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# Progress with Purpose



This year has been a defining chapter in the journey of Alliance Finance—a year of remarkable achievements driven by a vision that places purpose at the heart of progress. As we reflect on our successes, we take pride in knowing that every milestone reached has been guided by our commitment to creating meaningful impact.

From fostering innovation to advancing sustainability, we have aligned our strategies with a greater purpose: to balance growth with responsibility. Whether it's empowering communities, supporting green initiatives, or driving financial inclusion, our efforts have been focused on building a better future for all.

Our achievements this year are a testament to the strength of our vision and the dedication of our team. As we continue to move forward, we remain steadfast in our belief that true progress is measured not just by results, but by the positive difference we make along the way.

With purpose as our compass, we are shaping a future that is not only prosperous but also meaningful—progress with purpose, today and every day.







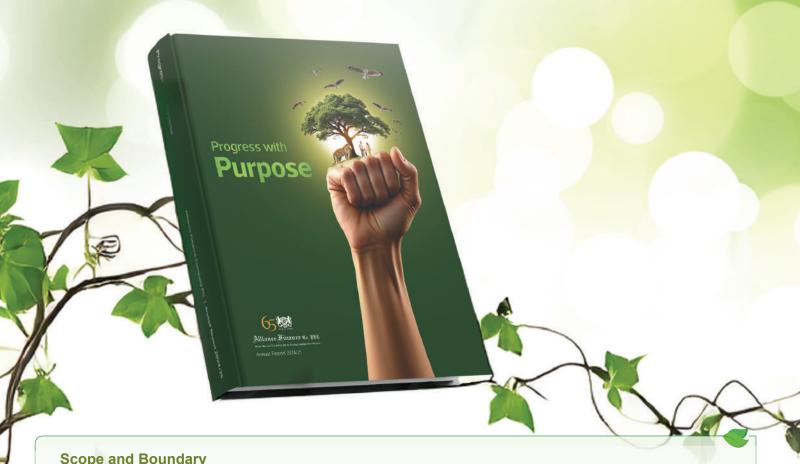
# About Our Integrated Report GRI 2-1, 2-2, 2-3

The Integrated Annual Report for FY 2024/25 marks the 69th such report issued by Alliance Finance Company PLC (AFC), underscoring the Company's steadfast commitment to transparency, accountability, and excellence in reporting.

This report illustrates how AFC continues to fulfill its commitment to progress with a purpose - "to shape a future that is not only prosperous but also meaningful".

### **Key Improvements** in FY 2024/25 Report

**Dedicated section outlining** the full adoption of SLFRS S1 & S2.



### **Scope and Boundary**

This report covers the period 1st April 2024 to 31st March 2025 and includes post balance sheet events and information up to the date of Board approval on 05th June 2025.

The data in this report – both financial and non-financial – pertains to Alliance Finance Company PLC's business model, strategy, performance and prospects.

All previous reports, including the most recent report for FY 2023/24, are available for viewing and download at: https://www.alliancefinance.lk/investor- relations/#annual-reports



**GOVERNANCE** 

### FINANCIAL AND STATUTORY REPORTING **BOUNDARY**

01st April 2024 to 31st March 2025 Alliance Finance Co. PLC Markets Served: Sri Lanka



Alliance Finance Co. PLC Make the world a better place through sustainable finance



# COMPARABILITY

CLARITY











**STAKEHOLDERS** 

### **OUR STRATEGY**

Shaping the Future through Purpose-Driven Finance Solutions | Customer-Centric Business Philosophy | Leading the Transition Towards Sustainable Mobility Solutions | Driving Financial Inclusion | Promoting MSME Development | Digital Transformation as a Growth Catalyst | Resource Allocation to Drive Impact | Prioritizing ESG and Building a Sustainable Future

## CAPITALS













Human Capital



Capital

Natural Capital



900

VERIFIABILITY

CONCISENESS



BUSINESS MODEL | STRATEGY AND RESOURCE ALLOCATION | PERFORMANCE | FUTURE OUTLOOK

### **About Our Integrated Report**



Financial Reporting	Governance and Risk Reporting	Integrated Reporting	Sustainability Reporting
Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka  Finance Business Act No. 42 of 2011 and amendments thereto  The Companies Act no. 7 of 2007  CSE Listing rules  CSE Listing rules	Corporate Governance rules issued by the CSE for listed entities   The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies  Finance Leasing Act No. 56 of 2000  Anti-money Laundering Laws and Regulations  Inland Revenue Act No. 24 of 2017 and amendments thereto  Shop & Office Employees Act No. 19 of 1954 and amendments thereto	Integrated Reporting Framework <ir> by the International Integrated Reporting Council</ir>	Standards with reference V  Standards with reference V  United Nations Sustainable Development Goals V  SLFRS S 1 and S 2 V  Sustainability Accounting Standards Board (SASB) disclosure requirements. ✓

### Materiality

The principle of Materiality forms the foundation for defining the scope and depth of information presented in AFC's Integrated Annual Report, thereby ensuring that the report addresses the most relevant and significant topics that impact the Company's ability to create value over the short, medium, and long term. By identifying and prioritising issues that are of greatest importance to both the business and its stakeholders, AFC is able to present a focused, transparent, and meaningful narrative that goes beyond compliance to offer genuine insight into its operations, strategies, and performance.

This approach enhances the report's relevance and usability for stakeholders by enabling them to clearly understand how AFC is responding to challenges, leveraging opportunities, and managing risks that could affect their interests. It also fosters trust and accountability, as stakeholders are assured that their concerns are being heard and addressed at a strategic level. In doing so, the materiality-driven reporting process strengthens stakeholder confidence in AFC's governance and long-term sustainability, contributing to more informed decision-making, stronger stakeholder relationships, and sustained value creation for all.

# Information Gathering and Report Preparation

The information contained in this report has been compiled from a diverse range of credible sources. Extensive interviews were conducted with key members of AFC's leadership team, including the Chairperson, Managing Director, Corporate Management and Business Heads to obtain strategic insights and perspectives. These internal inputs have been further substantiated with data drawn from verified external sources to enhance the report's credibility with the entire process overseen by a dedicated internal reporting team, working in close collaboration with external specialists to uphold the quality and integrity of this Integrated Annual Report.

### **GRI 2-5**

### **Combined Assurance**

The integrity of the financial and non-financial information presented in the report has been validated using the combined assurance model. Internally, this approach requires collaboration among internal teams to review both financial and non-financial data, to assess compliance with regulatory requirements and alignment with internal policies and standards, while the accuracy and completeness of the information presented is independently verified by external auditors or specialised consultants as needed.

The Company's external auditors; Deloitte Associates have provided independent assurance reports regarding the financial statements for the year ended 31st March 2025.

### **GRI 2-4**

### **Forward-Looking Statements**

The outlook and expectations regarding the operating results, growth trajectory, and future prospects of AFC may include certain forward-looking statements. These statements are based on assumptions and projections that are considered reasonable at the time of publishing this Integrated Annual Report. However, actual outcomes may differ due to the inherent uncertainties including changes in economic conditions, regulatory shifts, market volatility, and the broader competitive landscape.

While AFC is committed to transparency and proactive disclosure, the Company does not provide any assurance that these forward-looking statements will materialise as anticipated. As such, actual performance may differ materially from what is projected in this report. Furthermore, AFC also does not undertake any obligation to update or revise these forward-looking statements in response to future developments or new information. The Company confirms that there are no restatements relating to the Annual Report for FY 2023/24 or to any previous reporting periods.

### **Board Responsibility Statement**

The Board of Directors of Alliance Finance Company PLC accepts full responsibility for the integrity of the Integrated Annual Report for the financial year 2024/25. In discharging this responsibility, the Board confirms, to the best of its knowledge, the Report has been prepared in alignment with the principles and guidelines of the International Integrated Reporting <IR> Framework. To that end, the Board remains satisfied that the Report offers a balanced, comprehensive, and accurate reflection of AFC's business model, governance structure, strategic direction, risk landscape, opportunities, operational performance, and long-term outlook. It also outlines how these interconnected elements impact the Company's ability to create, sustain, and safeguard stakeholder value over the short, medium, and long term, while effectively mitigating risks that could lead to value erosion.

### GRI 2-3 Feedback

The Board welcomes stakeholder feedback on this integrated annual report and requests readers to direct all such feedback to.

### **Chief Financial Officer**

Alliance Finance Company PLC

"Alliance House",

No.84, Ward Place, Colombo7, Sri Lanka.

Email: info@alliancefinance.lk



# The Alliance Finance Co. PLC GRI 2-22

Alliance Finance Co. PLC (AFC) is the oldest finance company in Sri Lanka with a legacy of over 68 years of serving its loyal customers, supporting financial inclusion and sustainability. Incorporated in 1956 as a licensed finance company registered under the Central Bank of Sri Lanka, it now operates with an island-wide network of 90 points of presence and a dedicated, performance driven team of 1,832 employees. AFC has a shared vision to foster the growth and prosperity of its customers, whilst building trust and long-lasting relationships with the company. Environmental and sustainability initiatives are at the center of AFC's sustainability agenda, which embodies the company's drive towards supporting local and global sustainability priorities.

### **Our Purpose**

# Make the world a better place through sustainable finance

### **Sustainable Development**

As we journey to becoming more sustainable, we continue to focus on strengthening our commitment to the United Nations Sustainable Development Goals. Ensuring full integration across the Company from an execution and reporting perspective enables value creation for all our stakeholders. Our Purpose motivates us to deliver against the outcomes of the 5ps-people, prosperity, peace, partnership,

planet, with the determination to drive positive change.

### **TRUST**

Our customers need to **TRUST** us and be happy

### **ACCOUNTABIL**

Every one of us is **ACCOUNTAB** for our actions

### **ETHICS**

ETHICS and integrity are critical

### **INNOVATION**

We are open, brave and willing to drive **INNOVATION** and change

### RESPECT

We **RESPECT** each other and the environment we live in

### **TEAMWORK**

**TEAMWORK** will make us stronger



Sustainable Development



Responsible and inclusive finance



What we support

WE ARE THE

Battle against climate change



Social entrepreneurship development



Biodiversity conservation and ecosystem restoration



The end use of all energies; must ensure responsible practices



PROSPERITY
Ensure growth and success through sustainable practices



PEACE Nurture peace consistently by being environment friendly

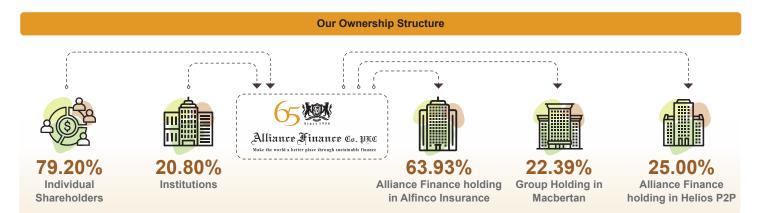


PARTNERSHIP Establish harmonious

relationship with mother nature



Conserver the Planet
Earth's natural resources
for the future



### **Our Products and Services**





Gross Portfolio: **LKR 49.0 Bn**No of Customers: **63,877** 

- w Vehicle and Equipment Leasing
- **Quick Cash**
- Speed Cash
- Nedge Loans
- Term Loans
- Climate Financing

### **Gold Loans**



Gross Portfolio: **LKR 15.4 Bn** No of Customers: **47,753** 

- Short term advances collateralized against gold
- Installement based gold investments

### **Savings and Deposits**



Portfolio: **LKR 36.5 Bn**No of Customers: **30,776** 

- Fixed deposits
- Savings deposits with special products to senior citizens and minors

**Commercial Division** 



Hiring Vehicle Fleet: 63

- Operating Lease
- ∨ Vehicle trade-in service
- Nental service
- Automotive service centre

### What We Offer

# Inclusive financial solutions

Vehicle Leasing, Term Loans, Gold Loans









# Innovative zero emission clean energy technology

Clean-energy equipment leasing





# Investment solutions

Fixed Deposits, Savings, Gold investments







# Vehicle trade - in and hiring services

Autosure, Ezy Drive





# **Board of Directors**



Mrs. G. S. T. Dharmakirti-Herath

Chairperson

Mr. R. K. E. P. de Silva

Deputy Chairman/ Managing Director



Mr. M. J. Benedict

Executive Director Recoveries



Mrs. P. de Silva

pendent Non-Executive Director

Dr. S. L. N. Wickremasooriya

Non-Independent Non-Executive Director



Mr. W. P. K. Jayawardana

Deputy Managing Director



Dr. D. L. I. Hettiarachchi Independent Non-Executive Director

Mr. L. J. H. de Silva
Non-Independent Non-Executive Director



Non-Independent Non-Executive Director



Board of Director's Profiles https://www.alliancefinance.lk/ about-us/board-of-directors/

### **Board of Directors**

### Mrs. G. S. T. Dharmakirti-Herath

### Chairperson

### **Independent Non-Executive Director**

(Member of Board Audit Committee, Member of Board Integrated Risk Management Committee, Member of Human Resources & Remuneration Committee, Member of Related Party Transactions Review Committee and Member of Nomination and Governance Committee)

Mrs. G. S. Tamara Dharmakirti-Herath was appointed to the Board as the Chairperson on 22nd October 2020. She has over 40 years of experience in the financial services sector and has made significant contributions to the industry and was involved in the setting up of two Non-Banking Financial Institutions (NBFI) in the country. In her long professional career, she has been in senior management positions in a few of the premier NBFI's and as a consultant providing technical skills and knowledge to NBFI's and banks engaged in Leasing and Factoring. She has vast knowledge and experience in the multiple aspects of the finance industry. She has facilitated knowledge and skill development to young leasing professionals in Sri Lanka (probono) and advocates best practices and gender equality in the management of the NBFI sector.

### Mr. R. K. E. P. De Silva

# Deputy Chairman/Managing Director (Member Board Sustainability Committee)

Mr.Romani de Silva, a Fellow of the Institute of Credit Management counts over 34 years experience in the finance industry in Sri Lanka. He was appointed to the Board of Alliance Finance Co. PLC, in 1990 as an Executive Director and currently holds the position of Deputy Chairman and Managing Director. Under his leadership AFC became the first Financial Institution in South Asia, to be certified at level 4 under the pioneering global sustainability standard SSCI, for value driven Finance Institutions which was developed by the European Organization for Sustainable Development (EOSD) - an EU initiative.

He also serves as a Non Executive Director on the Boards of Sanasa Development Bank PLC, Alfinco Insurance Brokers (Pvt) Ltd, Macbertan (Pvt) Ltd., Macbertan Holdings (Pvt) Ltd., Macbertan Properties (Pvt) Ltd., companies under the "Alliance" umbrella and Techlabs Global (Pvt) Ltd. He is also a Founder Director of the National Advisory Board for Impact Investing in Sri Lanka. He is a Member of the Agripreneurs Forum. He is a Life member of the Sri Lanka Institute of Directors and a member of the Chamber of Young Lankan Entrepreneurs.

He also serves as the Honorary Treasurer of the SLICM incorporated by an Act of Parliament - an educational institution dedicated to the development of the credit industry of Sri Lanka.

An active promoter of development oriented Sustainable Banking and Finance in Sri Lanka, he serves on the SSCI Council - a Global Council initiated by the European Organization for Sustainable Development (EOSD), headquartered in Karlsruhe Germany and also the Global Finance 4.0 Council which is mandated to drive Finance as a force for good.

Whilst actively contributing to the development of this holistic sustainability standard for the global Banking and Finance industry, locally he also heads the Sub Committee on Sustainability and serves as a Council Member of the Finance Houses Association of Sri Lanka (FHASL), which is an industry representative body for Licensed Financial Institutions in Sri Lanka. He has represented the FHASL on the Steering Committee initiated by the Central Bank of Sri Lanka to develop a Sustainable Finance Road map for Sri Lanka for the Non-Bank Financial Sector and also on the National Financial Inclusion Strategy Project initiated by the World Bank Group, IFC, and the CBSL. He also represents the FHASL on the CBSL. Multi Stakeholder Committee for the Implementation of the Roadmap for Sustainable Finance in Sri

Mr. De Silva has also represented Alliance Finance Company PLC as a Founder Investor in the pioneering "Ath Pavura" reality TV Programme and Social Enterprises Funding Platform co-founded by the Lanka Impact Investing Network (LIIN) and Social Enterprise Lanka (SEL) in Sri Lanka which aims to create awareness on social enterprise and develop an impact investing culture in the country.

### Mr. W. P. K. Jayawardana

# **Deputy Managing Director**(Member of Board Sustaiablity Committee)

Mr. W.P.K. Jayawardana was appointed to the Board on 4th April 2017 and currently serves as Deputy Managing Director. He brings over 27 years of experience in investment banking, corporate finance, credit and operations.

He is involved in and has led teams in launching several innovative products in Sri Lanka and Bangladesh, including securitization structures, convertible securities and derivatives, and has executed several landmark capital market transactions. He played a key role in

setting up NDB Capital Limited, Bangladesh and Emerald Sri Lanka Fund, being the first private equity country fund set up in Sri Lanka. He is a Chartered Financial Analyst, an Associate Member of the Chartered Institute of Management Accountants and the Chartered Global Management Accountants. He was also an Associate Member of the Association of Chartered Certified Accountants- UK. He holds an MBA from the Open University of Sri Lanka in collaboration with Commonwealth of Learning, Canada.

Mr. Jayawardana is also an independent director of Lanka Ventures PLC, LVL Energy Fund PLC, Cable Solutions PLC and ACL Cables PLC and is a member of several board subcommittees of these companies.

His previous appointments include Managing Director/CEO of NDB Capital Limited, Bangladesh and COO of NDB Capital Holdings Limited. He held Board positions in several listed and private entities including Resus Energy PLC, Panasia Power PLC, Lanka Communication Services Limited and NDB Capital Limited.

### Mrs. P. de Silva

# Independent Non-Executive Director (Chairperson of Board Audit Committee and Board Integrated Risk Management Committee)

Mrs. Priyanthi de Silva was appointed to the Board on 8th August 2018 as an Independent Non-Executive Director. She is a Fellow of the Chartered Institute of Management Accountants (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practising Accountants, (FCPA) of Australia. She was also an Associate member of the Association of Chartered Certified Accountants of UK (ACCA).

She has over 30 years of experience in the FMCG, Leisure, Healthcare, Travel, and Financial Services sectors in Sri Lanka and Australia. The senior positions held by her in Sri Lanka include Chief Financial Officer at Foundation of Goodness, Manager Compliance at Sri Lankan Airlines and Manager Finance and Systems at SriLankan Catering, Financial Controller of Hemas Holdings PLC, Finance Manager at Arpico Finance PLC, Manager Finance and MIS at Eagle NDB Fund Management and in Australia as a Financial Specialist at Goston Avend Pty Ltd, and as an Accountant at GE Money and Coles Express (Melbourne).

### Mr. M. J. Benedict

### **Executive Director - Recoveries**

Mr. Michael Benedict who has more than 34 years of experience in the industry, joined Alliance Finance Co. PLC on 1st of February 2002 as Senior Manager Marketing and was appointed as an Executive Director, Recoveries on 1st of September 2023. He is a talented individual who has worked in marketing, risk and recoveries with over 2 decades of dedicated service at Alliance Finance Co. PLC. With his extensive experience and expertise, he has contributed significantly to the success and growth of the Company. He is a Non-Executive Director of Alfinco Insurance Brokers (Pvt) Ltd.

He holds a Master of business Administration from Cardiff Metropolitan University, UK also is a Certified Management Accountant of Australia and also a Certified Member of Sri Lanka Institute of Marketing.

### Dr. D. L. Hettiarachchi

Independent Non-Executive Director
(Chairman of Human Resources &
Remuneration Committee, Chairman of
Nomination and Governance Committee
and Chairman of Related Party Transactions
Review Committee)

Dr. D. L. I. Hettiarachchi was appointed to the AFC Board of Directors on 22nd October 2020 as an Independent Non-Executive Director. He is a Non-Executive Director of Cyrus Corporate Services (Pvt) Ltd.

He has over 30 years' experience in management and administration. Since 2002 he owns and manages a private civil law practice and has over 35 years' experience in commercial and civil litigation in original/appellate courts and arbitrations in a range of matters. He possesses in-depth and wide experience in transactional legal services and consultancy, including a wide scope of matters covered in a commercial/corporate law practice. He is an Attorney at Law of the Supreme Court of Sri Lanka and holds Master of Laws and a Doctor of Civil Law, degrees obtained from McGill University in Montreal, Canada.

### Dr. S. L. N. Wickremesooriya

DBA(CoI) MBA (Sri, J) FCIM FABE
Non-Independent Non-Executive Director

Dr. S.L.N. Wickremesooriya was appointed to the Board on 02/08/2024 as a Non-Independent Non-Executive Director. Dr. Wickremesooriya is a multi-disciplinary Consultant specialising in the practice of strategy, training, research, and academic teaching. He obtained his Doctorate from the faculty of management & finance, University of Colombo. His thesis endeavours to explain inter firm performance heterogeneity, enterprise evolution, and organisational longevity from a capability perspective, a lacuna in the domain of traditional economic theory.

He counts extensive industry experience in the private sector and has held several C-suite positions in both medium sized organisations and conglomerates. His engagement in the private sector cuts across diverse industries, including audit, tax and company secretarial practice, agriculture, food, logistics, hardware & veterinary and have dealt in both, international and domestic markets. During his extensive career he has had hands-on experience in competitive strategy, operations, and marketing. He excelled in bringing about transformational changes to the respective businesses and established new paths of growth. The learning and knowledge accumulated over the years have contributed to his specialization in strategic thinking, strategic leadership, change management and growth for sustainability. While in industry, he provided leadership as Chairman to several trade associations. In a professional capacity, he served as the Chairman of the Chartered institute of Marketing (CIM) Sri Lanka region and went on to be elected as a Trustee of the Board of Trustees of CIM-UK, and as the first international Chairman of the Audit committee of CIM-UK

### Mr. L. J. H. de Silva

Non-Independent Non-Executive Director
(Member of Board Audit Committee, Member of Board Integrated Risk Management
Committee, Human Resources &
Remuneration Committee, Member of Related
Party Transactions Review Committee and
Member of Nomination and Governance
Committee)

Mr. L. J. H. de Silva was appointed to the AFC Board of Directors on 16th October 2019 as an Independent Non-Executive Director. He is presently the Managing Director of Alliance Agencies Ltd., exclusive agents in Sri Lanka for Heidelberger Druckmaschinen AG Germany and Drive One (Pvt) Ltd., sole distributor for Audi AG, Germany, Alliance Graphic Services (Pvt) Ltd and Heshia Shipping (Pvt) Ltd and Chairman of Autocare (Pvt) Ltd.

He has over 30 years of management experience. He has acquired significant experience in brand building, strategic planning and key account management. He is a former president of the Association for Print and Design Professionals and is a Member of the Board of Governors of the institute of Printing in Sri Lanka. Mr.de Silva attended Hauchler Studio College and Print Media Academy Heidelberg, Germany, is a fellow of the Sri Lanka Institute of Printing.

### Mr. D. F. W. Perera

Non-Independent Non-Executive Director

Mr. D.F.W Perera was appointed to the Board on 2nd August 2024.

Mr. Perea was educated at Colombo international School, where he served as the Head Prefect of the batch of 2011. Following his schooling, Mr. Perera graduated with First Class Honours in Economics and Statistics from University College London, where he was awarded the R.A Fisher Prize for Academic Excellence.

After his graduation, Mr. Perera was employed in London by Bank of America Merrill Lynch, where he worked as a Vice President in the Global Credit and Special Situations trading team.

Mr. Perera's team specialised in analyzing and investing in Performing and Non-Performing Loans, High Yield Bonds and Distressed Debt. Mr Perera was involved in analysing, negotiating and executing investment opportunities for the bank and its clients with a specific focus on Real Estate, Hotels/Tourism and Metals and Mining. His team managed a portfolio with investments across Europe, including the U.K, Germany, France, Spain and Italy.

Mr Perera returned to Sri Lanka in April 2022 and currently holds management positions in various privately-owned and operated businesses.

He is the Managing Director of MSS investments (Private) Limited and Motor Service Station (Pvt) Ltd. He is also an Executive Director of Orient Properties (Pvt) Ltd, and Orient Petroleum (Pvt) Ltd.



Butterflies play a crucial role in maintaining a healthy and balanced environment.

# **Corporate Management**



Mr. Romani De Silva Deputy Chairman / Managing Director



Mr. Kusal Jayawardana
Deputy Managing Director



Mr. Michael Benedict

Executive Director Recoveries



Mr. Aruna Rodrigo Chief Operating Officer



Mrs. Champa Nakandala
Chief Deposit Officer



Mr. Ajit Subasinghe
Chief People Officer



Mrs. Dimuthu Tillekeratne
Chief Financial Officer



Bees play a crucial role in supporting the environment by acting as pollinators, which helps plants reproduce and maintain biodiversity.

# **Management Team**

### Romani De Silva

Deputy Chairman / Managing Director

### Kusal Jayawardena

Deputy Managing Director

### Michael Benedict

Executive Director Recoveries

### Aruna Rodrigo

Chief Operating Officer

### Ajit Subasinghe

Chief People Officer

### Champa Nakandala

Chief Deposit Officer

### **Dimuthu Tillakaratne**

Chief Financial Officer

### Roshan Rathnayaka

Senior Assistant General Manager -Head of Deposit Marketing

### Sujith Fernando

Assistant General Manager
- Digital Transformation and
Collaboration Finance

### **Roshan Carrim**

Assistant General Manager - Recoveries

### Surendra Rodrigo

Assistant General Manager - Gold Loan Operations

### Asanka Atapattu

Assistant General Manager - Treasury

### Harsha Wijesinghe

Assistant General Manager - Credit

### Achala Wanniarachchi

Assistant General Manager - Legal

### Wasantha Maldeniya

Assistant General Manager - Regional Head

### Saman Medagoda

Assistant General Manager -Regional Head

### **Udaya Suranjith**

Assistant General Manager -Regional Head

### Isanka Gayan

Assistant General Manager -Regional Head

### Nalin Kodagoda

Assistant General Manager -Regional Head

### Selvarathnam Nishanth

Assistant General Manager -Regional Head

### Mallika Jayathilaka

Assistant General Manager -Regional Head

### Venothkumar Rajendran

Assistant General Manager - Head of Internal Audit

### **Udesh Heenatigala**

Senior Manager - Head of IT

### Mathieswarann Ganeshalingam

Senior Manager - MIS

### Dushan De Silva

Senior Manager - Marketing Communications & Branding

### Ashithinda Ramanayake

Senior Manager - Head of Risk Management

### **Chatura Senarathne**

Senior Manager - Administration

### **Lalith Peiris**

Senior Manager - Finance Operations

### Vijekumar Rathnam

Senior Manager - Credit & SME

### Darshana Sampath De Silva

Senior Operations Manager

### **Amal Somarathne**

Senior Manager - Corporate Planning & Sustainability

### Bashini Thilakasiri

Senior Manager - Compliance Officer

### Chrishanthi Delishiya

Senior Manager - Deposits

### Manura Prasanga

Senior Manager - Deposits Branch Operations

### Nishantha Peiris

Senior Manager - Deposits

### **Dinuk Baig**

Senior Manager - Finance

### Sachinthani Meeriyagalla

Senior Manager - Human Resources

### Rajendra Regan

Senior Manager - Human Resources

### Achini Amarasekara

Senior Manager - Marketing

### Priyanga Peiris

Company Secretary

### **Duminda Niranjan**

Regional Head

### **Upul Pathirana**

Acting Regional Head

### Poorna Pothuduwage

Deputy Regional Head

### Lasantha Pradeep Kumara

Acting Deputy Regional Head

### Priyantha Guruge

Acting Deputy Regional Head

### Thusitha Sampath Karunarathna

Acting Deputy Regional Head

### Sithumina Jayasundara

Acting Deputy Regional Head

### Selvaratnam Ratnarasa

Acting Deputy Regional Head

### Meganathan Thayaparan

Acting Deputy Regional Head

### Ranil Rohan Palansuriya

Acting Deputy Regional Head

### Darshana Pushpakumara

Acting Deputy Regional Head

### Manoj Chanaka De Silva

Senior Branch Manager

### **Achira Aninda Senarathne**

Senior Branch Manager

### Kasun Randika Gunasekara

Senior Branch Manager

### Ruwan Ranga Tennakoon

Senior Branch Manager

### Kavinda Lakmal Jayawardhana

Acting Senior Branch Manager

### Widanage Ranaweera

Acting Senior Branch Manager

### Sasith Wickramarachchi

Acting Senior Branch Manager

### Aruna Gunasekara

Acting Senior Branch Manager

### Dinesh Asanka Sanjeewa

Regional Recovery Incharge

### Rajapaksha Malalasekara

Regional Recovery Incharge

### Chinthaka Nuwan De Silva Regional Recovery Incharge

Shashitha Priyadarsha

### Appuhami

Regional Recovery Incharge

### Sebastin Daya Colin Rodrigo

Regional Recovery Incharge

### Chamila Nishantha Hiriliyedda

Regional Recovery Incharge

### Ajith Kumara

Regional Recovery Incharge

### Seevarathnam Pradeep

Regional Recovery Incharge



Ladybugs, or ladybird beetles, are beneficial insects that play a crucial role in the environment by controlling pest populations, particularly aphids.

# Historical Milestones GRI 2014

### 1956

NATE was incorporated on 18th July 1956

### 1959

Quoted in the Colombo Brokers Association (prior to the formation of Colombo Stock Exchange)

### 1995

Introduced the concept of Collaboration Finance for emerging entrepreneurs.

### 1998

Formed Alfinco Insurance Brokers as a subsidiary

### 2000

Became the first Financial Institution to be awarded the Prestigious ISO 9001:1994 status by DNV (later upgraded into ISO 9001:2015)

### 2005

Introduced Savings Accounts

### 2008

Entered in to the Gold Loan Market

### 2012

Formal adoption of the Triple bottom line philosophy (People, Planet, Profit) across the Group

### 2013

- Opened up the Micro Finance Division
- Won the best innovation in Sustainable Financial Services Merit award at the EOSD Global Sustainable Finance Awards, Germany

### 2014

Received Green Leadership Award at Asia Responsible Entrepreneurship Awards, Singapore.

### 2015

Secured first strategic foreign funding line from Triodos Bank (Netherlands).

### 2020

- Established AFC Digital Centre.
- Won Karlsruhe Certificate of Merit for sustainability.

### 2021

- Donated 75,000 plants to RDA for Green Expressway project.
- Joined Financing 4.0 program by European Organisation for Sustainable Development.

Became first South Asian Finance Company certified under SSCI.

### 2022

- Surpassed 360,000 trees under tree planting initiative.
- Completed 55 islandwide community projects.

### 2017

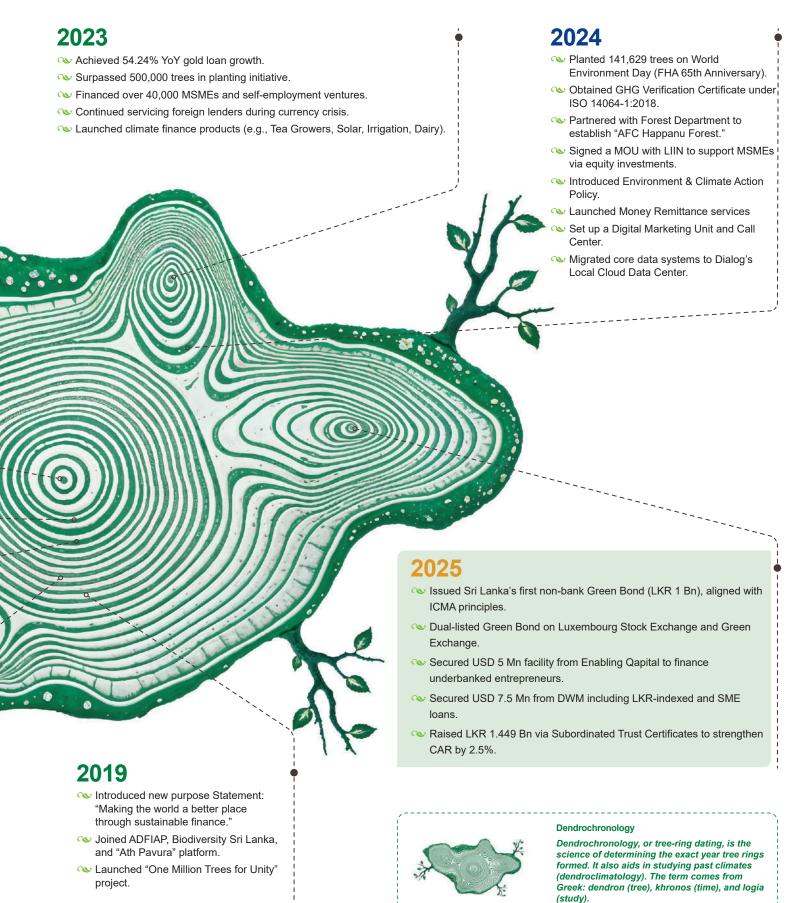
- Managed three corporate actions sub-division of shares, capitalization of reserves and rights issue of shares) at CSE – a first in Sri Lanka.
- Secured first USD subordinated debt from Triodos Bank.
- Signed Karlsruhe Resolution supporting UN Agenda 2030.

### 2016

Implemented Environmental and Social Management System with Steward Red Queen (Netherlands).



- Partnered with IFC for USD 5 Mn fund and technical assistance.
- Planted 176,000+ trees on World Environment Day with 990 schools and 371,000+ students.
- Launched "AFC Thuru Mithuru" tree planting initiative.
- MD/Deputy Chairman received Sustainability Leader of the Year merit award (Germany).
- First company in Sri Lanka & South East Asia accepted into Global Sustainability Standards and Certification Initiative



# **Financial Highlights**

16 | FY 2024/25 Snapshot

Indicator		2024/25	2023/24	% Chan	ge
Operating Results					
Interest Income	LKR Mn	14,617	13,185	10.86	<b>A</b>
Net Interest Income	LKR Mn	8,144	5,887	38.35	<b>A</b>
Profit Before Tax	LKR Mn	3,087	1,698	81.81	<b>A</b>
Profit After Tax	LKR Mn	1,735	917	89.21	<b>A</b>
Financial Position					
Total Assets	LKR Mn	81,565	60,175	35.55	<b>A</b>
Lending Portfolio	LKR Mn	62,516	46,104	35.60	<b>A</b>
Due to Depositors	LKR Mn	36,525	28,387	28.67	<b>A</b>
Due to Banks	LKR Mn	31,354	20,310	54.38	<b>A</b>
Shareholders' Equity	LKR Mn	9,350	8,129	15.01	<b>A</b>
Investor Information					
Market Price per Share	LKR	180.50	90.40	99.67	<b>A</b>
Market Capitalization	LKR Mn	2,148.78	1,551.66	38.48	<b>A</b>
Net Asset Value per Share	LKR	277.47	241.25	15.01	<b>A</b>
Earnings per Share	LKR	51.48	27.21	89.21	<b>A</b>
Dividend per Share	LKR	17.20	8.40	104.76	<b>A</b>
Dividend Yield	%	9.50	9.29	0.24	<b>A</b>
Dividend Payout Ratio	%	33.41	30.87	2.54	<b>A</b>
Statutory Ratios					
Core Capital Ratio (Tier I) - Minimum 8.50%	%	11.60	12.07	0.47	*
Total Capital Ratio (Tier II) - Minimum 12.50%	%	16.06	14.38	1.68	<b>A</b>
Equity to Deposits (Minimum 10%)	%	25.60	28.64	10.61	•
Liquidity Ratio	%	17.66	13.82	3.84	<b>A</b>
Other Ratios					
ROA after tax	%	2.45	1.63	0.82	<b>A</b>
ROE after tax	%	19.85	12.15	7.70	<b>A</b>
Net Interest Margin	%	12.69	11.57	1.12	<b>A</b>
Efficiency Ratio	%	53.11	59.51	6.39	<b>A</b>
Borrowings to Deposits	%	83.07	71.55	11.52	<b>A</b>
Gross NPL	%	4.70	9.38	4.68	*



Total Assets



81,565 2025

**60,175** 2024

**Change %** 35.59





62,516

**46,104** 2024

**Change % 35.60** 

# **Gross NPL**

%)



4.70 2025

**9.38** 2024

**Change %** 4.68

ROE After Tax



19.85 2025

**12.15** 2024

**Change %** 7.70

# Earnings per Share (LKR)

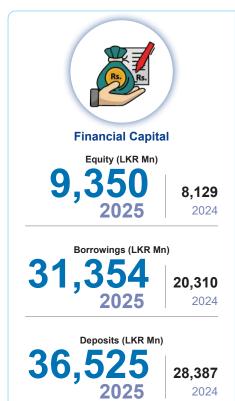


**51.48**2025

**27.21** 2024

Change % 89.21

# **Non-Financial Highlights**











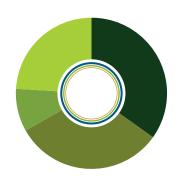


# Advancing Sri Lanka's ESG Trajectory

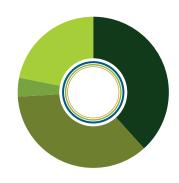
Value Added Statement - Company GRI 201-1

For the year ended 31st March	2025	%	2024	%
	LKR		LKR	
Value Added				
Income	15,673,118,875		13,926,094,250	
Interest Expense	(6,472,265,408)		(7,297,688,560)	
Cost of External Services	(3,212,026,709)		(2,437,252,595)	
	5,988,826,758		4,191,153,095	
Distribution of Value Added				
To Employees				
Salaries & other benefits	2,109,458,450	35%	1,604,634,943	38%
To Government				
Taxes	1,931,750,937	32%	1,500,189,173	36%
To Providers of Capital				
Dividend	552,614,544	9%	168,480,000	4%
To Expansion and Growth				
Depreciation	212,784,329	4%	169,449,679	4%
Reserves	1,182,218,498	20%	748,399,300	18%
	1,395,002,827	24%	917,848,979	22%
	5,988,826,758	100%	4,191,153,095	100%

2024/25 2023/24



<ul> <li>To Employees</li> </ul>	35%
To Government	32%
To Providers of Capital	9%
To Expansion & Growth	24%



<ul><li>To Employees</li></ul>	38%
To Government	36%
To Providers of Capital	4%
To Expansion & Growth	22%

### **Fuelling GDP Growth**

By broadening access to financial services in both urban and rural areas, AFC aims to foster economic inclusion and empower a wider range of individuals and businesses to participate in economic activities. This expansion includes providing access to finance to women-led and all other micro, small and medium-sized enterprises (MSMEs), via vehicle loans and leases, as well as gold loans. By empowering entrepreneurs and supporting local businesses, AFC is driving economic activity, creating jobs, and enhancing the overall economic stability and growth of Sri Lanka. This inclusive approach not only boosts individual livelihoods but also strengthens the national economy, contributing to a more robust and diversified GDP.

### **Strengthening Aggregate National Savings**

As a leading financial institution, AFC plays an important role in strengthening Sri Lanka's aggregate national savings by actively promoting a culture of saving across the country. Through its extensive network of branches, AFC encourages individuals and businesses to engage in disciplined financial practices by offering attractive term deposits and savings schemes. By making these financial products accessible in both urban centers and remote rural areas, AFC is ensuring that a larger segment of the population can benefit from structured saving options. This widespread promotion of savings helps mobilize domestic funds, which are crucial for investment and economic stability. Moreover, the increase in national savings not only provides a buffer against economic uncertainties but also enhances the availability of capital for development projects, thereby supporting the country's overall economic growth and stability.

### **Creating Employment Opportunities**

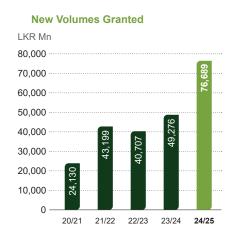
AFC leverages its extensive island-wide branch network to create employment opportunities for people across Sri Lanka. By establishing branches in all regions, including urban, semi-urban, and rural areas, AFC provides numerous job opportunities, ranging from entry-level positions to managerial roles. This strategic expansion not only supports local economies by providing stable employment but also enables skill development and professional growth among the country's workforce. Moreover, AFC's commitment to hiring locally helps to reduce regional disparities and promotes economic inclusivity. Furthermore training programmes and career development initiatives aim to develop a competent and competitive workforce that contributes to the broader economic development of the country over the long term.

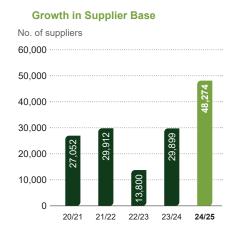
### **Supporting Livelihoods**

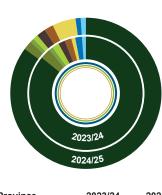
AFC's commitment to shared value has been instrumental in supporting the livelihoods of small-scale entrepreneurs in Sri Lanka. Building strong relationships with suppliers to help them to thrive and expand, helps to boost the prospects of local economies, create jobs, and promote economic resilience. By prioritizing shared value, AFC not only enhances its own business ecosystem but also contributes significantly to the prosperity and development of small entrepreneurs throughout Sri Lanka.

### **Empowering Communities**

By focusing on providing financial access to grassroots-level communities, including women often overlooked by formal financing channels, AFC is making a profound impact on the quality of life of these communities. By extending microloans and other financial services to individuals and small businesses in remote and underserved areas, AFC is bridging a critical gap in financial inclusion. This access to capital enables community members to start or expand businesses, invest in education, and improve their living conditions. The resulting economic activities not only enhance individual livelihoods but also stimulate local economies, reduce poverty, and contribute to the overall socio-economic development of the regions.







**Deposit Base Provinces wise** 

Supplementary

Information

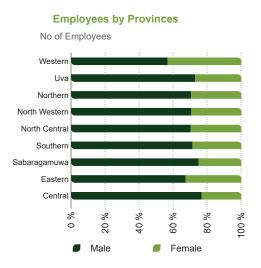
286

Customer Control No. of Customers 70,000			
60,000			······································
20,000			
40,000	7,753		
30,000	47,7	23,386	
20,000		23	4 30
10,000			7,390
0 Leasing	Gold	Savings	Fixed

2025

Deposit

2024



Province	2023/24	2024/25
<ul><li>Western</li></ul>	23,481	29,977
Central	703	827
Eastern	400	465
North Central	408	402
North Western	538	673
Northern	517	812
<ul><li>Sabaragamuwa</li></ul>	354	1,552
Southern	449	377
Uva	318	379
Total	27,168	35,464

# **Awards and Accolades**

### 2012

- Joint Gold award in NBFI sector category at National Business Excellence Awards 2011, National Chamber of Commerce. Sri Lanka
- Silver award for Best Management Practices in the NBFI sector category, at National Business Excellence Awards, National Chamber of Commerce in Sri Lanka

### 2013

- Certificate of Recognition in NBFI sector category, ICASL Annual Report awards,
- Sri Lanka Best Innovation in Sustainable Financial Services Merit award, EOSD Global Sustainable Finance Awards, Germany

### 2014

Winner of Green Leadership Award, Asia Responsible Entrepreneurship Awards, Singapore

### 2015

Certificate of Recognition in NBFI sector category, ICASL Annual report awards, Sri Lanka

### 2016

- Merit Award in the large scale of the service sector category Social Dialogue and WorkPlace cooperation Awards, organized by the Department of Labour, Ministry of Labour and Trade Union Relations, Sri Lanka
- Certificate of Recognition for a Best employer with outstanding employee culture in Sri Lanka, Employer Brand Awards, organized by Employer Branding Institute, India
- Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka
- Marketing Campaign of the year award for AFC, Motorbike Show 2016, CMO Asia Awards for
- Excellence in Branding and Marketing in Sri Lanka

### 2017

Certificate of Compliance, in NBFI sector category, ICASL Annual reports awards, Sri Lanka



### 2018

- w Sustainability Leader of the Year, Merit Award, Karlsruhe Sustainable Finance Awards, Germany
- Certificate of Merit, in NBFI sector category CMA Annual Report Awards, Sri Lanka
- Ocertificate of Compliance, in NBFI sector category, ICASL Annual Reports awards, Sri Lanka

### 2019

- Merit award for Local Economic Development, Association of Development Finance Institutions in Asia and the Pacific (ADFIAP) Awards, Philippines
- Certificate of Merit at CMA Excellence in Integrated Reporting Awards, Sri Lanka

### 2020

- Certificate of Merit for Outstanding Sustainability achievement for Integrating Sustainability into the Corporate Strategy, Karlsruhe Sustainable Finance Awards, Germany
- winner, in Insurance and Finance sector category, ACCA Sustainability Reporting Awards, Sri Lanka
- Ow Certificate of Merit, in NBFI sector category, CMA Excellence in Integrated Reporting Awards Sri Lanka
- Certificate as a finalist, Asia Sustainability Reporting Awards, Singapore



### 2021

- ADFIAP awards 2021 Merit award under the Outstanding Development Project - Corporate Social Responsibility category, for the 'One Million Trees for Unity' project
- No ADFIAP Awards 2021 -Special award for the Best Sustainability Report
- Main award for the Outstanding Sustainable Project Finance Karlsruhe Sustainable Finance Awards 2021, Germany
- Most Contributing Non-Government Institute of Sri Lanka awarded by the State Ministry of Rural Roads and Other Infrastructure
- SAFA Awards Best presented annual report awards, Integrated reporting awards, and SAARC anniversary award for governance disclosure 2020 -Joint second runner up - Finance Service Category
- ACCA Sustainability Reporting Awards "Winner" in the "Finance Services and Insurance" Category of ACCA Sri Lanka Sustainability Reporting Awards 2021
- Top ten Winner Best Management Practices Company Awards 2022, awarded by the Institute of Chartered Professional Managers of Sri Lanka
- National Business Excellence Awards 2021 Runner up of non-banking financial service sector

### 2022

Certificate of Compliance at the TAGS Awards 2022.

### 2023

- Green Brand of the Year Gold Award at the SLIM Brand Excellence Award 2023.
- CA TAGS Awards 2023 Bronze award in total group asset above LKR 20 BN category in the NBFI sector by the Institute of Chartered Accountants of Sri Lanka
- Runner-up in the finance services and insurance category at the ACCA Sri Lanka Sustainability Reporting Awards 2023.
- Alliance Finance Company PLC recognized among the TOP 10 Companies at the Best Management Practices Awards 2024 organized by the Institute of Chartered Professional Managers, Sri Lanka
- Best Website Award Association of Development Finance Institutions in Asia and the Pacific (ADFIAP), Philippines

# **Chairperson's Statement**



# "

Growing at the fastest pace in over a decade, Profit Before Tax (PBT) crossed the LKR 3 billion mark for the first time in our sixty eight years long history, reaching LKR 3.09 billion, an 82% improvement year-on-year, while Profit After Tax (PAT) recorded a remarkable 89% year-on-year growth, rising to LKR 1.74 billion, another all-time high record for the Company.







### **Chairperson's Statement**

I am pleased to present the Annual Report and Financial Statements of Alliance Finance Company PLC (AFC) for the financial year ending 31st March 2025. If I were to capture the essence of this year in a single word, it would be "exceptional", not solely because of our strong financial performance, but because of what the performance symbolises: the relevance and strength of our purposeled strategy and disciplined execution of our sustainable business model.

Growing at the fastest pace in over a decade, Profit Before Tax (PBT) crossed the LKR 3 billion mark for the first time in our sixty eight years long history, reaching LKR 3.09 billion, an 82% improvement year-on-year, while Profit After Tax (PAT) recorded a remarkable 89% year-on-year growth, rising to LKR 1.74 billion, another all-time high record for the Company.

In a strong gesture of appreciation to our shareholders, we declared and paid the highest dividend per share and the largest total dividend payout reflecting our commitment to creating and sharing sustainable value.

Another milestone came in the form of an issuer rating upgrade by Lanka Ratings Agency in May 2025, which recognised our solid performance in FY 2024/25 and growing market influence.

While these achievements are truly outstanding, I do not consider them surprising. They are the result of deliberate actions taken in the past to position AFC as a sustainable and forward-looking institution in a rapidly changing environment. In fact, I believe what we are witnessing now is the fruition of years of disciplined focus, strategic foresight, and a deep commitment to our core purpose: "To make the world a better place through sustainable finance."

### Macroeconomic Roundup

The year 2024 marked a long-awaited turning point in Sri Lanka's economic journey, reigniting hope, restoring confidence, and reaffirming the nation's capacity for renewal. Following two years of deep economic contraction and fiscal

distress, the Country staged a remarkable recovery, posting a real GDP growth rate of 5.0% in 2024, the highest in seven years and significantly exceeding the Central Bank's initial projection of 3.0%.

For a nation that had been grappling with profound structural challenges, this growth was more than a statistical rebound, it was a symbol of resilience and a reaffirmation that sound policy, disciplined reform, and steady governance can indeed reverse the tide.

Several critical developments underpinned this recovery. Progress in sovereign debt restructuring paved the way for greater macroeconomic clarity and improved creditworthiness, while renewed investor confidence and fiscal consolidation efforts helped anchor market stability. The foreign exchange market, which had previously been under intense pressure, showed signs of sustained stability, further bolstering overall economic sentiment.

On the monetary policy front, the Central Bank of Sri Lanka took decisive action to support the recovery, shifting to an accommodative stance with the introduction of a unified policy rate of 8.0% in November 2024 under a new inflation-targeting framework, a move that signalled a strategic pivot toward lowering borrowing costs and stimulating credit expansion within the real economy, an essential catalyst for broader economic activity and private sector revitalisation.

The year 2024 was also a period of meaningful political transitions that reinforced the country's democratic ethos and institutional maturity. The peaceful presidential election in the latter part of the year ensured continuity in governance and delivered a renewed public mandate for deeper economic reform. This political stability played a critical role in sustaining momentum in discussions with external creditors, while helping to restore the trust of both domestic stakeholders and international investors.

It is also very encouraging to note the government's commitment to continue its commitment to the IMF-supported reform agenda, advancing a series of structural reforms, including public sector restructuring, enhancements to tax policy, and governance improvements. These efforts were further strengthened by active and constructive engagement with multilateral institutions, which provided both technical guidance and policy confidence.

Together, these economic and political milestones created a vastly improved operating environment for the financial services sector.

### **NBFI Sector Update**

The year under review marked a new chapter for Sri Lanka's Non-Bank Financial Institution (NBFI) sector. While credit conditions remained subdued during the early part of the financial year due to lingering economic uncertainty and elevated lending rates, the tide began to turn as monetary easing and improving business sentiment took hold in the latter half of 2024. Against this backdrop, the NBFI sector not only weathered the volatility but emerged as a key catalyst in supporting the Country's broad-based recovery and financial inclusion agenda.

Private sector credit witnessed a notable resurgence in 2024, with both banks and NBFIs playing a meaningful role in driving expansion. Licensed Commercial Banks recorded LKR 789.6 billion in private sector credit, representing a 10.7% year-on-year increase. The NBFI sector reported credit growth of 29.2%, amounting to LKR 351.2 billion. While this may seem modest in comparison to the volumes handled by banks, it is the number of transactions that offers a more meaningful picture of the impact, underscoring the unmatched outreach of NBFIs in serving a large segment of the population through high-volume, small-ticket loans. Targeting primarily micro and small-scale

FY 2024/25

While the improving macroeconomic and political landscape presented new opportunities, we continued to adopt a measured and risk-aware approach to lending, realigning our credit assessment frameworks to match evolving borrower dynamics and sectoral realities.

entrepreneurs who are traditionally excluded from formal banking channels, these small ticket loans aim to support recipients to enhance their livelihoods, achieve financial resilience, and gradually transit into bankable individuals or entities. The strength of the NBFI sector lies in its ability to serve the base of the economic pyramid by providing vital access to credit at the grassroots level. This financial inclusion has helped sustain entrepreneurship and unlock dormant economic potential, therein lies the true value of the NBFI sector: anchoring economic recovery from the ground up.

Equally important was the sector's progress in enhancing asset quality, a challenge that has long weighed on its performance. The Gross Non-Performing Loan (NPL) ratio of the finance company sector declined significantly to 8.3% by financial year end 2024/25, down from 14.7% from 2023/24. Similarly, a more prudent approach to provisioning saw the sector Impairment Coverage Ratio improving to 45.8% by financial year end 2024/25, up from 35.7% in the previous year.

This progress in credit quality was driven by multiple factors: improving macroeconomic conditions, easing debt servicing burdens, and a growing willingness among borrowers to regularise their facilities. However it seems challenges will likely remain in the SME sector where cash flow volatility and collateral constraints persist.

As the Country moves forward on its path of recovery and reform, the NBFI sector is poised to play an even greater role in building financial resilience, empowering underserved communities, and reinforcing the inclusive foundations of sustainable growth.

### **Our Disciplined Strategy Anchored on Sustainable Growth**

While the improving macroeconomic and political landscape presented new opportunities, we continued to adopt a measured and risk-aware approach to lending, realigning our credit assessment frameworks to match evolving borrower dynamics and sectoral realities. Even as interest rates trended downward in the latter part of the financial year, we were selective in portfolio expansion, focusing primarily on short-tenor, secured credit products to manage interest rate exposure and maintain asset-liability equilibrium.

Recognising the role of MSMEs in driving inclusive economic recovery and employment generation, we expanded our support for this segment through targeted loan products and responsible lending practices.

Another key focus was our gold-backed lending portfolio. We accelerated this segment while carefully upholding collateral and risk management standards as part of a deliberate effort to strengthen our revenue base while improving overall asset quality due to the inherently secured nature of gold loans.

### **Chairperson's Statement**

It is indeed deeply gratifying to see our efforts culminating in AFC achieving the highest portfolio growth among peers in the NBFI sector signifying not just as a commercial achievement, but as validation of our refined, purpose-led approach to business against the backdrop of economic recovery.

On the operational front, our collections performance reflected the strength of our enhanced recovery workflows, early warning mechanisms, and increased borrower engagement, which helped to reduce our delinquency ratio below 5% by March 2025, among the best in the NBFI sector.

Meanwhile, proving our commitment to catalyse Sri Lanka's transition towards a low-carbon economy and support the achievement of national targets under the Paris Agreement and the United Nations Sustainable Development Goals (UNSDGs), AFC made history in February 2025 by issuing the country's first-ever Green Bond by a Non-Banking Financial Institution (NBFI). The LKR 1 billion raised through this landmark initiative will be channelled into accelerating the adoption of renewable energy by assisting both businesses and individuals to transition towards cleaner, more sustainable energy solutions.

### **Commitment to Good Governance**

I remain convinced that robust corporate governance is not merely a regulatory requirement, it is the foundation upon which long-term value, resilience, and stakeholder trust are built.

During the year under review, the AFC Board convened twenty-one times, with a clear and unwavering focus to uphold the highest standards of governance in alignment with the newly introduced provisions under Section 9 of the Colombo Stock Exchange (CSE) Listing Rules. In response to these enhanced requirements, we acted decisively to formalise and implement a series of new governance policies and strengthen our sub-committee structures which led to the establishment of the Board Nomination and Governance Committee on 25th September 2024.

I am pleased to report, our governance framework today is stronger, more dynamic, and better equipped to serve our stakeholders in an increasingly complex operating environment.

### **Board Changes**

In keeping with our commitment to building a forward-looking governance framework, we focused on strengthening the Board's collective expertise.

In strengthening the Board's composition, we welcomed the appointments of two new Non-Independent, Non-Executive Directors, Mr. D.F.W. Perera and Mr. S.L.N. Wickramasooriya, on 2nd August 2024. Their diverse experience and strategic insights are expected to bring added depth to Board deliberations and strengthen overall governance effectiveness.

With these appointments, our Board has evolved into a more robust, diverse, and balanced body, fully equipped to steer the Company through its next phase of growth while upholding the highest standards of corporate governance. Looking ahead, we are also focused on further enriching the Board's digital and technology acumen to ensure we remain well-positioned in an increasingly techdriven operating environment.

### **Future Outlook**

As Sri Lanka continues its journey towards full economic recovery, the Country outlook over the short to medium term remains encouraging. Real GDP growth is expected to stay moderate, laying the groundwork for a more resilient macroeconomic framework, going forward.

Within this emerging landscape, the non-bank financial sector is set to benefit from the easing interest rates and a revival in credit appetite. Yet, the NBFI sector as a whole will remain vulnerable to the complexities arising out of tighter regulatory controls and increasing competition from both traditional banks and fintechs.

For AFC, while our strategic direction will remain anchored by our High Impact Goals, disciplined portfolio expansion, effective risk management, and operational efficiency will be critical in ensuring that every step forward contributes to financial strength and social impact.

A key aspect of this approach will be the relaunch of our microfinance offering, which we are realigning under High Impact Goals to promote financial inclusion. Our aim through this effort is to focus on enabling livelihood development and supporting small businesses and micro-enterprises. In tandem, we will also look to scale up AFC's climate finance portfolio, which holds significant potential to drive inclusive economic growth.

However, our ability to meaningfully diversify into agriculture and rural enterprise lending remains contingent upon how well the country's legal and regulatory environment is equipped to provide the necessary safeguards and institutional support. In this context, it is vital that the CBSL facilitates the necessary legal and structural reforms to enable financial institutions to manage the inherent risks associated with equipment-based lending, while contributing meaningfully to rural development and building economic resilience at the grassroots level.

We acknowledge that digital technology will be central to realising our future strategy. Having embraced digital transformation as a strategic imperative, we have commenced laying the foundation to become a digitally enabled organisation. Although the implementation of our new core IT system experienced some delays, we recently engaged a specialist system consultant to provide expert guidance and ensure effective execution. This core system upgrade will serve as a

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key enabler of our broader digital journey and is expected to enhance operational efficiency, and deliver a seamless customer experience.

### **Appreciations**

As we conclude AFC's most successful year to date, I would like to extend my heartfelt appreciation to all those who contributed to this achievement. My fellow members on the Board and their collective wisdom and shared commitment have been invaluable throughout this transformative journey.

I am especially grateful to our Deputy Chairman/ Managing Director, Mr. Romani de Silva, whose visionary leadership and steadfast dedication to sustainable business goals continue to define the trajectory of AFC. Moreover, his ability to foster a culture of unity and purpose within the organisation has helped to build a cohesive team that remains fully aligned with our mission. On that note, I also acknowledge, the senior management team whose tireless efforts, discipline, and execution excellence have kept the Company on course to achieve its targets. My sincere thanks also go to the officials at the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka for their consistent guidance and collaboration.

To our valued shareholders, partners, and stakeholders, your trust, loyalty, and shared belief in our purpose have been instrumental in enabling us to deliver on our high-impact goals.

Above all, I extend my deepest gratitude to our customers and depositors. Thank you for choosing AFC as your trusted financial partner. We remain firmly committed to walking alongside you on your financial journey, empowering progress every step of the way.

Tamara Dharmakirti-Herath

Chairperson

5 June 2025

# **Managing Director's Review**



# "

This year marked a watershed moment in this journey as AFC became the first non-banking financial institution in Sri Lanka to issue a Listed Green Bond, creating a milestone not just for us, but for the entire industry.







### **Managing Director's Review**

This year, AFC proved that purpose-led finance can deliver real, measurable impact. By aligning our strategy with a deep-rooted commitment to inclusivity and sustainability, we continued to create lasting value for individuals, communities, and the nation at large.

### **Our Purpose-Built Strategy**

At AFC, we have always believed that real impact stems from a purpose-driven business model, one that is sustainable, inclusive, and organically rooted in Sri Lanka's development. In fact, AFC's core purpose, "Make the world a better place through sustainable finance", stands as the nexus of our identity and strategy.

Guided by this mandate, we have over the years carefully built a business model that not only empowers communities and entrepreneurs at the grassroots but also positions Sri Lanka to access global opportunities in sustainable finance. Today, as the Country sits on the brink of economic recovery and readies itself to rebuild with resilience, we at AFC are proud to lead the transformation towards sustainable finance.

Since unveiling our High Impact Goals in 2023, we have continued to make steady and systematic progress in translating our strategic intent into focused actions capable of generating long-term socio-economic and environmental transformation. Now, having completed the first full year of our High Impact Goal journey, I am deeply gratified to see how our purpose is translating into visible, real-world impact.

Through High Impact Goal 1, we continue to lead the transition towards sustainable mobility by financing eco-conscious transport solutions. Our focus on responsible vehicle financing saw over LKR 20.5 billion disbursed across 12,000 facilities in FY 2024/25, both major milestones that not only surpass the targets set for the year, but also prove the meaningful progress we, as a financial institutions are making to mitigate the carbon emissions associated with internal combustion engine vehicles.

Under High Impact Goal 2, where our focus is on driving financial inclusion, we made significant progress in empowering underserved communities by providing them with much-needed access to finance, which has enabled thousands of individuals to transition from informal financial systems to regulated, sustainable options that support long-term financial resilience. During the year ending 31st March 2025, we disbursed over

LKR 49.8 billion, exceeding the High Impact Goal 2 annual target by a significant margin. Our outreach also surpassed expectations, with more than 265,000 financial facilities extended, representing 119% of the annual target set for the year, which I believe serves as a further testament to our commitment to breaking barriers to financial access.

Through High Impact Goal 3, we remain at the forefront of MSME sector development in Sri Lanka. Our efforts have been bolstered by climate financing solutions developed in partnership with the USAID Climate Adaptation Project, helping MSMEs build resilience while contributing to environmental sustainability. Our Climate financing solutions include Solar systems, climate-adaptive dairy development, climate-smart Agriculture and value chain financing, including Smart Irrigation and farmer financing. By disbursing LKR 19.4 billion and reaching over 21,700 enterprises, we have exceeded our targets by 109% and 103%, respectively. Collectively, our High Impact Goals delivered a cumulative disbursement of LKR 89.8 billion and supported close to 300,000 facilities by the end of March 2025, representing 121% and 116% of our respective financial and outreach targets. To support the next phase of the High Impact Goal 3 roadmap, AFC partnered with David Pieris Renewable Energy Pvt Ltd to expand access to solar solutions to the MSME sector.

### **Continuing Our Growth Trajectory**

FY 2024/25 witnessed AFC delivering its strongest operational performance to date, achieving record highs across our lending and funding portfolios. The Lending Portfolio reached LKR 64.4 billion by year-end, reflecting a remarkable 35% year-on-year growth, which I see as an affirmation of the public trust in our value proposition.

