Non-Executive Directors	Complied with. Refer the names of the Directors that comprise the Remuneration Committee and the Statement of Remuneration Policy and 'Annual Report of the Board of Directors on the Affairs of the Company'. Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 11 to the Financial Statements.	Refer pages 60,72 and 105
7.10.6	Audit Committee A listed Company shall have an Audit Committee.		
7.10.6 (a)	The Audit Committee shall comprise of a minimum of two Independent Non- Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	Complied with. All the members of the Audit Committee are Non-Executive Directors. The Chairman of the Audit Committee is an Independent Non-Executive Director and possesses the required qualifications, as disclosed in this Annual Report.	Refer page 11
	The CEO/Managing Director and Chief Financial Officer shall attend Audit Committee meetings.	The CEO/COO/CFO attends the Audit Committee meetings by invitation.	
7.10.6 (b)	The functions of the Audit Committee shall be as set out in Section 7.10.6 of the Listing Rules.	Complied with. Please refer 'Audit Committee Report'	Refer page 58-59
7.10.6 (c)	The Annual Report shall set out: The names of the Directors comprising the Audit Committee. The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. A report by the Audit Committee setting-out the manner of compliance of the functions set out in 7.10 of the Listing Rules, during the period to which the annual report relates.	Complied with. Please refer 'Audit Committee Report'	Refer page 58-59

Board Integrated Risk Management Committee Report

The Integrated Risk Management Committee is a Sub-Committee of the Board of Directors established to oversee the risk management aspects of the Company, whilst confirming to the Corporate Governance Direction No. 5 of 2021 by assessing and overseeing the management of all risks within the Company. The final responsibility for managing the risks of the Company remains with the Board of Directors.

The Committee composition during the financial year 2023/24 was as follows:

Board Members

- ◆ Mrs. Deepani Bandara – Chairperson of BIRMC
(Independent/Non-Executive Director)
- ◆ Mr. Victor Ramanan
(Non-Independent/Non-Executive Director)
- ◆ Mrs. Shamila Arunodani Wickramasinghe
(Independent/Non-Executive Director)

The following Management representatives attended meetings:

- ◆ Mr. Niresh Madawala – Acting CEO
- ◆ Mr. Eranda Godage – Senior Management
- ◆ Mr. Buddhika Kodithuwakku – CFO
- ◆ Mr. Prasanna Habaragamuwa – Head of Corporate Planning
- ◆ Mr. Lalith Disanayake – AGM - Product Development
- ◆ Mr. Chaminda Jayawardana – Head of Credit
- ◆ Mr. Pasindu Yatanwala – Risk Officer
- ◆ Mr. Yasith Mendis – Compliance Officer

By Invitation:

- ◆ Mr. Dimuthu Senarath – Head of Gold Loan
- ◆ Mr. Asanka Rathnasinghe – Head of IT
- ◆ Mr. Akalanka Batapolarachchi – Head of Recoveries
- ◆ Mr. Heroshan Perera – AGM Investment
- ◆ Ms. Amali Priyadashani – Senior Manager – Legal
- ◆ Mr. Nalin Vithanage – Head of Internal Audit

TERMS OF REFERENCE

The Terms of Reference set out by the Board of Directors include the following:

The main responsibility of the Committee is to assist the Board in fulfilling its responsibilities on all aspects of risk management. For this, Credit, Liquidity, Operational and Market Risk is reviewed using Management Information.

Additionally, the Committee is responsible for:


- Ensuring that a compliance function is in place to assess the Company's compliance with laws, regulations, rules, directions and internal controls.
- Reviewing and overseeing the management's plan for mitigating the material risks faced by the various business units of the Company.
- Ensuring that the Board of Directors is kept updated of the Company's risk exposure.
- Implementing and reviewing the risk management and regulatory compliance throughout the Company.

The Senior Management made decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.

The Committee recommended corrective action to mitigate the effects of specific risks at levels approved by the Board and on the basis of Company's policies, regulatory and supervisory requirements.

MEETINGS

The Committee met four (4) times during the financial year 2023/24. All matters discussed and conclusions reached at the meetings were recorded in the minutes and submitted to the Board of Directors for their information.



Mrs. Deepani Bandara
Chairperson
Integrated Risk Management Committee

8th November 2024

Report of the Audit Committee

COMPOSITION OF THE BOARD AUDIT COMMITTEE

The Board Audit Committee ("the Committee") appointed by the Board of Directors of Nation Lanka Finance PLC comprises of three Independent Non-Executive Directors. The committee is chaired by Mrs. Shamila Arunodani Wickramasinghe, holds B. Sc. Accountancy (Special) Degree 2nd Class Upper Division from University of Sri Jayewardenepura and a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. She is also holder of a Fellow Member of Institute of Certified Management Accountants of Sri Lanka, Fellow Member of the Institute of Chartered Professional Managers, Life Member of Certified Professional Accountants, Fellow Member of the Association of Accounting Technicians of Sri Lanka and a Member of Association of Chartered Certified Accountants.

- ◆ Mrs. S.A. Wickramasinghe (Chairman) - Independent /Non – Executive Director.
- ◆ Mrs. K.G. Deepani Wasantha Kumuduni Bandara (Member) - Independent /Non – Executive Director.
- ◆ Mr. A.G.Maheen Priyantha - (Member) - Independent /Non – Executive Director.

By invitation of the Audit Committee, the Head of Internal Audit, Chief Executive Officer, Chief Financial Officer and the External Auditors attend Audit Committee meetings whenever requested by the Audit Committee. The Head of Internal Audit provides independent assurance of key regulatory compliance of the company in line with their respective Internal Audit Programs including company's Accounting & Operational policies throughout the Internal Audit Function.

Objectives and Role of the Audit Committee

The Audit Committee is responsible for:

- ◆ To assist the board of directors in fulfilling its oversight responsibilities for financial reporting process, the system of internal control, the audit process, risk management, compliance with laws, regulations and directions of the CBSL and other regulators, as well as the adequacy and effectiveness of the governance process of the organization.
- ◆ Examine any matter relating to financial and other related affairs of the company internally.
- ◆ Monitor and follow up the internal and external audit program and plan, review the external and internal audit reports and follow up on findings and recommendations.
- ◆ Ensure that efficiency and sound financial reporting system is in place to provide accurate, appropriate and timely information to the board.
- ◆ Review the quality and appropriateness of accounting policies and disclosures in accordance with Sri Lanka Accounting Standards /Sri Lanka Financial Reporting Standards.
- ◆ Review of the financial information of the Company, in order to monitor the integrity of the financial statements of the Company, its annual report, accounts and quarterly reports prepared for disclosure.
- ◆ Make recommendation on matters concern with engagement, re-engagement, and removal of external auditors and services period and & audit fees.
- ◆ Engaging independent advisors on specialized functions where it is deemed necessary. The Committee periodically reviews the independence, objectivity and effectiveness of audit process in compliance with applicable standards and best practices.

COMMITTEE RESPONSIBILITIES

The Audit Committee is set up primarily to assist the Board in carrying out its overall independent oversight functions in relation to the accuracy and integrity of the financial statements, internal controls and compliance with Company policies and regulatory requirements. This is done to safeguard the interests of stakeholders.

The Committee shall exercise its independent oversight on internal and external assurance functions and ensure both internal and external auditors' independence, objectivity and the effectiveness of the audit process, taking in to consideration relevant Sri Lankan professional and regulatory requirements.

Review the internal audit findings and taking steps to ensure that precautionary measures are taken to mitigate the risk that could arise due to reported control weaknesses, procedure violations, frauds and errors.

The Committee is provided with resources to perform its duties including support, as necessary, from the Internal Audit Department, the external auditor and management in examining all matters relating to the Company's adopted accounting principles and practices, and in reviewing all material financial, operational and compliance controls.

AUTHORITY

The committee has the explicit authority to investigate to any matter including call any employee to be questioned at meetings of the committee within its terms and reference, obtained required resources, full access to information, obtained external professional advice if necessary and invite outsiders with relevant experience to attend if necessary.

MEETINGS

The committee held five meetings during the financial year under review. The attendance of the committee members at the meetings were as follows,

Meetings conducted for the period from 01st April 2023 to 31st March 2024

Name of the Member	Number of Meetings Held	Number of Meetings Attend
Mrs. S. A. Wickramasinghe (Chairman)	05	05
Mrs. Deepani Bandara (Member)	05	05
Mr. Maheen Priyantha (Member)	05	05

INTERNAL AUDIT

The Audit Committee monitored and reviewed the scope, extent and effectiveness of the activity of the Company's Internal Audit Department that included updates on audit activities and achievements against the Company's audit plan, advising corporate management to take precautionary measures on significant audit findings and assessment of resource requirements of the Internal Audit Department. The Audit Committee had provided the Head of Internal Audit with necessary information throughout the year.

During the year, Audit Committee had also reviewed the internal audit plan and monitored the progress on a regular basis. The sections covered and the extensiveness of audits depends on the risk level of each section, where higher risk, being audited more frequently.

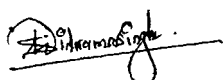
The Internal Audit Dept. comprises of broad areas namely, Branch, Functional Department / Corporate Governance, Compliance, and Procedure Manual Review.

EXTERNAL AUDITORS

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. The Audit Committee recommended the scope and fees for audit and permitted non-audit services provided by External Auditors.

The Committee has received a declaration from External Auditors as required by the Companies Act No. 7 of 2007, confirming that they do not have any relationship or interest in the company, which may have a bearing on their independence within the meaning of the Code of Conduct and Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Committee reviewed the external audit plan nature and scope as well as management letters and followed up on issues raised. Private meetings were held with External Auditors to ensure that there were no restrictions on the scope of their audit and to discuss matters without, the key Management Personnel.



S. A. Wickramasinghe
Chairman – Board Audit Committee

30th October 2024
Colombo, Sri Lanka

Report of the Board Human Resource and Remuneration Committee

COMPOSITION

The Board Remuneration Committee, appointed by the Board of Directors of Nation Lanka Finance PLC, comprised three Non-Executive Directors during the financial year ended 31st March 2024. The composition of the Committee was as follows:

1. Mr. V. R. Ramanan – Chairman (NED)
2. Mrs. S. A. Wickramasinghe – Independent Non-Executive Director (IND/NED)
3. Mrs. K. G. D. W. K. Bandara – Independent Non-Executive Director (IND/NED)

The Chief Executive Officer (CEO) and the HR Manager attended the meetings by invitation to assist in the Committee's deliberations. The Company Secretary functioned as the Secretary to the Committee.

MEETINGS

During the year under review, two meetings of the Remuneration Committee was held. The attendance of the members at this meeting is as follows:

Name	28.04.2023	25.07.2023
Mrs. Shamila Arunodani Wickramasinghe	✓	✓
Mr. Victor Rajamanner Ramanan	✓	✓
Mrs. Deepani Wasantha Kumuduni Bandara	✓	✓

REGULATIONS RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The role and functions of the Remuneration Committee were identified with reference to Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka on Corporate Governance for Licensed Finance Companies and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

SCOPE AND RESPONSIBILITIES

The Committee's scope includes determining the Remuneration Policies for Directors, the CEO, and Key Management Personnel (KMP). This includes setting policies related to salaries, allowances, and other financial payments.

REPORTING TO THE BOARD

Minutes of the Committee meetings were tabled at the Board meetings to provide members with access to the Committee's deliberations.

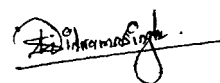
EVALUATION AND REMUNERATION POLICY

The Committee is responsible for reviewing the remuneration of the Executive Director/Chief Executive Officer and making recommendations on appropriate remuneration, benefits, and other payments. The Committee established a non-discriminatory remuneration policy for the Board members, considering their contributions to the Board and their leadership in Board Sub-Committees.

The performance of the CEO is evaluated against the targets and goals set by the Board, and the Committee determines the basis for revising remuneration, increments, bonuses, and other performance-based incentives.

BOARD DISCUSSIONS AND DECISION-MAKING

The Committee regularly meets to discuss relevant matters. A signed statement by the Chairman of the Committee is presented at Board meetings, highlighting the key discussions and recommendations. Based on these recommendations, the Board of Directors makes the final determinations regarding remuneration policies and any required actions.



S. A. Wickramasinghe
Chairman – Remuneration Committee

30th October 2024
Colombo, Sri Lanka

Report of the Board Nomination Committee

COMPOSITION

The Board Nomination Committee, appointed by the Board of Directors of Nation Lanka Finance PLC, consisted of three Non-Executive Directors during the financial year ended 31st March 2024. The composition of the Committee was as follows:

1. Mr. V. R. Ramanan – Chairman (NED)
2. Mrs. S. A. Wickramasinghe – Independent Non-Executive Director (IND/NED)
3. Mrs. K. G. D. W. K. Bandara – Independent Non-Executive Director (IND/NED)

The Chief Executive Officer (CEO) attended the Committee meetings by invitation, and the Secretary to the Board functioned as the Secretary of the Committee.

MEETINGS

During the financial year, three meetings were held. The attendance of the Committee members at each meeting is as follows:

Name	25.07.2023	19.09.2023	24.01.2024
Mr. Victor Rajamanner Ramanan	✓	✓	✓
Mrs. Shamila Arunodani Wickramasinghe	✓	✓	✓
Mrs. Deepani Wasantha Kumuduni Bandara	✓	✓	✓

FUNCTIONS AND RESPONSIBILITIES

The Committee reviewed the succession plan and assessed the fitness and propriety of Directors and Key Management Personnel (KMP). In addition, the Committee reviewed and updated the Job Descriptions (JDs) of the KMPs to ensure they align with the current needs of the Company.

PROCEDURE

The Committee meets as needed, acting within its mandate as approved by the Board of Directors, and makes recommendations to the Board for further consideration.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters under its purview to ensure that it operates effectively and makes informed decisions.

REPORTING TO THE BOARD

The minutes of the Nomination Committee meetings were tabled at the Board meetings, providing access to all Board members.

REPORT OF THE BOARD NOMINATION COMMITTEE

The Committee supports the Board in fulfilling its statutory and fiduciary responsibilities related to the selection and appointment of new Directors, reappointment of current Directors, and the selection and appointment of the CEO, Executive Directors, and senior management. This ensures the highest levels of corporate governance within the Company and among Board members.

The Committee regularly reviewed the structure, size, composition, including gender representation, and competencies of the Board and recommended changes where necessary. Succession planning was also considered for retiring Directors, the CEO, and senior management, ensuring continuity and addressing new expertise requirements.

The Committee also reviewed the composition of the Board and Board Sub-Committees in compliance with the regulations of the Central Bank of Sri Lanka (CBSL) and the listing rules of the Colombo Stock Exchange (CSE). A structured procedure for conducting Board and Board Sub-Committee meetings was also established, ensuring effective corporate governance practices.



Victor Ramanan
Chairman – Nomination Committee

8th November 2024
Colombo, Sri Lanka

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee assists the Board of Directors in ensuring that the interests of shareholders are fully considered when entering into transactions with related parties. The Committee is tasked with implementing, reviewing, and overseeing policies to avoid conflicts of interest and to ensure transparency in all related party transactions.

COMPOSITION AND MEETINGS

The Committee was appointed by the Board of Directors of Nation Lanka Finance PLC. During the year under review, the Committee met four times. The attendance of the Committee members is as follows:

Name	27.06.2023	13.09.2023	24.01.2024	22.02.2024
Mrs. Shamila Arunodani Wickramasinghe	✓	✓	✓	✓
Mrs. Deepani Wasantha Kumuduni Bandara	✓	✓	-	✓
Mr. Maheen Priyantha	✓	✓	✓	✓

SCOPE OF THE COMMITTEE

The scope of the Related Party Transactions Review Committee includes:

- ◆ Assisting the Board in implementing, reviewing, and overseeing policies related to related party transactions to avoid conflicts of interest.
- ◆ Reviewing all proposed related party transactions in advance.
- ◆ Adopting and overseeing the execution of policies for related party transactions.
- ◆ Determining whether related party transactions require the approval of the Board or the shareholders of the Company.
- ◆ Establishing guidelines for Senior Management concerning ongoing related party transactions.
- ◆ Ensuring that no Director participates in any discussion or decision regarding a proposed related party transaction if they have a personal interest, unless requested to provide relevant information by the Committee.
- ◆ Ensuring timely market disclosures and disclosures in the Annual Report in compliance with applicable rules and regulations.

AUTHORITY

The Committee has the authority to discuss matters within its scope and report its recommendations to the Board for final decisions.

RELATED PARTY TRANSACTIONS DURING 2023/2024

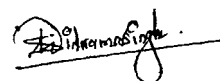
Details of the related party transactions during the financial year 2023/2024 are disclosed under Note 41 on pages 135-136 of the Annual Report.

STATEMENT

The Committee reviewed all related party transactions during the financial year and provided comments and observations to the Board. These were incorporated into the Board's deliberations.

DECLARATION

The Board of Directors declares that no related party transactions falling within the scope of the listing rules were entered into by the Company during the financial year 2023/2024.



S A Wickramasinghe

Chairman - Related Party Transactions Review Committee

30th October 2024
Colombo, Sri Lanka

Risk Management Report

Nation Lanka Finance principal approach to risk management aims to ensure all key risks within the Company's risk universe, both financial and non-financial, are managed in a consistent manner to support the achievement of business plans and strategic growth objectives.

As a financial company, risk is inherent in Nation Lanka business activities. As the main custodian of Risk Management, the Board has adopted an enterprise-wide approach to support prudent risk-taking to enable the business model to support the Company's strategic objectives. The purpose of the Risk Management approach is to address all key risks that could have a potential negative impact on the earnings, capital, and liquidity of the Company. The success of the RM process is anchored by a strong risk governance structure and supported by a fully-fledged risk management framework comprising tolerance limits, policies and procedures, appropriate management information systems, along with internal controls and risk testing tools.

The country's economy experienced its most severe economic downturn in 2022, with the country witnessing a significant decline in GDP growth, high inflation rates, high exchange rate fluctuations and a sharp increase in unemployment. Additionally, the economic downturn has also led to a decrease in consumer spending and investment, further exacerbating the challenges faced by the financial industry. Therefore, in response to the emerging challenges, the Company adopted an approach that was focused on managing risks and growing selected portfolios while optimizing capital.



- ❖ **Risk Identification:** Clearly define the types of risks that the organization may face, considering internal and external factors. This involves identifying potential events or circumstances that could impact the achievement of objectives.
- ❖ **Risk Assessment:** Evaluate the likelihood and potential impact of identified risks. This helps prioritize risks based on their significance and allows the organization to focus resources on managing the most critical ones.
- ❖ **Risk Mitigation and Controls:** Establish strategies and controls to reduce or eliminate the impact of identified risks. This may involve implementing preventive measures, developing contingency plans, or transferring risks through insurance or other means.
- ❖ **Monitoring and Reporting:** Define a process for ongoing monitoring of risks to ensure that the organization remains aware of changes in the risk landscape. Establish reporting mechanisms to keep stakeholders informed about the status of risks and risk management activities.
- ❖ **Compliance:** Ensure that the organization complies with relevant laws, regulations, and industry standards related to risk management. This includes defining procedures to assess and address compliance with external requirements.

ENTERPRISE RISK MANAGEMENT

As far as NFF is concerned, ERM is an ongoing process that requires continuous improvement and changes from time to time. It should provide a consistent framework of reference and a common language by which risks are identified, described, measured, mitigated and reported. This process should first start at the board level and ultimately spread down to all levels including the senior management. Further, this process should be supported by an implementation team who has relevant expertise, commitment of time, resources, training and support to get actively involved in achieving ERM objectives and aid those who are involved in the process. The Board of Directors hold the ultimate responsibility of managing risk and they are supported by the Integrated Risk Management Committee (IRMC), which assembles on a regular basis to review risk related matters. The risk is monitored and managed at each department and business unit and is reported to the IRMC. In addition, the Risk and Compliance Department is

responsible for coordinating the risk management function and providing expertise to other departments and units, while the Internal Audit Department is responsible for conducting regular audits on the effectiveness of the risk management process and reporting to Audit Committee of the Board and the Board of Directors.

```
graph TD
    SH[Share Holder] --> BD[Board of Directors]
    BD --> EAs[External Auditors]
    BD --> BSC[Board Sub Committees]
    BD --> CEO[Chief Executive Officer]
    BSC --> EAs
    BSC --> CS[Company Secretary]
    BSC --> CSO[Control Oversight Functions]
    BSC --> MSC[Management Sub-Committees]
    CEO <--> ECM[Executive Committee Members]
    ECM <--> OM[Operational Management]
    OM <--> MM[Middle Management]
    MM <--> OS[Operational Staff]
```

The diagram illustrates the Corporate Governance Framework of the Bank of China Limited. At the top is the **Share Holder**, who oversees the **Board of Directors**. The **Board of Directors** is responsible for the overall management and supervision of the Bank, and it oversees the **Board Sub Committees**, the **Chief Executive Officer**, and the **Company Secretary**. The **Board Sub Committees** include the **Board Integrated Risk Management Committee**, **Board Audit Committee**, **Board Nomination Committee**, **Board Remuneration Committee**, and **Board Related party Transaction committee**. The **Chief Executive Officer** is responsible for the day-to-day management of the Bank, and he oversees the **Executive Committee Members**, **Operational Management**, **Middle Management**, and **Operational Staff**. The **Company Secretary** is responsible for the corporate governance and legal affairs of the Bank. The **External Auditors** are responsible for auditing the financial statements of the Bank. The **Management Sub-Committees** include the **Asset and Liability Committee**, **Credit Committee**, and **Information Technology steering Committee**. The **Control Oversight Functions** include the **Risk Officer**, **Compliance Officer**, and **Head of Internal Audit**.

Operational risk is the risk of losses or failed internal processes, people and systems, or from external events such as natural disasters, social or political events. It is inherent in all financial products and processes and the company's objective is to control it in a cost-effective manner. Operational risk includes legal risk but excludes strategic and reputational risk.

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or from external events. These are mainly the uncertainties and hazards a company faces when it attempts to do its day-to-day business activities within a given field or industry.

Risk Assessment

- ◆ Regular review of operational systems, processes, and procedures
- ◆ Internal and external audits
- ◆ Risk Mitigation
- ◆ Maintain the integrity of internal controls and reduce errors in the transaction process

Control

- ◆ Internal and external audits / Risk audits
- ◆ Disciplinary actions against the violations of procedures are
- ◆ Business continuity planning (BCP) to avoid disruptions to business
- ◆ Operational Risk policy to be developed with BCP.

CREDIT RISK

This is the risk that the promised cash flows from loans and securities held by the financial institutions may not be paid in full. It is related to the risk of default of a specific borrower, or to the risk of delay in servicing the loan. In both cases, the present value of the bank's assets declines and this undermines the solvency of the financial institute. Credit risk is the most important risk connected with the assets held by a financial institution. Financial institutions can manage the credit risk by screening and monitoring, credit rationing, use of collateral, endorsement, and diversification.

Risk Assessment

- ◆ Pre Credit appraisal
- ◆ Post credit portfolio/reviews
- ◆ Review of product/sectoral concentration and analysis
- ◆ Review of Credit Delegation authority approved by Board of Directors (BOD)
- ◆ Risk rating model/application to customer, products portfolio, etc.

Risk Mitigation

- ◆ Insurance cover over assets financed and collateral offered
- ◆ Mortgage protection cover for the loan value
- ◆ Cap on credit concentration product/sector-wise & % of lending for each product type.
- ◆ Collateral management, independent pre-credit inspection, valuation of vehicles financed (VIR), and immovable properties (PIR) offered as security.

Control

- ◆ Credit Committee monitoring and review of credit portfolio.
- ◆ Credit Policies/Delegation of authority and credit circulars.
- ◆ Post-credit monitoring of conditioned covenants of advances and renewal of insurance cover over assets/collateral financed.
- ◆ Stress Testing model assessment of company's capital and liquidity to withstand credit losses.

LIQUIDITY RISK

Liquidity is crucial for NLF because they rely on readily available funds to manage daily operations, honor customer withdrawals, and meet regulatory requirements. This arises when an organization finding it difficult to pay its debt when it falls due. If the organization services its debts while suffering catastrophic losses the organization is at liquidity risk. As a finance institute, liquidity risk arises mainly when it is unable to meet its short-term debt obligations & return customer funds on their demand.

Risk Assessment

- ◆ Review of short-term maturity mismatch of assets and liabilities.
- ◆ Cash flow analysis & Cash flow forecast

Risk Mitigation

- ◆ Managing funds for disbursement of credit / new facility
- ◆ Post Credit Monitoring and collection recovery targets
- ◆ Contingency funding & borrowing plan/limits
- ◆ Securitization funding arrangements.

Control

- ◆ Assets & Liability Committee (ALCO) monitoring
- ◆ Investment Limits/gap
- ◆ Credit & Deposit portfolio concentration
- ◆ Stress testing models to be developed to avoid liquidity gaps.

INTEREST RATE RISK

Interest rate risk is the risk that arises when the absolute level of interest rates fluctuates. Interest rate risk is the potential for investment losses that result from a change in interest rate. Interest rate risk can be reduced through diversification of bond maturities or hedged using interest rate derivatives.

NLF deal with loans, borrowings, and investments, fluctuations in interest rates can directly affect their profitability, asset values, and cost of funding.

STRATEGIC RISK

These are risks that arise from the decisions that the directors take with respect to the organization's objectives. Strategic risks are the risks of failing to achieve the business objectives. Strategic risk comprises Business risks which are risks that are derived from the decisions the board takes about products & services that the organization supplies and non-business risks that do not derive from the decision taken regarding products or services supplied.

Risk Management Report

Potential for losses or diminished profitability resulting from flawed business strategies, poor execution of strategies, or the company's failure to adapt to changes in the business environment. This type of risk arises from long-term decisions and the company's ability to position itself competitively in the market, particularly in response to external factors such as competition, regulation, technological advancements, or shifts in customer behavior.

Risk Assessments

- ◆ Prepare a preliminary Strategic Risk Profile
- ◆ Validate and finalize the Strategic Risk Profile
- ◆ Develop a Strategic Risk Management Action Plan
- ◆ Communicate the Strategic Risk Profile and Strategic

Risk Mitigation

- ◆ Evaluating and updating Company policies and manuals for every two years
- ◆ Establishing CFO and allocating KPIs for each CFO.
- ◆ Proper defining of business goals
- ◆ Establishing Monitoring and Reporting system
- ◆ Stress testing under development to monitor strategic risk/control.

Control

- ◆ Board of Directors
- ◆ BIRMC
- ◆ Corporate Planning Division

MARKET RISK

NLF refers to the potential for losses arising from fluctuations in the financial markets that affect the value of the company's assets, liabilities, or financial position. This is the risk related to the uncertainty of a company's earnings on its trading portfolio/investments

caused by changes in the market conditions such as interest rates, equity return, exchange rates, market volatility, inflation, geopolitical events & recessions. Market risk encompasses equity risk, commodity risk, currency risk, interest rate risk & inflation risk. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company. Company's market risk management is operationalized through ALCO Policy, Treasury procedures and Board-approved Risk appetite limits.

Risk assessment

- ◆ Regular review of interest rates with competitor analysis and internal cost of funds (WACC) for re-pricing decisions on lending & deposits.
- ◆ Product portfolio analysis & maturity analysis

Risk Mitigation

- ◆ Daily revaluation of gold prices managed by the head of pawning
- ◆ Fortnightly report submission to ALCO on gold prices
- ◆ Re-pricing / hedging of interest rates.
- ◆ Setting exposure caps on pawning/ gold loan advance portfolios.

Control

- ◆ Assets and Liability Committee (ALCO)
- ◆ Internal Policy guidelines inter-alia interest rates on lending deposits, investments shares, government securities
- ◆ Systematic approach on product pricing & continuous monitoring.

FINANCIAL RISK

Financial risk is the possibility of losing money on an investment or business venture. Some more common and distinct financial risks include credit risk, liquidity risk, and operational

risk. Financial risk is a type of danger that can result in the loss of capital to interested parties.