Within our diversified product portfolio, growth was particularly strong in our loan portfolio, which expanded by 72% compared to the previous year, reaching LKR 39.1 billion. Our gold loan segment also demonstrated strong upward momentum, growing by 48% to LKR 15.4 billion, while leasing continued its steady course, recording a modest 7% growth.

From a sectoral perspective, we continued to deepen our presence across MSMEs involved in sectors critical to national development, including agriculture, manufacturing, construction, and education.

Alongside robust credit expansion, we remained firmly focused on preserving asset quality, with the Non-Performing Loan (NPL) ratio being a key priority. The NPL portfolio, which stood at LKR 4.49 billion in FY 2023/24, was significantly reduced to LKR 3.03 billion by end-FY 2024/25. Furthermore, the Gross NPL ratio recorded at 9.38% in FY 2023/24 declined sharply to 4.70% by the close of FY 2024/25.

On the funding front, fixed deposits remained the mainstay of our funding base, accounting for 53.8% of the funding mix. The current year marked a historic milestone with net inflows from deposits crossing LKR 8 billion, an all time high for AFC. I am also very pleased to note the active deposit mobilisation efforts of our branch network, resulting in a commendable improvement in the geographic spread. Today, approximately 29% of our deposits in terms of value originates from regions outside the Western Province, signalling the success of our branch-driven financial inclusion strategy under our High Impact Goal 2.

Savings products too witnessed encouraging growth, with visible increases in both the customer base and the overall portfolio. Of particular note was the performance of the 'Hapannu' savings category, which is designed to promote a savings culture among children and instil positive social and environmental sustainability values from an early age. During the year, the number of 'Hapannu' accounts and balances grew nearly threefold year-on-year.

In all, I believe these achievements paint a compelling picture of an institution in motion, scaling up impact, strengthening its foundation, and delivering on its promise of making Sri Lanka a better place through sustainable finance.

### Leading by Example

Throughout our nearly seven decades in operation, we have always sought to elevate the domestic capital market, and in doing so, open doors to more diverse and greener funding sources.

FY 2024/25

FY 2024/25 witnessed AFC delivering its strongest operational performance to date, achieving record highs across our lending and funding portfolios. The Lending Portfolio reached LKR 64.4 billion by year-end, reflecting a remarkable 35% year-on-year growth.

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This year marked a watershed moment in this journey as AFC became the first non-banking financial institution in Sri Lanka to issue a Listed Green Bond, creating a milestone not just for us, but for the entire industry. Aligned with the ICMA Green Bond Principles 2021, the LKR 1 Billion Green Bond was listed on the Colombo Stock Exchange and proceeded to achieve a dual listing on the Luxembourg Stock Exchange and the Luxembourg Green Exchange, making it only the second such listing from Sri Lanka and the first ever by a non-bank financial institution. Having set a precedent in proving that a Sri Lankan institution can meet international standards and gain visibility on platforms like the LuxSE, we hope this will serve as a bold signal indicating Sri Lanka's readiness for green, blue, and orange financing models.

In parallel, leveraging our sustainable business model, we began actively engaging with partners in developed economies to channel impact funds into Sri Lanka. Within the year, we secured more than USD 12.5 million in international funding facilities, including a USD 5 million loan from Enabling Qapital Ltd, our first international borrowing in three years, which we have channelised towards fulfilling our commitment to empower grassroot-level entrepreneurs in the Country. In addition, we completed a USD 7.5 million arrangement with DWM, including a USD 3.5 million LKR-indexed loan with zero currency risk for the MSME sector, and an additional USD 4 million to strengthen SME lending and working capital financing.

Likewise, we successfully raised LKR 1,449 million through a Subordinated Trust Certificate, a key milestone in our efforts to further solidify our financial foundation. This move significantly strengthened our Capital Adequacy Ratio (CAR) by 2.50%, enhancing our ability to responsibly scale our lending portfolio while remaining resilient to market fluctuations. More than a capital enhancement, this issuance reaffirmed investor confidence in AFC's governance, risk management, and long-term strategy.

### **Robust Financial Results**

FY 2024/25 was a year in which our strategic purpose translated into exceptional financial results, proving that financial performance and sustainable impact are not mutually exclusive but are in fact deeply connected.

As an outcome of our disciplined, forward-thinking approach combining sustainability with sound financial management, AFC's interest income rose by 10.86% to reach LKR 14.6 billion, while our net interest income surged by an impressive 38.35% to LKR 8.1 billion. The resulting net interest margin of 12.69% represents an increase of 112 basis points year-on-year.

Meanwhile, Profit before tax nearly doubled, up 82% to LKR 3.09 billion, while profit after tax grew by 89% to LKR 1.7 billion, a clear testament to our sharp focus on operational efficiency and capital optimisation.

Bolstered by these results, Return on Assets (ROA) improved to 2.45% from 1.63% in the previous year, while Return on Equity (ROE) strengthened to 19.85%, up from 12.15%.

We also maintained a healthy capital position and strong liquidity buffers. The Tier I capital ratio stood at 11.60% and the total capital ratio at 16.06%, both well above regulatory requirements, while our liquidity ratio improved to 17.66%, providing the headroom to support future growth.

### **Prioritising Customer Care**

Given that AFC's customers are mainly grassroots level communities across Sri Lanka, trust, empathy, and responsiveness form the basis of forming meaningful connections with our customers. In FY 2024/25, we took deliberate steps to strengthen these relationships with the launch of a centralised Call Center to offer continuous support and guidance throughout our customers' financial journeys. The new call center, which is accessible through a dedicated line, has greatly enhanced our ability to listen more attentively, respond more swiftly, and offer tailored solutions that align with the evolving needs of our diverse customer base.

### **Managing Director's Review**

In our endeavour to enhance the customer experience, we also invested close to LKR 124 Mn to improve accessibility and convenience offered through our branches. This was accompanied by specialised training to empower our teams with the technical know-how and interpersonal skills required to serve customers with empathy and care.

### **Developing a Committed Workforce**

At AFC, we have always believed that the foundation of sustainable success lies in the strength of our people. Driven by this strong conviction, we approached the year with a clear intent: to create a workplace where every employee is empowered to thrive, lead, and grow. To that end, we introduced the Gender Equity and Equality Policy, reinforcing our unwavering commitment to ensuring equal opportunities and fair treatment for all, irrespective of gender identity or any other factor.

We further demonstrated this commitment through our recruitment strategies, which saw a total of 616 new hires, of which 34% were Female, marking the highest percentage of females recruited in a single year. These improvements have helped to boost our overall gender ratio to 34%: 66% (F: M). Likewise, our gender pay parity remained intact with a 1:1 basic salary ratio between men and women. I see these as significant achievements in the typically maledominated NBFI sector in Sri Lanka.

In FY 2024/25, we continued to invest in people development, delivering over 38,000 hours of training with a nearly equal split between men and women, underscoring our focus on merit-based development. As always, career progression remained a top priority, with 206 internal promotions, supported by tailored leadership programmes such as "Mastering the Art of Managing People" for our Branch Managers and HODs, and outbound training (OBT) initiatives to assist our employees to cultivate essential soft skills and foster inter-departmental collaboration.

### **Digital Integration**

Digital integration remained a key strategic priority in FY 2024/25, as we focused on building a future-ready organisation powered by speed, accuracy, and smarter decision-making. One of the key milestones was the roll out of the centralised service desk platform, which significantly improved approval turnaround times and reduced paper use. Similarly, we digitised our AML reporting

process to meet complex regulatory timelines with precision and ease. Working in parallel, we laid the groundwork to create a digital ecosystem to streamline vehicle sales and completed the implementation of a platform to digitise the valuation process, enabling the team to optimise operational efficiency and minimise the usage of paper.

Renewed emphasis was also placed on the implementation of our new core IT system, a project we have been pursuing since early 2024. Following the engagement of an external consultant in early 2025, we have made excellent progress and anticipate more visible results to materialise in the coming year.

### **Building a Legacy Beyond Business**

Inspired by the belief that AFC should always act as a force for good by regenerating nature and uplifting lives, we continue to allocate 8% of our Net Profit After Tax to sustainability and corporate social responsibility initiatives, possibly one of the highest such commitments among listed companies in Sri Lanka.

Through these resources, we carried out 98 impactful projects in the current year, focusing on improving access to clean water, education, healthcare support, and community wellbeing initiatives across the island. In addition, we also continue to support and nurture biodiversity conservation and ecosystem restoration initiatives.

Our commitment to environmental stewardship also saw over 128,000 trees planted across 19 districts this year, raising our total to more than 844,000 trees planted to date. We took bold steps in biodiversity conservation by initiating a 25-hectare forest restoration project in partnership with the Forest Department, supporting the protection of leopard habitats in Sri Lanka's Central Highlands with the Wilderness and Wildlife Conservation Trust (WWCT), and funding efforts by the Federation of Environmental Organizations to restore grasslands by removing invasive plant species.

### **Awards and Accolades**

As we continue to push boundaries in financial services, governance, and sustainability, it is deeply encouraging to see our efforts acknowledged on some of the nation's most respected platforms.

In the past year, AFC was honoured as Runnerup in the Non-Banking Financial Services Sector at the National Business Excellence Awards 2024. We also received the Category Award for Finance & Leasing (Private Sector) at the Best Management Practices Company Awards 2025.

Further, AFC was ranked among the Top Twenty Outstanding Companies in Environmental, Social & Governance (ESG) performance across all industries, which certainly validates our commitment to ESG.

I am also pleased to note that our financial stewardship and transparency earned us the Silver Award at the CA Sri Lanka TAGS Awards 2024 in the financial institutions - over LKR 20 billion asset category, along with a Special Recognition for Sustainability Reporting. We were further honoured with a Merit Award at the CMA Excellence in Integrated Reporting Awards 2024.

### **Surging Ahead**

Our performance this year is a reflection of AFC's purpose. It is also a powerful reminder that financial institutions can, and must, play a defining role in shaping a more inclusive and regenerative future.

On that note, I look ahead with optimism.

AFC's vision for the future is clear: to play a more catalytic role in building an inclusive and regenerative economy for Sri Lanka.

Guided by the Sustainability Standards and Certification Initiative (SSCI), which we adopted in 2019, we aim to widen our bandwidth to drive grassroots economic activity. We are looking in particular to break into the microfinance space to support rural livelihoods that connect directly with agriculture and value chain ecosystems. Our entry into these markets will be underpinned by a disciplined credit strategy coupled with prudent underwriting principles to deliver consistent risk-adjusted returns.

Having already laid the foundation as a pioneer in environmentally and socially impactful financing, we remain committed to supporting social enterprises that deliver both environmental and social outcomes through their business models. Our goal is not just to participate in the emerging social enterprise ecosystem, but to be a key enabler powering their growth.

Inspired by the belief that AFC should always act as a force for good by regenerating nature and uplifting lives, we continue to allocate 8% of our Net Profit After Tax to sustainability and corporate social responsibility initiatives.



This will require more emphasis on diversification. On the lending side, our priority will be to expand our climate finance portfolio, while from a funding perspective, the focus will be on branch-led deposit mobilisation to reduce concentration risk and build a more stable and diversified deposit

To support our ambitious plans, we will work towards completing the upgrade of our Core System which we expect will pave the way for the next phase of digitisation involving seamless, techenabled customer onboarding experience and the expansion of AI and machine learning-based platforms to enhance internal efficiency and create a firm foundation to convert our ambitious plans into tangible results in the years ahead.

### **Appreciations**

As we close yet another transformative year, I am filled with a deep sense of pride and gratitude for what we have achieved together as a team. Every milestone we achieved this past year stands as a testament to the spirit of collaboration and unity exhibited by the AFC team, and I consider it a great honour and a privilege to lead such a passionate and driven team. I remain convinced that our shared vision will continue to propel AFC to explore new frontiers of excellence, innovation and success in the years ahead.

To our customers and valued depositors who are at the heart of everything we do, thank you for your continued trust in the AFC brand. Every step we take to create a meaningful impact is made possible because of your confidence in us.

To our shareholders, suppliers, and business partners, your belief in our long-term vision and steadfast support continues to be a source of strength as we grow and evolve.

I am deeply grateful to our Chairperson and the Board of Directors for their guidance and foresight, and to the exceptional management teams and employees across the Company who continue to play an anchoring role in driving AFC's purpose forward every single day.

The Board joins me in thanking our development finance partners and leading local banks who have been instrumental in AFC's progress to date. Your trust in our strategy and sustainable business model is what continues to empower AFC to drive inclusive progress and lasting impact at grassroots level.

Our sincere appreciation goes to the officials at the Central Bank of Sri Lanka for their guidance in the rapidly evolving regulatory and sustainability landscape. I also wish to thank the Finance Houses Association for their role in fostering sector-wide alignment.

Special thanks are due to the Securities and Exchange Commission of Sri Lanka, Colombo Stock Exchange, Asian Development Bank and Deloitte Sri Lanka for their invaluable guidance and support, without which our green bond would not have become a reality.

As we look to the future, I remain confident that our shared values, deep-rooted partnerships, and unwavering commitment to sustainable finance will enable AFC to live up to its promise as a champion for people and the planet.

R.K.E.P.De Silva

Deputy Chairman / Managing Director

5 June 2025

# Value Creation Model GRI 2-6

### CAPITAL INPUTS

### **FINANCIAL CAPITAL**

Our capital and retained profits that supports sustainable operations and help us meet client expectations



- W Equity:
  - LKR 9,350 Mn
  - Borrowings:
    - LKR 31,354 Mn
  - Deposits: LKR 36,525 Mn

### **MANUFACTURED CAPITAL**

Our physical and digital assets that provide the framework to carry out our core business functions



- 90 branches
- IT capabilities and digital channels

### **PROCESS**

**OUR PURPOSE** 

MAKE THE **WORLD A** BETTER PLACE THROUGH SUSTAINABLE FINANCE

### **OUR STRATEGY**



People



### **HUMAN CAPITAL**

Our team of skilled, committed individuals who execute their roles in a highly professional manner creating value for all stakeholders



- Diverse team of 1,832 employees
- Nemuneration and performance-based rewards
- Learning and Development



Profit

# **PILLARS**

### **SOCIAL AND RELATIONSHIP CAPITAL**

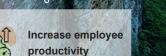
Key stakeholder relationships, including the communities in which we operate, that enable us to create value



- 305 suppliers
- Social sustainability Initiatives



**Improving** profitability





**Business** growth through digitization



Corporate stewardship

### INTELLECTUAL CAPITAL

Our intangible assets, including brand reputation, innovation, knowledge and expertise



- w Brand strength
- Expertise in SME and MSME financing

### **NATURAL CAPITAL**

The direct use and impact on natural resources within our operations and our influence through our business activities



- Environmental and Social Management System
- Energy
- w Water
- Materials
- Environmental conservation efforts

### **Financial Services**

We provide financial services to individuals and businesses including leasing, gold loans, term loans, gold investment solutions, savings and deposits. We also carry out ehicle trade-in services and Ezy drive vehicle hiring services under our Commercial

### **OUR BUSINESS ACTIVITIES**

### Interest, Fees and Commissions

We fund our loans through deposits, borrowings, savings and other investments and actively manage the risks associated with them. In return for our services we receive interest fees and commissions



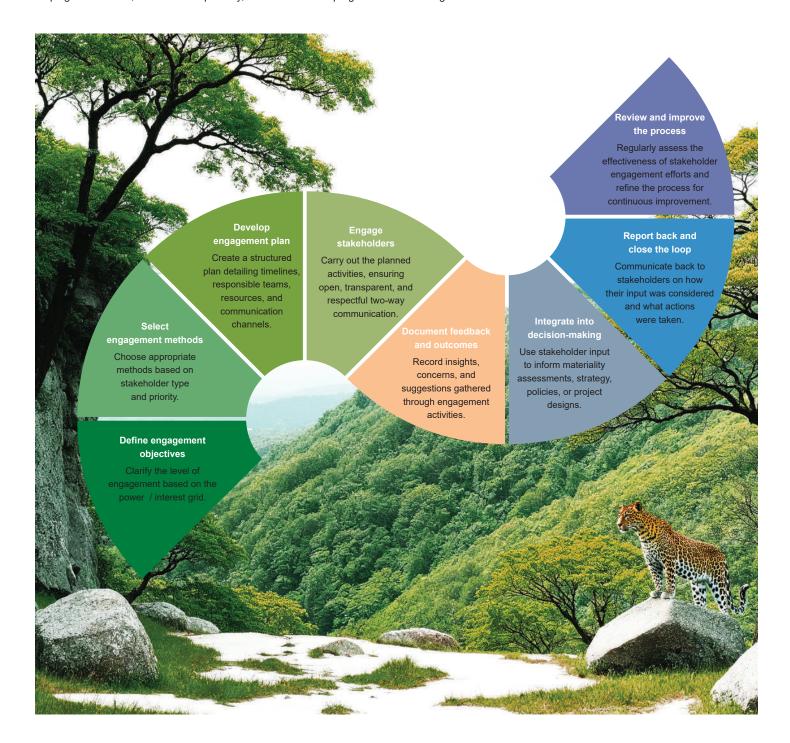
Inclusive financing
 Contribution to SDGs
 Resource stewardship
 Mitigating global warming

# Stakeholder Engagement GRI 2-29

As a licensed financial institution regulated by the Central Bank of Sri Lanka, AFC has a clear responsibility to understand the needs, expectations, and concerns of its most relevant stakeholders.

To that end, AFC's wide range of stakeholders are classified for management purposes into internal and external groups. Internal stakeholders primarily consist of employees, who are essential to driving the Company's operations and service excellence. External stakeholders are segmented based on their connection to AFC's financial value chain and the degree to which their actions impact AFC's ability to achieve its objectives.

The Board of Directors provides governance and oversight of AFC's stakeholder engagement process, ensuring alignment with regulatory expectations and corporate governance standards. All employees are expected to actively contribute to stakeholder engagement activities relevant to their daily roles, helping to build trust, maintain transparency, and foster shared progress across the organisation.



# SHAREHOLDERS 3

#### **Method and Frequency of Engagement**

- Annual General Meeting
- Annual Report
- Extraordinary General Meetings (as needed)
- Interim Financial Statements (quarterly)
- CSE Announcements (as needed)
- Press Conferences / Press Releases (as needed)
- Corporate Website (continuous and ongoing)
- Social media platforms (continuous and ongoing)

#### AFC's response

- Integrated corporate plan and high impact goals
- Nevised targets aimed at Triple Bottom Line value creation
- Corrective actions to further improve Credit Recovery and Risk Management aspects of AFC

#### Value Created in FY 2024/25

- NAV per share LKR 277.45
- Dividend Payout Ratio 33.41%
- № EPS LKR 51.48

#### **Shareholder Concerns and Expectations**

- Sustainable growth
- No Adequate risk return balance
- Corporate governance and risk management framework

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- Ethical business practices
- Corporate reputation and brand
- Transparency and credibility of disclosures
- Share price

#### **Material Topics**

- Sustainable development Economic growth
- w Innovation and digitisation
- Sustainable development environmental wellbeing
- w Battling climate change and environmental protection
- Sustainable business practices
- Business ethics
- Sustainable development Community empowerment
- Neputation and brand value
- Stakeholder satisfaction and transparency

- > Financial Capital page 95
- Managing Risks and Opportunities page 60
- Corporate Governance Report page 136
- Note: Intellectual Capital page 124
- Stakeholder Engagement page 36



# **Stakeholder Engagement**

#### **CUSTOMERS**



#### **Method and Frequency of Engagement**

- Sales Teams / Branch Managers / Relationship Managers (continuous and ongoing)
- Call Center (continuous and ongoing)
- Promotional Activities (continuous and ongoing)
- Press Conferences / Press Releases (as needed)
- Customer satisfaction survey (as needed)
- Customer exit surveys (as needed)
- Customer hotline (continuous and ongoing)
- Customer education programmes (continuous and ongoing)
- Corporate Website (continuous and ongoing)
- Social Media Platforms (continuous and ongoing)
- Customer Surveys (as needed)
- Complaint Handling Framework (as needed)

#### **Customer Concerns and Expectations**

- Value for money
- Convenience and accessibility
- Innovative product offerings
- Security of deposits and favourable returns
- Ease of transacting
- Sustainable business growth and stability
- W High quality of service
- Corporate reputation and brand
- Access to transparent and credible information
- Digital convenience

#### AFC's response

- w Integrated corporate plan and high impact goals
- Attractive terms and rates in accordance with the government policies and regulations
- Range of products and services that ensures responsible and inclusive financing
- w Highest level of service quality and customer concern
- Island-wide network of 90 customer touchpoints to provide all products and services under one roof

#### Value Created in FY 2024/25

№ 97% customer satisfaction rating

#### **Material Topics**

- Innovation and digitization
- Sustainable development environmental wellbeing
- Battling climate change and environmental protection
- Sustainable business practices
- Business ethics
- Reputation and brand value
- Stakeholder satisfaction and transparency
- Customer attraction and retention

- Social and Relationship Capital page 106
- Manufactured Capital page 102
- Intellectual Capital page 124
- Business Reviews page 90



# EMPLOYEES

#### **Method and Frequency of Engagement**

- Sales Briefings / Team Meetings (continuous and ongoing)
- Management Meetings (as scheduled)
- Performance Appraisals (bi-annual)
- Internal Communications (continuous and ongoing)
- Employee Notice Board (as needed)
- Employee feedback survey (as needed)
- Open-door policy (continuous and ongoing)
- Training needs assessment (annual)
- Work-life balance initiatives (continuous and ongoing
- Other events (as scheduled)

#### AFC's response

- Attractive compensation package and benefits
- conducive environment to learn and grow
- Opportunities for career advancement
- Programmes that promote health and well-being
- Opportunities to volunteer in social and environmental value creation activities
- Performance based remuneration structure
- Training and development opportunities

#### Value Created in FY 2024/25

- 206 employees promoted
- 38,463 hours of training



#### **Employee Concerns and Expectations**

- w Equal opportunity and non-discriminatory employment
- **Competitive** remuneration
- Opportunities for skill development and career progression
- Work-life balance
- Newards and recognition
- Safety and wellbeing

#### **Material Topics**

- Sustainable business practices
- Business ethics
- ~ Talent attraction and retention
- People development
- Non-discrimination
- Neputation and brand value
- Stakeholder satisfaction and transparency

- Social and Relationship Capital page 106
- Manufactured Capital page 102
- No Intellectual Capital page 124
- Business Reviews page 90



# Stakeholder Engagement

# **REGULATORS**



#### **Method and Frequency of Engagement**

- Directives and circulars (continuous and ongoing)
- Regulatory reporting
- CBSL Audit (annual)
- Interim Financials (quarterly)
- Annual Report (annual)
- CSE / SEC filings (as mandated)
- Other regulatory submissions (as mandated)
- Other meetings (as mandated)

#### AFC's response

- No Adhere to all provided compliance requirements
- No Provision of timely and accurate information/ reports
- Facilitate on-site/off-site audits
- Sustainability embedded corporate plan

#### Value Created in FY 2024/25

№ 97% customer satisfaction rating

#### **Regulator Concerns and Expectations**

- Compliance with the Corporate Governance rules issued by the CSE
- Sustainable business practices
- Ethical business
- Noutine compliance and mandatory filings
- NAML / FT disclosures

#### **Material Topics**

- Sustainable development Economic growth
- Innovation and digitisation
- Sustainable development environmental wellbeing
- Energy efficiency
- Battling climate change and environmental protection
- Sustainable business practices
- Business ethics
- Non-discrimination
- Sustainable development Community empowerment
- Neputation and brand value

- Social and Relationship Capital page 106
- Manufactured Capital page 102
- Note: Intellectual Capital page 124
- Business Reviews page 90



#### SUPPLIERS AND BUSINESS PARTNERS



#### **Method and Frequency of Engagement**

- Supplier on-boarding (annually)
- Direct dialogue (as needed)
- Service quality survey (as needed)
- Stakeholder feedback survey (as needed)
- Corporate Website (continuous and ongoing)
- Social Media Platforms (continuous and ongoing)

#### **Supplier / Business Partner Concerns and Expectations**

- Ease of transactions
- Business expansion
- Capacity building and financial support
- Equitable and on-time payments

#### AFC's response

- w Maintain long-term partnerships based on mutual trust and understanding
- w Engage like-minded partners in line with our sustainable business agenda
- Ensure timely payments and required support
- Dedicated team to engage with, to exchange an effective service plan

#### **Material Topics**

- Sustainable development Economic growth
- Innovation and digitisation
- Supply chain development
- Sustainable development environmental wellbeing
- Sustainable business practices
- Business ethics
- Non-discrimination
- Reputation and brand value
- Stakeholder satisfaction and transparency

### Value Created in FY 2024/25

A total of 98 CSR projects were implemented, covering 25 districts across the country

#### **Further Information**

Social and Relationship Capital - page 106





# **Stakeholder Engagement**

# **FUNDING & NETWORK PARTNERS**



#### **Method and Frequency of Engagement**

- Annual Report
- Extraordinary General Meetings (as needed)
- w Interim Financial Statements (quarterly)
- CSE Announcements (as needed)
- Press Conferences / Press Releases (as needed)
- Corporate Website (continuous and ongoing)
- Social media platforms (continuous and ongoing)

#### **AFC's response**

- Integrated corporate plan and high impact goals
- Nevised targets aimed at Triple Bottom Line value creation
- Corrective actions to further improve Credit Recovery and Risk Management aspects of AFC

#### Value Created in FY 2024/25

Triple Bottom Line value creation target achievements

# % AFC

#### **Funding & Network Partner Concerns and Expectations**

- Favourable business performance
- Submission of timely and credible progress information
- Transparency
- Sustainable performance

#### **Material Topics**

- Sustainable development Economic growth
- Sustainable development environmental wellbeing
- Energy efficiency
- Battling climate change and environmental protection
- Sustainable business practices
- Business ethics
- Non-discrimination
- Sustainable development Community empowerment
- Reputation and brand value
- Stakeholder satisfaction and transparency
- Customer attraction and retention

#### **Further Information**

Natural Capital - page 130



# COMMUNITY P

#### **Method and Frequency of Engagement**

- № Press Conferences / Press Releases (as needed)
- Corporate Website (continuous and ongoing)
- Social media platforms (continuous and ongoing)
- Name 
  Annual Report (annual)
- CSR initiatives (as needed)

#### AFC's response

- Inclusive financing
- Partnering sustainable development
- Nesponsible corporate citizenship

#### Value Created in FY 2024/25

- LKR 21.8 Bn new lending to MSME sector
- № 98 CSR Projects has been done covering all districts

#### **Community Concerns and Expectations**

- MSME development initiatives
- Philanthropic activities for livelihood development and community wellbeing

#### **Material Topics**

- Sustainable development environmental wellbeing
- Sustainable business practices
- Business ethics
- Sustainable development Community empowerment
- Neputation and brand value
- Stakeholder satisfaction and transparency

#### Further Information

Social and Relationship Capital - page 106







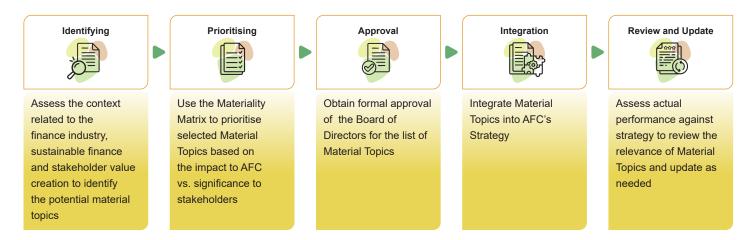
# Growing with purpose

# Materiality Assessment GRI 3-1, 3-2, 3-3

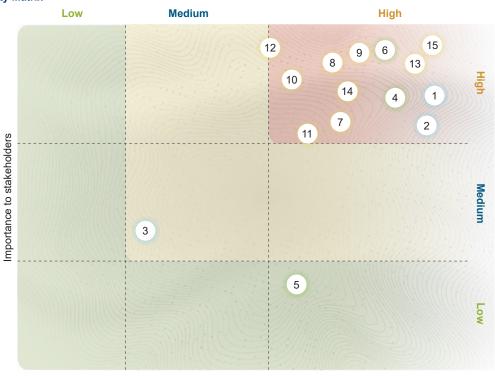
The principle of Materiality focuses attention on the most critical factors that shape AFC's ability to create and sustain long-term value. The Board firmly believes that a clear understanding of material matters sharpens management's focus, ensuring these priorities are embedded at the core of the Company's strategic planning and risk management efforts. AFC's annual Materiality Assessment serves as the cornerstone for identifying and addressing these key issues.

Building on this, AFC has adopted a double materiality lens to deepen its evaluation of material topics. This enhanced approach considers not only the financial impact of each issue on the Company but also its broader social and environmental implications, enabling AFC to pinpoint strategic areas for action, strengthening its efforts toward long-term, sustainable value creation for all stakeholders.

#### **Materiality Analyses Process**



#### **Materiality Matrix**



# **Materiality Assessment**

Mate	rial Topics	Topic Boundary	GRI Relevance	Risk	Opportunities	
1	Sustainable development - Economic growth	Internal and External - Impacting all stakeholders of AFC	GRI 201 GRI 207 SASB FN- CB-410a.2	Economic uncertainties and emerging developments complicate strategic planning and budgeting  Cost pressures owing to rising interest rates and inflationary conditions	Use of data modelling and predictive Al-based data analytics to improve accuracy of budgeting and planning processes  Product and market diversification to gain first mover advantage in emerging segments	
2	Innovation and digitization	Internal and External - Impacting AFC's operations as well as customers, business partners, society and the environment	SASB FN- CB-230a.2	Adverse impact on competitive position due to the slow technology adoption rate  High cost of keeping up with the latest tech-trends  System failures associated with the high dependence on technology	Explore technology partnerships to achieve fin-tech leadership in the NBFI sector	
3	Supply chain development	Internal and External - Impacting AFC's operations and suppliers	GRI 204 GRI 308 GRI 414	Business disruptions due to unreliable supply chains	Pursue long term partnerships for all key procurement areas	
4	Sustainable development - environmental wellbeing	Internal and External - Impacting AFC's operations as well as society and the environment	GRI 301 GRI 303 GRI 304 GRI 306	Environmental and social degradation due to irresponsible investments by customers	Adopt globally accredited benchmarks to create a structured framework to assess environmental and social alignment of customers	
5	Energy efficiency	Internal and External - Impacting AFC's operations as well as suppliers, business partners, society and the environment	GRI 302 GRI 305	Adverse impact on profitability due to rising energy costs across the value chain	Progressively increase the investment in renewable energy sources, while encouraging value chain part	
6	Battling climate change and environmental protection	Internal and External - Impacting AFC's operations as well as suppliers, business partners, society and the environment		Increase in loan default rates due to customers' lack of resilience to climate change as well as their failure to comply with labour and other best practices	Adopt globally accredited benchmarks to create a structured framework to assess creditworthiness of customers	

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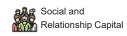
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Double Mater	iality Assessment	AFC's Management Approach		Link to Strate			
Financial Materiality	Impact Materiality (ESG Context)		Growth		Sustainability	Resource Allocation	
HIGH	HIGH	Focus on lending activities to projects that align with sustainable initiatives, thereby stimulating economic activity and fostering long-term prosperity	Х	X	Х	8 HOLEHOUSE PARTIES TO STREET	
HIGH	MODERATE	Strategic investment in technology, based on careful evaluation of the potential to add value to the company and its stakeholders	X	X	X	9 Marriesen	
LOW	LOW	Cultivate supplier relations on the principle of mutual trust and shared growth	X	X	X	8 distribution   12 marking superstrain	
MODERATE	HIGH	Focus on offering sustainable financing solutions to all key markets underpinned by AFC's High Impact Goals	X	X	X	13 Edwi	
LOW	MODERATE	Comprehensive efforts to drive resource efficiency at all levels of the business	X	X	X	13 Herri	
MODERATE	HIGH	Prioritising investments in projects that adhere to strict sustainability standards, thereby mitigating environmental risks and fostering the development of eco-friendly infrastructure and initiatives	X	X	X	6 courses 7 courses 9 sections 12 courses 13 con 15 course 17 recourse 18 con 18 co	













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# **Materiality Assessment**

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Mater	rial Topics	Topic Boundary	GRI Relevance	Risk	Opportunities	
7	Sustainable business practices	Internal and External- Impacting AFC's operations as well as employees, suppliers and business partners	SASB FN- CB-410b.1	Financial loss and reputational damage due to weak sustainable business practices across the value chain	Holistically transform all aspects of the business to support sustainability	
8	Business Ethics	Internal and External - Impacting AFC's operations employees and suppliers	GRI 205	Financial loss and reputational' damage due to fines and litigation arising from non-compliance of regulations and ethics by employees	Early adoption of regulations and voluntary compliance with global best practices	
9	Talent Attraction & Retention	Internal- Impacting AFC's operations as well as employees	GRI 202 GRI 401 GRI 402	Disruption to operational continuity owing to talent attrition	Tap into a wider talent pool from across the Country through systematic employer branding	
10	People Development		GRI 403 GRI 404	Financial loss and market share erosion as well as reputational damage owing to employee incompetence	Pursue locally and globally recognised leadership development programmes	
11	Non- Discrimination		GRI 405 GRI 406	Financial and reputational damage due to litigation	Lead by example by creating a diverse and inclusive workplace	
12	Sustainable development - Community empowerment	Internal and External - Impacting AFC's operations as well as employees, business partners, society and environment	GRI 203 GRI 413	Reputational damage due to inadequate support for the benefit of community	Foster partnerships with community stakeholders to drive long term value creation	
13	Reputation and brand value	Impacting AFC's operations as well as employees, customers and business partners		Loss of investor confidence due to the inability to honour the Company's core purpose	Improve brand visibility among stakeholders	
14	Stakeholder satisfaction and transparency	Internal and External - Impacting AFC's operations as well as employees and regulators		Lack of a clear stakeholder engagement framework to promote two-way communication on a regular basis	Leverage digital technology and social media to enhance communication and interaction with stakeholders	
15	Customer attraction and retention	Internal and External - Impacting AFC's operations as well as customers and regulators	GRI 416 GRI 417 SASB FN- CB-000.A	High degree of competition within the NBFI sector	Build and maintain customer loyalty through tailored solutions to address evolving needs of diverse customer segments	

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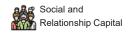
16 | FY 2024/25 Snapshot 22 Thoughts from our Leadership

Double Mate	riality Assessment	AFC's Management Approach		Link to Strate		
Financial Materiality	Impact Materiality (ESG Context)	-	Growth	Profitability	Sustainability	Resource Allocation
HIGH	HIGH	Comprehensive sustainability targets and KPI, along with a fully fledged oversight structure, led by the Board and Board level sustainability committees	X	Х	Х	9 manufacture 17 manufacture 18 miles
HIGH	MODERATE	ZERO tolerance of non- compliance of regulations as well as proactive adoption of global best practices	X		X	16 raw. autw.
HIGH	LOW	Robust employee value proposition to attract and retain the best in-class talent	X	X		
HIGH	MODERATE	Structured succession planning to develop a reliable talent pool to support the future requirements of the Company	X	X	X	4 mars 5 mars 8 marsanan 10 mars
HIGH	HIGH	Equal opportunity employment at every stage of the employment lifecycle			X	* III V
LOW	HIGH	Focus on meaningful community projects on community empowerment and social upliftment			X	1 Marian American A maintenance in the maintenance
HIGH	MODERATE	Commitment to excellence across all facets of business and operations	X	X		8 HOLLEGARD 9 HOLLEGARD 12 HOLLEGARD 16 MAN 18 HOLLEGARD 18 HOLLEGAR
HIGH	HIGH	Comprehensive stakeholder engagement mechanism ensuring targeted engagement with all key stakeholders	X		X	12 SECRETARY SEC
HIGH	MODERATE	Offering tailored financial solutions coupled with financial advisory services	X	X	X	8 accordance of the control of the c













# **Operating Environment**

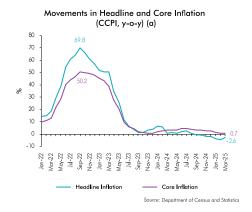
#### Sri Lanka's Economic Resurgence in 2024

Sri Lanka experienced a remarkable economic turnaround in 2024, marking a powerful recovery after years of contraction. GDP expanded by an impressive 5.2% in the first nine months, surpassing the Central Bank's initial 3% forecast, and closed the year with a robust 5% real GDP growth - the strongest annual growth rate in seven years.

A key catalyst for the recovery was the successful implementation of the USD 2.9 billion Extended Fund Facility with the International Monetary Fund (IMF) in March 2023 aimed at reinforcing fiscal discipline, strengthening public financial management, and stabilising the financial sector. Additionally, the historic USD 25 billion external debt restructuring agreement completed in December 2024 restored vital market confidence and laid a strong foundation for sustainable growth.

#### Inflation

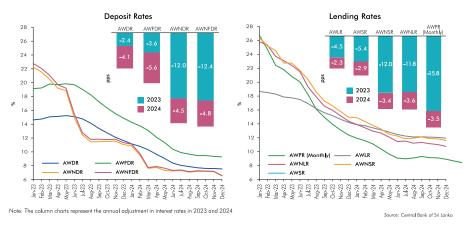
Inflationary pressures that once challenged the economy sharply declined in 2024. From a high of 64% in 2022, inflation steadily cooled throughout 2023, reaching just 0.5% by August 2024, and moving into mild deflation at -2.6% by financial year end led by consistent monetary policy reforms and greater currency stability The resulting decline in inflation restored investor confidence and fuelled household consumption.



#### **Interest Rates**

In a landmark policy reform initiative, the Central Bank of Sri Lanka (CBSL) streamlined its monetary policy framework in 2024 by replacing the dual policy rate system with a single Overnight Policy Rate (OPR) of 8.00%, effective from November 2024. This change enhanced policy clarity and transmission under the Flexible Inflation Targeting framework, contributing to greater market predictability and investor trust.

Figure 1.11: Movements of Selected Market Interest Rates



#### **Exchange Rate**

The Sri Lankan rupee steadily appreciated throughout 2024, supported by stronger macroeconomic fundamentals and increased foreign currency inflows. Foreign exchange reserves rose to USD 6.5 billion by March 2025, bolstered by robust tourism earnings, sustained worker remittances, and renewed foreign investment. The CBSL's monetary reforms further stabilised the currency, enhancing predictability for trade and investment.

#### Outlook for the Sri Lankan Economy in 2025

The key to Sri Lanka's economic progress in 2025 lies in building on and accelerating the strong momentum established in 2024. With the economy showing clear signs of recovery, the focus will need to shift toward deepening structural reforms, strengthening investor confidence, and unlocking the full potential of emerging growth sectors.

#### **Sectoral Growth Drivers for 2024**

Industrial Revival: Renewed energy availability, revitalised investor confidence, and rising domestic demand sparked a resurgence in the industrial sector.

Tourism Resurgence: Enhanced political stability, upgraded infrastructure, and strategic global marketing campaigns successfully repositioned Sri Lanka as a safe and attractive travel destination, leading to a vibrant comeback in tourism.

Services Sector Expansion: The IT and Business Process Outsourcing (BPO) industries flourished, buoyed by favourable exchange rates and persistent global demand for digital and remote services.

As per CBSL projections, GDP growth is set to exceed 3% in 2025, driven by continued fiscal consolidation, the revival of large-scale public infrastructure projects, and steady progress under the IMF-backed reform programme.

A renewed commitment to improving the ease of doing business, alongside targeted incentives to attract foreign direct investment (FDI) are also expected to trigger private sector activity. Key investment in renewable energy, tourism, logistics and port services, agri-business, and digital technology sectors are likely to present considerable opportunities for enhancing economic value and employment generation.

Likewise, the resurgence in global travel and Sri Lanka's relatively stable political environment are set to drive further gains in tourism, a sector that has consistently demonstrated its multiplier effect across the economy. In parallel, the continued rollout of digital governance reforms and technology-driven service delivery will help enhance public sector efficiency, transparency, and citizen engagement.

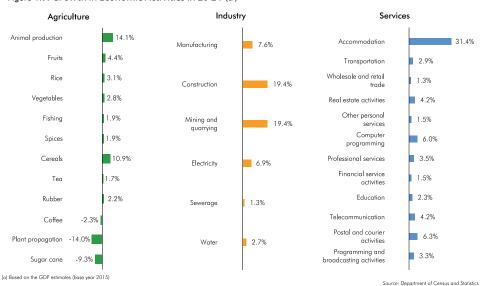
However, the outlook is not without risks. Persistent global challenges including volatile commodity markets, and ongoing geopolitical tensions could dampen external demand and investor appetite. Another key concern is the shift toward protectionist trade policies in key markets such as the United States, which may affect Sri Lanka's export competitiveness in industries like apparel and rubber.

To counter these threats, Sri Lanka must remain committed to economic diversification, expanding its export base, and strengthening bilateral and regional trade relationships. Continued collaboration with multilateral development partners, sound macroeconomic management, and the completion of debt restructuring will be instrumental in enhancing economic resilience and ensuring that growth remains inclusive and sustainable in the year ahead.

#### **NBFI Sector Performance**

In 2024, the NBFI sector demonstrated resilience and renewed stability amidst Sri Lanka's gradually recovering economy. Improvements in credit quality, profitability, and capital strength were complemented by strong liquidity, creating a solid platform for future growth.

Figure 1.9: Growth in Economic Activities in 20 24 (a)



#### **Asset Base**

The asset base of the NBFI sector recorded significant growth, expanding by LKR 329 billion to reach LKR 2,090 billion, a 18.70% increase compared to 5.8% in 2023/24 attributed largely to the resurgence in lending activity. Lending made up 74.5% of the sector's total assets, with finance leases and vehicle loans comprising 64.0% of the loan portfolio and expanding by 18.7%. Gold-backed loans, which accounted for 19.8% of the portfolio, posted robust year on year growth of 30.4%.

#### **Asset Quality**

The sector's asset quality improved markedly during 2024, reflecting stronger credit discipline and recovery mechanisms. The Gross Non-Performing Loan (NPL) ratio dropped significantly to 8.3%, from a high of 14.7% in 2023, signalling improved borrower performance as well as more prudent lending practices by NBFI. The Net NPL ratio also fell to 4.5% from 9.4%, while the Impairment Coverage Ratio strengthened to 45.8%, up from 35.7% in the previous year.

#### **Profitability**

NBFI sector Profitability improved notably in 2024. Profit After Tax (PAT) rose by 34% to LKR 69 billion in 2024/25, up from LKR 51.5 billion in 2023/24. This was largely driven by a 21% increase in net interest income, which climbed to LKR 200 billion. Bolstered by higher profitability, the sector recorded Return on Assets (ROA) to 6.6% and Return on Equity (ROE) to 15.1%. Meanwhile, the efficiency ratio improved to 49.9% from 50.3%, indicating better cost control and productivity gains across institutions.

# **Operating Environment**

#### Liquidity

The NBFI sector maintained a robust liquidity position throughout the year, providing a strong buffer against potential external shocks. Total regulatory liquid assets stood at LKR 246.9 billion, significantly exceeding the minimum requirement of LKR 123 billion and resulting in a liquidity surplus of LKR 123 billion. Although this was lower than the LKR 152 billion surplus recorded in 2023/24, it remained well within a healthy range. Funding continued to be driven primarily by customer deposits, which accounted for 53.6% of total liabilities and grew by 13.5% during the year to reach LKR 1,120.6 billion. Borrowings, which made up 17.01% of total liabilities, also increased substantially by 43.8% to LKR 355 billion. These trends reflect growing investor confidence and the sector's strengthened funding base.

#### **Capital Adequacy**

Strong capital levels continued to reinforce the sector's resilience, with the total capital base increasing by 11.31% to LKR 366.5 billion in 2024/25. Except for two Finance Companies, all entities met or exceeded the minimum core capital and capital adequacy requirements, a testament to sound regulatory oversight and prudent capital management. Sector Core Capital Ratio and Total Capital Ratio stood at 19.7% and 20.5%, respectively, slightly below the previous year's levels of 21.1% and 21.9%, but nonetheless, both well above regulatory thresholds, signalling sufficient capacity to absorb risks and support future expansion.

#### **Outlook for 2025**

Looking ahead, the outlook for the NBFI sector in 2025 is broadly positive, with multiple growth drivers aligned to sustain upward momentum. The asset base is expected to expand further, supported by rising demand for finance leases, vehicle loans, and secured lending products like gold-backed loans. Continued improvements in asset quality appear achievable, aided by enhanced credit risk frameworks and tighter NPL management. Profitability is likely to strengthen, with stable interest rates, rising credit volumes, and income diversification strategies bolstering revenue generation. Additionally, operational efficiency and disciplined cost management will be crucial to preserving healthy margins. Nevertheless, sector participants must remain alert to potential macroeconomic headwinds and regulatory shifts that could affect performance. Sustaining this positive trajectory will require a balanced focus on growth, governance, and resilience.

Source: Annual Economic Review 2024 - CBSL

KPI	NBFI Sector (%)	AFC (%)
NPL	8.30	4.70
Efficiency Ratio	49.86	53.11
ROE	15.10	19.85
ROA	6.60	4.36

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# **Strategic Priorities**

#### Shaping the Future through Purpose-Driven Solutions

#### **Customer-Centric Business Philosophy**

At the heart of our strategy is a deliberate shift toward customer-centricity. At Alliance Finance, we believe that solutions must begin with empathy and evolve through trust. This principle guides us how we design products, structure services, and engage with our stakeholders. Our financial solutions are no longer one-size-fits-all as they are customized based on the nuanced needs of our diverse client segments, from rural micro-entrepreneurs to urban mobility seekers.

Our branch and virtual presence are being continuously optimized to provide accessible, ethical, and relevant financial services. Loan origination is being streamlined for ease, onboarding processes have become more intuitive, and customer feedback loops are being strengthened to improve responsiveness. We are creating not just customers, but long-lasting relationships built on confidence, reliability, and shared values.



#### **HIG 1: Leading the Transition Towards Sustainable Mobility Solutions**

As Sri Lanka pivots toward a low-carbon transport future, AFC is proudly positioning itself as a pioneer in sustainable mobility financing. Our goal is to reshape personal and commercial mobility by enabling access to energy-efficient vehicles, particularly electric 2 wheelers and 4 wheelers that reduce GHG emissions and operating costs. By FY 2027/28, we target to grow our electric mobility financing portfolio to LKR 5.2 billion, supported by an overall sustainable mobility portfolio of LKR 32.8 billion.

Our strategy combines capital investment with ecosystem development. We are forming strategic partnerships with EV importers, solar solution providers, and charging infrastructure companies to accelerate adoption. Concessionary loan schemes, branch-level green ambassadors, and awareness campaigns will help mainstream cleaner mobility ensuring that customers can make the shift confidently and affordably.



















#### **HIG 2: Driving Financial Inclusion**

AFC's commitment to financial inclusion remains unwavering even amidst the numerous economic shifts in Sri Lanka. We aim to bridge financial access gaps by delivering trusted, ethical, and need-based financial services across every province. Our efforts are sharply focused on expanding gold and jewellery financing as gold continues to be one of the most trusted personal assets for Sri Lankans. Further, strengthening the child savings programs, and accessible deposit solutions amongst communities.

By FY 2027/28, we will grow our gold-backed lending portfolio to LKR 33.9 billion, comprising LKR 32.7 billion in gold loans and LKR 1.2 billion in gold investments. Concurrently, our deposits and savings mobilization effort is projected to reach LKR 57.2 billion.

Financial inclusion is not just about access it is about trust and impact. Our solutions help customers build assets, weather shocks, and plan for the future.



















# **Strategic Priorities**



#### **HIG 3: Promoting MSME Development**

Our 3rd HIG is a direct response to Sri Lanka's pressing need for resilient, employment-generating enterprise development. AFC is committed to growing its MSME lending portfolio to LKR 13.8 billion by FY 2027/28, focusing on entrepreneurs in agriculture, food systems, manufacturing, and services. These are the enterprises that form the backbone of Sri Lanka's economy, and they are the ones we aim to empower.

Our approach goes beyond financial solutions. Through the "Savi Mithuru" social entrepreneurship initiative, we provide mentorship, training, and ecosystem support to MSMEs, especially those led by women and youth. LKR 1 billion has been earmarked specifically to empower women-led MSMEs across the Northern and rural provinces. In parallel, our Climate Finance Unit is scaling access to green finance for solar-powered businesses and climate-smart agriculture, with a dedicated portfolio target of LKR 4.16 billion by FY 2027/28. By investing in entrepreneurs, we are investing in innovation, livelihoods, and long-term socio-economic resilience.























#### **Digital Transformation as a Growth Catalyst**

At Alliance Finance, digital transformation is a strategic priority driving operational efficiency, customer accessibility, and sustainable growth. By FY 2027/28, we aim to reposition AFC within the digitized economy through the adoption of state-of-the-art IT systems to enhance customer experience and operational efficiency.

We are expanding digital marketing channels to improve brand visibility and customer engagement while rolling out virtual branch capabilities to serve remote and underserved communities. Self-service tools and mobile access are simplifying the customer journey and broadening financial inclusion.

We are continuously strengthening our IT capacity and implementing robust cybersecurity and governance, risk, and compliance (GRC) frameworks to safeguard data and ensure operational resilience. Our digital strategy allows AFC to operate more efficiently, intelligently, and securely, delivering long-term value and inclusive impact.

#### **Resource Allocation to Drive Impact**

Strategic growth requires strategic allocation. At AFC, capital is being channeled into high-impact, high-need areas that reflect our purpose. We continue to maintain capital adequacy ratio well above the regulatory requirements and diversify our funding base through a prudent mix of deposits, equity, development finance, green bonds, and concessionary credit lines.

Resource allocation also extends to people. We are investing in our workforce with targeted training in sustainable solutions, digital tools, and customer experience excellence. At every level, our resource planning is guided by impact-based performance metrics not just profitability, but lives improved, emissions reduced, and communities uplifted.



#### **Prioritizing ESG and Building a Sustainable Future**

Sustainability is not a separate function at Alliance Finance—it is the foundation of how we do business. As the first financial institution in South Asia and one of only four globally to receive SSCI certification in 2019, AFC continues to lead by example in integrating ESG principles into every aspect of our operations. The SSCI certification representing the world's first measurable holistic sustainability standard for financial institutions recognizes our commitment to long-term impact over short-term gain.

AFC allocates 8% of its annual profit toward sustainability initiatives, being the highest in industry and climate innovation, financing reforestation, biodiversity protection, and social entrepreneurship. Key initiatives include our multi-year ecosystem restoration projects, large-scale native tree planting drives, and invasive species removal to restore habitats and enhance livelihoods.

By FY 2027/28, we plan to further expand green and social financing through thematic bonds, and energy-efficiency products tailored for SMEs and low-income households. We adhere to globally recognized standards GRI, ICMA Green Bond Principles, Sri Lanka Green Finance Taxonomy (May 2022), Sustainable Finance Roadmap, and IFRS S1&S2 to ensure transparency, investor confidence, and measurable impact.

With every investment we make, we reaffirm our commitment to a more resilient, inclusive, and sustainable Sri Lanka.

# Contribution to SDG's

As a responsible financial institution, AFC is deeply committed to advancing the United Nations Sustainable Development Goals (SDGs). The Company's sustainability agenda is guided by globally recognised frameworks, including the IFC Performance Standards and the Sustainability Standards and Certification Initiative (SSCI), ensuring alignment with international best practices. Based on these principles, the Company's Environmental and Social Management System (ESMS) ensures that all lending decisions align with global environmental and social outcomes.

AFC's strategic focus areas include climate finance, sustainable mobility, resource efficiency, and inclusive growth reflect its dedication to supporting a just transition to a greener, low-carbon economy. Partnerships with stakeholders such as the UNDP and alignment with the national sustainability agenda further reinforces AFC's commitment to delivering meaningful impact by catalysing positive environmental and social outcomes across sectors.



#### **Relevant Targets**

Target 1.1: Eradicate extreme poverty

Target 1.5: Build resilience to environmental, economic, and social disasters



#### **AFC's Contribution**

- AFC's Financial Inclusion through products like Gold Loans, Savings Deposits, and Gold Investments targets underserved and self-employed individuals, improving access to financial resources for vulnerable populations
- Climate Smart Financing (Agri, Irrigation, Dairy, Solar loans) supports MSMEs to adopt sustainable and resilient practices, helping customers mitigate climate and environmental risks





#### **Relevant Targets**

Target 3.8: Achieve universal health coverage and access to quality essential health services



#### **AFC's Contribution**

- Comprehensive medical and hospitalisation insurance for employees.
- Workplace safety adherence to national and global standards.
- First Aid training and emergency preparedness.
- Flexible work hours and work-from-home policies supporting mental well-being.



#### **Relevant Targets**

Target 4.3: Equal access to affordable and quality technical, vocational and higher education

Target 4.4: Increase skills relevant to employment, decent jobs and entrepreneurship

Target 4.5: Eliminate gender disparities and ensure equal access to education and training

Target 4.7: Education for sustainable development and global citizenship



- Structured on-the-job and classroom training programs.
- Support for participation in external seminars, workshops, and certification programs.
- Career development via succession planning and leadership initiatives.
- Equal opportunity for all employees regardless of background
- Financial Literacy Programmes under MSME development enhance customers' financial knowledge and skills,
- Training frontline sales teams and customer education efforts



#### **Relevant Targets**

Target 5.1: End all forms of discrimination against women and girls

Target 5.5: Ensure women's full participation and equal opportunities for leadership



#### **AFC's Contribution**

- w Implementation of a formal Gender Equity and Equality Policy.
- w Equal pay commitment for men and women in comparable roles.
- Inclusive workplace with zero incidents of discrimination
- Opportunities for women's leadership development.





#### **Relevant Targets**

Target 6.6: Protect and restore waterrelated ecosystems

Target 7.a: Enhance international cooperation to facilitate clean energy research and technology



#### **AFC's Contribution**

- Implementation of advanced irrigation methods and rainwater harvesting to optimize water usage
- Collaboration with UNDP on Climate Finance Product Strategy and alignment with global sustainability frameworks like SSCI





#### **Relevant Targets**

Target 7.2: Increase the share of renewable energy



#### **AFC's Contribution**

Climate Finance Product Strategy promoting renewable energy financing; branch solar rooftop installations and energy-efficient upgrades





#### **Relevant Targets**

Target 8.1: Sustain per capita economic growth, especially in developing countries

Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation

Target 8.10: Strengthen the capacity of domestic financial institutions



- AFC's range of sustainable financial products contributes to economic growth by supporting individuals and MSMEs in improving income generation, savings, and investment, particularly targeting sectors with growth potential like green transport and renewable energy adoption
- Disciplined recruitment aligned to business needs.
- ${\color{blue} { \color{blue} {\color{blue} { \color{blue} { \color{blue} {\color{blue} {\color{b} {\color{b} {\color{b} {\color{b} {\color{blue} {\color{b} {\color{b} {\color{b} {\color{b} {$
- Nobust performance management system fostering alignment with strategic goals.
- Extensive branch network expanding access to formal financial services across rural Sri Lanka.
- Development of innovative financial products for underserved sectors, e.g., agricultural loans through MoUs with Agstar PLC and LOAM.
- Digitization and automation enhancing operational efficiency and service delivery



#### Contribution to SDG's



#### **Relevant Targets**

Target 9.3: Increase access to financial services and markets for small-scale enterprises

Target 9.4: upgrade all industries and infrastructures for sustainability



#### **AFC's Contribution**

- Digital integration enables agile workflows and improved customer access.
- No Partnerships to diversify product offerings tailored to small and micro enterprises.
- Continuous innovation driven by IT and knowledge-sharing collaborations
- Development of a cloud-based, ISO 27001-compliant IT infrastructure enabling real-time transactions and secure data





#### **Relevant Targets**

Target 10.2: Empower and promote social, economic and political inclusion of all



#### **AFC's Contribution**

- w Equal opportunity employment and pay equity.
- Transparent grievance and disciplinary procedures.
- Zero tolerance on child labor and forced labor.
- Open communication channels and inclusive engagement forums
- Equal access to growth and development opportunities.





#### **Relevant Targets**

Target 12.2: Sustainable management and efficient use of natural resources

Target 12.7: Promote public procurement practices that are sustainable, in accordance with national policies and priorities

Target 12.6: Encourage companies to adopt sustainable practices and integrate sustainability information into reporting cycle



#### **AFC's Contribution**

- > First NBFI in South Asia certified under SSCI for sustainability.
- w Implementation of sustainability-linked lending products aligned with SSCI v2 Octagon model.
- > Transparent sustainability reporting through global standards adoption
- National or Automating workflows and reducing paper consumption
- Name of the control o ethical criteria, including environmental responsibility, fair labour practices, and anti-corruption, ensuring procurement practices align with sustainable development principles



#### **Relevant Targets**

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards

Target 13.2: Integrate climate change measures into policies and planning



- Climate-smart financing solutions for MSMEs vulnerable to climate risks, technical guidance on sustainable agriculture and renewable energy
- w Embedding IFC Performance Standards and SSCI into credit evaluation; alignment with Central Bank's Sustainability Roadmap and Green Finance Taxonomy





#### **Relevant Targets**

Target 9.3: Increase access to financial services and markets for small-scale enterprises

Target 9.4: upgrade all industries and infrastructures for sustainability



#### **AFC's Contribution**

- Digital integration enables agile workflows and improved customer access.
- Partnerships to diversify product offerings tailored to small and micro enterprises.
- Continuous innovation driven by IT and knowledge-sharing collaborations
- Development of a cloud-based, ISO 27001-compliant IT infrastructure enabling real-time transactions and secure data management





#### **Relevant Targets**

Target 16.5: Substantially reduce corruption and bribery

Target 16.6: Develop effective, accountable and transparent institutions



#### **AFC's Contribution**

- Board-led governance emphasizing integrity, fairness, and zero tolerance for bribery.
- Board-approved Code of Conduct and Anti-Money Laundering policies.
- Transparent KYC processes enhancing financial security and compliance.



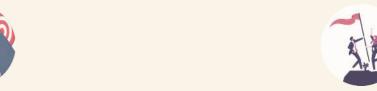


#### **Relevant Targets**

Target 17.6: Enhance cooperation and knowledge sharing to support technology access and capacity-building



- Strategic partnerships with financial institutions, development agencies, and private sector players.
- NoUs fostering product innovation and market expansion.
- Knowledge-sharing alliances boosting innovation and organizational capacity

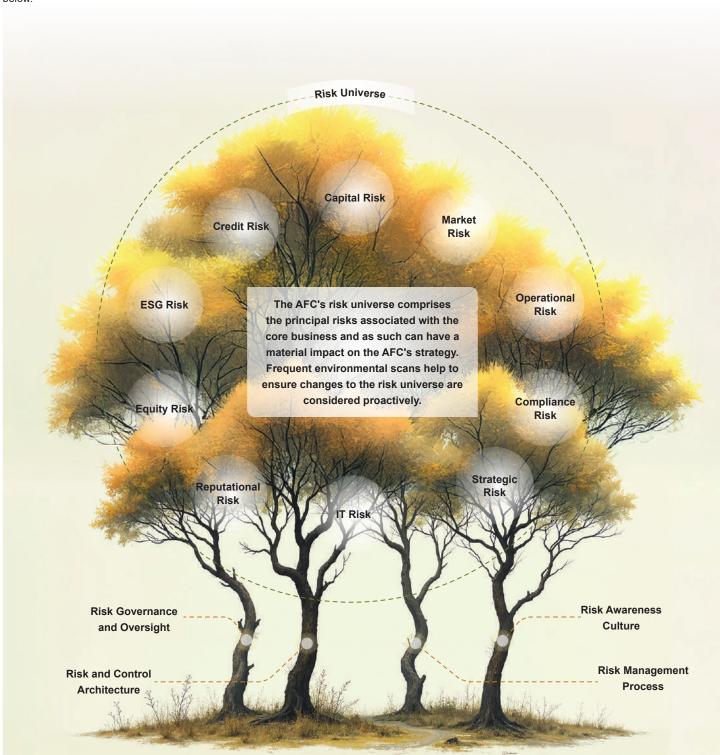


# Managing Risks and Opportunities GRI 2-27

#### INTEGRATED RISK MANAGEMENT FRAMEWORK

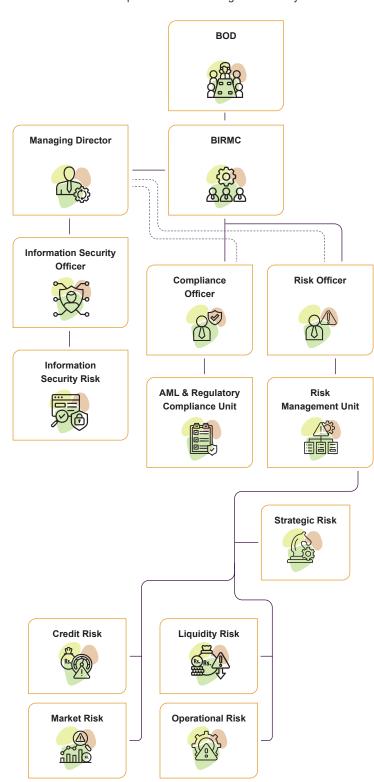
As a financial institution, risk is an inherent part of AFC's business operations. Recognising this, the Board of Directors has established the Enterprise Risk Management (ERM) framework to comprehensively address all key risks that could potentially affect the Company's earnings, balance sheet position and ability to continue as a going concern and be climate resilient.

The AFC's Risk Management Policy Framework is anchored on four key pillars and comprises a suite of complementary policies, procedures and protocols that enable the effective management of its principal risks within its risk universe. A summary of the AFC's risk management framework is given below



#### **Risk Governance and Oversight**

AFC's risk governance structure clarifies the roles and responsibilities for managing risk within the Company. The Board of Directors collectively holds overall responsibility for managing risks and are assisted by several Board sub-committees which operate under the delegated authority of the Board.



#### The roles and responsibilities of the Board and Board Sub-Committees are summarised below

#### **Board of Directors (BOD)**

As the apex body for risk oversight within the AFC, the Board is responsible for setting the AFC's risk strategy and monitoring its implementation. This includes developing the AFC's risk strategy and related principles, target risk profile, risk appetite limits for each risk category and appropriate risk policies and procedures.