Risk Assessment

- ◆ Budget Forecast
- ◆ Performance History review & Past financial statement analysis/ forecasting
- ◆ Financial control and records

Risk Mitigation

- ◆ Existing Performance management system improvement under HR to identify skill gaps & direct staff for required training.
- ◆ Develop CSFs (critical success factors) & KPIs (Key performance indicators) at organizational, branch & departmental levels.
- ◆ Linking above to risk management framework in terms of Key Risk Indicators. (KRI)
- ◆ Development of strategic planning.
- ◆ Outsourcing at the right times
- ◆ Using metrics on decision making
- ◆ Diversify income

Controls

- ◆ Review budgetary control on a quarterly basis under strategic planning
- ◆ Analyzing debt to Capital ratio
- ◆ Quantitative analysis (Financial Indicators/Ratios)

COMPLIANCE & REGULATORY RISK

This arises from laws and regulations that rely on penalties or sanctions to regulate the operations of a business. As a financial institute, this risk type is at a high level. Inability to meet laws & regulations or violations of such will bring about dire consequences on the organization.

Company resulting from noncompliance with applicable laws, rules and regulations and codes of conduct and could result in regulatory fines,

financial losses, disruptions to business activities and reputational damage.

Risk Assessment

- ◆ Compliance risk assessment/ monitoring on statutory, legal, internal & regulatory on a monthly basis
- ◆ Monitoring customer complaints. (CBSL FCRD & financial ombudsman)

Risk Mitigation

- ◆ Compliance reporting to board/ BIRMC on a monthly basis
- ◆ Internal Circulars to staff
- ◆ IT System enhancement to the compliance process
- ◆ Periodic reviews & meetings.

Control

- ◆ BIRMC & Audit Committee (BAC)
- ◆ Risk & Compliance Officers reporting to BIRMC

Risk Assessment

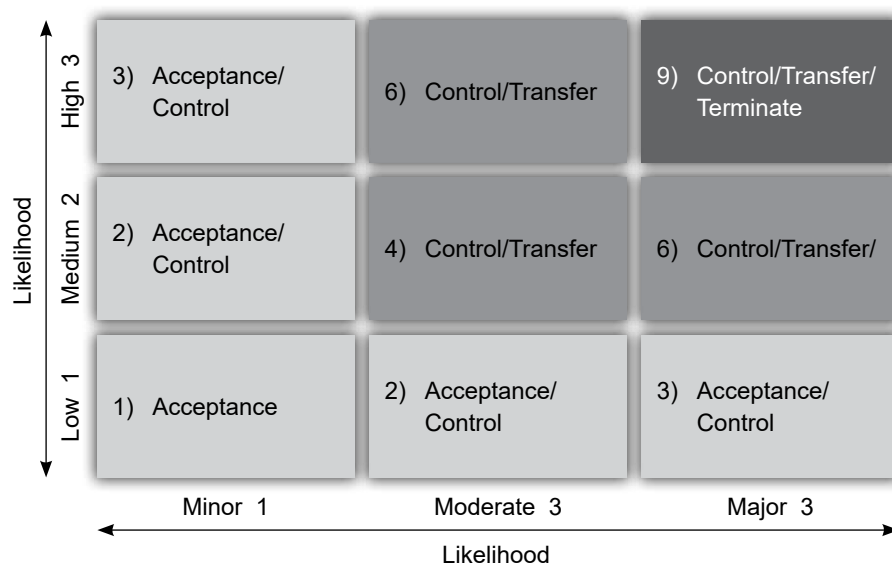
Risk assessment is the next phase after risk identification. This is a very important element in risk management. The organization should be able to assess the significance of the risk & prioritize what risks need urgent treatment. In order to achieve this, we are required to deploy a risk matrix, stress testing & financial & non-financial ratios, etc. would help to properly assess the risk levels poses on the organization. Every potential risk will be assessed under two variables as Likelihood & Impact. Identified risks should be assessed to grade the risk based on the overall risk.

Evaluation should be done as follows.

Parameters for evaluating, categorizing, and prioritizing risks typically include

- ◆ risk likelihood (i.e., the probability of risk occurrence),
- ◆ risk impact (i.e., the impact and severity of risk occurrence),

The risk likelihood and impacts identified will mapped using the risk Matrix below.



At risk evaluation risk factors should be assessed and determined in terms of impact of the risk factor as follows:

Guidance on Impact Ratings	
Scale	Rating
3	High
2	Medium
1	Low

Overall risk score is decided based on points generated by likelihood and impact as follows,

The evaluation of risks is needed to assign relative importance to each identified risk, and is used in determining when appropriate management attention is required. The following risk categories and scores will be used identify prioritize risk.

Overall Risk Category	Overall Risk Score
High Risk	9
Medium Risk	4 to 6
Low Risk	1 to 3

Risk Management Report

Risk appetite

Risk appetite for a NLF refers to the amount and type of risk that the company is willing to take in pursuit of its strategic objectives. It defines the boundaries within which the company is comfortable operating and determines the risks it is willing to accept, manage, or mitigate to achieve its business goals. The risk appetite framework aligns the company's risk-taking activities with its financial capacity, regulatory requirements, and stakeholder expectations.

Risk Appetite is defined as the quantum of risk the Company is willing to assume in different areas of business in achieving its strategic objectives and ensuring the stringent maintenance of the desired risk profile. The Risk Appetite framework and Risk Tolerance limits have been defined by the Board in consultation with the Senior Management of the NLF in-line with its overall business strategy, providing clear direction to the business units for ongoing operations and risk management. The Risk Appetite framework and Risk Tolerance limits are reviewed and adjusted by the Board when required, based on developments in the operating environment. In the event the risk appetite threshold has been breached, risk management and business controls are implemented to bring the exposure level back within the accepted range. Risk appetite, therefore, translates into operational measures such as limits or qualitative checkpoints for the dimensions of capital, earnings volatility and concentration risk etc.

The Risk Management Structure

The Board of Directors are responsible for overall risk management of the Company. The IRMC (Integrated Risk Management Committee) is one of the board level sub-committees that oversees the risk management of the company. The IRMC is chaired by an Independent Non-Executive Director. Risk Management Officer is appointed as the secretary of the committee. The role of IRMC is very critical and vital in the context of risk management. This Committee will set the tone for the overall risk management process of the company.

The Company is primarily exposed to credit risk, interest rate risk, operational risk, business risk, compliance & regulatory risk and liquidity risk. The Company has established the structure to address the primary and secondary levels of risks that the company will be exposed to. Under the supervision of the IRMC, there are 03 other committees that function. Namely ALCO (Asset-Liability Committee), Credit Risks Committee and ORC (Operational Risk Committee). The ALCO will mainly overlook the areas of risks pertaining to liquidity, profitability, Interest rates and capital requirements. The Credit risks committee will overlook credit/default risk, recovery levels, Non-performing and bad debts movements, the company's lending policy and the impacts of market changes on the products. The ORC committee will ensure operational stability of the company. The ORC will extend its scope of monitoring over internal processes, soundness of control of the IT system, targets, budget achievements, compliance with regulatory stipulations and effectiveness in utilization of resources. All the departments of the Company report to the 03 committees based on predetermined segregation of

departments to committees. This segregation has been carried out based on the type of risks the departments are exposed to.

Risk Management Responsibilities

Key responsibilities of risk management lie with the following management bodies and committees.

Board of Directors

Board of Directors Responsible to the shareholders for the strategic direction, supervision, control of the company, and for defining the company's overall tolerance for risk.

The Board Integrated Risk Management Committee (BIRMC)

Responsible for assisting the board of directors of the company in full filling their oversight responsibilities by guiding the risk governance and the development of the risk profile, including regular review of major risk exposures and the approval of risk limits.

Board Audit Committee (BAC)

Responsible for assisting the board of directors of the NLF in fulfilling their oversight responsibilities by monitoring management's approach with respect to financial reporting, internal controls, accounting, risk management, and legal and regulatory compliance. In addition to the above audit committee is responsible for monitoring the independence and the performance of the internal and external auditors.

Head of Risk & Risk Management division

Responsible for implementing & managing the entire risk management processes & reporting to BIRMC.

Risk Management & Reporting system

Risk monitoring and reporting is an ongoing process at NLF that involves surveillance and communication of risks. It includes regular assessment of identified risks, tracking their status and impact, and timely reporting to relevant stakeholders. By closely monitoring risks, the Company stay informed about emerging risks and changes that could affect the achievement of our business goals.

Reporting on risks is crucial for transparency and accountability, involving the communication of risk information to key stakeholders. Reports provide an overview of the current risk.

The IRMC shall meet minimum once a quarter or more as the Committee would decide. (However, the IRMC of NLF has on a monthly basis). All 03 committees will present their summaries of risk status in the respective areas they overlook. These Committees will present their risk status on a risks cards detailing all the risks encountered and foreseen by the departments and in the areas that they oversee. The IRMC will discuss all the risks (committee-wise) and discuss what the actions are being taken at the committees to treat respective risks. The IRMC will advise the committees on any other actions that are required to be taken. The Chairman of the IRMC will brief the Board at the board meetings in summarized form of IRMC proceedings. The Chairman will also brief the board of the significant risks that the company faces and on the types of actions to be implemented to mitigate such risks. The Board of Directors will discuss the outcomes of the IRMC and approve the actions in order to minimize the risks posed to the Company.

BIRMC – Board Integrated Risk Management Committee

The Integrated Risk Management Committee of Nation Lanka PLC was established in terms of the finance companies' direction No.5 of 2021 issued by the monetary board of the Central Bank of Sri Lanka under the Finance business Act no 42 of 2011.

The IRMC assesses the risk of the company's all departments and product-related risks on a monthly basis while categorizing them under 03 risk categories is Low, Medium, and High. Immediate and appropriate actions were taken to mitigate the effect of those identified risks and staff were made aware of the actions required to be implemented. As a measure of reducing the risk that the company would face, the compliance function is also strengthened to adhere to laws, regulatory directions, and guidelines that encompass all areas of business operations.

- ◆ Monitoring the actions proposed at the meetings of the committee to ensure that the severity of risk is mitigated
- ◆ Reviewing and agreeing to work plans, related strategies, and policies to mitigate the risk along with a good understanding of the measures and mechanism suggested by the members of the BIRMC

- ◆ Reviewing all risk and related activities on monthly basis, thus reducing the risk in all functions that the company was undertaking
- ◆ Consequent to reviewing the risks, quantitative and qualitative measures were proposed and report such action to the board of directors every month
- ◆ Follow up actions are taken to ensure that decisions made at the committees were implemented
- ◆ Taking actions to ensure that the corporate plan was carefully considered while addressing the 3 levels of risk involved
- ◆ Reviewing the effectiveness of the compliance functions to assess the company's compliance with laws, regulations, regulatory guidelines, and corrective actions were taken where necessary. The compliance officer is facilitating related matters.

Based on the activities done by the committee, The IRMC is responsible for submitting a risk assessment on monthly basis to the board of directors seeking the views of the board, its concurrence, and specified directions on related matters

FINANCIAL INFORMATION

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

The Board of Directors of Nation Lanka Finance PLC present their report on the affairs of the Company together with the Audited Consolidated Financial Statements of the Group for the year ended 31st March 2024.

The Report contains pertinent information and disclosures required under the Companies Act No.07 of 2007, the Listing Rules of the Colombo Stock Exchange, the Finance Companies Act, recommended Best Practices of Corporate Governance and the requirements of the Sri Lanka Accounting Standards

PRINCIPAL ACTIVITIES

The principal business activities of the Group are Lending including Financial Leases, Hire Purchase, Micro Finance, Loans, Pawning, Financial Services and Trading in Real Estate & Property Development. There were no significance changes in the nature of the principal activities of the Company and the Group during the Financial year under review.

RESULTS AND APPROPRIATIONS

The Financial Statements of the Company and the Group are given on Page 82 of this Annual Report.

REVIEW OF OPERATIONS & PERFORMANCE

The Chairman's Review provides an overall assessment of the Company's Operations and Performance during the Financial year under review on Page 7.

MISSION STATEMENT & CORPORATE GOALS

The Vision and Mission Statement of the Company are given on Page 6.

BRANCH NETWORK

The Company has 40 Branches/ Services Centers in different parts of the Island.

INVESTMENTS

Details of Investments held by the Company are described in Note 17 and 18.

DIVIDENDS

The Board of Directors do not recommend the payment of a dividend for the Shareholders for financial year under review.

PROPERTY, PLANT AND EQUIPMENT

Group expenditure on the acquisition of fixed assets during the year amounted to Rs. 49.7 Mn and information relating to movement in Fixed Assets is given in Note 25 to the Accounts

STATED CAPITAL

Consequent to the Amalgamation with Kanrich Finance Limited effective 31st July 2023, by way of a share swap, the Company issued 4,062,937,196 Ordinary Shares for the Ordinary & Preference Shareholders of Kanrich Finance Limited for the consideration of Rs.1,778,347,610.60.

The Stated Capital of the Company as at 31st March 2024 was Rs.4,108,420,583.00 representing 6,996,774,035 Ordinary Shares. The structure of the Stated Capital is given in Note 39 to the Accounts.

MAJOR SHAREHOLDINGS

The number of shares and the percentage of the respective holdings of the 20 Major Shareholders of the Company as at 31st March 2023 and 31st March 2024 are listed on Page 164 under the title "Shareholder and Investor Information".

SHAREHOLDER INFORMATION

As at 31/03/2024 there were 14,002 Registered Shareholders. The Public Holding as at the said date was 23.21% representing 13,999 Shareholders.

The Company complies with the Minimum Public Holding Requirement Rule 7.13.1 (a) under Option 5 as at 31st March 2024 as per the details set out below;

- ◆ Float Adjusted Market Capitalization - Rs. 649,580,501/-
- ◆ Public Holding Percentage - 23.21%
- ◆ Total Number of Public Shareholders - 13,999

The distribution, categories and location of shareholders are indicated on Page 164 under "Shareholders and Investors" information.

DIRECTORATE

The Members of the Board during the Financial year under review were as follows:-

- ◆ Mr. V R Ramanan
- ◆ Mr. A G M Priyantha
- ◆ Mrs. S A Wickramasinghe
- ◆ Mrs. K G D W K Bandara
- ◆ Mr. U R Seneviratne
- ◆ Mrs. L M N Jayawickrema
- ◆ Mr. N W M Gunawansa
- ◆ Mr. K S Wimalasiri
(Appointed w.e.f 18.04.2024)

The Profile of the Board of Directors of the Company are given in Page 11 to 12.

APPOINTMENT OF DIRECTOR

Mrs. K S Wimalasiri, was appointed as a Non- Independent / Non-Executive Director with effect from 18th April 2024.

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

RETIREMENT OF DIRECTORS

Mr. K S Wimalasiri, retires in accordance with Article 95 of the Articles of Association of the Company, and is eligible for election.

Mrs. S A Wickramasinghe and Mr. A G M Priyantha retire by rotation in accordance with Article 88 of the Articles of Association of the Company, and are eligible for election.

The Nomination Committee has recommended the aforesaid election.

CESSATION OF CHIEF EXECUTIVE OFFICER

Mr. Chandika Weerakoon ceased to function as the Chief Executive Officer of the Company w.e.f. 8th May 2024.

DIRECTORS & CEO'S SHAREHOLDING

The Directors and CEO's Shareholdings at the beginning and end of the Financial year are set out below

As at	31-03-2024	31-03-2023
Mr V R Ramanan	965,842,690	965,842,690
Mr. A G M Priyantha	-	-
Mrs. S A Wickramasinghe	-	-
Mrs. K G D W K Bandara	-	-
Mr. U R Seneviratne	-	-
Mrs. L M N Jayawickrema	-	-
Mr. N W M Gunawansha	-	-
Mr. Chandika Y B Weerakoon (CEO)	-	-

DIRECTOR'S REMUNERATION

The Fees paid to the Non-Executive Directors during the financial year under review is given in Note 11 to the financial statements.

DECLARATIONS BY INDEPENDENT / NON EXECUTIVE DIRECTORS

The Non-Executive / Independent Directors have submitted signed declaration confirming his / her independent status in compliance with Rules 7.10.3 of the Colombo Stock Exchange.

AUDIT COMMITTEE

The Audit Committee was restructured consequent to the change of Directorate. As at the date of this Report, the Committee comprised of Mrs. S A Wickramasinghe, Mrs. K G D W K Bandara, Mrs. L M N Jayawickrema and Mr. Kosala Wimalasiri of whom Mrs. S A Wickramasinghe, functioned as the Chairperson of the Committee.

The report of the Audit Committee is given on Page 58.

REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted consequent to the change of Directorate. As at the date of this Report, the Committee comprised of Mrs. S A Wickramasinghe, Mr. V R Ramanan and Mrs. K G D W K Bandara of whom Mrs. S A Wickramasinghe, functioned as the Chairperson of the Committee. The remuneration Policy adopted by the Company is set out in the Report of the Remuneration Committee.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transaction Review Committee was restructured consequent to the change of Directorate. As at the date of this Report, the Committee comprised of Mrs. L M N Jayawickrema, Mrs. S A Wickramasinghe and Mr. N W M Gunawansha of whom Mrs. L M N Jayawickrema functioned as the Chairperson of the Committee.

The Board of Directors has given the following statement in respect of the Related Party Transactions. The Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the CSE Listing Rules.

NOMINATION COMMITTEE

Consequent to the restructuring of the Nomination Committee it comprised of Mr. N W M Gunawansha, Mr. V R Ramanan, Mrs. S A Wickramasinghe and Mrs. K G D W K Bandara of whom Mr. N W M Gunawansha functioned as the Chairman of the Committee.

GOING CONCERN

The Board of Directors of the Company are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, the Company continues to adopt a going concern concept in preparing the accounts of the Company.

ENVIRONMENTAL PROTECTION

The Board of Directors has taken adequate precautions to ensure that the Company and the Group does not engage in any activities which could be detrimental to the environment.

RISK MANAGEMENT

The Board of Directors has structured proper systems and controls to identify probable risk. These systems are periodically evaluated and reviewed by the Board through the Integrated Risk Management Committee to ensure smooth functioning. Remedial measures also have been implemented to mitigate risk.

INTERNAL CONTROL SYSTEMS

The Board has overall responsibility for the Company's Systems of Internal Control. The Company's internal control and check systems have been designed to provide the Directors with reasonable assurance that the Assets are protected, safeguarded and transactions are authorized thereby ensuring that errors and irregularities are either prevented or detected within a timely period, whilst ensuring that Corporate Governance is properly practiced and adhered to.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Board has issued a statement on the internal control mechanism of the Company as per Section 10 (2) (b) of Finance Companies

(Corporate Governance) Direction No.03 of 2008. The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on pages 71 to 74. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to in Page 76.

SUBSIDIARY

The Principal activities and the performance of the subsidiary is set out in Page 90. The Company currently has 01 Subsidiary maintained to venture into different lines of business activity.

CONTRIBUTIONS TO CHARITIES

The Company has not contributed to charities during the financial year under review.

INTERESTS REGISTER

An Interests Register is maintained, in compliance with the Companies Act No.07 of 2007.

The particulars of the entries made in connection with the General Disclosure in terms of Section 192(2) of the Companies Act No.07 of 2007 are given in Note 40 under Related Party transactions.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the balance Sheet no circumstance has arisen which require adjustments to the accounts after the reporting period.

The Company amalgamated with Kanrich Finance Ltd by way of a share swap and the effective date of amalgamation was 31st July 2023

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The Directors Responsibilities in compliance with the requirements in preparation of financial statements are set out in Page 75.

STOCK MARKET INFORMATION

Information relating to earnings, dividends, net assets per share, trading price, are given on Page 165.

CONTINGENT LIABILITIES

The details of the contingent liabilities are disclosed in Note 45 to the Financial Statements.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments have been made up to date or provided for same.

ACCOUNTING POLICIES

There has been no change in the Accounting Policies adopted by the Company in preparation of Financial Statements during the Financial Year under review.

CORPORATE GOVERNANCE

The Board of Directors place great emphasis on good Corporate Governance practices and principles and ensures that the Company adheres with the codes of Best Practice on Corporate Governance. The compliance of Corporate Governance by the Company is set out on Pages 13 to 56.

MATERIAL ISSUES PERTAINING TO EMPLOYEES & INDUSTRIAL RELATIONS

There were no material issues relating to Employees and Industrial Relations during the year ended 31st March 2024.

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

MEETINGS OF THE BOARD OF DIRECTORS

Twelve Board Meetings were held during the financial year under review. Schedule of Directors attendance at the Board meetings and attendance of Board Sub Committee meetings are presented under the Corporate Governance Report in this Annual Report on Pages 13 to 62.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has at all times ensured that all Shareholders are treated equitably.

AUDITORS

The accounts for the year have been audited by M/s. Baker-tilly Edirisinghe & Co, Chartered Accountants, who retire and are eligible for re-appointment. The Directors recommend their re-appointment.

The Auditors were paid a sum of Rs. 5,100,000 as Audit Fees and Rs. 127,433 as Non Audit Fees by the Company for the financial year under review.

As far as the Board is aware the Auditors do not have any relationship with the Company.

AUDITOR'S REPORT

The Auditor's Report on the Financial Statements of the Company and the Group is given on Page 77.

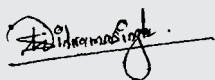
ANNUAL GENERAL MEETING

The Annual General Meeting is scheduled to be held on Wednesday the 4th of December 2024, at 10.30 a.m via online. The Notice of the meeting is given on Page 166.

BY ORDER OF THE BOARD



V Ramanan
Chairman



S A Wickramasinghe
Independent, Non-Executive Director



Company Secretaries
Corporate Arcade Ltd

8th November 2024

Statement of Directors' Responsibilities

In terms of Section 150(1), 151, 152(1) & 153 of the Companies Act No.07 of 2007, the Directors are responsible to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the Company and the Group as at the end of financial year and the Financial Performance of the Company and the Group for the financial year. The Directors are also responsible, in terms of Section 148 for ensuring that proper accounting records are maintained to disclose with reasonable accuracy, the financial position and to enable the preparation of Financial Statements. The Financial Reporting System was reviewed by the Board through the Management Accounts submitted monthly at Board meetings.

The Board to the best of their knowledge confirms that proper books of account have been maintained and have also taken reasonable steps to ensure the accuracy and reliability of accounting records and accepts responsibility for the integrity and objectivity of the Financial Statements prepared and presented in this Annual Report. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently so that the form and substance of transactions are properly reflected. The Financial Statements provide the information required by the Companies Act, Listing Rules of the Colombo Stock Exchange and the Sri Lanka Accounting Standards based on SLFRS.

The Directors are of the opinion, based on their knowledge that adequate resources are available to support the Company on a going concern basis in the foreseeable future, accordingly the Financial Statements have been prepared on that basis.

The Directors have taken reasonable measures to maintain a sound system of internal control to safeguard Shareholder's investments and the Company's assets to ensure continuity of operations and in that concept have instituted appropriate systems of internal controls with a view to prevent and detect fraud and other irregularities.

The external Auditors, M/s. Baker Tilly Edirisinghe & Co, were appointed in accordance with a resolution passed at the last Annual General Meeting, and they were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors shown on pages 77 to 81 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all Statutory Payments relating to employees and the Government that were due in respect of the Company and its Subsidiary as at the Balance Sheet date have been paid or provided for, in arriving at the financial results for the year under review.

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

By Order of the Board



Corporate Arcade Ltd Company
Secretaries

8th November 2024

Directors' Statement on Internal Controls

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 2023 issued by Institute of Chartered Accountants of Sri Lanka, the Board of Directors ("Board") of Nation Lanka Finance PLC ("Company") presents this report on internal control over financial reporting.

The Board of Directors is responsible for the adequacy and effectiveness of system of internal controls of the company. It has been designed to manage the Company's key operational areas whilst keeping its associated risk elements are within acceptable levels when deciding the policies and achieving the business objectives of the Company, rather than eliminating the total risk of failure.

The Board has established a continuous process of identifying, evaluating and managing the significant risks encountered by the Company and this process includes strengthening the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board. The management assist the Board in implementation of the Board's policies and procedures on risks and controls by identifying and assessing the associated risks encountered by the Company. Based on this process, the Board is of the view that the existing system of internal control is sound and adequate to provide reasonable assurance that the reliability of financial reporting and the preparation of financial statements are in accordance with the relevant accounting principles and regulatory requirements.

Key Features of the process adopted in Reviewing the Effectiveness of the Systems of Internal Control.

Steps have been taken by the Board of Directors to ensure effective internal control mechanisms are given below.

- ◆ Sub – committees are established to assist the Board in ensuring the effectiveness of the Company's daily operation in agreement with the corporate objectives, strategies, annual budget, policies and procedures that have been approved by the Board.
- ◆ The Internal Audit Division of the company checks for compliance with policies and procedures and the effectiveness of the Internal Control System on an on-going basis highlighting the significant findings in respect of any noncompliance. Audits are carried out on all divisions and Branches to provide an independent and objective reporting. Finding of the Internal Audit Division are submitted to the Audit Committee for review at their meetings. The annual audit plan is reviewed and approved by the Audit Committee.
- ◆ The Audit Committee reviews the internal controls issues identified by the Internal Audit Division and reviews the adequacy and the effectiveness of the Internal Controls System.

Consequent to full convergence of Sri Lanka accounting standards with Sri Lanka Financial Reporting Standards, the Company is in the process of implementing required controls and adjustment to the financial reporting process.

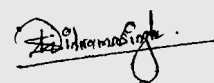
CONFIRMATION

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

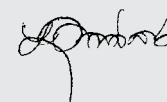
For and on behalf of the Board



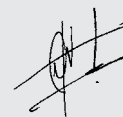
Mr. Victor Ramanan
Chairman



Mrs. S.A. Wickramasinghe
Chairman – Audit Committee



Mrs. Deepani Bandara
Chairman - IRMC



Mr. Nirosha Madawala
Acting Chief Executive Officer

30th October 2024
Colombo.

Independent Auditor's Report

Ref No : BTEC/2024/01184



Edirisinghe & Co.
Chartered Accountants

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Colombo 02
Sri Lanka

T: +94 11 7374444

E: info@bakertilly.lk

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TO THE SHAREHOLDERS OF NATION LANKA FINANCE PLC

Disclaimer of Opinion

We have audited the financial statements of Nation Lanka Finance PLC ('the Company') and the consolidated financial statements of the Company and its subsidiaries ('the Group'), which comprise the Statement of Financial Position as at March 31, 2024, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including Material Accounting Policy Information.

We do not express an opinion on the accompanying financial statements of the Company and the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer Opinion

The following matters came to our attention which collectively affect or have the potential to affect the existence, accuracy, completeness, occurrence and valuation of individual elements of the financial statements.

- a) As disclosed in note 39 to financial statements, the Group has recorded trade and other payable amounting to Rs. 747,037,208/-. However, we were not provided proper schedules and other supporting evidence for a material amount of Rs. 124,215,308/-.
- b) As disclosed in note 30 to financial statements, other assets include balances related to deposits, advances, prepayments and other receivables amounting to Rs. 192,304,384/- as at 31st March 2024, for which, we were not provided with proper schedules and other evidence for Rs. 87,995,028/- and we were unable to perform relevant audit procedures over this balance.
- c) As disclosed in note 19.1.1 to the financial statements, the Group has recorded a loan balance of Rs. 3,729,315,821/-. Further, the Group has recorded an impairment provision of Rs. 2,533,040,386/- on

this balance as at 31st March 2024. However, we were not provided with loan files or other satisfactory audit evidence to perform relevant audit procedures on these balances to evaluate whether any adjustment is necessary to these balances and corresponding interest income for the year ended 31st March 2024.