#### **Board Sub Committees**

#### **Board Integrated Risk Management Committee (BIRMC)**

Maintains oversight of Risk Management and makes recommendations to the Board on developing and implementing Risk Management Policies, setting the Company's Risk Appetite and monitoring material risks of the AFC through risk metrics. The Chief Risk Officer and Chief Compliance Officer have a direct technical reporting line to the BIRMC.

#### **Board Audit Committee (BAC)**

The BAC plays a critical role in ensuring the effective functioning of the system of internal controls which is vital for management of operational risks and the integrity of financial reporting which is key to measurement and monitoring of financial risks.

#### **Board Sustainability Committee (BSC)**

Oversees the development and implementation of the AFC's sustainability strategy and policies in alignment with the Company's Sustainability Related Risks and Opportunities (SRROs) and Climate Related Risks and Opportunities (CRROs).

#### Management committees

#### **Executive Risk Management Committee (ERMC)**

Chaired by MD and comprising heads of key business lines. The ERMC is the apex executive committee for risk management and supports BIRMC in effective implementation of the risk policy.

#### Credit Committee (CC)

Credit committee is accountable for day-to-day management of credit risk. As part of their duties, the Credit Committee monitors AFC's lending portfolio and oversees the management of asset quality and recovery actions. The Committee also periodically reviews the credit policy and lending guidelines issued to business segments.

#### Assets and Liabilities Committee (ALCO)

The ALCO plays a key role in managing liquidity risk and financial stability of the company through managing Gaps, Reviewing adequacy of the liquidity contingency planing .it reviews cash flow forecasting, funding plans and stress testing result in achieving its objectives. It reviews liquidity forecasts to funding plans and stress testing results in achieving its objectives. The Committee also determines the ideal structure of the Company's balance sheet to provide the optimal profitability while minimising potential risks.

#### Technology Risk and Information Security Committee (TRISC)

Periodically review the Company's plans to ensure there is well-defined operational governance in place to deliver required services and ensure there is a comprehensive information security program that has appropriate administrative, technical and physical safeguards and meets applicable regulatory requirements and industry standards.

#### Sustainability Steering Committee (SSC)

This ensures the AFC integrates sustainability into its strategy by formulating and implement ESG policies, monitoring compliance with regulatory norms, and guiding departments on sustainability decisions.

#### Corporate Management Meeting (CMM)

The Committee is responsible for assessing operational processes and internal controls to minimise operational losses and to instil a compliance culture amongst Thoughts from

our Leadership

# **Managing Risks and Opportunities**

AFC adopts the three-lines-of-defence approach to manage risk within the company in line with best practices.







#### Third line of defence

- Internal and External audit function
- Providing independent and objective assurance on the Risk Management processes and practices by first line and second line

#### **Risk and Control Architecture**

This refers to the structured framework of policies, procedures, tools, and organizational roles that company uses to identify, assess, monitor, and mitigate the risk. Risk Control Architecture goes hand in hand with the Risk Management Process. The AFC 's robust risk control architecture consists of the Board approved constitutional framework, including risk appetite parameters and related tolerance limits, key risk indicators, policies etc.

#### **Risk Appetite**

Risk appetite defines the level and types of risks the Company is willing to accept in pursuit of its strategic and financial goals. AFC's Risk Appetite is set by the Board and establishes clear tolerance limits for all major risk categories, to enable operational teams to align their business decisions with the Company's long-term objectives, regulatory requirements, and stakeholder expectations. The Risk Appetite Statement and specified tolerance limits are reviewed by the BIRMC at least once a year or more frequently if required. Recommended changes are approved by the Board prior to formal incorporation into the Risk Appetite Limit Framework.

The AFC's key risk appetite parameters and Board approved tolerance limits as at 31st March 2025 are given below.

Risk Tolerance Limits			
Type of risk	Metric	Limit	Actual
Credit risk	*Gross NPL	12.00%	4.68%
	Gross NPL ratio Gold Ioan	2.50%	1.02%
	Single borrowing	300 Mn	50 Mn
	Group borrowing	400 Mn	50 Mn
	Unsecured borrowing group of borrowers	1,000 Mn	8.46 Mn
Liquidity risk	Statutory reserve ratio	>12%	19%
	Deposit renewal ratio	>75%	78%
	Minimum holding of government securities	> 9%	16%
Interest rate risk	% Impact on Net Interest Income from 100 bps shock	5% of the equity	1%
Foreign Exchange Rate risk	Net open position for FX exposure	<= 7. 5 % to capital funds	5%
Equity risk	Stop loss limit	<= 10% for a month	Nil
Capital risk	Core capital ratio	>=10.00%	11.60
	Total capital ratio	>=13.50%	16.06

<sup>\*</sup>excluding Gold loan and Three Wheelers

#### **Stress Testing Tools**

Stress testing tools to assess the potential impact of severe but possible adverse scenarios on its financial position and operations, which helps to identify potential vulnerabilities, and inform proactive risk mitigation strategies. Stress tests are conducted for individual risk types as well as integrated, enterprise-level scenarios with the results are to adjust risk limits, inform capital and liquidity planning, and strengthen contingency preparedness.

#### **Risk Register**

The risk register which captures detailed information on each risk, including its description, root causes, likelihood, potential impact, existing controls, and planned mitigation actions, serves as a key tool that provides management with a comprehensive and up-to-date overview of AFC risk profile, allowing for systematic identification and management of emerging and existing risks. Regular updates and reviews of the risk register ensure that risk ownership is clearly assigned and that mitigation efforts are actively monitored.

#### **Capital Planning Process**

The main aim of the capital planning process is to ensure sufficient capital is maintained to meet regulatory requirements and support the execution of AFC's business strategy under both normal and stressed conditions. Using a combination of scenario analysis, sensitivity assessments, and contingency planning, the capital planning exercise provides vital information regarding AFC's financial resilience to absorb losses, fund business growth, and meet stakeholder obligations, even in adverse situations. The Capital Adequacy Ratio (CAR) is used as the key metric used to determine if adequate capital buffers are in place to absorb unexpected losses arising from various risks during the course of the business.

#### **Risk Management Process**



Risk Measurement

This involves assessing the likelihood and severity of identified risks using predetermined metrics and other quantitative and qualitative measures. The AFC uses a range of tools and techniques to measure the impacts of identified risks. These include, the Risk Matrix, Risk Register, VaR models, financial analysis, maturity of assets and liabilities (MAL) analysis, sensitivity of assets and liabilities analysis and stress testing



Risk Control and Mitigation

This entails applying an appropriate treatment methodology for each assessed risk while carefully balancing risk reward dynamics. Developing risk control and mitigation strategies is a dynamic process and leads to either accepting, transferring, mitigating or avoiding the assessed risk



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Risk monitoring involves verifying that the AFC's operations adhere to established risk control protocols and enables ongoing awareness of its risk profile. The RMU is responsible for risk monitoring and collaborates closely with business units to facilitate implementation of effective control.



Risk Identification

Identification of the risk management process starts with analysing the AFC's risk universe to identify current and potential risks stemming from the internal and external environments that may affect the AFC's strategy and overall risk profile A topdown approach led by the AFC's Board of Directors and Board appointed sub-committees identify emerging risks that may affect the AFC's strategy and overall risk profile. on the other hand, a bottom-up approach undertaken by Business
Units and Branch heads and escalated to the Risk Management Unit enables the identification of risks stemming from operations



Identified, measured, monitored and mitigated risks are reported to the Senior Management, Board Integrated Risk Management Committee (BIRMC) and the Board ofDirectors, for timely action.

# **Managing Risks and Opportunities**

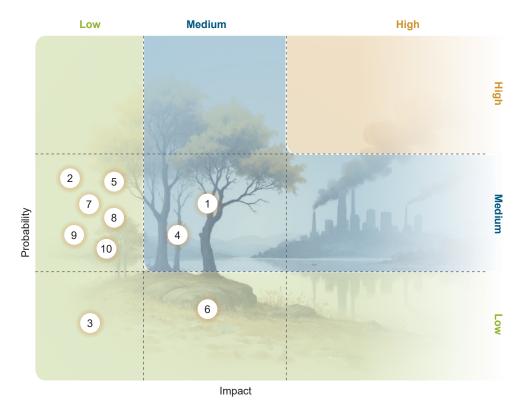
#### **Risk Awareness Culture**

The Board sets the tone from the top via policies and procedures that promote the risk awareness culture, while managers of business units are held accountable for ensuring these policies, procedures and standards are implemented and adhered to, without exception. The Risk Department undertakes continuous training and other capacity building initiatives to reinforce the risk awareness culture at all levels of the business

#### **Overview of Principal Risks**

A summary of AFC's principal risks are set out below reflecting their significance to the Company. A heat map of the same is presented alongside to illustrate the severity of their impact and likelihood of occurrence, relative to each other.

#### **Risk Heat Map**



No.	Type of risk	Probability	Impact
1	Credit risk	Medium	Medium
2	Interest rate risk	Low	Medium
3	Foreign currency risk	Low	Low
4	Commodity risk	Medium	Medium
5	Liquidity risk	Low	Medium
6	Operational risk	Medium	Low
7	Information security risk	Low	Medium
8	Strategic risk	Low	Medium
9	Compliance risk	Low	Medium
10	Climate risk	Low	Medium

#### **Managing Principal Risk**

#### **Credit Risks**

The risk of loss arising from the inability or failure of a borrower or counterparty to meet its contractual obligations. Credit risk measurement is based on the expected loss model and comprises of probability of default of an obligor or counterparty, the loss severity given a default event, the exposure at default and economic factors.

As a NBFI engaged in lending to individuals, and SMEs, Credit Risk remains as the most crucial risk for the AFC. The company identifies two types of Credit Risk - Default Risk and Credit Concentration Risk.



Information

#### **Managing Credit Risk**

During the year under review, numerous initiatives were implemented to strengthen the credit risk management process in alignment with prevailing conditions in the operating environment. Key strategies and initiatives implemented during the year that positively contributed towards the improvement in asset quality are summarised below.

- w the Credit Policy and the Credit Operations Manual which together provide clear direction to enable risk owners (first line of defence) to focus on prudent lending
- v Segregation of duties for each step of the lending process from loan origination, pre-credit evaluation and credit administration to post-credit monitoring
- Portfolio diversity in terms of products, security type, geography and sector
- Post credit monitoring
- Independent pre sanction review by risk division
- Nobust credit underwriting criteria
- Performing stress tests to assess the impact of varying economic scenarios
- Ensure lending is within risk appetite limits
- Prudent provisioning approach

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
<ul> <li>The Credit Risk         Management Policy</li> <li>Credit Operations         Manual</li> <li>Internal procedures         and product-specific         guidelines</li> </ul>	<ul> <li>AFC's risk department monitors NPL (Non-Performing Loan) ratios across key asset classes, sectors, and geographies, allowing for granular insight into emerging risk pockets. This is complemented by systematic benchmarks of NPL ratios against peers and industry standards to enable proactive interventions to safeguard portfolio quality.</li> <li>Credit quality indicators are reported to the BIRMC once in two month basis.</li> </ul>	<ul> <li>Board of Directors</li> <li>Board Integrated Risk Management Committee (BIRMC)</li> <li>Credit Committee</li> <li>Risk Department</li> <li>Business Heads (Risk Owners)</li> </ul>
	The Credit Committee regularly revisits and revises the Credit Policy and lending guidelines to take cognisance of evolving market conditions, shifting industry dynamics, and the diverse needs of business segments.	

Risk Performance for FY 2024/25 With the improving macroeconomic environment, the financial services industry witnessed a relative stabilization in the trend of loans and advances categorised as Non-Performing Credit Facilities (NPCF).

Consequently, the credit-impaired (Stage 3) loans and advances to customers of the company stood at LKR 3.03 Bn as of March 31 2025 compared to LKR 4.49 Bn in the preceding year.

With regard to non performing advance ratio, it improved 4.70% by 31st March 2025 compared to 9.38% at the end of previous financial year. When compared with industry average for non performing loan ratio, a significant improvement was achieved

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# **Managing Risks and Opportunities**

#### **Credit Risks**

#### **Context and Strategy**

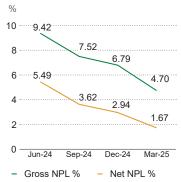
Several external factors had an impact on the credit risk landscape during the current year, namely adverse weather in certain parts of the country caused severe damage to agricultural crops, in turn posed a threat to borrower repayment capacity, particularly in the agricultural sector. Meanwhile, political uncertainty surrounding the presidential and parliamentary elections created hesitancy among businesses, slowing expansion plans. On a positive note, the lifting of the vehicle import ban created new lending opportunities, helping diversify the credit portfolio and partially offsetting sectoral risks.

To align with its evolving strategic priorities, AFC revised its risk appetite limits during the year to provide greater flexibility to capitalise on market dynamics while keeping credit risk exposures within prudent and acceptable thresholds. This was accompanied with stringent monitoring and closely tracking exposures by asset class, sector, and geography with regular reports presented to the respective governance committees. In parallel, the stress testing framework was also revised to better reflect its updated credit risk profile with stress tests conducted to simulate adverse economic and market scenarios, enabling the company to assess the resilience of its credit portfolio under stress conditions. The results of these tests were submitted to the Board Integrated Risk Management Committee (BIRMC), ensuring that the board remained fully informed and equipped to take timely action where necessary.

Several structural adjustments were made to improve recovery performance, streamline operations, and reinforce the Company's overall approach to managing distressed assets.

#### Metrics

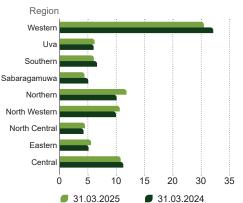




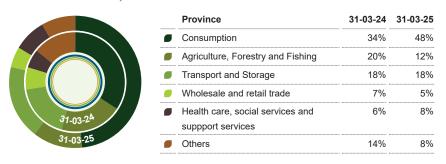
#### Provisioning Coverage Ratio



#### Geographical Distribution of Portfolio



#### **Sector Wise Exposoure**



#### Outlook for 2025/26

AFC's credit risk outlook is linked to plans for credit expansion alongside improving macroeconomic conditions. The Sri Lankan economy is set to achieve greater stability resulting in a strong demand for credit from both individuals and businesses. As the Company pursues growth by expanding its lending portfolio, particularly across retail and MSME segments, careful management of credit quality will remain central to sustaining its strong risk profile. AFC's robust credit risk management framework, along with its disciplined underwriting practices, provides a solid foundation to support this expansion while keeping credit risk exposures within acceptable limits.

Nevertheless, potential vulnerabilities remain, including sector-specific risks and external shocks that could emerge as the market adjusts to the post-crisis landscape. The company will continue to monitor its credit exposures closely, applying rigorous stress testing and maintaining strong governance oversight to ensure that credit expansion is pursued responsibly and in alignment with its strategic goals.

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This refers to the potential for financial losses arising from changes in external factors such as interest rates, exchange rates, equity market movements, and commodity price fluctuations. Associated Market Risks for AFC are: Interest Rate Risk, Foreign Exchange Risk, Commodity Price Risk and Equity Risk



#### Managing Interest Rate Risk (IRR)

Risk to AFC's capital and earnings arising from adverse movements in interest rates and to manage the interest rate risk, following controls were in place.

- Closely monitoring the Yield Curve and respond accordingly
- Re-pricing its assets and liabilities accordingly
- Focusing on high yield short term lending
- Monitoring the ALM limits

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
<ul> <li>Assets and Liabilities         Management Policy</li> <li>Liquidity Management         Policy</li> </ul>	<ul> <li>The Risk Department carries out internal stress tests and conducts duration analysis to assess the sensitivity of assets and liabilities to interest rate fluctuations with findings reported to the BIRMC.</li> <li>In addition, monitoring of the Re-pricing gap limits and interest rate sensitivity limits are in place.</li> </ul>	Assets and Liability Committee (ALCO)

Risk Performance for FY 2024/25 with the accommodative interest rate approach adopted by CBSL and government's revenue based fiscal strategies, a continuous decline in interest rates as witnessed by Prime Lending Rate and treasury bill rate, interest rate risk of the company remained low.

#### Context and Strategy

The government's commitment to fiscal consolidation, coupled with revenue-based fiscal strategies, created a more stable environment for managing interest rate movements. The CBSL's accommodative policies supported market liquidity, while inflation was successfully maintained at single-digit levels, reducing volatility in interest rate exposures.

Reflecting AFC's evolving strategic direction, IRR appetite limits were revised during the year to better align with the changing interest rate environment. A new variable was incorporated into the risk framework specifically aimed at managing IRR to mitigate the potential adverse impact on the balance sheet.

Stress testing played a critical role in assessing AFC's preparedness against potential interest rate shocks. Throughout FY 2024/25, the Risk Department conducted internal stress tests assuming a 1% rate shock for its banking book, alongside duration analysis for its trading portfolio in order to gauge the sensitivity of its assets and liabilities to interest rate fluctuations and to develop strategies to buffer against adverse movements.

Rate sensitive Gap LKR Mn.	0 to 1	0 to 3	0 to 6	0 to 12
	month	month	month	month
Interest bearing assets	10,767	24,737	32,707	49,553
Interest bearing liabilities	8,712	18,883	26,699	42,126
Net rate sensitive Gap	2,055	5,854	6,007	7,427
Interest bearing assets to interest bearing liabilities %	124	131	123	118

Impact to the net interest income LKR	20	24	20	25
Annual impact on NII due rate hike	Parallel up	Parallel down	Parallel up	Parallel down
1%	107	(107)	150	(150)
2%	214	(214)	300	(300)
3%	321	(321)	450	(450)



#### Outlook for 2025/26

The IRR outlook is expected to remain stable and manageable, supported by the ongoing recovery of Sri Lanka's economic activity and continued fiscal consolidation by the government. The CBSL's accommodative monetary policy stance, combined with the government's commitment to maintaining inflation at single-digit levels, suggests that large swings in market rates are unlikely in the near term.

Nonetheless, AFC will remain vigilant, as global economic uncertainties, including geopolitical tensions could indirectly influence domestic rate dynamics. Monitoring and stress testing will be reinforced to facilitate swift action in response to adverse rate movements or market disruptions emerge. AFC's forward-looking interest rate risk management will continue to play a central role in safeguarding the Company's financial resilience.

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# **Managing Risks and Opportunities**

#### Foreign Exchange (FX) Risk

This pertains to potential losses within a foreign currency- denominated investment portfolio and borrowing due to fluctuations in the relative values of the currencies involved.



#### Managing Foreign Exchange (FX) Risk

The AFC's approach to foreign exchange rate risk mitigation in 2024 was mainly focused through careful monitoring of currency fluctuations and strategically maintaining exposures.

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
Assets and Liabilities	The Risk Department monitors the NOP supported by stress tests     ■ The Risk Department monitors the NOP supported by stress tests     ■ The Risk Department monitors the NOP supported by stress tests	Name Assets and Liability Committee (ALCO)
Management Policy	using multiple exchange rate scenarios to assess the potential impact	
Liquidity Management Policy	on AFC's balance sheet and profitability, with findings reported to the BIRMC	

Risk Performance for FY 2024/25 During the year under review, LKR/USD exchange rate showed a stability supported by IMF bailout package, increased in tourism earning and increasing the workers' remittances.

Context and Strategy	Metrics
Several key external factors shaped the FX risk environment in 2024/25. The finalisation of Sri	Net open position
Lanka's external debt restructuring, approval of the IMF bailout package, resumption of previously	
stalled infrastructure projects, infusion of foreign capital into the domestic markets, and the	
Country's credit rating upgrade all contributed to renewed investor confidence and foreign capital	
inflows. These developments saw the LKR appreciating against the USD throughout, leading to	
negative impacts on AFC's FX exposures.	
Against this backdrop, AFC adjusted its risk appetite by setting specific limits for its net open FX	
position to better manage its exposure to currency fluctuations. The NOP continued to be strictly	
monitored, while stress tests were conducted throughout the year.	
Ongoing vigilance allowed AFC to maintain control over its currency risks to protect its financial	
stability despite the challenges posed by currency appreciation.	

#### Outlook for 2025/26

Contact and Stratage

Greater stability is expected in the LKR in the coming year supported by the anticipated receipt of the fourth tranche of the IMF bailout package which will provide support to the Country's foreign reserves and balance of payments in the coming year. Additionally, the expected increase in foreign remittances and a rebound in tourism earnings are likely to strengthen the external sector further, improving the supply of foreign currency in the domestic market.

Overall the FX risk profile is expected to remain moderate, allowing the Company to manage its exposures within expected parameters.

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#### **Commodity Price Risk**

This refers to the potential for financial risk due to the fluctuation in the prices of commodities.



#### **Managing Commodity Price Risk**

The AFC's exposure to commodity price risk is primarily linked to fluctuations in gold prices, which impact its pawning portfolio. To mitigate this risk, the AFC has implemented a prudent Loan-to-Value (LTV) ratio ,conducting regular mark-to-market valuations of the portfolio , Timely auction of Gold stock and building a prudent reserve to absorb the potential losses.

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
○ Gold Loan Policy and	The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     ■     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring     The Gold Loan Committee is tasked with continuously monitoring monitor	○ Gold Loan Committee
Procedure Manual	gold price risk and making necessary rate revisions guided by the ALCO	○ Gold loan business unit

Risk Performance for FY 2024/25 Global geo political tension and global economic uncertainty pushed the gold prices high in international market. As such , risk stemming from commodity prices remained lower during the period under review.

Context and Strategy	Metrics
Although global markets experienced significant volatility in key commodities such as gold, owing to	Loan to value ratio
heightened geopolitical tensions, these shifts did not materially affect domestic gold prices, which	
remained relatively stable throughout the year. Stability in domestic gold prices, in turn helped	Matured stock to portfolio
contain the direct impact of commodity price fluctuations on AFC's operations and exposures.	
Additionally, the appreciation of the local currency during the first 03 quarters also played a role in	
cushioning the effect of global commodity price movements on domestic markets.	
Against this backdrop, AFC maintained its commodity price risk appetite broadly unchanged from	
the previous year, supported by targeted efforts to focus on short-term lending to reduce exposure	
duration, revising the sovereign rate in line with market trends and building financial reserves to	
absorb potential commodity-linked losses. These measures were accompanied with stringent	
monitoring of key indicators such as the current loan-to-value (LTV) ratio, non-performing loan	
(NPL) ratio, and the size of the auctionable portfolio.	
Moreover, stress testing on both its existing commodity-backed portfolio and advance rates were	
applied to new lending, thus ensuring the Company's exposures remained within manageable	
limits, even under stressed market conditions.	

#### Outlook for 2025/26

While domestic gold prices have remained relatively stable in recent times, any sharp upward movement in global prices could gradually filter into the local market, affecting the Company's Gold Loan portfolio. To manage this shifting landscape, AFC will need to continue carefully monitoring key indicators such as loan-to-value ratios, non-performing loan trends, and auctionable portfolio levels. The Company's stress testing practices will remain critical tools to maintaining risk exposure within acceptable levels

# **Managing Risks and Opportunities**

#### Liquidity Risk

Liquidity Risk is the non- availability of adequate liquid funds for institutions to honour its contractual and contingent financial obligations as and when they fall due without incurring unacceptable losses.

The key goal of liquidity risk management is to evaluate and ensure the availability of funds needed to meet obligations at the right times, both in normal and stressed conditions



#### **Managing Liquidity risk**

Effective liquidity risk management is of vital importance to the AFC's financial stability. By ensuring adequate liquid buffers for the timely fulfilment of obligations, we maintained a strong reputation and continued to build upon the confidence of our stakeholders. Our prudent approach to managing liquidity also enabled us to effectively navigate the economic uncertainties that prevailed during the year under review, mitigating risks to both the AFC and the broader financial system. The AFC adopts a comprehensive approach to managing liquidity risk, encompassing policies, procedures, measurement techniques, mitigation strategies, stress- testing methodologies, and contingency funding arrangements. Throughout most of the year, the AFC maintained excess liquidity levels.

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
<ul> <li>Assets and Liability         Management Policy         Liquidity management Policy     </li> </ul>	The Treasury Department prepares forecasted cash flow statements and Gap Analysis, to assess the Company's future funding requirements, with the findings presented at ALCO meetings. Additionally, the Treasury tracks the liquid asset ratio, contingency funding arrangement and investment in government securities to monitor the	Assets and Liability Committee (ALCO)
	Company's liquidity position.  The Risk Department provides oversight by conducting stress tests and monitoring key liquidity metrics.	

Risk Performance for FY 2024/25 Considering the CBSL's accommodative measures, policy rate cuts, reopened FX borrowing, and the Country's improved sovereign rating, market had an excess liquidity and liquidity risk of the company remained at low level during the year under review.

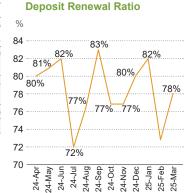
#### **Context and Strategy**

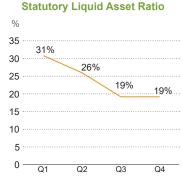
Considering the CBSL's accommodative measures, policy rate cuts, reopened FX borrowing, and the Country's improved sovereign rating, AFC's liquidity risk appetite limits were adjusted to better align with the Company's growth objectives while maintaining prudent liquidity management. regular cash forecasting was conducted throughout the year to assess the Company's ability to maintain adequate liquidity under challenging conditions.

Key metrics, such as the statutory liquid asset ratio and concentration of the top 20 deposit exposures along with cash flow movements were strictly monitored. In parallel, the Company's liquidity buffers, and mix of funding sources were reviewed regularly in line with ongoing operational and contractual requirements

#### Metrics

Contractual Gap analysis							
LKR Mn	On	Less than	3-12	1 to 3	3 to 5	Over 5	
	Demand	03 Months	Months	Years	Years	Years	
Total financial assets	6,889.55	20,361.99	29,143.44	16,273.28	4,076.63	0.79	
Total financial liabilities	4,703.88	15,554.68	23,350.23	20,224.17	5,910.46	119.26	
Individual Gap	2,185.67	4,807.32	5,793.21	(3,950.90)	(1,833.82)	(118.47)	
Cumulative Gap	2,185.67	6,992.99	12,786.20	8,835.30	7,001.48	6,883.01	





#### Outlook for 2025/26

Building on the relative stability witnessed in 2024/25, the outlook for 2025/26 is expected to remain similarly favourable. Continued fiscal consolidation and a stable, low-inflation environment are set to uphold strong funding conditions, enabling AFC to maintain adequate liquidity buffers to meet both short-term and long-term obligations with minimal risk.

# **Operational Risk**

Refers to potential losses arising from inadequate or failed internal processes, personnel, and systems, as well as external events like natural disasters or social and political occurrences. Operational Risk also includes legal risk but excludes strategic and reputational risk.

Key aspects of operational risk management at AFC include,

Prompt recording and reporting of operational risk events through the loss events. Data analysis to identify root causes and trends, to facilitate the enhancement of operational processes and controls to prevent the recurrence of similar events.

Key Risk Indicators are used to track potential risk exposures in real time. These indicators provide early warning signs allowing the Bank to take pre- emptive action before risks materialise as significant threats

Adherence to all laws, regulations and guidelines of the CBSL and other regulatory bodies

Regular audits and compliance checks are conducted to ensure all operational activities fully comply with regulatory requirements.



# **Managing Operational Risk**

Several frameworks, including the Operational Risk Management Policy and the ISO 22301:2019 certified Business Continuity Management System (BCMS), create the platform for managing Operational Risk at AFC.

Within the BCMS, the Business Continuity Plan and Disaster Recovery Plan provide a comprehensive framework for the swift resumption of business in the event of an unforeseen disruption. As part of the BCMS, scheduled drills are carried out to test the resilience of BCP and test the Disaster Recovery responsiveness of the core system. In addition, AFC's internal audit function plays a key role to assure the efficacy of internal control mechanisms adopted by the operational departments, while the annual BCMS certification audit provides independent assurance regarding the business continuity and disaster recovery systems.

Operational risks are broadly discussed at the corporate management meeting and necessary actions and mitigations are taken at that meeting to address the operational risk based on the Company

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
Management Policy  № ISO 9001: 2015 Quality	<ul> <li>As part of the BCMS, scheduled BCP testing is carried out to validate the resilience of BCP and test the Disaster Recovery responsiveness of the core banking system.</li> <li>In addition, internal audits are conducted to verify the efficacy of internal control mechanisms adopted by the operational departments, while the annual BCMS certification audit provides independent assurance regarding the business continuity and disaster recovery systems</li> </ul>	BoDs BIRMC Head of departments BCMS Coordinators

Risk Performance for FY 2024/25 During the year under review operational risk remained low reflecting resilience over the operational loss event.

Context and Strategy	Metrics
Operational risk in the current year was attributed mainly to staff turnover and the rising frequency	Key risk indicators for operational risk
of cybersecurity breaches, increasing compliance requirement and malicious software attacks,	
collectively increasing AFC's exposure to potential disruptions in business operations. Considering	Incident reporting
these factors, BCMS was subject to rigorous testing, including through fire drills, disaster recovery	
simulations, and BCP tests addressing location or personnel disruptions in critical business	
activities were carried out to assess preparedness against operational shocks.	

# Outlook for 2025/26

The outlook for operational risk in 2025/26 is expected to remain at an elevated level, largely driven by AFC's increasing focus on digital products and services. The rising reliance on digital platforms heightens exposure to cyberattacks, system downtimes, and third-party risks associated with digital service providers, making it imperative for the Company to enhance its operational safeguards.

# **Managing Risks and Opportunities**

# **Information Security Risk**

Arise as a consequence of inadequate or inappropriate investment in technology systems resulting in loss of competitive position and thereby lower market share. Similarly Cybersecurity risks which could include system failures, software vulnerabilities, and data breaches can also have profound implications on the Company's operations.



### **Managing Information Security Risk**

The IT Key Risk Indicators review process involves monitoring multiple risk indicators including information security related incidents and conducting trend analysis to identify high risk or emerging risk.

During the year under considering following activities were performed by the company.

- 1. Conducting DR testing
- 2. Conducted IT security vulnerability assessment through a professional IT security firm

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
<ul> <li>Information Systems         Security Policy</li> <li>Acceptable Usage Policy</li> <li>Non-disclosure         Agreements</li> <li>Business continuity         planning</li> </ul>	The Information Security Steering Committee conducted regular assessments, while external annual audits are conducted by an independent third-party specialist to assess IT General Controls (ITGC) and information security operations. Additionally, TechCERT (external vendor) carries out vulnerability assessments and penetration testing to identify system weaknesses	<ul> <li>Board of Directors</li> <li>Board Integrated Risk Management Committee (BIRMC)</li> <li>TRISC</li> <li>IT Steering Committee</li> </ul>

Risk Performance for FY 2024/25 Reflecting AFC's robust IT risk mitigation strategies, the risk stemming from information technology remained low during the year.

Context and Strategy	Metrics
The rapid acceleration of AFC's digital strategy has significantly increased the Company's exposure	Incident reporting
to cyber threats and technology-related risks. To address this evolving landscape, AFC took	
steps to fully align with new Technology Risk Management and Resilience directives applicable to	Number of network down
licensed finance companies (LFCs).	
As part of this approach, AFC's DR site was migrated to a fully ISO 27001:2013 compliant data	
center hosted by Dialog Axiata. This move not only enhances system resilience by establishing	
recovery point objectives (RPOs) and recovery time objectives (RTOs) to ensure swift resolution of	
operations during disruptions, but also significantly improves scalability to support AFC's growing	
operational requirements.	
In parallel, the endpoint security platform was also added by incorporating advanced artificial	
intelligence (AI) and machine learning (ML) tools which has bolstered the ability to detect	
sophisticated cyber threats and fully integrate security monitoring functions into the Security	
Operations Center (SOC).	

# Outlook for 2025/26

Given AFC's growing reliance on digital technology, enhancing the security position will be a key priority going forward, Efforts will center on strengthening the protection of customer information continuously improving its existing policies, procedures, and governance frameworks to ensure they align with emerging regulatory expectations and industry best practices.

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# Strategic Risk

This pertains to the challenges arising from ineffective strategic decisions, misalignment with market dynamics, or the inability to adapt to rapidly changing competitive and economic environments. Such risks can lead to erosion of market share, compromised financial performance, and failure to achieve long- term strategic goals.



# Managing Strategic Risk GRI 205-1, 205-2

AFC was able to arrest the strategic risk by timely responding to the changes taking place at external environment.

<b>Policies and Procedures</b>	Monitoring and Reporting	Responsible Authorities
Strategic Plan Annual Business Plan Annual Budget	The responsibility of effectively managing the AFC's strategic risk lies with its Board of Directors. The Board sets out the AFC's strategy annually, with clearly defined short, medium and long term goals aligned with its vision, high impact goals and core values. The strategic plan is then cascaded down to operational level targets through the Board approved annual budget. Targets set out in the budget are communicated to senior management who are responsible for developing aligned business unit goals and cascading these objectives to employees.	<ul> <li>Board of Directors</li> <li>Board Integrated Risk Management Committee (BIRMC)</li> <li>Head of business units</li> <li>Risk Department</li> </ul>
	The company reviews actual performance against the budget on a monthly basis and reports their findings to the Board. In the event of deviations, remedial action to realign performance with the plan is also recommended	
	The company also monitors developments in the external environment to identify opportunities and threats, informing strategic adjustments and the re-alignment of the AFC's strategic plan.	

Risk Performance for FY 2024/25 Strategic Risk is well managed through the Board-approved annual strategic plan that outlines AFC's future trajectory through a series of long-term goals, objectives, and priorities, alongside the necessary actions to achieve them in harmony with the Company's core purpose. Continuous environmental scans and PESTLE analysis inform the Board about areas that warrant strategic recalibration

Context and Strategy	Metrics
As a result of continuous monitoring and timely responding to the rapidly changing economic	Key performance indicators
environment and competitive environment , AFC was able to manage the Strategic risk.	

# Outlook for 2025/26

With the easing of uncertainty and economic stabilization, political stability and continuous screening of the environment and swift decision will lead to better management of Strategic risk.

# **Managing Risks and Opportunities**

# Compliance Risk GRI 2-27

This encompasses the potential exposure of the AFC to adverse outcomes resulting from non-compliance with applicable laws, rules, regulations, and codes of conduct. Such non-compliance could result in regulatory penalties, financial losses, business disruptions, and reputational damage.



### **Managing Compliance Risk**

The AFC is firmly committed to complying fully and in a timely manner with all laws and regulations imposed by regulatory authorities across its operations. AFC's Board and Board Committees diligently track the egulatory landscape to promote early adoption and full compliance with all new laws and regulations. The AFC's Compliance Department carries out routine due diligence to ensure the AFC's compliance with all prevailing laws and regulations and also proactively monitors for emerging regulatory changes, reinforcing the AFC's commitment to full compliance. The epartment focuses on increasing awareness on regulations by conducting training programmes.

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
AML & CFT Policy and	The Board of Directors sets the tone for an effective	○ Board of Directors
procedure	compliance culture by approving policies and overseeing	○ Board Integrated Risk Management
○ Compliance charter	overall compliance performance. Led by the Compliance	Committee (BIRMC)
○ Compliance policy	Officer, the dedicated compliance department identifies,	Compliance Department
Facilitation of investigation procedure manual	monitors, and reports compliance risks, ensures policy implementation, delivers training, and drives corrective actions. Regular reports are submitted to the Board with any breaches	
Anti corruption policy	or risks promptly escalated through defined channels to enable	
Related party transaction policy	swift resolution.	

Risk Performance for FY 2024/25 Regular monitoring of compliance with the directions issued by the regulator, Continuous monitoring of transactions to identify potential risks related to Financial Crimes, conducting Customer Due diligence on a timely manner, AFC was able to manage the compliance risk

# In the current year, the CBSL tightened regulatory requirements on AML/CFT specifically for sectors deemed vulnerable to money laundering and terrorist financing. Additionally, the push to align with international standards, such as the FATF guidelines, increased AFC's reporting obligations and raised the bar for risk assessments across its operations. Taking decisive steps to strengthen its compliance framework, AFC began by updating the risk profiles of customers through enhanced due diligence. Onboarding procedures were tightened through more rigorous Know Your Customer protocols for all customers, while enhanced verification measures including periodic reviews were introduced for high-risk clients and transactions. Compliance audits were also conducted to support prompt implementation of corrective measures to strengthen AML / CFT safeguards. Simultaneously staff training was intensified to ensure branch teams stay abreast if the latest compliance requirements.

# Outlook for 2025/26

Regulator may require to strengthhen the regulatory oversight in the coming period to safeguard the financial stability and support the government policy implementation.

This relates to potential financial losses and or reputational damage arising from the mismanagement of Environmental, Social and Governance (ESG) factors. The AFC adopts a holistic approach to managing its sustainability risks across its value chain, considering both operational sustainability risks and those stemming from its credit portfolio with the goal of promoting the long-term sustainability of its operations.

Accordingly, the AFC has adopted measures to reduce the environmental impacts of its operations by implementing resource efficiency strategies, reducing waste, actively monitoring its carbon footprint and engaging in biodiversity conservation initiatives.

In addition, impactful community development programmes, ethical business practices and progressive HR practices continue to strengthen its social license to operate.



### **Environmental risks**

Physical risks: Acute events such as floods, hurricanes, and droughts and Chronic changes such as rising sea levels, temperature variations, and shifting rainfall patterns

Transition risks: Policy changes such as carbon taxes, emission reduction targets, and environmental regulations Market dynamics, including shifts in consumer preferences towards sustainable products and technologies

### Social risks

Unfair labour practices, including forced and child labour Occupational health and safety hazards Community displacement and cultural heritage loss due to project financing

### Governance risks

Bribery and corruption, unethical business conduct, and financial crimes Information security breaches and inadequate IT governance

### Managing the ESG risk

Context and Strategy

Through the sustainability steering committee, risk stemming from ESG factors were well managed and action items implementation was continuously monitored.

Policies and Procedures	Monitoring and Reporting	Responsible Authorities
		○ Board of Directors
Credit Risk Management Policy	meeting is held to monitor the ESG risk wherein remedial action is taken and	■ Board Integrated Risk Management Committee
Sustainability Standard and Certification Initiative Framework (SSCI)	implementation of the action are being monitored and this is being reported to the	<ul><li>○ Board Sustainability Committee</li><li>○ Sustainability Steering Committee</li></ul>
Sustainability Policy	Board sustainability committee for their	, 3
Environment and Climate Action Policy	oversight on regular time intervals.	
Nisk and Opportunity Management Systems (ROMs)		

Risk Performance for FY 2024/25 Reflecting effective ESG risk management, AFC was able to manage the ESG risk within the tolerance limit of the company.

# As a financial institution, climate risk has become an increasingly material concern for AFC. Efforts to embed climate change action into the lending portfolio are led by AFC's High Impact Goals (HIG), where HIG 1 - Lead the transition towards Sustainable Mobility Solutions focuses on providing fuel-efficient vehicle leasing services to accelerate the transition to sustainable mobility solutions, thereby systematically lowering carbon emissions over time. Likewise under HIG 3 - Promote MSME Development: AFC's newly launched climate financing portfolio developed in partnership with the USAID aims to encourage MSMEs to adopt environmentally friendly practices, thereby promoting long-term sustainability and resilience. By developing unique products to drive investment in machinery equipment, and property financing to support MSME development AFC aims to ensure grass root level communities can also seize opportunities for economic empowerment. AFC has adapted ESMS (SPMS) to screen all its credit to ensure that we do not fund environmentally or

Moreover, in line with the commitment to embedding sustainability at the core of its operations, AFC commenced the adoption of SLFRS S1 and S2 standards in April 2024. SLFRS aligns strongly with AFC's efforts to identify sustainability risks and opportunities, including scenarios related to climate change, and is systematically integrated into the business model and strategy. AFC has incorporated sustainability related Risk Management to its overall risk management policy framework and is currently working towards risk resilience actions needed in transition to a low carbon economy. The resilience plan is a part of AFC risk monitoring mechanism through ERMC, board risk committee and the board.

### Outlook for 2025/26

socially harmful activities.

Managing the sustainability risk will be a key concern caused by regulatory intervention through road maps and directions, changing the perception of the customers towards the sustainability driven products and services, increasing the probability of climate related catastrophes and potential laws on the climate risk management.



Metrics

Key performance indicators

# **SLFRS S1 & S2 Conformity**

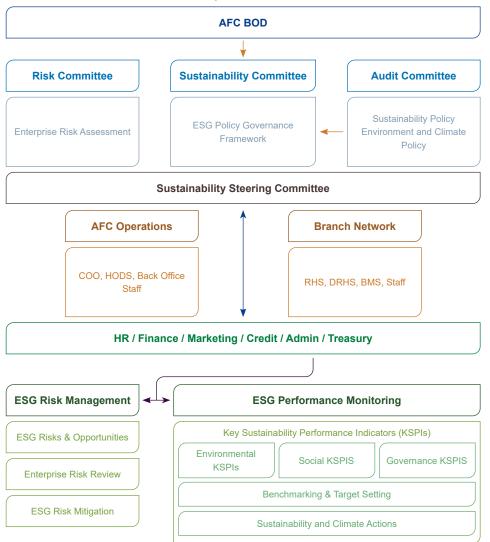
### Governance

# The Governance body responsible for oversight of sustainability and climate-related risks and opportunities

The Board of Directors plays a leading role in steering AFC's sustainability direction. Actively endorsing the Company's sustainability philosophy, the Board has been instrumental in redefining AFC's growth trajectory by revising the corporate strategy, risk management framework, and relevant policies and procedures.

The Board has established a clearly defined governance structure to ensure responsibilities cascade to all levels of the organisation, with every employee expected to contribute to the Company's sustainability agenda.

# **Sustainability Governance Structure**



# **Skills and Competencies for Oversight**

To ensure effective governance of sustainability and climate-related matters, Board and management members are equipped with the necessary expertise through ongoing engagement, knowledge sharing, and training on emerging ESG trends, sustainable finance practices, and climate-related risk management. This ensures informed decision-making and strategic alignment across all levels.

### **Information Flow and Engagement Frequency**

The Board receives periodic reports from the Board Sustainability Sub Committee and the ESG Steering Committee, ensuring timely access to key regarding ESG matters, performance data, and risk assessments to facilitate proactive governance and responsive adjustments to sustainability strategies.

Additionally, sustainability and climate-related information is systematically shared across the organisation through structured reporting lines and regular updates.

# Integration of Sustainability into Strategy and Decision-Making

AFC embeds sustainability risks and opportunities into every aspect of its business model through its Risk and Opportunity Management System (ROMS). This system addresses both physical and transition risks associated with climate change and uses scenario analysis to assess potential impacts and identify opportunities presented by the shift toward a low-carbon economy.

In line with global best practices, AFC is also developing systems to measure and report on all 15 categories of Scope 3 emissions, including Category 15 financed and investment emissions based on the Greenhouse Gas Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This enables AFC to better understand its full carbon footprint and strengthen accountability in climate-related decision-making.

# **Target Setting and Performance Monitoring**

AFC has instituted both a Board-Level Sustainability Committee and an ESG Steering Committee to support the integration of ESG factors across the organisation. These bodies are responsible for policy alignment, ensuring adherence to international guidelines (such as HIGs), and enhancing accountability, particularly in sustainable finance.

The Strategic Planning Unit, led by the Senior Manager of Sustainability and Strategic Planning, coordinates the implementation and monitoring of sustainability targets and initiatives across the Company.

Heads of Line Departments are accountable for ensuring the achievement, maintenance, and accuracy of quantitative data submitted for verification. The Sustainability department is responsible for collecting and submitting data to relevant third-party agencies in a timely manner, as well as for reporting.

Data verification and certification adhere to ISO 14064-1:2018 standards by the Sri Lanka Climate Fund of the Ministry of Environment, along with compliance with the IFRS S1 and IFRS S2 standard

# Management's Role in Oversight and Execution

# **Delegation of Oversight to Specific Management-Level Positions or Committees**

Day to day implementation of the sustainability agenda is led by the Managing Director, with oversight support from the Lead Facilitator -Sustainability and Climate Finance, and other Executive Directors.

# **Management Controls and Procedures Integrated with Other Internal Functions**

The ESG Steering Committee ensures cross-functional coordination and drives implementation of the sustainability strategy. Departmental roles and teamlevel responsibilities are aligned with AFC's sustainability goals, ensuring operational execution supports the company's overarching ESG commitments.

# Strategy

# Introduction

AFC's sustainability strategy reflects a deep commitment to responsible and impactful business practices. Aligned with the latest SSCI V2.0 standards, SLFRS S1 & S2 and Sustainable Finance Roadmap by CBSL. Moreover, the Company strives to support sustainable development by contributing to the United Nations Sustainable Development Goals (SDGs) and national sustainability priorities.

# **Reducing AFC's Carbon Footprint and Strengthening Climate Resilience**

AFC has incorporated climate-related risks and opportunities into its risk management framework and business model underpinned by the following commitments

- 1. Emission reduction annual targets for minimum five years for scope 1, scope 2 and scope 3 emission targets and set company Scope 1 & 2 carbon neutrality by 2030.
- 2. Commit to planting 150,000 trees annually aiming to offset scope 1 to 3 emissions
- 3. Invest in renewable green energy initiatives, electric vehicles. low-emission machinery. and climate-smart agriculture to reduce AFC's environmental footprint and support green industries.
- 4. Obtain carbon footprint verification and publish GHG emission statements, enhancing transparency and accountability in our environmental impact.
- 5. Transition energy usage towards loweremission alternatives, adapting energyefficient practices throughout AFC's facilities.
- 6. Integrate internal carbon pricing into investment decisions to support green projects, considering emissions costs to prioritize sustainable investments.
- 7. Fifty percent of AFC locations will produce their own renewable energy.

# **Expanding Environmentally Conscious Financial Solutions and Inclusive Growth**

AFC's High Impact Goals (HIG's) - HIG 1 - Lead the transition towards Sustainable Mobility Solutions | HIG 2 - Drive Financial Inclusion | HIG 3 - Promote MSME Development, collectively represents the Company's intention to focus on lending activities that support environmental and social sustainability by;

- 1. Screening all lending applications through ESMS (SPMS) screening process.
- 2. Prioritising funding for projects that support climate-resilient agriculture, renewable energy (e.g., solar), and sustainable practices in key industries like Tea, Cinnamon, and Dairy.
- 3. Assigning responsibility to branches to identify rural and marginalised Geographic for expansion, with hiring practices to reflect the local workforce, thereby strengthening AFC's commitment to regional economic arowth.
- Deploying virtual branches in remote areas enhancing financial inclusion and service reach to unbanked and underbanked communities.

Developing and promoting financial products that support climate resilience, contributing to the national agenda of enhancing sustainable agricultural and energy sectors.

# **Building an Organisation-wide Culture of** Sustainability

AFC believes that sustainability must be embedded in the company culture and its DNA, where every employee commits and champions our environmental and social mission. To foster a culture of sustainability, the Company;

- 1. Regularly provides internal training on sustainability principles, including workshops and seminars that highlight AFC's sustainability objectives and global ESG standards.
- 2. Encourages staff to attend external conferences and events to stay informed of sustainability trends, enhancing their expertise and fostering innovation within the company.
- 3. Organises events that encourage staff volunteerism in community projects, leveraging branch locations to engage employees in sustainability-driven activities.
- 4. Designates sustainability ambassadors for each branch tasked with implementing sustainability initiatives at the branch level.

# **Enhancing Social and Environmental Well-Being with Expanded Profit Allocation**

AFC has doubled its profit allocation to 8% towards social and environmental wellbeing since 2022/23, underscoring the commitment to positive societal impact. This increase aims to broaden the scope and depth of the Company's initiatives, including;

- 1. Dedicated branches to support the AFC Social Entrepreneur Development Initiative, facilitating investment in MSMEs that drive social and environmental benefits.
- 2. Cultivating partnerships with local and international organisations to support new environmental projects, aligning with UN SDGs and reinforcing AFC's role as an industry leader in sustainable finance.
- 3. Exploring additional social and environmental projects based on emerging sustainability needs, with a particular focus on marginalised communities.

# **SLFRS S1 & S2 Conformity**

# Industry Based SUSTAINABILITY DISCLOSURE TOPICS & METRICS

22 Thoughts from our Leadership

Topic	Metric	Category	Unit of Measure
Data Security	(1) Number of data breaches, (2) percentage that are personal data breaches, (3) number of account holders affected	Quantitative Number, Percentage (%) Zero	Number, Percentage (%) Zero
	Description of approach to identifying and addressing data security risks  Discussion  The organization carries a risk assessment on each information systems asset to identify the criticality of the asset based on the Technology Risk Management framework. After the analysis is completed there will be a score that is arrived at, which will define the controls and procedures that will apply to the asset. Ie, Hardening, Vulnerability assessment frequency, Patch management priority, DR Plans etc. This will be on top of the standard controls applied to the asset as part of organizational policies.  The operational procedures are specified in the information systems security policy and acceptable usage policies, DR procedure manuals, along with the internal procedure manuals of the department. These procedures and policies are periodically reviewed to align with changes in the technology and regulations landscape.  The selection of business partners is conducted through evaluations of organizational requirements against readily available products and gap assessment on the scope of customizations, vendor evaluations etc., aligning with the procurement procedures of the organization.	Zero Discussion and Analysis	Zero n/a
Financial Inclusion & Capacity Building	(link IT risk Management Framework) (1) Number and (2) amount of loans outstanding that qualify for programs designed to promote small business and community development (HIG 3)	Quantitative Number 21,044 LKR 19,446 Mn	Number, Presentation currency
	(1) Number and (2) amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programs designed to promote small business and community development  HIG 3 portfolio past due loans restructured or rescheduled or recovered through	Quantitative N 418 LKR 297 Mn	Number, Presentation currency
	alternate actions without going through a legal action process  Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	Quantitative	Not applicable
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers 50% of Micro MSME customers	810	Number
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	Discussion and Analysis Given below (ESMS)	n/a
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Quantitative (Given below) Link	Metric tons (t) CO <sub>2</sub> -e
	Gross exposure for each industry by asset class	Quantitative Given below link	Presentation currency
	Percentage of gross exposure included in the financed emissions calculation	Quantitative 72.5%	Percentage 72.5%
	Description of the methodology used to calculate financed emissions	Discussion and Analysis (Included below)link	n/a

Topic	Metric	Category	Unit Of Measure
Business	Total Amount Of Monetary Losses As A Result Of Legal Proceedings	Quantitative	Presentation
Ethics	Associated With Fraud, Insider Trading, Antitrust, Anti-Competitive	None	Currency
	Behaviour, Market Manipulation, Malpractice, Or Other Related		
	Financial Industry Laws Or Regulations		
	Description Of Whistleblower Policies And Procedures	Discussion And Analysis	N/A
		Given Below	
Systemic Risk	Global Systemically Important Bank (Gsib) Score, By Category	Not Applicable	Not Applicable
Management	Description Of Approach To Integrate Results Of Mandatory And	Discussion And Analysis	N/A
	Voluntary Stress Tests Into Capital Adequacy Planning, Long-Term	The company performed a stress test on	
	Corporate Strategy, And Other Business Activities	capital for a 3 to 5-year period, focusing on	
		variables such as new lease/loan executions,	
		gold loan growth, AWPLR movements, and	
		credit cost (impairment).	

# Whistle-blower policy

AFC's Whistle-blower Policy provides a clear and confidential channel for employees to report, in good faith, any improper, illegal, unethical, or unsustainable practices observed within the organisation. The policy establishes clear guidelines for managing whistleblower complaints. Accordingly, a Non-Executive Director has been designated as the designated authority for receiving and addressing these concerns.

Upon receiving a report, the appointed Non-Executive Director is responsible for carrying out a fair and thorough investigation. Once concluded, the findings and written recommendations are submitted to the Board of Directors for appropriate action, further reinforcing AFC's commitment to ethical conduct, transparency, and good governance.

# AFC's Approach to Incorporating Environmental, Social, and Governance (ESG) Factors in Credit Analysis

Underpinned by the longstanding commitment to sustainable finance, AFC adopts a structured and principled approach to embedding environmental, social, and governance (ESG) considerations into its credit assessment framework. Central to this approach is the implementation of the Sustainability Performance Management System (SPMS), a proprietary framework developed to ensure that the sustainability issues associated with clients' activities are effectively identified, assessed, and managed throughout the credit lifecycle.

The SPMS is built on the integration of two core concepts: sustainability and performance management. In this context, sustainability is defined as "creating an economic system that ensures quality of life for beneficiaries while preserving the environment and its resources." Performance management refers to "activities that ensure organisational goals are consistently met in an effective and efficient manner." Together, these principles form the foundation of sustainability performance management, which AFC defines as "activities that ensure its sustainability objectives are achieved effectively and efficiently."

The main purpose of the SPMS, is to ensure AFC credit decision-making processes operates in alignment with national development priorities and global sustainability goals.

# **Scope of Application**

The SPMS applies to AFC's leasing, SME finance, and microfinance operations, but does not extend to savings and deposit products or gold-backed lending. However, the guiding principles of responsible finance remain consistent across the organisation.

AFC recognises that long-term profitability is intrinsically linked to the sustainability of the communities and environments in which it operates. This belief underpins the Company's commitment to four core sustainability principles in its financing operations:

# Mitigating Sustainability Risk Within the Portfolio

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AFC acknowledges that certain business activities may negatively impact the environment or surrounding communities. These impacts can pose material risks to both the client's repayment capacity and AFC's reputation. To safeguard the quality of its loan book, AFC conducts rigorous ESG assessments to evaluate the sustainability performance of clients and projects prior to financing.

# 2. Supporting Clients in Enhancing Sustainability Performance

Beyond risk mitigation, AFC actively engages with clients to promote improved sustainability practices. Through structured dialogue and advisory support, the Company helps clients address environmental and social concerns, seize green growth opportunities, such as renewable energy adoption or organic certification—and access targeted financing to support these transitions.

# 3. Advocating for Sustainability Among Stakeholders

AFC aspires to play a catalytic role in advancing Sri Lanka's sustainable development agenda. To this end, it engages collaboratively with key stakeholders, including regulatory authorities, industry peers, clients, and non-governmental organisations, to foster shared learning, influence policy, and build a collective roadmap towards inclusive and responsible finance.

# SLFRS S1 & S2 Conformity

# 4. Enforcing Sustainability Standards in Financing Decisions

AFC's financing activities are strictly aligned to the regulatory frameworks applicable to licensed finance companies, as well as AFC's purpose and core values. Clients whose activities are misaligned with AFC's these mandates, or who are unwilling to meet these standards within an acceptable timeframe, will not be eligible for financing.

# AFC Scope 3, Category 15 GHG Emission reporting Methodology

AFC Loan Book

AFC loan book includes Vehicle loans, Gold Loans, Gold investment loans, Micro Loans, and Climate loan. Loan portfolio composition is as follows;

- ∨ Vehicle leases and loans 72.5%
- Gold Loans 24%
- Other Loans 3.5% (include Gold investment loan, solar and Climate smart Agri)

AFC has accurate details of it Vehicle loans including vehicle type, models, and year of Manufacture etc. AFC estimate the average fuel efficiency of its vehicle portfolio at each geographic region. AFC also estimate the average running of each category of vehicle through a sample survey. Using above data and GHG emission protocol related to fossil fuel emission, AFC will more accurately measure its Vehicle related GHG emission.

AFC will analyze the specific industrial sector exposure to other two categories as per the purpose based system classification of sectors and sub sectors of Gold loans and other loans. Fifty percent of the Gold loans are taken for consumption purpose Based on the proportionate

exposure to each industry sector, AFC will use industry specific GHG emission estimates to determine the potential emission. AFC will undertake field surveys to determine the proportionate investment exposure to each sector by using AFC average funding ratio to specific businesses. AFC will use SBTi finance sector near term minimum measurement requirements to decide the goal loan and other loan emission reporting.

Portfolio excluded for Financed emission: Fifty percent of Gold Loan portfolio (consumption) =12%, No emission portfolio of Gold investment and Solar = 1.8%.

Portfolio not covered in 24/25=12%

### **Assets under Management (AUM)**

Scope 1, 2, and 3 emissions of AFC Vehicle yards will be measured by using the standard emission measurement tools. No other AUM by AFC.

However, Vehicles at the yards are not running and therefore no emissions reported under AUM

### **AFC Investment Book**

- AFC subsidiaries & Associates AFC will use the Disclosed total Emissions (Scope1,2,3) of its subsidiaries in proportion to its investment stake.
- 2. AFC strategic Investment in Sanasa Development Bank- AFC will use the Disclosed total Emissions (Scope1,2,3) of SDB in proportion to its investment stake.
- 3. AFC investments in the Stock Market AFC will use the Disclosed total Emissions (Scope1,2,3) of invested stocks in proportion to its investment stake.
- 4. AFC investment in T bills, Bonds and Unit Trusts and Banks if significant, AFC will use the Disclosed total Emissions (Scope1,2,3) of invested entities in proportion to its investment stake. Investments in Government T-bills and bonds and all investments less than one-year maturity are excluded.

Note: No published data is available on the total emissions of the aforementioned investee companies.

# Targets and Metrics GRI 302-5, 305-1, 305-2, 305-3, 305-4, 305-5

# Annual Targets in tCO₂e

Data verification and certification adhere to ISO 14064-1:2018 standards by the Sri Lanka Climate Fund of the Ministry of Environment, along with compliance with the SLFRS S1 and SLFRS S2 standard

Goal level Targets	24/25	25/26	26/27	27/28	28/29
	Actuals				
1. Attain Scope 1 carbon neutrality by 2030.	106	104	99	94	89
Baseline 115 23/24					
2. Attain Scope 2 carbon neutrality by 2030.	398	480	456	433	412
Baseline 532 23/24					
a. Scope 1 and 2 emission target	504	584	555	527	501
Baseline 23/23 647					
b. offset through sequestration target	500	500	500	500	500
c. Scope 3, C 1 to 14 – 23/24 2544	2349	2349	2544	2544	2544
d. Scope 3 , 15 Financed emissions – 23/24- 153,556	168,470	176,894	176,894	176,894	176,894
e. Total Scope 3 -156,100	170,902	179,243	179,243	179,243	179,243
f. Scope 3 reduction through sequestration	10,246	13,167	16,049	18,689	20,933
g. Scope 3 reduction through offsets (solar finance)	1,953	3,906	5,859	6,445	7,089
Scope 3 reduction %	-1.6%	-3.8%	-0.7%	1.2%	3.1%
h. Specific emission target	Scope 3				
(Scope 1 & 2) 23/24, MT	1643				
Scope 1 & 2 Scope 3	2156				
CH4 - 0.49, 1,550					
N20 - 0.58, 1,991					
I. Specific Emission target , Scope 3 23/24	Not targeted	Not targeted			
CH4 -30.15					
N20 – 29.19					
2. Achieve 120,000 MT of CO2 equivalent sequestration by 2030.	30,998	44,665	61,215	80,404	101,838
Base line 20252 MT 23/24					
3. Plant 1.33 million trees by 2027/2028.	883,000	1,033,000	1,183,000	1,333,000	
Baseline 733000 23/24	Actual				
	863,000				
4. Annual eCo2t sequestration at 80% efficiency	10,746	13,667	16,649	19,189	21,433
5. Enhance energy efficiency by 5% annually.	505	480	456	433	412
Base line 532 MT Co <sub>2</sub>					
Decrease direct greenhouse gas emissions by 5% annually.	109	104	99	94	89
7. Attain a climate finance target of LKR 1000Mn by 26/27.	400	700	1000	1200	
8. Annual planting of 150,000 trees	128,674	150,000	150,000	150,000	
9. Allocating a minimum of 50% of the annual 8%	65				
Profit towards sustainability actions for climate and environment. LKR Mn				······	
10. Converting 50% of AFC buildings and branches to solar energy by 2027.	03	20	15		
11. Setting energy-saving targets to enhance energy efficiency. KWH	5000	5000	5000	5000	5000
<ol><li>Implementing at least five actions annually for biodiversity conservation, ecosystem restoration, and protection of fauna and flora.</li></ol>	5	5	5	5	5
13. Decreasing water and paper consumption by 5% each year.					
14. Advocating for efficient solid waste management practices No of actions	5	5	5	5	Ę
15. Minimizing the usage of non-degradable plastics. Number of Actions					
16. Offsetting indirect greenhouse gas (GHG) emissions by customers through tree planting initiatives. Base line 2023 5674 tCo₂e	10,246	13,167	16,049	18,689	20,933
17. Advocating for the reduction of indirect GHG emissions from suppliers.	3	3	3	3	3

# **SLFRS S1 & S2 Conformity**

# **Approach to Risk Assessment**

# Scenario Analysis

Туре	Sort term and Medium term Scenario Analysis	Short Term Potential Financial Impact	Medium Term Potential Financial Impact	
	Climate-Related Risks	Warming at 2c level	Warming at 2c level	
Transition Risks	Increased pricing of GHG emissions	Increased cost of compliance	Increased cost of Compliance	
	<ul> <li>Mandates on and regulation of existing products and services</li> <li>Exposure to litigation</li> </ul>	No risk as AFC will comply Increased cost of compliance	No risk as AFC will comply Increased cost of compliance	
	Costs to transition to lower emissions technology	Increase R&D expenditure Increased software cost and staff cost	Increase R&D expenditure Increased software cost and staff cost	
	Uncertainty in market signals	Cost increase	Cost increase	
	Increased cost of raw materials	Cost increase	Cost increase	
		No short term material impact		
Physical Risk	Increased severity of extreme weather events such as cyclones and floods	eather events such as cyclones Rathnapura and Akuressa) are in high-risk	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected.	
			There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation	
		No material impact		
		There is a risk of damage to furniture and equipment of Kaduwela location		

Туре	Climate-Related Opportunities	Short Term	Medium Term
		Warming at 2c level	Warming at 2c level
Resource Efficiency	Use of more efficient modes of transport	Cost saving due to targeted monitoring and moving to electric	Cost saving due to targeted monitoring and moving to electric
	Reduced water usage and consumption	Water Cost saving	Increased revenue and improved cost efficiency with digitized green products and virtual branches
Energy Source	Use of lower-emission sources of energy	Energy cost saving	Water Cost saving
	Use of supportive policy incentives	Fuel cost saving	Energy cost saving
	Shift toward decentralized energy	Increased access to DFI funding	Fuel cost saving
	generation	Increased business volumes	Increased access to DFI funding
Products and	Development and/or expansion of low emission goods and services	Increased demand for renewable energy financing	Increased business volumes
Services	Development of climate adaptation and insurance risk solutions	Increased revenue from climate adaptation loan products	Increased demand for renewable energy financing
	Development of new products or services through R&D and innovation	Increased revenue from climate adaptive new products	Increased revenue from climate adaptation loan products
	Ability to diversify business activities	Increased revenue prom new green financing	Increased revenue from climate adaptive new products
	Shift in consumer preferences	Increased revenue due to consumer preference for green brands	Increased revenue prom new green financing
Markets	Access to new markets	Increased revenue due to increased funding availability for portfolio	Increased revenue due to consumer preference for green brands
	Access to new assets and locations needing insurance coverage	No short term material impact	Increased revenue due to increased funding availability for portfolio
Resilience	Participation in renewable energy programs and adoption of energy-	Cost reduction due to energy saving measures and shifting to renewable energy.	Access to low cost funding
	efficiency measures	Increased revenue	Cost reduction due to energy saving measures and shifting to renewable energy.