- d) As disclosed in note 19.4 to the financial statements, the Group has recorded a finance lease balance of Rs. 721,124,415/-. Further, the Group has recorded an impairment provision of Rs. 287,147,790/- on this balance as at 31st March 2024. However, we were not provided with loan files or other satisfactory audit evidence to perform relevant audit procedures on these balances to evaluate whether any adjustment is necessary to these balances and corresponding interest income for the year ended 31st March 2024.
- e) The Central Bank of Sri Lanka ('CBSL') had imposed restrictions on the Company over granting new loans and accepting new deposits. However, the Company had accepted new deposits from customers as deposits and through investment agreements that were not initially recorded in the general ledger of the Company,

Partners: P.P. Edirisinghe FCA ACIM MBA Ms. M.K.K. Karunaratne FCA ACMA R.S. Godevithanage FCA, ACMA, MBA (UK), Bsc. in Finance (sp)
G.A.A.J. Gurusinghe ACA Mrs. H.M.D.S. Sumanasekara ACA, BBA (Sp. Finance), DISSCA

Consultants: A.T.P. Edirisinghe FCA FCMA (UK) A.D. Jayasena FCA

Edirisinghe & Co., trading as Bakertilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Independent Auditor's Report

despite the restriction imposed by the CBSL. We noted that those unrecorded deposits appeared in the bank reconciliations as unidentified deposits and were subsequently recorded in the general ledger during the financial year 2023/24. Further, there were unidentified deposits amounting to Rs. 25,827,525/- recorded in the general ledger account named as "unidentified deposits" without recording them in the relevant general ledger accounts. This is because the management also could not particularly identify if these unidentified deposits were related to fixed deposits or receipts from any other parties. Therefore, we were unable to obtain sufficient appropriate audit evidence relating to the completeness of the customer deposits as of 31st March 2024 and related interest expense for the year ended 31st March 2024.

- f) As disclosed in note 33 to the financial statements, the Company has recognized a deferred tax asset of Rs. 831,293,706/- as at 31st March 2024 arising from unused tax losses. As per Sri Lanka Accounting standard No 12 "Income Taxes", a deferred tax asset is recognized for unused tax losses carried forward, to the extent that it is probable that future taxable profits will be available. As per the paragraph 35 of LKAS 12, the existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, when an entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused

tax losses or unused tax credits can be utilized by the entity. However, the Company has recognized the deferred tax asset based on a future taxable profit forecast which is contingent on capital infusion and regulatory approval of accepting new deposits and granting of new loans. Accordingly, we are unable to assess the recoverability of deferred tax assets as disclosed in note 33 to the financial statements.

- g) We were informed by the management that there were 43 active branches as at 31 March 2024. Further as per the financial statements the right-of-use assets, lease liability, interest expense and depreciation expenses were Rs. 96,177,719/-, Rs. 154,123,209/-, Rs. 16,605,895/- and Rs. 82,440,717/- respectively as at 31 March 2024. However, we were given schedules and workings presenting the balances mentioned above only relating to 30 branches. When we inquired about the relevant schedules for the rest of the 13 branches from the management, we were informed that the relevant information relating to the other 13 branches was not readily available to the management. As a result, we were unable to obtain sufficient appropriate audit evidence over the right-of-use balance, lease liability, depreciation expenses and interest expenses as at 31 March 2024. Also, we were unable to obtain comfort over the completeness of the balances recorded in the financial statements due to the aforementioned scope limitation considering the unavailability of the necessary information and the tight timelines given by the management and the board of directors.
- h) As disclosed in note 19.2 to financial statements, the Group has recorded pawning advances amounting to Rs. 1,846,788,729/-

as at 31 March 2024. However, the management had not performed physical verification of pawning articles as at 31 March 2024. Further during our branch visit, we noted differences of the Karatages mentioned between the gold valuation report (ticket) and actual Karatages as per our physical verification on a sample basis. As a result, we were unable to obtain sufficient appropriate audit evidence over the accuracy of the recorded value of the pawning advances and evaluate whether any adjustment is necessary to the pawning advances balance as at 31 March 2024.

- i) We noted that the client had provided the bank reconciliation statements with the below discrepancies.
- ❖ Bank reconciliation statements consisted of unrealized deposits that had been outstanding for over six months. In general, a deposit made to a bank in a current account should be realized within two to three days. Further, to the above-mentioned, there were reconciling items (deposited but not realized) that did not appear in the bank reconciliations as at 31 March 2023 though the deposited dates (transaction dates) were prior dates to 31 March 2023.
 - ❖ Bank reconciliation statements consist of unrepresented cheques (issued but not presented) which had been outstanding for more than six months. In general, the cheques issued should be submitted to the respective bank for clearance within six months and if not, the particular cheque expires after six months from the date of issue. However, we noted that several cheques had been outstanding for more than 365 days also still appearing in the bank reconciliation statements provided for the Merger audit as at 31 July 2023. Furthermore, there were long outstanding issued

but not presented cheques that should have appeared in the bank reconciliations as at 31 March 2023. However, there were no such reconciling items in the bank reconciliation statement as at 31 March 2023.

- ❖ Bank reconciliation statements provided consisted of unidentified deposits as reconciling items. However, when verified these payments/ withdrawals already appeared in the bank statements in the same period for which bank reconciliation statements were prepared. Therefore, we were unable to accept these bank reconciliation statements for our testing and hence we were unable to gather sufficient appropriate audit evidence.
- ❖ The bank reconciliations statements provided as at 31 July 2023 consisted of transactions dated during the month of July 2023 as reconciling items. However, we noticed that these transactions were originally part of the reconciliation as of 31st March 2023 and the dates of the same transactions were during February and March 2023 (As per the last year-end bank reconciliation statements). However, those transactions have been dated as 31st July 2023 in the reconciliation provided for 31st July 2023.
- ❖ Bank reconciliation statements consisted of reconciling items mentioned as "Fund Transfers". These fund transfers were presented in the bank statement on the same date of transaction. Therefore, these aforesaid transactions "Fund Transfers" ideally should not have appeared in the bank reconciliation statements.

Considering all the above discrepancies, we were unable to accept and unable to verify the accuracy of these bank reconciliation

statements provided as at 31 July 2023 and 31 March 2024 for our testing and hence could not gather sufficient appropriate audit evidence over cash at bank balances.

- j) As disclosed in Note 24 to the financial statements, the Group has recorded investment properties of Rs. 1,528,395,533/-. We were not provided with valuation reports for six properties owned by Nation Lanka Finance as at 31st March 2024. The total carrying amount of the respective one an investment property at 31 March 2024 was Rs. 113,415,000 /-. Therefore, we could not obtain sufficient appropriate audit evidence over the valuation of the particular investment property and were unable to evaluate whether any adjustment is necessary to the balances and corresponding fair value gain / (losses) for the year ended 31st March 2024.
- k) As disclosed in Note 38 to the financial statements, the Group has recorded other borrowings of Rs. 2,420,594,439/-. However, we have not received a proper borrowing schedules including borrowing movements schedules from the beginning borrowing balances to borrowing balances as at the year end to and related supporting for the recorded other borrowing balance as at 31 March 2024. Specially the management could not provide a detailed breakdown for the borrowing balances merged to the Company from Kanrich Finance Limited due to the merger occurred on 31 July 2023. Therefore, we were unable to obtain sufficient and appropriate audit evidence over the existence, valuation, and completeness of other borrowings and could not obtain sufficient appropriate audit evidence over the occurrence, completeness and accuracy of the

related finance costs recorded for the year ended 31 March 2024.

- l) As disclosed in Note 25 to the financial statements, the Group has recorded property, plant and equipment of Rs. 186,103,365/-.

We noted that there was Rs. 75,362,521/- under furniture & fittings with a description of "above 4 years" in the fixed assets register as at 31 July 2023 and the same balances were carried forward to the year-end. However, we were not provided with an individual asset-wise breakdown for this total amount to perform audit procedures to check the physical existence of the aforementioned furniture and fittings. Further, this particular balance was mentioned as a fully depreciated asset. However, since there was no detailed breakdown, we could not perform relevant audit procedures to check whether the aforementioned furniture and fittings were fully depreciated.

We noted that there was an amount of Rs. 73,366,171/- under computer equipment with a description of "above 4 years" the as at 31 July 2023 and the same balances were carried forward to the year-end. However, there was no asset-wise breakdown for us to perform audit procedures over "existence assertion". Further, this particular balance was mentioned as a fully depreciated asset. However, since there was no detailed breakdown, we could not perform relevant audit procedures to check whether the aforementioned furniture and fittings were fully depreciated.

Further to the above there were several other limitations due to which we could not obtain sufficient appropriate audit evidence mainly due to unavailability of a proper fixed asset register as at 31 March 2024.

Independent Auditor's Report

m) We noted that the Company has failed to meet or fulfil requirements agreed with the CBSL when requesting approval from CBSL for the merger with Kanrich Finance Limited. CBSL had approved the merger proposal through a letter sent by, the Director Supervision of Non-Bank Finance Companies, on 20 December 2022 subject to completion of the conditions imposed by the CBSL within the stipulated timeframe in the letter of approval. As per the letter sent by the Company requesting approval for the merger with Kanrich Finance Limited, there was a requirement to perform a due diligence before the merger is completed. However, the Company had failed to perform such due diligence and due to this there were many accounting issues prevailing in relation to the merged financial statements and the year-end financial statements.

As a result, we had to face several scope limitations in relation to obtaining sufficient appropriate audit evidence in relation to the merger audit and the year end audit.

n) As disclosed in note 15 to the financial statements, the Group has recorded cash and cash equivalent of Rs. 387,745,765/-.

As explained by the management, the account holder name of bank accounts maintained at Pan Asia Banking Corporation had not been changed as at 30 October 2024, from Kanrich Finance Limited to Nation Lanka Finance PLC. As a result, we did not receive the bank confirmations of aforementioned bank and hence we were unable to obtain sufficient appropriate audit evidence over cash and cash equivalent in relation to the existence and right and obligation of cash and cash equivalent as at 31 March 2024.

o) We draw attention to note 50 of the financial statements, which indicates that the Company has not complied with the Capital Adequacy requirements (Direction No 03 of 2018) and Minimum Core Capital (Direction No 02 of 2017) as at the reporting date.

The Group's total comprehensive loss amounting to Rs. 2,258,511,217/- for the year ended 31 March 2024, and as at that date, the Group's accumulated losses amounted to Rs. 3,717,673,900/-. The Core Capital level of the Company is at a deficit of Rs. 2,404,218,831/- as at 31 March 2024, against the minimum regulatory core capital requirement of Rs. 2,500,000,000/- resulting in non-compliance with the Minimum Core Capital Direction No 02 of 2017. The Total Capital Adequacy Ratio of the Company is currently at negative -3.08% as of 31 March 2024 against the minimum regulatory requirement of 8.50% resulting in non-compliance with the Capital Adequacy Direction No 03 of 2018. These events or conditions indicate that a material uncertainty exists that may cast substantial doubt on the Company's ability to continue as a going concern. Further, we noted that on 11 October 2024, the CBSL has published on their official website that the CBSL has initiated regulatory actions in terms of section 37 (1) of the Finance Business Act No 42 of 2011 ('FBA') since the Company has continuously been violating/ contravening provisions of the FBA. Also, CBSL has ceased granting certain types of loans, frozen acceptance of new deposits and ceased mobilisation of public funds.

In order to apply the going concern basis of accounting the Group/ the Company has to satisfy the regulatory requirements with the concurrence of the Central Bank of Sri Lanka. As explained by the management

and the board of directors of Nation Lanka Finance PLC, there is a potential investor who is willing to invest Rs.2,500,000,000 to meet the minimum core capital requirement mentioned above. Further management explained that the potential investor has already invested a total amount of Rs. 500,000,000/- in May, June, July and August 2024. Further, we were informed by the board of directors and the management that the investor/s are willing to invest another 2,000,000,000/- in due course. However, we were not provided with the relevant investment agreements, board resolution passed, approval from Central Bank of Sri Lanka, approval from Colombo Stock Exchange, other supporting information related to the issuance of ordinary shares and confirmation from the investor/s that their willingness to infuse Rs. 2,500,000,000/- as equity capital and relevant forms and documents submitted to the registrar of companies Sri Lanka. Therefore, despite the explanations given by the Board of Directors and the management, we were unable to obtain sufficient appropriate audit evidence in relation to the going concern of the Company.

p) As disclosed in note 19.1.1 to the financial statements, the Group has recorded an impairment of Rs. 2,533,040,386/- as at 31 March 2024. However, we were not provided with requested loan files to verify the collaterals and obtain sufficient appropriate audit evidence in relation to the loss given default. Therefore, we were unable to evaluate the ECL model in full and suggest any required adjustments to be made.

q) As disclosed in note 18 to the financial statements, the Group has recorded Financial Assets measured at Fair Value through Other Comprehensive Income of Rs. 40,550,239/- as at 31 March 2024. However, we were

not provided with the requested information to perform our audit procedures to gather sufficient appropriate audit evidence over the valuation of the investments and related fair value adjustments required.

- r) The limitations discussed in paragraphs (a) to (q) above have occurred mainly due to the weaknesses in the control environment of the Company and the Group. Control Environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal controls including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the robust performance measures, incentives, and rewards to drive accountability for performance. The resulting control environment has a pervasive impact on the overall system of internal controls. However, we were unable to assess whether the company has fulfilled satisfactorily the above-mentioned requirements. As a result, we were unable to obtain sufficient appropriate audit evidence over the material amounts presented in the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and other explanatory notes.

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.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group and the Company's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

As explained in basis for disclaimer opinion section of our report, the Company has not complied with the section 151 and 153 of the Companies Act No. 07 of 2007.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3534.

Edirisinghe.

Edirisinghe & Co.,
Chartered Accountants
Colombo

30th October 2024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Gross Income	6	1,466,584,514	1,141,786,672	1,466,584,514	1,141,786,672
Interest Income	7	1,463,292,448	1,133,728,757	1,463,292,448	1,133,728,757
Interest Expense	8	(1,868,485,298)	(1,300,108,548)	(1,868,485,298)	(1,300,108,548)
Net Interest Income		(405,192,850)	(166,379,791)	(405,192,850)	(166,379,791)
Fees and Commission Income	6.1	3,292,066	8,057,915	3,292,066	8,057,915
Net Gain on Land and Property Development	9	11,086,503	-	11,086,503	-
Net fair value gains/(losses) from financial instruments at fair value through profit or loss	17	3,476,256	5,015,946	3,476,256	5,015,946
Change in Fair value of Investment property	24	(22,933,100)	109,664,907	(22,933,100)	109,664,907
Other Operating Income	10	145,167,357	282,335,935	145,167,357	282,335,935
Collection from Contracts Written Off		55,494,682	13,424,570	55,494,682	13,424,570
Total Operating income		(209,609,086)	252,119,482	(209,609,086)	252,119,482
Expected credit loss charge	12	(331,113,497)	(454,688,571)	(331,113,497)	(454,688,571)
Net Operating income		(540,722,583)	(202,569,089)	(540,722,583)	(202,569,089)
Operating Expenses					
Personnel Costs	11.1	(597,012,668)	(339,390,096)	(597,012,668)	(339,390,096)
Premises Equipment and Establishment Expenses		(347,304,220)	(167,739,356)	(347,304,220)	(167,739,356)
Other Overhead Expenses		(785,705,433)	(299,221,347)	(785,705,433)	(299,221,347)
Other Finance Cost		(3,277,990)	(2,421,996)	(3,277,990)	(2,421,996)
Total Operating Expenses		(1,733,300,311)	(808,772,795)	(1,733,300,311)	(808,772,795)
Loss Before VAT on Financial Services & Income Tax Expense		(2,274,022,894)	(1,011,341,884)	(2,274,022,894)	(1,011,341,884)
Value Added Tax on Financial Services		-	(3,220,641)	-	(3,220,641)
Loss Before Income Tax Expense		(2,274,022,894)	(1,014,562,525)	(2,274,022,894)	(1,014,562,525)
Income Tax Expense	13	47,920,766	103,422,211	47,920,766	103,422,211
Loss for the Year		(2,226,102,128)	(911,140,314)	(2,226,102,128)	(911,140,314)

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Other Comprehensive Income/(Loss)					
Items that will never be reclassified to Profit or Loss					
Actuarial Gain/(Loss) on Retirement Benefit Obligations	31.4	(43,604,552)	(8,104,894)	(43,604,552)	(8,104,894)
Deferred Tax on Actuarial (gain)/loss	32.1	13,081,366	2,431,468	13,081,366	2,431,468
Net Change in Fair Value	18	(2,694,158)	3,407,363	(2,694,158)	3,407,363
Deferred Tax on Net Change in Fair Value	32.1	808,247	(1,022,209)	808,247	(1,022,209)
Total other comprehensive expense for the year		(32,409,097)	(3,288,272)	(32,409,097)	(3,288,272)
Total comprehensive expense for the Year		(2,258,511,225)	(914,428,586)	(2,258,511,225)	(914,428,586)
Loss Attribute to:					
Equity Holders of the Company		(2,226,102,128)	(911,140,314)	(2,226,102,128)	(911,140,314)
Non controlling interest		-	-	-	-
		(2,226,102,128)	(911,140,314)	(2,226,102,128)	(911,140,314)
Total Comprehensive (Loss)/Income Attributable to:					
Equity Holders of the Company		(2,258,511,225)	(914,428,586)	(2,258,511,225)	(914,428,586)
Non controlling interest		-	-	-	-
		(2,258,511,225)	(914,428,586)	(2,258,511,225)	(914,428,586)
Basic Loss Per Share	14.1	(0.42)	(0.31)	(0.42)	(0.31)

The Accounting Policies and other explanatory information set out on notes 1 to 50 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Assets					
Cash and Cash Equivalents	15	387,745,765	80,350,577	387,745,765	80,350,577
Deposits with Licensed Commercial Banks	16	459,219,005	384,639,755	459,219,005	384,639,755
Financial Assets recognized through Profit or Loss-measured at fair value	17	69,983,329	66,507,073	69,983,329	66,507,073
Financial Assets measured at Fair Value through Other Comprehensive Income	18	40,550,239	43,239,696	40,550,239	43,239,696
Financial Assets measured at Amortised Cost					
- Loans and Advances	19	3,960,866,770	3,280,515,132	3,960,866,770	3,280,515,132
- Debt and Other Instruments	20	1,190,225,817	566,392,220	1,190,225,817	566,392,220
Investments in Subsidiaries	21	-	-	-	-
Amounts Due From Related Parties	22	-	763,102,393	-	763,102,393
Real Estate Stock	23	265,832,685	118,908,090	265,832,685	118,908,090
Investment Properties	24	1,528,395,533	1,285,900,500	1,528,395,533	1,285,900,500
Property, Plant and Equipment	25	186,103,365	43,214,303	186,103,365	43,214,303
Right-of-use Assets	26	96,177,719	105,198,773	96,177,719	105,198,773
Receivable from Kanrich Finance Ltd	27	-	1,121,883,562	-	1,121,883,562
Intangible Assets	28	13,477,955	567,809	13,477,955	567,809
Trade and Other Receivables	29	74,625,520	49,903,553	74,625,520	49,903,553
Other Assets	30	231,861,506	161,398,125	231,861,506	161,398,125
Retirement Benefit Plan Assets	31	109,503,868	96,789,940	109,503,868	96,789,940
Goodwill	32	-	-	-	-
Deferred Tax Asset	33	831,293,698	769,483,319	831,293,698	769,483,319
Total Assets		9,445,862,774	8,937,994,820	9,445,862,774	8,937,994,820


As at 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Liabilities					
Due to Banks and Financial Institutions	34	343,652,853	613,936,913	343,652,853	613,936,913
Financial Liabilities at amortised cost-due to Depositors	35	5,249,539,715	6,267,356,053	5,249,539,715	6,267,356,053
Lease liabilities	36	154,123,209	104,155,224	154,123,209	104,155,224
Amounts Due To Related Parties	37	-	-	509,196	509,196
Other Borrowings	38	2,420,594,439	817,189,423	2,420,594,439	817,189,423
Retirement Benefit Obligations	31	90,587,601	36,630,761	90,587,601	36,630,761
Trade and Other Payables	39	747,037,208	178,235,086	747,100,274	178,298,150
Total Liabilities		9,005,535,025	8,017,503,460	9,006,107,287	8,018,075,720
Capital and Reserves					
Stated Capital	40	4,108,420,583	2,330,072,972	4,108,420,583	2,330,072,972
Statutory Reserve Fund		131,422,070	131,422,068	131,422,068	131,422,068
Fair value reserve		(90,840,997)	(88,955,086)	(90,840,997)	(88,955,086)
Other Reserves		9,000,000	9,000,000	9,000,000	9,000,000
Accumulated Losses		(3,717,673,908)	(1,461,048,594)	(3,718,246,168)	(1,461,620,854)
Total Equity Attributable to Equity Holders of the Company		440,327,746	920,491,360	439,755,486	919,919,100
Non-Controlling Interest		-	-	-	-
Total Equity		440,327,746	920,491,360	439,755,486	919,919,100
Total Liabilities & Equity		9,445,862,771	8,937,994,820	9,445,862,773	8,937,994,820
Net asset value per share (Rs.)		0.06	0.31	0.06	0.31

The Accounting Policies and other explanatory information set out on notes 1 to 50 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



Buddhika Kodithuwakku
Chief Finance Officer



Nirosha Madawala
Chief Executive Officer (Acting)

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.



Deepani Bandara
Director
30th October 2024
Colombo



Maheen Priyantha
Director

Statement of Changes in Equity

Company	Stated Capital	Reserve Fund	Fair value reserve	General Reserve	Retained Earnings Rs.	Total Rs.
	Rs.	Rs.	Rs.	Rs.		
Balance as at 01 April 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,807,114)	728,316,723
Total comprehensive income/ (expense)	-	-	-	-		-
Loss for the year	-	-	-	-	(911,140,314)	(911,140,314)
Right Issue of shares	1,106,030,963	-	-	-		1,106,030,963
Other comprehensive Income/ (expense) for the year	-	-	2,385,154	-	(5,673,426)	(3,288,272)
Total comprehensive income/ (expenses)	1,106,030,963	-	2,385,154	-	(916,813,740)	191,602,377
Balance as at 31 March 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,620,854)	919,919,100
Balance as at 01 April 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,620,854)	919,919,100
Total comprehensive income/ (expense)						-
Addition on Merger	1,778,347,611	-	-	-	-	1,778,347,611
Loss for the year	-	-	-	-	(2,226,102,128)	(2,226,102,128)
Other comprehensive expense for the year	-	-	(1,885,911)		(30,523,186)	(32,409,097)
Total comprehensive income/ (expense)	1,778,347,611	-	(1,885,911)	-	(2,256,625,314)	(480,163,614)
Balance as at 31 March 2024	4,108,420,583	131,422,068	(90,840,997)	9,000,000	(3,718,246,168)	439,755,486

As per the Finance Companies (Capital Funds) Direction No.1 of 2003 Issued by the Central Bank of Sri Lanka the Company shall transfer to a reserve fund out of the net profits of each year, after due provision has been made for Taxation and Bad and Doubtful Debts.

- (i) so long as the capital funds are not less than 25% of total deposit liabilities, a sum equal to not less than 5% of the net profits.
- (ii) so long as the capital funds are less than 25% of total deposit liabilities, but not less than 10% thereof, a sum equal to not less than 20% of the net profits.
- (iii) so long as the capital funds are less than 10% of the total deposit liabilities, a sum equal to not less than 50% per cent of the net profits.

The Accounting Policies and other explanatory information set out on notes 1 to 50 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Group	Stated Capital	Reserve Fund	Fair Value Reserve	General Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022	1,224,042,009	131,422,068	(91,340,240)	9,000,000	(544,234,854)	728,888,983
Total comprehensive income/(expense)						
Loss for the year	-	-	-	-	(911,140,314)	(911,140,314)
Right Issue of shares	1,106,030,963	-	-	-	-	1,106,030,963
Other comprehensive Income/ (expense) for the year	-	-	2,385,154		(5,673,426)	(3,288,272)
Total comprehensive income/(expenses)	1,106,030,963	-	2,385,154	-	(916,813,740)	191,602,377
Balance as at 31 March 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,048,594)	920,491,360
Balance as at 01 April 2023	2,330,072,972	131,422,068	(88,955,086)	9,000,000	(1,461,048,594)	920,491,360
Total comprehensive income/(expense)						-
Addition on Merger	1,778,347,611	-	-	-	-	1,778,347,611
Loss for the year	-	-	-	-	(2,226,102,128)	(2,226,102,128)
Other comprehensive expense for the year	-	-	(1,885,911)		(30,523,186)	(32,409,097)
Total comprehensive income/(expense)	1,778,347,611	-	(1,885,911)	-	(2,256,625,314)	(480,163,614)
Balance as at 31 March 2024	4,108,420,583	131,422,068	(90,840,997)	9,000,000	(3,717,673,908)	440,327,746

As per the Finance Companies (Capital Funds) Direction No.1 of 2003 Issued by the Central Bank of Sri Lanka the Company shall transfer to a reserve fund out of the net profits of each year, after due provision has been made for Taxation and Bad and Doubtful Debts :-

- (i) so long as the capital funds are not less than 25% of total deposit liabilities, a sum equal to not less than 5% of the net profits;
- (ii) so long as the capital funds are less than 25% of total deposit liabilities, but not less than 10% thereof, a sum equal to not less than 20% of the net profits; and
- (iii) so long as the capital funds are less than 10% of the total deposit liabilities, a sum equal to not less than 50% per cent of the net profits.

The Accounting Policies and other explanatory information set out on notes 1 to 50 form an integral part of these Financial Statements.

Figures In Brackets Indicate Deductions.

Statement of Cash Flows

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash Flow from Operating Activities					
Loss before Income Tax Expense		(2,274,022,894)	(1,014,562,525)	(2,274,022,894)	(1,014,562,525)
Adjustments for					
Net fair value gain/(loss) from financial instruments at FVTPL	17	(3,476,256)	(5,015,946)	(3,476,256)	(5,015,946)
Dividend on equity securities	10	(13,971,495)	(10,349,125)	(13,971,495)	(10,349,125)
Depreciation and amortization	11	51,785,773	15,853,424	51,785,773	15,853,424
Gain on reclassification of Real Estate stock in to Investment Properties	9	(2,915,050)	-	(2,915,050)	-
Amortization of ROU Assets	11	41,220,358	43,698,126	41,220,358	43,698,126
Interest expense on Lease Liability	8	16,605,895	14,807,714	16,605,895	14,807,714
Loss/(Gain) on derecognition of ROU Assets		1,173,272	-	1,173,272	-
Interest expenses	8	1,851,879,403	1,285,300,834	1,851,879,403	1,285,300,834
Interest income on Government Securities	7	(134,157,068)	(116,365,213)	(134,157,068)	(116,365,213)
Interest income from advances given to Kanrich Finance PLC	27	-	(121,883,562)	-	(121,883,562)
Impairment of Loans and receivables	12	1,229,682,525	454,684,315	1,229,682,525	454,684,315
Provision for Impairment of Trade and Other Receivable	12	(24,345,745)	(59,254)	(24,345,745)	(59,254)
Provision for fall In Value of Real Estate Stock	23	52,816,298	-	52,816,298	-
Provision for Investment Property	24	9,543,217	-	9,543,217	-
Change in Fair Value of Investment Property	24	(22,933,100)	(109,664,907)	(22,933,100)	(109,664,907)
Loss on Disposal of Investment Property		(2,915,050)	-	(2,915,050)	-
Provision for Retirement Benefit Obligations	31.5	(238,682)	(3,788,228)	(238,682)	(3,788,228)
Gain on Disposal of Property, Plant & Equipment	10	-	(35,000)	-	(35,000)
Impairment of other investments	16.1	-	63,510	-	63,510
Operating Profit Before Working Capital Changes		775,731,401	432,684,163	775,731,401	432,684,163
Working Capital Changes					
Increase in Other Assets	30	(70,463,381)	(17,818,100)	(70,463,381)	(17,818,100)
(Increase) in Financial Assets at Amortized Cost	19	(1,910,034,163)	(192,742,565)	(1,910,034,163)	(192,742,565)
(Increase)/Decrease in Investment in Real Estate	23	(146,924,595)	-	(146,924,595)	-
(Increase)/Decrease in Amounts Due From Related Parties	22	763,102,393	(759,952,393)	763,102,393	(759,952,393)
Decrease in Amounts Due to Related Companies	37	-	(104,060)	-	(104,060)
(Increase) in Trade & Other Receivables	29	(222,968,360)	(7,634,303)	(222,968,360)	(7,634,303)
Increase/(Decrease) in Trade & Other Payables		568,802,125	(110,808,166)	568,802,125	(110,808,166)
Decrease Financial Liabilities at amortized cost -due to depositors		1,017,816,338	912,192,601	1,017,816,338	912,192,601
Cash Generated from Operating Activities		775,061,758	255,817,177	775,061,758	255,817,177
Income Tax Paid		-	(11,803,936)	-	(11,803,936)
Interest expenses paid		-	(1,172,793,757)	-	(1,172,793,757)
Gratuity Paid		(31,149,303)	(3,786,878)	(31,149,303)	(3,786,878)
Net Cash generated from/(used in) Operating Activities		743,912,455	(932,567,394)	743,912,455	(932,567,394)

		Group		Company	
For the year ended 31st March,	Notes	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash Flow from Investing Activities					
Proceeds from the Sale of Property, Plant & Equipment		-	35,000	-	35,000
Purchase of Property, Plant & Equipment	25	(49,764,366)	(38,428,065)	(49,764,366)	(38,428,065)
Acquisition of Property, Plant & Equipment		(128,288,791)	-	(128,288,791)	-
Acquisition of Right of use assets		(9,021,054)	-	(9,021,054)	-
Purchase of Intangible Assets	28	(15,769,965)	(420,000)	(15,769,965)	(420,000)
Advanced to purchase gold articles to Kanrich Finance Ltd	27	907,266,621	(1,000,000,000)	907,266,621	(1,000,000,000)
Proceeds from Disposal of Investment Property		10,805,550	-	10,805,550	-
Purchase to Investment Property		(282,861,850)	-	(282,861,850)	-
Purchase of Government Securities	20	-	(742,745,759)	-	(742,745,759)
Net Proceeds from Government Securities		(489,676,529)	896,536,811	(489,676,529)	896,536,811
Dividend on equity securities	10	13,971,495	10,349,125	13,971,495	10,349,125
Net Investment in Deposits With Licensed Commercial Banks	16	(74,579,250)	(58,648,703)	(74,579,250)	(58,648,703)
Net Cash (Used in)/generated from Investing Activities		(117,918,139)	(933,321,591)	(117,918,139)	(933,321,591)
Cash Flow from Financing Activities					
Repayment of Loans	38	(763,872,457)	(712,757,950)	(763,872,457)	(712,757,950)
Proceeds from Borrowings	38	738,672,311	940,834,249	738,672,311	940,834,249
Net proceed from the Right issue of shares		-	1,106,030,963	-	1,106,030,963
Lease rental Payments	36	(56,716,538)	(35,784,512)	(56,716,538)	(35,784,512)
Net Cash used in from Financing Activities		(68,356,164)	1,298,322,750	(68,356,164)	1,298,322,750
Increase/(Decrease) in Cash & Cash Equivalents		557,638,152	(567,566,233)	557,638,152	(567,566,233)
Cash & Cash Equivalents at the Beginning of the Year		(513,545,240)	54,020,993	(513,545,240)	54,020,993
Cash & Cash Equivalents at the End of the year		44,092,912	(513,545,240)	44,092,912	(513,545,240)
Reconciliation of Cash & Cash Equivalents					
Cash in Hand & at Bank	15	387,745,765	80,350,577	387,745,765	80,350,577
Bank Overdraft	34	(343,652,853)	(593,895,817)	(343,652,853)	(593,895,817)
		44,092,912	(513,545,240)	44,092,912	(513,545,240)

The Accounting Policies and other explanatory information set out on notes 1 to 50 form an integral part of these Financial Statements.