# **SLFRS S1 & S2 Conformity**

Туре	Long Term Scenario Analysis	Potential Financial Impact	Potential Financial Impact
	Climate-Related Risks	Warming at 2c level	Warming at 3c level
Transition Risks	Increased pricing of GHG emissions	Increased cost of Compliance	Increased cost of Compliance
	Enhanced emissions-reporting obligations	Not material	Increased cost of asset replacement
	<ul> <li>Mandates on and regulation of existing products and services</li> <li>Exposure to litigation</li> </ul>	No risk as AFC will comply Increased cost of compliance	No risk as AFC will comply Increased cost of compliance
	Substitution of existing products and services with lower emissions options	Long term material effect	Long term material effect
	Unsuccessful investment in new technologies	Long term material effect	Long term material effect
	○ Costs to transition to lower	Increase R&D expenditure	Increase R&D expenditure
	emissions technology	Increased software cost and staff cost	Increased software cost and staff cost
	Uncertainty in market signals	Cost increase	Cost increase
	○ Increased cost of raw materials	Cost increase	Cost increase
Physical Risk	Increased severity of extreme weather events such as cyclones and floods	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected.	Three of our 90-branch network (Kaduwela, Rathnapura and Akuressa) are in high-risk location. Only Kaduwela branch is subject to direct flood. Some Customers of all three locations get affected.
		No material impact	There will be material negative health effects at 3c level warming.
		There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation	There is a risk of damage to furniture and equipment of Kaduwela location. Will be relocated to a higher elevation
	Chronic		
	Changes in precipitation patterns and extreme variability in weather patterns	No long term material effect	Shortage of water due to higher evaporation and higher evapotranspiration
	Nising mean temperatures	Increased capital cost and energy cost of airconditioning	Increased capital cost and energy cost of airconditioning

Туре	Long Term Scenario Analysis	Potential Financial Impact	Potential Financial Impact
	Climate-Related Opportunities	Warming at 2c level	Warming at 3c level
Resource Efficiency	Use of more efficient modes of transport	Cost saving due to targeted monitoring and moving to electric	Cost saving due to targeted monitoring and moving to electric
,	Use of more efficient production and distribution processes	Increased revenue and improved cost efficiency with digitized green products and virtual branches	Increased revenue and improved cost efficiency with digitized green products and virtual branches
	Use of recycling     ■	Energy efficient buildings	Energy efficient buildings
	Move to more efficient buildings	Improved health and employee satisfaction	Improved health and employee satisfaction
	Reduced water usage and consumption	Water Cost saving	Water cost saving
Energy Source	Use of lower-emission sources of energy	Energy cost saving	Energy cost savings
	Use of supportive policy incentives	Fuel cost saving	Fuel cost saving
	○ Use of new technologies	Less sensitivity to cost of Carbon	Less sensitivity to cost of carbon
	Narticipation in carbon market	Revenue from Carbon offsets	Revenue from Carbon offsets
	Shift toward decentralized	Increased access to DFI funding	Revenue from Carbon offsets
	energy generation	Increased business volumes	Increased business volumes
Products and Services	Development and/or expansion of low emission goods and services	Increased demand for renewable energy financing	Increased demand for renewable energy financing
	<ul> <li>Development of climate adaptation and insurance risk solutions</li> </ul>	Increased revenue from climate adaptation loan products	Increased revenue from climate adaptation loan products
	Development of new products or services through R&D and innovation	Increased revenue from climate adaptive new products	Increased revenue from climate adaptive new products
	<ul> <li>Ability to diversify business activities</li> </ul>	Increased revenue from new green financing	Increased revenue from new green financing
	Shift in consumer preferences	Increased revenue due to consumer preference for green brands	Increased revenue due to consumer preference for green brands
Markets	Access to new markets	Increased revenue due to increased funding availability for portfolio	Increased revenue due to increased funding availability for portfolio
	Use of public-sector incentives	Access to low cost funding	Access to low cost funding
Resilience	<ul><li>Participation in renewable energy programs and adoption of</li></ul>	Cost reduction due to energy saving measures and shifting to renewable energy.	Cost reduction due to energy saving measures and shifting to renewable energy
	energy-efficiency measures	Increased revenue	Increased revenue

# **Key Assumptions**

Temperature rise of 2C<sup>0</sup> and 3C<sup>0</sup> as its major climate risk scenarios.

# Timelines

- Short Term one to five years
- Nedium Term- Five to Ten years
- Long Term More than 10 years

Note: AFC considers that warming above 2c level can only be possible in the long term. Therefore, 3c level is not considered for short term and Medium term risk scenarios.

# **SLFRS S1 & S2 Conformity**

# Assumptions for Quantification for Financial Disclosures

Following assumptions have been used in determining the materiality of financial quantification of climate related risk and opportunities.

- a. AFC has a robust GHG reduction plan for its scope one and scope two emissions.
- Its physical assets are adequately covered on climate related physical risks through insurance and no additional disclosure is necessary.
- c. The Government of Sri Lanka has not announced its desire to enforce emission regulations in its Green Taxonomy for the next five years. Therefore, emission cost allowance is not considered.
- d. Transitional risks: AFC movable assets consisted of ICE vehicles to the value of LKR 415 Mn. In the event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected.
- e. Transitional Credit risk: AFC credit portfolio consisted of 72.5% ICE vehicles to the value of LKR 46 Bn. In the event of any new regulations forcing a phase out of ICE vehicle usage in a less than five-year framework, its Vehicle assets value will be affected and that may affect the credit recoverability. However, this has not been proposed in the government 5-year plan. Therefore suck risk is not foreseen.
- f. Physical Credit Risk: Agriculture portfoliocurrent and planned Agriculture portfolio is less than 0.01 of the total portfolio. The portfolio is entirely adapted to climate risk. Therefore, no material impact is anticipated.
- g. Physical Credit Risk: Agriculture value chain portfolio- The risk department has done an assessment of physical risk on the value chain using historical data and no material impact has been found for loss given default or expected credit loss.

h. Materiality of other Transition risk and opportunities has been assessed based on the scenario analysis and financial disclosure requirements have been determined as follows: Anticipated cost of Short annual Transition risk LKR 1.3 Mn and Physical Risk is LKR 0.8 Mn. Anticipated short term annual Transition Opportunities revenue is LKR 64 Mn. The net short term annual impact would be a positive LKR 62 Mn.

# Risk Management GRI 201-2

AFC has established a comprehensive framework to identify, assess, and manage climate and sustainability-related risks and opportunities, ensuring alignment with international standards and national directives. This framework is built on three key pillars:

# 1

Environmental and Social Management System (ESMS)

Developed in collaboration with an independent consultancy, the ESMS provides a structured approach to evaluating Environmental, Social, and Governance (ESG) risks associated with lending activities. It complements AFC's adherence to the IFC Exclusion List and is reinforced by 15 sector-specific fact sheets. These fact sheets offer detailed guidance to ensure that credit decisions are made with a thorough understanding of sector-specific environmental and social risks, supporting environmentally responsible financing



In response to the Central Bank of Sri Lanka's Sustainability Finance Roadmap and Green Finance Taxonomy, AFC has introduced a dedicated Climate Finance Product Strategy. This strategy integrates climate risk and opportunity considerations into loan evaluations and offers targeted financing solutions for renewable energy, climatesmart agriculture, and waste management. These offerings enable AFC to support lowcarbon and climate-resilient development across sectors, while embedding climate considerations into its core business operations.



These policies reflect AFC's strengthened commitment to sustainable finance by aligning all lending practices with its internal High Impact Guidelines (HIGs). The policies ensure that ESG considerations are integrated into every stage of the credit process, from screening to monitoring, thereby fostering a culture of sustainability and climate consciousness across the organisation

# **Current Commitments**

AFC is committed to advancing its sustainability journey through a holistic, inclusive approach that aligns with organisational, national, and global priorities. By focusing on carbon footprint reduction, expanding inclusive financial products, fostering a sustainability-centred culture, and solidifying our governance structures, we are determined to make a lasting impact on the environment, society, and the economy. Through these efforts, AFC stands as a committed partner to sustainable development, driving progress in line with the UN SDGs and ensuring a resilient future for generations to come. Successfully issuing the first NBFI sector Green Bond is convincing evidence of our sustainability commitment.

# **Increasing Sri Lanka's Forest Cover**

In early 2025, AFC launched an important environmental initiative focused on tree planting at two significant locations: the Piduruthalagala (the highest peak in Sri Lanka) Reservation Forest and the newly opened Shanthipura Viewpoint in Nuwara Eliya. This project aligns with our commitment to enhancing biodiversity, addressing soil erosion, and mitigating climate change.

- Location 1: Piduruthalagala Reservation Forest Focus on planting native species to preserve the local ecosystem.
- Location 2: Shanthipura Viewpoint, Nuwara Eliya Tree planting to enhance the landscape, prevent erosion, and improve the environmental aesthetics of the viewpoint.

The project involves planting native tree species to restore the forest ecosystem and improve soil health, with a focus on sustainable tourism and environmental aesthetics. Over 1,600 trees, including species like Alubombu, Ankenda, and Walarina, have been planted. The project is expected to create a positive environmental impact while supporting local tourism, making Nuwara Eliya a greener, more attractive destination.

# HAPANNU Forest

AFC has announced the launch of a pioneering new sustainability initiative in 2023 that is aimed at promoting environmental conservation in Sri Lanka. The project named "Hapannu Forest" is a forest created by the child savers of the Company and dedicated to the future generations of children. The "AFC Hapannu Forest" is being created close to the Mailapitiya Ranaviru Memorial Tower at Mailapitiya South, Kandy District. The project site is a denuded land of 60 acres owned by the Forest Department of Sri Lanka.

The project's main aim is to teach youngsters about the benefits of forest trees and ecosystems while also encouraging them to save for the future. AFC hopes that school children and youth will visit the site in Mailapitiya, Dulgolla and benefit from the educational opportunities provided by the forest. The forest will be a unique way for children to connect with nature and learn about the responsibility and value of protecting the environment.

As of to date planting of over 7,000 plants covering 11.5 hectares has been completed. As part of the initiative, the Company plans to organise educational tours and events for children to help them understand the vital role forests play in the ecosystem. The implementation of this project will have a positive impact on reducing the national carbon footprint. will also contribute to improving the flora and fauna in these areas while supporting efforts to conserve water and protect the natural habitats of the region as the reserve is located in the Victoria-Randenigala reservoir catchment area, which is a critical water and Hydro electricity source for the country.



# Central Ridge Forest restoration project.

As a follow-up to the Hill country Leopard conservation project of Andrew and Angela Watson Trust, AFC commenced a new phase of providing Native plant species to their Central Ridge forest corridor restoration project. In 2024/2025 we provided 3,500 plants to the project.

AFC also supported creation of a biodiversity site at Ceylon Biscuit Limited Pannala



# **Project Impact**

- Conservation of Natural Resources: Piduruthalagala Reservation Forest is a unique and ecologically significant area that requires continued protection. This project will focus on planting native tree species to help restore and sustain the forest ecosystem, supporting biodiversity and wildlife habitats.
- Erosion Control and Climate Change Mitigation: The newly opened viewpoint in Shanthipura offers a prime location to address soil erosion and environmental degradation in the region. The tree planting initiative will improve soil health, prevent erosion, and support the fight against climate change by increasing carbon sequestration.
- Ecotourism and Sustainable Development: With the viewpoint attracting tourists, the tree planting project will not only enhance the natural beauty of the area but also contribute to sustainable tourism practices. It will create a green, attractive environment, supporting long-term eco-friendly tourism in Nuwara Eliya.

# **SLFRS S1 & S2 Conformity**

# AFC Scope 3, Category 15 GHG Emission reporting Methodology

AFC maintains accurate and up-to-date records of its vehicle loan portfolio, including details such as vehicle type, model, and year of manufacture. This data forms the foundation for estimating the average fuel efficiency of the vehicle portfolio across different geographic regions. AFC also conducts sample surveys to estimate the average usage for each vehicle category. Using this information and the GHG Protocol for fossil fuel emissions, AFC is able to more accurately measure the greenhouse gas emissions associated with its vehicle loans.

In addition, industrial sector exposure of the gold loan portfolio and other lending products are also analysed. Based on the proportional exposure to each industry sector, AFC applies industry-specific GHG emission estimates to determine potential emissions. Field surveys are conducted to assess the actual sectoral allocation of loan usage, using AFC's average funding ratio as a benchmark for specific business activities. Findings indicate that approximately 50% of gold loans are used for consumption purposes

To ensure alignment with international best practices, AFC adopts the Science Based Targets initiative (SBTi) near-term measurement requirements for the finance sector. These standards guide the emission reporting related to its gold loan portfolio and other loan products.

AFC loan book includes Vehicle loans, Gold Loans, Gold investment loans, Micro Loans, and Climate loans. Loan portfolio composition is as follows;

- Vehicle leases and loans 72.5%
- Gold Loans 24%
- Other Loans 3.5% (include Gold investment loan, solar and Climate smart Agri)
- Portfolio excluded for Financed emission: 50% of Gold Loan portfolio (consumption) =12%, No emission portfolio of Gold investment and Solar = 1.8%.
- Portfolio not covered in 24/25=13.7%



# **Business Segment Reviews**



# High Impact Goal (HIG)





















# **Context and Strategy**

AFC's lending operations accounts for the major portion of the business activities. The lending operation is anchored to the Company's High Impact Goals, which represent the core operating principles upon which the business is built.

With the economic recovery in 2024 creating the backdrop for the resurgence of credit appetite from the market, AFC launched a coordinated effort to capitalise on the opportunity to grow its lending book. Strategically expanding its focus beyond traditional vehicle leasing, more emphasis was given to driving fuel efficient small four-wheeler leases and loans as per our HIG 1 goal of driving towards sustainable mobility solutions. At the same time keen to align with emerging market trends and support government efforts towards SME sector empowerment, AFC intensified its value chain financing in the MSME sector and increased lending to climate smart agriculture as well as on renewable energy projects. These initiatives were supported by stringent credit screening processes to minimise potential NPL's and safeguard asset quality over the long term.

The expansion into climate finance was further underscored by the establishment of the Climate Financing Division in mid 2024, a landmark initiative designed to help AFC secure first-mover advantage in this domain. Since its formation, the division has continued spearheading climate finance marketing and product development while also facilitating knowledge dissemination across the organisation. Under its leadership, specialised climate finance marketing teams were trained, and mobilised to aggressively promote AFC's climate finance portfolio across the Country.

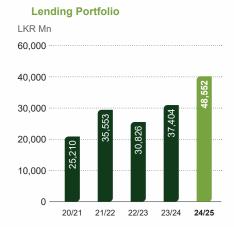
This program supported the improvement of rural sector production, transportation and marketing value chains while creating over 4000 MSME sector jobs.

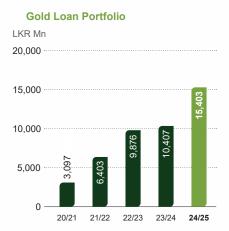
To complement these strategies, the Company expanded its MSME lending in the Northern region exclusively targeting women MSMEs. The main objectives of this program are Women empowerment, gender equality and providing access to finance for unserved and underserved communities and increasing income generation opportunities for low income segments.

Our Gold loan program provided finance access to over 47,753 needy people for their working capital and emergency finance needs while AFC unique Gold investment product serves as an alternate saving and investment vehicle.

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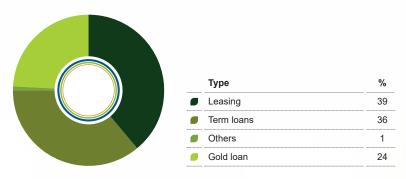
# **Key Performance Highlights**







### **Product wise Portfolio**





# **Future Prospects**

AFC's sustainability-driven operational model, which is anchored to the High-Impact Goals (HIGs) initiated in 2024, will continue to underpin the Company's business expansion over the next five years.

In line with HIG 1 targets, AFC will aim to promote sustainable mobility solutions by redirecting lending to fuel-efficient vehicle financing. This would involve forging partnerships with electric vehicle solution providers to offer preferential lending for electric vehicles.

At the same time, in line with HIG 2, the Company is set to deepen financial inclusion by scaling up its virtual branch concept, with plans to expand to 50 virtual branches by FY 2025/26 mainly targeting underserved rural communities. This initiative will enhance accessibility to financial services, bridging gaps for individuals and businesses in remote locations.

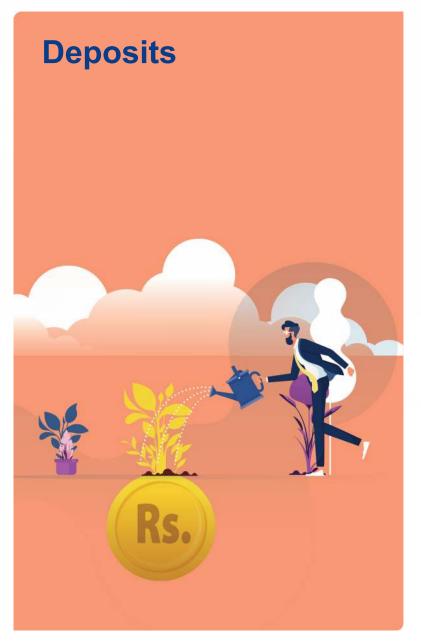
Meanwhile, under HIG 3, the Company will focus on broadening the total value chain-related MSME portfolio to LKR 31 billion over the five-year period, ensuring a more comprehensive and inclusive financial ecosystem to supports businesses across diverse sectors.

Women's empowerment remains another key HIG 3 target. In this regard, AFC plans to expand its Women's Empowerment MSME program across the North, East, and North Western regions of the Country to reach a minimum of 20,000 women entrepreneurs, with a targeted lending portfolio of LKR 2 billion within a 2 year period.

As part of the overall approach under HIG 3, AFC is also planning to accelerate its climate finance agenda by increasing the proportion of lending to green energy and climate-adaptive agriculture within the MSME portfolio. Underpinned by an ambitious LKR 5 billion lending target within the five-year period. AFC will provide crucial financial support to businesses adopting sustainable energy solutions and climate-resilient agricultural practices.

These initiatives will be supported by the existing LKR 1 billion Green Bond alongside fund mobilised through the proposed Green Bond, slated for issue in early 2025.

# **Business Segment Reviews**



# High Impact Goal (HIG)



















# **Context and Strategy**

AFC's Deposit mobilisation activities in the current year were shaped largely by Sri Lanka's evolving economic landscape. The progressive decline in interest rates in 2024 significantly intensified competition for deposits, especially with banks and financial institutions offering similar returns. Furthermore, attracting and retaining deposits proved to be a challenge as customers appeared more inclined to seek out higher-yielding investments to compensate for earnings shortfalls associated with the declining interest rates.

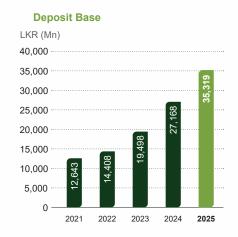
Responding proactively to these evolving challenges, AFC revamped its product portfolio with the introduction of a series of flexible FDs, namely 4-month and 7-month offerings with competitive rates along with a long term 15-month option offering higher returns. In parallel, an aggressive island-wide deposit mobilisation campaign was launched to expand the deposit base at branch-level with Deposit Mobilisation Teams assigned targets to drive both customer acquisition and retention.

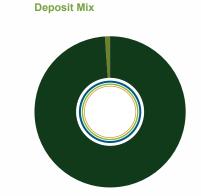
Communication strategies were also further strengthened. The Company's team of relationship managers were tasked with providing guidance regarding the selection of appropriate FD products best suited for the customers' needs, while SMS alerts and other digital communication mechanisms were used to deliver timely information regarding renewals, special promotions etc.

At the same time, the savings proposition was reconstituted with the relaunch of the "AFC Hapannu" minor savings product, positioning it as one of the most versatile minor savings products currently available in the market. As the first Non-Bank Financial Institution (NBFI) in Sri Lanka to introduce Savings Accounts in 2005 underlining the commitment to responsible and inclusive finance. This commitment is further underscored by AFC's unique status as the only NBFI in the country to be certified under the SSCI Sustainability Standards

Meanwhile taking a major leap towards enhancing service levels and improving overall customer experience, AFC commenced work on developing a core solution to replace the current legacy systems with a more robust, scalable, and secure platform. The new fully fledged solution is set to transform back-office functions, reduce downtime, and allow for faster transaction processing, in turn revolutionising the way FD and savings customers interact with their accounts. The system which is currently at the UAT phase is scheduled for the live roll out in 2025.

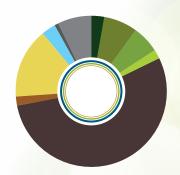
# **Key Performance Highlights**





Туре	% portfolio
Fixed Deposits	99%
Savings	1%

# **Tenure wise Fixed Deposit Base**



	Туре	%		Туре	
_	1 month	3%		24 months	
	3 months	7%		30 months	0%
	6 months	6%		36 months	3%
	9 months	2%		48 months	1%
	12 months			60 months	7%
	18 months		***************************************		



# **Future Outlook**

With interest rates forecast to remain stable at current levels, over the next 12 to 18 months, AFC's short-to-medium-term focus will be to achieve budgeted KPIs while maintaining a healthy renewal ratio across all FD tenures. A key priority in this regard will be to strengthen branch deposit mobilisation to reduce concentration risk and build a more diversified deposit base.

The upcoming live rollout of AFC's new core banking solution will also represent a major milestone for the AFC's deposit operations with Phase 1 of the new system roll out expected to facilitate the seamless migration of existing FD and savings accounts. Phase 2 planned for 2026 would see the implementation of a digital platform for customer onboarding, would significantly enhance accessibility and streamline account opening processes for both FD and savings customers.

In the long term, AFC will aim to strategically pivot towards sustainable and green investment products that will produce first mover advantage in the emerging sustainable investment space.

# **Business Segment Reviews**



# High Impact Goal (HIG)













# **Context and Strategy**

AFC's Commercial Division operated within a highly dynamic macroeconomic environment during the review year. The Market sentiments was affected by speculation surrounding national elections, ongoing import restrictions on motor vehicles and the evolving tax regime, together resulting in wait and see attitude of the potential buyers and a cautious investment climate.

To counter these challenges, the segment implemented a broad based strategic approach. Recognising the risks associated with high price volatility, particularly in the vehicle trading sub-sector, the focus shifted towards expanding commission-based sales. This pivot enabled better risk management while maintaining revenue consistency.

Furthermore, leveraging AFC's widespread branch network and well established dealer relationships, steps were taken to broaden customer outreach and stimulate sales across both vehicle trading and yard stock management operations.

Simultaneously, several opportunities were identified in the corporate space, where strategic relationships facilitated the expansion of the vehicle hiring business. In particular, robust demand was observed for the Rent-a-Car model -, EzyDrive, with corporate clients increasingly opting for electric and hybrid vehicles, signalling a broader shift towards sustainable and cost-efficient mobility solutions.

Meanwhile, additional investments were made to expand the fleet in anticipation of potential demand for comprehensive fleet management solutions from the corporate sector under improving macroeconomic conditions.



### **Future Prospects**

With the lifting of motor vehicle import restrictions in February 2025, the auto industry is poised for a resurgence after a five-year shutdown. Additional factors such as improved political stability, lower interest rates, and exchange rate stability further strengthen the outlook for the Commercial segment.

However, it is important to note that the commercial vehicle segment remains particularly sensitive to macroeconomic policy shifts. As such, the performance of the commercial division may continue to be influenced by broader policy developments beyond the Company's control.

# Financial Capital

# **Management Approach**

AFC's approach to financial capital is focused on prudent, forward-looking strategies that ensure sustainable growth and long-term stakeholder value. By actively managing credit quality and strengthening its capital base, AFC has built a resilient financial position, supported by robust liquidity and a diversified funding mix. Through aligning capital deployment with the changing economic environment and prioritizing customer-focused lending and deposit solutions, AFC aims to achieve consistent profitability and create lasting value for all stakeholders.

# **Inputs**

- USD 12.5 Mn in foreign funding
- 29% growth in Deposit Base
- 15% Y-o-Y growth in Equity
- w Well managed credit quality

# Outputs for AFC - FY 2024/25

286 Supplementary Information

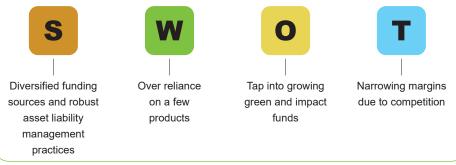
- 35.59% growth in Total Assets
- 35.60% growth in lending portfolio
- № 89% growth in Profit After Tax
- № 4.70% well managed NPL ratio



# **Stakeholder Outcomes**

Higher return on equity	Shareholders		
Tilgrier return on equity	Silarenolueis		
Sustained growth in net assets per share	Shareholders		
		8 CECCHTWORKAND BOOMTH	Target 8.2
Expanded loan and deposit services, supported by improved customer-centric	Customer		Target 8.10
product offerings.	Customer	17 PARTIMEZSIÁPS FOR THE CONLS	Target 17.6
Maintained capital adequacy and liquidity			9
above regulatory requirements, reflecting prudent financial stewardship.	Regulators		
Contributed LKR 1,932 Mn in direct and			114
indirect taxes, supporting national fiscal	Economy		
objectives.	Leonomy		1
			CE PER L
	E		





# **Financial Capital**

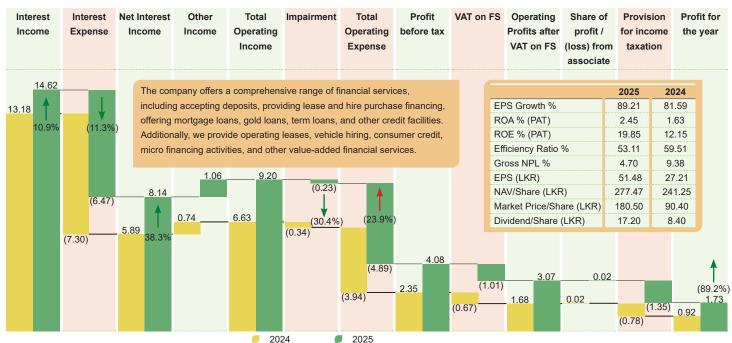
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# **The Company Performance**

Guided by the right strategic direction and aligned with the broader economic recovery and industry trends, Alliance Finance Company PLC recorded a strong performance across all key indicators. The Company's total asset base grew by 35.55%, while its loan portfolio expanded by 35.60%, reflecting renewed market activity and credit demand. A continued focus on portfolio quality resulted in a substantial improvement in asset quality, with the 90-day Non-Performing Loans (NPL) ratio declining to 4.70%, down from 9.38% in the previous year. Supported by the low-interest-rate environment and strategic initiatives undertaken during the year, the Company reported a significant 89% increase in Profit After Tax (PAT), reaching LKR 1,735 Mn.

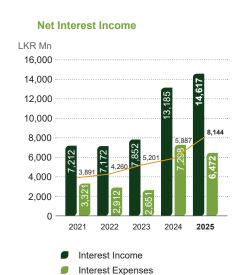
		2024/25	2023/24	Change/Growth%
Total Assets	LKR Mn	81,565	60,175	35.55
Portfolio (Net)	LKR Mn	62,516	46,104	35.60
PAT	LKR Mn	1,735	917	89.21
NPL	%	4.70	9.38	-4.68
Efficiency Ratio	%	53.11	59.51	-6.40

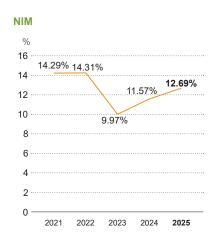
# 2024 vs 2025 Income Statement



# Net Interest Income

During the year, Net Interest Income (NII) grew by 38.35% compared to the previous year, primarily driven by a 38.21% increase in net interest-earning assets and an 11.31% decline in interest expenses. Consequently, the Net Interest Margin improved to 12.69%, up from 11.57% in the preceding financial year.





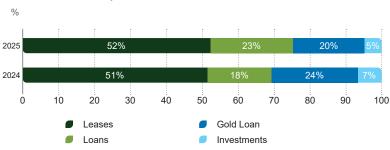
### Interest Income

Total interest income grew by 10.86% compared to the previous financial year, supported by overall portfolio growth. The fixed-rate portfolio also played a key role in maintaining interest income amidst a declining interest rate environment.

Loans and advances were the primary drivers of this growth, with interest income from these facilities increasing by 13.47%, supported by a substantial 63.11% expansion in the loan and advance portfolio.

Although interest income from leases remained the largest component of total interest income, the lease portfolio recorded a modest growth of 6.97% during the year.

### **Interest Income Composition**

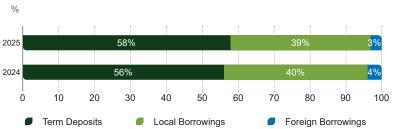


# **№** Interest Expense

Interest expenses reduced by 11.31% despite a 39.39% growth in the lending portfolio. This reduction was driven by the declining trend in market interest rates, which favorably impacted the cost of funds through the repricing of shorter-term and variable-rate borrowings, as well as the management of the fixed deposit base.

Consequently, the company's overall cost of funds ratio decreased to 11.10%, down from 15.91% in the previous year. The annual effective rate of the fixed deposit base also declined to 11.36% during the financial year 2024/25, compared to 15.99% in the preceding financial year.

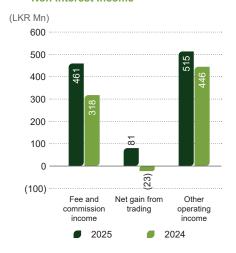
# **Interest Expense Composition**



### Non - Interest Income

Non-interest income, comprising fee and commission income, net gains from trading, and other operating income, increased from LKR 741 Mn in the previous year to LKR 1,057 Mn during the year under review. This growth was primarily driven by service charge income.

### Non Interest Income



# **Impairment Charges**

Impairment charges decreased by LKR 102 Mn during the year, marking a 30% reduction compared to the previous year. This decline reflects the Company's strengthened credit quality, achieved despite significant portfolio growth.

Estimated impairment charges were calculated using the Probability of Default (PD), Loss Given Default (LGD), and Economic Factor Adjustment (EFA), leveraging forecasts and projections from the Central Bank of Sri Lanka and the International Monetary Fund (IMF).

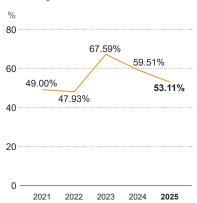
# **Financial Capital**

# **Cost Management**

The company's total operating expenses increased by 24% compared to the previous year. This growth was primarily due to a 32% increase in personnel costs, driven by new recruitments, annual increments, market adjustments, and performance-driven bonus payments.

Despite the increase in operating expenses, the company was able to improve its efficiency ratio, which decreased to 53.11% from 59.51% in the previous year.

# **Efficiency Ratio**



Efficiency ratio – (Operating Expenses (Excl. FSVAT) / Operating Income)

# **™** Taxation

During the financial year, the Company's contribution to government revenue amounted to LKR 1,932 Mn, comprising both direct and indirect taxes paid.

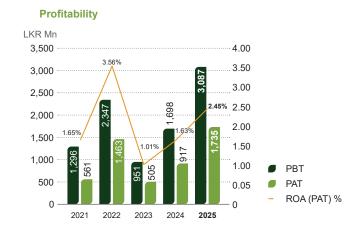
The Company incurred total income tax expenses of LKR 1,352 Mn, reflecting a 73% increase from the previous year. This surge was driven by an expanded tax base and higher taxable income, in line with profitability growth.

Additionally, taxes on financial services increased by 51% to LKR 1,012 Mn, consistent with the growth in operating profitability.

The reported Effective Income Tax Rate (ETR) for the financial year 2024/25 was 43.80% (compared to 46% in 2023/24).

# Profitability

Benefiting from a favorable external environment that fostered a positive business climate, coupled with the successful execution of our strategic initiatives, the Company delivered outstanding financial results. Profit After Tax (PAT) surged to LKR 1,735 Mn—an impressive 89% increase over the prior year—while Profit Before Tax (PBT) rose by 82% to LKR 3,087 Mn

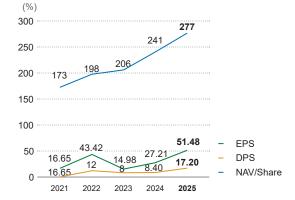


### Shareholder Value

With the notable improvement in Company performance, Earnings per Share (EPS) rose significantly to LKR 51.48, compared to LKR 27.21 in the previous financial year. Additionally, the Company's net assets per share increased to LKR 277 from LKR 241, reflecting a strong balance sheet and underscoring our commitment to sustaining long-term growth and financial stability.

Reaffirming our commitment to delivering reasonable returns to shareholders, the Company paid out a final dividend of LKR 8.40 per share for the year ended 31 March 2024 and an interim dividend of LKR 8.00 per share for the financial year 2024/25. Furthermore, the company has proposed a final dividend of LKR 9.20 per share for the year ended 31 March 2025, highlighting our continued efforts to enhance shareholder value and reward our investors for their trust and support.



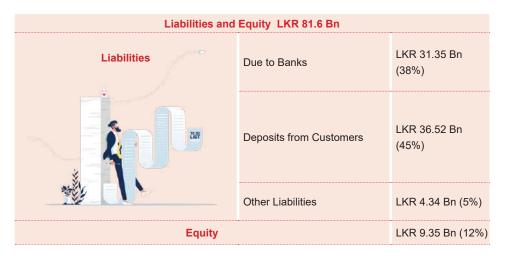


### **Financial Position**

### Total Assets and Liabilities

The Company's total asset base grew by 36% compared to the previous year, surpassing LKR 80 Bn. Notably, 77% of the company's total assets are represented by the lending portfolio, which is financed by bank borrowings, debentures, and customer deposit liabilities.

Assets LKR 81.6 Bn						
Assets	Cash and Investments in Government and Other Institutional Securities	LKR 13.49 Bn (17%)				
	Lease Rentals Receivable & Stock out on hire	LKR 38.34 Bn (47%)				
The state of the s	Loans & Advances	LKR 24.17 Bn (30%)				
***	PPE	LKR 3.39 Bn (4%)				
	Other Assets	LKR 2.20 Bn (3%)				

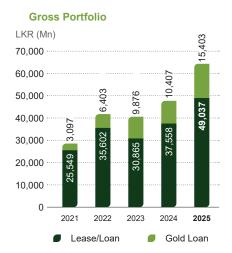


# Portfolio Growth and Assets Quality

The total lending portfolio increased by 35%, primarily driven by a remarkable 63.11% growth in loans and advances, reflecting strong demand and successful expansion in this segment through targeted marketing efforts. Additionally, the leasing portfolio grew by 7%, further contributing to the overall increase in the lending portfolio.

### **Portfolio Composition** % 23 90% 0.23% 2025 2024 0.30% 10 20 30 50 60 70 80 90 100 Gold Loan Leases Other Loans Loans

The Company's gold loan portfolio witnessed a substantial 48% growth. Recognizing the importance of managing price risk in these market conditions, the Company has focused on implementing strategies to mitigate potential losses. This cautious approach ensures that, the Company remains well-protected against price volatility.



The Company reported a gross Non-Performing Loan (NPL) ratio of 4.70% at the end of the financial year, a significant improvement from 9.38% in the previous year. Similarly, the net NPL ratio decreased to 1.71%, down from 5.49% in the same period. These improvements underscore the Company's proactive recovery efforts and robust credit management strategies. By diligently addressing non-performing loans, the Company successfully maintained the gross NPL ratio at a single-digit figure, surpassing the industry average.

Credit quality of the portfolio improved despite the continued strong portfolio growth over the last two years, as demonstrated by the reduction in the absolute value of the NPL portfolio. 02 | About AFC 16 | FY 2024/25 Snapshot 22 | Thoughts from our Leadership 34 | Strategic Direction 90 | Management Commentary 136 | Governance and Compliance 195 | Financial Information 286 | Supplementary Information

# **Financial Capital**

At the same time, the Stage 3 provision cover ratio also improved significantly to 52.2% from 31.9% in the previous financial year.



### As at 31 March 2025

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	49,037	-	133	133	0.3%
Stage 2	12,374	-	210	210	1.7%
Stage 3	3,030	1,317	265	1,582	52.2%
	64,441	1,317	608	1,925	3.0%

# As at 31 March 2024

LKR Mn	Portfolio Outstanding	Individual Impairment	Collective Impairment	Total Impairment	Provision Cover
Stage 1	31,577	-	171	171	0.5%
Stage 2	11,893	-	257	257	2.2%
Stage 3	4,498	1,000	436	1,436	31.9%
	47,969	1,000	864	1,864	3.9%

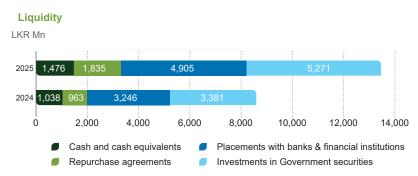
# **№ Property, Plant and Equipment, Investment Property and Intangible Assets**

Seventy-five percent of the Company's Property, Plant, and Equipment consists of freehold land and buildings. During the financial year, the Company invested LKR 407 Mn in PPE, while investments in intangible assets amounted to LKR 39 Mn.

# **Liquidity Position**

The Company considers liquidity to be of paramount importance in its operations. The liquidity position is strategically managed by the treasury team through frequent cash flow projections and securing available credit lines to ensure liquidity is preserved and to meet the financial demands of the increased public deposits.

The Company maintained 1.7 times the total liquid assets against the minimum requirement, reflecting a strong and proactive liquidity management approach.

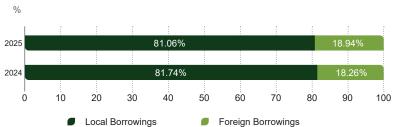


# Borrowings

Total borrowings, excluding time deposits, comprised both local and foreign fundings. Local borrowings accounted for 67% of the Company's total borrowing base. Meanwhile, the foreign funding base increased by 52% with the successful raising of USD 12.5 Mn during the financial year.

The company successfully mitigated exchange rate risks by executing timely and effective hedging arrangements.

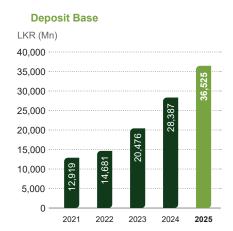




### Deposits

The Company achieved noteworthy performance in deposits, recording a 29% increase in the deposit base compared to the previous year.

The recorded growth in the deposit base during the year was LKR 8 Bn, bringing the total deposit base to LKR 36.5 Bn. Furthermore, the Company maintained an average Deposit Renewal Ratio of 78% despite fierce competition throughout the period. The Company views this growth and retention as an endorsement of the trust and confidence the public has placed in AFC's sustainable business model.



# **Capital**

Total equity, comprising capital, retained earnings, and other reserves, reached LKR 9,350 Mn, marking a commendable increase of 15.01% compared to the previous year.

Financial

Information

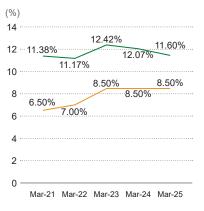
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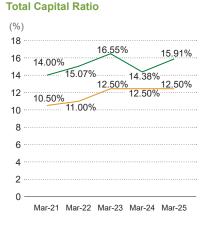
The Company's Tier 1 and Total Capital ratios stood at 11.60% and 16.06%, respectively, at the end of the financial year. These ratios remained well above the regulatory minimum capital adequacy requirements, underscoring the Company's strong ability to maintain sufficient capital to meet any unexpected losses.

# **Tier 1 Capital Ratio**



Core capital ratio

Min. Requirement



- Total Capital Ratio
- Min. Requirment

# Manufactured Capital ®



# **Management Approach**

AFC's efforts to strengthen its manufactured capital are focused on expanding and optimising its branch network and the supporting infrastructure to ensure equal access to formal financial services across Sri Lanka. This includes building and maintaining physical branches equipped with the necessary infrastructure to support efficient, in-person transactions and customer interactions.

# **Inputs**

- № 90 branches
- № LKR 4,400 Mn incurred on PPE to-date
- № LKR 148 Mn incurred on IT infrastructure to-date

# **Outputs for AFC - FY 2024/25**

- 35% year on year portfolio expansion
- 29% year on year growth in the deposit + savings
- 19% year on year growth in overall customer base









Low digital presence



Invest in expanding AFC's digital footprint



Stiff competition in the digital space from immediate peers and the entry of Fin-techs

### **Branch Network**

Alliance Finance Company PLC's (AFC) branch network bears witness to the Company's transition from a conventional finance provider to a fully fledged financial institution committed to deliver progress and prosperity to Sri Lankans across the Country. In the early years, investments in the branch network were primarily concentrated in urban centres, where demand for financial services was highest.

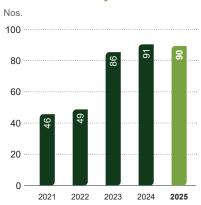
FY 2024/25

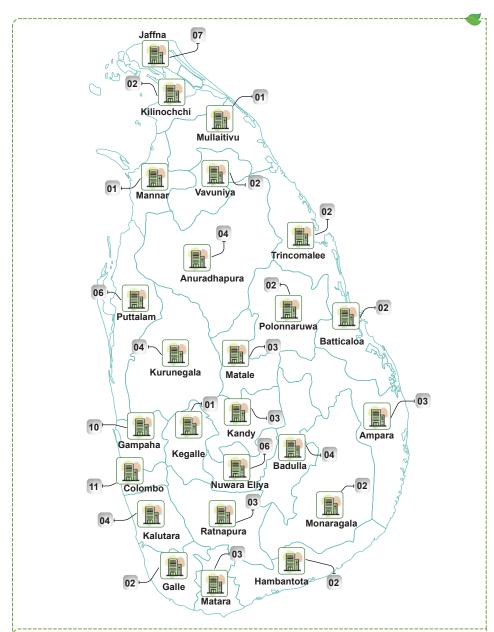
Snapshot

However since the 2000's the Company's branch investment strategy represents diversification and nationwide growth. Between 2000 and 2015, AFC's branch network experienced rapid expansion beyond Colombo, with new branches established in semi-urban as well as rural areas with a view to enabling a broader cross section of the population to benefit from access to formal financial services. Today, AFC's footprint is marked by an extensive network of 90 branches across all 25 districts, all fully equipped to offer AFC's full range of products and services. The branch network remains the Company's main delivery channel and the key enabler in fulfilling AFC's overarching purpose of delivering best-in-class financial products and services that generate sustained progress for all Sri Lankans. To that end, each branch is designed to depict AFC's role as a trusted partner in uplifting lives and fostering long-term prosperity across the nation.

The process of setting up new branches involves strategically mapping out opportunities in unexplored or evolving markets including demographic shifts, such as population migrations or changing consumer preferences, with due consideration of AFC's broader objective of facilitating access to financial services.

# AFC Branches in 5 years





Given AFC's strong island-wide footprint, new branch openings have slowed significantly in recent years. However branch relocations continue in line with the Company's broader objectives. While no new branches were opened in the FY 2024/25, A total of 4 AFC branches were relocated in the current financial year mainly owing to space constraints in existing locations as well as to improve overall visibility.

As part of this same approach, AFC also undertakes to relocate branches. Relocations are based on a strategic reassessment of market potential. In these cases, ensuring adequate space for customer interactions, service efficiency, and future scalability is essential. As urban areas become denser, AFC's branch relocations may prioritise larger, more open layouts that enhance customer experience and accommodate growing demand. Cost efficiency is also a key consideration for branch relocations. If a branch is underperforming due to low footfall, unfavourable lease terms, or high operational costs, relocating to a more viable location can improve financial sustainability.

# **Manufactured Capital**

Year	2021	2022	2023	2024	2025
No of Branches	46	49	86	91	90
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Investment in the Branch Network (LKR)	66,730,894	108,054,073	174,893,405	111,656,726	123,817,020
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Investment IT System (LKR)	12,230,194	80,263,561	23,831,523	18,665,994	19,178,731

### IT Backbone

AFC's IT backbone represents a fully integrated and scalable infrastructure designed to support the Company's operations. At the core of this architecture is a state-of-the-art core system that facilitates real-time transaction processing across all AFC branches. This cloud-based infrastructure complies with the ISO 27001 global security standards ensuring the protection of sensitive financial data. AFC IT infrastructure also includes a robust Customer Relationship Management (CRM) system that enables branch teams to maintain seamless and personalised customer interactions.

In addition, the Company's primary data center is located at Dialog Axiata PLC's secure Tier 3 data center in Malabe, and supported by the secondary Disaster Recovery (DR) site stationed at an independent location. The main aim of the DR site is to restore operations with minimal downtime in the event of an unforeseen disruption.

Ongoing investments to strengthen AFC's IT platforms saw a further LKR 19 Mn being allocated in the current financial year to enhance scalability, flexibility, and security of AFC's IT infrastructure.

AFC Invested LKR

97 Mn in the current

financial year in

strengthening the

**Digital Backbone** 

# AI/ML-Based Cyber Threat Detection and Mitigation **Platform**

AFC implemented an AI/ML-based cyber threat detection platform that enhances defense and detection capabilities. The platform uses machine learning to identify and mitigate cyber threats in real-time, improving overall cybersecurity and threat monitoring performance.

# **Asset Management Platform for IT Assets**

The new asset management platform enables full lifecycle management of IT assets, including endpoint DLP controls and centralized software inventory management for improved asset tracking, compliance, and security.

# Service Desk Platform for Automating Internal Workflows

workflows, reducing approval times and paper usage.

# **CRM Mobile Application**

The mobile CRM application which provides realtime access to CRM activities and customer data on the go, allows AFC's field staff to manage customer relationships directly from their devices, increasing efficiency and enabling better customer service.

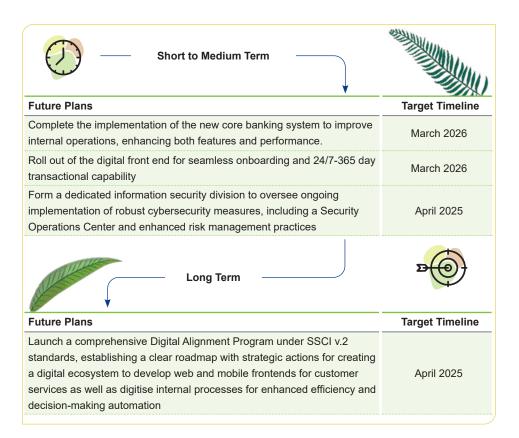
# **Transaction Monitoring and AML Reporting Platform**

The transaction monitoring and AML reporting platform automates transaction monitoring, sanction screening, and GoAML reporting in compliance with FIU standards and internal policies while improving the efficiency of AML investigations.

# **Cloud-Based Dashboard Solution**

The cloud-based dashboard solution provides real-time, customisable performance data and metrics. It allows management to access and analyse information easily, supporting better decision-making with dynamic, ondemand views and drill down capabilities.

The service desk platform automates internal



**2** 

# Social and Relationship Capital

# **Management Approach**

AFC's approach to managing its Social and Relationship Capital stems from the vision to build meaningful, long-term relationships with key stakeholders, based on the principles of trust, transparency, inclusivity, and the shared passion for sustainable growth.

# **Inputs**

- Sustainable Financial Solutions
- Nesponsible Marketing
- Customer Engagement
- Complaint Handling
- Data Privacy
- Supplier Management Framework
- Community Investment

# Outputs for AFC - FY 2024/25

- 18.74% year on year growth in the customer base
- № 97% overall customer satisfaction
- 38% women customers





Access to sustainable financial solutions for all, coupled with a personalised services

process to ensure level playing field and Suppliers

Customers

4 COMITY
EDUCATION

Target 4.4 Target 4.7

1.5

Target 1.4 Target

ENDER CENTER

Target 5.5 Target 5.a

B DECONTACOS AND ECONOMIC CONTACT

Target 8.3 Target 8.1

O BEEUXED

SEEDINGTES

Target 10.2

Reduced inequalities and better quality of life

Fair and transparent procurement

opportunities for growth

Communities

12 RESPUESBLE CONSUMPLIAN AND PRECOCCION CONTROL CONTR

Target 12.7





Strong relationships with customers and suppliers and good standing in the community



Low digital presence



Gain first mover advantage in the sustainable finance space

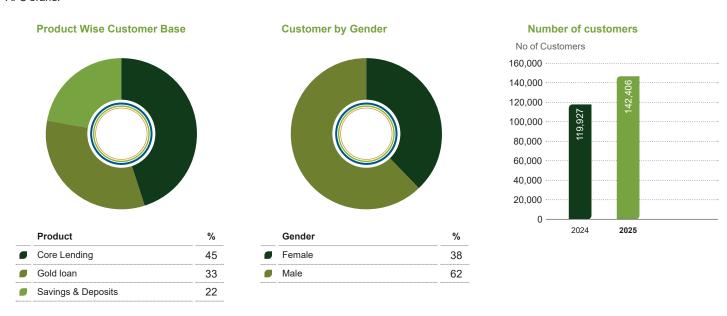


Low switching costs for customers owing to the high level of competitive pressure in the NBFI sector

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### **Customers**

AFC's diverse and multi-generational customer base stands as a testament to the trust thousands of Sri Lankans across the Country have placed in the AFC brand.



# GRI 416 -1, 416 - 2,

## Sustainable Financial Solutions

AFC's High Impact Goals that focus on Sustainable Mobility Solutions, Financial Inclusion, and MSME development with targeted women enterprises and climate finance, serve as the foundation for the Company's customer philosophy. By aligning the customer philosophy with broader strategic goals, AFC aims to ensure that each financial solution demonstrates the Company's deep commitment to empower every customer to achieve their aspirations, unlock opportunities, and build a more secure and sustainable future.

As part of this overall approach, the performance of all products are reviewed regularly to assess market competitiveness, relevance to customer needs, gender equility and consistency with regulatory expectations for transparency and customer protection. These reviews also help identify areas for improvement to ensure all offerings continue to deliver value to customers.

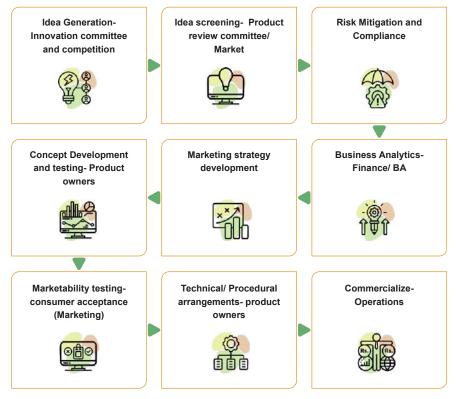


# Social and Relationship Capital

FY 2024/25

There were no incidents regarding non-compliance concerning the health and safety impacts of products and services reported in the current financial year.

### **New Product Development Process**



# GRI 206 -1, 417 -1, 417 -2, 417 -3 Responsible Marketing

As a licensed financial institution governed by the Central Bank of Sri Lanka (CBSL), AFC's approach to responsible marketing is fundamentally aligned to regulatory guidelines. Accordingly, front line sales teams that interact directly with customers receive extensive product knowledge training to educate them on the features, benefits, risks, and terms associated with financial products offered by AFC. The main aim of this exercise is to ensure sales teams do not just market the Company's products, but do so responsibly by providing all relevant information to enable customers to make well-informed decisions that align with their financial goals and circumstances.

AFC's marketing practices also include a multi-channel approach to deliver product information across different demographics and regions to enable customers to receive consistent, accessible, and accurate information to make informed financial decisions. Key marketing channels used include print and electronic media, SMS and email as well as digital mediums such as the corporate website, social media platforms.

Marketing promotional material delivered through these mediums contain all mandatory information such as interest rates, fees and charges, terms and conditions. The development of marketing materials and promotional campaigns follow a structured process, where all content is first reviewed by the Company's Marketing and Product Development teams to ensure factual accuracy, clarity and consistency with AFC's brand values. It is then vetted by the Compliance Department to ensure that it meets all applicable legal and regulatory standards, including the fair disclosure of terms and conditions, with final approval by senior management prior to publication.

Meanwhile, insights from product performance evaluations are also used to refine marketing strategies, update promotional messaging, and guide the development of new solutions that are both impactful and responsible.

In keeping with its responsible marketing approach, AFC does not engage in anti-competitive behaviour, antitrust, and monopoly practices. There were no legal actions reported in regard to anti-competitive behaviour, antitrust, and monopoly practices in the current financial year.

There were no incidents regarding noncompliance concerning product and service information and labelling reported in the current financial year.

There were no incidents regarding non-compliance concerning marketing communications reported in the current financial year.

# Marketing and Promotional Activities for FY 2024/25

- Ikman.lk and Riyasewana Promotion

   average reach 5 Mn potential
   customers
- Solar Lease Promotion average reach 21,801 potential customers
- Ran Ayojana Campaign average reach 2Mn potential customers
- Helios Top Up loan promotion average reach 322 potential customers
- Riya-pola' campaign average reach 113,117 potential customers
- Promotion on Agri and Dairy Loans
   average reach 109,520 potential customers
- Avurudu Thagi Wasi Online Campaign

   average reach 467,840 potential
   customers



## **Customer Engagement**

Customer engagement goes hand in hand with AFC's commitment to responsible marketing. Branch teams interact directly with customers and play a central role in driving customer engagement. Branch teams are encouraged to connect regularly with their customer base to understand their evolving needs and provide timely support.

Moreover, the dedicated Customer Care Relationship Management (CCRM) Desk at AFC's head office offers personalised trilingual support to walk in customers. Likewise, the Marketing Call Center (MCC) operates a dedicated Call Hotline – 1321 to provide immediate support. In 2024, a trilingual Interactive Voice Response (IVR) system was integrated with the PABX network at the MCC to enable customers to receive support in their preferred language - Sinhala, Tamil, or English.

### **Measuring Customer Satisfaction**

The MCC conducted a customer satisfaction survey covering AFC's customers across the Country.

## Customer segments covered;

- 100% of Leasing / Speed Cash customer base (branch wise).
- № 100% of Fixed Deposit customer base (branch wise).
- No A minimum of 25% of total Gold Loan customer base.

# Key findings;

Overall Customer Satisfaction : 97%

Recognising the growing importance of digital channels, AFC continues to prioritise efforts to drive greater engagement by leveraging social media platforms. Through active online engagement, the Company aims to not only respond to customer queries and feedback in real time but also build stronger, more meaningful connections with its customer base.

### Customer Engagement through Social Media for FY 2024/25



Financial education, employee engagement, giveaways, and promotional campaigns gained 10,000 followers with 1.5 million total views in the first year. Most successful video reached 834.5K views.



AFC Hapannu Campaign on World Children's Day 2024, AFC Thuthi (employee recognition), AFC Anniversary Celebration, and promotional campaigns for various financial products 11.3K followers gained in 2024. Achieved 4M reach across all posts.



Focused on sustainability content, event highlights, and recruitment posts. Grew to 1,320 followers, achieving 100,062 impressions. Aimed at reducing recruitment costs and attracting talent aligned with our corporate values.

#### GRI 2-25, 2-26

### **Customer Complaints**

AFC views customer complaints as an opportunity for continuous improvement of the Company's internal systems and process architecture.

Customers can lodge complaints in person at branches, via email or through a dedicated page on the corporate website. Complaints can also be made directly to the CCRM desk or the MCC

In keeping with the latest guidelines issued by the Central Bank of Sri Lanka, the complaint management process was updated in the current year with a view to strengthening governance and enhancing responsiveness.

Accordingly, a built-in complaint management module was introduced to the Customer Relationship Management (CRM) system enabling efficient recording of issues, which are then escalated to the appropriate authority for resolution, ensuring that every complaint is tracked and addressed in a structured and accountable manner.

Root cause analysis is conducted to identify patterns or recurring issues, allowing for meaningful enhancements in products, services, or internal processes.

# **GRI 418-1 Data Privacy**

Data privacy is an integral part of AFC's customer value proposition. Acknowledging the growing importance of responsible data management, the Company's Customer Protection Policy was reviewed and updated in 2024 in alignment with the latest guidelines issued by the Central Bank of Sri Lanka (CBSL). Following approval at Board level, the updated policy was published on the intranet, making it accessible to all employees and reinforcing internal awareness around data protection and customer rights.

To ensure full transparency, the corporate website was also updated with comprehensive information on customer protection. Simultaneously several training workshops were initiated with support from the Recovery, Risk/Compliance, Legal departments and the Marketing team. Two in-person workshops were

# **Social and Relationship Capital**

conducted for Heads of Departments and Regional Heads, followed by two virtual sessions via Zoom for Branch Managers and relevant staff. For greater clarity of AFC branch teams across the country, all sessions were delivered in all three languages - Sinhala, Tamil, and English.

There were no incidents regarding breach of data privacy reported in the current financial year.

#### **GRI 2-6**

# **SUPPLIERS**

AFC's day-to-day operations are supported by a network of suppliers who play a critical role in ensuring business continuity through the timely provision of goods and services. The Company maintains a predominantly local supplier base, with a majority being Sri Lankan entities or individuals, underscoring AFC's commitment to building long-term, collaborative relationships that will contribute towards economic empowerment across the Country.

AFC Supplier	Base - FY 2024/25		
Supplier Category	Products / Service Supplied	No. of Suppliers	Percentage of average annual procurement spend
Advertising & Marketing Materials	Printing & supplying of all kind of PVC stickers, corrugated boards, Digital Banners, Flex Banners, X Banners, Name boards, Hoarding, Leaflets, Banners, Corrugated board, Indoor-Outdoor, Vehicle brandings and Publishing of Newspaper advertisement Tenders, Fiscal & Auction Ad	19	9.30%
Welfare	Supplying of Drinking water bottles and Water dispensers, Hand Soap, Nescafe, Sugar, Tea Leaves, Sanitizer, Vending Machines, Tissue, Toilet Rolls and Company T-shirts	15	2.57%
Repair & Upkeep	Supplying of all kinds of bulbs, LED, Pannels, Flash lights, Electric Jugs, Kettles, Heaters, LED Adaptors, Fire Extinguishers, Network, Repair, Transport providers, Pest controlling and related things, Cleaning Services, Sanitact bin & service, Light fixing, bouth, sucker, Elevator service & maintenance, AC Repair & Service	45	1.39%
Turnkey Projects	Supplying of Carpets & Vynile, ATS Panel, PABX System, Telephone instruments, all kind of painting works and installation of network, voice systems	34	16.03%
Fixed Assests	Supplying of Air Conditioning units and it's repairs, Services, Bathware items and installation, Installation of CCTV Camera, Fire Alarm System to all branches and purchasing of Digital camera, Branch infrastructure, renovation, modifications, Interiors, Officeware, Cash Counting Machines, Densimeters, Furniture Officewares, Generators, Printers, Computers, Laptops, Desktops, NUCs, Mini PCs, Generators, Safes, Software systems, Medical Equipment	110	42.37%
IT Consumables	Supplying of USB Keyboard, USB mouse, Hard Discs, Lap Batteries & Keyboards, Bags, Adaptors, Network Switches, USB / Network/ Power Cables, Lap Bags, Toner, Ribbons, Cartridges and Printing of Bar code stickers, Company ID cards and It's scanners	6	6.31%
Stationary	Supplying of all kind of calculators (Normal and Hi-end), all kind of stationaries, Polythene bags for article packeting, Rubber seals	13	1.05%
Blank Papers	Supplying of Photo Copy Papers	1	2.96%
Pre Printed Materials	Supplying of Preprinted documents, books, registers, file covers, envelopes, security documents (cheques & FD certificates), Continuation forms (Receipts, Pawning tickets, Reminders, vouchers)	17	6.80%
Promotional Items & Printing	Branding water bottle for Gift, Company Diaries, Calendars, Invitation cards with envelopes, Branding Key tags, Bags	19	9.00%
Vehicle Maintenance	Supplying of Spares & Tyres	2	0.21%
Office & Hiring Equipment	Supplying of Phone units & Accessories, Photocopy, Computer, Laptop hiring	11	1.14%
General	Supplying of Cardboard boxes, Gold assessing tools for Pawning centers, fire warden jackets, Accessories for Bush Cutter, Safe shifting and transportation	13	0.87%

Strategic

Direction

FY 2024/25

### **Supplier Management Framework**

As outlined in the Board-approved Procurement Policy, AFC engages exclusively with registered suppliers to ensure transparency, fairness, and accountability in all procurement activities. A comprehensive supplier registration process is in place to create a level playing field, offering equal opportunity for prospective suppliers to be included in the official supplier registry. This registry is reviewed and updated annually, with all new suppliers required to complete a detailed registration process.

The process of registering new suppliers begins with calling for applications. Supplier applications can be submitted online with all applications subject to an independent evaluation by the Company's Procurement Unit. The screening process includes background checks and verification of credentials, along with a thorough assessment of compliance with ethical and sustainability criteria. These include suppliers who meet the required standards are onboarded to the registry upon submission of a signed self-declaration affirming their adherence to ethical business conduct, including the commitments to non-employment of child labour, providing equal opportunities for women, maintaining safe and healthy working environments, and adhering to environmentally responsible practices. Inclusion in the registry allows approved suppliers to access procurement opportunities and build mutually beneficial relationships with the Company.

To ensure ongoing accountability, AFC conducts an annual performance review to assess supplier adherence to quality, reliability, and ethical commitments. Based on the performance outcomes, reliable and high-performing suppliers are offered long term contracts that ensure stability and reliability for both parties. Additionally the Company works closely with underperforming suppliers to understand and help them overcome shortcomings.

No material negative social or environmental impacts were identified among any of the suppliers screened.

No confirmed incidents of corruption were identified among any of the suppliers screened.

#### **AFC's Commitment to Procurement Best Practices**

- Direct Contracting: For low-value purchases with trusted vendors who have successfully completed previous orders with the Procurement Manager empowered to invite such suppliers to continue the relationship.
- Request for Quotation (RFQ): For mid-range value purchases, where the Company solicits quotes from multiple registered or identified suppliers who meet the basic requirements.
- Invitation to Bid (ITB) & Request for Proposal (RFP): For high-value or complex purchases, a more competitive bidding process be employed.



# GRI 203-1, 203-2, 413-1, 413-2 Community

AFC's efforts towards the community go beyond the provision of financial services to connect with communities on a deeper level with the Company's extensive branch network serving as the main conduit for building meaningful connections with communities across the Country.

### **Community Investment**

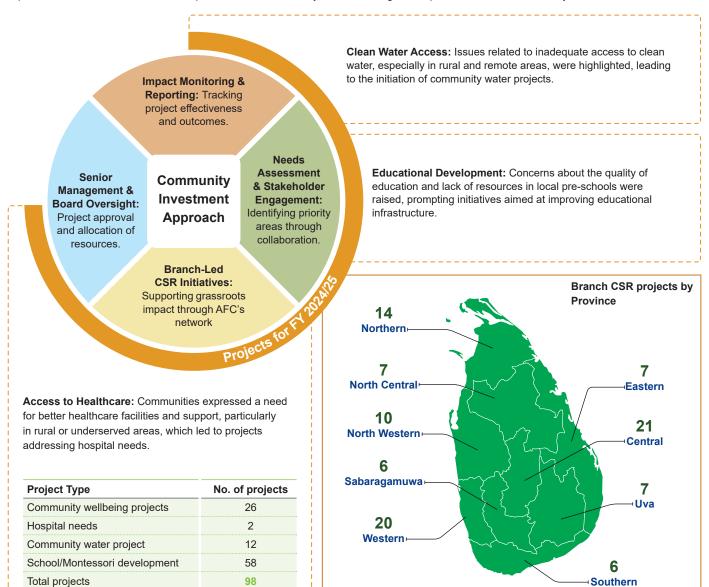
Guided by its core purpose, AFC focuses on initiatives that drive inclusive development and improve quality of life, particularly among underserved and economically vulnerable communities.

Community project proposals are first submitted to the Sustainability Department for initial evaluation, with successful proposals forwarded to senior management for final approval taking into account its potential impact and budgetary requirements. Once approved, the Sustainability Department in close collaboration with Regional Heads, Branch Managers, and branch staff oversees implementation. Progress on all initiatives is reported quarterly to the Sustainability Department and from thereon escalated to the ESG Committee and the Board.

# Social and Relationship Capital

Projects are financed through the Company's annual Sustainability Budget enabling branches to be allocated necessary funds to undertake localised community initiatives with management approval. Approximately 8% of PAT for EY 2023/24 was allocated for the current year sustainability budget.

As a provider of financial services, AFC's operations do not have any discernible negative impacts to the wider community.



No	District	No. of Projects
1	Ampara	4
2	Hambantota	1
3	Kegalle	1
4	Mannar	1
5	Matara	1
6	Trincomalee	1
7	Batticaloa	2
8	Kalutara	2
9	Kilinochchi	2

District	No. of Projects
Kurunegala	2
Monaragala	2
Mullaitivu	2
Polonnaruwa	2
Vauniya	2
Galle	4
Kandy	5
Matale	4
Anuradhapura	5
	Kurunegala Monaragala Mullaitivu Polonnaruwa Vauniya Galle Kandy Matale

No	District	No. of Projects
19	Badulla	5
20	Gampaha	5
21	Ratnapura	5
22	Jaffna	7
23	Puttalam	8
24	Nuwara Eliya	12
25	Colombo	13
	Total	98

As part of the CSR initiative, the Badulla Branch provided accident prevention boards to the Badulla Traffic Police to support road safety efforts



Awarded a special scholarship to a student at Mahamathya Vidyalaya, Athurugiriya, to support their educational journey.



As part of the Galle Region CSR project, the children's playground at Mahabodhi Primary School was repaired to create a safer and more enjoyable space for the students



As part of the CSR initiative, the Piliyandala Branch distributed books and study equipment to selected children to support their education



In celebration of Children's Day, distributed school bags to the students of Shaddarmodaya Vidyalaya



Donated stationery packs for a year to support 16 newly enrolled Grade 1 students at Mahabodhi Primary School.



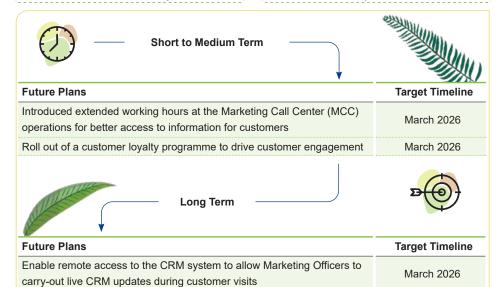
As part of a CSR initiative, the Horana Branch donated water bottles to individuals affected by flood



The Batticaloa Branch donated dry food items to individuals affected by the recent floods in the Batticaloa area as part of their CSR efforts



As part of a community well-being CSR project, the Malabe Branch carried out a flood relief donation to support affected families



# Human Capital



# **Management Approach**

AFC takes a holistic 360-degree approach to managing human capital, is based on generating 100% employee satisfaction at every stage of the employment lifecycle.

# **Inputs**

- Governance, Compliance and Best **Practices**
- w Disciplined Recruitment and Selection
- Competitive Remuneration and Benefit Structure
- Performance Management
- w Training and Development
- **OVER IT SET UP** Career Development
- Employee Relations
- Safety and Wellbeing Employee Engagement

# **Outputs for AFC - FY 2024/25**

286 Supplementary Information

- 206 Employees promoted
- 1:1 Gender Pay Ratio (M:F)
- 38,463 Training Hours



# **Stakeholder Outcomes**

**>** 

Continuous learning opportunities, career progression pathways, and recognition, leading to personal and professional growth within the Company

**Employees** 

Customers



Targets 3.8



Target 4.3 Target 4.4 Target 4.5



Target 5.1 Target 5.5



Target 8.2

Higher returns attributed to a highly dedicated and performance-driven workforce

Higher quality services, innovate

solutions, and personalised attention

Shareholders



Target 10.2





Well established employer brand in the local NBFI sector



Heavy dependence on employees to drive customer outreach



Promote females in the sales



High levels of attrition among sales staff

### Governance Compliance and Best Practices GRI 406-1, 407-1, 408-1, 409-1

AFC maintains a centralised approach to HR governance, where all matters pertaining to human capital are managed under the stewardship of the Company's HR department headed by the Chief People Officer (CPO). The CPO is entrusted with the responsibility of developing and implementing policies and procedures that encapsulate all applicable regulatory compliance requirements and global best practices for human capital management. All policies are regularly reviewed by the CPO and updated to reflect the latest regular requirements and industry best practices.

#### **Regulatory Compliance** Non-Discrimination **Human Rights** Shop and Office Employees Act of AFC strictly adheres to international No AFC upholds the fundamental right to human rights practices to create a voluntary employment and operates workplace free from discrimination, on the principle that employees have EPF Act harassment, and exploitation. the freedom to leave at their discretion ETF Act and may do so in accordance with the No incidents of discrimination were No Payment of Gratuity Act of Sri Lanka terms of their employment contracts, reported during the current year thus eliminating the risk of forced labour Dress Code Policy Prevention of Child Labour **Diversity and Equal** Remuneration Policy Funeral Support Policy Opportunity NAFC maintains a zero-Leave and Attendance Policy tolerance policy on AFC prides itself in being child labour in line an equal opportunity with international labor employer actively promotes Promotion Policy standards and local the values of equality and regulations to prevent fairness, ensuring that all Onal Development Policy AFC's the employment of employees, regardless **HR Policy** Nork from Home Policy minors in any form. The of their background Framework Company aligns with have equal access to the ILO Conventions opportunities for growth and the United Nations and success. Global Compact (UNGC) As part of this commitment Retirement Policy Professional Membership Reimburse Principles, ensuring that AFC strives to maintain all its operations and a 1:1 ratio in the salaries Job Rotation Policy business partners uphold offered to men and women the prohibition of child in comparable positions labour. across the organisation. No incidents of child labour These commitments were were reported during the formally institutionalised current year. through the Gender **Equity and Equality Policy** implemented in the current year.

# **Human Capital**

# GRI 2-7, 405-1

Employee Statistics-Employees by Type	2024/25			
Status	Male	Female	Total	
Permanent	1,015	510	1,525	
Contract	47	20	67	
Other	154	86	240	
Total	1,216	616	1,832	

Employees by Age and Gender		2024/25			
Age Group	Male	Female	Total		
18 - 30 Years	616	429	1,045		
31 - 55 years	572	180	752		
56- and above	28	7	35		
Total	1,216	616	1,832		

Permanent Employee by Region		2024/25				
Province	Male	Female	Total	Male %	Female %	
Central	115	33	148	78	22	
Eastern	60	25	85	71	29	
North Central	47	16	63	75	25	
North Western	106	34	140	76	24	
Northern	130	41	171	76	24	
Sabaragamuwa	54	15	69	78	22	
Southern	61	25	86	71	29	
Uva	66	23	89	74	26	
Western	376	298	674	56	44	
Total	1,015	510	1,525	67	33	

Employee Base on Gender and		2024/25					
Employee Category	%		Numbers				
Grade	Male	Female	Male	Female	Total		
Directors	100%	0%	3	-	3		
CXO	60%	40%	3	2	5		
Assistant General Manager	100%	0%	15	-	15		
Senior Manager	77%	23%	17	5	22		
Manager	88%	12%	88	12	100		
Assistant Manager	80%	20%	108	27	135		
Senior Executive	73%	27%	193	73	266		
Executive	65%	35%	287	156	443		
Junior Executive	59%	41%	489	341	830		
Minor	100%	0%	13	-	13		
Total			1,216	616	1,832		

## Disciplined Recruitment and Selection GRI 2-7, 202-2

Recruitment at AFC is a highly disciplined process aimed at maintaining workforce stability while aligning with business needs. The annual manpower plan serves as the foundation for workforce planning, with department heads assessing manpower needs and submitting headcount forecasts for review. These forecasts undergo a structured approval process by HR and Executive Directors before an Employee Requisition Form (ERF) is raised through the HRIS system to facilitate recruitment. Once a vacancy is identified and approved, HODs submit justifications, salary proposals, and supporting documents, after which job openings are advertised through internal notifications, press advertisements, recruitment agencies, and job boards. Each application undergoes rigorous evaluation by the HR Department, to gauge the candidate's alignment with specific role requirements. The shortlisting process is based on role-specific qualifications and experience to ensure most suitable candidates move forward to the next stage. Prior to final selections, the HR department conducts necessary due diligence to verify if potential candidates satisfy the regulatory minimum age for employment. Further, appointment of Key Responsible Personnel (KRP) is subject to approval from the CBSL.

While a majority of new recruits are hired as permanent employees, depending on business requirements, the Company also considers hiring through fixed-term contracts and training contracts as well as outsourced employment arrangements to meet specific requirements such as janitorial and security services.

All new permanent employees are required to participate in a mandatory orientation programme designed to provide a comprehensive understanding of the Company's policies, values, and culture in order to enable new employees to easily transition into their roles and responsibilities.

Recruitment by Gender			202	4/25		
	Male	Female	Total	Male	Female	Total
Recruitments	362	258	620	58%	42%	100%

Recruitment by Age Group and Gender			2024/25			
Age Group	Male	Female	Total	Male	Female	Total
Below 30 Years	285	227	512	56%	44%	83%
30-50 Years	69	31	100	69%	31%	16%
Over 50 Years	8	0	8	100%	0%	1%
Total	362	258	620	58%	42%	100%

Recruitment by Region and Gender			2024/25		
Province	Male	Female	Total	Male (%)	Female (%)
Central	40	23	63	63%	37%
Eastern	24	23	47	51%	49%
North Central	23	9	32	72%	28%
North Western	38	30	68	56%	44%
Northern	63	31	94	67%	33%
Sabaragamuwa	16	17	33	48%	52%
Sourthern	22	7	29	76%	24%
Uva	11	13	24	46%	54%
Western	125	105	230	54%	46%
Total	362	258	620	58%	42%

Turnover by gender			202	4/25		
	Male	Female	Total	Male (%)	Female (%)	Total
Turnover	264	190	454	58%	42%	100%

# **Human Capital**

Turnover- Age Group and Gender	2024/25					
	Male	Female	Total	Male (%)	Female (%)	Total
Below 30 Years	166	158	324	51%	49%	71%
30-50 Years	91	31	122	75%	25%	27%
Over 50 Years	7	1	8	88%	13%	2%
Total	264	190	454	58%	42%	100%

Employee Turnover by Region and Gender			2024/2	25		
Province	Male	Female	Total	Male (%)	Female (%)	Total%
Central	38	16	54	70%	30%	12%
Eastern	14	13	27	52%	48%	6%
Sabaragamuwa	10	11	21	48%	52%	5%
Sourthern	13	1	14	93%	7%	3%
North Central	16	10	26	62%	38%	6%
North Western	20	19	39	51%	49%	9%
Northern	39	29	68	57%	43%	15%
Uva	9	9	18	50%	50%	4%
Western	105	82	187	56%	44%	41%
Total	264	190	454	58%	42%	100%

#### GRI 201-3, 202-1, 401-2, 405-2

### **Competitive Remuneration and Benefit Structure**

AFC's benefits and remuneration structure is designed to attract, retain, and motivate employees while ensuring compliance with regulatory and industry standards. Basic salaries for all employee categories are determined based on experience, qualifications, along with the responsibilities associated with the role. Salary structures are further benchmarked against industry standards with the annual salary review serving as the main source for reviewing and updating salary scales in line with industry standards.

In the year under review, the Company revised the salaries for both field staff and supporting staff to ensure competitiveness with the market rate scale, while adjustments were made to the minimum pay in accordance with new regulatory changes.

# Ratio of Basic Salary between Men and Women

As an equal opportunity employer, AFC has a strict policy to ensure men and women across the organisational hierarchy are remunerated equally

		2024/25	
Employee Category	Count	Ratio - M :F	Salay Ratio
Director	3	3:0	1:1
CXO	5	3:2	1:1
Assistant General Manager	15	15 : 0	1:1
Senior Manager	22	17 : 5	1:1
Manager	100	88 : 12	1:1
Assistant Manager	135	108 : 27	1:1
Senior Executive	266	193 : 73	1:1
Executive	443	287 : 156	1:1
Junior Executive	830	489 : 341	1:1
Minor	13	13 : 0	1:1
Grand Total	1,832		

### **Employee Benefits**

- Performance-Based Incentives & Bonuses
- Annual Performance Bonus Based on Individual and Company - performance.
- Sales & Business Development Incentives – Additional incentives were awarded for revenue-generating roles.
- Allowances & Perquisites
- Reimbursement of traveling and fuel Expenses – Provided based on job role and travel requirements.
- Mobiles/dongles (based on the job role)
- Reimbursement of Membership fees for professional bodies
- w Welfare
- Medical Insurance Comprehensive health coverage for employees and dependents.
- Retirement Benefits Provident fund and gratuity

## GRI 401-3

Parental Leave		FY 2024/25	
In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as half hour nursing time for a period of 2 hours untill the babys 1 years old after recurring to work.		F	
Total number of employees that were entitled to parental leave	N/A	616	
Total number of employees that took parental leave	N/A	27	
Total number of employees that returned to work in the reporting period after parental leave ended	N/A	25	
Total number of employees that returned to work after parental leave ended and were still employed 12 months after their return to work	N/A	0	
Return to work and retention rates of employees that took parental leave	N/A	93%	

### **GRI 404-3**

### **Performance Management**

Operating in a highly competitive industry, having a well-structured performance management system plays a crucial role in motivating employees to align their personal growth objectives with organisational goals, enabling employees to grow and thrive with the Company.

AFC's performance management process begins with Goal Setting & KPI Alignment that provides employees with clear expectations and measurable targets and creates a strong foundation for continuous and ongoing performance monitoring. Based on the organisation's strategic objectives the management defines a set of Key Performance Indicators (KPIs) at the start of each financial year vis-a-vis SMART (Specific, Measurable, Achievable, Relevant, Time-bound) criteria. Remuneration link Sustainability KPIs were introduced at each level including Senior management.

Performance of field staff is monitored throughout the year, coupled with one-on-one discussions every month to identify challenges, offer guidance, and provide timely feedback to ensure employees stay on course.

Other employees receive a Mid-Year Review, to assess their progress towards goals, identify any training needs, and make adjustments to objectives where necessary. The performance of all AFC employees is formally assessed through the Annual Performance Appraisal. The appraisal process involves self-assessment by the employee, where both quantitative (target achievements) and qualitative (skills, teamwork, leadership, and behavioural competencies) factors are formally reviewed by the respective supervisor. The two-way discussion that follows ensures employees receive structured feedback, development recommendations, and insight into potential career growth opportunities. Performance ratings derived from the annual appraisal process are instrumental in determining salary increments, promotions, or setting out career development plans. Employees who do not meet expectations may be placed on a Performance Improvement Plan, which outlines specific improvement targets.

Grade wise Eligible Carder	2024/25	
	No	%
Director	3	0.26
CXO	3	0.26
Assistant General Manager	14	1.22
Senior Manager	10	0.87
Manager	85	7.38
Assistant Manager	91	7.91
Senior Executive	200	17.38
Executive	292	25.37
Junior Executive	442	38.40
Minor	11	0.96
Grand Total	1151	100.00

Apart from the formal Annual Performance Appraisal, employee performance is also reviewed at the end of the probationary period, at disciplinary hearings.

# **Human Capital**

Gender Parity Dashboard FY 2024/2	5	
-	2024/25	2023/24
Remuneration	1:1	1:1
	Ratio of basic salary between men and women	Ratio of basic salary between men and women
Sexual Harassment	ZERO Incidents reported	ZERO Incidents reported
Training Opportunities	47%:53%	43%:57%
	Training hours per person (M:F)	Training hours per person (M:F)
Career Development Opportunities	69 females promoted	64 females promoted

### GRI 404-1, 404-2

# **Training and Development**

AFC employs a comprehensive approach to training and development to enable employees at all levels access the skills and knowledge needed to thrive in a highly competitive industry. AFC conducts targeted sustainability training to all its staff.

Training at AFC is primarily through on-the-job-training, where employees gain hands-on experience while being mentored by supervisors and senior colleagues, to enable them to develop skills in real-time work environments. Additionally employees benefit from structured classroom training that is closely linked to the annual performance appraisal process, where training recommendations are made based on identified skill gaps and to support career progression. These classroom-based programmes are tailored to different job roles and experience levels, covering job-specific technical training as well as soft skills training that focuses on leadership, communication, and teamwork. Training sessions are facilitated through a combination of internal experts, industry specialists, and external training providers.

Meanwhile, to ensure employees stay ahead of evolving market demands, AFC also promotes participation in external seminars, workshops, conferences, and professional certification programmes that help employees stay updated with the latest trends and best practices and gain specialised expertise.

Training Topic	Target Employees
Compliance, AML / CFT Training	RH, BM, Marketing, Cashiers, Documentation Officers
Gold Loan Process & Procedure Session	Gold Loan Staff
Core Banking System	Cashiers, Documentation, GL staff, BMs, Marketing Staff
Credit Management Courses	Selected Branch managers. Marketing / recovery staff, Doc. Officers and Senior cashiers
Training Session on Credit Evaluation, Credit Documentation, RM, Insurance and CR Process	New Marketing, Documentation staff and BMs
Training on Delivering Exceptional Customer Experience, Managing Time & prioritization, Managing Workplace Stress and Working in Teams	Cashiers, Documentation staff, Gold Loan Staff, Deposit Mobilization Staff and Credit Marketing
Onsite cashiering session	New Cashiers

## **Training Hours**

Employee Category	Training Hours								
		2024/25		2023/24			2022/23		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Director	53	-	53	23	-	23	5	5	9
CXO	50	69	119	11	-	11	41	-	41
Assistant General Manager	814	-	814	432	23	455	43	49	91
Senior Manager	432	226	658	356	6	362	249	-	249
Manager	3,169	169	3,337	2,724	49	2,773	988	104	1,092
Assistant Manager	2,345	718	3,063	2,150	587	2,737	864	210	1,074
Senior Executive	3,827	1,671	5,497	3,264	1,706	4,970	1,153	601	1,754
Executive	4,083	3,532	7,615	4,188	2,725	6,913	1,585	861	2,446
Junior Executive	8,017	9,248	17,265	7,193	7,160	14,353	2,392	3,342	5,733
Minor	35	7	42	9	14	23	-	-	-
Total	22,823	15,639	38,463	20,348	12,269	32,617	7,318	5,171	12,489

# **Career Development**

AFC recognises that investing in career development encourages employees to grow with the Company leading to greater job security, in turn reducing attrition and enhancing employee satisfaction. The Company's succession planning process serves as a key facilitator in this process. The succession planning process which is designed to create a reliable leadership pipeline for all key positions within the organisation, provides employees with clear career development opportunities to advance their career journeys. Alternatively employees have access to special leadership development programmes to develop the competencies required to advance their career ambitions.



Continuous professional development relating to the employee's field of expertise is also highly encouraged as part of the overall approach to career development.

# **Human Capital**





SELL TO WIN Training Programme



Low Risk Involvement (LRI) outbound training program



First Aid training Program in collaboration with Red cross



Mastering sales excellence selling skill development program



Team Building and Supervisory Skill Development Programme

## GRI 2-25, 2-26, 2 - 30, 402-1

# **Employee Relations**

AFC believes that strong employee relations are essential for enhancing employee commitment towards the Organisation.

To support this, Managers at all levels are advised to engage in continuous dialogue with their teams through regular briefings, departmental meetings, and discussions. Likewise, town hall meetings held every fortnight also provide an opportunity for employees to raise concerns and escalate any work related grievances, while AFC's open-door policy aims to empower employees to reach out directly to their superiors to discuss work-related concerns, seek guidance, or share feedback.

Employees are kept informed about key operational changes via email.

A formal Grievance Handling Procedure, supported by a comprehensive Disciplinary Procedure Policy, is in place to enable employees to anonymously lodge complaints. All complaints are treated seriously and investigated promptly with each complaint carefully reviewed, and appropriate action taken in line with the Company's Disciplinary Procedure Policy to uphold fairness and transparency.

Meanwhile written appeals regarding increments and promotions are presented to the Board of Directors (BOD) for consideration and appropriate action. The Whistle Blower Policy in place to report cases of more serious nature to the appointed director for investigation and action. A formal process is in place to facilitate exit interviews, where the designated Employee Off-boarding Officer meets with employees who are resigning to document the reasons for resigning.

These consistent and comprehensive efforts have enabled AFC to build strong, direct relationships with employees over the years, eliminating the need for ties with trade unions.

# GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 Safety and Wellbeing

As a financial service provider, AFC's operations do not directly expose employees to significant safety hazards or health risks. However, as a responsible employer, AFC remains committed to ensuring the safety and well-being of all employees in the workplace. This commitment is underscored by the adheres to national fire safety regulations and global best practices.

The Company's Administration Department is tasked with regular monitoring and conducting safety checks to determine potential safety

FY 2024/25

Management Commentary

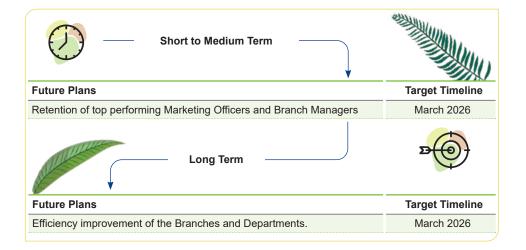
risks. As part of their duties, the Administration Department also arranges First Aid training for staff. Additionally, fire wardens have been appointed at each location to serve as first responders to manage safety evacuations in the event of an emergency. Fire wardens are also entrusted with the responsibility of organising routine fire drills to assess the efficacy of emergency preparedness measures in place.

The Company also provides all employees comprehensive medical and hospitalisation insurance cover.

Beyond physical safety, AFC remains committed to safeguarding the psychological wellbeing of employees and to that end has implemented a policy formalising flexible work hours and work-fromhome structures flexible working hours with a view to improving employees' work-life balance. These broad-based work-life balance initiatives have enabled AFC to benefit from some of the lowest absenteeism rates in the financial services industry.

## **Employee Engagement**

Working on the principle that engaged employees are more likely to be invested in the Company's success, AFC has established a robust event calendar to create opportunities for employees to connect and collaborate with their colleagues across the Company.



# Intellectual Capital W



# **Management Approach**

AFC strives to ensure ongoing development of its Intellectual Capital driven by targeted efforts on Human Capital, Structural Capital and Relatinal Capital to augment each element and also ensure they work in harmony to support the Company's broader objectives.

# **Inputs**

- Skilled workforce
- Business Conduct Framework
- Digital Integration
- Standards and Certifications
- Strategic Business Partners
- Customer Relationship Management

# **Outputs for AFC - FY 2024/25**

- Brand recognition for pioneering green bond in the local financial sector
- Brand recognition as the leader in sustainable finance
- ZERO incidents of non-compliance of regulations
- Efficiency improvements and elimination of manual error owing to process automation
- Informed decision making owing to the use of digital analytics
- work towards achieving SLFRS S1 and S2, GHG protocol Corporate standard conformity



# Stakeholder Outcomes

**2** 

Accurance of transacting with a reliable	Cuatamara		
Assurance of transacting with a reliable, stable and ethical financial institution	Customers / Business Partners	8 DECENTIALES AND ECONOMIC DECENTA	Target 8.2 Target 8.10
Adoption of global best practices that			rarget of to
enhance AFC's credibility and improve the ability to deliver sustained results	Shareholders	9 ROUSTIC HARVAUTHS	Target 9.3
over time		12 RESPONSELE CONSUMPTION AND PROCECULIEN	Target 12.6
Continuous learning and professional		$\bigcirc$	rarger 12.0
development opportunities through	Employees	13 COMATE ACTEM	Target 13.1
knowledge-sharing networks and affiliations	11/11/		Target 13.3
Adoption of industry best practices,		16 PEACE ASSIDE AND STRING INSTITUTIONS	Target 16.5
ensuring ethical and responsible	Regulators	-4	Target 16.6
business conduct.		17 PARTNERSSAPS	Torget 17.6
Support for climate risk mitigation and	Community /	<b>89</b>	Target 17.6
green financing solutions.	Environment	1	C. C
	THE 2010 IN 1977 IN 1881	The same of the sa	THE REAL PROPERTY AND ADDRESS OF THE PERSON NAMED IN COLUMN TWO PERSONS AND PERSON NAMED IN COLUMN TWO PERSONS AND PERSON NAMED IN COLUMN TWO PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN TWO PERSON NAMED IN COLUMN TRANSPORT NAMED IN COLUMN





Low digital presence



Lead by example in the sustainable finance sphere



Increased cyber and information security attacks

# Brand Strength GRI 2-24, 2-25

For over 68 years, AFC has stood apart from peers driven by the conviction that access to formal financial services is a fundamental right for every individual and business. Never wavering from this core premise, AFC has continued to champion financial inclusion, sustainability, and responsible finance. These core beliefs have continued to resonate across the Company's strategy over the years fuelling investments in expanding its reach and developing innovative financial solutions that empower communities across the Country. With its extensive island-wide presence, with nearly 70% of its branches located outside the Western Province, AFC has proven its commitment to bridge the financial gap for underserved communities. Through these consistent efforts to promote financial inclusion, AFC has earned the trust of grassrootslevel customers across Sri Lanka. Moreover, AFC's steadfast commitment to sustainability and an ESG-driven business model has set it apart in the industry, reinforcing the Company's reputation as a leader in responsible finance.

In 2024 the Company took a major step to formally institutionalise these commitments via the launch of a bold new strategy that articulates AFC's brand purpose via 3 High Impact Goals that aim to empower people and businesses across the Country to achieve financial independence and in doing so contribute to economic prosperity of the nation as whole.



# HIG<sub>1</sub>

### Lead the transition towards Sustainable Mobility Solutions:



By providing fuel-efficient vehicle leasing services, AFC aims to accelerate the transition to sustainable mobility solutions, thereby systematically lowering carbon emissions over time. To further advance its ambitions in this space, AFC made history in February 2025 becoming the first private sector financial institution in Sri Lanka to issue a Green Bond, with the funds raised dedicated to financing renewable energy projects, energy efficiency initiatives. While positioning AFC as a vanguard in shaping Sri Lanka's green finance ecosystem, this strategic move is designed to directly contribute towards achieving national environmental goals.

#### HIG 2

# **Drive Financial Inclusion:**



By offering gold loans, saving deposits, and gold investments, we play a crucial role in promoting financial inclusion across diverse economic segments. These products help remove barriers that exclude people from the financial sector, encouraging marginalised communities to use regulated financial services instead of unregulated ones, thereby improving their lives and promoting economic stability.

### HIG<sub>3</sub>

### Promote MSME Development:



AFC's newly launched climate financing portfolio developed in partnership with the UNDP aims to encourage MSMEs to adopt environmentally friendly practices, thereby promoting long-term sustainability and resilience. By developing unique products to drive investment in machinery equipment, and property financing to support MSME development AFC aims to ensure grass root level communities can also seize opportunities for economic empowerment

# **Digital and Social Media Marketing**

- Social media platforms to educate and promote AFC's sustainabilityfocused financing, products, and concepts.
- Launched periodic TTL (Through-the-Line) campaigns using AFC's digital presence to engage customers and drive awareness.
- Nolled out the AFC Corporate Campaign, reinforcing the brand's commitment to sustainable finance.

### **Customer Engagement**

Customer engagement by AFC Marketing Call Center which is staffed entirely by women.

# Strategic Partnerships and **Sponsorships**

- Engaged in high-profile partnerships and sponsorships, enhancing brand credibility. Key collaborations included:
  - Popular Awards 2024
  - The Road to Rights Women's Day Programme
  - AIESEC Sri Lanka and various Universities

# **Large-Scale Promotional Campaigns**

- No PR campaign for the AFC Green Bond, highlighting its leadership in green finance.
- No Participated in the Colombo Motor Show to showcase AFC's commitment to EV leasing and sustainable mobility solutions.



# **Intellectual Capital**

FY 2024/25

### **Business Conduct GRI 2-24, 2-25**

As a longstanding financial institution AFC continues to lead by example in exemplifying responsible business conduct. At the heart of this commitment is the Board of Directors, who set the tone from the top by embedding the principles of integrity, fairness, and accountability across the Company's governance policies, risk management practices, and corporate decision-making processes. Further by employing a zero-tolerance approach for non-compliance of regulations, the Board demonstrates commitment to uphold transparency and accountability within the organisation. Likewise the Company's stance against unethical behaviours and prohibitions against bribery and corruption are reinforced through the formal Board approved Code of Conduct. Further enhancing its commitment to responsible business, AFC has implemented comprehensive Anti-Money Laundering (AML) policies designed to ensure that all financial transactions are conducted transparently and securely. The Know Your Customer (KYC) protocols are part of a broader strategy to detect and prevent financial crimes, money laundering, and illicit financial activities.







AFC partnered with Youth Stars Entertainment as the Sustainability Finance Partner for "Calin Popular Awards' 2024/25 and was recognized for AFC's Sustainability initiatives. The natural photo booth was eye catching at the event with the AFC oral logo.





With the revision of the new brand manual in 2024, marketing dept. was able to bring in a fresh perspective to AFCs' branch outlook.





A strategic partnership was inked to sponsor a classical musical extravaganza to an elite a group of people with the Gustav Mahler Society of Colombo. Prominent branding was in place and AFC distributed 700 plants in keeping with its' Sustainability stature.





Dealer branding was aligned as per the newly done AFC Marketing brand manual and was able to complete 72 dealers branding island wide in 2024/25

Strategic Direction





Kelaniya University sponsorship / Sabaragamuwa University sponsorship - Being the oldest NBFI in SL, AFC partnered with 2 key universities to collaborate with young minds and the future leaders of the nation by sponsoring activities related to leadership AFC was the Gold sponsor at 'Sparkles' - The year-end award ceremony of AIESEC of University of Kelaniya.

Thoughts from our Leadership







Road to Rights International is a youth-led voluntary organization supporting and empowering young people by taking a human rights based approach towards peace and sustainable development. During the International Women's Day 2025, AFC partnered with "Road to Rights' as a platinum sponsor in spreading the message on women empowerment. This was held at One Galle Face (OGF) on 9th March with the presence of prominent panelists, including Stephanie Siriwardana, Mano Sheri, Piyuimali Ranasinghe, Capt. Rupasiri and Samitha Athuldoraarachchi.



AFC innovated a worlds' first by bridging sustainability with Cricket with the launch of AFC Cricket Pale initiative. The uniqueness of this initiative is that AFC will plant trees to the exact number scored in a selected cricket tournament or match. Taking a step further, AFC Cricket Pale was introduced to school cricket through the big matches of several schools. This highlighted the company's philosophy in nurturing young minds towards sustainability.







The Marketing dept. initiated a Company-wide Women appreciation program in conjunction with the International Women's Day 2025. Each female employee was appreciated for her service and loyalty towards the company with a memento and a gift.







A special Digital campaign was developed to celebrate the power of Women in day-today life. This campaign featured three video commercials showcasing three instances of women engaged in finding a solution for a financial need. This campaign subliminally highlighted the role that AFC Gold Loan plays in the lives of role models

# **Intellectual Capital**

## **Digital Integration**

Digital integration has proven to be a key tool in transitioning AFC's toward a more agile, responsive, and efficient internal structure and positioning the Company for long-term growth. Digitisation and automation streamlines internal processes, enhances collaboration, reduces redundancies, and enables faster decision-making, allowing teams to focus on strategic initiatives rather than administrative tasks.

Digital systems, by nature, also facilitate real-time data sharing, thereby improving accessibility to critical insights, and encouraging continuous learning, ultimately strengthening AFC's internal knowledge base.

AFC's digital integration strategy gained significant traction in the current year with the Company's in-house IT experts making some major strides in automating and digitising internal workflows.

Digitisation / Automation Initiatives in FY 2024/25	Business Unit / Department
Digitising the service desk platform resulting in the automation of 20 + internal workflows to facilitate ease of tracking	Multiple Departments
Development of yard management platform that creates a central point view for all employees, to better support the sale of yarded vehicles through an internal vehicle listing platform	Yard Management
Development of valuation portal to digitise the valuation process, enabling online real time access to key vehicle valuation data and reports.	Valuations
Automated SMS reminder of monthly rentals for Lease and Loan customers	Recovery / Sales
Automating AML reporting to the FIU	Compliance
Development of a BI platform to provide daily performance reports	Multiple Departments



# GHG verification certificate in line with the ISO 14064-1:2018

The current financial year saw AFC taking the first steps to measure its carbon footprint through the assessment of GHG (scope 1, scope 2 and scope 3) emissions attributed to its operations, measured in line with ISO 14064-1:2018 and verified in accordance with ISO 14064-3:2019 -by Sri Lanka Climate Fund Pvt LTD.



ISO 9001:2015

Quality Management Standard



ISO 22301:2019

Business Continuity Management

# Sustainability Standards and Certification Initiative (SSCI) the European Organisation for Sustainable Development (EOSD) - an EU initiative

AFC became the first Non-Bank Financial Institution (NBFI) in South Asia to become a holistic, sustainability-certified, value-driven financial institution under the pioneering Sustainability Standards and Certification Initiative (SSCI), awarded by the International Council of Sustainability Standards for Value-Driven Financial Institutions, Germany.

The voluntary adoption of the Sustainable Standards for Corporate Investment (SSCI) in 2019 has guided AFC in creating sustainable products and services to achieve the company's sustainable finance ambitions. This approach ensures that the entire business model is focused on creating sustainable value for society, the environment, and the economy. Additionally, all policies, procedures, strategies, and employee role is aligned with the company's purpose and high-impact goals. Following the adoption of the new High Impact Goals, AFC is aiming to upgrade its commitment to the initiatives by working towards the latest SSCI V2. The SSCI V 2.0 framework, utilising its Octagon model of value generation, helps align a diverse range of products and services that capture the core fundamentals of the High Impact Goals. It also connects with all revenue streams of the company.

### **Standards and Certifications**

Global standards and certifications serve as independent validation of AFC's internal operational architecture, thereby enhancing the Company's credibility.

Equally importantly, these standards drive continuous improvement. Regular audits, compliance reviews conducted by certification bodies drive process refinements, promote technology adoption and encourage innovation to mitigate risks and build resilience.

## Strategic Business Partners GRI 2-6

Strategic partnerships provide both quantitative and qualitative resources that boosts the Company's capacity and enhances industry leadership. For instance AFC's ties with key financial institutions, investors, and development agencies provide access to vital funding for business expansion, while forging partnerships with organisations in different spheres have opened up new opportunities for AFC to diversify its product portfolio and explore new markets. Likewise knowledge sharing partnerships play an important role in enhancing AFC's capacity for innovation.

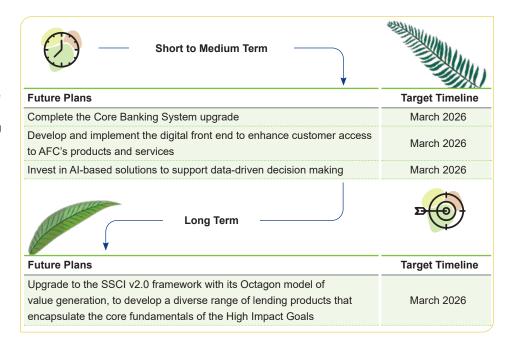
In the year under review, AFC signed an MoU with Agstar PLC to promote agriculture loans for Agstar's irrigation systems and light agricultural machinery. Meanwhile the MoU with LOAM is aimed at helping AFC to develop product structures to deliver affordable financing solutions for grassroot level farmer communities.

### **GRI 2-28**

### Memberships and Affiliations

Memberships and affiliations offer valuable insights into emerging, regulatory changes, best practices and industry trends including potential market disruptions and economic fluctuations, enabling AFC to implement proactive strategies to protect its operations. Furthermore, active participation in industry forums and working groups facilitates knowledge exchange with peers, helping AFC enhance its risk management frameworks and strengthen its decision-making processes.

- > The Finance Houses Association of Sri Lanka
- Leasing Association of Sri Lanka
- o Credit Information Bureau of Sri Lanka
- w Financial Ombudsman Sri Lanka
- Biodiversity Sri Lanka (Patron Member) {Business and Biodiversity platform}
- **CSR Sri Lanka**
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP)



>

# Natural Capital

FY 2024/25

# **Management Approach**

AFC's approach to natural capital management is articulated through its Environment & Climate Action Policy and Sustainability Policy, which together serve as a call to action for building climate resilience. These policies align with AFC's High Impact Goals (HIGs), underscoring the Company's intention to transform its core business practices in ways that generate meaningful environmental impact.

# **Inputs**

- Environmental and Social Management System (ESMS)
- Sustainability Standards and Certification Initiative (SSCI)
- Climate Finance Product Strategy
- Commitment to Resource Efficiency
- Environmental Projects

# Outputs for AFC - FY 2024/25

- LKR 214 million disbursed through climate finance products, including solar loans and smart irrigation loans
- 26,366 tCO<sub>2</sub> has been sequestered by tree planting











Lack of market awareness regarding environmental sustainability



Pursue partnerships to support high impact climate action projects



High degree of competition among the NBFI

# **Environmental and Social Management System (ESMS)**

AFC's Environmental and Social Management System (ESMS) serves as a robust framework to evaluate and mitigate environmental risks across the Company's lending portfolio.

The ESMS, which is anchored to the IFC's performance standards, aims to ensure financing decisions are aligned with sustainable development principles, particularly by avoiding support for projects that could lead to significant environmental degradation or cause social

At its core, the ESMS incorporates the IFC Exclusion List and 15 sector-specific fact sheets tailored to guide environmentally responsible lending. This system is designed to proactively prevent exposure to high-risk sectors and activities that may negatively impact ecosystems, natural resources, or the climate. By embedding these guidelines into the credit evaluation process, especially for high-value lending, AFC seeks to ensure each project proposal is subject to a comprehensive assessment against ESMS criteria, ultimately enabling the Company to direct resources towards initiatives that promote responsible resource use and renewable energy adoption.

# Sustainability Standards and Certification Initiative (SSCI)

AFC's commitment to environmental stewardship is reflected in its voluntary adoption of the Sustainability Standards and Certification Initiative (SSCI), a globally recognised framework that promotes sustainable finance. By aligning its operations with the SSCI, AFC seeks to contribute to inclusive, resource-efficient, and environmentally responsible economic development that supports the global transition toward net-zero emissions.

With the recent introduction of AFC's High Impact Goals (HIG), the Company is further strengthening its commitment by working towards compliance with the latest iteration of the framework - SSCI v2.0. This upgraded standard reflects AFC's drive to stay at the forefront of sustainable finance, embedding international best practices in climate resilience, and ensuring that its lending activities align with the evolving demands of environmental sustainability.

# AFC Pioneers Sri Lanka's First Green Bond in the NBFI (sector)



In February 2025 AFC made history by announcing the issuance of Sri Lanka's first Green Bond by a Non-Banking Financial Institution (NBFI).

The purpose of the Green Bond was to raise funds to support AFC's endeavour to promote investment in renewable energy projects and enhancing access to green technology across industrial, commercial, and residential sectors.

This pioneering effort stands as a testament to AFC's deep-rooted commitment to environmental stewardship and its role in advancing Sri Lanka's climate ambitions under the Paris Agreement and the United Nations Sustainable Development Goals (UNSDGs).

Listed on the Colombo Stock Exchange (CSE), the bond attracted overwhelming interest, being oversubscribed within hours of issuance—underscoring the growing demand for sustainable investment opportunities and AFC's leadership in green finance. In this context, the Green Bond offers investors the dual benefit of supporting Sri Lanka's green transition while earning market-competitive returns.

# **Climate Finance Product Strategy**

AFC's Climate Finance Product Strategy, developed in line with the Central Bank of Sri Lanka's Sustainability Roadmap and Green Finance Taxonomy, aims to introduce targeted financing solutions for renewable energy, climate-smart agriculture, and waste management in order to reduce environmental impact. Developed in collaboration with the United Nations Development Programme (UNDP), the strategy is closely linked to AFC's High Impact Goal 3, which seeks to help Micro, Small, and Medium Enterprises (MSMES), especially rural communities that are particularly vulnerable to climate-related challenges, to better adapt to environmental risks. By offering value chain financing, supplier support, and structured loans, coupled with technical and financial guidance on sustainable agriculture, renewable energy, and eco-friendly business models, the strategy directly supports agricultural sustainability while also strengthening economic resilience within the MSME sector.

Thoughts from

our Leadership

# **Natural Capital**

The Climate Finance Product Strategy also connects to AFC's High Impact Goal 1, which aims to Lead the Transition Toward Sustainable Mobility. This pillar focuses on promoting the use of fuel-efficient vehicles and supporting the shift to electric mobility by offering tailored financial planning tools to make EV ownership more accessible and viable for individuals and businesses to move toward cleaner transportation options.

Climate	<b>Finance</b>	Portfolio
---------	----------------	-----------

Product	As at 31st Marc	ch 2025	As at 31 March 2024		
	Total Climate	Facility	Total Climate	Facility	
	Facility Count	Amount LKR	<b>Facility Count</b>	Amount LKR	
Cash Crops	11	4,700,000	0	-	
Cinnamon	6	3,195,000	5	1,225,506	
Dairy	266	103,435,000	124	31,708,205	
Irrigation	45	18,875,000	20	6,601,869	
Polytunnels and Greenhouses	5	3,175,000	0	-	
Solar	253	528,894,700	88	159,849,074	
Tea	42	16,304,000	47	14,592,700	
Grand Total	628	678578700	284	213,977,354	



World Environment Day main event was held on the 3rd of July 2024, planting 500 plants at Mahamathya Vidyalaya



We are committed to planting 100,000 native highland forest plants over the next 36 months with Wilderness and Wildlife



Tree Planting projects conducted by Kirindiwela branch for the women's day celebration - 2024



Monaragala Branch Tree Planting Project



Tree planting & distribution for Hapannu savings account opening event.



Embilipitiya Branch Tree Planting project



Nikaweratiya Branch Tree planting project



Nuwara eliya Branch Tree Planting Project



Piliyandala Branch Tree Planting Project



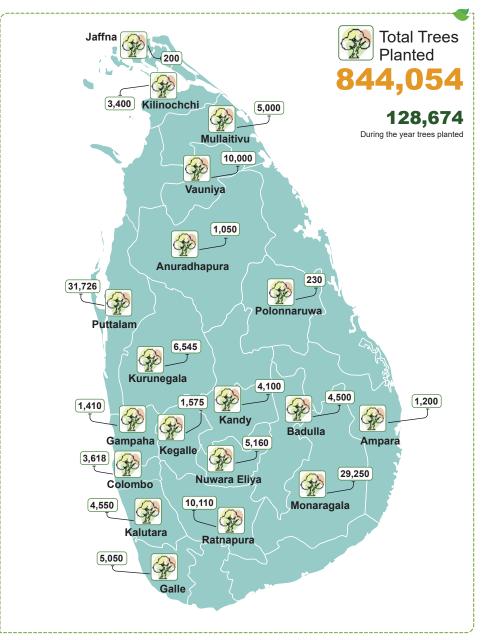
Killinochchiya Branch Tree Planting Project



Celebrate 2025 environmental Day at Mahamathya Vidyalaya -Athurugiriya



Embilipitiya Branch Tree planting project



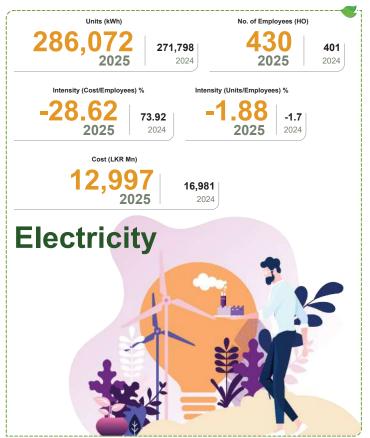


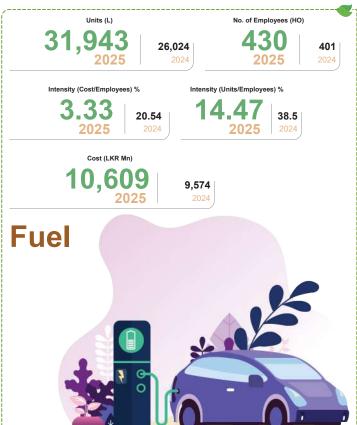


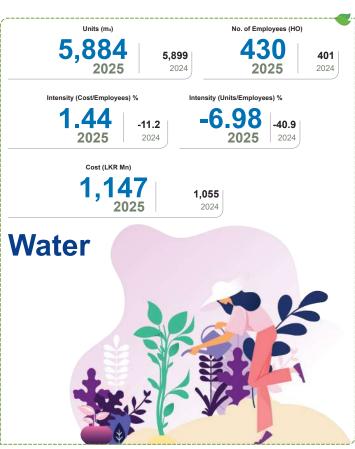
Collaborating with the Faculty of Management, Sabaragamuwa University, AFC demonstrated its leadership in sustainability by successfully conducting a tree planting initiative on the university premises



# Natural Capital GRI 302-1, 302-3, 302-4, 302-5, 303-3, 303-5









# Conserving water (GRI 2-25)

AFC's water consumption is limited primarily to staff utility needs, with water sourced from public supply lines and bottled water for drinking. Although our operational reliance on water is minimal, we recognise the importance of responsible water stewardship and have incorporated water conservation into our overall sustainability strategy.

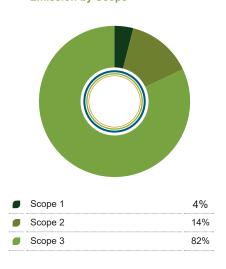
To enhance efficiency, we have implemented water-saving technologies, such as low-flow fixtures, and conduct regular maintenance to prevent leaks and water wastage. These operational efforts are supported by awareness initiatives that promote sustainable water use among employees.

In addition to our internal measures, AFC has contributed to community well-being by successfully completing three water projects. These initiatives provided 14 clean drinking water sources and improved sanitation facilities to the community through our branch's CSR projects. Through these efforts, AFC continues to support long-term social impact and equitable access to safe water for underserved communities

# Managing Waste (GRI 306-1, 306-2, 306-3)

As a service-driven financial institution, AFC generates a considerable volume of paper waste across its operations. In response, the Company is committed to responsible waste management practices, guided by the 3R principle: Reduce, Reuse, and Recycle.

# **Emission by Scope**



Employees are encouraged to minimise paper use through double-sided printing, reduced document sizes, and other paper-saving measures such as automating some operations. AFC continues to invest in digital technologies to reduce dependency on physical documentation, aiming for a gradual transition to paperless operations. The digital shift, along with hybrid work practices during the early part of the year, contributed to a significant reduction in paper usage.

To promote circularity, AFC partners with a certified recycler to convert shredded paper waste into sustainable stationery, such as recycled paper and boards. These items are repurchased by the Company for internal use, closing the loop on material reuse.

In addition, the AFC banned single-use plastic bottles and bags across all premises from 1st March 2024 and reinforced waste segregation by introducing colour-coded bins at every branch and office location.

Waste management is overseen by the Premises Management Division, reporting to the Administration Department, which monitors recycling efforts, ensures compliance with the waste hierarchy, and identifies opportunities to improve waste minimisation. Each department also plays an active role in reducing waste by adopting digital tools, responsible disposal practices, and embedding sustainability into daily operations.

## **Environmental Projects**

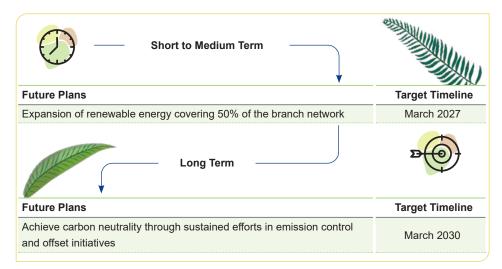
Beyond core operations, AFC demonstrates a strong commitment to environmental sustainability through initiatives that actively contribute to climate action. To mitigate emissions from internal combustion engine (ICE) vehicles financed through its portfolio, AFC has undertaken a large-scale tree-planting programme. Since commencing this initiative in 2017, reforestation projects have been rolled out across multiple locations with a total of 844,054 trees planted to date, including 128,674 during the current year, making a significant impact in CO<sub>2</sub> sequestration and ecosystem restoration







106 tCO equivalent Direct GHG Emissions 2,747 tCO, equivalent Indirect GHG Emissions 2,853 tCO, equivalent Total GHG Emissions



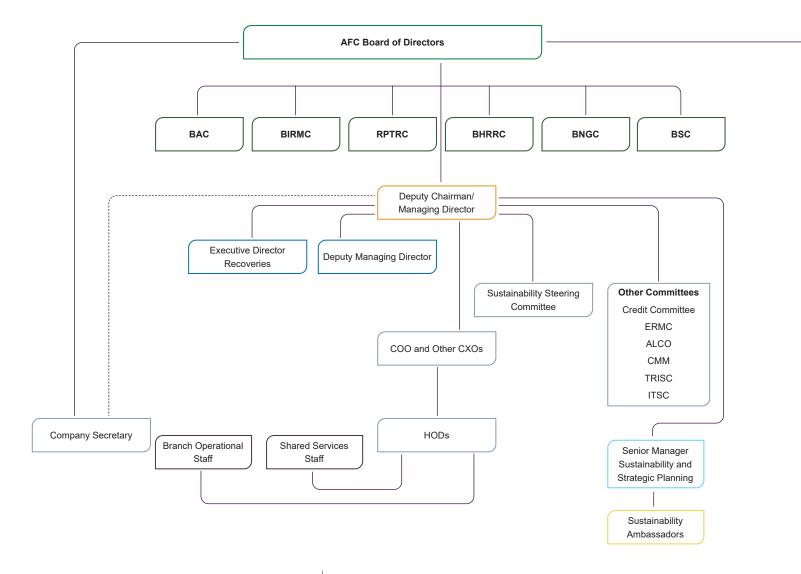
# Corporate Governance Report GRI 29

# **Corporate Governance Philosophy**

Alliance Finance Company PLC's (AFC) Corporate Governance philosophy is founded on the principle that sound governance is fundamental to protecting stakeholder interests while enabling strategic growth and sustainability.

The Company's governance approach is underpinned by the unwavering commitment to compliance with regulatory requirements alongside a strong focus on embedding globally recognised good governance principles into its internal policies and procedures, collectively forming a strong ecosystem to support infrared decision-making, prudent risk management, and operational accountability across all levels of the organisation.

AFC remains firmly committed to the ongoing evaluation and continuous improvement of its governance framework in line with regulatory developments and evolving global best practices, ensuring its governance systems remain robust, relevant, and future-ready.



BAC - Board Audit Committee

BIRMC - Board Integrated Risk Management Committee

RPTRC - Related Party Transactions Review Committee

BHHRC - Board Human Resources & Remuneration Committee TRISC - Techno

BNGC - Board Nomination and Governance Committee

BSC - Board Sustainability Committee

ERMC - Executive Risk Management Committee

ALCO - Assets & Liabilities Committee

CMM - Corporate Management Meeting

TRISC - Technology Risk & Information Security Committee

ITSC - Information Technology Steering Committee

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# Assurance

Internal Audit / External Auditors

#### **Regulatory Requirements**

- > Finance Leasing Act No.56 of 2000
- AML and CFT legislations and relevant rules and regulations issued by the FIU
- Finance Companies Direction on Corporate Governance and amendments thereto
- Listing Rules of the Colombo Stock Exchange
- Inland Revenue Act No. 24 of 2017 and amendments thereto
- Shop & Office Employees Act No. 19 of 1954 and amendments thereto
- Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS)
- Finance Business Act No. 42 of 2011 and all Directions/Guidelines issued thereunder

#### **Internal Frameworks**

- Purpose Statement
- Articles of Association
- Nisk Management Framework
- Operational Risk Management Policy
- Compliance policy
- Corporate Governance Frame Work and Policy
- Internal Control Framework
- Information Technology Security Policy
- Code of Conduct issued by the Finance Houses Association
- Code of Conduct for Directors
- Whistle-blower Policy
- Nelated Party Transactions Review Policy
- Financial Reporting Framework
- Ethics and Integrity policy
- BCMS guidelines
- All other Board approved Policies and Procedures.

#### **Voluntary Codes and Best Practices**

- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued by the Global Reporting Initiative
- The United Nations Sustainable Development Goals (SDG's)
- IFC exclusion list

# GRI 2-9, 2-12

### The Board

The Board of Directors of Alliance Finance Company PLC serves as the apex governing body of the organisation, entrusted with providing strategic leadership and oversight. Guided by the Terms of Reference (TOR), the Board is responsible for defining the Company's Purpose Statement, High Impact Goals and long-term strategic direction, while ensuring that implementation aligns with the best interests of all stakeholders.

As the key custodian of governance, the Board establishes and monitors corporate governance frameworks and policies, ensuring compliance with all applicable legal, regulatory, and ethical standards. In their capacity as the highest governing authority within the organisation, certain matters are reserved expressly for Board consideration.

Schedule of matters reserved expressly for the attention of the Board		Update for FY 2024/25	
Strategy	<ul> <li>Approval of the Company's strategy, long-term medium-term and short-term plans</li> <li>Approval of the Company's annual budget, setting out KPI's for all business segments</li> <li>Reviewing actual performance against budget</li> <li>Approving major capital projects, investments, acquisitions, mergers or disposals</li> </ul>	The Board approved the Strategic Objectives for the year 2024/25 outlining a new set of high impact goals that provide the roadmap for obtaining SSCI v2.0 Sustainability Standards Certification by 2024/25.  The Annual budget for the year 2024/25 was approved in March 2024 and it was rolled out in April 2024.	
Risk, Capital and Liquidity Planning	<ul> <li>Approving changes relating to the Company's capital structure</li> <li>Approval of the annual capital plan</li> <li>Approval of risk appetite and liquidity risk appetite</li> </ul>	Annual Capex was approved by the Board. The Risk Appetite Statement was reviewed and approved.	
Financial Results an Dividends	d Approval of interim and final financial statements, dividends and any significant change in accounting policies or practices	Review of monthly performance against the budget Review and approval of interim financial statements Review and approval of the Annual Report for publication Recommendation of the Interim and Final Dividend	

# **Corporate Governance Report**

Schedule of matters reserved expressly for the attention of the Board		Update for FY 2024/25	
Remuneration Structures	<ul> <li>Approval of the framework for determining the policy, structure of the Executive, Non-Executive Directors and Senior Management and at all employees.</li> <li>Approving employee share schemes</li> </ul>	Revised the Performance Appraisal and Reporting System	
Corporate Governance	<ul> <li>Approval of principal regulatory filings</li> <li>Approval of the Terms of Reference (TOR) and membership of Board Sub Committees</li> <li>Approval of Board and Board Sub Committees performance evaluation process</li> <li>Reviewing and updating the Corporate Governance framework in line with regulatory developments and best practices</li> </ul>	Compliance of the new corporate governance rules issued by the CSE for listed entities. The following activities were undertaken  Amended the Terms of Reference of the Board  Reviewing and updating of policies and introduction of new policies including Policy on Board Committees, Compliance Policy, Sustainability Policy, Environment & Climate Action Policy, Sustainability Governance Structure, Risk Management Policy, Credit Risk Policy, Related Party Transactions Review Policy, Group Governance Framework, Whistleblower Policy, Customer Complaint Handling Policy and Human Resource Policies	

# Key Board Responsibilities GRI 2-13, 2-27, 205-1 **Regulatory Compliance**

The Board of Directors, holds the ultimate responsibility for ensuring the Company's full compliance with all applicable regulatory requirements. The Board works in close collaboration with its Committees and the executive management team to establish and enforce comprehensive compliance frameworks in keeping with a strict zero-tolerance approach on non-compliance,

To promote a culture of transparency and accountability, the Board has instituted secure and confidential communication channels that empower employees to report any compliance concerns or violations without fear of retaliation. These mechanisms support early detection and swift resolution of potential issues, reinforcing AFC's ethical foundation.

In response to an increasingly dynamic and complex regulatory environment, the Board takes a proactive stance by regularly engaging with regulators and consulting subject matter experts to stay ahead of emerging requirements. This forward-looking approach enables the Company to identify and mitigate compliance risks effectively while embedding a culture of continuous improvement and regulatory readiness.

During the financial year 2024/25, the Board and its Committees ensure full compliance with the revised Section 9 of the CSE Listing Rules on Corporate Governance, meeting all mandated requirements and reinforcing AFC's unwavering commitment to sound governance and ethical business practices.

# Compliance Highlights for FY 2024/25

As per Rule 9.2 of the CSE Listing Rules on Corporate Governance, the following Board policies were implemented

- Policy on Board Committees
- Trading on Listed Entity's Securities
- Policy on Relations with Shareholders and Investors
- Policy on Corporate Governance Disclosures

In compliance with Section 9.2.1 of the Listing Rules of the Colombo Stock Exchange, the Company has implemented the following Board-approved policies, disclosed same on the Company's website.

- Terms of Reference of the Board of Directors
- Policy on Board Subcommittees
- Policy on Remuneration
- Noticy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
- Noticy on Risk management and Internal controls
- Policy on Relations with Shareholders and Investors
- Notice on Environmental, Social and Governance Sustainability
- Policy on Control and Management of Company Assets and
- Investment Policy
- Policy on Corporate Disclosures
- Policy on Whistleblowing
- Policy on Anti-Bribery and Corruption

Trading in Listed Entity's Securities Relationship with shareholders and Investors

Reviewed the Terms of Reference of the Sub Committees

There were no incidents regarding non-compliance of laws and regulations reported in the current financial year

There were no concerns reported through the whistleblower channel in the current year



- Governance Committee consisting of the following members on 26/09/2024
- Mr. D.L.I. Hettiarachchi Chairman/ Independent Non-Executive Director
- Mrs. G.S.T. Dharmakirti-Herath -Member/Independent, Non-Executive
- Mr. L.J.H. De Silva Member/Non-Independent Non-Executive Director

As per Section 8.1 of the Finance Business Act Directions No. 05 of 2021, the Company Secretary was appointed with effect from 18/11/2024

Regulation/ Code	Disclosure Table
Finance Business Act Direction No 05 of 2021 - Corporate Governance	Page 148
Listing Rules of the Colombo Stock Exchange (CSE)- Section 7	Page 167
Listing Rules of the Colombo Stock Exchange (CSE)- Section 9	Page 168

#### **Financial Control and Reporting**

The Board of Directors exercises its fiduciary duty to ensure sound financial stewardship through a firm commitment to financial discipline, accountability, and transparency across the organisation.

The Board remains the exclusive authority over all major financial decisions, including the approval of the annual budget, financial statements, dividend declarations, capital expenditure programs, investment strategies, funding arrangements, and other significant financial commitments. These decisions are aligned with the Company's strategic objectives and long-term value creation goals.

In collaboration with the Board Audit Committee, the Board ensures the integrity, accuracy, and reliability of financial reporting and Internal Controls. Regular reviews of financial performance are conducted to monitor progress against targets, assess financial risks, and uphold compliance with applicable accounting standards, regulatory requirements, and globally recognized financial reporting frameworks.

The Board is also responsible for reviewing and approving all statutory and regulatory financial disclosures, including the annual financial statements, interim financial reports, and the Integrated Annual Report to ensure that they present a true, fair, and comprehensive view of the Company's financial health, performance, and prospects.



### For more information

The Annual report of the Board of Directors on the affairs of the Company on page 174

Directors' Responsibility for Financial Reporting on page 194

Directors' Statement on Internal Control Over Financial Reporting on page 191

Report on Corporate Governance on page 136

Report of the Auditors on page 196

### **Risk Management**

The Board assumes ultimate responsibility for ensuring that the Company's risk management and internal control frameworks are robust, effective, and aligned with its strategic objectives. In fulfilling this duty, the Board defines the overall risk appetite and collaborates closely with the Board Integrated Risk Management Committee (BIRMC) to oversee the development and implementation of policies and procedures designed to proactively identify, assess, and mitigate risks that may impact operations, reputation, or financial performance.