Figures In Brackets Indicate Deductions.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Nation Lanka Finance PLC, (the "Company") regulated under the Finance Business Act No. 42 of 2011, was incorporated on 15th July 1987 as a public limited liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re registered under the Companies Act No. 7 of 2007. Ordinary Shares of the Company were listed on the main board of the Colombo Stock Exchange on 31st June 1994.

The Company's registered office and the principal place of business is located at No. 690, Galle Road, Colombo 3.

The Company has a fully owned subsidiary, Nation Micro Investments LTD, which is a limited liability Company incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The Company does not have an identifiable parent of its own. The Nation Lanka Finance PLC is the ultimate parent of the Group.

1.2 Principal activities and Nature of Operations

The principal activities of The Company are granting of loans, providing finance leases, hire purchase asset financing, pawning and mobilization of deposits and trading of real estate. There were no significant changes in the nature of principal activities of the Company and the Group during the financial year.

During the year, the subsidiary, Nation Micro Investments LTD has not carried out any of its activities.

1.3 Consolidated Financial Statements

The Consolidated financial statements of the Company as at, and for the year ended 31st March 2024 comprise the financial statements of Company and its subsidiary (together referred to as the "Group").

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st April 2012, 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 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements, except for information on cash flows, have been prepared following the accrual basis of accounting.

2.2 Responsibility for Financial Statements

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

These Financial Statements include the following components:

- ◆ an Income Statement and a Statement of Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- ◆ a Statement of Financial Position providing information on the financial position of the Group and the Company as at the year-end.
- ◆ a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- ◆ a Statement of Cash Flows providing information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilization of those cash flows.

- ◆ Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

The Consolidated Financial Statements were authorised for issue by the Board of Directors in accordance with the resolution passed by the Board of Directors on 30th October 2024.

2.3 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Item	Basis of Measurement	Note Number
Financial Assets measured at FVTPL	Fair Value	17
Financial Assets measured at FVOCI	Fair Value	18
Financial Assets measured at Amortized Cost	Amortized Cost	19
Cost-Loans and Advances		
Financial Assets measured at Amortized Cost	Amortized Cost	20
Debt and Other Instruments		
Real Estate Stock	Cost / Net Realizable Value	23
Investment Properties	Fair Value	24
Retirement benefit obligation/Plan Assets	Present value of the defined benefit obligation	31

Assets and Liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.4 Going Concern

The Directors have made an assessment of the Group/ Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of business. The impact arising from the economic crisis on the Group/Company's ability to continue as a going concern is discussed in note 50 to the financial statements.

2.5 Functional and Presentation Currency

The Consolidated Financial Statements have been presented in Sri Lankan Rupees, which is the Group's / Company's functional currency. All the financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.6 Presentation of Financial Statements

The assets and liabilities of the Group/ Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously.

2.8 Determination of Fair Values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group / Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's/ Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Group/ Company's uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.9 Fair Value of Non-Financial Assets

The fair value used by the Group/ Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group/ Company for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participants 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. The Group/ Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.10 Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Material accounting policies of the Group.

Notes to the Financial Statements

2.11 Critical accounting judgments and estimates

2.11.1 General

In the preparation of separate financial statements, the Group makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses.

Management discusses with the Board Audit Committee the development, selection, and disclosure of critical accounting policies and their application, and assumptions made relating to major estimation uncertainties.

The use of available information and application of judgment are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to estimates in a subsequent financial year, if any, are adjusted prospectively.

2.11.2 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the separated financial statements is included in the following notes.

- Note 3.2.4.2: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.
- Note 43.1.3: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of

Expected Credit Loss (ECL) and selection and approval models used to measure ECL.

- Going Concern: the directors have assessed the Group's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Group. Therefore, the financial statements continue to be prepared on the going concern basis.

2.11.3 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment included in the following notes.

- Note 19 and note 43.1: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 42: determination of the fair value of financial instruments with significant unobservable inputs.
- Note 31.5: measurement of defined benefit obligations: key actuarial assumptions.
- Note 13 and note 33: recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be utilized.
- Note 3.2.7: impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Note 24: Fair value measurement of investment properties – use of significant unobservable inputs.

3. MATERIAL ACCOUNTING POLICIES

3.1 Summary of Material accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company unless otherwise indicated.

3.2.1 Consolidation

I. Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

II. Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- ◊ the fair value of the consideration transferred; Minus
- ◊ the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

III. Subsidiary

Subsidiary is entities controlled by the Group. The financial statements of subsidiary are included in the consolidated financial statements from the date, that control commence, until the date that control ceases.

IV. Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

V. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2.2 Foreign Currency

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

3.2.3 Assets and bases of their valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those, which are expected to be realised in cash during the normal operating cycle, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond the one-year period calculated from the reporting date.

3.2.3.1 Property, plant and equipment

3.2.3.1.1 Recognition and measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

3.2.3.1.2 Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrate to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for separate items (major component) of property, plant and equipment.

3.2.3.1.3 Subsequent costs

The cost of replacing 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 carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.2.3.1.4 Borrowing costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.3.1.5 Derecognition

The carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognised within sundry income in profit or loss.

3.2.3.1.6 Depreciation

Depreciation is recognised in profit or loss on the straight-line basis over the estimated useful lives of each part of item of Property, Plant and Equipment. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included

Notes to the Financial Statements

in a disposal group that is classified as held for sale) and the date that the asset is derecognised. Depreciation is not charged on Freehold Land.

The estimated useful lives of Property Plant and Equipment used by the Group are as follows:

Buildings	-	5%
Plant and Machinery	-	20%
Furniture and Fittings	-	16.67%
Motor Vehicles	-	25%
Computer Equipment and Software	-	33.33%
Office Equipment	-	33.33%
Other Equipment	-	20%

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.3.2 Intangible Assets

An intangible asset is recognised where it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortization and accumulated impairment losses.

3.2.3.2.1 Computer Software

All computer software costs incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets. Amortisation is calculated at an annual rate of 33.33%.

3.2.3.2.2 Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.2.3.2.3 Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

The Group has recognized Goodwill amounting to Rs. 241,044,357/- due to the Merger of Nation Lanka Finance PLC with Kanrich Finance Limited on 31st July 2023. The details of the Goodwill recognized are as follows.

ASSETS	Amount (Rs.)
Cash and Cash Equivalents	108,739,772
Deposits with Licensed Commercial Banks & Other Financial Institutions	3,370,073
Financial Assets measured at Fair Value through Other Comprehensive Income	4,700
- Loans and Advances	2,997,480,083
Real Estate Stock	197,955,416
Investment Properties	218,818,633
Property, Plant and Equipment	128,507,437
Right-of-use Assets	125,298,693
Intangible Assets	4,329,835
Trade and Other Receivables	29,688,952
Other Assets	186,602,582
Total Assets	4,000,796,176

LIABILITIES	Amount (Rs.)
Due to Banks and Financial Institutions	92,618,354
Financial Liabilities at amortised cost-due to Depositors	13,937,037
Lease Liabilities	140,045,836
Amounts Due To Related Parties	108,500,000
Other Borrowings	377,830,124
Retirement Benefit Obligations	43,814,825
Trade and Other Payables	1,686,746,747
Total Liabilities	2,463,492,923
Net Assets as per balance sheet as at 31 July 2023	1,537,303,253
Consideration transferred for the merger (share issued for merger)	1,778,347,611
Goodwill recognised as at 31 July 2023	241,044,357

3.2.3.2.3.1 Initial Recognition and Measurement

Goodwill is initially measured at cost and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

However, based on the impairment assessment performed, the Group has identified and recorded a full impairment of Goodwill amounting to Rs. 241,044,357/- for the period ended 31 July 2023.

3.2.3.2.3.2 Subsequent Measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.2.4 Financial assets

3.2.4.1 Recognition and measurement

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted, and subsequent measurement is at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

All other financial assets are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.2.4.2 Classification

On initial recognition, the Group classifies financial assets as measured at:

- ◆ Amortized cost,
- ◆ Fair value through other comprehensive income (FVOCI); and,
- ◆ Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

3.2.4.2.1 Financial assets measured at amortized costs

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL

- ◆ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ◆ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.2.4.2.2 Financial assets at fair value through other comprehensive income

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

- ◆ The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- ◆ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

3.2.4.2.3 Financial assets at fair value through profit or loss

All financial assets other than those classified at amortized costs or FVOCI are classified as measured at FVTPL.

3.2.4.2.3.1 Financial assets are mandatorily fair valued through profit and loss when the instruments

- ◆ are held for trading, or
- ◆ are managed, evaluated and reported internally on a fair value basis, or
- ◆ designation eliminates or significantly reduces an
- ◆ accounting mismatch which would otherwise arise, or
- ◆ contains an embedded derivative that significantly modifies the cash flows which would otherwise have been required under the contract.

3.2.4.2.4 Financial assets designated at fair value through profit or loss

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

Notes to the Financial Statements

The Group has not designated any financial asset upon initial recognition at fair value through profit or loss as at the reporting date.

3.2.4.2.5 Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to the 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 Group'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 Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

3.2.4.2.6 Assessments whether contractual cash flows are solely payments of principal and interest

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

3.2.4.2.6 Assessments whether contractual cash flows are solely payments of principal and interest (Continued)

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows.
- leverage features.
- prepayment and extension terms.
- terms that limit the Group's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money

3.2.4 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group's changes its objective of the business model for managing such financial assets.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.4.1 Timing of reclassification of financial assets

Consequent to the change in the business model, the Group reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

3.2.4.1.2 Measurement of reclassification of financial assets

3.2.4.1.2.1 Reclassification of financial instruments at "fair value through profit or loss"

- To Fair value through other comprehensive income. The fair value on reclassification date becomes the new gross carrying amount. The EIR is calculated based on the new gross carrying amount. Subsequent changes in the fair value are recognized in OCI.
- To amortize costs the fair value on reclassification date becomes the new carrying amount. The EIR is calculated based on the new gross carrying amount.

3.2.4.1.2.2 Reclassification of financial instruments at "fair value through other comprehensive income"

- To fair value through profit or loss. The accumulated balance in OCI is reclassified to profit and loss on the reclassification date.
- To amortized costs

The financial asset is reclassified at fair value. The cumulative balance in OCI is removed and is used to adjust the reclassified fair value. The adjusted amount becomes the amortized cost. EIR determined at initial recognition and gross carrying amount are not adjusted as a result of reclassification.

3.2.4.1.2.3 Reclassification of financial instruments at “amortized costs”

- To Fair value through other comprehensive income the asset is remeasured to fair value, with any difference recognized 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 amortized cost and fair value is recognized in profit and loss.

3.2.5 De recognition of financial assets

Financial assets are derecognized when the contractual right to receive cash flows from the asset has expired; or when Group has transferred its contractual right to receive the cash flows of the financial assets, and either –

- Substantially all the risks and rewards of ownership have been transferred; or
- The group has neither retained nor transferred substantially all the risks and rewards but has not retained control of the financial assets.

From 1 April 2018 any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

3.2.6 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual right to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and the new financial asset is recognized at fair value plus any eligible transaction cost. Any fees received as part of the modification are accounted as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on the derecognition.

If cash flows are modified when the borrower is in financial difficulty, then the objective of the modification is usually to minimize recovery of the original contractual term rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates a gross carrying amount of the financial asset using the original effective interest rate of the asset and

recognizes the resulting adjustment as modification gain or loss in profit or loss. For floating- rate financial asset, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the financial asset.

3.2.7 Identification and measurement of impairment

3.2.7.1 Recognition of impairment of financial assets

The Group recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers.
- Financial assets that are debt instruments.
- Lease receivables.
- Financial guarantee contracts issued.
- and Loan commitments issued.

No impairment loss is recognized on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of “investment grade”. 12-month ECL are the portion of ECL that result from default events

Notes to the Financial Statements

on a financial instrument that are possible within the 12 months after the reporting date.

3.2.7.2 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.
- Loan commitments and financial guarantee contracts: generally, as a provision.
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components: The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

3.2.7.3 Impairment for loans and advances to customers *Individually assessed loans and advances*

These are exposures, where evidence of impairment exists and those that are individually significant meriting individual assessment for objective evidence of impairment and computation of impairment allowance.

The factors considered in determining that the exposures are individually significant include:

- the size of the loan; and
- the number of loans in the portfolio

For all loans and advances to customers that are considered individually significant, Group assesses on a case-by-case basis, whether there is any objective evidence of impairment. The criteria used by the Group to determine that there is such objective evidence include:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 60 days or more is considered impaired.

Impairment allowance on loans and advances and other financial instruments measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Measurement of impairment of financial assets

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Collective assessment:

This includes all loans and advances of smaller value where there is no evidence of impairment and those individually assessed for which no evidence of impairment has been specifically identified on an individual basis.

These loans and advances are grouped together as per Basel Guidelines and product level according to their credit risk characteristics for the purpose of calculating an estimated collective impairment.

In assessing whether an investment in debt instruments is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness is reflected in the bond yields.

- The rating agencies' assessments of creditworthiness
- The country's ability to access the capital markets for new debt issuance
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written-back by reducing the loan impairment allowance accordingly. The write-back is recognized in the income statement.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3.2.8 Fiduciary assets

Assets held in a fiduciary capacity are not reported in these financial statements as they do not belong to the Group.

3.2.9 Write-off of financial assets

The Group writes off a loan or an investment debt security, and any related allowances for impairment losses, when Group determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/ issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

3.2.10 Financial liabilities

3.2.10.1 Recognition and measurement of financial liabilities

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

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss

3.2.10.2 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

3.2.10.2.1 Financial liabilities at amortized cost

Financial Liabilities issued by the Group that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly

attributable transaction costs, by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortization is included in "Interest expense" in the income statement. Gains and losses too are recognized in the income statement when the liabilities are derecognized as well as through the EIR amortization process.

3.2.10.2.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

3.2.10.3 Derecognition of Financial Liabilities

The group derecognizes financial liability when its contractual obligations are discharged, cancelled or expired.

3.2.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses will not be offset in the Income Statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Notes to the Financial Statements

3.2.12 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has

been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.2.13 Due to Companies, customers, debt securities issued and other borrowing

Financial liabilities are recognized when Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of financial liabilities is at amortized cost, using the effective interest method to amortize the difference between proceeds received, net of directly attributable transaction costs incurred, and the redemption amount over the expected life of the instrument.

3.2.14 Provision, Contingent Liabilities, Contingent Assets

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where 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.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

3.2.15 Post-Employment Benefits

i. Defined benefit plans

a.) Defined benefit obligation

The liability recognized in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date, with the advice of an actuary, using the projected unit credit (PUC) method.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss. The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognized as personnel expenses in Consolidated Statement of Profit or Loss.

b.) Defined benefit plan

The Company has a pension fund, which was incorporated upon Deed of Trust No. 3543 of 30th January 2004. Gratuity is provided to employees from the 1st year of service. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to employees arises only on five years of continued services.

ii. Defined contributions plans – Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contributions funds in line with the relevant statutes. Employers' contributions to the defined contribution plans are recognised as an expense in profit or loss when incurred.

3.2.16 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.2.17 Inventories

Inventories are valued at lower cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

3.2.18 Investment in Real Estate

Land purchase cost, development cost and borrowing cost incurred during the development period of the real estate projects have been capitalized as investment in real estate.

3.2.19 Investment Property

Investment Property principally comprise freehold land and building held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investments property includes the cost of materials and direct labor, any other costs directly attributable to bring the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment Property is carried at fair value determined annually by an independent valuer. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

3.2.20 non-current assets held for sale

Non-current assets that are expected to be recovered primarily through disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in

the income statement. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer accounted.

3.2.21 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

3.2.22 Income Statement

3.2.22.1 Revenue from contracts with customers

Revenue represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities net of trade discounts and turnover related taxes.

3.2.22.1.1 Interest Income

Interest Income and expense for all interest-bearing financial instruments are recognized under "Interest Income" and "Interest Expense" in the income statement, using the effective interest rate of the financial assets or financial liabilities to which they relate.

3.2.22.1.2 Interest on Bills

Interest income from bills is recognized proportionately over the period of the bill discounted commencing from the date of discounting.

Notes to the Financial Statements

3.2.22.1.3 Income from Fee-Based Activities

Commission from underwriting, management of funds and all other commissions and fees are recognized in the period in which such transactions were affected based on the conditions stipulated in the respective agreements and contracts.

3.2.22.1.4 Overdue Charges

Overdue charges of leasing, hire purchase, loans and advances have been accounted for on a cash basis.

3.2.22.1.5 Gain on Sale of Equity Investments

Gains earned on the sale of equity investments have been accounted for in the Statement of Profit or Loss on the basis of realized net profit.

3.2.22.1.6 Dividend Income

The dividend income is recognized when the Group's right to receive payment is established.

3.2.22.1.7 Real Estate Income

Income is recognized when the property is sold, and the risks and rewards of the property is passed on to the buyer. For this purpose, the property is deemed to be sold once 30% of the outright sales price has been received.

However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted on a cash received basis.

3.2.22.1.8 Gain on Sale of Property, Plant and Equipment

Profits or losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the statement of profit or loss.

3.2.22.1.9 Interest on Overdue Rentals

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

3.2.22.1.10 Other Income

All other income is recognized on an accrual basis.

3.2.22.2 Reserve Fund

The Group is maintaining a reserve fund in compliance with Direction No. 01 of 2003 – Finance Companies (Capital Funds) issued to Finance companies, and it will be used only for the purpose specified in the said Direction.

3.2.22.3 Expenditure Recognition

All the expenditure incurred in the running of the business and in maintaining the Property, Plant Equipment in a state of efficiency has been charged to profit or loss.

3.2.22.3.1 Interest Expense on Borrowings and Deposits

The interest expenses on deposits and borrowings are recognized on an accrual basis in the Statement of Profit or Loss and Other Comprehensive Income Statement.

3.2.22.4 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i. Current Tax

Current Income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. The relevant details are disclosed in the respective notes to the Financial Statements.

ii. Deferred Tax

Deferred taxation is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses/credits 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 the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.2.22.5 VAT on Financial Services

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003.

3.2.22.6 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.2.22.7 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relating to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Group's operating decision marker to make decisions about the resources to each segment and to assess its performance, and for which discrete financial information is available.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible.

3.2.22.8 Events occurring after the reporting date

Events after the reporting period are those events favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

3.2.22.9 Cash Flow Statements

Cash and Cash Equivalents are defined as cash in hand and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flows, cash and cash equivalent consists of cash in hand and deposits in Groups net of outstanding Group overdrafts, investment in gold coins and lending against government securities.

For the purpose of Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in Groups net of outstanding Group overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Statement of Cash Flows.

4. CHANGES IN ACCOUNTING POLICIES

There was no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st March 2024.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new accounting standards and amendments/improvements to the existing standards were issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- A. Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) – Mandatorily effective for periods beginning on or after 1st January 2024
- B. Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) - Mandatorily effective for periods beginning on or after 1st January 2024)
- C. Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) – Mandatorily effective for periods beginning on or after 1st January 2024
- D. Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) - Mandatorily effective for periods beginning on or after 1st January 2024

The following amendments are effective for the period beginning 01st January 2025.

- A. Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) – Mandatorily effective for periods beginning on or after 1st January 2025

Notes to the Financial Statements

6. INCOME

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest Income	7	1,463,292,448	1,133,728,757	1,463,292,448	1,133,728,757
Fees and Commission Income	6.1	3,292,066	8,057,915	3,292,066	8,057,915
		1,466,584,514	1,141,786,672	1,466,584,514	1,141,786,672

6.1 Fees and Commission Income

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Fees and Commission Income		3,292,066	8,057,915	3,292,066	8,057,915

7. INTEREST INCOME

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Finance Leases		110,047,236	165,433,875	110,047,236	165,433,875
Pawning		535,262,460	230,270,146	535,262,460	230,270,146
Term Loans		245,449,752	180,819,332	245,449,752	180,819,332
Term Loans-Micro Finance		419,823,263	401,199,274	419,823,263	401,199,274
Hire Purchase		18,552,669	39,640,917	18,552,669	39,640,917
Interest Income on Government Securities		134,157,068	116,365,213	134,157,068	116,365,213
		1,463,292,448	1,133,728,757	1,463,292,448	1,133,728,757

8. INTEREST EXPENSE

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest on Fixed Deposits		1,272,238,603	1,101,098,697	1,272,238,603	1,101,098,697
Interest on Other Borrowings		554,334,255	129,056,831	554,334,255	129,056,831
Interest on Overdrafts		16,416,902	46,712,397	16,416,902	46,712,397
Interest on Savings		8,889,643	8,432,909	8,889,643	8,432,909
Interest on Leases		16,605,895	14,807,714	16,605,895	14,807,714
		1,868,485,298	1,300,108,548	1,868,485,298	1,300,108,548

9. NET GAIN ON LAND AND PROPERTY DEVELOPMENT

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Net Gain on sale of Real Estate stock	8,171,453	-	8,171,453	-
Gain on Sale of Investment Properties	2,915,050	-	2,915,050	-
	11,086,503	-	11,086,503	-

10. OTHER OPERATING INCOME

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Dividend Income	13,971,495	10,349,125	13,971,495	10,349,125
Gain on Disposal of Property, Plant & Equipment	-	35,000	-	35,000
Interest Income from Fixed Deposits	75,294,869	78,856,184	75,294,869	78,856,184
Rent Income	3,000,000	6,100,000	3,000,000	6,100,000
Miscellaneous Income	52,900,993	65,112,064	52,900,993	65,112,064
Interest Income from advance given to Kanrich Finance Ltd	-	121,883,562	-	121,883,562
	145,167,357	282,335,935	145,167,357	282,335,935

11. OPERATING EXPENSES INCLUDE THE FOLLOWING

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Directors' Emoluments - Short Term Employment Benefit				
- Board meeting fees	1,830,800	1,830,800	1,830,800	1,830,800
- Board approved committees	814,325	814,325	814,325	814,325
- Executive duties	747,153	747,153	747,153	747,153
Auditors Remuneration - Audit	5,100,000	6,273,370	5,100,000	6,273,370
- Non Audit	127,433	1,449,045	127,433	1,449,045
Depreciation and Amortization	93,006,131	59,551,550	93,006,131	59,551,550
Personnel Cost (Note 11.1)	597,012,668	339,390,096	597,012,668	339,390,096
Donations	335,000	315,000	335,000	315,000
Legal Expenses	5,636,074	2,293,887	5,636,074	2,293,887

* Directors' Emoluments include the salaries, benefits and fees paid to both Executive and Non-Executive Directors of the Company and Group.

Notes to the Financial Statements

11.1 Personnel Cost

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Salaries and Other Staff Cost		534,791,798	308,203,875	534,791,798	308,203,875
Defined Contribution Plans - EPF & ETF		62,459,552	34,974,449	62,459,552	34,974,449
Provision for Retirement Benefit Obligations (Charge/(Reversal))	31.5	(238,682)	(3,788,228)	(238,682)	(3,788,228)
		597,012,668	339,390,096	597,012,668	339,390,096
Number of Employees		623	427	623	427

12. IMPAIRMENT CHARGES FOR LOANS, ADVANCES AND OTHER RECEIVABLES

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Term Loan	19.1.1A & 19.1.2B	594,756,340	197,814,475	594,756,340	197,814,475
- Write off for the year		2,550,215	-	2,550,215	-
Micro Finance Receivables	19.1.2A	(233,452,296)	28,488,760	(233,452,296)	28,488,760
Lease Receivables	19.4.1 & 19.4.2	(212,969,844)	222,873,034	(212,969,844)	222,873,034
- Write off for the year		-	2,424,632	-	2,424,632
Pawning Advances	19.2.1	144,427,034	(1,519,698)	144,427,034	(1,519,698)
Hire Purchase Receivables	19.3.1 & 19.3.2	30,469,028	(9,128,391)	30,469,028	(9,128,391)
* Loans & Receivables (Repossessed Collaterals)	19.5	(23,137,533)	13,731,503	(23,137,533)	13,731,503
Trade receivables	29.1	(334,500)	(20,000)	(334,500)	(20,000)
Other Receivables	29.2	(24,011,245)	1,068,496	(24,011,245)	1,068,496
Impairment of Amounts Due from Related Parties	22.1	-	(1,107,750)	-	(1,107,750)
Impairment Real Estate Stock	23	52,816,298	-	52,816,298	-
Impairment of other investments	16.1	-	63,510	-	63,510
		331,113,497	454,688,571	331,113,497	454,688,571

*There is not any enforcement activities in relation to the write off facilities.

12.1 Impairment charges

For the year ended 31st March,	Company/Group	
	2024 Rs.	2023 Rs.
Financial assets at amortised cost-Loans and receivables from customers		
Loans and Advances		
Stage 1	(59,653,028)	(64,028,034)
Stage 2	(270,340,367)	(201,959)
Stage 3	924,749,735	262,044,467
	594,756,340	197,814,475
Lease Receivables		
Stage 1	6,254,396	5,396,708
Stage 2	50,306,732	(1,685,417)
Stage 3	(269,530,972)	219,161,743
	(212,969,844)	222,873,034
Hire Purchase Receivables		
Stage 1	(4,985,296)	(3,565,225)
Stage 2	(84,076,648)	(11,887,868)
Stage 3	119,530,972	6,324,701
	30,469,028	(9,128,391)
Repossess Stock	(23,137,533)	13,731,503
Pawning Advances	144,427,034	(1,519,698)
Micro Finance Receivables	(233,452,296)	28,488,760
Other Investments	-	63,510.00
Trade receivables	(334,500)	(20,000)
Other Receivables - Provision for impairment	(24,011,245)	1,068,496
Bad Debt Written Off - Loan	2,550,215	-
Bad Debt Written Off - Lease	-	2,424,632
Impairment of Amounts Due from Related Parties	-	(1,107,750)
Impairment Real Estate Stock	52,816,298	-
Total	331,113,497	454,688,571

Notes to the Financial Statements

13. INCOME TAX EXPENSE

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Income Tax Expense	13.1	-	11,803,936	-	11,803,936
Deferred taxation reversal	33.1	(47,920,766)	(115,226,147)	(47,920,766)	(115,226,147)
		(47,920,766)	(103,422,211)	(47,920,766)	(103,422,211)
13.1 Reconciliation of Accounting Profit with Taxable Profit					
Profit before Income Tax Expense		(2,274,022,894)	(1,014,562,525)	(2,274,022,894)	(1,014,562,525)
Income not liable for Taxation		(13,971,495)	(5,625,675)	(13,971,495)	(5,625,675)
Aggregate Disallowed Items		773,214,997	521,643,426	773,214,997	521,643,426
Allowable Expenses		(915,347,755)	(685,611,562)	(915,347,755)	(685,611,562)
Total assessable income from business		(2,430,127,147)	(1,184,156,336)	(2,430,127,147)	(1,184,156,336)
Other statutory Income		-	-	-	-
Tax Loss utilized during the year		-	-	-	-
Taxable Profit/(Loss)		(2,430,127,147)	(1,184,156,336)	(2,430,127,147)	(1,184,156,336)
Taxation @ 24%		-	-	-	-
Taxation @ 30%		-	-	-	-
Taxation on profit for the year		-	-	-	-
Over/(under) provision for Income Tax for the year		-	11,803,936	-	11,803,936
		-	11,803,936	-	11,803,936
13.2 Tax Loss Carried Forward					
Tax Loss Brought Forward		4,877,102,292	1,751,086,373	4,877,102,292	1,751,086,373
Over/(under) provision for Income Tax		-	1,941,859,583	-	1,941,859,583
Adjusted Loss Brought Forward		4,877,102,292	3,692,945,956	4,877,102,292	3,692,945,956
Tax Loss for the year		2,430,127,147	1,184,156,336	2,430,127,147	1,184,156,336
Tax Loss Carried Forward		7,307,229,439	4,877,102,292	7,307,229,439	4,877,102,292

The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30% from October 2022. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23.

14. LOSSES PER SHARE

14.1 Basic Losses Per Share

Basic Losses per ordinary share has been calculated based on the losses attributable to the ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Loss attributable to Ordinary Shareholders (Rs.)	(2,226,102,128)	(911,140,314)	(2,226,102,128)	(911,140,314)
Number of Shares - Note 40	5,303,883,537	2,933,836,839	5,303,883,537	2,933,836,839
Basic Losses Per Share	(0.42)	(0.31)	(0.42)	(0.31)

14.2 Diluted Earning Per Share

There were no potentially dilutive securities outstanding at any time during the year, hence diluted losses per share is equal to the basic losses per share.

15. CASH AND CASH EQUIVALENTS

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash in Hand	194,808,116	53,856,395	194,808,116	53,856,395
Balances with Banks	192,937,649	26,494,182	192,937,649	26,494,182
	387,745,765	80,350,577	387,745,765	80,350,577

16. DEPOSITS WITH LICENSED COMMERCIAL BANKS

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Seylan Bank PLC		91,333,739	78,736,067	91,333,739	78,736,067
NDB		364,377,287	306,176,643	364,377,287	306,176,643
Pan Asia Bank		3,780,934	-	3,780,934	-
Impairment Allowance for Fixed Deposits	16.1	(272,955)	(272,955)	(272,955)	(272,955)
		459,219,005	384,639,755	459,219,005	384,639,755

16.1 Impairment Allowance for Fixed Deposits

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year	272,955	209,445	272,955	209,445
Impairment charge/(reversal) for the year	-	63,510	-	63,510
Balance as at end of the year	272,955	272,955	272,955	272,955

17. FINANCIAL ASSETS MEASURED AT FVTPL

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year		66,507,073	61,491,127	66,507,073	61,491,127
Net change in Fair Value		3,476,256	5,015,946	3,476,256	5,015,946
Balance at the end of the year	17.1	69,983,329	66,507,073	69,983,329	66,507,073

Notes to the Financial Statements

17.1 Equity Securities - Quoted

	Group/Company			
	2024		2023	
	No of Shares	Market Value Rs.	No of Shares	Market Value Rs.
Diversified Holdings				
Softlogic Holding PLC	19,201	172,809	19,201	305,297
Sunshine Holding PLC	45,828	2,726,766	45,828	2,062,260
Vallibel One PLC	83,855	4,234,678	83,855	3,069,093
		7,134,253		5,436,650
Hotels And Travels				
Galadari Hotel PLC	89,849	1,509,463	89,849	1,302,811
Anilana Hotels & Properties PLC	13,907,348	12,516,613	13,907,348	12,516,613
		14,026,076		13,819,424
Telecom				
Dialog Axiata PLC	250,000	2,925,000	250,000	2,600,000
Manufacturing				
PGP Glass Ceylon PLC	500,000	14,750,000	500,000	9,600,000
Construction And Engineering				
Access Engineering PLC	30,000	678,000	30,000	426,000
Finance				
Lanka Credit & Business Finance Ltd	13,850,000	30,470,000	13,850,000	34,624,999
		48,823,000		47,250,999
Total		69,983,329		66,507,073

18. FINANCIAL ASSETS MEASURED AT FVOCI

The following table shows investments in equity securities for which the Group elected to present the changes in the fair value in OCI. The election was made because the investments were expected to be held for the long term for strategic purposes.

No strategic investments were disposed during the year 2023/24 , and there was no transfer of any cumulative gain or loss within equity relating to these investments.

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Equity Securities - Unquoted		43,239,696	39,832,333	43,239,696	39,832,333
Addition		4,700	-	4,700	-
		43,244,396	39,832,333	43,244,396	39,832,333
Net change in Fair Value		(2,694,157)	3,407,363	(2,694,157)	3,407,363
	18.1	40,550,239	43,239,696	40,550,239	43,239,696
	No of Shares				
E-futures (Private) Limited	2,280,000	35,809,855	35,809,855	35,809,855	35,809,855
Credit Information Bureau of Sri Lanka	100	1,769	2,120,229	1,769	2,120,229
Nation Lanka Promotions Ltd	1,000,000	4,738,615	5,309,612	4,738,615	5,309,612
		40,550,239	43,239,696	40,550,239	43,239,696

19. FINANCIAL ASSETS MEASURED AT AMORTISED COST-LOANS AND ADVANCES

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Loans	19.1	1,760,504,521	2,203,745,909	1,760,504,521	2,203,745,909
Pawning	19.2	1,686,850,617	568,818,430	1,686,850,617	568,818,430
Hire Purchase	19.3	48,013,359	99,990,912	48,013,359	99,990,912
Leasing	19.4	433,976,625	371,583,288	433,976,625	371,583,288
Loans & Receivables (Reposessed Collaterals)	19.5	31,521,648	36,376,593	31,521,648	36,376,593
		3,960,866,770	3,280,515,132	3,960,866,770	3,280,515,132

19.1 Loans

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Term Loans	19.1.1	1,193,725,220	1,268,405,140	1,193,725,220	1,268,405,140
Micro Finance Receivables	19.1.2	566,328,081	924,186,734	566,328,081	924,186,734
Staff Loans		451,220	11,154,035	451,220	11,154,035
		1,760,504,521	2,203,745,909	1,760,504,521	2,203,745,909

19.1.1 Term Loans

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Term Loans		3,729,315,821	2,774,006,809	3,729,315,821	2,774,006,809
Write off during the year		(2,550,215)	-	(2,550,215)	-
Impairment Allowance for Loans - Individual	19.1.1A	(1,870,238,123)	(1,038,992,438)	(1,870,238,123)	(1,038,992,438)
Impairment Allowance for Loans - Collective	19.1.1B	(662,802,263)	(466,609,231)	(662,802,263)	(466,609,231)
		1,193,725,220	1,268,405,140	1,193,725,220	1,268,405,140

19.1.1.A Impairment Allowance for Term Loans - Individual

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		1,038,992,438	475,913,425	1,038,992,438	475,913,425
Impairment charge for the year		831,245,685	563,079,013	831,245,685	563,079,013
Balance as at end of the year		1,870,238,123	1,038,992,438	1,870,238,123	1,038,992,438

Notes to the Financial Statements

19.1.1.B Impairment Allowance for Term Loans - Collective

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		466,609,231	831,873,769	466,609,231	831,873,769
Impairment charge/(reversal) for the year		196,193,032	(365,264,538)	196,193,032	(365,264,538)
Balance as at end of the year		662,802,263	466,609,231	662,802,263	466,609,231

19.1.2 Micro Finance Receivables

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Micro Finance Receivables		1,308,733,491	1,550,240,217	1,308,733,491	1,550,240,217
Impairment Allowance for Micro Finance Loans	19.1.2A	(742,405,410)	(626,053,483)	(742,405,410)	(626,053,483)
		566,328,081	924,186,734	566,328,081	924,186,734

19.1.2.A Impairment Allowance for Micro Finance Loans

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		626,053,483	597,564,723	626,053,483	597,564,723
Impairment charge/(reversal) for the year		116,351,927	28,488,760	116,351,927	28,488,760
Balance as at end of the year		742,405,410	626,053,483	742,405,410	626,053,483

19.2 Pawning Advances

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Pawning		1,846,788,729	570,456,744	1,846,788,729	570,456,744
Impairment Allowance for Pawning Advances (Note 19.2.1)		(159,938,112)	(1,638,314)	(159,938,112)	(1,638,314)
		1,686,850,617	568,818,430	1,686,850,617	568,818,430

19.2.1 Impairment Allowance for Pawning Advances

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		1,638,314	3,158,012	1,638,314	3,158,012
Impairment charge/(reversal) for the year		158,299,798	(1,519,698)	158,299,798	(1,519,698)
Balance as at end of the year		159,938,112	1,638,314	159,938,112	1,638,314

19.3 Hire Purchase Receivable

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Hire Purchase Stock		85,162,343	149,179,724	85,162,343	149,179,724
Deferred Interest		(9,312,397)	(30,188,558)	(9,312,397)	(30,188,558)
Write-off during the year		75,849,946	118,991,166	75,849,946	118,991,166
Impairment Allowance for HP Receivables - Individual	19.3.1	(21,116,121)	(3,387,751)	(21,116,121)	(3,387,751)
Impairment Allowance for HP Receivables - Collective	19.3.2	(6,720,466)	(15,612,503)	(6,720,466)	(15,612,503)
		48,013,359	99,990,912	48,013,359	99,990,912

19.3.1 Impairment Allowance for HP Receivables - Individual

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		3,387,751	3,116,114	3,387,751	3,116,114
Impairment charge/(reversal) for the year		17,728,370	271,637	17,728,370	271,637
Balance as at end of the year		21,116,121	3,387,751	21,116,121	3,387,751

19.3.2 Impairment Allowance for HP Receivables - Collective

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		15,612,503	25,012,531	15,612,503	25,012,531
Impairment charge/(reversal) for the year		(8,892,037)	(9,400,028)	(8,892,037)	(9,400,028)
Balance as at end of the year		6,720,466	15,612,503	6,720,466	15,612,503

19.4 Finance Leases

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Gross Investment		817,328,265	871,390,023	817,328,265	871,390,023
Unearned Income		(96,203,850)	(154,552,228)	(96,203,850)	(154,552,228)
		721,124,415	716,837,795	721,124,415	716,837,795
Impairment Allowance for Finance Leases - Individual	19.4.1	(161,909,494)	(51,955,520)	(161,909,494)	(51,955,520)
Impairment Allowance for Finance Leases - Collective	19.4.2	(125,238,296)	(293,298,987)	(125,238,296)	(293,298,987)
Net Lease Rental receivables		433,976,625	371,583,288	433,976,625	371,583,288

Notes to the Financial Statements

19.4.1 Impairment Allowance for Finance Leases - Individual

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year	51,955,520	8,784,721	51,955,520	8,784,721
Impairment charge/(reversal) for the year	109,953,974	43,170,799	109,953,974	43,170,799
Balance as at end of the year	161,909,494	51,955,520	161,909,494	51,955,520

19.4.2 Impairment Allowance for Finance Leases - Collective

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year	293,298,987	113,596,752	293,298,987	113,596,752
Impairment charge/(reversal) for the year	(168,060,691)	179,702,235	(168,060,691)	179,702,235
Balance as at end of the year	125,238,296	293,298,987	125,238,296	293,298,987

19.5 Loans & Receivables (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Hire Purchase	19.5.1	-	3,619,213	-	3,619,213
Leasing	19.5.2	31,521,648	32,757,380	31,521,648	32,757,380
		31,521,648	36,376,593	31,521,648	36,376,593

19.5.1 Hire Purchase (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Capital Outstanding		-	5,124,052	-	5,124,052
Impairment allowance for Reposessed Collaterals	19.5.1.1	-	(1,504,839)	-	(1,504,839)
		-	3,619,213	-	3,619,213

19.5.1.1 Impairment Allowance for Hire Purchases (Reposessed Collaterals)

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year	1,504,839	933,255	1,504,839	933,255
Impairment charge/(reversal) for the year	(1,504,839)	571,584	(1,504,839)	571,584
Balance as at end of the year	-	1,504,839	-	1,504,839

19.5.2 Leasing (Reposessed Collaterals)

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Capital Outstanding		37,074,530	59,942,956	37,074,530	59,942,956
Impairment allowance for Reposessed collaterals	19.5.2.1	(5,552,882)	(27,185,576)	(5,552,882)	(27,185,576)
		31,521,648	32,757,380	31,521,648	32,757,380

19.5.2.1 Impairment Allowance for Leasing (Reposessed Collaterals)

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		27,185,576	14,025,657	27,185,576	14,025,657
Impairment charge/(reversal) for the year		(21,632,694)	13,159,919	(21,632,694)	13,159,919
Balance as at end of the year		5,552,882	27,185,576	5,552,882	27,185,576

19.6 Expected Credit Loss Provision for Loans and Receivables

19.6.1 Total Impairment Provision

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year		2,526,238,642	2,073,978,959	2,526,238,642	2,073,978,959
Impairment charge/(reversal) for the year		1,229,682,525	452,259,683	1,229,682,525	452,259,683
Balance as at end of the year		3,755,921,167	2,526,238,642	3,755,921,167	2,526,238,642

19.6.1.A Individual Impairment Provision

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year		1,095,974,023	490,972,272	1,095,974,023	490,972,272
Impairment charge/(reversal) for the year		1,117,227,827	605,001,751	1,117,227,827	605,001,751
Balance as at end of the year		2,213,201,850	1,095,974,023	2,213,201,850	1,095,974,023

19.6.1.B Collective Impairment Provision

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year		1,430,264,619	1,583,006,687	1,430,264,619	1,583,006,687
Impairment charge/(reversal) for the year		112,454,698	(152,742,068)	112,454,698	(152,742,068)
Balance as at end of the year		1,542,719,317	1,430,264,619	1,542,719,317	1,430,264,619

Notes to the Financial Statements

19.6.2 Movements in Impairment During the Year

As at 31st March,	Company/Group		
	Gross Outstanding 2024 Rs.	Impairment 2024 Rs.	Impairment 2023 Rs.
Stage 1			
Balance at the beginning of the year	526,686,805	23,859,557	86,056,108
Charge/(reversal) to profit or loss	80,847,027	128,881,991	(62,196,551)
Balance as at end of the year	607,533,832	152,741,549	23,859,557
Stage 2			
Balance at the beginning of the year	650,698,867	70,027,871	83,803,113
Charge/(reversal) to profit or loss	(342,758,571)	74,536,607	(13,775,243)
Balance as at end of the year	307,940,296	144,564,477	70,027,871
Stage 3			
Balance at the beginning of the year	2,415,631,745	1,775,969,002	1,288,438,091
Charge/(reversal) to profit or loss	1,193,085,314	774,749,735	487,530,911
Balance as at end of the year	3,608,717,059	2,550,718,737	1,775,969,002
Repossess stock	37,074,530	5,552,882	28,690,415
Micro Finance	1,308,733,491	742,405,410	626,053,483
Pawning	1,846,788,728	159,938,112	1,638,314
Impairment provision of Loans and Advances to Customers	7,716,787,937	3,755,921,167	2,526,238,642
Other Investments		272,955	272,955
Total impairment		3,756,194,122	2,526,511,597

Judgement/ Assumption	Description	Considerations for the year ended
Determining when a Significant Increase in Credit Risk (SICR) has occurred	In the measurement of ECL, judgment is involved in setting the rules and trigger points to determine whether there has been a SICR since initial recognition of a loan, which would result in the financial asset moving from 'Stage 1' to 'Stage 2'. This is a key area of judgment since transition from Stage 1 to Stage 2 increases the ECL from an allowance based on the probability of default in the next 12 months, to an allowance for lifetime expected credit losses.	<p>In response to the escalating economic crisis, various moratorium/ debt concessionary schemes have been offered to eligible customers in 2024 to alleviate financial burdens and promote economic recovery.</p> <p>The Company does not consider that when a customer is first provided assistance it automatically results in a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, assessments have been carried out based on the discussions with the customers on the future business cash flows, financial position, the sectors in which the businesses operate, and ability to recommence loan repayments at the end of the moratorium/ debt concessionary period to conclude whether there is SICR.</p>
Measuring both 12- month and lifetime credit losses	<p>The probability of default (PD), loss given default (LGD) and exposure at default (EAD) credit risk parameters used in determining ECL are point-in time measures reflecting the relevant forward looking information determined by management. Judgment is involved in determining which forward-looking information variables are relevant for particular lending portfolios and for determining each portfolio's point-in-time sensitivity.</p> <p>In addition, judgment is required where behavioral characteristics are applied in estimating the lifetime of a facility to be used in measuring ECL.</p>	<p>The PD, EAD and LGD models are subject to the Company's policy on impairment model that stipulates periodic model monitoring, periodic revalidation and the approval procedures and authorities according to model materiality.</p> <p>There were no material changes to the policies during the period ended 31 March 2024. Due to the implications of moratorium/ debt concessionary schemes on PDs and LDGs (due to limited movements to Stage 2 & 3), adjustments have been made as overlays based on stress testing and historic patterns to better reflect the adequacy of ECL.</p> <p>There were no material changes to behavioral lifetime estimates during the year ended 31 March 2024.</p>
Base case economic forecast	The Company derives a forward-looking "base case" economic scenario which reflects the it's view of the most likely future macro-economic conditions.	<p>There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.</p> <p>As at 31 March 2024, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to the Sri Lankan economic crisis by using the economic forecast provided by the Central Bank of Sri Lanka.</p>
Probability weighting of each economic scenario (base case, best and worst scenarios)	Probability weighting of each economic scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario at each measurement date.	<p>The key consideration for probability weightings in the 2024 financial year is the persisting impact of the Sri Lankan economic crisis.</p> <p>In addition to the base case forecast, which reflects the lingering economic consequences of the Sri Lankan crisis, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different from those projected.</p>

Notes to the Financial Statements

20. FINANCIAL ASSETS MEASURED AT AMORTISED COST- DEBT AND OTHER INSTRUMENTS

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Government of Sri Lanka Treasury Bills	1,190,225,817	566,392,220	1,190,225,817	566,392,220
	1,190,225,817	566,392,220	1,190,225,817	566,392,220

21. INVESTMENT IN SUBSIDIARIES

For the year ended 31st March,	Company					
	2024			2023		
	No of shares	Holding %	Cost Rs.	No of shares	Holding %	Cost Rs.
Ordinary Shares						
Nation Micro Investments Ltd	500,000	99.99	5,000,000	500,000	99.99	5,000,000
Provision for Impairment			(5,000,000)			(5,000,000)
			-			-

22. AMOUNTS DUE FROM RELATED PARTIES

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Millennium Housing Developers Ltd.	332,434	332,434	332,434	332,434
Ceylinco Constructions Company Ltd.	830,937	830,937	830,937	830,937
Singhe Capital Investment Ltd	-	763,102,393	-	763,102,393
	1,163,371	764,265,764	1,163,371	764,265,764
Impairment of amounts due from related companies (Note 22.1)	(1,163,371)	(1,163,371)	(1,163,371)	(1,163,371)
Total amount due from Related Parties	-	763,102,393	-	763,102,393

22.1 Impairment of Amount Due from Related Parties

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	1,163,371	2,271,121	1,163,371	2,271,121
Impairment charge/(Reversal) for the year	-	(1,107,750)	-	(1,107,750)
Balance as at end of the year	1,163,371	1,163,371	1,163,371	1,163,371

23. REAL ESTATE STOCK

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	118,908,090	118,908,090	118,908,090	118,908,090
Addition during the year	199,740,893	-	199,740,893	-
Impairment charge of real estate stocks	(52,816,298)	-	(52,816,298)	-
Balance at the end of the year	265,832,685	118,908,090	265,832,685	118,908,090

24. INVESTMENT PROPERTY

For the year ended 31st March,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	1,285,900,500	1,176,235,593	1,285,900,500	1,176,235,593
Disposed during the year	(7,890,500)	-	(7,890,500)	-
Addition during the year	282,861,850	-	282,861,850	-
Change in Fair Value	(22,933,100)	109,664,907	(22,933,100)	109,664,907
	1,537,938,750	1,285,900,500	1,537,938,750	1,285,900,500
Provision	(9,543,217)	-	(9,543,217)	-
Balance at the end of the year	1,528,395,533	1,285,900,500	1,528,395,533	1,285,900,500

Investment properties are stated at fair value at the year ended 31st March 2024. The fair value of investment property was determined by external, independent property valuers, Mr. P.P.T.Mohideen, Mr.Sunil Fernando, Mr.S.A.M.A. Perera and Mr. J.S.M.I.B. Karunaythilake who are Fellow members of the Royal Institute of Chartered Surveyors of the United Kingdom (RICS) and they have recent experience in the location and category of the property being valued.

Notes to the Financial Statements

24. INVESTMENT PROPERTY (CONTINUED)

The Investment Property of the Company/Group includes the following:

Property	Location of the Property	Last Valuation Date	Extent		
			Buildings Sq. Ft	Land in Extent	
For the year ended 31st March,					
Land and Building	Athurugiriya	31-Mar-23	5000	R 3 P31	
Land	Wennappuwa	31-Mar-23	-	A0-R 2-P3.5	
Land and Building	Kurunegala	31-Mar-24	13500	P 20	
Land	Katana Foliage	31-Mar-24	-	A13-R2-P29	
Land	Katukenda	31-Mar-24	-	A18-R0-P25.	
Land	Korathota	31-Mar-23	-	A0-R 1-P16.58	
Land	Thanthimulla	31-Mar-24	-	A0-R1-P0	
Land	Badalgama	31-Mar-24	-	A29-R0-P0	
Land	Pilihudugolla	31-Mar-24	-	A0-R2-P0	
Land	Panichankerni	31-Mar-24	-	A13-R0-P6.7	
Land and Building	Kahatagahawatta	31-Mar-24	3120	A0-R0-P14.15	
Land and Building	Nelliady	31-Mar-24	2164	A0-R0-P26.7	
Land	Geliya	31-Mar-24	-	A0-R0-P26.25	
Land	Weuda	31-Mar-24	-	A0-R0-P12.5	
Land	Embilipitiya	31-Mar-24	1260	A0-R2-P23.07	
Land	Kalkuda	31-Mar-24	-	A9-R3-P26.31	
Land	Millennium City	31-Mar-24	-	A0-R3-P8.7	
Land	Winston Park	31-Mar-24	-	A0-R2-P26	
Land	Werahera	4-Jul-21	-	R3 P14.55	
Land	Digana	22-Jun-23	-	R2 P18.9	
Land	Wellawaya	2-Jul-23	-	A20 R1 P28.81	
Land	Ja-Ela	15-Nov-23	-	A2	

The valuation based on; - observable inputs such as ARR, cost of sale, interest rates and cost of construction and Market rental based Income Method of valuation have been adopted in valuing the above investment properties.

24.1 The amounts recognized in profit or loss for rental income from investment property and direct operating expenses arising from investment property are as follows.

Location	No. of Buildings	Rental income from Investment Property (Rs.)	Direct Operating Expense
Katana Foliage	-	3,000,000	-

	Name of the Independent Valuer	Market Value (Rs.)/perch	Method of the Valuation	Fair Value	
				2024 Rs.	2023 Rs.
	Mr.P.P.T.Mohideen	425,000	Market Value	113,415,000	113,415,000
	Mr.P.P.T.Mohideen	500,000	Market Value	33,900,000	33,900,000
	Sunil Fernando & Associates (Pvt) Ltd	2,675,000	Market Value	155,200,000	150,400,000
	Mr. J.S.M.I.B. Karunathilake	145,000	Market Value	162,000,000	173,400,000
	Sunil Fernando & Associates (Pvt) Ltd	35,625	Market Value	106,200,000	127,100,000
	Mr.P.P.T.Mohideen	225,000	Market Value	-	7,890,500
	Sunil Fernando & Associates (Pvt) Ltd	375,000	Market Value	19,000,000	18,000,000
	Sunil Fernando & Associates (Pvt) Ltd	34,375	Market Value	212,700,000	188,500,000
	Mr. J.S.M.I.B. Karunathilake	17,500	Market Value	800,000	2,000,000
	Sunil Fernando & Associates (Pvt) Ltd	68,750	Market Value	81,100,000	78,400,000
	Mr.P.P.T.Mohideen	4,000,000	Market Value	49,500,000	72,300,000
	Sunil Fernando & Associates (Pvt) Ltd	315,000	Market Value	18,900,000	18,300,000
	Sunil Fernando & Associates (Pvt) Ltd	325,000	Market Value	13,300,000	12,900,000
	Sunil Fernando & Associates (Pvt) Ltd	75,000	Market Value	1,400,000	1,250,000
	Sunil Fernando & Associates (Pvt) Ltd	80,000	Market Value	14,900,000	13,900,000
	Sunil Fernando & Associates (Pvt) Ltd	75,000	Market Value	184,800,000	177,000,000
	Sunil Fernando & Associates (Pvt) Ltd	618,000	Market Value	86,475,000	81,160,000
	Sunil Fernando & Associates (Pvt) Ltd	60,000	Market Value	17,075,000	16,085,000
	S A M A Property Valuers	225,000	Market Value	30,273,750	-
	Mr. J.S.M.I.B. Karunathilake	125,379	Market Value	12,400,000	-
	Mr. J.S.M.I.B. Karunathilake	55,984	Market Value	183,000,000	-
	S A M A Property Valuers	130,000	Market Value	41,600,000	-
				1,537,938,750	1,285,900,500

Notes to the Financial Statements

25. PROPERTY, PLANT & EQUIPMENT

25.1 Company

	Office Equipment Rs.	Land & Building Rs.	Building improvement Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Computer Equipment Rs.	2024 Total Rs.	2023 Total Rs.
Cost								
Balance at the beginning of the year	154,032,975	-	-	152,585,058	6,398,657	154,789,770	467,806,460	429,656,010
Additions during the year	11,491,940	-	-	10,020,041	6,700,000	21,552,385	49,764,366	38,428,065
Acquisition on merger	122,167,092	49,284,450	111,553,213	84,180,764	126,015,027	79,040,921	572,241,468	-
Disposals during the year	-	-	-	-	-	-	-	(277,615)
Balance at the end of the year	287,692,007	49,284,450	111,553,213	246,785,863	139,113,684	255,383,076	1,089,812,294	467,806,460
Depreciation								
Balance at the beginning of the year	150,533,151	-	-	132,677,220	754,993	140,626,793	424,592,157	410,009,878
Depreciation for the year	6,445,336	577,024	2,105,381	6,378,736	8,653,753	11,003,865	35,164,094	14,859,894
Acquisition on merger	114,299,138	4,524,149	105,027,814	81,966,895	60,375,054	77,759,626	443,952,677	-
Disposal during the year	-	-	-	-	-	-	-	(277,615)
Balance at the end of the year	271,277,625	5,101,173	107,133,195	221,022,851	69,783,800	229,390,284	903,708,928	424,592,157
Carrying values as at 31.03.2024	16,414,382	44,183,277	4,420,018	25,763,012	69,329,884	25,992,792	186,103,365	
Carrying Values as at 31.03.2023	3,499,824			19,907,838	5,643,664	14,162,977		43,214,303

25.1.1 There were no restrictions on the title of the property plant and equipment as at the reporting date. Further there were no items pledged as securities for liabilities..