Acting under delegated authority, the BIRMC reviews risk assessments, monitors key risk indicators, and ensures that timely and appropriate risk mitigation measures are in place.

In addition, the BIRMC is responsible for securing independent assurance from both internal and external auditors on the integrity of the Company's risk management System. Where gaps or inefficiencies are identified, the Committee recommends mitigants, and these insights are reported to the Board to facilitate the timely implementation of corrective actions. This process ensures a dynamic, responsive, and resilient approach to enterprise risk management.



### For more information

Managing Risks and Opportunities on page 60

### **Conduct and Ethics**

The Board plays a crucial role in promoting ethics and conduct, striving to lead by example in setting the tone from the top. To permeate the culture of integrity and good conduct across the organisation, the Board has established a comprehensive conduct framework comprising a comprehensive range of policies and procedures.



Code of Conducts for **Directors and Employees**  Policy on Anti-bribery and Corruption

Whistleblowing Policy

Establishes the principles and standards governing ethical behaviour and compliance requirements applicable to all Directors and Employees of AFC, without exception. Covering such as integrity, fairness, and transparency in business dealings, including specific guidelines on trading in the Company's listed securities, the policy is designed to ensure that all directors and employees adhere to the highest ethical standards, prevent conflicts of interest. and comply with legal and regulatory requirements, thereby maintaining the company's reputation and fostering a culture of accountability.

Represents the Company's commitment to preventing bribery, corruption, and any form of unethical conduct. It applies to all employees, directors, and third-party associates, reinforcing a zero-tolerance approach to any actions that could undermine the company's reputation or legal obligations. The main objective of the policy, is to uphold the highest standards of compliance with local and international anti-corruption laws

Provides employees and stakeholders with a safe and confidential mechanism to report unethical behaviour, misconduct, or violations of company policies without fear of retaliation. The policy strives to encourage openness, while protecting the integrity and reputation of the organisation.

# **Corporate Governance Report**

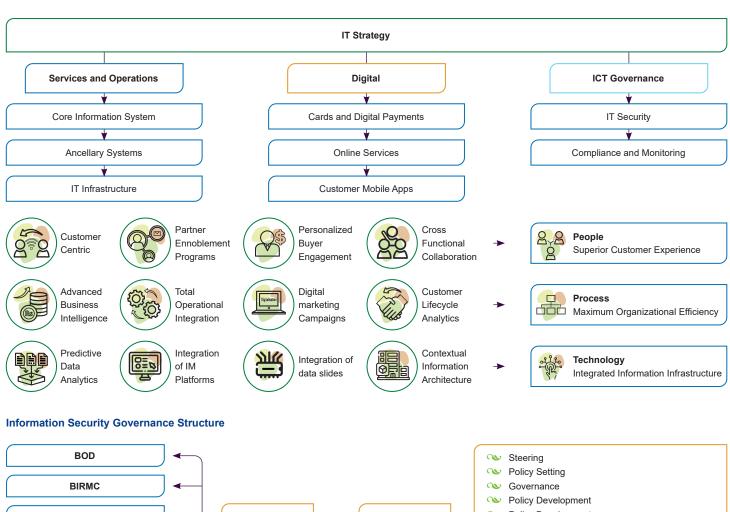
## Information Technology (IT) and Cybersecurity Governance

The Board plays a central role in the governance of IT and cybersecurity, ensuring that the Company's information technology strategies are fully aligned with its overall business goals, risk management framework, and sustainability principles. The Board sets the strategic direction for IT investments, prioritising initiatives that support and strengthen the Company's triple bottom-line approach balancing financial performance, social responsibility, and environmental stewardship, while ensuring robust financial processes, data security, and regulatory compliance.

In fulfilling this mandate, the Board establishes comprehensive policies and procedures to ensure the efficient and effective use of IT resources in support of financial operations, risk management, and compliance obligations. Operating under the delegated authority of the Board, AFC's IT Steering Committee undertakes to monitor the performance of IT systems and projects, ensuring alignment with organisational financial goals and contributions to an enhanced customer experience.

The Board has delegated the responsibility for safeguarding information security and protecting customer data privacy, to the Technology Risk and Information Security Committee (TRISC).

As part of the ongoing efforts to align with the CBSL's Technology Risk Management and Resilience directives, AFC's IT governance framework was further enhanced in the current year with the integration of comprehensive risk assessment and monitoring mechanisms to focus on the identification, monitoring, and mitigation of technology-related risks, thereby reinforcing the Company's information security posture.





## Stewardship of Human Capital GRI 2-25

The Board holds ultimate responsibility for the stewardship of Human Capital and provides oversight to ensure that the Company's HR strategy supports its broader business objectives and risk management framework.

For the day to day management of human capital activities, the Board has instituted a centralised approach with all human capital matters managed under the purview of the HR Department, led by the Chief People Officer.

AFC's Human Resource Philosophy, core values, and operating guidelines form the overarching Policy from which all HR policies are derived. These policies cover the entire employment lifecycle, including recruitment, benefits administration, performance management, promotions, transfers, training and development, grievance resolution, and exit procedures. This holistic approach ensures consistency, fairness, and effectiveness in managing human capital. The HR Department is tasked with regularly reviewing and updating all HR policies to reflect evolving regulatory demands and global best practices, while also ensuring full compliance with applicable labour laws

The Board works closely with the Human Resources and Remuneration Committee to design and maintain a competitive and equitable remuneration structure that aligns with regulatory requirements and industry standards.



# For more information

The Human Capital Report on page 114

### Stakeholder Engagement GRI 2-29

Recognising that transparent communication and timely responsiveness are vital to earning and maintaining stakeholder trust, the Board places strong emphasis on effective stakeholder engagement. Committed to nurturing longterm, value-driven relationships, the Board has delegated specific responsibilities for stakeholder engagement to AFC's Managing Director.

Under the guidance of the Managing Director, Corporate Management teams are issued a clear mandate to oversee the development of suitable engagement plans for designated

stakeholder groups. At the operational level, executive management is responsible for conducting day-to-day interactions with stakeholders, guided by the direction and principles set by the Board.



### For more information

Stakeholder Engagement on page 36

## **GRI 2-14**

# **ESG Governance**

AFC has established a well-defined ESG governance structure which reinforces the Company's belief that sustainability is not a standalone initiative but a shared responsibility that drives long-term value creation and corporate resilience.

The Board, as the apex body endorses the integration of ESG considerations into the Company's strategic direction, risk management, and policy development in line with AFC's corporate objectives and evolving regulatory expectations

The Board sets the Company's ESG strategy and provides critical oversight for its execution through the Board Subcommittee on Sustainability. The Sustainability Steering Committee (ESG Committee), comprising senior leadership, is tasked with operationalising the sustainability agenda. This Committee ensures that sustainability commitments translate into measurable actions across business units and supports effective implementation at all levels.

Day-to-day coordination, monitoring, and execution are driven by the Strategic Planning Unit, under the leadership of the Senior Manager - Sustainability and Strategic Planning. This unit provides technical support, facilitates cross-functional alignment, and tracks progress across the Company's ESG goals.

In this way, AFC's ESG governance structure is designed to ensure every department, team, and employee contributes to advancing the Company's sustainability commitments.

# **Shareholder Relations and Communication**

The Board has adopted a proactive and transparent approach to shareholder relations and communication. To ensure shareholders are kept informed and engaged, the Board

prioritizes open and timely communication through CSE disclosures and press releases informing them of the Company's financial performance, strategic initiatives, and material developments. The Board acknowledges its responsibility for ensuring all such disclosures comply with regulatory requirements.

Further the Board strives to address shareholder inquiries promptly and encourages shareholders to raise any issues at the Annual General Meeting or in writing to the Company Secretary.

### **Annual General Meeting (AGM)**

The AGM serves as the primary forum for shareholders to engage directly with the Board, raise concerns, and offer suggestions. The meeting is attended by all Directors and members of the executive management, ensuring comprehensive representation and dialogue.

To facilitate meaningful participation, the Annual Report, notice of AGM, resolutions requiring shareholder approval, and voting instructions are distributed to shareholders at least 15 working days in advance to provide sufficient time for preparation prior to the AGM.

Alliance Finance Company PLC's next AGM is scheduled to be held on 30/06/2025.

# **GRI 2-17**

# **Board Composition**

AFC is governed by a strong and wellbalanced Board. The composition of the Board is determined by the Company's Articles of Association and aligned with the latest regulatory frameworks.

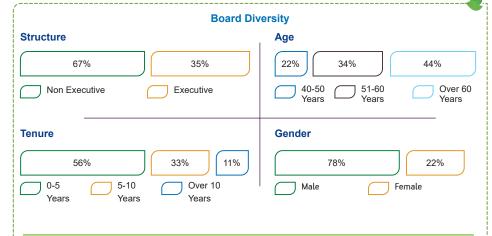
The Company was fully compliant with the requirement of Independent Directors requirement in 2023/24.

In compliance with the Board balance requirements set out under section 9.8.2 of the new CSE rules on corporate governance stipulating that at least two (02) Board Members or 1/3rd of the Board (whichever is higher) consists of Independent Directors.

# **Corporate Governance Report**

FY 2024/25

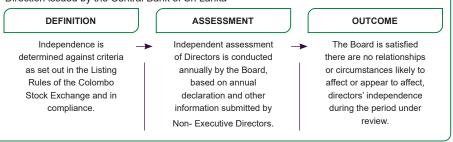
The 09-member AFC Board as at 31st March 2025 comprised 06 Non-Executive Directors of which three are 03 Independent Non-Executive Directors, 03 Executive Directors.



Name of Director	Date of appointment on the Board	Period of Office as at 31st of March 2025	
Mrs. G. S. T. Dharmakirthi - Herath	22.10.2020	4 years and 5 months	
Mrs. P. De Silva	09.08.2018	6 years and 7 months	
Mr. L. J. H. De Silva	16.10.2019	5 years and 5 months	
Mr. D. L. I. Hettiarachchi	22.10.2020	4 years and 5 months	

## Procedures for assuring Directors Independence

The Independence of Non-Executive Directors on the AFC Board is assured by the Governance Direction issued by the Central Bank of Sri Lanka



During the 2024/2025 based on the determination, Mr. L.J.H. De Silva ceased to be independent from 30th June 2024.

AFC is committed to maintaining diversity at Board level, reflecting a broad range of expertise, perspectives, knowledge, skills, experiences and backgrounds. As a financial institution financial acumen, is deemed a key skill for AFC Directors.

The Company's Board as at 31st March 2025 reflects a healthy balance of diversity in gender, age, and professional expertise to lay create the foundation for robust dialogue and informed decision-making at Board level. All the nine Board members brings extensive qualifications and experience across a broad spectrum of finance, business, investment, marketing related disciplines, strengthening the Board's capacity for strategic oversight and financial stewardship.

Non-Executive Directors provide impartial oversight to strengthen governance practices, drive accountability, and facilitate informed decision-making at Board level, thereby significantly enhancing the quality and integrity of the Board.

#### **GRI 2-10**

# Appointment / Re-Election / Resignation / Retirement Of Directors

The appointment of Directors to the AFC Board is governed by a formal and transparent process overseen by the Board Nominations and Governance Committee (NAGC). The NGAC comprehensively assesses all potential candidates based on how their professional expertise, industry experience, and leadership capabilities will enhance the overall composition and effectiveness of the Board. As part of this evaluation, the NAGC also reviews the number and nature of external directorships held by candidates to ensure they can dedicate adequate time and attention to their role at AFC, and discharge their duties with due care, skill, and diligence.

In accordance with the Company's Articles of Association, one Non-Executive Director is required to retire by rotation at each Annual General Meeting (AGM) and may offer themselves for re-election by shareholders. The NGC evaluates each retiring Director's eligibility for re-election, taking into account their level of participation, contribution to Board deliberations, and overall engagement during their tenure.

Directors appointed by the Board to fill a casual vacancy or an additional Director between AGMs are also subject to shareholder approval at the next AGM, where they may stand for re-election.

Moreover, in alignment with best governance practices and regulatory expectations, Directors who have served on the Board for nine consecutive years or have reached the age of 70 are required to retire.

The Board ensures all Director appointments, re-elections, resignations, and retirements are disclosed promptly to the Colombo Stock Exchange (CSE) and communicated transparently to shareholders in keeping with regulatory requirements and good governance principles.

Board changes for FY 2024/25	
New Appointments	Re-elections for
Mr.D.F.W. Perera was appointed to the Board on 02/08/2024 in the capacity of Non-Executive Director	Re-elected at the conclusion of the Annual General meeting in terms of the Article 136 of the Articles of Association
Dr. S.L.N. Wickramasooriya was appointed to the Board on 02/08/2024 in the capacity of Non-Executive Director	Re-elected at the conclusion of the Annual General meeting in terms of the Article 136 of the Articles of Association

<sup>\*</sup> Mr. L.J.H. De Silva's directorship status has been changed from Independent Non-Executive to Non-Executive, with effect from 01 July 2024

#### **GRI 2-15**

#### **Managing Conflicts of Interest**

As Directors of a well reputed financial institution in Sri Lanka, all members of the AFC Board are required to act in good faith and uphold their fiduciary responsibilities to shareholders and other stakeholders by consciously avoiding any circumstances that may give rise to a conflict of interest or the appearance thereof. Directors are expected to exercise due care, sound judgment, and transparency in identifying potential conflicts and are obliged to promptly disclose such situations to the Board.

Oversight of these matters rests with the Related Party Transactions Review Committee (RPTRC), which is responsible for reviewing all conflict of interest disclosures made by Directors. The Committee assesses the nature and implications of such disclosures and recommends appropriate mitigation measures to the Board to ensure transparency, accountability, and the integrity of Board decisions

Directors' Interest in	Contracts					
Name of Director	Position on the AFC Board	Directorships Companies	Directorships held in other listed Companies		Directorships held in unlisted Companies	
		Executive Capacity	Non-Executive Capacity	<b>Executive Capacity</b>	Non-Executive Capacity	
Mrs.G.S.T. Dharmakirti-Herath	Chairperson	Non	None	None	None	
Mr. R.K.E.P. De Silva	Deputy Chairman/ Managing Director	None	SDB Bank PLC	None	Alfinco Insurance Brokers (Pvt) Ltd  Macbertan (Pvt) Ltd  Alliance Management Services (Pvt) Ltd  Macbertan Holdings (Pvt) Ltd  Techlabs Global (Pvt) Ltd  Alliance Travel Services Ltd  Macbertan Properties (Pvt Ltd  The Finance House Association of Sri Lanka	
Mr. W.P.K. Jayawardana	Deputy Managing Director	None	<ul><li>Lanka Ventures PLC</li><li>LVL Energy Fund PLC</li><li>ACL Cables PLC</li></ul>	None	○ Cable Solutions (Pvt) Ltd	
Mr. M.J. Benedict	Executive Director - Recoveries	None	None	None	Alfinco Insurance Brokers (Pvt) Ltd	
Mrs.P.De Silva	Independent/Non- Executive Director	None	None	None	None	

Directors' Interest in Contracts					
Name of Director	Position on the AFC Directorships held in other listed Board Companies		Directorships held in unlisted Companies		
		Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mr. L.J.H De Silva	Non-Independent/ Non-Executive Director	None	None	<ul> <li>Alliance Agencies         Ltd         Alliance Graphic             Services (Pvt) Ltd         Heshia Shipping             (Pvt) Ltd         Drive One (Pvt) Ltd     </li> </ul>	National Autocare (Pvt) Lt
Dr. D.L.I. Hettiarachchi	Independent/ Non-Executive Director	None	None	None	Cyrus Corporate Services (Pvt) Ltd
Mr. D.F.W. Perera	Non-Independent/ Non Executive Director	None	None	MSS Investments (Pvt) Ltd  Motor Service Station (Pvt) Ltd  Orient Properties (Pvt) Ltd  Orient Petroleum (Pvt) Ltd	Orient Hotels Limited
Dr. S.L.N. Wickremesooriya	Non-Independent/ Non-Executive	None	None	Strategy and Leadership Inc (Pvt) Ltd	None

#### GRI 2-19, 2-20, 2-21

#### **Directors Remuneration**

AFC's Remuneration Policy provides a structured and transparent framework for determining fair, competitive, and performance-linked compensation for Directors, executives, and employees at all levels of the organisation.

There is clear differentiate between the remuneration structures for Executive and Non-Executive Directors. As per the policy, the compensation structure for Executive Directors typically consists of both fixed and variable components. The fixed component is set in line with market standards and takes into account the Directors skills and expertise, while the variable component comprises performance-based incentives based on the Company's overall performance and the achievement of corporate objectives. This approach ensures that Executive remuneration is performance-driven and aligned with AFC's sustainability agenda and long-term success. This same performance-oriented approach is extended to Key Management Personnel (KMPs), whose remuneration packages are designed to reward value creation, leadership effectiveness, and sustained contribution to the Company's growth.

Meanwhile, Non-Executive Directors are paid a fee for serving on the AFC Board and its Sub-Committees, based on prevailing market benchmarks and remuneration practices of comparable institutions.

#### **GRI 2-11**

#### **Division of Responsibilities**

In line with global best practices, there exists a clear division of responsibilities among AFC's leadership level ensuring no one individual has unfettered power over decision making.

The AFC Board is led by a Non-Executive Independent Chairperson, who provides objective leadership and oversees Board effectiveness by promoting unbiased discussions and decision-making at the Board level. The Managing Director is responsible for executing the Board's strategic directives, managing day-to-day operations, and driving the Company's performance in alignment with its long-term goals.



Independence is determined against criterion set out in the Corporate Governance Direction of the Central Bank of Sri Lanka and the Listing Rules of the Colombo Stock Exchange



The Company's MD - Mr.Romani de Silva is an Executive Director. He is responsible for managing the day to day operations by driving operational performance as per the Board approved strategy and in line with Board approved risk appetite. In this regard, the MD is authorised to recommend the Senior Management team which is approved by the Board. Executive management team is appointed by MD to ensure suitable personnel are in place to oversee functional aspects of the business.

#### **GRI 2-13**

#### **Board Committees**

To assist in performing its oversight role, the Board has appointed several Sub Committees to provide oversight in specific key areas.









#### Company Secretary

The Company Secretary of AFC plays a vital role in upholding the integrity, effectiveness, and functionality of the Company's corporate governance framework. As a trusted governance advisor to the Board, the Company Secretary is responsible for ensuring that all Board activities are conducted in line with statutory requirements, regulatory guidelines, and best practices in corporate governance.

The Company Secretary provides timely and accurate guidance on Board processes, compliance obligations, disclosure requirements, and governance structures, thereby enabling informed decision-making at the highest level. All Directors have unrestricted access to the Company Secretary, who serves as the primary point of contact for governance-

Key responsibilities of the Company Secretary include:

- Coordinating Board and Committee meetings, including preparation and timely distribution of Board papers, agendas, and minutes:
- Ensuring proper documentation and communication of Board decisions to management and relevant stakeholders for effective implementation;
- Maintaining statutory records and ensuring compliance with applicable laws, listing rules, and corporate governance codes;
- Facilitating the induction of new Directors and organising continuous training programs to keep Board members informed of evolving regulatory changes, governance expectations, and industry trends.
- Not as a liaison between the Board, management, regulators, and shareholders, the Company Secretary helps to foster transparency, accountability, and confidence in governance processes across the organisation.

The appointment of the Company Secretary is subject to screening, including "fit and proper" assessments, and is formally approved by the Board. Company Secretary' Annual Performance Evaluation will be conducted annually.

#### **Directors Training**

On appointment, each Director undergoes a comprehensive induction that covers the Company's strategic priorities, risk profile, governance policies and regulatory landscape. Thereafter, training needs are identified annually through the Board evaluation process with necessary training being facilitated by the Company Secretary.

Director training typically includes a combination of in-house briefings, expert-led workshops, and external programmes accredited by recognised institutes, with an emphasis on emerging regulatory changes, prudential standards, cybersecurity, ESG imperatives, and evolving market dynamics., enabling courses to be tailored to individual skills gaps and forthcoming strategic challenges

#### **Board Meetings**

Board meetings are held every month or more frequently when required. Meetings are scheduled in advance by the Chairperson and the Company Secretary, who prepares an annual calendar circulated to all Directors. Attendance at scheduled meetings is mandatory, and all Directors are expected to be well-prepared and actively contribute to robust, constructive discussions.

The Chairperson ensures meetings are effective by encouraging participation from all Directors, fostering diverse viewpoints while maintaining a focused approach to addressing all agenda items, including the review and approval of Board resolutions. Each meeting also includes updates from the Chairpersons of Board sub-committees on key matters discussed since the previous meeting.

Members of the Corporate Management team may also attend Board meetings on invitation as needed, offering additional insight on specific matters. The Company Secretary maintains detailed minutes of each meetings which are reviewed and then shared with all Directors.

A total of 21 Board meetings were held in FY 2024/25.

#### **Planning**

Planning

Execution

Review

The meeting calendar is prepared annually in advance and communicated to all Board members and agreed upon.

Before each scheduled meeting, the Chairperson, assisted by the Company Secretary, sets the agenda for the meeting to ensure relevant matters are presented for discussion in order of priority. To enable Directors to make informed decisions, Board Papers and relevant material is collated by the Company Secretary, and circulated among all Directors seven (7) days prior to the Board Meeting.

#### Execution

The Chairperson plays a critical role in ensuring the effective functioning of the Board by presiding over the proceedings and setting the tone for professionalism, collaboration, and focused deliberation. All Board members are expected to be fully prepared and actively participate in exercising independent judgment over matters discussed. Throughout the Board meeting, the Chairperson facilitates discussions, ensuring that all viewpoints are heard, and guiding the Board towards consensus when necessary. Additionally, the Chairperson manages the allocation of time to agenda items, maintaining a balance between thorough exploration and timely decision-making.

After the conclusion of a Board meeting, the minutes of the meeting are prepared by the Company Secretary and circulated to all Board members for review requiring formal resolutions. Minutes are customarily circulated within a reasonable time frame from the conclusion of the Board meeting.

Name of a Director	Capacity	Board Meeting	Board Audit Committee	Board Integrated Risk Management Committee	Related Party Transactions Review Committee	Remuneration Committee	Nomination and Governance Committee
Mrs. G.S.T. Dharmakirti-Herath (Chairperson)	INE	21/21	11/11	06/06	04/04	05/05	03/03
Mr. R.K.E.P. de Silva	EX	21/21	-	-	-	-	-
Mr. W.P.K. Jayawardana	EX	20/21	-	-	-	-	-
Mr. M J Benedict	EX	21/21	-		-	-	-
Mrs. P. De Silva	INE	21/21	11/11	06/06	-	-	-
Mr. L.J.H. De Silva	NINE	21/21	11/11	06/06	04/04	05/05	03/03
Dr. D.L.I. Hettiarachchi	INE	21/21	-	-	04/04	05/05	03/03
Dr. S.L.N Wickremasooriya (appointed on 02/08/2024)	NINE	21/21	-	-	-	-	-
Mr. D.F.W. Perera (appointed on 02/08/2024)	NINE	21/21	-	-	-	-	-

EX - Executive Director

INE - Independent Non Executive Director

NINE - Non Independent Non Executive Director

#### **Access to Information**

Directors are granted unrestricted access to all relevant information necessary to fulfill their duties effectively. This includes access to financial records, Board papers, management reports, and other operational data, enabling informed decision-making and effective oversight. Directors may also seek independent professional advice at the Company's expense, where necessary, to support their responsibilities. This right of access ensures transparency, accountability, and reinforces the Board's ability to act in the best interest of the Company and its stakeholders

#### **GRI 2-18**

#### **Board and Board Sub Committee Evaluation**

The effectiveness of the Board and its Subcommittees undergoes an annual evaluation. As part of this process, all Directors are required to complete a self-assessment, providing their insights on the Board's balance and overall effectiveness in functioning.

#### **Evaluating the Performance of the MD**

The performance of AFC's Managing Director is assessed annually by the Chairperson at the end of each financial year. This evaluation measures the Company's progress against the strategic goals, targets, and objectives set at the beginning of the year.

#### **Management-Level Committees**

Management-level committees are established to assist the Managing Director in bringing more focused oversight into critical areas on a day to day basis.

## Corporate Governance Report GRI 2-16

#### Finance Business Act Directions No.05 of 2021-Corporate Governance

Section	Corporate Governance Principle	Compliance Status
1.1	Board's overall responsibilities	
1.1.a	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of Company's Corporate Strategy, setting up the governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction below from 1.2 to 1.7 in effectively discharging its responsibilities	[Complied) The Board-approved Strategic Business Plan for 2025–2028 is in place, ensuring alignment with the Company's objectives. The Board and the Management are fully aware of the strategic objectives and the Company's values, which have been effectively communicated across the Company.
1.2	Business Strategy and Governance Framework	enectively communicated across the company.
1.2.a		[Complied)
1.2.d	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	[Complied) The Board approves and oversees the formulation of the Strategic Plan and the Strategic Objectives for the Company. Strategic Plan would encompass the High Impact Goals which is woven into the business fabric and is determined for a period of three years with milestones for every year both for financial and non-financial objectives. This plan is reviewed annually and revised if required.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	[Complied)  The Board has approved and implemented a robust Governance framework considering its size, complexity, structure, strategies and regulatory requirements.
1.2.c	Assessing the effectiveness of its governance framework periodically.	[Complied) An approved procedure is in place to assess the effectiveness of the governance framework at regular intervals.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	[Complied) The Board has appointed a Chairperson who is an Independent Non Executive Director whose role is specific in keeping with the Non Executive role. Our Company has appointed a Managing Director for the Company and he is the virtual CEO. The roles and responsibilities of the Chairperson and Managing Director are clearly defined.
1.3	Corporate Culture and Values	
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	[Complied)  Being a Company that has practiced governance principles from its inception, the Company has a strong corporate culture with time tested principles which had been handed down over three generations. Ethical and professional behavior is inculcated and strictly observed. inculcated amongst the employees. Aboard approved Code of Conduct for employees is in place.
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	[Complied] The Board has adopted a codes of conduct for both directors and employees and has functioned as a role model embodying the corporate culture it wishes the employees to emulate. Conflict of Interest Policy is in place to manage conflicts if it were to arise
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	[Complied] Our Company is the only company in Sri Lanka to be certified for Sustainability by Sustainability Standards Certification Institute, Karlsruhe Germany. The standard promotes a holistic approach as the Standard embodies both social and environmental aspects. The principles are interwoven into the business strategies and insetting corporate objectives and high impact goals. AFC has established a Board Sub-committee, Board Sustainability Committee to formulate a policy on sustainability and oversight the management committee functions.
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	[Complied] The Board has formulated and implemented a Communication Policy considering all the stakeholders and a equitable treatment for all.

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Section	Corporate Governance Principle	Compliance Status
1.4	Risk Appetite, Risk Management, and Internal Controls	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	[Complied] The Risk Appetite Statement is designed to be in line with the overall Strategic direction and objectives and the governance framework. RAS is reviewed by the BIRMC on an annual basis and approved by the Board.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	[Complied] The Board has approved a Risk Management framework which is outlined in the Risk Management Policy which serves as a guideline for the identification of risks of all types and to manage and mitigate such risks prudently with methodologies in place to foresee the risk and implement risk mitigation.
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	[Complied] The Board has established a healthy internal control and management systems which is well supported by an organization and management structures with a view to having an overall effective control mechanism for a sustainable enterprise. The Internal Control System is evaluated periodically by the internal Auditors and annually by the External Auditors who furnish an independent certification on this.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	[Complied] AFC has a certification for Business Continuity Management Systems and Quality Management Systems and is audited by Det Norske Veritas on an annual basis. Board approved business continuity plan and disaster recovery plan is in place and regularly reviewed by the Board to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.
1.5	Board Commitment and Competency GRI 2-17	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	[Complied]  Every member of the Board has devoted adequate time to attend to the matters relating to the Company on a timely basis. The Board meets monthly and sub Committees meet every other months or quarterly intervals as stipulated in the respective Terms of Reference of each Sub Committee.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	[Complied] All members of the Board possess with knowledge, expertise and experience in different business sectors which has added value to the Company and their diversity of experience brought about better judgment in matters relating to strategy, performance and resources. Some Directors have many years of experience in the industry. The Profiles of the Directors are on pages 8 to 11
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	[Complied] The Board has had continuous identified specific training and development programs collectively as a Board also individually. Both collective and individual training needs are identified and the members of the Board then suitable training programs that match the needs. The details of the training provided to Board members are stated in the corporate governance report on page 136
1.5.d	The Board shall 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] On an annual basis the Directors have adopted a self assessment scheme and it is tabulated and records are maintained.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	[Complied] A procedure is in place for the Directors to obtain external professional advice as and when required.

Section	Corporate Governance Principle	Compliance Status
1.6	Oversight of Senior Management	·
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk	[Complied] The Board of Directors has a policy and procedure in place to identify and designate persons as Key Responsible Officers who form the Senior Management of the Company. Such designated Officers have specific job roles to exercise control over business operation and risk management collectively they influence policy decisions as well.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	[Complied] Each member of the Senior Management have their designated roles and responsibilities which are documented and reviewed periodically to ensure that it is in keeping with their job requirements.  Accountability and responsibility are delegated to Senior Management officers through the implementation of various policies, procedures, and Job Descriptions (JD).
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	[Complied] The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process as per the recruitment policy. Further, the physical documents/confirmation are verified and obtained from the candidates during the on-boarding process. The approval for Key Responsible Persons (KRPs) is obtained from CBSL.  Senior Management team has diverse functions which is essential for the smooth operations of the Company. The team has the required qualification, skills, experience and knowledge akin to their specific area of expertise and are able to contribute towards the overall achievement of the objectives of the Company.
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	[Complied] To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through the Managing Director. To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.  The management of the Company is structured in a manner that the key functions are identified with an appropriate oversight by the members of the Senior Management. There are Systems, Controls and mechanisms in place for effective management.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	[Complied] Key and critical areas have been identified by the Board, and a formal Board approved Succession Plan is in place for all persons who are responsible for such areas including those who are in the senior management.
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	[Complied] The Board has created forums where the senior management would meet with the Directors to manage the various functions of the entity. Such forums are held on regular basis with a specific focus which would facilitate and measure performance and progress in achieving the strategic objectives. There are established lines of communications for the flow of information and effective and timely communication of decisions.  The Senior Management is regularly invited to make presentations and participate in discussions on their areas of responsibility at the Board and its Sub Committees meetings. Members of the Senior Management is involved in the decision making process based on their areas of responsibility.

Section	Corporate Governance Principle	Compliance Status
1.7	Adherence to the Existing Legal Framework	
1.7.a	Ensuring that the FC does not act in a1.7.a Ensuring that the FC does not act in atom the interests of, and obligations to, depositors, shareholders and other stakeholders.	[Complied] Well-established systems and controls are in place for the Board to ensure that Company carries out its activities to the best interest of and obligations to depositors, Shareholders and other stakeholders. The Board affirms that the Company has not acted in a manner that is detrimental to the interest of and obligations to any stakeholder.  There is a Code of Conduct for the Board and another for the employees which enumerates on the expected conduct of each person, and the business ethics to be adhered to ensure the best interest of all the stakeholders.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	[Complied] Compliance department is established to ensure whether company carries out its activities in adherence to the relevant laws, regulations, directions and ethical standards. Procedures are in place to obtain periodic assurance by the Board and the Board affirms that the Company adheres to relevant laws, regulations, directions and ethical standards to the best of their knowledge.  The Board ensures that the Directors and employees keep abreast of all laws, regulations, directions and any changes there to and adherence to the same.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	[Complied] The Board of Directors act with due care, prudence and with integrity to drive the company for a sustainable growth.  Good governance is practiced as a way of life, as such the business activities of the Company is carried out with prudence, integrity and ethics.
2	Governance Framework	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021.  Board shall develop and implement a governance framework in line with these directions and including but not limited to the following;  (a) role and responsibilities of the Board, (b) matters reserved for the Board; (c) delegation of authority; (d) composition of the Board, (e) the Board's independence; (f) the nomination, election and appointment of directors and appointment of senior management. (g) the management of conflicts of interests, (h) access to information and independent advice, (i) capacity building of Board members; (j) the Board's performance evaluation; (k) role and responsibilities of the chairman and the chief executive officer, (l) role of company secretary; (m) Board sub committees and their role, (n) limits on related party transactions	[Complied] A Board approved Governance Framework is in place.  The Board has formulated and implemented a comprehensive Corporate Governance framework in keeping with the provisions of the Finance Business Act Direction No.5 of 2021.And taking into consideration other statutory requirements and obligations.
3	Composition of the Board GRI 2-17	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	[Complied] Considering the complexities of the operations of the Company, the composition of the Board has been formulated to determine the right balance, skills, professionalism, qualifications, expertise and experience is maintained with an emphasis to identify and address the need for specific skills and experience.  All members of the Board posses vast experience, qualifications, adequate skills, and knowledge in the relevant fields.

Section	Corporate Governance Principle	Compliance Status
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	[Complied] the Board of Directors comprised nine (09) members which is within the statutory limit required by the direction. The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors. At the end of the financial year there were three Independent Non-Executive Directors, three Non-Independent, Non-Executive Directors and three Executive Directors. The required board balance was maintained throughout the year.
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] The Period of service of all Non-Executive Directors are less than nine (9) years during the year under review.
3.4	Non-executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (1/4) of the total number of directors on the Board.	[Complied] There is one Non Executive Director representing shareholders who directly or indirectly holds more than 10% of the Company. The service period of all Non-Executive Directors is below 9 years.
3.5	Executive Directors	
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of Directors of the Board.	[Complied] End of the financial year there were three Executive Directors and one as Executive Director - Recoveries.
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/ senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	[Complied]  No such circumstance transpired during year under review.  The Managing Director of the company is also a shareholder and a director. His term of office is determined by his contract of employment.
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	[Complied] Out of three Executive Directors, there is one Executive Director is designated as Managing Director, he is the Virtual CEO. One Executive Director designated as Deputy Managing Director and one as Executive Director recoveries.
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	[Complied] All Executive Directors have functional reporting lines and specific defined and documented areas of responsibility and oversight. The Managing Director has a clear functional reporting line in place within the organizational structure of the company.
3.5.e	The Executive Directors are required to report to the Board through the CEO.	[Complied] The Deputy Managing Director and the Executive Directors report to the Board through the Managing Director who is the virtual CEO.
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	[Complied] All the Executive Directors including MD has declared that they do not hold any Executive Directorships or Senior Management positions in any other entity.

Section	Corporate Governance Principle	Compliance Status
3.6	Non-Executive Directors	
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgment on the issues of strategy, performance, resources, and standards of business conduct.	[Complied] There are six Non-Executive Directors on the Board and they have the knowledge, skills, experience and expertise which enable them to contribute to the deliberations and decisions made by the Board. Their profiles are on pages 8 to 11.  All Non-Executive Directors are actively engaged in providing their independent judgment on various matters under discussion through Board Sub-committees.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/ Executive Director of the Company.	[Complied]  None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7	Independent Directors	
3.7.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] During the year, the Board comprised of six Non-Executive Directors. The composition of the Board of Directors is published on pages 8 to 11 of the Annual Report. The total number on the Board is nine the board balance is complaint with the requirements.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	[Complied] Independent Directors have been appointed considering their professional qualifications, experience and expertise. The Independent Non-Executive Directors of the Company bring a diverse range of skills and experience to the Board, contributing to effective governance and decision-making. Their collective expertise encompasses various fields, including finance, risk management, legal, regulatory compliance, technology, strategy, and industry knowledge. This diverse skill set enables them to provide valuable insights, independent judgment, and constructive challenge to executive management.
3.7.c	Independence Criteria of the Non- Executive Director who would be considered independent.	[Complied] Three (3) out of six (6) Non-Executive Directors are independent. The Board evaluates independence of the Directors annually based on the Directors' self-declarations. The criteria defined in this direction are taken into consideration when evaluating the independence of each Non-Executive Director
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	[Complied] The BNGC and the Board assess whether there are any circumstances or relationships, beyond those specified in the direction, that could potentially influence the independence of a director or create a perception that their independence may be compromised at the annual evaluation process. However, no such incidents were occurred during the year.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	[Complied] Declarations have been obtained from the Directors regarding the status of their independence / non independence against the specified criteria, and copies of the same are under the custody of the Company Secretary for review.
3.8	Alternate Directors	[Complied]
a,b,c,d,e		There are no Alternate Directors on the Board.
3.9 a,b	Cooling off Periods for Directors and Independent Directors	[Complied] There are no members of the Board who are subjected to cooling off periods.

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Section	Corporate Governance Principle	Compliance Status
3.10	Common Directorships	
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	[Complied] The Executive Directors and Senior Management of the Company do not hold executive positions in other companies including the subsidiary and associates.
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	[Complied] The members of the Board do not hold Directorships or equivalent positions exceeding twenty.
4	Assessment of Fit and Proper Criteria	
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	[Complied] The Board has appointed Directors in accordance with the policy on Selection, Nomination, Appointment and Election of Directors in line with the Finance Business Act Direction No. 6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons
4.2	A person over the age of 70 years shall not serve as a director of an FC.	[Complied]  None of the Directors of the Company are above the age of 70 years during the period
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the criteria mentioned in 4.3(a), 4.3 (b), 4.3 (c) and 4.3 (d).	[Complied] There are no Directors who are over seventy (70) years of age.
5	Appointment and resignation of directors and senior management	
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	[Complied] During the year Non-Executive Directors were appointed and the appointments were made in accordance with the provisions of the Direction on KRPs. There were no resignation from the Senior Management.  The Company Secretary was appointed during the year and is a member of the Senior Management Team.
6	The Chair and The Chief Executive Officer GRI 2-11	3
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall beset out in writing.	[Complied] The functions of the Chairperson and Managing Director indistinctly different and the Managing Director is the virtual CEO of the Company and their roles are clearly distinct and defined .Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	[Complied] Current Chairperson is an Independent Non-Executive Director and is not involved in executive or supervisory functions.
6.3	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] The Chairperson is an independent Non-Executive Director. As such there is no requirement to appoint as a Senior Director.

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Section	Corporate Governance Principle	Compliance Status
6.4	Responsibilities of the Chairperson	·
6.4.a	Provide leadership to the Board;	[Complied] The Chairperson of the Company has many years of experience in the industry and has expertise and experience in the affairs of a Licensed Finance Company. Having such wealth of experience and expertise, she is able to provide leadership to the Board which encourages active participation of both the Executive and Non Executive Directors in the deliberations and decision making processes.
6.4.b	Maintain and ensure a balance of power between the Executive and Non Executive Directors;	[Complied] In order to optimize the decision-making process, the Board is constituted of an adequate number of Non-Executive Directors who impact the decision-making by their objective independent outlook. As constituents of the Board sub-committees, they play a crucial role in providing a sound advice for the Company's critical functions.
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	[Complied] The Chairperson facilitates and encourages active contribution by all Directors during deliberations at Board level and the decision making process to ensure that the outcome is in the best interest of the Company. Directors with expertise in specified areas are provided with opportunities to offer advice and guidance, which has proven beneficial to the company in reaching final outcomes or making ultimate decisions.
6.4.d	Ensure the Board works effectively and discharges its responsibilities.	[Complied] In the role to facilitate the effective and timely decision making process, the Chairperson ensures the flow of information is adequate to make informed decisions and also provides guidance at meetings. By the formal delegation of the key functions, the responsibilities of the Directors carrying out executive functions are well documented and are measurable. Thus the Board as a whole is able to discharge its responsibilities effectively, efficiently and in a timely manner.
6.4.e	Ensure all key issues are discussed by the Board in a timely manner.	[Complied] All key areas are identified and have been documented. Thereby the key issues are deliberated on a timely and effective manner.
6.4.f	Implement decisions/directions of the regulator.	[Complied] A process is in place and is strictly adhered to implement the decisions, recommendations and directions of the regulator.
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	[Complied] The Chairperson has delegated the responsibility of preparation of the agenda to the Company Secretary. Thereby the Company Secretary prepares the Agenda in consultation with the Chairperson.
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	[Complied] The Chairperson does not have executive functions nor does she involve herself in the operational matters or direct supervision of the staff of the Company.
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	[Complied] Effective communication is maintained with the shareholders during the entire year. Shareholders have accessed the Directors and the Company Secretary as and when required and it has been effective. The Annual General Meeting of the Company is the main forum at which forum the Board is able to maintain effective communication with the shareholders and they are given the opportunity to raise matters for which clarifications are needed and also express their views. The Chairperson chairs the Annual General Meeting as well and facilitates and promotes a healthy atmosphere for shareholders to raise relevant matters. Further, the Board approved Communication Policy evidences the Company's process in this regard.
6.4.j	Annual assessment of the performance and the contribution during the past 12months of the Board and the CEO.	[Complied] The Chairperson evaluates the performance and contribution of the Managing Director on an annual basis.

Section	Corporate Governance Principle	Compliance Status		
6.5 Responsibilities of the CEO				
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall at lease include the criteria mentioned in 6.5 (a) to 6.5 (g) in the direction.	[Complied] The Managing Director of the Company is the virtual CEO of the Company and is the apex Executive of the Company. The overall management of the Company rests with the Managing Director who is responsible for the initiation of the strategic direction and setting of goals for the Company which then is deliberated and decided upon collectively by the Board. In his capacity the Managing Director is responsible for the smooth, effective and efficient functioning of the Company. He is assisted by thy Deputy Managing Director, an Executive Director and the Key Management Personnel who hold delegated authority.		
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.	The Board met on Twenty One (21) occasions during the year 2024/2 The consent of the Board is usually obtained at Board meetings, whice called with sufficient notice period. To support the decision making properties and other information was circulated to the Board prior the Board meetings.  The Board meets on a monthly basis and additional meetings were how when required. The details of the attendance and number of meetings.		
		also included in this report. Consent through Circular Resolutions were obtained when required.		
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] A procedure is in place and has been functional for Directors to incluitems into the Agenda for the Board Meetings.		
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] Minimum of seven days Notice had been given for all monthly Board Meetings and a calendar was drawn up at the commencement of the calendar year. Special meetings were convened with shorter notice.		
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	[Complied] The Directors have prepared to discuss matters pertaining to the Comand have made valuable contributions and views at the Board meeting and Board Sub Committees.		
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.	·		
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] The Chairperson held two meetings with the Non Executive Directors without the Executive Directors being present at the meeting.		
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has a substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.	[Complied] The Directors' have abstained from voting nor have they been considered.		
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.	[Complied] Almost all the Directors have attended all meetings. Hence this is not applicable. No Director has been absent from three consecutive regular Board meetings during the year financial year 2024/25.		
7.9	Scheduled Board Meetings and Ad Hoc Board Meetings	[Complied] The attendance of the Directors are on page 147		
	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.	This is being encouraged. However, due to practical reasons the meetings were held online. The Directors participation through electronic media has been recorded in the minutes.		

Section	Corporate Governance Principle	Compliance Status		
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.	Alliance Management Services (Pvt) Ltd., served as Secretaries to the Board till 17th November 2024, Mrs. Priyanga P. Peiris was appointed as the in-house Company Secretary, considered as a Key Responsible Person (KRP) with effect from 18th November 2024. She functions as the		
8.1.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.	Secretary to the Board and all the Sub-Committees. She also attended the shareholders meetings and carries out other functions specified in relation to the applicable laws and regulations.		
8.2	All directors shall have access to the advise and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	[Complied] All Directors have access to the Company Secretary to enable Directors to follow all Board procedures, laws, directions, rules and regulations.		
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	[Complied] The Chairperson has delegated the function of preparing the Agenda to the Company Secretary. The Agenda is prepared in consultation with the Chairperson.		
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] The Minutes of Board Meetings and the submissions to the Board are retained by the Company Secretary.		
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.			
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it impossible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the information mentioned in 8.6 (a) to8.6(f).	[Complied] The Minutes of the Board Meetings are prepared in detailed form with du care and prudence and it includes a summary of data and information us for deliberations, matters considered by the Board, compliance details,		
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	details pertaining to risk and Board resolutions.  [Complied]  The Minutes are open for inspection by the Directors with reasonable		
9	Delegation of Functions by the Board	notice being given.		
9.1	The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	[Complied] The Board approved Delegated Authority has been documented with clear directions and the parameters on which the Board and senior management would operate on behalf of the FC.		
9.2	In the absence of any of the subcommittees mentioned in Direction10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	[Complied] All Sub Committees have been appointed.		
9.3	The Board may establish appropriate senior management level subcommittees with appropriate DA to assist in Board decisions.	The Board has established Senior Management level Subcommittees namely ALCO, Credit Committee, ITSC ,TRISC, ERMC and other Management Committees.		
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] The Board has not delegated any function or responsibility to an extent that it is unable to discharge its functions.		
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] The delegation process is reviewed at regular intervals to ensure that it is current and relevant.		
10	Board Sub-Committees			
	A transitional period until 01.07.2024 will be granted. However, during the transitional period provisions contained in Section 8: Board Appointed Committees of the Finance Companies (Corporate Governance) Direction No.03 of 2008 will be applicable FCs with asset base of more than LKR 20 Bn			

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Section	Corporate Governance Principle	Compliance Status	
10.1.a	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee Meetings - Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually.	[Complied] Board Audit Committee, Board Integrated Risk Management Committee Human Resources and Remuneration Committee, Related Party Transactions Review Committee, Nomination and Governance Committee and Board Sustainability Committee has been established. Meetings have been held once in two months for both BIRMC and BAC.BAC has held meetings over and above this requirements.	
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	[Complied] All Board Sub Committees have terms of reference that has been approved by the board with defined authority, responsibilities and duti	
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub-Committee, at the Annual General Meeting of the Company.		
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other secretarial functions under the supervision of the Chairperson of the committee.	[Complied] The Company Secretary to the Board functions as the Secretary to the Board Committees and maintains records of meetings and Minutes. Her work is supervised by the respective Chairs.	
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	[Complied] All Board Committees have three Board Members who have the require knowledge, skills and experience to carry out the functions. The sub committees have the required number of independent Non-Executive Directors.	
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub-committees to avoid undue concentration of power and promote new perspectives.		
10.2	Board Audit Committee (BAC)		
	The following shall apply in relation to the Board Audit Committee.		
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	[Complied] The Chairperson of the BAC is an Independent Non Executive Director who possesses the required qualifications and has experience in finance and audit. Her profile appears on page 10 of this Annual Report.	
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	[Complied] In addition to the Chairperson there are two members of the BAC and one is independent and have the required expertise and experience to be members of the BAC.	
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor {CIA).	The Secretary to the BAC is the Secretary to the Board.	
10.2.d	External Audit Function		
	The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	[Complied] BAC had made recommendation in connection with the appointment of the External Auditors and has taken into consideration the rotation of the partner who handles the audit, audit fee, and the service period. During the last financial year.	

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10.2.d	Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the	[Complied] Deloitte Associates was re-appointed during the year under review and thus the Audit Partner is carrying out the engagement for the second year.
	same external audit firm for not more than ten years consecutively.  The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	As such the engagement of the Audit Partner had not exceeded five years.  [Complied]  The Audit Partner who engaged in the audit is not a shareholder, director or a member of the senior management nor an employee of the FC.
	The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	[Complied] BAC reviewed the independence of the External Auditors and established their independence and objectivity.
	Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	[Complied] The Audit firm was engaged in non audit services during the year under review. There is a policy in place to review and approve such engagements if it occurs.
10.2.d	The BAC shall, before the Audit commences, discuss and finalize with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co ordination between auditors where more than one auditor is involved.	
		The external Auditors have assessed the compliance with the directions in term of internal control and their certification is incorporated in this Annual Report. Coordination has occurred between the auditors of this company and that of the Associate in the preparation and finalization of the audited accounts for the year under review.
	The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	[Complied] The BAC has reviewed the financial information of the Company through established processes to ensure that the reporting, disclosures, judgments, changes to accounting policies and practices are prepared in compliance with relevant accounting standards and legal requirements. This has been followed for the preparation and finalization of the Annual Report and also the periodic report.
	The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management	[Complied] There have been no problems or issues that has been brought to the attention of the BAC with regard to the Interim or Final audits. The BAC had met with the External Auditors in the absence of the Senior Management to facilitate such matters to be raised but no such issues or matters were raised.
	The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such and report to the Board.	[Complied] BAC has reviewed the External Auditors' Management Letter and the responses thereto and has reported to the Board accordingly.
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	[Complied] On an annual basis the BAC conducts a review of the effectiveness of the system of internal controls. Assurance Certification has been obtained from the External Auditors as well on this aspect.
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	[Complied] BAC has a laid down process to ensure that the corrective actions and recommendations for improvement are implemented in a timely manner and the Internal Auditors will verify this during their follow up audits and other laid down procedures.

Internal Audit function:  The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.  The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise  BAC has established an independent Internal Audit function in there is an approved structure in place to ensure that the Internal function is carried out on a timely and planned manner with ad scope.  [Complied]  The Internal Audit Department is governed by the Internal Audit Department is governed by the Internal Audit Department is governed by the Internal Audit Department is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC. Qualified and the separation is to the Chairmer of the BAC.	nal Audit
The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes.  The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise  [Complied]  BAC has established an independent Internal Audit function in there is an approved structure in place to ensure that the Internal function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.  [Complied]  Function is carried out on a timely and planned manner with ad scope.	nal Audit
and authority within the company to carry out their assignments effectively and objectively.  and the reporting is to the Chairperson of the BAC. Qualified a experienced persons competent to carry out the functions objectively and effectively are appointed to the Internal Audit De The Department is headed by head of Internal Audit who is resulted the smooth functioning of the Internal Audit function under the the BAC.	nd ectively, epartment. sponsible for
The BAC shall take the following steps with regard to the Internal Audit Function of the Company:    BAC has taken the required steps to ensure that the Internal A is compliant to the requirements as enumerated below. (i) The internal audit function is reviewed and approved by the BAC enter are officers to carry out the functions efficiently and effect in a timely manner. (ii) Review and approve the internal audit put the processes involved and the risk can be measured through (iii) Assess the performance of the Head of Internal Audit and the staff members. (iv) Adequate measures have been taken to entire internal audit function is independent and the functions are call impartiality and with sound judgment. (v) Ensure that the finding responses are received in timely manner and relevant actions	scope of the nsuring that tively and program and such audits. the senior isure that the tried out with tigs and the
10.2.h Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.  [Complied] The statutory onsite examination report of the Central Bank of was reviewed by the BAC and the implementation is being motimely action.	
10.2. Meetings of the Committee	
The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.  The Calendar of Meetings is shared with the members of the E commencement of a calendar year and the Committee has me of the requirement. Minutes are maintained with adequate detail discharging of duties and responsibilities are ensured.	et in excess
Other Board members, senior management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.  [Complied]  Invitations are extended to the Executive Directors of the Boar Senior Management in relation when matters in relation to their responsibility are discussed to ensure that the deliberations are and the recommendations made by the BAC are implemented	r areas of e productive
BAC shall meet at least twice a year with the external auditors without any other directors/ senior management I employees being present.  Three meetings were held with the External Auditors. Two of the held without the presence of the Executive Directors and the S Management.	
10.3 Board Integrated Risk Management Committee (BIRMC)	
The following shall apply in relation to the BIRMC:	
10.3.a The Committee shall be chaired by an Independent Director. The Board members [Complied]	irector and
appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.  The Committee is chaired by an Independent Non Executive Done member is Independent and other member is Non-Independent and other member is Independent and other member is Non-Independent and other member is Independent and other member is Non-Independent and other member is Independent and other member is Non-Independent and other member is Non-Inde	ndent, Non ons and

Section	Corporate Governance Principle	Compliance Status	
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company. At least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	[Complied] BIRMC reviews all risks that are pertinent and the recommendations of ERMC also taken into consideration. Quarterly Risk Report is sent to a the Directors. Recommendations are made to the Board based on the appetite and indicators. A report is submitted to the Board at the conclude of each meeting.	
10.3.d	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.	[Complied] Risk Appetite Statement was reviewed taking in to consideration the risk parameters and other aspects were approved by the Board	
10.3.e	The BIRMC shall review the Company's risk policies including RAS, at least annually.	[Complied] The BIRMC reviewed the Risk Management Policy and it was amended during the year under review.	
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	[Complied] BIRMC reviewed the functioning of the Senior Management Committees	
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	[Complied] Business Continuity Processes are reviewed and audited through th report submitted by the External Auditors Det Norske Veritas.	
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	[Complied] Annual assessment of the persons handling Risk and Compliance functions is carried out by the BIRMC.	
10.3.i	Compliance function		
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	[Complied] Independent Compliance function has been established with a competent and experienced and qualified person handling the work to ensure that the Company is compliant with all the legal, statutory and other requirements. Compliance Report is circulated on a monthly basis to the Directors and the contents reviewed.	
10.3.i.ii	For a Company with an asset base of more than LKR 20 Bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	[Complied] A dedicated Compliance Officer has been appointed and has functioned during the year.	
10.3.i.iii	For FCs with an asset base of less than LKR 20 Bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	[Complied] Being a FC with an asset base of over LKR 20 Bn, a dedicated Compliance Officer has been appointed.	
10.3.i.iv	The responsibilities of a compliance officer would broadly encompass the following:	[Complied] The Compliance Officer has a detailed Job Description which encompasses the detailed requirements as set out in the Direction and other areas.	
10.3.j	Risk management function		
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.	[Complied] An independent Risk Management function had been established to manage and mitigate risks in a timely manner.	

Section	Corporate Governance Principle	Compliance Status	
10.3.j.ii	For FCs with an asset base of more than LKR 20 Bn, it is expected to have a separate risk management department and a dedicated CAO, considered to be	[Complied] A dedicated Risk Management Department is in place headed by Head	
	senior management, shall carry out the risk management function and report to the BIRMC periodically.	of Risk and Compliance to carry out the risk related functions. He reports regularly to the BIRMC through presentations and reports and also follows upon on the implementation.	
10.3.j.iii	The CAO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	and also to accommodate the new product line. The functions are carried out in a manner that it considers the requirements of the variou stakeholders.	
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers:  a). various potential risks and frauds b). possible sources of such risks and frauds c). mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. d). effective measures to control and mitigate risks at prudent levels; and e). relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	encompassing potential risks, mechanism to identify, monitor and mitigrisks and frauds, recommend control measures, and ensure that the responsibility is assigned for implementation for the recommended act is monitored by the Senior Management.	
10.3.j.v	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.	Head of Risk participated in all management level meetings and key decision making forums on the functioning of the treasury and the introduction of the new products.	
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	[Complied] The updated risk register is maintained and is presented to the BIRMO a quarterly basis.	
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	[Complied] The Risk Assessment report is circulated to the Board on a quarterly basis.	
10.4	Nomination and Governance Committee		
	When establishing the Nomination Committee, the criteria mentioned in the direction 10.4.(a) - 10.4.(k) should be applicable.	[Complied] The committee comprises of three Non-Executive Directors of which two are independent. An Independent Director functions as the Chair.	
		The Company Secretary functions as the Secretary to the Committee.	
		A formal and comprehensive procedure has been formulated for the selection as new Directors and Senior Management.	
		The Committee meticulously follows the laid down processes to ensure fit and proper persons are appointed to Board and Senior Management with adequate skills and knowledge to carry out the functions.	
		The Committee has a framework encompassing the selection of suitable persons to the positions of Senior Management and CEO.	
		Appropriate announcements were made via CSE on the appointment of Directors and the Company Secretary	
		The Non-Executive Directors are subject to retirement by rotation and their re-election is recommended by the Committee.	
		A Board approved Succession Plan is in-placed	
10.5	Human Resources and Remuneration Committee GRI 201-4  The following shall apply in relation to the Human Resources and Remuneration		
	Committee:		
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non Executive Directors.	[Complied] The Committees is chaired by an Independent Non Executive Director and one member is an Independent Non Executive Director	
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	[Complied] The Secretary to the Committee is the Company Secretary.	

Section	Corporate Governance Principle	Compliance Status	
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	[Complied] The Committee has established a Board approved Remuneration Policy. The remuneration relating to the Executive Directors is determined by the Committee and also the structure for the remuneration of the Senior Management and the framework for the payment of fees to the Non Executive Directors.	
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	[Complied] The policy has been established and was formulated in a transparent manner	
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	[Complied] The Remuneration Policy was approved by the Board	
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take an excessive risk or to act in self-interest.	[Complied] The Remuneration Policy has been formulated to compensate those carrying out executive functions based on performance and the overall outcome for a specific financial year.	
10.5.g	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	ts	
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	[Complied] The Senior Management is not a party to the meetings held to take decisions relating to their own remuneration.	
11	Internal Controls		
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	[Complied]  The Company has established an Internal Control system taking into consideration all aspects pertaining to maintaining a robust internal consistent.	
11.2	A proper internal control system shall:  a). promote effective and efficient operations; b). provide reliable financial information; c). safeguard assets; d). minimize the operating risk of losses from irregularities, fraud, and errors; e). ensure effective risk management systems; and f). ensure compliance with relevant laws, regulations, directions, and internal policies.	[Complied] The robust internal control system promotes effective and efficient operations, establishes that the financial information provided is reliable safeguards are set for the protection of the assets, minimize the losses that could arise from irregularities, frauds and errors, ensure that the risk management system is effective and compliance function is comprehensive and conclusive.	
11.3	All employees shall be given the responsibility for internal controls as part of their	[Complied]	
	accountability for achieving objectives.	All employees have been adequately advised on accountability in terms of internal control whilst achieving the objectives.	
12	Related Party Transactions		
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	[Complied] The Board has formulated a Related Party Transactions Review policy.	
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	[Complied] The Chairperson of the RPTRC is an Independent Non Executive Director and all the members are independent and Non executive directors.	
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	[Complied] All related party transactions are reviewed and recommended by the RPTRC.	

Section	Corporate Governance Principle	Compliance Status	
12.1.c	The business transactions with a related party that are covered in this Direction shall be the following: i. Granting accommodation; ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable; iii. Providing financial or non-financial services to the FC or obtaining those services from the FC. iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	[Complied] All business transactions between related parties as defined by the Direction has been reviewed by the RPTRC inclusive of accommodations, deposits, provision or obtaining of services, creating reporting lines and information flow.	
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction.	The Conflict of Interest Policy has been approved and implemented by Board. Thereby there is an identified list of related parties (natural personal and entities) and this list is reviewed and updated on an annual basis.  [Complied]  The Board approved Related Party Transactions Review Policy and the Conflict of Interest Policy defines the manner in which transactions sho be carried out. In the year under review no transaction was carried out more favorable treatment and all transactions were carried out in an arrilength basis.  All Related Party Transactions have been approved by the RPTRC.	
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean:  a). Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee.  b). Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.  c). Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties.  d). Providing or obtaining services to or from a related party without a proper evaluation procedure; or  e). Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions		
13.	Group Governance		
13.1	Responsibilities of the FC as a Holding Company.	The Company as the Holding Company has embedded its governance structure for the Group.	
13.2	Responsibilities as a Subsidiary		
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	N/A	
14	Corporate culture		
14.1	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	[Complied] The Board of Directors has adopted a Code of Conduct for Directors and also the Conflict of Interest Policy.	
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	There have been no reported breaches to the Code of Conduct	
14.3	AFC 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] A Whistle Blowing Policy has been established with the approval of the Board. The policy defines the manner in which whistle blowing could be carried out and the safeguards in place. It is easily accessible to all employees. The policy was reviewed by BIRMC during the year and was approved by the Board.	
15	Conflicts of interest		
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director 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] Directors do not participate nor vote on transactions that are with related parties and they abstain from such decisions. All transactions are carried out in an arms' length basis with no preferential terms.	

Section	Corporate Governance Principle	Compliance Status
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties.  Identify circumstances which constitute or may give rise to conflicts of interests.  Express the responsibility of directors and senior management to avoid, to the extent possible,  Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest activities that could create conflicts of interest.  Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.  Identify those responsible for maintaining updated records on conflicts of interest with related parties, and  Articulate how any non-compliance with the policy to be addressed	[Complied] The Board has an approved Conflict of Interest policy in place.
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. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	[Complied] The Interim and Annual Audited Financial Statements have been prepared and presented with the applicable Standards Rules Regulations and Acts. The Audited Financials have been published in English, Sinhala and Tamil in the newspapers.
	i. Financial Statements	[Complied]
	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include,	Interim and Annual Financial Statements are prepared, approved and disseminated in a manner that is in keeping with the specified requirements.
	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.	
	<ul><li>ii. Chairperson, CEO and Board Related Disclosures</li><li>Name, qualification and a brief profile.</li></ul>	[Complied] Details of the Board of Directors appears on pages 8 to 11.
	<ul><li>Whether executive, non-executive and/or independent director.</li><li>Details of the director who is serving as the senior director, if any.</li></ul>	
	w The nature of expertise in relevant functional areas.	
	Relatives and/or any business transaction relationships with other directors of the company.	
	Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or nonexecutive capacity.	
	Number/percentage of board meetings of the Company attended during the year; and	
	Names of board committees in which the director serves as the Chairperson or a member.	
	iii. Appraisal of Board Performance  An overview of how the performance evaluations of the Board and its committees have been conducted	[Complied] The performance appraisal of the individual Directors, CEO and the Board as a whole and the Board Committees have been carried out in conformity with the requirements.