25.2 Group

	Office Equipment Rs.	Land & Building Rs.	Building improvement Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Computer Equipment Rs.	2024 Total Rs.	2023 Total Rs.
Cost								
Balance at the beginning of the year	154,032,975	-	-	152,585,058	6,398,657	154,789,770	467,806,460	429,656,010
Additions during the year	11,491,940	-	-	10,020,041	6,700,000	21,552,385	49,764,366	38,428,065
Acquisition on merger	122,167,092	49,284,450	111,553,213	84,180,764	126,015,027	79,040,921	572,241,468	-
Disposals during the year	-	-	-	-	-	-	-	(277,615)
Balance at the end of the year	287,692,007	49,284,450	111,553,213	246,785,863	139,113,684	255,383,076	1,089,812,294	467,806,460
Depreciation								
Balance at the beginning of the year	150,533,151			132,677,220	754,993	140,626,793	424,592,157	410,009,878
Depreciation for the year	6,445,336	577,024	2,105,381	6,378,736	69,028,807	11,003,865	35,164,094	14,859,894
Acquisition on merger	114,299,138	4,524,149	105,027,814	81,966,895	60,375,054	77,759,626	443,952,677	-
Disposal during the year	-	-	-	-	-	-	-	(277,615)
Balance at the end of the year	271,277,625	5,101,173	107,133,195	221,022,851	69,783,800	229,390,284	903,708,928	424,592,157
Carrying values as at 31.03.2024	16,414,382	44,183,277	4,420,018	25,763,012	69,329,884	25,992,792	186,103,365	
Carrying Values as at 31.03.2023	3,499,824			19,907,838	5,643,664	14,162,977		43,214,303

25.2.1 There were no restrictions on the title of the property plant and equipment as at the reporting date. Further there were no items pledged as securities for liabilities.

25.2.2 Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31st March 2024 and 31st March 2023.

Notes to the Financial Statements

26. RIGHT-OF-USE ASSET

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cost				
Balance at the beginning of the year	285,223,727	235,687,868	285,223,727	235,687,868
Additions during the year	73,419,663	49,535,859	73,419,663	49,535,859
Disposal during the year	-	-	-	-
Balance at the end of the year	358,643,390	285,223,727	358,643,390	285,223,727
Accumulated Amorisation				
Balance at the beginning of the year	180,024,954	136,326,828	180,024,954	136,326,828
Charge for the year	82,440,717	43,698,126	82,440,717	43,698,126
Disposal during the year	-	-	-	-
Balance at the end of the year	262,465,671	180,024,954	262,465,671	180,024,954
Net Carrying Value	96,177,719	105,198,773	96,177,719	105,198,773

27. INVESTMENT IN KANRICH FINANCE LTD FOR GOLD LOAN STOCK

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Advanced for gold loans	1,121,883,562	1,000,000,000	1,121,883,562	1,000,000,000
	214,616,941	121,883,562	214,616,941	121,883,562
Interest Receivable	89,830,765	-	89,830,765	-
Setoff - Intercompany	(1,426,331,268)	-	(1,426,331,268)	-
Balance at the end of the year	-	1,121,883,562	-	1,121,883,562

28. INTANGIBLE ASSETS

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Computer Software				
Cost				
Balance at the beginning of the year	86,641,212	86,221,212	86,641,212	86,221,212
Additions during the year	15,769,965	420,000	15,769,965	420,000
Acquisition on merger	53,199,448	-	53,199,448	-
Balance at the end of the year	155,610,625	86,641,212	155,610,625	86,641,212
Amortisation				
Balance at the beginning of the year	86,073,403	85,079,873	86,073,403	85,079,873
Amortisation for the year	7,189,653	993,530	7,189,653	993,530
Acquisition on merger	48,869,614	-	48,869,614	-
Balance at the end of the year	142,132,670	86,073,403	142,132,670	86,073,403
Carrying Value	13,477,955	567,809	13,477,955	567,809

29. TRADE AND OTHER RECEIVABLES

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade Receivables		17,202,866	5,827,411	17,202,866	5,827,411
Impairment of Trade Receivables	29.1	(5,512,911)	(5,827,411)	(5,512,911)	(5,827,411)
		11,689,955	-	11,689,955	-
Trade Related - Other Receivables		120,785,711	108,933,699	120,785,711	108,933,699
Impairment of Other Receivables	29.2	(57,850,146)	(59,030,146)	(57,850,146)	(59,030,146)
		74,625,520	49,903,553	74,625,520	49,903,553

29.1 Impairment of Trade Receivables

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		5,847,411	5,872,411	5,847,411	5,872,411
Impairment reversal for the year		(334,500)	(25,000)	(334,500)	(25,000)
Balance as at end of the year		5,512,911	5,847,411	5,512,911	5,847,411

29.2 Impairment of Other Receivables

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		59,030,146	57,961,650	59,030,146	57,961,650
Impairment charge for the year		(1,180,000)	1,068,496	(1,180,000)	1,068,496
Balance as at end of the year		57,850,146	59,030,146	57,850,146	59,030,146

Notes to the Financial Statements

30. OTHER ASSETS

For the year ended 31st March,	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Deposits, Advances and Prepayments		192,304,384	193,293,017	192,304,384	193,293,017
Write off during the year		-	-	-	-
Impairment of advances	30.1	(58,456,461)	(58,456,461)	(58,456,461)	(58,456,461)
		133,847,923	134,836,556	133,847,923	134,836,556
Other Receivables		98,013,583	26,561,569	98,013,583	26,561,569
		231,861,506	161,398,125	231,861,506	161,398,125

30.1 Impairment of Advances

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at beginning of the year		58,456,461	58,456,461	58,456,461	58,456,461
Impairment charge for the year		-	-	-	-
Balance as at end of the year		58,456,461	58,456,461	58,456,461	58,456,461

31. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

31.1 Defined Benefit Obligations (Net)

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Present Value of Defined Benefit Obligations	31.2	90,587,601	36,630,761	90,587,601	36,630,761
Defined Benefit Plan Assets	31.3	(109,503,868)	(96,789,940)	(109,503,868)	(96,789,940)
		(18,916,267)	(60,159,179)	(18,916,267)	(60,159,179)

31.2 Movement in the Present Value of Defined Benefit Obligations

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year		36,630,761	31,702,089	36,630,761	31,702,089
Current Service Cost		7,751,058	4,861,030	7,751,058	4,861,030
Interest Cost		6,593,536	4,438,292	6,593,536	4,438,292
Payments made (including benefits paid by the plan)		(31,149,303)	(9,043,514)	(31,149,303)	(9,043,514)
Merger of KFL Employees		25,239,467	-	25,239,467	-
Past Service Cost		-	-	-	-
Actuarial (Gain) / Loss		23,183,320	4,672,864	23,183,320	4,672,864
Experience (gain)/loss		22,338,762	-	22,338,762	-
Balance at the end of the year		90,587,601	36,630,761	90,587,601	36,630,761

31.3 Movement in Plan Assets

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	96,789,940	92,391,051	96,789,940	92,391,051
Expected return on Plan Assets	17,422,189	14,546,133	17,422,189	14,546,133
Actual Employer's Contributions	27,362,425	3,786,878	27,362,425	3,786,878
Administrative Expense	(2,823,913)	(1,458,578)	(2,823,913)	(1,458,578)
Benefits paid by the Plan	(31,149,303)	(9,043,514)	(31,149,303)	(9,043,514)
Actuarial (Loss) on Plan Assets	1,917,530	(3,432,030)	1,917,530	(3,432,030)
Balance at the end of the year	109,503,868	96,789,940	109,503,868	96,789,940

31.3.1 Retirement Benefit Plan Assets

Plan assets are assets in investments of funded defined benefit plan, in which the Company guarantees a minimum payout to its employees eligible for terminal benefit. As we have an adequate Asset for the purpose, in contrast to the general practice, the Company does not contribute any amount periodically to the plan. The Fund is invested in the Government Financial Instruments such as Treasury Bills, Bonds and Term Deposits with Licensed Commercial Banks where placements are periodically reviewed subject to maturity of such instruments for better yield. Terminal Benefit Payments are done against this Plan Asset.

31.4 Actuarial (Gain) or Loss (Amount recognized OCI)

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Actuarial (Gain)/Loss for year- Obligation	45,522,082	4,672,864	45,522,082	4,672,864
Actuarial Loss for year- Plan Assets	(1,917,530)	3,432,030	(1,917,530)	3,432,030
Recognised in Other Comprehensive Income	43,604,552	8,104,894	43,604,552	8,104,894

31.5 Amount Recognized in Profit or Loss

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Current Service Cost	7,751,058	4,861,030	7,751,058	4,861,030
Interest Cost	6,593,536	4,438,292	6,593,536	4,438,292
Expected Return on Plan Assets	(17,422,189)	(14,546,133)	(17,422,189)	(14,546,133)
Administrative Expense	2,838,913	1,458,578	2,838,913	1,458,578
Loss Recognized in profit or Loss	(238,682)	(3,788,228)	(238,682)	(3,788,228)

Notes to the Financial Statements

In accordance with the Gratuity Act No 12 of 1983, a liability arises for a defined benefit obligation for employees. Such defined benefit obligation is a post employment benefit obligation falling within the scope of Sri Lanka Accounting Standards LKAS-19 on "Employee Benefits".

An actuarial valuation of the gratuity liability and the fair value of assets of the gratuity fund of the Company were carried out as at 31st March 2024 by Mr. Piyal S.Goonetilleke. Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries. The valuation method used by the actuaries to value the fund is the 'Projected Unit Credit Method' recommended by the Sri Lanka Accounting Standard LKAS - 19 'Employee Benefits'. The liability is externally funded.

31.5.1 Key Assumptions made:

The following key assumptions were made in arriving at the retirement benefit obligations are as follows;

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19.

	Nation Lanka Finance PLC	
	2024	2023
Discount rate	12.25%	18.00%
Rate of Salary Increase	10.00%	10.00%
Staff Turnover Factor	14%	14%
Retirement Age	60 years	60 years
Weighted average duration of RBO	5.5	5.5

31.6 Sensitivity of Assumptions Used in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement for the Company.

+/-1% on discount rate and salary increase-effect on PVDBO

Present Value of the Defined Benefit Obligation (PVDBO)

31-03-2024			
Discount rate	11.25%	12.25%	13.25%
Total PVDBO (Rs.)	96,507,506	90,587,601	85,369,074

Present Value of the Defined Benefit Obligation (PVDBO)

31-03-2024			
Basic Salary Scale	9.00%	10.00%	11.00%
Total PVDBO (Rs.)	85,286,514	90,587,601	96,499,458

31.7 Future Cash flow- Expected Benefit Payout in the next 10 years

Year	Retirement	Term	Death	Disable	Total
2024/25	1,583,082	10,774,486	180,658	290,349	12,828,575
2025/26	310,472	10,870,948	221,713	360,422	11,763,555
2026/27	-	10,778,457	269,155	443,343	11,490,955
2027/28	202,763	10,928,589	330,517	549,670	12,011,539
2028/29	1,347,749	11,574,582	414,938	690,041	14,027,310
2029/30	2,632,088	12,755,414	530,867	875,684	16,794,053
2030/31	9,831,514	12,543,445	565,435	937,644	23,878,038
2031/32	11,647,329	12,304,106	601,915	985,177	25,538,527
2032/33	3,966,646	12,054,326	704,398	1,155,753	17,881,123
2033/34	6,497,597	11,904,574	1,039,415	1,766,784	21,208,370
2023/24	Actual Benefit Payout				31,149,303

The Expected benefits are estimated based on the same assumptions used to measure the company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

Employees Gratuity Trust - Details of Investment

Description	Balance as at 31/03/2024	Balance as at 31/03/2023	Risk Rating
Fixed Deposits with Bank of Ceylon	267,157	239,818	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	4,345,829	3,819,670	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	11,637,848	15,531,247	AAA Rated Government Bank
Fixed Deposits with Bank of Ceylon	36,069,494	28,925,015	AAA Rated Government Bank
Total investment in FD	52,320,328	48,515,749	
Government Securities	59,797,793	53,871,895	Government Guarantee
Total investment	112,118,120	102,387,644	

32. GOODWILL

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Goodwill	241,044,357	-	241,044,357	-
Goodwill impairment	(241,044,357)	-	(241,044,357)	-
	-	-	-	-

The Goodwill arisen from the Merger of Nation Lanka Finance PLC with Kanrich Finance Limited on 31st July 2023 (Refer the 3.2.3.2.3 in accounting policy).

Notes to the Financial Statements

32.1 Impairment of goodwill

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	-	-	-	-
Goodwill arising from merger with kanrch finance limited	241,044,357	-	241,044,357	-
Impairment of goodwill	(241,044,357)	-	(241,044,357)	-
Balance at the end of the year	-	-	-	-

33. DEFERRED TAX ASSET - GROUP /COMPANY

For the year ended 31st March,	Group/Company			
	2024		2023	
	Temporary Difference Rs.	Tax effect Rs.	Temporary Difference Rs.	Tax effect Rs.
Deferred Tax Assets				
Property, Plant and Equipment	(6,235,715)	(1,870,715)	(3,130,142)	(939,043)
Retirement Benefit Obligations	18,916,267	5,674,880	60,159,179	18,047,754
Carried forward Tax Loss	(4,579,816,367)	(1,373,944,910)	(2,951,510,011)	(885,453,003)
Expected credit Loss	1,229,682,944	368,904,883	(109,551,498)	(32,865,449)
Impairment on real estate stock	(57,572,155)	(17,271,647)	(4,755,857)	(1,426,757)
Fair value changes in investment properties	676,932,184	203,079,655	424,893,934	127,468,180
Right-of-use Asset	(57,945,490)	(17,383,647)	467,148	140,144
Net Change in Fair Value	5,059,339	1,517,802	18,482,850	5,544,855
Net Deferred Tax Asset	(2,770,978,993)	(831,293,698)	(2,564,944,398)	(769,483,319)

33.1 Deferred Tax Asset - Group /Company

	2024 Rs.	2023 Rs.
Balance at the beginning of the year	(769,483,319)	(652,847,913)
Origination of temporary difference ;	-	-
Deferred tax charge/ (reversal) for the year	(34,031,153)	(23,402,233)
Impact on changes in tax rate	-	(91,823,914)
Recognized in other comprehensive income ;	(13,889,613)	(1,409,259)
Balance at the end of the year	(831,293,698)	(769,483,319)

Deferred tax asset on tax losses has been recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilized. The total carried forward tax loss of the Group/Company on which a deferred tax asset is not recognized as at 31st March 2024 amounted to Rs.8,595,169,276/- and the unrecognized deferred tax asset as at 31st March 2024 of the Group/Company amounted to Rs. 2,578,550,783/-.

34. DUE TO BANKS AND FINANCIAL INSTITUTIONS

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Bank Overdraft		343,652,853	593,895,817	343,652,853	593,895,817
Repos		-	20,041,096	-	20,041,096
		343,652,853	613,936,913	343,652,853	613,936,913

35. FINANCIAL LIABILITIES AT AMORTISED COST-DUE TO DEPOSITORS

For the year ended 31st March,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deposits from customers	35.1	5,249,539,715	6,267,356,053	5,249,539,715	6,267,356,053
35.1 Deposits from customers					
Fixed Deposits		5,067,436,773	6,057,311,797	5,067,436,773	6,057,311,797
Customer Savings -Micro Finance		182,102,942	210,044,256	182,102,942	210,044,256
		5,249,539,715	6,267,356,053	5,249,539,715	6,267,356,053

36. LEASE LIABILITY

For the year ended 31st March,		Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year		104,155,224	77,792,301	104,155,224	77,792,301
Addition during the year		90,078,628	47,339,721	90,078,628	47,339,721
Derecognition of lease liability		-	-	-	-
Interest Expenses		16,605,895	14,807,714	16,605,895	14,807,714
Rental Payment		(56,716,538)	(35,784,512)	(56,716,538)	(35,784,512)
Balance at the end of the year		154,123,209	104,155,224	154,123,209	104,155,224

Following information has been included in the Statement of Profit or Loss Account and the Statement of Cash Flow in relation to the lease liability.

For the year ended 31st March,		Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Interest Expense on Lease Liability		16,605,895	14,807,714	16,605,895	14,807,714
Total cash outflow for leases		56,716,538	35,784,512	56,716,538	35,784,512
Depreciation on ROU Assets		82,440,717	43,698,126	82,440,717	43,698,126

Notes to the Financial Statements

36.1 Maturity Analysis - Contractual Undiscounted cash flows

The following table sets out a maturity analysis of the Group/Company's lease payables, showing the undiscounted lease payments to be paid after the reporting date until the respective maturity dates.

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Less than one year	50,665,510	50,665,510	50,665,510	50,665,510
Between one and two years	38,668,956	38,668,956	38,668,956	38,668,956
Between two and three years	28,734,559	28,734,559	28,734,559	28,734,559
Between three and four years	22,633,180	22,633,180	22,633,180	22,633,180
Between four and five years	12,724,440	12,724,440	12,724,440	12,724,440
More than 5 years	445,141	445,141	445,141	445,141
	153,871,785	153,871,785	153,871,785	153,871,785
Less: Future interest payable	(251,424)	49,716,561	(251,424)	49,716,561
Net lease liability as at 31st March 2024	154,123,209	104,155,224	154,123,209	104,155,224

37. AMOUNTS DUE TO RELATED COMPANIES

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Nation Micro Investments Ltd	-	-	509,196	509,196
	-	-	509,196	509,196

38. OTHER BORROWINGS

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance at the beginning of the year	817,189,423	493,134,120	817,189,423	493,134,120
Interest expense	548,605,162	116,020,099	548,605,162	116,020,099
Loans obtained during the year	1,080,000,000	-	1,080,000,000	-
Borrowings from Agreements*	738,672,311	920,793,153	738,672,311	920,793,153
Repayments during the year	(763,872,457)	(712,757,950)	(763,872,457)	(712,757,950)
Balance at the end of the year	2,420,594,439	817,189,423	2,420,594,439	817,189,423

38.1 Borrowings from Agreements

Having restrictions imposed by the Central Bank of Sri Lanka on mobilization of public funds, the Company raised funds through public deposits during the period. However, the funds raised through Borrowing Agreements were quantified and recorded subsequently based on verification performed with the assistance of two external consulting firms.

For the year ended 31st March,		2024 Rs.	2023 Rs.
Other borrowings includes followings			
Balance at the beginning of the year		817,189,423	-
Promissory notes obtain during the year		738,672,311	815,915,519
Interest Accrual		421,706,550	
Repayments during the year		(763,872,457)	
Payable to others		1,273,904	1,273,904
		1,214,969,731	817,189,423

39. TRADE AND OTHER PAYABLES

For the year ended 31st March,	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade Payables	580,771,982	49,927,236	580,771,982	49,927,236
Other Payables	166,265,226	128,307,850	166,328,293	128,370,909
	747,037,208	178,235,086	747,100,275	178,298,150

40. STATED CAPITAL

	No. of Shares	2024 Rs.	No. of Shares	2023 Rs.
Balance at the beginning of the year	2,933,836,839	2,330,072,972	2,933,836,839	2,330,072,972
Addition on Merger	4,062,937,196	1,778,347,611		
Balance at the end of the year	6,996,774,035	4,108,420,583	2,933,836,839	2,330,072,972

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Since the same description is included in note No 40.2.

Notes to the Financial Statements

40.1 Issue of right issues

Amalgamation of Kanrich Finance Ltd with Nation Lanka Finance PLC on 31st July 2023 in terms of the provision of the Companies act No. 07 of 2007, the Company issued 4,062,937,196 ordinary shares at a price of Rs.0.44 which amounted Rs. 1,778,347,611/- on 24th August 2023. (the new issuance of shares is ranked equal and pari passu in all respect with the existing shares).

Manner in which the shares of amalgamating company are converted into shares of the amalgamated company is as follows.

- ◆ 322,573.5456 NLF PLC shares (rounded up) were issued for every 10,000 Ordinary Voting Shares of KFL - Number of KFL Ordinary shares existing is 77,700.778
- ◆ 456,933.973 NLF PLC shares (rounded up) were issued for every 10,000 Preference Shares of KFL - Number of KFL Ordinary shares existing is 34,064,345.

40.2 Rights and restrictions of ordinary shares

The shares of Nation Lanka Finance PLC are quoted on the Main Board of Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and voting shares are entitled to one vote per share in General Meetings of the Company. All share rank equally with regard to the Company's to the residual assets.

40.3 Reserve Fund

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transfers 5% of its annual net profit after tax to this reserve in compliance with this direction.

40.4 General Reserve

General reserves are the retained earnings of a company which are kept aside out of company's profits to meet future (known or unknown) obligations.

40.5 Fair Value Reserve

This reserve is maintained to recognize the fair value changes of financial assets classified as fair value through other comprehensive income.

41. TRANSACTIONS WITH/BETWEEN RELATED PARTIES

41.1 Transactions with/Between Subsidiaries

Name of the Related Party	Director	Relationship	Nature of Transaction	Provision for Doubtful Debts.	Amount Received/ (Paid)	Net Outstanding as at 31.03.2024	Amount Received/ (Paid)	Net Outstanding as at 31.03.2023
					Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Nation Micro Investments Ltd (Note 37)			Services rendered	-	-	(509)	(104)	(509)
Transactions with/between other related parties								
Millennium Housing Developers Ltd (Note 22)	Mr. V R Ramanan	Deputy Chairman	Receivables					
			Repayments	332	-	332	-	332
Ceylinco Construction Co. Ltd (Note 22)	Mr. V R Ramanan	Deputy Chairman	Services rendered	831	-	831	-	831
Nawaloka College of Higher Studies (Pvt) Ltd	Mr. V R Ramanan	Director	Rent Income	-	-	-	3,600	-
Lanka Credit & Business Ltd	Mr. A.G.M. Priyantha	Director	Loan Granted	-	-	-	60,000	-
			Interest due		6,793		13,201	
			Loan Repayment		(59,966)	-	(20,028)	53,173
Singhe Capital Investment Ltd	Mr. A.G.M. Priyantha	Director	Receivable	-	(763,102)	-	763,102	763,102

(Note A) An impairment provision has been made for the total amount receivable (Refer Note 22.1).

The Company has carried out above transactions on an arm's length basis.

41.2 Transactions with Key Management Personnel

According to the Sri Lanka Accounting Standard 24 (LKAS 24), "Related Party Disclosure", Key Management Personnel are those having responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Non Executive and Executive Directors) have been classified as Key Management Personnel.

Close members of the family of a KMP are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

41.2.1 Compensation of Key Management Personnel and other transactions of KMPs.

Name of the Related Party	Non-Executive Directors	Executive Directors	Other Key Management Personnel	Total 31st March 2024	Total 31st March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Short-term employment benefits	747,153	2,645,125	45,204,998	48,597,276	48,597,276
Total	747,153	2,645,125	45,204,998	44,627,825	48,597,276

41.2.2 Deposits Advances and Borrowings from Key Management Personnel

Name of the Related Party	Relationship	Nature of Transaction	Amount (received)/paid 2024	Outstanding 31st March 2024	Amount (received)/paid 2023	Outstanding 31st March 2023
			Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Victor Ramanan	Chairman	Settlement of interest cost	31	-	0	-
		Fixed Deposit	-	(15,059)	(15,090)	(15,090)

41.3 Non-recurrent Related Party Transactions

Followings are the outstanding Related Party Transactions as at the reporting date.

	Amount (Rs.)	
Balance as at beginning of the year	763,102,393	Rs. 77,660,000/- was given on May 2023 and paid Rs. 742,804,445/- during the period and the balance Rs. 108,500,000 has been setoff against Payable of Kanrich Finance Limited and the Receivable of Nation Lanka Finance PLC to Singhe Capital and Investment Ltd.
Interest Accrual	10,542,052	
Advance given during the period	77,660,000	
Repayments during the year	(742,804,445)	
Setoff - Intercompany	(108,500,000)	

The amount due from Mutual Holding Limited of Rs. 77,931,200/- was settled by Singhe Capital Investments Limited on 05/10/2023 as an inter-company settlement.

41.4 Recurrent Related Party Transactions

All the transactions which are disclosed under note 41.1 with related parties except Singhe Capital Investment Ltd, are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the Company and fellow subsidiaries, associates. And the Payables and Receivables which are disclosed under Singhe Capital Investment Ltd is non recurrent in nature. In the opinion of Related Party Transaction Review Committee, terms for these transactions are not favourable to the related party than those generally available to the public. Except the above, there were no any recurrent related party transactions of which aggregate value exceeds 10% of the revenue of the Company as per 31st March 2024 audited financial statements, which require additional disclosures in 2023/2024 Annual Report under Colombo Stock Exchange listing rule 9.3.2 (b).

The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

42. FAIR VALUES

42.1 Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It also includes details relating to non financial assets and liabilities.