Section	Corporate Governance Principle	Compliance Status			
	iv. Remuneration				
	A statement on the remuneration policy, which includes Board fee structure and	Director's Remuneration Paid-			
	breakdown of remuneration of senior management level and mix of remuneration		2025	2024	
	(financial and non-financial, the procedure for setting remuneration, and the	Short term - Employment benefits	89,467,243	71,141,943	
	relationships between remuneration, performance and value creation.	Long term - Employment benefits	37,959,945	32,125,547	
	The aggregate values of remuneration paid by the FC to its directors and senior	Key Management Personnel's Remuner	ation Paid-		
	management.		2025	2024	
		Short term - Employment benefits	65,256,451	81,529,499	
		Long term - Employment benefits	15,928,640	31,374,656	
	v. Related Party Transactions	[Complied]	10,020,010	01,011,000	
	<ul> <li>The nature of any relationship [including financial, business, family or other material/ relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. There is no relationship exists between the Chairperson and the Directors.</li> <li>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.</li> <li>The aggregate values of the transactions of the Company with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the Company.</li> </ul>	Directors' transactions with the finance company Key Management Personnels' transactions with the finance company  Details of the Directors' transactions with the Finance Company are given on pages 267 to 268 of the Annual Report. Declaration was obtained form the Board of Directors of the Company and there is no business relationships with other Directors of the Company. The nature of relationship if any between the Chairperson and the CEO and the relationship among members of the Board. Total of 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.  Net Accommodation  LKR  As % of Core Capital  Directors  Nill  N/A  Senior Management  13,052,921  0.18%  The aggregate values of the transactions with the Company  Deposits			
		Directors with their close family member	······································		
		Senior Management with their close fai			
				200,505,464	
	vi. Board Appointed Committees	[Complied]			
	The details of the chairperson and members of the board committees and	The Board appointed Committee compo	sition, activities an	d reports are	
	attendance at such meetings.	included in the Annual Report		·	
•	vii. Group Structure	[Complied]			
	The group structure of the Company within which it operates.	Appears on Page 7			
	The group governance framework.	[Complied] Annual Report of The Board of Directors on the Affairs of the Compa appears on Pages 174 to 180			
	viii. Director's Report  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.			ne Company	
	The Company has made all endeavors to ensure the fair treatment for all				
	stakeholders, in particular the depositors.  The business is a going concern with supporting assumptions; and  The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable.				
	The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable	[Complied] Appears on Page 191			
	<ul> <li>The business is a going concern with supporting assumptions; and</li> <li>The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable</li> <li>Statement on Internal Control</li> </ul>	[Complied] Appears on Page 191 [Complied] Appears on Pages 136 to 17	3		
	The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable	[Complied] Appears on Pages 136 to 17			
	The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the Company and have obtained reasonable  Statement on Internal Control  Corporate Governance Report	•	overnance Report		

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#### Compliance with Listing Rules GRI 2-10

Compliance with the Rule 7.6 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange.

Section	Governance Principle	Status of Compliance	Reference of the Page
7.6 Conte	nts of Annual Report		
7.6(i)	Names of persons who were Directors of the Company during the financial year	Complied	Page 8
7.6(ii)	Names of persons who were Directors of the Company during the financial year	Complied	Page 8
7.6(iii)	Information on 20 largest shareholders at the end of the year	Complied	Page 293
7.6(iv)	The public holding percentage	Complied	Page 292
7.6(v)	Directors' and Chief Executive Officer's holding in shares	Complied	Page 176
7.6(vi)	Information pertaining to material foreseeable risk factors	Complied	Page 60
7.6(vii)	Details of material issues pertaining to employees and industrial relations	Complied	Page 45
7.6(viii)	Information on buildings/land holdings and investment properties as at the end of the year	Complied	Pages 244 to 250
7.6(ix)	Number of shares representing the stated capital as at the end of the year	Complied	Page 293
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and related information	Complied	Page 293
7.6(xi)	Ratios and market price information on equity, debt, change in credit rating	Complied	Page 17 and 291
7.6(xii)	Significant changes in the Company's or Subsidiaries' fixed assets	Complied	Page 246
7.6(xiii)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year	Complied	N/A
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes at present	Complied	N/A
7.6(xv)	Disclosure pertaining to Corporate Governance practice in terms of Section 9 of the Listing Rules	Complied	Page 168
7.6(xvi)	Related Party Transaction exceeding 10% of the Equity or 5% of the total assets of the entity	Complied	N/A

#### Section 9 of the Listing Rules of the Colombo Stock Exchange (Revised Corporate Governance Rules)

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.2 - Policies	9.2.1	Listed Entities shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website.  a. Terms of Reference of Board of Directors  b. Policy on Board Committees  c. Policy on Corporate Governance, Nominations and Re-election.  d. Policy on Remuneration  e. Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities  f. Policy on Risk management and Internal controls  g. Policy on Relations with shareholders and Investors  h. Policy on Environmental, Social and Governance Sustainability  i. Policy on Control and Management of Company Assets and Shareholder Investments  j. Policy on Whistleblowing  l. Policy on Anti-Bribery and Corruption	Policies approved by the Board are currently in force and publicly confirmed via the website
	9.2.2	Any waivers from compliance with the Internal Code of Business Conduct and ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	The Company has fully complied with the Internal Code of Business Conduct and Ethics and no waivers/ exemptions were granted
	9.2.3	Listed Entities shall disclose in its Annual Report :	
		The list of policies that are in place in conformity Rule 9.2.1 above, with reference to its website.  Details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	As specified in Rule 9.2.1, the board approved policies have been disclosed in the company's website and no changes have been made to the policies adopted during the year.
	9.2.4	Listed Entities shall make available all such policies to shareholders upon a written request being made for any such policy.	Upon written request, a copy of the policy will be furnished to the shareholder.
9.3 - Board Committees	9.3.1	Listed Entities shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The Said Board committees at minimum shall include;  a. Nominations and Governance Committee  b. Remuneration Committee  c. Audit Committee  d. Related Party Transaction Review Committee	Complied (The Board has established seven (6) board sub-committees including above four (4) Committees and Board Integrated Risk Management Committee (BIRMC), and Board Sustainability Committee (BSC) to overlook risk function and sustainability function respectively)
	9.3.2	Listed Entities shall comply with the composition, responsibilities and disclosures required in respect of the above Board Committees as set out in these Rules	[Complied] (The required disclosures have been made]
	9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above	[Complied] Two Independent Non Executive Directors, other than the Chairperson of the Board, functions as Chairperson of the sub committees
	9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders	The Annual General Meetings are conducted in a fair manner to all shareholders who attending the meeting

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.4 – Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meeting with Shareholders	9.4.1	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the listing rules. Company Secretary maintains all records of resolutions and information upon a resolution being considered at a General Meeting including valid proxy votes, votes in favour, against and abstained for the resolutions. A process in place to provide copies of above information to SEC or CSE upon request.	[Complied] The records are maintained in appropriate manner.
with onarehouses	9.4.2	<ul> <li>Communication and relations with shareholders and investors</li> <li>a. Listed Entities shall have a policy on effective communication and relations with shareholders and investors and disclose the existence of the same in the Annual Report and the website of the Listed Entity.</li> <li>b. Listed Entities shall disclose the contact person for such communication.</li> <li>c. The policy on relations with shareholders, and investors shall include a process to make all Directors aware of major issues and concerns of shareholders, and such process shall be disclosed by the entity in the Annual Report and the website of the Entity.</li> <li>d. Listed Entities that intend to conduct any shareholder meetings through virtual or hybrid means shall comply with the Guidelines issued by the Exchange in relation to same and published on the website of the Exchange.</li> </ul>	[Complied] The policies in place and a points person has been appointed and is functional
9.5 - Policy on matters relating to the Board of Directors	9.5.1	Listed Entities shall establish and maintain a formal policy governing matters relating to the Board of Directors and such policy shall:  (a) recognise the need for a balance of representation between Executive and Non-Executive Directors and cover at minimum board composition, the roles and functions of the Chairperson and Chief Executive Officer or equivalent position, Board balance and procedures for the appraisal of Board performance and the appraisal of the CEO.  (b) where a Listed Entity decides to combine the role of the Chairperson and CEO,  (i) set out the rational for combining such positions; and  (ii) require the Board Charter of the Listed Entity to contain terms of reference/functions of the Senior Independent Director (SID) and the powers of the SID, which should be equivalent to that of the Chairperson in the instance of a conflict of interest.  (iii) set out the measures implemented to safeguard the interests of the SID.  (c) require diversity in Board composition for Board effectiveness in terms of a range of experience, skills, competencies, age, gender, industry requirements and importance of objective selection of directors.  (d) stipulate the maximum number of Directors with the rationale for the same  (e) specify the frequency of Board meetings, having regard to the requirements under the Listing Rules.  (f) provide mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance by the Listed Entity with obligations arising under such Rules.  (g) specify the minimum number of meetings, in numbers and percentage, that a Director must attend, in order to ensure consistent attendance at Board Meetings and to avoid being deemed to vacate such position.  (h) provide requirements relating to trading in securities of the Listed Entity and its listed group companies and disclosure of such requirements.	[Complied] A formal Terms of Reference specifying matters relating to the Board of Directors has been adopted by the Company for a considerable time and has been reviewed and approved.
	9.5.2	means and for such participation to be taken into account when deciding on the quorum  Listed Entities shall confirm compliance with the requirements of the policy referred to in Rule 9.5.1 above in the Annual Report and provide explanations for any non-compliance with any of the requirements with reasons for such non compliance and the proposed remedial action.	[Complied] There was no non compliance
9.6 – Chairperson and CEO	9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual	[Complied] The Chairperson of the Company is an Independent Non Executive Director and the office of Chairperson and CEO is held by two separate persons with distinctive difference in their roles.

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.6 – Chairperson and CEO	9.6.2	Immediate market disclosure in the case of non-compliance with section 9.6.1 of the listing rules  Not applicable. The Chairperson of the company is a Non-Executive Director and the positions of  Chairperson and MD/CEO are not held by the same person.	N/A
	9.6.3	The requirement for Senior Independent Director (SID)  Not applicable. The requirement for SID does not arise as the positions of Chairperson and MD/CEO are not held by the same person and Chairperson and MD/CEO are not close family members or related parties.	[Complied]
	9.6.4	Annual report disclosure of reasons for non-Compliance with Section 9.6.1 of the Listing rules  Not applicable. The Chairperson of the company is Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.	[Complied]
9.7-Fitness of Directors and CEOs	9.7.1	Fit and proper assessments of Directors and MD/CEO  All the Directors and MD has declared that they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	[Complied]
	9.7.2	Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper  A process is in place to obtain a declaration from persons whose names are recommended by the BNGC as Directors confirming they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	[Complied]
	9.7.3	Fit and proper assessment criteria  All the Directors and MD have declared that they are complied with the fit and proper criteria set out in the Section 9.7.3 of the Listing Rules	[Complied]
	9.7.4	Fit and proper declarations from directors and MD/CEO All the Directors and MD/CEO has declared that they are complied with the fit and proper criteria set out in the section 9.7.3 of the listing rules.	[Complied]
	9.7.5.	Disclosure in the Annual Report on Fit and Proper  Refer the "Annual Report of the Board of Directors on the Affairs of the Company	[Complied]
0.8 – Board Composition	9.8.1	Minimum number of Directors on the Board  The Board of Directors of the company consist of 9 Directors.	[Complied]
	9.8.2	Minimum Number of Independent Directors:  The Board of Directors comprise 3 Independent Directors	[Complied]
	9.8.3-4	Criteria for determining independence  All the Independent Directors of the company fulfill the independent criteria stipulated under the section 9.8.3 of the listing rules.	[Complied]
	9.8.5	Annual declaration of independence of the directors / disclosure of independence of the directors Signed declaration is obtained from all the Independent Directors of the company confirming their independence. The annual declarations and other available information were reviewed by Board to verify the adherence to the criteria for assessing independence During the year the Board has not identified any Independent Non-Executive Director whose independence is impaired against the criteria set out in the section 9.8.3 of the listing rules.	[Complied]
9.9 – Alternate Directors	ernate 9.9 None of the Directors of the Board has appointed alternate director during the year.		[Complied]
9.10- Disclosure relating to Directors	9.10.1	Disclosures relating to Directors  Maximum number of directorships As per the governance framework of the company, the maximum number of directorships a Director can hold is twenty (20).	[Complied]
	9.10.2	No new appointments were made to the Board of directors during the year. A process in place to make an immediate market announcement setting out the following, as and when a new director is appointed.  i. a brief resume  ii. capacity of directorship; and  iii. Statement of review by the BNGC	[Complied]
	9.10.3	Market Announcement on changes to the composition of the board sub committees.	[Complied]
	9.10.4	Disclosure of information relating to directors  Refer the board profiles in page 8 of this annual report.  Refer Board and sub-committee attendance in page 147 of this annual report  Refer sub-committee reports in pages 181 to 190 in this annual report.	[Complied]

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9.11.1	Availability of Nomination and Governance committee  The company has a BNGC that conforms the requirements set out in rule 9.11 of listing rules. Refer Board	[Complied]
	The company has a BNGC that conforms the requirements set out in rule 9.11 of listing rules. Refer Board	
	Nomination and Governance Committee report on page 181 in this annual report.	
	9.11 NOMINATIONS AND GOVERNANCE COMMITTEE (BNGC)	
	9.11.4 Composition of the Board Nomination and Governance Committee	
	The committee consist of 3 Non-Executive Directors out of which 2 of them are independent.	
	The Chairperson of the committee is an Independent Non-Executive Director.	
	Refer Report of the Board Nomination committee on page 194 of this Annual report.	
9.11.2	Board appointments through Nomination and Governance Committee	[Complied]
	A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC	
9.11.3	9.11.3 Terms of reference of Nominations and Governance Committee	[Complied]
	Board approved Terms of Reference for BNGC is available that define scope, authority, duties and matters	
	pertaining to the quorum of meetings.	
	Refer Report of the Board Nomination and Governance Committee on page 181 of this annual report.	
9.11.4	Composition of the Board Nomination and Governance Committee	[Complied]
	The committee consist of 3 Non-Executive Directors out of which 2 of them are independent. The	
	Chairperson of the committee is an Independent Non-Executive Director.	
	Refer Report of the Board Nomination committee on page 181 of this Annual report.	
9.11.5	Functions of the Board Nomination and Governance Committee	[Complied]
	Refer the report of Board Nomination and Governance Committee report in the page 181 of this annual report.	
9.11.6	Disclosures in Annual Report	[Complied]
	Refer the Report of Board Nomination and Governance Committee report in the page 181 of this annual	
	report.	
9.12.1-	Availability of Remuneration Committee	[Complied]
9.12.2	The company has a Board Human Resource and Remuneration Committee (BHRRC) that conforms	
	the requirements set out in Rule 9.12 of listing rules. Refer Board Human Resource and Remuneration	
	Committee report on page 188 in this annual report.	
9.12.3	Executive Directors' Remuneration	[Complied]
	A formal and transparent procedure is in place for fixing the remuneration of individual Executive Directors.	
	Refer the Report of the Board Human Resource and Remuneration Committee report in the page 188 of	
	this annual report.	
9.12.4	Non-Executive Directors' Remuneration	[Complied]
	A policy which adopts the principle of non-discriminatory pay practices is in place in determining the	
	remuneration of Non–Executive Directors to ensure that their independence is not impaired. Refer the	
o 40 -		
9.12.5	Non-Executive Directors' Remuneration	[Complied]
0.40.0		[Complied]
9.12.6	·	[Complied]
	·	
0.12.7		
9.12.7		
	9.11.3 9.11.4 9.11.5 9.11.6 9.12.1- 9.12.2	A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC  9.11.3

Section	Rule No.	Corporate Governance Rule	Status of Compliance
.13-Board Audit	9.13.1	Availability of Committee to perform audit and risk function	[Complied]
Committee		The audit functions specified in section 9.13.4 are performed by BAC while a separate committee, BIRMC	
		has been formed to perform risk function of the company. Refer Report of the BAC on page 183 and report	
		of BIRMC on page 183 of this annual report.	
	9.13.2	Terms of Reference of Board Audit Committee	[Complied]
		Board approved Terms of Reference for Board Audit Committee is available that define scope, authority,	
		duties and matters pertaining to the quorum of meetings. Refer Report of the Board Audit Committee on	
		page 183 of this annual report.	
	9.13.3	Composition of the Board Audit Committee	[Complied]
		(1) The Committee comprise 3 Non-Executive Directors out of which 2 of them are independent. Further, the committee does not comprise Executive Directors.	
		(2) As per the TOR of the Board Audit Committee, Quorum for a meeting require that the majority of attendees shall be Independent Directors.	
		(3) The Board Audit Committee meets at least on monthly intervals. Which is in compliance with the	
		requirements.	
		(4) Non-Executive Director functions as a Chairperson of the committee. An Independent Director will be	
		appointed as the Chairperson of the committee on or before the effective date.	
		(5) The MD and CFO of the company attend the audit committee meetings by invitation.	
		(6) The Chairperson of the BAC is a fellow Member of "The Chartered Institute of Management	
		Accountants of UK" and also possesses sufficient experience in finance industry. Refer the BAC report	
		on page 188 of this annual report.	
	9.13.4	The functions of the Audit Committee	[Complied]
		A Board approved Terms of reference of BAC includes the audit related functions specified in section 9.13.4	
		of the listing rules.	
		The risk related functions specified in section 9.13.4 are included in the Terms of Reference of BIRMC.	
		Refer Report of the BAC on page 183 and Report of BIRMC on page 189 of this annual report	
	9.13.5	Disclosures in Annual Report	[Complied]
		Refer Report of the BAC on page 183 of this annual report.	
14-Related	9.14.1	Availability of Related Party Transactions Review Committee	[Complied]
arty Transaction		The company has a Board Related Party Transactions Review Committee (BRPTRC) that conforms the	
eview		requirements set out in rule 9.14 of listing rules.	
ommittee		Refer BRPTRC report on page 186 in this annual report.	
	9.14.2	Composition of Related Party Transactions Review Committee	[Complied]
		The committee comprise of Three (3) Non-Executive Directors of which 2 of them are independent.	
		Executive Directors are invited to the meetings as and when required. The Chairperson of the	
		committee is an Independent Director.	
		Refer the report of BRPTRC on page 186 of this annual report.	
		· · · · · · · · · · · · · · · · · · ·	
		<ol><li>A Separate BRPTRC committee is established to overlook the RPT function of the listed subsidiary entity of the company.</li></ol>	
	9.14.3	Functions of the Related Party Transactions Review Committee	[Complied]
		Board approved Terms of Reference of BRPTRC covers the functions highlighted in section 9.14.3 of the	
		listing rules. Refer the BRPTRC report on the page 186 of the annual report.	
	9.14.4	General Requirements or Related Party Transactions Review Committee	[Complied]
		(1) The committee met 5 times during the year. Refer the report of BRPTRC on page 186 of this annual report.	
		(2) The members of the BRPTRC have enough knowledge and expertise to assess all aspects of	
		proposed related party transactions, where necessary committee obtain appropriate professional and	
		expert advice from an appropriately qualified person.	
		(3) The committee requests the Board of Directors to approve the related party transactions which are	
		under review by the committee. In such instances, the approval of the Board of directors obtained prior	
		to entering into the relevant related party transaction. No such instances occurred during the year.	
		Refer the report of the BRPTRC on page 186 of this annual report.	
		(4) As stipulated the RPT policy, no Director has participated or voted in any discussion of a proposed	
		related party transaction for which he or she is a related party. Refer the report of the BRPTRC on	
		page 186 of this annual report.	

Section	Rule No.	Corporate Governance Rule	Status of Compliance
9.14-Related Party Transaction Review	9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee  (1) All proposed related Party transactions are reviewed and recommended prior to entering in to transactions by BRPTRC.	[Complied]
Committee		(2) In the event of any material changes to a previously reviewed related party transaction in terms of Rule 9.14.5 (1), such proposed material changes are also reviewed by the BRPTRC prior to the completion of the transaction.	
		(3) LBF Senior Management provides all the facts and circumstances of the proposed related party transactions to the BRPTRC to facilitate the review of such related party transactions.	
		(4) In determining whether to obtain the approval of the Board of directors for a related party transaction, the BRPTRC takes into account the factors stipulated in section 9.14.5 (4) of the listing rules.	
		(5) No Director shall participate in any discussion of a proposed related party transaction in which he or she is a related party, except that the Director, at the request of the committee, may participate in discussions for the express purpose of providing information concerning the BRPTRC.	
		(6) Processes are in place where all proposed related party transactions are reviewed and recommended by the related party transaction review committee prior to entering in to transactions.	
	9.14.6	Shareholder Approval	[Complied]
		(1)/(2)/(3) A process is in place to obtain shareholder approval by way of a special resolution for RPTs stipulated in section 9.14.6 (1) of the listing rules.	
	9.14.7	However, there were no such transactions occurred during the year.  The Company shall make an immediate Market Announcement to the CSE for Related Party	[Complied]
	5.14.7	Transactions listed in Section 9.14.7 (a) and (b)	[Complica]
		The RPT policy of the company include provisions to make immediate market announcements with regard	
		to the related party transactions listed in section 9.14.7 of the listing rules. There were no transactions	
		which required immediate market announcements as set out in section 9.14.7 of the listing rules.	
	9.14.8	Disclosures in the Annual Report	[Complied]
		(1) There were no non recurrent related party transactions which exceed 10% of the equity or 5% of the	
		total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules. Refer the RPT Note No. 52 to the Financial Statements in page 267 of this annual report.	
		(2) There were no recurrent related party transactions which exceed aggregate value 10% of gross revenue/income or 5% of the total assets of the company whichever is lower which required to be disclosed in the annual report as required by section 9.14.8 of the listing rules.	
		(3) Refer the BRPTRC on page 186 of this annual report.	
		(4) Refer annual report of the Board of Directors on the affairs of the company on page 174 of this annual report.	
	9.14.9	Acquisition and disposal of Assets from / to Related Parties  During the year there were no acquisition or disposals of substantial assets from / to related parties.	[Complied]
	9.14.10	Exempted Related Party Transactions  Exemptions mentioned in this section has not been considered as all the related party transactions are reviewed and recommended by the BRPTRC.	[Complied]
	9.16	Additional Disclosures  Additional disclosures stipulated in the section 9.16 are declared by the Board of Directors in annual report of the board of directors on the affairs of the company. Refer Annual report of the Board of Directors on the Affairs of the Company on page 174 of this annual report.	[Complied]

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

#### General

The Directors of Alliance Finance Company PLC (AFC) have pleasure in presenting this report to the shareholders together with the Audited Financial Statements for the year ended 31st March 2025 and the Independent Auditor's Report. The information is provided in conformity with the requirements of the Companies Act No.07 of 2007, Finance Companies Corporate Governance Direction No.05 of 2021 with transitional provisions, Listing Rules of the Colombo Stock Exchange.

#### **Company Overview**

AFC was incorporated as a public company on 18th July 1956 under the provisions of the Companies Ordinance No. 51 of 1938 and was re-registered under the Companies Act No. 07 of 2007, bearing Registration Number PQ 93. AFC's ordinary shares were listed on the Main Board of the Colombo Stock Exchange (then the Colombo Stock Brokers Association) in 1959.

In the NBFI sector, AFC is the oldest finance company, with over 68 years of successful business operations. The registered office and principal place of business are located at "Alliance House", 84, Ward Place, Colombo 7. Lanka Rating Agency Ltd. has assigned an investment-grade rating of BBB with a stable outlook.

#### **Business Outlook**

The Board of Directors is pleased to report that the Company performed exceptionally well in the financial year 2024/25, both in terms of year-on-year (YoY) growth and relative to the broader NBFI sector. This achievement is particularly noteworthy given the challenging market conditions that impacted the entire industry. Our strong performance can be attributed to our sustainability-focused business ethos, which continues to be the key driver of our success.

Net Profit After Tax reached LKR 1,735 million, representing an 89% increase compared to the financial year 2023/24. The lending portfolio grew by 36%, significantly outpacing competitors. The Non-Performing Loan (NPL) ratio improved to 4.70%, reflecting enhanced portfolio quality. In addition, the Company diversified its product offerings and introduced

a range of sustainable finance products to meet evolving market needs.

#### **Purpose Statement and High Impact Goals**

AFC continues on its significant journey which counts over 68 years and continues to enjoy the status of being the first Finance Company in Asia to obtain SSCI certification 2.0 and the only Financial Institution in Sri Lanka to enjoy this status. Our Company is guided by its Purpose Statement and a set of High Impact Goals which had been realigned to be in keeping with the sustainability standards and UNSDGS. The Company's business philosophy is a triple bottom- line approach. These are detailed on pages 6 of this Annual Report.

#### **Principal Business Activities**

The Principal business activities of the Company include providing finance leases, term loans, gold loans, pledge loans, mortgage Ioans, Ran Ayojana, Climate Smart Agri Finance products, Solar Finance, MSME Finance and acceptance of public deposits and savings. Other Lines of Business include hire purchase, group loans, trading, investment in shares and real estate. The Company also provides end-to-end vehicle management solutions which include operating leases and hiring of vehicles which was enhanced by the addition of a platform for the hire of small trucks and three wheelers. The principal activity of the subsidiary Alfinco Insurance Brokers (Pvt) Ltd, is brokering of insurance business and the associate company Helios P2P ( Pvt ) Ltd is a digital platform for financial transactions.

#### **Branch Network**

The Company reviewed its branch network to optimize performance across various locations. In line with our strategy to enhance financial inclusion and expand our reach into rural communities, we opened new branches both physical and virtual while relocating others as necessary. This network expansion contributed to increased business volumes and deposit inflows.

We have also established a highly effective Call Centre, which is entirely managed by women a unique initiative that was recognized with an award. As at 31st March 2025, the Company had 90 points of presence across the country. Further details are available on pages 95 to 135 of this Annual Report.

## Review of operations and Future Developments

An overview of the Company's financial position and performance during the year, review of financial results, achievements and future outlook is summarized in the Chairperson's Message on pages 23 to 27, The Deputy Chairman/ Managing Director's Message on pages 28 to 33 covers the highlights for the vear along with the salient features with regard to performance and the future outlook of the Company. Comprehensive details are provided in the Business Report on pages 53 to 55 and the Capital Management Report on pages 95 to 135 of the Annual Report. The independent Auditors' Report along with the Audited Financial Statements reflects the state of affairs of the Company for the year ended 31st March

## Financial Statements of the Group and the Company

The Financial Statement of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by Chartered Accountants of Sri Lanka, and comply with the requirements of the Companies Act No.07 of 2007 and where applicable to the Directions issued by the Central Bank of Sri Lanka. The Financial Statements of the Company were duly audited and certified by the Company's Auditors Deloitte Associates and approved by the Board of Directors and signed by the Deputy Chairman/ Managing Director and Deputy Managing Director. Report on the operations of AFC appears on pages 6 to 7 of this Annual Report. Group Financial Statements as at 31st March 2025 were reviewed and recommended by the Board Audit Committee. The Statement of Financial Position. Statement of Profit or Loss and Notes to the Financial Statements appear on pages 198 to 285 of the Annual Report.

#### **Independent Auditor's Report**

The Company's Auditors, Deloitte Associates performed the audit of the consolidated Financial Statements for the year ended 31st March 2025 and the Auditors' Report issued thereon appears on Page 196 of the Annual Report.

#### **Accounting Policies and Changes during the Year**

Significant accounting policies adopted in preparation of the Financial Statements of the Company are given on Pages 206 to 223 and there have been no material changes. These Financial Statements comply with the requirements of Sri Lanka Accounting Standards on "Presentation of Financial Statements" (LKAS 01) and comply with Section 168 (1)(d) of the Companies Act No. 07 of 2007.

#### **Accounting Period**

The Financial accounting period reflects the information from 01st April 2024 to 31st March 2025.

#### **Financial Results and Appropriations**

The total interest income of the Company for the year ended 31st March 2025 was LKR 14,617 Mn (LKR 13,185 Mn in 2023/24). A more descriptive analysis of the interest income is given in Note 07 to the financial statement on page 224.

#### **Financial Results**

The Company recorded a Profit before Tax of LKR 3,087 Mn and Profit after Tax of LKR 1,735 Mn for the financial year ended 31st March 2025. The Company's performance and details of appropriations of profit relating to the Company are tabulated as follows:

	Year ended 31.03.2025	Year ended 31.03.2024
	LKR	LKR
Interest Income	14,617	13,185
Retained earnings brought forward from previous year	4,510	3,762
Add: Profit after Taxation	1,735	917
Earnings available for appropriation	6,245	4,679
Appropriations:		
Add: Net actuarial gain/(loss) on defined benefit plan	(37)	11
Add: Transfer of realized profit on investment property disposal to retained earnings	88	35
Less: Dividend paid for previous/current year	(553)	(168)
Less: Transfer to reserves	(87)	(46)
Total appropriation	(589)	(169)
Retained earnings carried forward	5,656	4,510

#### **Taxation**

The income tax rate applicable on the profits earned was 30%, rate of VAT on financial services during the year was 18% and Social Security Levy was 2.5%. Accordingly, the current year income tax provision of the Company was LKR 1,370 Mn compared to LKR 929 Mn for the year 2024/25. A more descriptive note on income tax and deferred tax of the Company is disclosed in Note 16 to the Financial Statements.

#### Dividend

The Company paid an Interim Dividend of LKR 8/- per share amounting to LKR 269,568,072 for the year under review out of the profits of the Company.

The Board of Directors has recommended a Final Dividend of LKR 9.20 per share amounting to LKR 310,003,200 for the year under review on the shares in issue of 33,696,000 to be approved by the shareholders at the forthcoming Annual General Meeting. As required by Section 56 of Companies Act No.7 of 2007, the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfying the Solvency Test in accordance with the Companies Act and subsequent to such declaration, the Directors have obtained the Auditors Certificate of Solvency thereon.

In compliance with Guideline on Declaration of Dividends and Repatriation of Profits dated 31st January 2023 – Ref.24/10/001/0019/005 issued under the Finance Business Act, the Company obtained the approval of the Director, Department of Supervision of Non Bank Financial Institutions of the Central Bank of Sri Lanka for the Interim and Final Dividends. The said Final Dividend will be subject to approval by the shareholders.

### **Property, Plant and Equipment**

The total capital expenditure incurred on property, plant and equipment (including capital work in progress) and intangible assets of the Company in the year ended 31st March 2025 amounted to LKR 3,391 Mn and LKR 185 Mn respectively (LKR 3,203 Mn and LKR 147 Mn in 2023/24). The details of property, plant and equipment are presented in Note 33 (Page 246 to 256) to the Financial Statements.

Extents, locations, valuations and the number of buildings of the Entity's land building and investment properties are detailed on pages 244 to 245 of this Annual Report. The Company has invested in a state of the art core banking system, which would support AFC's future digital journey in the years to come and the implementation is in progress.

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

#### **Directors' Interests in Shares**

In compliance with section 200 of the Companies Act No 07 of 2007, the Directors have disclosed to the Board their shareholding in the Company. There were acquisitions made by Directors during the year 2024/25 but there were no disposals of shares by the Directors.

The Directors' shareholding and their relevant interests in the shares of Company as at 1st April 2024 and 31st March 2025 are as follows:

Name of Director	Shareholding as at	Shareholding as at	
	31/03/2025	31/03/2024	
Mrs. G.S.T. Dharmakirti-Herath	100	100	
Mr. R.K.E.P.de Silva	12,423,830	11,881,187	
Mr. W.P.K.Jayawardana	42,750	42,750	
Mr. M.J. Benedict	1,000	1,000	
Mrs. P.de Silva	100	100	
Mr. L.J.H.de Silva	3,052	3,052	
Mr. D.L.I. Hettiarachchi	100	100	
Dr. S.L.N. Wickramasooriya	1,000	-	
Mr. D.F.W. Perera *	363,243	343,089	

<sup>\*</sup> Joint Holding of Mr. D.F.W.S.K. Perera and Mr. D.F.W. Perera 1,483,984 (31/3/2025) and 1,463,058 (31/3/2024).

#### **Managing Director's Interest in Shares**

The Managing Director, Mr. R.K.E.P.de Silva's individual shareholding in the Company and also that of the Deputy Managing Director, Mr. W.P.K. Jayawardana's individual shareholding in the Company as at 31st March 2024 and 31st March 2025 are given above.

#### **Directors' Meetings**

The details of Directors' meetings and attendance at the Meetings by the Directors are presented in the Corporate Governance report on page 147 of this Annual Report.

#### **Corporate Governance**

The Board of Directors is committed to adhering to the Corporate Governance Framework and Policy which includes the procedures and processes governing the different stakeholders in the organization – such as the Board, Executive Management Staff, Middle Management and other staff, Shareholders, Customers, Lenders and others to ensure that the highest principles of Corporate Governance principles are maintained across all constituents. In adopting the aforesaid Corporate Governance Framework and Policy, the Board has ensured that the Company is compliant with the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies Corporate Governance Direction No. 5 of 2021 and the transitional provisions. The measures taken in this regard are set out in the Corporate Governance Report on Pages 136 to 173 of this Annual Report.

#### **Codes of Conduct**

The Board of Directors and employees follow Codes of Conduct and ethics and have adhered to the principles therein.

#### **Group Structure**

The Group Structure is depicted in the Corporate Governance Report and the Governance framework of the Company takes into consideration the governance framework of the Group.

#### **Board Sub Committees**

The Board of Directors of the Company has formed Five Board Sub-Committees in compliance with the Finance Business Act Directions No. 05 of 2021 on Corporate Governance and the Listing Rules of the Colombo Stock Exchange. This adherence also aligns with the recommended Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka

The following Directors served as members of the Board Sub-Committees:

#### **Board Audit Committee**

Mrs.P. De Silva – (Chairperson)
Mrs.G.S.T. Dharmakirti-Herath –(Member)
Mr.L.J.H. De Silva – (Member)

The Report of the Board Audit Committee appears on pages 183 to 185.

## **Board Integrated Risk Management Committee**

Mrs.P. De Silva – (Chairperson)
Mrs.G.S.T. Dharmakirti-Herath –(Member)
Mr.L.J.H. De Silva – (Member)

The Report of the Board Integrated Risk Management Committee appears on pages 189 to 190.

## Board Human Resources and Remuneration Committee

Dr.D.L.I. Hettiarachchi – (Chairperson) Mrs.G.S.T. Dharmakirti-Herath –(Member) Mr.L.J.H. De Silva – (Member)

The Report of the Board Human Resources and Remuneration Committee appears on page 188

## Board Nomination and Governance Committee Report

Dr.D.L.I. Hettiarachchi – (Chairperson)
Mrs.G.S.T. Dharmakirti-Herath –(Member)
Mr.L.J.H. De Silva – (Member)

The Report of the Board Nomination and Governance Committee appears on pages 181 to 182.

#### **Board Related Party Transactions Review** Committee

FY 2024/25

Dr.D.L.I. Hettiarachchi - (Chairperson) Mrs.G.S.T. Dharmakirti-Herath – (Member) Mr.L.J.H. De Silva - (Member)

The Report of the Related Party Transaction Review Committee appears on pages 186 to 187.

#### **Related Party Transactions**

The Directors have disclosed transactions, if any, that could be classified as Related Party Transactions in accordance with Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosure), which are detailed in the Financial Statements. These transactions disclosed by the Directors are provided in Note 52 to the Financial Statements, forming an integral part of the Annual Report of the Board of Directors on the affairs of the Company. The Board Related Party Transactions Review Committee has reviewed all related party transactions requiring their review for the year ended 31st March 2025, ensuring compliance with the relevant Corporate Governance Direction of the Central Bank of Sri Lanka and the Listing Rules. The Directors have abstained from voting on matters in which they were interested. There were no matters of material related party transactions.

#### **Directors' Responsibility for Financial** Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that the Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements appearing from pages 198 to 285 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and its amendments, directions, and guidelines issued under the Finance Business Act No. 42 of 2011, and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors' Responsibility for Financial Reporting is given on page 194 and forms an integral part of the Annual Report

of the Board of Directors on the affairs of the Company.

#### **Donations, CSR and Sustainability Expenses**

The Company expended LKR 55.09 Mn for donations, Corporate Social Responsibility activities and sustainability initiatives during the year 2024/25 (LKR 26.96 Mn in 2023/24).

#### **System of Internal Controls**

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls covering financial and compliance required to carry out its operation in an orderly manner, safeguard its assets and secure as far as possible, the accuracy and reliability of the financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of the 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 Board through the Internal Audit Department has reviewed the internal controls and has obtained reasonable assurance regarding its effectiveness. The Directors have assigned to the Company's Internal Auditors, to review and report on the effectiveness of financial, operations and compliance controls. The External Auditors too independently verify this and their certification appears on Page 196.

#### **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 16.1(ix) of the Finance Business Act Direction No. 05 of 2021 on Corporate Governance. The said statement, which forms an integral part of the Annual Report of the Board of Directors on the affairs of the Company, is provided on pages 191 to 192. The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referenced on page 193.

#### **Investments**

Details of investments held by the Company are disclosed in Notes 26, 30 and 31 on Pages 241 to 244 to the Financial Statements.

#### Stated Capital and Shareholders' Funds

In compliance with the Companies Act No 07 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issued Share Capital. The Stated Capital is represented by 33,696,000 Ordinary Shares.

The Stated Capital and reserves stood at LKR 613.98 Mn and LKR 8,735.55 Mn respectively as at 31st March 2025 (LKR 613.98 Mn and LKR 7,515.05 Mn as at 31st March 2024). During the financial year LKR 86.74 Mn was transferred from Retained Earnings to the Reserves. Details of movement of reserves and Stated Capital are provided in the Statement of Changes in Equity on Page 202 of the Financial statements. No funds were raised through a public issue or private placement of shares during the year under review.

#### **Issue of Debentures**

There was no issue of debentures during the financial year 2024/25 Thereby the market price and movement is not recorded.

#### **Issuance of Green Bonds**

Alliance Finance Company PLC (AFC) made history by issuing the first Green Bond by a Non-Banking Financial Institution (NBFI). Initially listed on the Colombo Stock Exchange (CSE), the bond was subsequently dual-listed on the Luxembourg Stock Exchange (LuxSE) under the Luxembourg Green Exchange (LGX), reinforcing the Company's commitment to international Environmental, Social, and Governance (ESG) standards.

The Company issued A rated Ten Million (10,000,000) Listed, Rated, Guaranteed, Senior, Redeemable Green Bonds at the par value of LKR One Hundred (LKR 100/-) each and raised LKR Rupees One Billion (LKR 1,000,000,000/-).

Details on the debt securities appear on Note No. 37 (page 253)

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

#### **Minimum Capital Requirement**

The Board of Directors is cognizant that it is required to maintain the statutory requirement on minimum capital adequacy ratios to mitigate the liquidity risk and safeguard the depositors' funds, and the risk weighted capital ratio thus ensuing the sustainability of the Company and the industry as a whole. The Company is compliant with the capital requirements and has mentioned the capital was at the required levels and the information on minimum Capital Requirement is given on Page 285 of the Annual Report. The Company has a status of well capitalized entity as per the guideline of the Central Bank of Sri Lanka in terms of the Total Capital.

#### **Share Information**

The ten-year summary appears on Pages 290 to 291 and shareholder information and information on trading are provided under the "Shareholder Information" and are on Pages 292 to 293 of the Annual Report and is presented with the purpose of providing more price sensitive information to the shareholders which includes,

- Number of shares representing the entity's stated capital.
- A distribution schedule of the number of holders in equity securities, and the percentage of their total holding.
- w The ratio of Dividend per share, Dividend payout and net assets per share.
- Market Value per share including highest and lowest value recorded during the year and value as at end of the financial year.
- Float adjusted market capitalization, Public holding percentage, number of public shareholders and the Minimum Public Holding Requirement.

#### **Substantial Shareholding**

The list of the Company's top 20 shareholders, number of shares held by them and percentage of their respective holding and Public Holding percentage are given under the title Shareholder information on pages 292 to 293.

#### Information to Shareholders

The Board strives to be transparent and provide accurate information in a timely manner to shareholders in all published material.

#### **Communication with Shareholders**

A communication policy is in place to cater to the requirements of all stakeholders. Different methods are used to communicate with the shareholders. The Company Secretary serves as the communication link. AFC has taken all measures which are reasonably possible to ensure fair treatment of all its stakeholders specially the Depositors of the Company.

#### **Board of Directors**

#### Composition

Our Board of Directors has the qualifications, experience and expertise in finance, marketing, law, accounting and management. As at 31st March 2025, there were nine Directors on the Board of Alliance Finance Co. PLC of which three are Executive and six are Non Executive of which three are independent.

During the year two Non Executive Directors, Dr.S.L.N. Wickramasooriya and Mr.D.F.W. Perera were appointed to the Board having obtained the approval of the Central Bank of Sri Lanka.

The Board is governed by the Terms of Reference which embodies the framework governing its responsibilities and activities. The required balance in terms of the Corporate Governance is maintained.

Chairperson of our Company is an Independent Non Executive Director and, thereby no Independent Non Executive Director was appointed as the Senior Director as the offices of Chairperson and CEO are held by two different persons.

The qualifications and experience of the Directors is provided on Pages 8 to 11 of this Annual Report. The following Directors held office as at the end of the financial year.

- Mrs. G.S.T. Dharmakirti-Herath
  -Chairperson (Independent Non Executive)
- Mr. R.K.E.P. de Silva
  - -Deputy Chairman & Managing Director (Executive)
- Mr. W.P.K. Jayawardana-Deputy Managing Director (Executive)
- Mr.M.J. Benedict -(Executive Director)
- Mrs. P. de Silva -Non Executive Director (Independent Non Executive)
- Mr. L.J.H. de Silva -Non Executive Director (Independent Non Executive)
- Mr. D.L.I. Hettiarachchi -Non Executive Director (Independent Non Executive)
- Dr.S.L.N. Wickramasooriya -(Non Executive)
- Mr.D.F.W. Perera -(Non Executive)

#### **Independent Directors**

The Independent Directors are in conformity of the Rule 9.8.3 of the Colombo Stock Exchange and also that of Direction No.5 of 2021 as at the close of the financial year.

Each of the Directors has determined their Independence as required by the Colombo Stock Exchange and have furnished the Appendix 9A.

#### **Alternate Directors**

There are no Alternate Directors appointed to the Board during the financial year 2024/25 and there are no functioning Alternate Directors as well.

### Resignations and cessations

There were no resignations from the Board during the year 2024/25.

FY 2024/25

### Retirement by Rotation - Dr. D.L.I.

**Hettiarachchi** retires under Articles numbered 131 and 132 and being eligible offer himself for re-election with the unanimous support of the Board of Directors.

Dr. D.L.I. Hettiarachchi was appointed to the Board on 22/10/2020. He currently serves as the Chairperson of the Related Party Transaction Review Committee, Board Human Resources and Remuneration Committee, and Board Nomination and Governance Committee. In accordance with the Company's Articles of Association, Dr. Hettiarachchi was re-elected as a Director at the first Annual General Meeting held subsequent to his initial appointment, which took place on 02/07/2021.

#### **Directors Training**

The Board of Directors has attended training programs on a range of topics to enhance the knowledge on matters that which is relevant to the industry, specialized areas and other specific areas identified by the Directors. A process is in place to appraise the Directors of the changes in the Listing Rules and any relevant areas on capital market provisions.

### **Directors' Interest Register**

In compliance with the Companies Act No.07 of 2007, the Company maintains an Interests Register which is available for inspection.

### Directors' Interests in Transactions/ Related Party Transactions

The Directors of the Company have made general declarations as provided in the section 192 (2) of the Companies Act No. 07 of 2007 of their interests in the transactions of the Company. Details of the transactions disclosed therein are given on Pages 267 to 270 under related party transactions. There have been no material interests in contracts with the Company.

### Directors' Declarations in terms of Section 16.1 of the Finance Business Act Directions No. 05 of 2021, Corporate Governance

The Chairperson and the Directors of the Company have made declarations as per the requirements in Section 7(3) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021, that there is no financial, business, family or other material/relevant relationship(s) between the Chairperson and the Managing Director and/or amongst the members of the Board.

### **Directors' Remuneration and Related Expenditure**

The consolidated details of Directors' Fees and Directors' Emoluments paid during the year are stated in Note 52.2 to the accounts.

### **Appraisal of Board Performance**

Appraisal of the Board Performance is conducted on an annual basis Self assessments were carried out by the individual Directors and the Chairperson also assesses the performance of all the Directors and the Non Executive Directors assess the performance of the Chairperson. The Board as a whole evaluates its performance against pre determined criterion and the information is collected by the Company Secretaries and discussed at the Board level. The functions of the Board Sub Committees were also evaluated and the records are maintained. Fitness and Propriety of the Directors were assessed in terms of the Rules of the Colombo Stock Exchange and it is in conformity of such requirements. The Fitness of Propriety of the Directors was approved by the Central Bank of Sri Lanka.

### **Human Wealth**

The Board considers its employees as its wealth and is committed to provide opportunities for continuous improvement and invests in career enhancement, training of its employees and has implemented measures for the overall well-being of all employees with a holistic approach. Operating in a competitive environment skills are honed and developed to provide the competitive edge and to optimize

their contribution towards the achievement of the High Impact Goals and objectives of the Company. This aspect is further covered on pages 53 to 55 of this Annual Report. Our recruitment policy is structured in a manner that bears no bias to age gender, religion or race and to give equal opportunity for all.

### **Employee Share Option**

The Company has not adopted an Employee Shares Option Scheme.

### Stakeholder Management/Corporate Social responsibility

The Company continues to take measures on an ongoing basis to manage the expectations of all its stakeholders and enhance the value created to shareholders, customers, suppliers, and the community. These efforts are presented in the Social and Relationship Capital Report presented on Pages 106 to 113 of the Annual Report.

### **Environmental Protection**

To the best of its knowledge the Board, of the Company has complied with the relevant environmental laws and regulations. The Company has not engaged in any direct activity that is harmful or hazardous to the environment. On the contrary, the Company has undertaken several initiatives that contributed to the environmental protection positively. The Company has voluntarily adopted the Accounting Standards SI & S2. Further details of these initiatives of the Company are outlined in the Report on Pages 76 to 86.

### **New IT System**

The Company procured a new IT system and the Implementation has to be slightly delayed with the transition to the new system which is scheduled during the Financial Year 2024/25.

### **Compliance with Laws and Regulations**

The Company has not engaged in any activity contravening any laws and regulations. Time to time the Board has been apprised of the changes to the laws, Directions and Rules and where required have also followed a detailed training program.

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

### **Statutory Payments**

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the Government and other regulatory payments due to the Government and other regulatory institutions and in relation to the employees have been made except for certain income tax assessments against which appeals have been lodged.

### **Outstanding Litigation**

In the opinion of the Directors formed in consultation with the Company's lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company. Details of litigation pending against the Company are given on Note 48.1 to the Financial Statements on Page 261.

### **Events after the Reporting Period**

Details of events after the reporting date are reflected in Notes 49 on Page 261 to the Financial Statements.

### **Going Concern**

After considering the Financial Position, the Company's Corporate/Business plans, operating conditions, regulatory and other factors the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements. Note No. 11.1 on page 207 covers this aspect comprehensively.

### **Contingent Liabilities**

There are contingent liabilities for the Company details of which are depicted in Note 48 to the financial statements on page 260.

### **Auditors**

The Company's Auditors during the year under review were Deloitte Associates. As far as the Directors are aware, the Auditors do not have any relationship or interest in the Company or its subsidiaries other than to the extent disclosed in this Annual Report.

### Remuneration

A total amount of LKR 7,633,000 is payable by the Company to the Auditors for the year under review comprising LKR 3,692,500 as Audit fee and expenses, LKR 1,346,000 as Audit related services and expenses and LKR 2,594,500 as Non audit fees and expenses.

#### **Auditors**

The retiring auditors, Deloitte Associates, in compliance with Corporate Governance Direction No. 5 of 2021, are seeking reappointment. They have proposed a remuneration of LKR 4,609,000, exclusive of all applicable taxes, along with a provision for out-of-pocket expenses not exceeding 12.5%, for conducting the audit, consolidation, and assurance report for the financial year ending 31st March 2026. In addition, a special fee of LKR 354,200 is payable in relation to the system migration. The final decision regarding their appointment lies with the shareholders.

### **Annual General Meeting**

The Alliance Finance Co PLC AGM will be held on Monday, 30th June 2025 at 9.30 a.m. at 722, Kotte Road, Rajagiriya.

#### **Notice of Meeting**

Notice of the meeting relating to the 69th Annual General Meeting is provided on Page 306 of this Annual Report.

### **Acknowledgment of the Content of the Report**

On behalf of the Board of Directors of the Company, the Deputy Chairman & Managing Director, Deputy Managing Director and Company Secretaries of the Company in pursuance of the authority granted by the Board, have acknowledged the contents of this Annual Report.

By order of the Board of Directors,

**Alliance Finance Co.PLC** 

Romani de Silva

Deputy Chairman/ Managing Director

Kusal Jayawardana

Deputy Managing Director

Priyanga Peiris
Company Secretary

5 June 2025

# **Board Nomination and Governance Committee Report**

The Board of Directors of Alliance Finance Company PLC (hereafter referred to as "the Company") has established the Board Nomination and Governance Committee (hereafter referred to as "the Committee") to facilitate the identification, assessment, and recommendation of qualified candidates for positions on the Board and within Senior Management. Since its inception, the Committee has operated in strict adherence to its Terms of Reference. The Committee is responsible for ensuring that the Company maintains the highest standards of good governance and employs a structured and transparent process for the selection and appointment of Key Responsible Persons, including the planning of their succession.

### **Purpose of The Committee**

The Board Nomination and Governance Committee is required to establish and maintain a formal procedure for the appointment of new Directors and KRPs and re-election of Directors

### Regulations/ Rules Relevant to the Functions of The Committee

The Committee was formed in line with the Best Practices on Corporate Governance and it conforms to Direction 10.4 of Finance Business Act Direction No.5 of 2021 and its composition is in line with Rule 9.11.4 of the Listing Rules.

#### Composition

The Committee comprises of two (02) Independent, Non-Executive Directors and one (01) Non Independent, Non-Executive Director.

The Committee's composition during the period ended 31st March 2025 was as follows;

<b>Board Members</b>	Board status date of appointment to the Committee	Board Sub- Committee Membership	Date of First Appointment as a Director	Material Relationship	
Dr.D.L.I. Hettiarachchi	Independent, Non-Executive (Chairman)	RPTRC, HRRC	22/10/2020	Nil	
Mrs.G.S.T. Dharmakirti-Herath	Independent, Non- Executive	BAC, BIRMC, RPTRC, HRRC, BSC	22/10/2020	Nil	
Mr.L.J.H. De Silva	Non-Independent, Non-Executive	BAC, BIRMC, HRRC, BRPTR	16/10/2019	Nil	

M/s Alliance Management Services (Private) Limited served as the Secretary to the Committee until 17th November 2025 after which date Mrs. Priyanga P. Peiris was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

Brief profiles of the Members appear on page 8 to 11 of the Annual Report.

### Meetings

During the period, the Committee met three (03) times and the attendance of the Committee Members at meetings is given in the table on page 147 of the Annual Report. The Managing Director attends meetings of the Committee by invitation except when matters relating to him are reviewed.

### The Terms of Reference

The Committee is governed by the Board approved Terms of Reference of which contains the role and functions of the Committee, under relevant regulated statutes.

### **Roles and Responsibilities**

 Maintain and apply a formal and transparent procedure for Board appointments.

Supplementary

Information

- Ensure that the Directors and Senior
   Management are fit and proper persons to perform the functions as per the Finance
   Business Act and the applicable Directions issued by the Central Bank of Sri Lanka.
- c) Ensure that the persons identified to serve as Directors or Senior Management has a record of integrity and good repute.
- d) Review the structure, size and membership of the Board and all Board Committees with regard to the effective discharge of duties and responsibilities
- e) Establish and maintain a suitable process for the periodic evaluation of the performance of the Board and the MD of the Company.
- f) Ensure that newly appointed Directors receive a full, formal and tailored induction on joining the Board and examine ongoing training and development needs as required.
- g) Consider and make recommendations on the re-appointment, re-election of current Directors. A member of the Nomination Committee shall not participate in the 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.
- h) The Committee shall set the criterion; qualifications, experience, key attributes required for eligibility, to be considered for appointment to the position of MD and senior management
- Review and recommend the overall corporate governance framework of the Company considering the Listing Rules and other regulatory requirements and industry/ international best practices
- j) Periodically review and update the corporate governance framework of the Company in line with the regulatory and legal requirements
- k) Update the Directors on the changes to the regulatory framework on Corporate Governance, Listing Rules and Securities and Exchange requirements

### **Board Nomination and GovernanceCommittee Report**

### **Activites During the Year**

During the reporting year, the Committee executed the following activities:

Nominated Directors for appointment to the Board, in accordance with the Finance Companies Direction No. 05 of 2021 and the Company's Policy on Selection, Nomination, Appointment, and Election of Directors.

Fitness and Propriety based on the assessment criteria outlined in the aforementioned rules; assessed the Fitness and Propriety of Directors in compliance with the Finance Companies Direction No. 6 of 2021; and recommended the re-election of Directors.

The Committee recommended, the re-election of Dr. D.L.I. Hettiarachchi taking into account his performance and the contributions made towards achieving the Company's strategic initiatives.

Dr. D.L.I. Hettiarachchi

Chairman

**Board Nomination and Governance Committee** 

5 June 2025

### **Report of The Board Audit Committee**

The Board of Directors of Alliance Finance Company PLC ("the Company") has established the Board Audit Committee ("the Committee"). This Committee comprises three Non-Executive Directors, two of whom are Independent Non-Executive Directors. The Committee's operations are governed by the guidelines specified in its Terms of Reference, which have been approved by the Company's Board of Directors.

### Composition

The Committee's composition during the period ended by 31st March 2025 is as follows:

Board Members	Board Status		
Mrs. P De Silva	Independent, Non-Executive (Chairperson)		
Mrs.G.S.T. Dharmakirti-Herath	Independent, Non-Executive		
Mr.L.J.H. De Silva	Non-Independent, Non-Executive		

The Chairperson of the Committee Mrs. Priyanthi de Silva is a Fellow member of Institute of Management Accountants of UK (FCMA) and the Chartered Global Management Accountants (CGMA) of UK and a Fellow of Certified Practicing Accountant (FCPA) of Australia. The constituent members of the Board Audit Committee possess the required acumen in financial, commercial, and management compliance, along with experience in the industry.

The brief profiles of the members of the Board Audit Committee are set out in the Board of Directors profiles section of the Annual Report.

M/s Alliance Management Services (Private) Limited served as the Secretary to the Committee until 17th November 2024 after which date Mrs. Priyanga P. Peiris was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

### Meetings

The Board Audit Committee meetings are scheduled at the beginning of the year to facilitate the smooth functioning of the Committee. BAC has met on a regular basis and the number of occasions on which it met is over and above the stipulated requirement in order to fulfill its mandate. Upon the invitation of the BAC, the Managing Director / Deputy Managing Director attended the BAC meetings. The senior management and key management personnel, specifically the CFO, AGM, risk, and compliance officer, also attended the meeting on invitation. Key Management Personnel attendance was required when matters pertaining to their areas were considered at the BAC meeting.

BAC met with the External Auditors on more than two occasions, without the Executive Members of the Board being present at the meetings. Internal Auditors also attended these meetings. The Chairperson had delegated the preparation of the Agenda to the Company Secretary and the proceedings at meetings were in accordance with the circulated Agenda to the BAC members. Matters considered were in keeping with the role and functions outlined in the Terms of Reference of the BAC, as well as the Audit Charter. Members of the BAC were briefed at the meetings on the impact the changes in the Directions issued by the Central Bank of Sri Lanka, and changes to the legislations would have on the functions of the Company.

Number of audit meetings held during the year and details of attendance.

Two (02) meetings were held between the Committee and the External Auditors during the year, without any other Directors, Senior Management and employees being present. Proceedings of the Committee meetings, with adequate details of matters discussed, were reported regularly to the Board to assist the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

Name	Attendance
Mrs. P.de Silva / Chairperson	11/11
Mrs. G.S.T. Dharmakirti Herath /	11/11
Member	
Mr. L.J.H. de Silva / Member	11/11

Supplementary

Overview of the functions of the Committee during the financial year

#### **Review of The Terms of Reference**

The Terms of Reference of the Committee were reviewed during the year and approved by the Board of Directors. These Terms of Reference are customarily reviewed periodically, and approved by the Board of Directors, after incorporating best practices relating to the functions of the Committee.

#### **Executive Functions**

The Board Audit Committee executed its duties and responsibilities during the financial year in accordance with its Terms of Reference. It also fulfilled its functions in relation to matters relating to the Company's internal and external audit processes, financial reporting, risk assessment and internal controls over financial reporting.

### **External Auditors and Audit**

In accordance with its mandate, the BAC reviewed and made recommendation on the audit nature, scope and audit plan for the year under review. It is also cognizant of the resources that were to be deployed for the audit function, prior to the commencement of the audit.

Evaluated the effectiveness of the audit with applicable standards and practices and ensured the smooth functioning of the external audit. It is noteworthy that the Management and staff had extended their fullest co operation to the External Auditors in carrying out their functions.

Reviewed the Management Letter for the financial year ended 31st March 2024 and the Management's responses at a meeting with the External Auditors and briefed the Board on the proceedings.

### Report of The Board Audit Committee

BAC obtained assurance from the Auditors that their independence was not impaired.

The Committee has reviewed the policy on the engagement of External Auditor for Non-Audit Services and based on their recommendation the policy was approved by the Board. The Committee reviewed the non-audit services provided by the auditor, aiming to ensure that such services do not compromise the External Auditor's independence or objectivity. The Committee is content with claiming that no conflicts of interest exist between the Company and the Auditor, which might undermine the Auditor's independence and objectivity. The non-audit services were not conducted by the partner handling the external audit of the Company.

The Committee made recommendations on the re-appointment of the External Auditors for the ensuing year which was in keeping with the criterion specified for the engagement of the Auditors. Whilst considering the re-appointment BAC also ensured that the engagement of the audit partner does not exceed five years.

In respect of Financial Statements

- Reviewed the Interim and Annual Financial Statements of the Company as well as the financial information and disclosures made to the public in relation to the said financials prior to its submission and approval by the Board in order to ensure that to monitor the integrity of the financial statements.
- Reviewed the methodologies adopted in the determination of the significant estimates and judgments, significant changes to the policies and practices contained therein.
- Statements fairly present the financial Statements fairly present the financial position of the Company and of the Group as at the end of the Financial year together with the results of operations and cash flows for the financial year and considered the basis on which the Company and the Group were determined to be a going concern.
- Considered the appropriateness of the accounting policies adopted and changes thereto.

- Noted there were no material reports or complaints received concerning the accounting practices, internal audit, internal financial controls, contents of annual Financial Statements and related matters.
- Reviewed the recommendation of the Interim and Final Dividend for the year 2024/25 of the Company in terms of the regulatory requirements.
- Evaluated the systems and procedures in place for the recording of the financial transactions to see whether it was robust.
- The Committee obtained and reviewed the assurance statement from the MD and CFO that the financial records have been property maintained and the financial statements provide a true and fair view of the Company's operations and finances in line with the requirement of listing rules.

In respect of Internal Control and Internal Audit

In line with Section 11 of the Finance Companies Direction No. 05 of 2021 assessed the effectiveness of the Internal Control over Financial Reporting as at 31 March 2025.

- Reviewed and approved the annual internal audit mandate and comprehensive audit scope and plan, and evaluated the independence, effectiveness and performance of the Internal Audit Department and compliance with its mandate and continuously monitored the implementation of the audit plan with periodic reviews. Adopted appropriate measures as and when required on the implementation of the audit plan.
- The comprehensive internal audit plan and scope was compiled considering the risk associated with each of those functions and its materiality.
- BAC sends a report to the Board prior to the Board Meeting on its deliberations, outcomes and recommendations at the conclusion of a BAC meeting which is discussed at the Board Meeting.

- Reviewed the policies and procedures of the Company, any changes thereto were also reviewed by the Internal Audit prior to implementation and BAC also made recommendations for changes improved performance through revamped controls where necessary.
- Considered reports of the internal and External Auditors on the Group's system of internal control, including internal financial controls and maintenance of effective internal control systems.
- Reviewed matters which were considered significant by the internal auditors on processes and the adequacy of corrective action required in response to such findings and made recommendations to the Board. Followed up on matters that were significant, implementation of which was carried out by the Management.
- Reviewed significant differences of opinion between the internal audit function and management and noted that there were none.
- Assessed the adequacy of the performance of the internal audit function and made recommendations on the structure of the Internal Audit Department to the Board. The adequacy of the available internal audit resources and whether they were equipped with relevant expertise and experience to carry out the audit functions. Their performance is assessed against the predetermined parameters.
- Received assurance that proper and adequate accounting records were maintained and that the system controls that safeguard the assets had been fulfilled.
- Based on the above, the Committee formed the opinion that at the date of this report there were no material concerns on internal control, including internal financial controls, resulting in any material loss to the Company and Group.
- During the year there were no major findings of internal investigations which required management's response thereto.

A compliance related framework is in place and is operational, and the Compliance Officer is tasked with ensuring that the Company is compliant with all regulatory requirements by the Regulator and Statutory Bodies. Periodically the Board and Management were apprised of the changes in the regulatory and statutory requirements and also the introduction of new laws and regulations which the Board, BAC and Management should be cognizant of. Compliance adopted the changes required for it to consistently and in a timely manner to implement, monitor such changes and also to ensure effective monitoring of the ongoing requirements. This process includes the implementation of the recommendations on the onsite examination report and the FIU report.

Operating procedures and processes have been structured in a manner to encompass all the regulatory and statutory requirements are complied with. As a monitoring mechanism, a reporting system has been set up for periodic confirmations to be sent to the Board on the levels of compliance and if there were any deviations. Thereby, confirmations have been received on the compliance of the Company, and they are in keeping with the regulatory requirements. Additionally, the internal Audit Department of the Company independently conducts periodic reviews of the compliance and governance functions and on the regulatory reporting to the regulatory bodies.

#### **Evaluation of The Committee**

The annual self-evaluation of the effectiveness of the Committee was carried out by the Members of the Committee and concluded that the Committee carried out its responsibilities in an effective and satisfactory manner and further, The Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction 5 of 2021.

Priyanthi de Silva (Mrs)

L Silva

Chairperson

**Board Audit Committee** 

5 June 2025

## **Board Related Party Transactions Review Committee Report**

The Board Related Party Transactions Review Committee ("the Committee") was established by the Board to improve internal controls and prevent conflicts of interest in transactions with related parties. Its main goal is to evaluate these transactions to ensure that related parties are treated on par with other stakeholders, and that dealings are in the best interest of the Company and non-related parties, maintaining transparency and adhering to corporate governance guidelines against preferential treatment.