Group		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2024	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets										
Recognized Fair value Through Profit or Loss	17	69,983,329	-	-	-	69,983,329	69,983,329	-	-	69,983,329
Financial Assets										
Measured at FVTOCI	18	-	-	40,550,239	-	40,550,239	-	-	40,550,239	40,550,239
Investment property	24	-	-	-	-	-	-	-	1,528,395,533	1,528,395,533
Financial assets not measured at fair value										
Financial Assets										
Measured at Amortised Cost										
- Loans and Advances	19	-	3,960,866,770	-	-	3,960,866,770	-	-	-	-
- Debt and Other Instruments	20	-	1,190,225,817	-	-	1,190,225,817	-	-	-	-
Trade and Other Receivables	29	-	74,625,521	-	-	74,625,521	-	-	-	-
Deposits with Licensed Commercial Banks	16	-	459,219,005	-	-	459,219,005	-	-	-	-
Cash and Cash Equivalents	15	-	387,745,765	-	-	387,745,765	-	-	-	-
		69,983,329	6,072,682,878	40,550,239	-	6,183,216,446	69,983,329	-	1,568,945,772	1,638,929,101
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	34	-	-	-	343,652,853	343,652,853	-	-	-	-
Financial Liabilities at amortised cost- due to depositors	35	-	-	-	5,249,539,715	5,249,539,715	-	-	-	-
Other Borrowings	38	-	-	-	2,420,594,439	2,420,594,439	-	-	-	-
Trade and Other Payables	39	-	-	-	747,137,138	747,137,138	-	-	-	-
		-	-	-	8,760,924,145	8,760,924,145	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

Notes to the Financial Statements

Group		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2023	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets										
Recognized Fair value Through Profit or Loss	17	66,507,073	-	-	-	66,507,073	66,507,073	-	-	66,507,073
Financial Assets Measured at										
FVTOCI	18	-	-	43,239,696	-	43,239,696	-	-	43,239,696	43,239,696
Investment property	24	-	-	-	-	-	-	-	1,285,900,500	1,285,900,500
Financial assets not measured at fair value										
Financial Assets Measured at Amortised Cost										
- Loans and										
Advances	19	-	3,280,515,132	-	-	3,280,515,132	-	-	-	-
- Debt and Other										
Instruments	20	-	566,392,220	-	-	566,392,220	-	-	-	-
Receivable from										
Kanrich Finance Ltd	27	-	1,121,883,562	-	-	1,121,883,562	-	-	-	-
Trade and Other										
Receivables	29	-	49,903,553	-	-	49,903,553	-	-	-	-
Amounts Due From										
Related Parties	22	-	763,102,393	-	-	763,102,393	-	-	-	-
Deposits with										
Licensed										
Commercial Banks	16	-	384,639,755	-	-	384,639,755	-	-	-	-
Cash and Cash										
Equivalents	15	-	80,350,577	-	-	80,350,577	-	-	-	-
		66,507,073	6,246,787,192	43,239,696	-	6,356,533,961	66,507,073	-	1,329,140,196	1,395,647,269
Financial liabilities not measured at fair value										
Due to Banks and										
Financial Institutions	34	-	-	-	613,936,913	613,936,913	-	-	-	-
Financial Liabilities										
at amortised cost-										
due to depositors	35	-	-	-	6,267,356,053	6,267,356,053	-	-	-	-
Other Borrowings	38				817,189,423	817,189,423				
Trade and Other										
Payables	39	-	-	-	178,235,086	178,235,086	-	-	-	-
		-	-	-	7,876,717,475	7,876,717,475	-	-	-	-

42.1 Accounting Classifications and Fair Values (Continued)

Company		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2024	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets Recognized Fair value Through Profit or Loss	17	69,983,329	-	-	-	69,983,329	69,983,329	-	-	69,983,329
Financial Assets Measured at FVTOCI	18	-	-	40,550,239	-	40,550,239	-	-	40,550,239	40,550,239
Investment property	24	-	-	-	-	-	-	-	1,528,395,533	1,528,395,533
Financial assets not measured at fair value										
Financial Assets Measured at Amortised Cost										
- Loans and Advances	19	-	3,960,866,770	-	-	3,960,866,770	-	-	-	-
- Debt and Other Instruments	20	-	1,190,225,817	-	-	1,190,225,817	-	-	-	-
Trade & Other Receivables	29	-	74,625,520	-	-	74,625,520	-	-	-	-
Deposits with Licensed Commercial Banks	16	-	459,219,005	-	-	459,219,005	-	-	-	-
Cash and Cash Equivalents	15	-	387,745,765	-	-	387,745,765	-	-	-	-
		69,983,329	6,072,682,877	40,550,239	-	6,183,216,445	69,983,329	-	1,568,945,772	1,638,929,101
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	34	-	-	-	343,652,853	343,652,853	-	-	-	-
Financial Liabilities at amortised cost- due to depositors	35	-	-	-	5,249,539,715	5,249,539,715	-	-	-	-
Amounts Due To Related Parties	37	-	-	-	409,266	409,266	-	-	-	-
Other Borrowings	38	-	-	-	2,420,594,439	2,420,594,439	-	-	-	-
Trade & Other Payables	39	-	-	-	747,200,204	747,200,204	-	-	-	-
		-	-	-	8,761,396,477	8,761,396,477	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

Notes to the Financial Statements

Company		Carrying Values					Fair value			
		Rs.					Rs.			
As at 31st March 2023	Notes	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Other Financial Liabilities	Total Carrying Amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Financial Assets										
Recognized Fair value Through Profit or Loss	17	66,507,073	-	-	-	66,507,073	66,507,073	-	-	66,507,073
Financial Assets Measured at FVTOCI	18	-	-	43,239,696	-	43,239,696	-	-	43,239,696	43,239,696
Investment property	24	-	-	-	-	-	-	-	1,285,900,500	1,285,900,500
Financial assets not measured at fair value										
Financial Assets Measured at Amortised Cost										
- Loans and Advances	19	-	3,280,515,132	-	-	3,280,515,132	-	-	-	-
- Debt and Other Instruments	20	-	566,392,220	-	-	566,392,220	-	-	-	-
Trade & Other Receivables	29	-	49,903,553	-	-	49,903,553	-	-	-	-
Receivable from Kanrich Finance Ltd	27		1,121,883,562		-	1,121,883,562	-	-	-	-
Amounts Due From Related Parties	22	-	763,102,393	-	-	763,102,393	-	-	-	-
Deposits with Commercial Banks	16	-	384,639,755	-	-	384,639,755	-	-	-	-
Cash and Cash Equivalents	15	-	80,350,577	-	-	80,350,577	-	-	-	-
		66,507,073	6,246,787,192	43,239,696	-	6,356,533,961	66,507,073	-	1,329,140,196	1,395,647,269
Financial liabilities not measured at fair value										
Due to Banks and Financial Institutions	34	-	-	-	613,936,913	613,936,913	-	-	-	-
Financial Liabilities at amortised cost- due to depositors	35	-	-	-	6,267,356,053	6,267,356,053	-	-	-	-
Amounts Due To Related Parties	37	-	-	-	509,196	509,196	-	-	-	-
Other Borrowings	38				817,189,423	817,189,423				
Trade & Other Payables	39	-	-	-	178,298,150	178,298,150	-	-	-	-
		-	-	-	7,877,289,735	7,877,289,735	-	-	-	-

For Financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value. Contractual interest rates and the Market interest rates of the public deposits are almost same and have been taken during the period.

42.2 Assets for Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (original maturities less than a year), it is assumed that the carrying amounts approximate their fair values. Further, other borrowed funds with a variable interest rate are also considered to be approximate to fair value.

Level	Type	Valuation Technique	Significant Unobservable Inputs	Sensitivity of the Input to the Fair Value
Level 3	Equity Securities	Cash flow valuation	Cash inflows and outflows related to investments -Discount rate applicable to relevant investments	The estimated fair value of equity securities is sensitive to the following variables, - Change in cash flow assumption would increase/(decrease) value of investment. - The estimated fair value of investment would change if discount rate changes.
Level 3	Investment Property - land and buildings	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	Price per perch / Per Square Foot and Cash flows from Investment property discounted at an appropriate rate. (Refer note 24)	The estimated fair value of Investment Property is sensitive to the following variables, - Change in price per perch of land/ per square of building. -Market interest rate

43. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risk arising from financial instruments

- ◆ Credit risk
- ◆ Liquidity risk
- ◆ Market risk
- ◆ Operational risk

The note presents information about the Company's exposure to each of the above risks, the Company's risk management objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

Nation Lanka's Board of Directors is entirely responsible for the establish and monitor the Company's risk management framework. Also the board has established Integrated Risk Management Committee(IRMC), which holds the responsibility of Developing, Implementing and Monitoring the Company's risk management framework and related policies. The committee reports regularly to the Board of Directors on its risks mitigation activities as a whole. Nation Lanka Finance PLC's Risk Management framework covers Identifying, evaluating, analysing and control the risks that are faced by the company to govern the company's risk management according to the board approved risk limits and controls.

Notes to the Financial Statements

43.1 Credit Risk

Credit risk is the risk of financial loss if a customer or counter party fails to honour its financial or contractual obligations to the company. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company. The credit risk management objective is to minimize credit risk while ensuring optimal risk rewards pay off for the finance institution and maximize the return and maintain the quality of the portfolio by minimizing the non-performing loans and probable losses.

43.1.1 Management of Credit Risk

The Company is committed to strengthening its credit risk as it related to the main operation of the Company. This entail implementing robust risk assessment practices, proactive loan monitoring, and efficient collections strategies. These measures will play a pivotal role in minimizing credit risk, enhancing financial performance, and laying the foundation for sustainable growth for the company.

Key Highlights

- ◆ Reviewed credit policies and procedure to achieve the Company's risk appetite and strategic objectives.
- ◆ Reviewed credit scouring model to accurately identify creditworthy borrowers with a high potential for repayment
- ◆ Comprehensive loan monitoring has been implemented to proactively identify and address potential credit risks early on.
- ◆ Revamped collections process with the support of recovery department to maximize recovery high credit risk bearing loans.

43.1.2 Exposure to credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, as these factors may have an influence on credit risk. During 2023/24 the majority of the Company's revenue was attributable to interest income from existing lending agreements. However there is no concentration on credit risk attributable to a single customer.

Properties are sold subject to retention of title causes, so that in the event of non payment the Company have a secured claim. Hence the Company does not keep an additional collateral in respect of trade receivable.

When granting a loan facility the Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes earning patterns of individuals and bank references.

43.1.2.1 The maximum Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows :

As at,	Company	
	3/31/2024 Rs.	3/31/2023 Rs.
Cask at Banks	192,937,649	26,494,182
Deposits with Commercial Banks	459,219,005	384,639,755
Financial Assets Measured at Amortised Cost-Loans and Advances	3,960,866,770	3,280,515,132
Financial Assets Recognized Through Profit or Loss-Measured at fair value	69,983,329	66,507,073
Financial Assets Measured at Amortised Cost - Debt and other Instruments	1,190,225,817	566,392,220
Receivable from Kanrich Finance Ltd	-	1,121,883,562
Amounts Due From Related Companies	-	763,102,393
Trade & Other Receivables	74,625,520	49,903,553
	5,947,858,090	6,259,437,870

43.1.3 Loans and Advances to Customers

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

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 and analysis based on the Company's historical experience and expert credit assessment and including forward-looking information.

Generating the term structure of PD

PD estimates are estimates at a certain date, which are calculated, based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Determining whether credit risk has increased significantly

To establish a framework for determining whether credit risk has increased significantly since the initial recognition of financial instruments under SLFRS 09 and considering other relevant factors.

Under SLFRS 09, Financial institutions are required to assess credit risk at each reporting date to determine whether there has been a significant increase in credit risk since the initial recognition of a financial instrument. This assessment is crucial for accurate impairment provision and informed risk management decisions.

SLFRS 09 Consideration

- 1. Expected Credit Losses (ECL) Approach:-** SLFRS 09 requires a forward-looking ECL approach, considering future events that could impact credit risk. This includes assessing the probability of default (PD) and loss given default (LGD) over the life of the financial instrument.
- 2. Stage Classification:-** SLFRS 09 classifies financial instruments into three stages based on credit risk: Stage 1 (low credit risk), Stage 2 (increased credit risk), and Stage 3 (credit loss recognized). Significant increases in credit risk may lead to reclassification to a higher stage.
- 3. Qualitative and Quantitative Assessment:-** SLFRS 09 emphasizes both qualitative and quantitative assessments of credit risk. Qualitative factors include borrower characteristics, industry conditions, and economic outlook. Quantitative factors include PD, LGD and credit risk rating.

Other Relevant Factors:

- 1. Market Conditions:** Adverse market conditions, such as economic downturns or financial crisis, can increase credit risk for a broad range of borrowers.
- 2. Specific Borrower Events:** Specific events related to a borrower, such as bankruptcy filings, legal disputes, or operational setbacks, can signal a significant increase in credit risk.
- 3. Regulatory Changes:** Changes in regulatory requirements may impact credit risk assessments and require adjustments to impairment provision.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

Notes to the Financial Statements

The Company renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximize collection opportunities and minimize the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Company Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Company’s ability to collect interest and principal and the Company’s previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower’s payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit impaired/ in default.

Definition of Default

The Company considers a financial asset to be in default when

- ❖ the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- ❖ the assessment of the external rating agencies indicates a default grading of the borrower
- ❖ the borrower is more than 90 days past due on any material term loan obligation to the company.
- ❖ the borrower is more than 120 days past due on leasing/Hire Purchases and Vehicle loan obligation to the company.

In assessing whether a borrower is in default, the Company considers indicators that are

- ❖ qualitative – e.g. breaches of covenant
- ❖ quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Movement between the stages

Financial assets can be transferred between the different categories 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. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL using a variety of external actual and forecasted information. The Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case and worst Case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources. The base case represents a most-likely outcome. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables credit risk and credit losses. The economic variables used by the Company based on the statistical significance include the followings.

Unemployment Rate	}	Base case scenario along with two other scenarios has been used (Best Case and Worst Case)
Interest Rate		
GDP Growth Rate		
Inflation Rate		

Scenario weightages

Scenario	Weightage
Normal Scenario	10%
Best case Scenario	10%
Worst case Scenario	80%

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- ◆ Probability of default (PD);
- ◆ Loss given default (LGD);
- ◆ Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD

Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD

The methodology of estimating PD is discussed above under the “Generating the term structure of PD”. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, 'seniority of the claim, type of product and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Notes to the Financial Statements

Description of Collateral Head

The table below sets out the principal types of collateral held against types of loans and receivables.

	Note	Net receivable	Type of collateral held	Collateral coverage
Term Loans	19.1.1	996,501,202	Land, vehicle and personal guarantee	42%
Loan against deposits		197,224,018	Lien deposits	100%
Micro Finance Receivables	19.1.2	566,328,081	Personal guarantee	-
Staff Loans		451,220	Personal guarantee	-
Pawning	19.2	1,686,850,617	Pawning articles	100%
Hire Purchase	19.3	48,013,359	Vehicle	100%
Leasing	19.4	433,976,625	Vehicle	100%
Loans & Receivables (Repossessed Collaterals)	19.5	31,521,648	Vehicle	100%
		3,960,866,770		

Portfolio Classification

Age	Performing	Special Mention	Substandard	Doubtful	Loss	Grand Total
Finance Lease	157,794,531	25,084,562	16,855,848	13,303,699	545,160,305	758,198,945
Hire Purchase	30,241,168	1,714,401	4,643,370	3,056,044	36,194,962	75,849,945
Term Loan	728,161,429	212,094,307	183,123,521	121,585,248	2,482,252,322	3,727,216,827
Micro Finance	174,211,446	46,783,735	35,381,909	19,317,389	1,033,039,012	1,308,733,491
Pawning	896,065,142	239,714,922	100,916,998	72,841,339	537,250,328	1,846,788,728
	1,986,473,717	525,391,928	340,921,645	230,103,718	4,633,896,930	7,716,787,937

Write-off Policy

The Company writes off a loan or an investment debt/equity security balance, and any related allowances for impairment losses, when it determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The Company generally does not use the non cash collateral for its own operation.

43.1.4 Credit Concentration Risk

Company monitors credit concentration risk under product portfolio.

Product Concentration	31st March 2024		31st March 2023	
	Rs.	%	Rs.	%
Loan	1,760,504,521	44.45	2,203,745,909	67.18
Pawning	1,686,850,617	42.59	568,818,430	17.34
Hire Purchase	48,013,359	1.21	99,990,912	3.05
Leasing	433,976,625	10.96	371,583,288	11.33
Loans & Receivables (Repossessed Collaterals)	31,521,648	0.80	36,376,593	1.11
Total	3,960,866,770	100	3,280,515,132	100

Financial Investments

	31st March 2024 Rs.	31st March 2023 Rs.
Deposits in Commercial Banks	459,219,005	384,639,755
Investments in Government Securities	1,190,225,817	566,392,220
Financial Assets Measured at Fair Value Through Other Comprehensive Income	40,550,239	43,239,696
Trade and other receivables	74,625,520	49,903,553
Amounts due from related companies	-	763,102,393
	1,764,620,581	1,807,277,617

Deposits in Commercial Banks are with a local bank having its rating at A+(lka) -Fitch Ratings

43.2 Liquidity Risk

Liquidity risk arises due to mismatch between assets and liabilities of the Company; and as a result, inability to honor the liabilities when fallen due. Managing the liquidity risk is utmost important to Company like NLF since the breach of liquidity requirements will exposed to other risk such as reputation and compliance Hence, breach of liquidity requirements will directly affect on Company's going concern and credibility among stakeholders.

Effective liquidity risk management is essential for NLF to ensure their long-term sustainability. Here are some key considerations for NLF to manage their liquidity risk:

1. Diversify of funding sources: NLF should not rely solely on short-term funding sources, such as commercial paper and securitizations. They should also seek to develop relationships with banks and other financial institutions to secure longer-term funding options.
2. Maintain a strong capital base: A strong capital base provides a buffer against unexpected losses and can help NLF absorb liquidity shocks. NLF should aim to maintain a capital adequacy ratio (CAR) that is consistent with regulatory requirements and their own risk appetite.
3. Monitor asset quality: The quality of an LFC's assets is a key determinant of its liquidity risk. NLF should regularly monitor their loan portfolio and take steps to address any deterioration in asset quality.
4. Develop contingency plans: NLF should have contingency plans in place to deal with liquidity stress scenarios. These plans should outline the steps the LFC will take to raise additional capital or liquidity in the event of a crisis.
5. Stress testing: NLF should regularly conduct stress tests to assess their ability to withstand various liquidity shocks. This can help identify potential vulnerabilities and inform the development of risk mitigation strategies.

By implementing effective liquidity risk management practices, NLF can minimize the likelihood of encountering liquidity problems and protect their financial stability. Managing liquidity risk contributes to the overall stability of the financial sector.

In addition to the above, NLF shall also be aware of the following regulatory requirements related to liquidity risk management:

1. **Basel III Liquidity Coverage Ratio (LCR)** The LCR is a regulatory requirement that aims to ensure that NLF hold a sufficient stock of high-quality liquid assets (HQLAs) to meet their net cash outflows over a 30-day stress period.
2. **Net Stable Funding Ratio (NSFR)** The NSFR is a regulatory requirement that aims to ensure that NLF have a sufficient level of stable funding to meet their long-term funding needs.

Note 48 include the maturity list of liabilities with contractual cash flows.

Notes to the Financial Statements

Exposure to Liquidity Risk

	31st March 2024	31st March 2023
Net loans/Total assets	0.42	0.37
Gross Loans/Customer deposits	1.47	0.93
Liquid Asset Ratio (LAR)		
Average for the year	0.12:1	0.12:1

43.3 Market Risk

43.3.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits. Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin.

43.3.1.1 Group's Exposure to Interest Rate Risk is Primarily Associated with Factors Such as

Repricing risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.

Yield curve risk arising from unanticipated shifts of the market yield curve Interest Rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company's conducts periodic reviews and re-prices its assets accordingly.

43.3.1.2 Interest Rate Risk Exposure on Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

Company	Up to 03 Months	03-12 Months	01-05 Years	Non Interest Bearing	Total as at 31st March 2024 Rs.
	Rs.	Rs.	Rs.	Rs.	
Assets					
Cash and Balances Due from Banks	-	-	-	387,745,765	387,745,765
Due from Banks and Other Financial Institutions	-	459,219,005	-	-	459,219,005
Loans and Advances to Customers	1,545,179,842	1,671,970,496	743,716,432	-	3,960,866,770
Financial Assets Measured at Fair Value Through Other Comprehensive Income	40,550,239	-	-	-	40,550,239
Financial Assets Measured at Amortised Cost ' - Debt and Other Instruments	-	1,190,225,817	-	-	1,190,225,817
Total Financial Assets	1,585,730,081	3,321,415,318	743,716,432	387,745,765	6,038,607,596

Company	Up to 03 Months	03-12 Months	01-05 Years	Non Interest Bearing	Total as at 31st March 2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities					
Balances Due to Banks	343,652,853	-	-	-	343,652,853
Due to Customers	1,330,468,445	2,835,670,215	1,083,401,056		5,249,539,715
Debenture Issued	-	-	-	-	-
Amounts Due to Related Parties				509,196	509,196
Other Borrowings	-	2,420,594,439	-	-	2,420,594,439
Total Financial Liabilities	1,674,121,298	5,256,264,654	1,083,401,056	509,196	8,014,296,203
Interest Sensitivity Gap	(88,391,217)	(1,934,849,336)	(339,684,624)	387,236,569	(1,975,688,607)

Company	Up to 03 Months	03-12 Months	01-05 Years	Non Interest Bearing	Total as at 31st March 2024
	Rs.	Rs.	Rs.	Rs.	Rs.

Assets

Cash and Balances Due from Banks	-	-	-	387,745,765	387,745,765
Due from Banks and Other Financial Institutions	-	459,219,005	-	-	459,219,005
Loans and Advances to Customers	1,545,179,842	1,671,970,496	743,716,432	-	3,960,866,770
Financial Assets Measured at Fair Value Through Other Comprehensive Income	40,550,239	-	-	-	40,550,239
Financial Assets Measured at Amortised Cost - Debt and Other Instruments	-	1,190,225,817	-	-	1,190,225,817
Total Financial Assets	1,585,730,081	3,321,415,318	743,716,432	387,745,765	6,038,607,596

Liabilities

Balances Due to Banks	343,652,853	-	-	-	343,652,853
Due to Customers	1,330,468,445	2,835,670,215	1,083,401,056		5,249,539,715
Debenture Issued	-	-	-	-	-
Amounts Due to Related Parties				509,196	509,196
Other Borrowings	-	2,420,594,439	-	-	2,420,594,439
Total Financial Liabilities	1,674,121,298	5,256,264,654	1,083,401,056	509,196	8,014,296,203
Interest Sensitivity Gap	(88,391,217)	(1,934,849,336)	(339,684,624)	387,236,569	(1,975,688,607)

43.3.2 Foreign Currency Risk

The company often operate in a globalized environment, exposing them to foreign currency risk. This risk arises from fluctuations in exchange rates, which can impact the value of assets and liabilities denominated in foreign currencies. Currently the Company is not exposed to foreign exchange rate risk.

43.3.3 Exposure to Other Market Risks Share Investment and Price Risk

The risk experienced by investments in share trading risk is the risk that the fair value of shares decreases as a result of changes in the levels of indices and the value of individual stocks.

Based on the Company policies, Treasury division ensures that reporting in respect of the shares investments and its valuation methodologies are appropriate and consistent, and assesses the potential impact on profits and capital.

Notes to the Financial Statements

Equity Price Sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below:

	2024			2023		
	Impact on Profit	Impact on OCI	Impact on Net Assets	Impact on Profit	Impact on OCI	Impact on Net Assets
10% increase	6,998,333	-	6,998,333	6,650,707	-	6,650,707
10% decrease	(6,998,333)	-	(6,998,333)	(6,650,707)	-	(6,650,707)

43.3.4 Exposure to Gold Price Risk

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price

	2024			2023		
	Total market (Rs.)	Market price per gram 24kt	Impact on Market (Rs.)	Total market (Rs.)	Market price per gram 24kt	Impact on Market (Rs.)
	After change			After change		
10% increase	2,215,191,623	19,135	201,381,057	686,742,690	22,955	62,431,154
10% decrease	1,812,429,509	23,387	(201,381,057)	561,880,383	18,782	(62,431,154)

43.4 Operational Risk

Operational risk arises due to internal process failures, human capital losses, inadequate internal process, technological breakdowns and adverse impact from external events. Operational risk act as a bottleneck for many companies, due to an inadequate awareness on companies no operational risk indicators or insufficient internal controls. Purpose of managing operational risk is to minimize the normal losses incurred due to internal activities, restoring any disruption without impacting the core business of the Group and mitigating replication of such events in the future. Managing operational risk is prime responsibility of all Nation Lanka Finance PLC employees and Group has executed a well defined operational risk policy framework. Internal controls and strict system audit functions are kept in order to enhance the operational risk mitigating process.

43.5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, regulators and market confidence and sustain future development of the business. Capital consist of ordinary shares, retained earnings and non controlling interests of the Company. The Board of directors monitor the return on capital as well as the level of dividends to ordinary share holders.

The Company's main objective is when managing capital are:

- 01) to safeguarded the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders
- 02) to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and

Further, the Board seeks to maintain a balance between higher targeted returns that might be possible with higher level of borrowing, and the advantages and security afforded by the strong capital position of the Company.

The Company's net debt to adjusted equity ratio at the reporting date is as follows

	31st March 2024	31st March 2023
Total liabilities	9,006,107,287	8,018,075,720
Less: cash and cash equivalents	1,577,971,582	646,742,797
Net debt	7,428,135,705	7,371,332,923
Total equity	439,755,486	919,919,100
Net debt to adjusted equity ratio at 31st March	16.9	8.0

Total Risk Weighted Assets Computation

As At 31st March	2024	2023	Risk Weight	2024	2023
	Rs. '000	Rs. '000	Factor%	Rs. '000	Rs. '000
Assets	Amount	Amount		Risk weighted Balance	Risk weighted Balance
Claims on Government of Sri Lanka, Public Sector Entities and Central Bank of Sri Lanka					
-Central Bank of Sri Lanka	1,190,226	566,392	0%	-	-
Claims on Financial institutions					
-Banks - AAA to BBB	459,219	399,134	20%	91,844	79,827
Unrated	-	34,625	100%	-	34,625
Retail claims					
-Retail claims in respect of motor vehicles and machinery	188,036	507,951	100%	188,036	507,951
Claims Secured by Gold					
-Outstanding claim portion up to 70% of the market value	1,815,162	501,772	0%	-	-
-Remaining outstanding claim portion over 70% of the market value	31,626	67,046	100%	31,626	67,046
-Retail claims that do not qualify for regulatory capital purposes			100%	-	-
Other retail claims	1,370,171	1,845,786	125%	1,712,714	2,307,233
Other retail claims-Off Balance sheet item	-	-	125%	-	-
Claims on Corporates					
AAA to AA-	-	4,662	20%	-	932
Unrated	1,177,242	1,955,445	100%	1,177,242	1,955,445
Non-Performing Assets (NPAs)					
-Specific provisions are equal or more than 20%	-	107,457	100%	-	107,457
-Specific provisions are less than 20%	859,692	250,503	150%	1,289,538	375,755
Other claims(assets)					
-Notes and Coins	387,746	65,856	0%	-	-
-Fixed Assets	1,980,332	1,448,023	100%	1,980,332	1,448,023
-Other Assets/Exposures	1,467,474	1,188,902	100%	1,467,474	1,188,902
				7,938,805	8,073,196
Risk Weighted Amount for Operational Risk				496,993	496,993
Total Risk Weighted Amount				8,435,798	8,570,189

Notes to the Financial Statements

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.5 Capital Management (Continued)

Total Capital Base Computation

As At 31st March	2024 Rs. '000	2023 Rs. '000
Core Capital (Tier 1 Capital)		
Tier I capital		
Stated capital	4,108,421	2,330,073
Reserve fund	131,422	131,422
Fair value reserve	(90,841)	(88,955)
Audited retained earnings/(losses)	(1,461,621)	(544,807)
(less) Revaluation gains/surplus of investment property	(388,387)	(424,894)
General and other disclosed reserves	9,000	9,000
Current year's profit/(losses)	(2,226,102)	(911,140)
Tier I capital	81,892	500,699
Adjustments to Tier I capital		
Other intangible assets (net)	(13,478)	(568)
Deferred tax assets (net)	(831,294)	(769,483)
Tier I Capital (after adjustments)	(762,880)	(269,353)
Tier 2 Capital		
Revaluation gains (50% of eligible revaluation gains)	83,749	83,749
Eligible Tier 2 Capital	83,749	83,749
Total Adjustments to eligible Tier 2 Capital	-	-
Eligible Tier 2 Capital after adjustments	83,749	83,749
Total Capital	(679,131)	(185,604)

Capital Adequacy Ratio

As At 31st March			2023 %	2022 %
Core Capital Ratio (Minimum 8.5%)				
Core Capital Ratio	Core Capital	X 100	-9.04%	-3.14%
	Risk Weighted Assets			
Total Risk Weighted Capital Ratio (Minimum 12.5%)				
Total Risk Weighted Capital Ratio	Capital Base	X 100	-8.05%	-2.17%
	Risk Weighted Assets			

43.6 Management Assessment on Going Concern

Nation Lanka Finance PLC and Kanrich Finance Limited amalgamated on 31st July 2023 in terms of Section 244 (1) of the Companies Act No.07 of 2007. The amalgamation has approved by the monetary board of the Central Bank of Sri Lanka (CBSL) under the master plan for consolidation of Non-Bank financial institutions. The amalgamation was aimed at meeting the deficit of capital Adequacy requirement of Rs.2.5 Billion.

Nation Lanka Finance PLC received, in principle approval of the Colombo Stock Exchange (CSE) in June 2023 for the issuance and listing of the Shares of Nation Lanka Finance PLC arising from the Amalgamation of Kanrich Finance Limited with Nation Lanka Finance PLC in terms of the Listing Rules, and the concurrence of the Secured Lenders being received by the Amalgamating Companies (as applicable).

44. CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date that require adjustment to or disclosure in the Financial Statements.

45. CONTINGENT LIABILITIES

There is no contingent liability as at the reporting date since the liability pertaining to the Borrowings through Agreements, have been accounted already. Therefore, the following accounting entries related to Contingent Liabilities and related expenses have been incorporated.

	2024 Rs. '000	2023 Rs. '000
Contingencies		
Contingent Liabilities	-	-

Notes to the Financial Statements

45.1 IFRIC 23 - Uncertainty Over Income Tax Treatments

Deferred tax on Investment Properties

The Inland Revenue Act No.24 of 2017 and new tax rates including capital gains taxes were effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March 2024 has been computed at rates applicable to the year of assessment 2023/24. The provision for deferred tax as at 31 March 2024 has been calculated at 30% on capital gains arising from revalued Investment Properties.

The uncertain tax treatment relates to the interpretation of the new law relating to Investment properties for tax purpose, where the group had to exercise judgment to determine the provision required for deferred taxes on capital gains applicable to Investment Properties. The group is of the view that the Investment properties used in the business falls under the category of "Investment Assets" and that it is likely that the taxation authorities would accept the group's tax treatment and accordingly, deferred tax has been provided on the related gain on revaluation post 1 April 2018.

46. COMPARATIVE INFORMATION

Comparative figures have been reclassified, where necessary, in order to conform to the current period's presentation. However, such reclassifications did not have any effect on the net profit or equity of the comparative year except the impact from the adjustment for correction of prior year adjustment disclosed.

47. EVENTS OCCURRING AFTER THE REPORTING DATE

In order to meet any deficit in the regulatory core capital requirement and a possible buffer to meet any subsequent deterioration of capital funds due to market risks, on 17th April 2024, the Company proposed a minimum capital infusion of Rs 2,500 Mn into its capital structure through a Private Placement by a strategic investor for which the Company has received the in-principle approval from the Central Bank of Sri Lanka, on 25th October 2024 and the Company is in the process of completing the regulatory requirements with Colombo Stock Exchange.

48. MATURITY ANALYSIS

48.1 Definition of Maturity Analysis

An analysis of the interest bearing assets and liabilities employed by the Company as at 31st March 2024, based on the remaining period at the balance sheet date to the respective contractual maturity date is given below.

As at 31st March 2024	Total	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.
Maturity analysis of financial assets					
Cash and Cash Equivalents	387,745,765	387,745,765	-	-	-
Deposits with Commercial Banks	459,219,005	-	459,219,005	-	-
Financial assets measured at fair value through profit or loss					
Financial Assets Measured at FVTPL	69,983,329	-	69,983,329	-	-
Investment securities					
Financial Assets Measured at Fair Value Through Other Comprehensive Income	40,550,239	-	-	-	40,550,239
Financial Assets Measured at Amortised Cost					
- Loans and Receivable From Customers - Gross	7,709,164,806	766,794,864	1,331,090,484	729,375,150	4,881,904,308
- Debt and Other Instruments	1,190,225,817	-	1,190,225,817	-	-
Advances and other receivables					
Receivable from Kanrich Finance Ltd	-	-	-	-	-
Amounts Due From Related Parties	-	-	-	-	-
Trade & Other Receivables	120,785,711	22,752,717	98,032,994	-	-
Total	9,977,674,672	1,177,293,346	3,148,551,629	729,375,150	4,922,454,547
Maturity analysis of financial liabilities					
Non-derivative liabilities					
Interest bearing liabilities					
Due to Banks and Financial Institutions	343,652,853	-	343,652,853	-	-
Deposits liabilities					
Due to Customers	5,249,539,715	2,050,739,691	2,706,587,116	396,890,664	1,113,138,582
Interest bearing borrowings					
Lease liability	154,123,209	-	-	-	154,123,209
Amounts Due to Related Companies	409,266	-	409,266	-	-
Other Borrowings	2,420,594,439	-	2,420,594,439	-	-
Total	8,168,319,482	2,050,739,691	5,471,243,674	396,890,664	1,267,261,791

Notes to the Financial Statements

49. OPERATING SEGMENTS

The Company has four reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. The following summary describes the operations in each of the company's reportable segments:

- ❖ Lending - Includes Leasing/Hire Purchases/Term Loans/Pawning/Micro Lending (Note 19)
- ❖ Property Development- Gain on Land and Property Development- Real estate business (Note 23) / Changes in Fair Value of Investment Properties (Note 24)
- ❖ Services - Fees and Commission Income

Investments & Others - Income from Trading of shares /Other Comprehensive Income

	Lending		Property Development		
As at 31st March	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	
Total Revenue	1,518,787,130	1,147,153,327	(11,846,597)	109,664,907	
Inter Segment	-	-	-	-	
Segment Revenue (Net)	1,518,787,130	1,147,153,327	(11,846,597)	109,664,907	
Segment Income	1,518,787,130	1,147,153,327	(11,846,597)	109,664,907	
Segment Expenses	(1,868,485,298)	(1,300,108,548)	-	-	
Depreciation	-	-	-	-	
Other Operating Expenses	(944,316,903)	(507,129,452)	-	-	
Operating Profit/(Loss)	(1,294,015,071)	(660,084,673)	(11,846,597)	109,664,907	
Impairment for fall In Value of Investments	-	-	-	-	
Impairments charges for Loan and other Losses	(302,642,944)	(454,684,315)	(52,816,298)	-	
	(1,596,658,015)	(1,114,768,988)	(64,662,895)	109,664,907	
Vat on Financial Services	-	-	-	-	
Income Tax	-	-	-	-	
Segment Result After Tax	(1,596,658,015)	(1,114,768,988)	(64,662,895)	109,664,907	
Segment Assets	5,610,311,592	4,231,547,107	1,993,809,538	1,448,590,702	
Segment Liabilities	5,593,192,568	6,881,292,966	747,200,204	178,298,150	

	Services		Investments & Others		Company Total	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
	3,292,066	8,057,915	112,758,260	279,047,663	1,622,990,859	1,543,923,812
	-	-	-	-	-	-
	3,292,066	8,057,915	112,758,260	279,047,663	1,622,990,859	1,543,923,812
	3,292,066	8,057,915	112,758,260	279,047,663	1,622,990,859	1,543,923,812
	-	-	-	-	(1,868,485,298)	(1,300,108,548)
	-	-	(93,006,131)	(59,551,550)	(93,006,131)	(59,551,550)
	(3,277,990)	(2,421,996)	(692,699,302)	(239,669,797)	(1,640,294,195)	(749,221,245)
	14,076	5,635,919	(672,947,173)	(20,173,684)	(1,978,794,765)	(564,957,531)
	-	-	3,476,256	5,015,946	3,476,256	5,015,946
	-	-	24,345,745	(4,256)	(331,113,497)	(454,688,571)
	14,076	5,635,919	(645,125,172)	(15,161,994)	(2,306,432,006)	(1,014,630,156)
	-	-	-	(3,220,641)	-	(3,220,641)
	-	-	47,920,766	103,422,211	47,920,766	103,422,211
	14,076	5,635,919	(597,204,406)	85,039,576	(2,258,511,225)	(914,428,586)
	804,766,359	1,164,501,417	1,036,975,285	2,093,355,594	9,445,862,774	8,937,994,824
	-	-	2,665,814,445	958,484,604	9,006,107,287	8,018,075,720

Notes to the Financial Statements

50. NON COMPLIANCE WITH CENTRAL BANK REQUIREMENTS AND GOING CONCERN

The Company has not complied with the Capital Adequacy requirements (Direction No 03 of 2018) and Minimum Core Capital (Direction No 02 of 2017) as at the reporting date.

The Company's current year total comprehensive loss is 2,258,511,225 /- resulting a accumulated losses of Rs.3,718,246,168/- as at 31 March 2024 (31 March 2023- Rs.1,461,620,854/-). The core capital level of the Group is currently at a deficit of Rs.2,418 Mn as at 31 March 2024 (Rs.1,999Mn as at 31 March 2023), against the minimum regulatory core capital requirement of Rs. 2,500 Mn resulting in non-compliance with the Minimum Core Capital Direction No 02 of 2017. The Total capital adequacy ratio of the Group is currently at -9.04% as at 31 March 2024 (-3.14% as at 31 March 2023) against the minimum regulatory requirement of 8.50% resulting in non-compliance with the Capital Adequacy Direction No 03 of 2018.

Central Bank of Sri Lanka issued a Direction on 30th August 2022, to cease accepting Fixed Deposits and Lending other than Pawning and Secured Loans (Cash Backed). However, the Company has accepted new Fixed Deposits, during the period from 1 April 2023 to 29 August 2023.

Nation Lanka Finance PLC and Kanrich Finance Limited amalgamated on 31st July 2023 in terms of Section 239 of the Companies Act No.07 of 2007. The amalgamation has approved by the monetary board of the Central Bank of Sri Lanka (CBSL) under the master plan for consolidation of Non-Bank financial institutions. The amalgamation was aimed at meeting the deficit of capital adequacy requirement of Rs.2.5 Billion. However, the Company has failed to meet or fulfil requirements agreed with the CBSL when requesting approval from CBSL for the merger with Kanrich Finance Limited. CBSL had approved the merger proposal through a letter sent by the Director Supervision of Non-Bank Finance Companies, on 20 December 2022 subject to completion of the conditions imposed by the CBSL within the stipulated timeframe in the letter of approval. As per the letter sent by the Company requesting approval for the merger with Kanrich Finance Limited, there was a requirement to perform a due diligence before the merger is completed. However, the Company had failed to perform such due diligence and as a result there were many accounting issues prevailing in relation to the merged financial statements and the year-end financial statements.

Value Added Statement

	Group		Company	
	2024 Rs.000	2023 Rs.000	2024 Rs.000	2023 Rs.000
Value Added				
Value added income earned by Key Business Activities	1,477,671	1,141,787	1,477,671	1,141,787
Cost of services bought from outside	(2,911,767)	(1,709,940)	(2,911,767)	(1,709,940)
	(1,434,096)	(568,153)	(1,434,096)	(568,153)
Other income	181,205	410,441	181,205	410,441
Expected credit loss charge	(331,113)	(454,689)	(331,113)	(454,689)
Value Added	(1,584,004)	(612,400)	(1,584,004)	(612,400)

	Group			Company		
	2024 Rs.000	2023 Rs.000	%	2024 Rs.000	2023 Rs.000	%
Distribution of Value added						
To Employees	597,013	339,390	-38%	597,013	339,390	-55%
To Providers of Capital	-	-	-	-	-	-
To Government Revenue						
- Income Tax	(47,921)	(103,422)	3%	(47,921)	(103,422)	17%
- VAT on Financial Services	-	3,221	0%	-	3,221	-1%
To Expansion & Growth						
- Retained income	(2,226,102)	(911,140)	141%	(2,226,102)	(911,140)	149%
- Depreciation	93,006	59,552	-6%	93,006	59,552	-10%
	(1,584,004)	(612,400)	100%	(1,584,004)	(612,400)	100%

Ten Year Summary - Company

For the Year ended 31st March	2024	2023	2022	2021	2020	
Statement of Income	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	
Revenue	1,466,585	1,141,787	843,820	1,188,081	1,949,608	
Profit/(Loss) before provision & taxation & share of associate co. profit/(loss)	(1,942,909)	(556,653)	(241,215)	(17,950)	92,732	
Impairment for fall in value of investments	-	-	-	-	-	
Impairment charges for Loan & other Losses	(331,113)	(454,689)	(174,601)	(108,130)	(156,527)	
Profit/(Loss) before taxation & associated profit/(Loss)	(2,274,023)	(1,011,342)	(415,816)	(126,080)	(63,795)	
Share of associate co. profit/(loss)						
Profit/(Loss) before taxation	(2,274,023)	(1,011,342)	(415,816)	(126,080)	(63,795)	
VAT on Financial Services	0	(3,221)	(286)	(16,429)	(48,749)	
Income tax expenses	47,921	103,422	170,026	18,192	121,131	
Profit/(Loss) after taxation	(2,226,102)	(911,140)	(246,075)	(124,317)	8,586	
Other Comprehensive Income	(32,409)	(3,288)	16,213	9,886	1,572	
Profit/(Loss) from discontinuing operations	-	-	-	-	-	
Non Controlling Interest	-	-	-	-	-	
Profit/(Loss) attributable to share holders	(2,258,511)	(914,429)	(229,863)	(114,432)	10,158	
Retained Profit/(Loss) brought forward	-	-	-	-	-	
Profit available for appropriation	(2,258,511)	(914,429)	(229,863)	(114,432)	10,158	
Appropriations						
Effect of Acquisitions, Disposals & Change in percentage Holdings in Subsidiaries	-	-	-	-	-	
Change in Holdings	-	-	-	-	-	
Transfer to reserves/adjustments	-	-	-	-	-	
Retained profit carried forward	(2,258,511)	(914,429)	(229,863)	(114,432)	10,158	
Basic Earnings/(Loss) per share	(0.32)	(0.31)	(0.18)	(0.09)	0.01	
Dividends per share	-	-	-	-	-	

	2019	2018	2017	2016	2015
	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
	2,317,633	2,299,948	2,341,171	2,338,992	1,215,341
	439,182	544,366	933,795	646,993	(314,318)
	(118,849)	(596,826)	(601,041)	(340,911)	(283,652)
	320,333	(52,461)	332,754	306,082	(597,970)
				7,477	5,699
	320,333	(52,461)	332,754	313,560	(592,271)
	(82,826)	(43,966)	(60,560)	(54,454)	(169)
	15,982	48,650	16,209	(59,198)	(3,498)
	253,489	(47,776)	288,403	199,908	(595,938)
	219	(6,709)	320	(4,055)	(1,082)
	-	-	-	-	25,290
	-	-	-	-	22,837
	253,708	(54,485)	288,723	195,853	(548,893)
	-	-	-	-	(1,640,320)
	253,708	(54,485)	288,723	195,853	(2,189,213)
	-	-	-	-	(9,907)
	-	-	-	-	-
	-	-	-	-	5,342
	253,708	(54,485)	288,723	195,853	(2,193,778)
	0.24	(0.06)	0.24	0.71	(2.18)
	-	-	-	-	-

Ten Year Summary - Company

For the Year ended 31st March	2024	2023	2022	2021	2020	
Statement of Income	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	
Assets						
Property ,Plant & Equipments	199,581	43,782	20,787	35,606	46,476	
Long Term Investments	69,983	66,507	61,491	30,844	16,229	
Non Current Assets	9,176,298	8,827,706	6,952,999	7,196,183	8,675,734	
Net Current Assets/(Liabilities)	(2,764,247)	(1,431,126)	(552,584)	(723,994)	(794,990)	
Total Asset less Current Liabilities	6,681,615	7,506,868	6,482,694	6,538,639	7,943,450	
Non Current Liabilities	(6,241,860)	(6,586,949)	(5,754,377)	(5,580,460)	(6,870,838)	
	439,755	919,919	728,317	958,179	1,072,611	
Financed by						
Stated Capital/Ordinary shares	4,108,421	2,330,073	1,224,042	1,224,042	1,224,042	
Statutory Reserve Fund	131,422	131,422	131,422	131,422	131,422	
Other Reserves	9,000	9,000	9,000	9,000	9,000	
Retained Earnings	(3,718,246)	(1,461,621)	(544,807)	(310,623)	(193,492)	
Investment Fund Reserve	-	-	-	-	-	
Fair Value Reserve	(90,841)	(88,955)	(91,340)	(95,662)	(98,361)	
Non Controlling Interest	-	-	-	-	-	
	439,755	919,919	728,317	958,179	1,072,611	
Net Assets/(Liability) per share	0.06	0.31	0.54	0.71	0.97	

	2019	2018	2017	2016	2015
	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)	(Rs. 000)
	81,741	118,562	127,042	92,575	199,411
	18,321	547,165	27,565	52,241	91,191
	8,526,600	7,910,906	7,506,550	7,153,520	5,330,224
	(115,221)	40,854	355,278	(84,474)	(189,221)
	8,511,441	8,617,488	8,016,435	7,213,863	5,431,605
	(7,434,602)	(8,017,517)	(7,361,980)	(6,770,989)	(5,642,261)
	1,076,839	599,971	654,455	442,874	(210,656)
	1,224,042	623,661	623,660	2,329,043	1,826,717
	129,705	96,290	96,290	13,641	8,336
	9,000	9,000	9,000	9,660	83,755
	(181,000)	(128,980)	(74,495)	(1,909,391)	(2,193,779)
	-	-	-	-	-
	-104,908.00	-	-	-	-
	-	-	0	(79)	64,315
	1,076,839	599,971	654,455	442,874	(210,656)
	1.43	0.80	1.43	0.59	(1.10)

Shareholders and Investor Information

1. TWENTY LARGEST SHAREHOLDERS

No.	Name	No of Shares as at 31/03/2024	%	No of Shares as at 31/03/2023	%
1.	Singhe Capital Investment Limited	2,673,696,955	38.22	1,357,174,057	46.26
2.	Mutual Holdings Limited	1,733,308,467	24.77		
3.	Mr. V R Ramanan	965,842,690	13.8	965,842,690	32.92
4.	First Capital Limited	261,167,368	3.73		
5.	Dunamis Capital PLC	228,466,987	3.27		
6.	Mr. A J C Senathipathy	154,835,302	2.21		
7.	DFCC Bank PLC/ Mr. U H Dharmadasa	129,904,407	1.86	129,904,407	4.43
8.	Ceyoka (Pvt) Ltd	107,892,355	1.54	107,892,355	3.68
9.	Mr. H K J Dharmadasa	87,536,211	1.25	87,536,211	2.98
10.	Mrs. T D Sellaheewa	63,914,641	0.91		
11.	Mr. D M Siriwardhana	46,369,979	0.66		
12.	Mr. D S I Weerasinghe	46,369,947	0.66		
13.	Mr. J Rudra	40,352,922	0.58	40,346,735	1.38
				6,187	-
14.	Mr. K H Soorasena	32,257,355	0.46		
15.	Mrs. N D P Jayatunga	28,370,408	0.41		
16.	Central Investments & Finance PLC	26,881,118	0.38		
17.	Mrs. Y Tetsuro	22,580,148	0.32		
18.	Mr. S K Liyanage	19,488,732	0.28		
19.	Hatton National Bank PLC/Mr. R E Rambukwella	12,500,000	0.18	12,200,000	0.42
	Mr. R E Rambukwella	347,001	-	347,001	0.01
20.	D M Meegaswatte	11,324,622	0.16		
	TOTAL	6,693,407,615	95.65	2,757,031,157	93.97

2. STOCK EXCHANGE LISTING

Nation Lanka Finance PLC is a Public Quoted Company. Its issued ordinary shares were listed with the Colombo Stock Exchange on 30th June 1994.

3. DISTRIBUTION OF SHAREHOLDINGS – 31ST MARCH 2024

Value Band	Resident			Non – Resident			Total		
	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
1 - 1,000	10,842	1,942,799	0.07	22	9,500	-	10,864	1,952,299	0.07
1,001 - 10,000	1,750	7,183,497	0.24	11	73,207	-	1,761	7,256,704	0.24
10,001 - 100,000	967	36,469,063	1.24	6	152,600	0.01%	973	36,621,663	1.25
100,001 - 1,000,000	310	90,668,121	3.09	3	829,385	0.03%	313	91,497,506	3.12
1,000,001 & above	90	5,968,461,346	82.61	1	890,984,517	12.71%	91	6,859,445,863	95.32
Total	13,959	6,104,724,826	87.25	43	892,049,209	12.75%	14,002	6,996,774,035	100.00

4. CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	2023/24			2022/23		
	No of Shares	Shareholders	No of %	No of Shares	Shareholders	No of %
Individuals	1,455,456,754	13,594	49.62	1,273,212,730	13,543	43.40
Institutions	5,541,317,281	408	50.38	1,660,624,109	228	56.60
Total	6,996,774,035	14002	100.00	2,933,836,839	13,771	100.00

6. SHARE INFORMATION

	2023/24	2022/23
Book Value (Group)		
Net Assets Per Share Rs.	0.15	0.31
Share Price	0.40	0.50
Highest Rs.	0.40	0.50
Lowest Rs	0.40	0.40
Value as at last trading date - 31st March Rs.	0.40	0.50
Earnings (Group)		
Earnings Per Share Rs.	-0.21	-0.31
Price Earnings Ratio (times)	-0.61	-1.61
Dividend		
Dividend Per Share Rs.	-	-
Dividend Rate (%)	-	-
Public Holding	13,999	13,749
The percentage of Public Holding	23.21%	20.82%

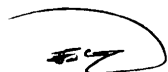
Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY SEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NATION LANKA FINANCE PLC WILL BE HELD AS AN ONLINE AUDIO-VISUAL MEETING ON WEDNESDAY THE 4TH OF DECEMBER 2024, AT 10.30 A.M. FOR THE FOLLOWING PURPOSES:

AGENDA

1. To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the year ended 31st March 2024 together with the Report of the Auditors thereon.
2. To reappoint, Mrs. S A Wickramasinghe, a Director, who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
3. To reappoint, Mr. A G M Priyantha, a Director, who retires by rotation in terms of Article 88 of the Articles of Association of the Company.
4. To elect, Mr. K S Wimalasiri, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.
5. To appoint M/s. Baker Tilly Edirisinghe & Co, Chartered Accountants, Auditors of the Company for the ensuing Financial Year 2024/2025 and to authorize the Board of Directors to determine their remuneration.
6. To authorize the Board of Directors to determine contributions to charities and other donations for the financial year 2024/2025.
7. To transact any other business of which due notice has been given.

BY ORDER OF THE BOARD



Corporate Arcade Ltd
Company Secretaries
8th November 2024

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him / her. A proxy need not be a member of the Company. The form of proxy is enclosed for this purpose.
2. To be valid, the instrument appointing a proxy should be deposited with the Company Secretaries, Corporate Arcade Ltd, No.9/4, 1 – B, Edmonton Road, Colombo 06, not less than 48 hours before the time fixed for the Annual General Meeting.
3. Shareholders appointing proxies (other than Directors of the Company) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holder on the form of proxy. Only registered Proxy holders will be permitted to attend the Annual General Meeting.

The Board of Directors, have decided to hold the Annual General Meeting (AGM) through Audio or Audio/ Visual means in conformity with the regulatory provisions of the Company.

Please refer instructions to participate at the Annual General Meeting via online

Instructions to Participate at the Annual General Meeting (AGM)

- a) Shareholders who wish to participate at the AGM (on-line) are requested to email the following information to nationlanka.agm@gmail.com

Details of Shareholder		
1. Full name		
2. Address		
3. National Identify Card number / Company Registration number		
4. CDS Account number		
5. Contact number	Land line:	Mobile:
6. Email address (to which the on-line meeting link should be forwarded by the Company)		

- b) A Shareholder is entitled to appoint a proxy to participate and vote (on-line) on his/her behalf.
- c) A Proxy Holder need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose.
- d) The completed Form of Proxy should reach 48 hours before the time fixed for the Annual General Meeting, either by:
- i Post or hand delivered to the Company Secretaries, Corporate Arcade Ltd at No.9/4, Edmonton Road, Colombo 06 or
 - ii. Scanned and emailed to the email address: nationlanka.agm@gmail.com

Only registered Shareholders and registered Proxy Holders will be permitted to log in to participate at the AGM via on-line.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Form of Proxy

I/We of
..... being a Member/
Members of Nation Lanka Finance PLC hereby appoint holder of
NIC No. of or failing him /her

- Victor Rajamanner Ramanan of Colombo – 6

whom failing
- Ahalape Gamage Maheen Priyantha of Galle

whom failing
- Shamila Arunodani Wickramasinghe of Colombo 05

whom failing
- K.G Deepani Wasantha Kumuduni Bandara of Gampola

whom failing
- Udaya Ranjith Senevirathne of Thalawathugoda

whom failing
- Luckshmi Menaka Minu Jayawickrema of Kal Eliya

whom failing
- Nanayakkara Wasampalliyage Maurapada Gunawansha of Nugegoda

whom failing
- Kosala Suranga Wimalasiri of Kegalle

whom failing

as my / * our proxy to represent me / * us on my/ * our behalf as indicated below at the Thirty Seventh Annual General Meeting of the Company to be held on Wednesday the 4th of December 2024 and at any adjournment thereof.

Please indicate your preference by placing a ✓ against the Resolution No.

	For	Against
1. To receive and consider the Report of the Board of Directors and the Audited Financial Statements for the Year ended 31st March 2024 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint, Mrs. S A Wickramasinghe, a Director, who retires by rotation in terms of Article 88 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint, Mr. A G M Priyantha, a Director, who retires by rotation in terms of Article 88 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. K S Wimalasiri, a Director, who retires in terms of Article 95 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint M/s. Baker Tilly Edirisinghe & Co, Chartered Accountants, Auditors of the Company for the ensuing Financial Year 2024/2025 and to authorize the Board of Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine contributions to charities and other donations for the year 2024/2025.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/ our hand/s this day of 2024.

.....

NIC/Reg. No

.....

Signature

Form of Proxy

INSTRUCTIONS FOR THE COMPLETION OF PROXY

- 1) Please perfect the form of proxy overleaf, by signing in the space provided and filling in the date of signature, after filling in legibly your full name and address.
- 2) Please return the completed Form of Proxy after deleting one or other of the alternative words indicated by asterisks in the body of the form, if he/she wishes his/her proxy holder to participate at the AGM via online, and e-mail the above information to **nationlanka.agm@gmail.com**
- 3) To be valid, completed form of Proxy should be submitted either by e-mail **nationlanka.agm@gmail.com** or by post / delivered to the Company Secretaries at No.9/4, Edmonton Road, Colombo 06, not less than 48 hours before the time appointed for the holding of the meeting.
- 4) If the form of Proxy has been signed by an attorney, the relative Power of Attorney should also accompany the completed form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 5) If the shareholder is a Company or a corporate body, the Proxy should be executed under its Common Seal (where applicable) in accordance with its Articles of Association or Constitution.
- 6) If there is any doubt as to how the vote is to be exercised by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded.

Corporate Information

NAME OF THE COMPANY

Nation Lanka Finance PLC

FORMER NAMES OF THE COMPANY

Ceylinco Securities & Investments Ltd
Ceylinco Securities & Financial Services PLC
Ceylinco Finance PLC

LEGAL STATUS

A Public Quoted Company with Limited Liability incorporated in Sri Lanka on 15th July 1987. Approved Credit Agency under the Mortgage Act No.6 of 1949 and Inland Trust Receipts Act No.14 of 1990. Registered as a Finance Leasing Establishment w.e.f. 01/08/2002 under the Finance Leasing Act No.56 of 2000 and Registered as a Finance Company w.e.f 5th March 2012 under the Finance Business Act No.42 of 2011.

REGISTRATION NUMBER

PQ 33

ACCOUNTING YEAR END

31st March

TAX PAYER

IDENTIFICATION NUMBER (TIN)

134001518

REGISTERED / BUSINESS OFFICE

No.690, Galle Road,
Colombo 03
Tel: 4760800
Fax: (941) 4760867
E-Mail: info@nlfplc.com
Web: www.nationlanka.com

SUBSIDIARIES

Nation Micro Investment Ltd

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
Pan Asia Banking Corporation PLC
Sampath Bank PLC
Seylan Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Cargills Bank Limited
Nation Trust Bank PLC

BOARD OF DIRECTORS

Mr. V R Ramanan
Chairman (Non - Executive)

Mr. A G M Priyantha
(Non-Independent / Non-Executive)

Mrs. S A Wickramasinghe
(Non-Executive / Independent Director)

Ms. K.G D W K Bandara
(Non-Executive / Independent Senior Director)

Mr. U R Seneviratne
(Non-Executive / Independent Director)

Mrs. L M N Jayawickrema
(Non-Executive / Independent Director)

Mr. N W M Gunawansa
(Non-Executive / Independent Director)

Mr. K S Wimalasiri
(Non- Independent / Non-Executive Director)
(Appointed w.e.f 18.04.2024)

COMPANY SECRETARIES & REGISTRARS

Corporate Arcade Ltd
No.9/4, Edmonton Road,
Colombo 06
Tel : 2514420 / 2514421
E-Mail : cal@sltnet.lk

AUDITORS

M/s. Baker Tilly Edirisinghe & Co,
Chartered Accountants
P.O. Box 186, Colombo

LAWYERS

Ms. W D A Priyabhashini,
Attorney-at-Law
No.690, Galle Road,
Colombo 03



NATION LANKA FINANCE PLC

No.690, Galle Road, Colombo 03

Tel: +94 11 4760 800 | Fax: (941) 4760867

E-Mail: info@nlfplc.com | Web: www.nationlanka.com