The Board Related Party Transactions Review Committee is required to ensure that the interests of shareholders as a whole are taken into account by the Company when entering into related party transactions

### **Role and Responsbilities**

The mandate of the Committee is derived from the CSE Rules, and the Finance Business Act Directions No. 05 of 2021 on Corporate Governance as applicable to Licensed Finance Companies which includes mainly the following:

- a) The Committee shall review all proposed Related Party Transactions (RPTs) prior to the transaction being entered into as mandate by the Finance Business Act Directions No. 05 of 2021 on Corporate Governance, Ensured that such transactions are conducted on an arms' length basis without preferential treatment, Ensure that the transactions are carried out as per the laid down guidelines, In evaluating the related party transactions to ensure that a Director who is an interested party does not participate in the decision making process unless expressly requested to do so.
- b) The Committee shall identify and report all recurrent and nonrecurrent related party transactions as stipulated in Section 9.14.6 of CSE Rules for shareholder approval as necessary, Establish and review the mechanism for recurrent transactions to be carried out with related parties and monitor its effectiveness.

- Ensure that the appropriate framework is in place to evaluate the provision of obtaining services to and from related parties.
- d) Evaluate non recurrent transactions adopting mechanism stipulated, and if required, obtain advice when making such recommendations.
- e) The Committee shall identify related party transactions that require immediate disclosures, in terms of Section 9.14.7 of CSE Rules, and ensure that required disclosures are made by the Company Secretary to CSE.
- f) The Committee shall ensure that there is an adequate, effective, and efficient process/system in place at the Company to capture the information with regard to related party transactions relevant to its review function. The Committee shall adopt an acceptable process to ensure that conflict of interest situations are avoided, in exercising the review function.
- g) To publish required disclosures in the Annual Report.
- h) The Committee shall consider any other areas and enlarge its scope of review if the Board desires to do so.
- i) To carry out an annual evaluation of the Committee's performance by its members to determine its effectiveness and report to the Board.

### Composition

The Committee consists of two (02) Independent, Non-Executive Directors and one (01) Non Independent, Non-Executive Director.

The Committee's composition during the period ended 31st March 2025 was as follows;

<b>Board Members</b>	Board Status Date of Appointment to the Committee		
Dr.D.L.I. Hettiarachchi	Independent, Non-Executive (Chairman)		
Mrs.G.S.T. Dharmakirti-Herath	Independent, Non-Executive		
Mr.L.J.H. De Silva	Non-Independent, Non-Executive		

Brief profiles of the members of the Related Party Transactions Review appear on pages 186 to 187 of the Annual Report.

M/s Alliance Management Services (Private) Limited served as the Secretary to the Committee until 17th November 2024 after which date Mrs. Priyanga P. Peiris was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

### **Committee Meetings**

The Board Related Party Transactions Review Committee ('BRPTRC' and 'the Committee') The Committee convened four (04) meetings during the year under review complying with the regulatory requirements. Details regarding the attendance of Committee members are stated on page 147.

Proceedings of the Committee were reported to the Board.

### The Terms of Reference

The Committee operates within the framework of its Terms of Reference (TOR) and the Related Party Transactions Procedure, as approved by the Board of Directors. The TOR outlines guidelines for handling Related Party Transactions and their reporting, except for exempted transactions. The TOR was reviewed and approved by the Board during the year under review.

### **Activities**

During the reporting period, the Committee undertook the following activities:

- a) Reviewed all RPTs to confirm that they were conducted without any preferential treatment for related parties, observing that these transactions were consistent with both regulatory requirements and the parameters extended to non-related parties.
- Ensured that the Conflicts of Interest Policy was in effect and that the established systems and procedures functioned effectively to proactively identify related parties and avoid potential conflicts of interest.
- verified that a thorough evaluation process was undertaken when engaging related parties for the provision of services.
- d) Confirmed that both recurrent and nonrecurrent transactions with related parties were conducted in accordance with the Terms of Reference and on terms that were comparable to or better than those offered by non-related parties.
- e) Submitted reports on the RPTRC's functions to the Board prior to Board Meetings, and these reports were subsequently discussed at Board level.
- f) Reviewed the Related Party Transactions Review Policy during the financial year and obtained the approval of the Board.
- g) Conducted an annual evaluation of the RPTRC's performance to assess its effectiveness.

### Disclosures

- a) Information relating to all related parties, as extracted at the end of each quarter, was presented to the RPTRC and the Board was apprised of the outcome of the review
- The non-recurrent related party transactions value for the year was below the threshold set by the Colombo Stock Exchange.

- c) The aggregate value of the recurrent Related Party Transactions that were recorded were below the threshold set by the Colombo Stock Exchange and does not require disclosure in the Annual Report.
- d) The aggregate value of all Related Party Transactions during the year is disclosed in Note No 52 to the Financial Statements in terms of LKAS 24-Related Party Transactions.
- The Committee confirms that the Company has complied with the requirements of the Listing Rules and the Direction in respect of requisite disclosures.

### **Declaration**

The Committee ensures that all transactions with related parties are in the best interests of all stakeholders, adequate transparency in processes is maintained, and the reviewed transactions are communicated to the Board of Directors for their comments and observations. A declaration by the Board of Directors as an affirmative statement of the compliance with CSE Rules, and as per relevant Directions issued by the Central Bank of Sri Lanka as applicable to Licensed Finance Companies is given on pages 174 to 180 of the Annual Report.



Chairman

Related Party Transaction Review Committee

5 June 2025

# **Board Human Resources and Remuneration Committee Report GRI 2-19**

The Board Human Resources and Remuneration Committee (the Committee) was constituted by the Board of Directors of Alliance Finance PLC ("the Company") to provide oversight on the formulation and implementation of a fair, transparent, and robust remuneration policy. This policy is closely aligned with the Company's Human Capital Management Strategy, with the objective of attracting top talent, fostering employee development, retaining key personnel, and supporting the overall well-being of the workforce

### Composition

The Committee consists of two (02) Independent, Non-Executive Directors and one (01) Non Independent, Non-Executive Director.

The Committee's composition during the period ended 31st March 2025 was as follows;

Board Members	Board status date of appointment to the Committee			
Dr.D.L.I. Hettiarachchi	Independent, Non-Executive (Chairman)			
Mrs.G.S.T. Dharmakirti-Herath	Independent, Non-Executive			
Mr.L.J.H. De Silva	Non-Independent, Non-Executive			

M/s Alliance Management Services (Private) Limited served as the Secretary to the Committee until 17th November 2025 after which date Mrs. Priyanga P. Peiris was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

Brief profiles of the Members appear on page 8 to 11 of the Annual Report.

#### Meetings

The Committee is chaired by Dr.D.L.I. Hettiarachchi who is an Independent, Non–Executive Director.

The Committee operates independently of management and remains free from any business, personal or other relationships that could influence its independent and impartial judgments.

The Committee met on five (05) occasions during the year under review and the attendance of the Committee members is listed on Page 147 of the Annual Report.

### **Remuneration Policy**

The Committee recognizes that remuneration and reward as the key drivers in influencing an employee to drive performance, which would have a significant bearing on the business results. Therefore, the reward programs are designed to attract, retain and motivate employees and to evaluate individual employee performance to measurable performance based criteria applied at all levels of the company structured to ensure consistency of evaluation and grant rewards on merit.

Variable pay (bonus) plan of the Company is determined according to the overall achievements of the Company on an annual basis and on pre-agreed individual targets and deliverables, which are determined on comprehensive and detailed performance parameters. Variable pay is structured in a manner to ensure equality for all levels of employees and to enable the Company to clearly identify individuals who consistently outperform.

The Committee makes appropriate adjustments to the bonus pool upon the recommendations of the Executive Directors in the event of over or under achievements against pre-determined targets. In this regard, the Committee can seek external independent professional advice on matters falling within its purview.

### **Functions**

Assist the Board where necessary in setting guidelines and policies to formulate compensation packages which are attractive and motivating thus enabling to retain qualified and experienced Directors/employees in the Company. The Committee recommends to the Board on the compensation of the Managing Director, Deputy Managing Director, Executive Director, and when required that of the Key Responsible Officers.

### **Directors Remuneration**

The details of the Directors Remuneration appear on page 267 of the Annual Report.

Dr. D.L.I. Httiarachchi
Chairman
Human Resources and Remuneration

5 June 2025

Committee

# **Board Integrated Risk Management Committee Report**

Operating under the authority of the Board of Directors, the Integrated Risk Management Committee of Alliance Finance Company PLC maintains an unwavering commitment to the ongoing evaluation and enhancement of the company's risk profile. During the period under review, the Committee prioritized the meticulous development of comprehensive risk strategies, policies, and frameworks, achieved through close collaboration with Key Responsible Persons. Key Risk Indicators underwent rigorous review utilizing a standardized risk grid, ensuring alignment with the tenets of the Integrated Risk Management Policy. Recognizing the dynamic external environment, the Committee maintains diligent oversight of prevailing political, economic, and social developments, subjecting the company's portfolio to stringent stress testing protocols to ensure robust adaptability. This proactive and systematic approach strategically positions Alliance Finance Company PLC to effectively navigate the evolving and complex risk landscape.

### Composition

The Board Integrated Risk Management Committee is led by an Independent Non-Executive Director and includes one Independent Non-Executive Director along with one Non-Independent Non-Executive Directors. To meet the requirements of Section 10.3(a) of the Finance Business Act (Corporate Governance) Direction No. 05 of 2021, issued by the Central Bank of Sri Lanka, the Managing Director, Deputy Managing Director, the Key Responsible Personnel for managing credit, market, liquidity, operational risk, compliance, and strategic risks are invited to actively participate in the Operational Risk Committee meetings. The Head of Risk plays a vital role for the Committee.

The Committee's composition during the year ended 31st March 2025 was as follows:

Board Members	Board Status Date Of Appointment To The Committee	Date Of Appointement To The Committee
Mrs. P De Silva	Independent, Non-Executive (Chairperson)	No changes since last
Mrs. G.S.T. Dharmakirti- Herath	Independent, Non-Executive	financial year
Mr.L.J.H. De Silva	Non-Independent, Non-Executive	

The brief profiles of the members of the Board Integrated Risk Management Committee are set out in the Board of Directors profiles section of the Annual Report.

M/s Alliance Management Services (Private) Limited served as the Secretaries to the Committee until 17th November 2024 after which date Mrs. Priyanga P. Peiris was appointed as the Company Secretary and assumed the role of Secretary to the Committee.

### Meetings

During the year under review, the Committee had six (06) meetings, and a report was sent to the Board prior to the Board meetings and was deliberated on at the Board meeting.

The attendance of the Committee members is listed on page 147 of the Annual Report.

### **Terms of Refeence**

The BIRMC was established by the Board of Directors in compliance with Section 3 of Direction No. 5 of 2021 with the transitional provisions on the Corporate Governance for Licensed Finance Companies in Sri Lanka. The Composition and the scope of work of the Committee is in conformity with the provisions of Section 10.3 of the said Direction. The Board Integrated Risk Management Committee functions within the Terms of Reference, which sets out the objectives and responsibilities.

### Role and Responsibilities of The BIRMC

Financial

Supplementary

Information

- To ensure that the Company has a comprehensive and effective risk management framework and assess the risk factors in relation to the framework ensuring the key risk areas are identified and monitored in an ongoing basis. The Company's risk management framework that is in place was formulated and deployed in relation to its business activities, corresponding risk tolerance limits as permitted by the Board and in compliance to regulatory and supervisory requirements also factoring in prudential measures.
- 2) Undertake to review all business risks monthly viz appropriate Risk indicators presented by the Risk Management Department and submit to the Board, risk assessment reports, with appropriate recommendations to highlight and mitigate risk as required.
- Formulate and Implement the Risk Management Policy and evaluate it annually.
- 4) To ensure that the compliance function is in place to assess the Company's compliance with laws, regulations, directions, regulatory guidelines, internal controls and approved policies assisted by the Compliance Officer of the Company.
- Review the Business Continuity Plan and Disaster Recovery Plan and make recommendations to the Board.
- Report and recommend to the Board of Directors on compliance related matters seeking the Board's view and directions.
- Take appropriate action against the officers for failure to identify specific risks and take prompt corrective actions as recommended by the Committee.
- 8) Develop a Risk Appetite Statement (RAS) which would stipulate the individual and aggregate levels of types of risks and make recommendations to the Board and review the RAS annually.
- 9) Perform stress testing mechanisms and monitor outcomes through sensitivity analysis and its impact on the capital adequacy of the Company and appraise the Board of the outcome.

### **Board Integrated Risk Management Committee Report**

10) Review the adequacy and effectiveness of all management level Committees such as the Credit Committee and the Asset & Liability Committee, to address specific risks and manage those risks within the quantitative and qualitative risk limits as specified by the Committee.

FY 2024/25

11) To work closely with the Board Audit Committee to ensure that any lapses identified in relation to the Company's approved business processes, policies, and risk and compliance functions are discussed. Appropriate disciplinary action and/or risk mitigating strategies are recommended to the Board for necessary action

Furnish a risk review report, on a quarterly basis, to the Board of directors.

### **Functions**

- 1) The BIRMC ensured that all key risks and risk areas were evaluated on a monthly basis and reported on to the BIRMC. Recommendations on the mitigation of risk were agreed upon and implemented forthwith. Meetings of the management level committees were held regularly and the matters that required the attention of the BIRMC were dealt with at the meetings. Matters relating to the management level committees that required deliberation were considered at the monthly evaluation of the key risk areas.
- 2) Stress testing on various aspects was carried out, some on an ad hoc basis and others on a consistent basis, which were determined by the BIRMC on the risks related to the products or market conditions pertaining to the product and how it would impact the core capital of the Company.
- Risk Appetite Statement was reviewed with the input of the Management with detailed deliberations was recommended to the Board and approved.
- 4) The Compliance Department reported to the BIRMC, and the Board on a consistent and comprehensive basis to ensure that the Company is compliant with all regulatory and statutory requirements.

- 5) Risk Management Policy was reviewed by the BIRMC and was approved by the Board.
- 6) The Board was furnished with the Risk Review Report on a quarterly basis and a report on the BIRMC was sent to the Board on a quarterly basis with the recommendations and the key findings were briefed to the Board at the Board Meetings.
- 7) Both the BAC and BIRMC functioned closely to ensure that the risks are managed on products, processes and other aspects are managed in a timely and effective manner by making recommendations to the Board.

#### **Significant Activities**

- Carried out stress testing on different occasions for the core business products to assess the
  possible impact of the external factors on the lending and recoveries and its impact to the core
  capital ratios.
- 2) Annual Review of the Risk Appetite Statement
- 3) Review of Risk Management Policy
- 4) Conduct the Risk Assessment for the financial y/e 2024/25
- 5) Annual Review of Stress Framework
- 6) Annual Review of Credit Risk Management Policy
- 7) Review of Compliance Policy
- 8) Annual Review of Business Continuity Plan
- 9) Assurance Report for the Information Technology and System Assurance Services

### **Annual Performance Evaluation of The Committee**

The Committee members conduct an annual self-evaluation which confirmed that its performance was effective, and the summary of this evaluation is submitted to the Board.

P. de Silva (Mrs).

el Silva \_

Chairperson

Board Integrated Risk Management Committee

5 June 2025

# Directors' Statement on Internal Control Over Financial Reporting

### Responsibility

The Board of Directors ("the Board") of Alliance Finance Co. PLC (the Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021.

The Board is responsible for ensuring the adequacy and effectiveness of the internal control mechanism of the Company. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records, generate reliable financial information and safeguard assets of the Company. The internal control mechanism can therefore provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the mechanism of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

Reviews of this process are conducted by the Board on a regular basis. On the basis of such reviews the Board expresses the view that the internal control mechanism over financial reporting in place is adequate to provide reasonable assurance regarding reliability of financial reporting and that the preparation of Financial Statement for external purpose is in accordance with relevant accounting principles and regulatory requirements.

Board policies and procedures pertaining to internal control over financial reporting have been documented. The implementation of such policies and procedures is carried out with the assistance of the management. In order to assess the internal control system over financial reporting, identified officers of the company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

Given below are the key processes which have been established to review the adequacy and integrity of internal control, with respect of financial reporting:

- Establishment of various sub committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies and Procedures are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and approved by the Board.
- The Internal Audit Department of the company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control mechanism, on an ongoing basis during their process audits. The risk-based auditing approach is adopted by the company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Initiatives have been taken by Internal Audit Department to apply data analytics to review the large volume of transactions in a systematic manner and to enhance the real time monitoring. Independent and objective reports covering significant Observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.
- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.
- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management. In order to ensure that key management personnel comply with laid down systems and procedures and implement the required internal control systems at their work locations, a procedure has been introduced to obtain an annual certification from the respective officers.
- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.
- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

### Confirmation

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

### **Directors' Statement on Internal Control Over Financial Reporting**

### **Review of the Statements by External Auditors**

The external Auditors, Messrs. Deloitte Associates, have reviewed the above Directors' statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31 March 2025 and reported to the board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal Controls over Financial Reporting of the Company. Their report on the statement of Internal Control over Financial Reporting is given on page 193 of this Annual Report.

### Statement on Prudential Requirements, Regulations and Laws

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non- Bank Supervision of the Central Bank of Sri Lanka and which have caused the

Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non- compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,

Tamara Dharmakirti-Herath

Chairperson

Romani de Silva

Deputy Chairman/ Managing Director

Priyanthi de Silva

Chairperson - Audit Committee

Alliance Finance Co. PLC 5 June 2025

## **Independent Assurance Report on the Directors' Statement on Internal Control**

## **Deloitte.**

**Deloitte Associates** No 100, Braybrooke Place Colombo 02 Sri Lanka

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### The Board of Directors of Alliance Finance Company PLC Report on the Directors' Statement on Internal Control

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

#### Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of Licensed Finance Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05 of 2021, by the Institute of Chartered Accountants of Sri Lanka.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies Sri Lanka Standard on Quality Management (SLSQM 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Licensed Finance Company. We conducted our engagement in accordance with

of Sri Lanka. This standard requires that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control. For purposes of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for Licensed Finance Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants

#### Summary of work performed

- Enquired from the Board of Directors and the management to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the annual report.
- Neviewed the documentation prepared by the Directors to support their Statement.
- Related the Statement made by the Board of Directors to our knowledge of the Company obtained during the audit of the financial statements.
- Reviewed the minutes of the meetings of the Board of Directors and of other relevant Board Committees.
- Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes were in place to identify any significant matters arising.
- Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the License Finance Company risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems. The procedures selected depend on our judgment, having regard to our understanding of the nature of the Licensed Finance Company, the event or transaction in respect of which the Statement has been prepared. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Our conclusion

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

Deloute Associates

Deloitte Associates
Chartered Accountants
Colombo

05 June 2025

### **Directors' Responsibility for Financial Reporting**

The following Statement sets out the responsibilities of the Directors in relation to the preparation and presentation of the Financial Statements of the Company as per sections 148 (1), 150 (1), 151,152 and 153 (1) and (2) of the Companies Act No 07 of 2007.

The Directors confirm that the Company's financial statements for the year ended 31st March 2025, are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, Finance Business Act No 42 of 2011 and the Companies Act No. 07 of 2007. They believe that the financial statements present a true and fair view of the state of the affairs of the Company as at the end of the financial year. The financial statements comprise the statement of financial position as at 31st of March 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes thereto.

The Directors also accept the responsibility for the integrity and accuracy of the Financial Statements presented and confirm that the appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgment has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to ensure that the Company maintains adequate general supervision, control and administration of the affairs and business of the Company to safeguard the assets of the Company, to prevent, deter and detect fraud, to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company as at the date of the Statement of Financial Position has been paid for, or where relevant, provided for.

The Directors also wish to confirm that as required under Sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, they have prepared this Annual Report on time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time as required by Rule No 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange.

The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The External Auditors, Messrs, Deloitte Associates were provided with the opportunity to make appropriate inspections of financial records, Minutes of Shareholders' and Directors' meetings and other documents and carry out review and sample check on the system of internal controls as they consider appropriate and necessary to enable them to form an opinion on the Financial Statements. The Report of the Auditors is set out on pages 196 to 197.

By order of the Board **Alliance Finance Co.PLC** 

Priyanga Peiris Company Secretary

5 June 2025

Development with purpose

## **Independent Auditor's Report**

## Deloitte.

**Deloitte Associates** No 100, Braybrooke Place Colombo 02 Sri Lanka

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#### TO THE SHAREHOLDERS OF ALLIANCE FINANCE COMPANY PLC

Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Alliance Finance Company PLC ("the Company") and the consolidated financial statement of the company and its subsidiary ("the Group") which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

### Basis for Opinion

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

### Key Audit Matters

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

### Impairment of loans and receivables

Refer to the accounting policy section 2.11.3 Impairment of financial assets and Notes 23 to 25 to the financial statements.

As at 31 March 2025, total amount of lease receivables, loans and advances amounted to LKR 62,516 million, with a total allowance for impairment of LKR 1,709 million. Total net amount of loans and receivables contribute 77% to the total assets.

Management assesses whether the credit risk of loans and receivables to customers have increased significantly since their initial recognition and applies a three-stage impairment model to calculate their Expected Credit Loss (ECL).

ECL is calculated on either an individual basis or a collective basis. Collective impairment is calculated incorporating key parameters, including probability of default, loss given default, exposure at default and discount rates. Individual impairment is determined using discounted cash flows: The impairment of loans and receivables using the ECL model was considered as a key audit matter due to factors such as:

- The ECL model involves complex calculations with key variables used in the model requiring significant management judgment and use of assumptions.
- The magnitude of the reported amounts of loans and receivables to customers and the impairment allowances thereof.
- The determination of expected loss rates in an uncertain economic environment

The audit procedures performed to assess the adequacy of the impairment allowance for credit losses on loans and receivables to customers in line with SLFRS 9 adopted, included the following:

- Understanding, evaluating and testing the design and operating effectiveness of key controls in the lending and credit risk mitigation process (including evaluation of impairment of loans and receivables), and underlying information systems.
- Assessing the appropriateness of the criteria used by management to determine whether customer credit facilities are impaired.
- Assessing the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgement made and assumptions used by management.
- Checking the reasonability of the macro-economic and other forward-looking information used by management, by comparing them against reliable publicly available information.
- To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans requiring impairment.
- For loans and receivables individually impaired, assessing the reasonability on a sample basis, future cash flows forecasted by management and the discount rates supporting the loss allowance computation.
- Checking the underlying calculations and data on a sample basis for accuracy and completeness.
- Assessing the accuracy and sufficiency of related disclosures.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the

G J David FCA, T U Jayasinghe FCA, P D R Bharatha FCA, W A D Gayan ACA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, M S J Henry FCA, M M R Hilmy FCA, S Y Kodagoda ACA, M M M Manzeer FCA

### Deloitte.

financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements of the Company and the consolidated financial statements of the Group, management is responsible for assessing the Company's / Group'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 / Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

the Group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3991.

Deboitte Associates

**Deloitte Associates** Chartered Accountants

Colombo 5 June 2025

### **Statement of Profit or Loss**

	_	Com	pany	Group		
For the year ended 31st March	Notes	2025	2024	2025	2024	
		LKR	LKR	LKR	LKR	
Gross Income	6	15,673,118,875	13,926,094,250	15,831,710,127	14,063,875,468	
Interest income		14,616,592,608	13,184,634,453	14,635,683,861	13,200,296,688	
Interest expenses		(6,472,265,408)	(7,297,688,560)	(6,472,368,820)	(7,286,440,505)	
Net Interest Income	7	8,144,327,200	5,886,945,893	8,163,315,041	5,913,856,183	
Fee and commission income	8	461,051,367	318,390,667	591,428,233	413,481,566	
Net gain / (loss) from trading	9	80,517,660	(22,928,907)	80,256,913	(24,710,704	
Other operating income	10	514,957,240	445,998,037	524,341,120	474,807,918	
Total Operating Income		9,200,853,467	6,628,405,690	9,359,341,307	6,777,434,963	
Impairment charges for loans and other losses	11	(233,790,064)	(335,708,297)	(233,790,064)	(335,708,297	
Net Operating Income		8,967,063,403	6,292,697,393	9,125,551,243	6,441,726,666	
Operating Expenses						
Personnel expenses	12	(2,109,458,450)	(1,604,634,943)	(2,128,059,427)	(1,618,466,326	
Other operating expenses	13	(2,564,492,850)	(2,170,173,504)	(2,579,544,628)	(2,180,701,749	
Depreciation and amortization	14	(212,784,329)	(169,449,679)	(213,171,108)	(170,136,539	
Total operating expenses		(4,886,735,629)	(3,944,258,126)	(4,920,775,163)	(3,969,304,614	
Operating Profit before Taxes on Financial Services		4,080,327,774	2,348,439,267	4,204,776,080	2,472,422,052	
Taxes on financial services	15	(1,012,264,791)	(668,603,605)	(1,012,264,791)	(668,603,605	
Operating Profit after Taxes on Financial Services		3,068,062,983	1,679,835,662	3,192,511,289	1,803,818,447	
Share of profit from associate		18,905,234	18,031,098	18,905,234	18,031,098	
Profit before Taxation from Operations		3,086,968,217	1,697,866,760	3,211,416,523	1,821,849,545	
Provision for income taxation	16	(1,352,135,165)	(780,987,408)	(1,394,595,018)	(813,288,033	
Profit for the year		1,734,833,052	916,879,352	1,816,821,505	1,008,561,512	
Profit attributable to :						
Equity holders of the company		1,734,833,052	916,879,352	1,779,739,681	975,500,926	
Non controlling interest		-	-	37,081,824	33,060,586	
Profit for the year		1,734,833,052	916,879,352	1,816,821,505	1,008,561,512	
Basic Earnings Per Share	17	51.48	27.21	52.82	28.95	
Dividend Per Share	18	17.20	8.40	17.47	8.40	

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 206 to 285 form an integral part of these Financial Statements.

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### **Statement of Comprehensive Income**

		Comp	pany	Group		
For the year ended 31st March	Notes	2025	2024	2025	2024	
		LKR	LKR	LKR	LKR	
Profit for the year		1,734,833,052	916,879,352	1,816,821,505	1,008,561,512	
Other Comprehensive Income						
Other Comprehensive Income not to be Reclassified to Profit or Loss						
Actuarial gains /( losses ) on defined benefit plans	43	(52,834,494)	15,519,237	(53,539,039)	14,130,047	
Deferred tax effect on above		15,850,348	(4,655,771)	16,061,712	(4,655,771	
		(36,984,146)	10,863,466	(37,477,327)	9,474,276	
Surplus from revaluation of land and buildings	33	_	529,154,857	_	529,154,857	
Deferred tax effect on land		-	(90,269,862)	-	(90,269,862	
Deferred tax effect on building		-	(68,476,595)	-	(68,476,595	
		-	370,408,400	-	370,408,400	
Equity investments at FVOCI - net change in fair value and disposal gain / (loss)		100,607,514	41,220,588	100,607,514	41,220,588	
Net Other Comprehensive Income not to be Reclassified to Profit or Loss		63,623,368	422,492,454	63,130,187	421,103,264	
Total Comprehensive Income for the year		1,798,456,420	1,339,371,806	1,879,951,692	1,429,664,776	
Attributable to:						
Equity holders of the company		1,798,456,420	1,339,371,806	1,842,869,868	1,396,604,190	
Non controlling interest		-	-	37,081,824	33,060,586	
Total Comprehensive Income for the year		1,798,456,420	1,339,371,806	1,879,951,692	1,429,664,776	

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 206 to 285 form an integral part of these Financial Statements.

### **Statement of Financial Position**

		Com	pany	Gr	oup
As at 31st March	Notes	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Assets					
Cash and cash equivalents	21	1,475,822,024	1,037,507,757	1,741,401,080	1,136,828,171
Repurchase agreements		1,834,618,154	962,606,909	1,834,617,974	962,606,909
Placements with banks & financial institutions		4,905,397,835	3,246,352,935	4,941,814,722	3,266,942,485
Financial assets recognised through profit or loss	22	5,271,089,167	3,508,968,758	5,400,608,853	3,625,924,356
Loans and advances - at amortised cost	23	38,342,731,995	23,506,870,064	38,342,731,995	23,506,870,064
Lease rentals receivable & stock out on hire - at amortised cost	24	24,173,323,963	22,597,190,332	24,173,323,963	22,597,190,332
Hire purchase rentals receivable & stock out on hire - at amortised cost	25	-	-	-	-
Financial assets- fair value through other comprehensive income	26	175,800,654	317,703,694	175,800,654	317,703,694
Other trading stocks	27	67,495,284	85,653,478	67,495,284	85,653,478
Other financial assets	28	566,898,746	458,631,541	545,171,168	450,152,849
Other non financial assets	29	244,625,077	257,537,354	252,983,150	265,196,987
Investments in associates	30	126,502,614	110,332,180	138,316,858	128,484,547
Investments in subsidiaries	31	18,522,288	16,924,038	-	-
Investment property	32	187,680,000	187,680,000	302,680,000	295,680,000
Property, plant & equipment	33	3,390,971,504	3,202,649,652	3,391,875,272	3,202,950,925
Intangible assets	34	184,674,891	147,087,856	184,674,890	147,169,590
Right of use asset	35.1	463,824,482	356,347,453	463,824,482	356,347,453
Deferred tax assets	44	135,483,254	174,526,137	137,401,676	175,796,752
Total Assets		81,565,461,932	60,174,570,138	82,094,722,021	60,521,498,592
Liabilities					
Due to banks	36	30,341,711,845	20,310,185,391	30,397,669,512	20,310,185,391
Debt Securities Measured at amortised cost	37	1,012,406,801	-	1,012,406,801	-
Due to depositors - at amortised cost	38	36,524,836,317	28,387,365,249	36,523,989,296	28,386,553,614
Other financial liabilities	39	1,537,657,682	1,129,788,584	1,609,980,121	1,159,602,656
Other non financial liabilities	40	191,818,324	219,237,671	191,818,324	219,237,671
Derivative financial liabilities	41	-	5,379,033	-	5,379,033
Income tax liabilities	42	1,370,124,514	928,513,196	1,388,527,363	938,772,455
Retirement benefit obligations	43	87,094,962	52,103,008	92,785,154	56,338,393
Deferred tax liabilities	44	704,224,787	663,298,289	711,624,397	668,778,398
Lease Liability	35.2	446,054,836	349,669,731	446,054,836	349,669,731
Total Liabilities		72,215,930,068	52,045,540,152	72,374,855,804	52,094,517,342

8,129,029,986

60,174,570,138

820,666,741

241

169,610,778

9,719,866,217

82,094,722,021

1,507,878,412

283

132,528,954

8,426,981,250

60,521,498,592

820,666,741

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		Com	pany _	Gro	oup	
As at 31st March	Notes		2024	2025	2024	
		LKR	LKR	LKR	LKR	
Shareholders' Funds						
Stated capital	45	613,980,000	613,980,000	613,980,000	613,980,000	
Retained earnings	46	5,656,084,950	4,509,940,679	5,856,808,525	4,675,362,989	
Reserves	47	3,079,466,914	3,005,109,307	3,079,466,914	3,005,109,307	
Total Equity Attributable to Equity Holders of the Company		9 349 531 864	8 129 029 986	9 550 255 439	8 204 452 206	

9,349,531,864

81,565,461,932

1,507,878,412

Figures	in	brackets	indicate	deductions

Net assets value per share (LKR)

Contingent liabilities and commitments

Total Liabilities and Shareholders' Funds

Non controlling interest

**Total Equity** 

Accounting policies & notes to accounts on pages 206 to 285 form an integral part of these Financial Statements.

### Certification

I certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No. 07 of 2007.

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**Dimuthu Tillekeratne** 

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Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

Kusal Jayawardana

Deputy Managing Director

Romani De Silva

Deputy Chairman & Managing Director

5 June 2025 Colombo

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### **Statement of Changes in Equity**

Company	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
	040.000.000	4 000 400 007	4 000 000 454		(0.4.000.00.4)		0.704.007.004	0.050.400.400
Balance as at 1st April 2023	613,980,000	1,002,482,237	1,223,390,151	388,258,055	(31,969,924)	-	3,761,997,661	
Profit for the year	-	-	-	-	-	-	916,879,352	916,879,352
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	10,863,466	10,863,466
Equity investments at FVOCI - net change in fair value	-	-	-	-	41,220,588	-	-	41,220,588
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(34,524,168)	-	34,524,168	-
Revaluation Surplus	-	-	370,408,400	-	-	-	-	370,408,400
Transfer to statutory reserve	-	45,843,968	-	-	-	-	(45,843,968)	-
Dividend paid	-	-	-	-	-	-	(168,480,000)	(168,480,000)
Balances as at 31st March 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	-	4,509,940,679	8,129,029,986
Balance as at 1st April 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	_	4,509,940,679	8,129,029,986
Profit for the year	-	-	-	-	-	-	1,734,833,052	1,734,833,052
Other comprehensive income, net of tax								
Net actuarial gain on defined benefit plan	-	-	-	-	-	-	(36,984,146)	(36,984,146)
Equity investments at FVOCI - net change in fair value	-	-	-	-	100,607,514		-	100,607,514
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(87,651,562)	-	87,651,562	-
Revaluation Surplus	-	-	(25,339,998)	-	-	-	-	(25,339,998)
Transfer to statutory reserve	-	86,741,653		-	-	-	(86,741,653)	-
Dividend paid	-	-	-	-	-	-	(552,614,544)	(552,614,544)
Balances as at 31st March 2025	613,980,000	1,135,067,858	1,568,458,553	388,258,055	(12,317,552)	-	5,656,084,950	9,349,531,864

Group	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	General Reserve	FVOCI	Non Controlling Interest	Retained Earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1st April 2023	613,980,000	1 002 482 237	1,223,390,151	388,258,055	(31,969,924)	99,468,368	3,870,187,587	7,165,796,474
Profit for the year	-	-	-	-	-	33,060,586	975,500,926	1,008,561,512
Other comprehensive income, net of tax  Net actuarial gain on defined benefit plan	_		_	_	_	_	9,474,276	9,474,276
Equity investments at FVOCI - net change in fair value & Disposal profit	-	-	-	-	41,220,588	-	-	41,220,588
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(34,524,168)	-	34,524,168	-
Revaluation Surplus	-	-	370,408,400	-	-	-	-	370,408,400
Transfer to statutory reserve	-	45,843,968	-	-	-	-	(45,843,968)	-
Dividend paid	-	-	-	-	-	-	(168,480,000)	(168,480,000)
Balances as at 31st March 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	132,528,954	4,675,362,989	8,426,981,250
Balance as at 1st April 2024	613,980,000	1,048,326,205	1,593,798,551	388,258,055	(25,273,504)	132,528,954	4,675,362,989	8,426,981,250
Profit for the year	-	-	-	-	-	37,081,824	1,779,739,681	1,816,821,505
Other comprehensive income, net of tax  Net actuarial gain on defined benefit plan			_				(37,477,326)	(37,477,326)
Equity investments at FVOCI - net change in fair value	-	-	-	-	100,607,514	-	-	100,607,514
Transfer of realized profit /(loss) on equity instrument disposal to retained earning	-	-	-	-	(87,651,562)	-	87,651,562	-
Revaluation Surplus	-	-	(25,339,998)	-	-	-	-	(25,339,998)
Transfer to statutory reserve		86,741,653					(86,741,653)	-
Dividend paid							(561,726,728)	(561,726,728)
Balances as at 31st March 2025	613,980,000	1,135,067,858	1,568,458,553	388,258,055	(12,317,552)	169,610,778	5,856,808,525	9,719,866,217

Figures in brackets indicate deductions.

Accounting policies & notes to accounts on pages 206 to 285 form an integral part of these Financial Statements.

### **Statement of Cash Flows**

		Com	pany	Group		
For the year ended 31st March		2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Profit before Income Tax Expense		3,086,968,217	1,697,866,760	3,211,416,523	1,821,849,545	
Adjustments for;						
Depreciation of property, plant & equipment	14	201,382,217	158,683,135	201,687,261	159,178,329	
Amortization of intangible assets	14	11,402,112	10,766,544	11,483,847	10,958,210	
Interest Expenses of Bank Borrowings	36	2,575,098,535	2,688,644,843	2,575,098,535	2,688,644,843	
Interest on debentures		12,406,801	-	12,406,801	-	
Amortization of right of use asset	35	153,917,919	128,590,164	153,917,919	128,590,164	
Interest expense on lease liability		58,736,458	45,325,284	58,736,458	45,325,284	
Impairment provision /(reversal)	11	24,288,889	106,846,334	24,288,888	106,846,334	
Interest on fixed deposits, commercial paper & treasury bills		(301,472,480)	(405,447,590)	(320,563,733)	(421,109,825)	
Fair value gain on investments (FVTPL)		(57,989,735)	(7,172,338)	(57,989,735)	(7,172,338)	
Fair value gain on investment property	32	-	(24,480,000)	(7,000,000)	(42,480,000)	
Bad debt written-off	11	209,501,175	228,861,963	209,501,175	228,861,963	
Loss/(profit) on disposal of property, plant & equipment		(13,373,265)	(78,391,610)	(13,373,265)	(78,391,610)	
Loss/(profit)from sale of vehicle		(54,149,174)	(43,035,311)	(54,149,174)	(43,035,311)	
Loss/(profit) on disposal of real estates		-	(4,503,313)	-	(4,503,313)	
Provision for defined benefit plans	43	75,387,265	59,869,919	76,337,527	60,563,055	
Dividend received		(38,436,201)	(12,264,186)	(51,000,290)	(19,219,784)	
Share of (profit)/Loss from associates	30	(18,905,234)	(18,031,098)	(18,905,234)	(18,031,098)	
Operating Profit before Working Capital Changes		5,924,763,499	4,532,129,499	6,011,893,503	4,616,874,447	
(Increase)/decrease in trading stock		55,295,393	21,539,088	55,295,393	21,539,088	
(Increase)/decrease in loans and advances	23	(14,923,408,125)	(6,123,554,884)	(14,923,408,125)	(6,123,554,884)	
(Increase)/decrease in lease rentals receivable	24	(1,722,377,501)	(1,313,920,148)	(1,722,377,501)	(1,313,920,148)	
(Increase)/decrease in fixed deposits & repurchase agreements		(2,531,056,090)	946,805,547	(2,546,883,392)	822,724,866	
(Increase)/decrease in other financial assets		(108,267,205)	(43,177,413)	(95,018,319)	(32,219,621)	
(Increase)/decrease in other non financial assets		190,497,580	65,518,509	189,799,140	58,354,394	
(Increase)/decrease in derivative financial liabilities		(5,379,033)	(30,795,983)	(5,379,033)	(30,795,983)	
Increase/(decrease) in amounts due to depositors	38	8,137,471,068	7,911,517,414	8,137,435,683	7,995,850,543	
Increase/(decrease) in other financial liabilities		445,517,745	550,134,179	488,026,112	543,956,927	
Increase/(decrease) in other non financial liabilities		(27,419,347)	131,807,625	(27,419,347)	130,942,477	
Cash generated from/(used in) Operations		(4,564,362,016)	6,648,003,433	(4,438,035,886)	6,689,752,107	
Retirement benefit liabilities paid	43	(41,126,797)	(40,736,908)	(41,326,797)	(40,736,908)	
Investment in gratuity fund	43	(52,103,008)	-	(52,103,008)	-	
Taxes paid	42	(840,044,008)	(504,332,568)	(872,877,284)	(535,339,343)	
Net cash generated from/(used in) operating activities		(5,497,635,829)	6,102,933,957	(5,404,342,975)	6,113,675,856	

	Notes	Company		Group	
For the year ended 31st March		2025	2024	2025	2024
		LKR	LKR	LKR	LKR
Cash Flows from Investing Activities					
Acquisition of property, plant & equipment	33	(413,182,304)	(305,167,340)	(414,089,843)	(305,336,572)
Acquisition of right of use assets	35.1	(261,394,948)	(119,590,927)	(261,394,948)	(119,590,927)
Acquisition of Intangible Assets	34	(48,989,147)	(18,665,996)	(48,989,147)	(18,665,996)
Dividends Received From Associate		2,734,800	3,605,764	9,072,923	(18,665,996)
Proceeds from sales of property, plant & equipment		36,851,500	146,828,000	36,851,500	146,828,000
Investment in associates		-	(25,000,000)	-	(25,000,000)
Proceeds from sales of vehicles		17,011,975	-	17,011,975	-
Net sales/ (purchases) of financial investments -FVTPL/FVOCI		(1,461,620,121)	(464,883,633)	(1,474,184,209)	(464,883,633)
Dividend received		36,837,662	12,264,186	51,000,290	19,219,784
Interest on fixed deposits, commercial paper & treasury bills		301,472,480	405,447,590	320,563,733	421,109,825
Net cash generated from / (used in) investing activities		(1,790,278,103)	(365,162,356)	(1,764,157,726)	(334,360,587)
Cash flows from / (used in) financing activities					
Settlement of operating Lease liabilities	35.2	(177,585,303)	(149,268,076)	(177,585,303)	(149,268,076)
Loans Obtained	36	18,078,169,350	35,737,038,776	18,078,169,350	35,737,038,776
Loans Repayments	36	(12,879,727,934)	(38,488,097,576)	(12,879,727,934)	(38,488,097,576)
Proceeds from Debenture issue	36	1,000,000,000	-	1,000,000,000	-
Dividend paid	37	(552,614,472)	(168,480,000)	(561,726,728)	(168,480,000)
Net cash generated from/(used in) financing activities		5,468,241,641	(3,068,806,877)	5,459,129,385	(3,068,806,877)
Net increase/(decrease) in cash and cash equivalents		(1,819,672,291)	2,668,964,724	(1,709,371,316)	2,710,508,391

Note: Reporting cash flows from operating activities

Cash and cash equivalents at the end of the year

Movement in Cash and Cash Equivalent

Cash and cash equivalents at the beginning of the year

The Company reports cash flows from operating activities by using the indirect method. The indirect method – whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows – is shown above.

21

(283,171,510)

(2,102,843,801)

(1,819,672,291)

(2,952,136,234)

2,668,964,724

(283,171,510)

(183,851,096)

(1,893,222,412)

(1,709,371,316)

(2,894,359,487) (183,851,096)

2,710,508,391

### Figures in brackets indicate deductions.

Accounting policies and notes to accounts on pages 206 to 285 form an integral part of these Financial Statements.

### **Notes to the Financial Statements**

### 1. Corporate Information

#### 1.1 General

Alliance Finance Company PLC (the 'Company') is a public limited liability Company listed on the Colombo Stock Exchange and incorporated on July 18, 1956, under the Companies Ordinance No 51 of 1938 and domiciled in Sri Lanka. It is a Registered Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The Company is re-registered under the new Companies Act No 7 of 2007. The registered office of the Company and the principal place of business are situated at No.84, "Alliance House", Ward Place, Colombo 07.

#### 1.2 Consolidated Financial Statements

Consolidated Financial Statements of the Group for the year ended 31st March 2025 comprises the Company, and its Subsidiary (together referred to as the "Group").

All the Group entities are limited liability Companies, incorporated and domiciled in Sri Lanka.

### 1.3 Principal Activities and Nature of Operations of the Company and Group

#### 1.3.1 The Company

The Company provides a comprehensive range of financial services encompassing accepting deposits, lease financing, hire purchase financing, mortgage loans, gold loan, term loans and other credit facilities, operating leases, vehicle hiring, micro financing activities and other value-added financial services.

### 1.3.2 Subsidiary

Details of the Subsidiary as at 31st March 2025 is given below.

Subsidiary	Principal Activities	Ownership %	Incorporation Date	Registered Address
Alfinco Insurance	Insurance	63.93%	26th February	No. 84, "Alliance House",
Brokers (Pvt) Ltd.	Brokering		2008	Ward Place, Colombo 07

### 1.3.3. Associates

Details of the Associate in operation as at 31st March 2025 is given below.

Associate	te Principal Activities		Incorporation Date	Registered Address
Macbertan (Pvt) Ltd.	Manufacturing and trading of Non - Crossed Polyethylene Form, Air Bubble Sheet, Thermal Insulation for Heat Controlling in Roof and Flexible tubes, PPGI roofing sheet, local and import trading.	22.39%	07th October 2007	No. 84, "Alliance House", Ward Place, Colombo 07
Helios P2P (Pvt) Ltd.	Providing Peer 2 Peer lending platform, connect borrowers with investors through our 'online' marketplace	25%	16th January 2018	33,1/1,Sri Damma Mawatha , Colombo 10

### 2. Basis Of Preparation

### 2.1 Statement of Compliance

The Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of the Financial Statements is also in compliance with the requirements of the Finance Business Act No. 42 of 2011 and amendments thereto, and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

The Financial Statements comprise of the Statements of Financial Position, Statements of Profit or Loss, Statements of Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flow, together with the accounting policies and notes

These financial statements, except for information presented on cash flows have been prepared following accrual basis.

### 2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No. 7 of 2007.

### 2.3 Date of Authorization for Issue

The Financial Statements of the Group and Company for the year ended 31st March 2025 were approved and authorized for issue in accordance with a resolution of the Board of Directors on 5 June 2025.

### 2.4 Basis of Measurement

The Financial Statements of Group and Company have been prepared on the historical cost basis, except for the following material items in the Statements of Financial Position.

- Financial assets held at Fair Value Through Other Comprehensive Income (FVTOCI) (Note 26)
- Financial assets recognized Fair Value Through Profit or Loss (FVTPL) are measured at fair value (Note 22)
- Retirement benefit obligation measured at difference between present value of defined benefit plan asset and the present value of defined benefit plan liability (Note 43)
- Land and buildings which are measured at cost at the time of acquisition, subsequently measured at revalued amounts, which are the fair values at the date of revaluation (Note 33)
- Note 32) Investment property measured at fair value

### 2.5 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Group's functional and presentation currency of the primary economic environment in which Alliance Finance Company PLC operates. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise stated.

### 2.6 Presentation of Financial Statements

The Group presents its Statement of Financial Position broadly in order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 53.3

### 2.7 Materiality & Aggregation and Offsetting

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

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. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretations, and as specifically disclosed in the accounting policies.

### 2.8 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year. The comparative information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation.

### 2.9 Statements of Cash Flows

Statement of Cash Flows has been prepared by using the 'Indirect Method', as stipulated in Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows', whereby profit or loss is adjusted for the effects of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows, Cash and cash equivalents comprise short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The Cash and cash equivalent include cash in hand, balances with banks, placements with banks money at call and short notice.

### 2.10 Changes in material accounting policy information

The group has consistently applied accounting policies as set out in Note 6 to Note 53 to all periods presented in the financial statements.

### 2.11 Use of Significant Accounting Judgments, Estimates and Assumptions

In preparing Financial Statements of the Group in conformity with Sri Lanka Accounting Standards (SLFRSs and LKASs), requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty involved with estimates, actual results may differ from these estimates.

The group considered the impact of the current economic crisis of the country in preparing the financial statement in line with the circulars and guidelines issued by CBSL and CA Sri Lanka. While the specific areas, judgements may not change, the impact of economic crisis resulted in application of further judgement within those areas due to the limited recent experience of economic and financial impacts of such events.

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

Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements of the Group are as follows:

### 2.11.1 Going concern

The Board of Directors has made an assessment of 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 and, do not foresee a need for liquidation or cessation of business, taking into account all available information about the future.

In assessing the appropriateness of the use of going concern assumption, Board of Directors have considered the effects of the ongoing economic crisis on the Company's operations including a possible domestic debt optimization. Having understood the effects of an economic downturn, the company has taken steps to remain focused on asset backed lending, applying strict credit guidelines to minimize credit risk and having adequate buffers on

### **Notes to the Financial Statements**

liquidity, continuous monitoring on the portfolio and cash flow positions of the Company and cost rationalizations where possible towards mitigating this risk. Based on these proactive analyses and the Company's operating model, the management is confident that the company has no impact on its business continuity and expects to manage the above challenges effectively.

#### 2.11.2 Fair value of financial instruments

The determination of fair values of financial assets and financial liabilities which recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 51 Determination of the fair value of financial instruments of the Group was impacted by the current economic situation of the country.

### 2.11.3 Impairment losses on loans and receivables

The measurement of impairment losses across the categories of financial assets under Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments" (SLFRS 9) requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statements of Profit & Loss. In particular: the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

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

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

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Lifetime expected credit loss (LTECL) basis;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various statistical formulas and the choice of inputs;
- Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The above assumptions and judgments are discussed in detail under note 4.5.7 to the Financial Statements.

### 2.11.4 Impairment of non-financial assets

The Group assess at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an assets or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre—tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

### 2.11.5 Classification of financial assets and liabilities

The Group's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 20, 'Analysis of Financial Instruments by Measurement Basis'.

### 2.11.6 Leases

At inception of a contract, the Group assesses whether the contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a

contract conveys the right to control the use of an identified asset, the Group considers whether.

- w The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- w The Group has right to obtain substantially all of the economic benefits from use of the asset throughout the period of use: and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- w The Group has the right to operate the asset: or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

### As a Lessee

Under SLFRS 16, The Group determines whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate.

The lessee shall measure that lease liability at the present value of the lease payments, discounted using the Company's cost of fund rate at the date of initial application date.

The Group recognises as right-of-use asset at the date of initial application for leases The Group selected to measure the right-ofuse asset at an amount equal to the lease

liability, on a lease-by-lease basis, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application.

The Group used a number of practical expedients when applying SLFRS. In particular, the Group:

- ow did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months.
- ow did not recognize right-of-use assets and liabilities for leases of low-value assets
- over excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- w applied a single discount rate to a portfolio of leases with similar characteristics
- w used hindsight when determining the lease term if the contact contains option to extend or terminate the lease

The Group presents right-of-use assets and lease liabilities separately in the Statement of Financial Position.

The right of use asset is subsequently depreciated using straight line basis starting from the lease commencement date to the end of the use full life of the right of use asset or the end of the lease term. In addition, the right-ofuse asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability subsequently measured at amortized cost using the effective interest rate. Further the rent payment is subject to the changes when there is a termination of lease agreement, extension or exercise of a purchase. When the lease liability re-measured in this regards the corresponding adjustment made to the Right of use asset.

The Group demonstrate the Right of use Assets and Operating Lease liabilities under the Note 35.

### 2 11 7 Taxation

The Group is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the Financial Statements and the taxable profit for the purpose of imposition of taxes.

The Group recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made. Details relating to taxation is described the Note 16.

Company is liable to pay Crop Insurance Levy as per the section 14 of Finance Act No: 12 of 2013, 1% from the profit after tax.

#### 2.11.8 Deferred tax assets and liabilities

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against such tax losses which can be set-off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future taxplanning strategies. Deferred tax asset and deferred tax liability details are present in the Note 44

### 2.11.9 Defined benefit plans

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc.

Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on

### **Notes to the Financial Statements**

publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group. Details of the assumptions used in the valuation are described in the Note 43.

### 2.11.10 Revaluation of property and equipment

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in Equity through Other Comprehensive Income (OCI). The Group engages independent professional valuers to assess the fair value of land and buildings in terms of Sri Lanka Accounting Standard – SLFRS 13 on "Fair Value Measurement" (SLFRS 13). The Group has revalued its freehold lands and buildings during this year for consolidated accounting purposes, the details relevant to the revaluation of freehold land and buildings, including valuation method are given in the Note 33

### 2.11.11 Useful lifetime of the property and equipment

The Group reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. This is further described in Note 4.6.2.

### 2.11.12 Classification and valuation of investment property

Management requires using its judgements to determine whether a property qualifies as an Investment Property. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Group are accounted for as investment properties. Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyor, who has recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The key assumptions used to determine the fair value of investment property are provided in detail in Note 32.

### 2.11.13 Commitment 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 benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote. All discernible risks are accounted for in determining the amount of all known liabilities. Details of commitments and contingencies are given in Note 48

### 2.12 Events after the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 49 where necessary.

### 3. New and Amended IFRS Accounting Standards that are Effective for The Current Year

In the current year, a number of amendments to Sri Lanka Accounting Standards issued by the CA Sri Lanka that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments	Amended Standards	
Classification of Liabilities as Current or Non-current - Amendment to LKAS 1	LKAS 1	
Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16	SLFRS 16	
Non-current Liabilities with Covenants - Amendments to LKAS 1	LKAS 1	
Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7	LKAS 7, SLFRS 7	
International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12	LKAS 12	

### New and revised Accounting Standards in issue but not yet effective

The following new accounting standards and interpretations are issued by IASB but not yet adopted by CA Sri Lanka

New/Amendments	New or Amended Standards	
Lack of Exchangeability (Amendments to IAS 21)	IAS 21	
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 7 and 9)	IFRS 7 and 9	
IFRS 18 Presentation and Disclosure in Financial Statements	IFRS 18	
IFRS 19 Subsidiaries without Public Accountability: Disclosures	IFRS 19	

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods.

### Annual improvements to IFRS - Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards;

IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;

IFRS 9 Financial Instruments;

IFRS 10 Consolidated Financial Statements; and

IAS 7 Statement of Cash Flows.

These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

#### **Summary of Material Accounting Policy Information.** 4.

The material accounting policy information applied by the Group in preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group, unless otherwise indicated

#### 4.1 **Basis of Consolidation**

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard - SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard - LKAS 28 on "Investments in Associates and Joint Ventures"

#### 4.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company (the Parent) holds more than 50% of the voting rights and/or has the power, directly or indirectly, to govern the financial and operational policies of an enterprise to obtain benefits from its activities.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases.

Currently, the Financial Statements of the subsidiary in the Group have a common financial year which ends on March 31.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration, given on the date of transferring the title. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Company continues to recognize the investments in Subsidiaries at cost.

The total assets and liabilities of the Subsidiaries as at the reporting date are included in the Group column of Statements of Financial Position. The total Profit or Loss for the year of the subsidiaries is included in the Group column of Statements of Profit or Loss.

The non-controlling interest is presented in the Group column of Statements of Financial Position within equity; separately from the equity attributable to the equity holders of the Company. Noncontrolling interest in the Profit or Loss of the Group is disclosed in the Group column of Statement of Comprehensive Income. Total Comprehensive Income is allocated to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where subsidiaries have been acquired or sold during the year, their operating results have been included from the date of acquisition or to the date of disposal.

Upon the loss of control, the Group derecognized the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in the Statement of Changes in Equity. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date that control is lost. Subsequently, it is accounted for by an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained

### 4.1.2 Associates

Associates are those entities which the Group has significant influence, but not control or power to govern the financial and operating policies of the entities so as to obtain benefits from their activities.

The Group Financial Statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence commences until the date that significant influence ceases.

Accordingly, under the equity method, investment in associates is carried at cost plus post-acquisition changes in the Group's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Statement of Profit or Loss reflects the share of current year's Profit or Loss of the Associates.

When the Group and Associate's share of losses exceed the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses are discontinued except to the extent that the Group has incurred obligations or has made payments on behalf of the investee.

### 4.1.3 Jointly controlled entities

Jointly controlled entities are those entities where the Group has entered into a contractual agreement to share the control over strategic, financial and operating decisions relating to economic activities of the entities through unanimous consent of other parties sharing control.

### 4.1.4 Loss of Control in Subsidiary and **Associates**

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Statement of Profit or Loss.

### **Notes to the Financial Statements**

### 4.1.5 Non-Controlling Interest

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### 4.2 Transactions eliminated on consolidation

Intra-group balances and any income and expenses arising from intra- group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized losses are eliminated in the same way as unrealized gains (except that they are only eliminated to the extent that there is no evidence of impairment).

### 4.3 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into functional currencies, which is Sri Lankan rupees, using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange ruling at the date of the Statement of Financial Position while all non-monetary items are reported at the rate prevailing at the time transactions were affected. The financial currency gain or loss on monetary items is the difference between amortized cost in functional currency as at the beginning of the year adjusted for effective interest and payments during the year and amortized cost in foreign currency translated at exchange rates at reporting date.

Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into functional currency at the spot exchange rate at the date that the fair value was determined. Non- monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rate at the date of transactions.

Foreign currency differences arising from translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following

items are recognized in OCI:

- Equity instruments measured at fair value through other comprehensive income
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedge is effective.

#### 4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and money at call & short notice.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

They are brought to Financial Statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortized cost in the Statement of Financial Position.

## 4.5 Financial Instruments – Initial recognition, classification and subsequent measurement

### 4.5.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognizes balances due to customers when funds are transferred to the Group.

### 4.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at Fair Value through Profit or Loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through

Profit or Loss are dealt through the Statement of Profit or Loss.

### 4.5.2.1 'Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' Profit or Loss) in 'Net trading income'.

### 4.5.3 Financial Assets and Liabilities

Group only measures loans and advances to customers and other financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

### 4.5.3.1 (a) Business Model Assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Now the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

W How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking into account "worse case" or "stress case" scenarios. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### 4.5.3.1 (b) The SPPI Test

As a second step of its classification process the Group assesses the contractual terms of the financial assets to identify whether they meet the SPPI test. "Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

### 4.5.3.2 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) 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 has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument (Level 01 valuation). A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data, or the transaction is closed out. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset

in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### a) Financial Assets at Amortized Cost

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

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

### Loans and advances to banks and other customers

Loans and advances to other customers include amounts due from banks, loans and advances and lease receivables of the Group. Details of "Loans and advances to banks and other customers" are given in Notes 23, 24, and 25.

### **Repurchase Agreements**

Securities purchased under agreements to resell at a specified future date are recognised in the Statement of Financial Position. The consideration paid including accrued interest, is recorded in the Statement of Financial Position, under 'Other Financial Assets which reflects the transaction's economic substance as a loan by the Group.

### Cash and cash equivalents

Details of "Cash and cash equivalents" are given in Note 21.

### b) Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. For financial assets measured at FVOCI refer Note 26

### **Notes to the Financial Statements**

### **Debt instruments measured at FVOCI**

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and selling financial assets, where the asset's contractual cash flows represent payments that are solely payments of principal and interest on principal outstanding. Currently Company has no debt instruments which are measured at FVTOCI.

### Equity instruments designated at FVOCI

Upon initial recognition, the Group elects to classify irrevocably some of its equity instruments held for strategic and regulatory purposes as equity instruments at FVOCI.

#### c) Financial assets measured at FVTPL

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets measured at FVTPL include 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.

### **Derivative financial instruments**

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rate, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in Statement of Profit or Loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income). Fair values may be obtained from quoted market prices in an active market, recent market transactions and valuation techniques, including discounted cash flow models and option pricing models as appropriate, where the initially recognised

fair value of a derivative contract is based on a valuation model that uses the inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments such as the conversion option in a convertible bond holds, are valued as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through Profit or Loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Profit or Loss. Embedded derivatives continue to be presented with the host contract and are not separately disclosed or included within derivatives. The group did not have separate embedded derivatives as at 31st March 2025.

#### 4.5.3.3 Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group may acquire, dispose of, or terminates a business line (change in business model). When the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date without restating any previously recognised gains, losses (including impairment gains or losses) or interest. Financial liabilities are never reclassified.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount.

When a financial asset is reclassified out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from the difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

When a financial asset is reclassified out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

When a financial asset is reclassified out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

The Group did not reclassify any of its financial assets as at 31st March 2025.

## 4.5.4 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass—through' arrangement; and either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amounts of the asset and consideration received and any cumulative gain or loss that had been recognised in the Other Comprehensive Income is recognised in the Profit or Loss. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass—through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 4.5.5 Financial Liabilities

4.5.5.1 Initial recognition and measurement

As per SLFRS 9, the Group classifies financial liabilities, other than financial guarantees and loan commitments into one of the following

categories:

- Financial liabilities at fair value through profit or loss, and within this category as –
  - Held-for-trading; or
  - Designated at fair value through profit or loss;
- Financial liabilities measured at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

4.5.5.1.1 Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated as such upon initial recognition as at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognized in the Statement of Profit or Loss.

Upon initial recognition, transaction costs are directly attributable to the acquisition, are recognized in Statement of Profit or Loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

Changes in fair value are recorded in "Net fair value gains/ (losses) from financial instruments at fair value through profit or loss" with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Companies' own credit risk. Interest paid/payable is accrued in "Interest expense", using the EIR. The Group has not designated any financial liabilities as at fair value through profit or loss as at the end of the reporting period.

4.5.5.1.2 Financial liabilities at amortized cost

Financial liabilities issued by the Group that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to depositors" "Other borrowings" as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than

by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in "Interest expense" in the Statement of Profit & Loss. Gains and losses too are recognised in the Statement of Profit & Loss when the liabilities are derecognised as well as through the EIR amortisation process.

### 4.5.5.2 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid are recognised in Statement of Profit or Loss

4.5.5.3 Reclassification of financial liabilities Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

4.5.5.4 Modification of Financial Assets and Financial Liabilities.

### **Modification of Financial Assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. Subsequently the Group recognizes the interest income on recalculated gross carrying amount based on the Original EIR from the commencement of terms modification date to the end of the lifetime of the instrument.

### **Modification of Financial Liabilities**

Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

### 4.5.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position only when the Group has a legal right to set-off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs/SLFRSs or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### 4.5.7 Impairment of financial assets

### Overview of the ECL principles

SLFRS 9 presents a "three-stage" model for estimating expected losses on the basis of changes in credit quality since initial recognition.

**Stage 1:** When loans are originated, the Group recognises an allowance based on 12 months ECL and performed assessment collectively.

Stage 1 loans also contain the facilities which are reclassified from Stage 2 since the credit risk has improved.

**Stage 2:** When a loan credit risk increases significantly, the Group records an allowance for the Lifetime Expected Credit Loss (LTECL), which is performed collective basis. Stage 2 loans also include facilities, which are reclassified from stage 3 since the credit risk has improved.

**Stage 3:** When a loan is considered to be credit impaired, contain objective evidence of incurred loss, the Group records an allowance for the LTECL. Stage 3 assessment performed either individually or collectively.

Under SLFRS 9, loss allowances measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. Twelve months ECL measurement applies if it has not increased an entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

### Based on the computations:

- The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the SLFRS 9 impairment model.
- The estimated ECLs were calculated based on actual credit loss experience over the past five years.
- The Group performed the calculation of ECL rates separately for each product type.

Exposures within each group were segmented based on common credit risk characteristics such as product type, delinquency status, age of relationship and type of product purchased.

The Group to be performed an assessment, at the end of each reporting period to identify whether a financial instrument's credit risk has increased significantly since initial recognition.

### Definition of default and cure

The Group considers a financial instrument as defaulted and therefore Stage 3 (creditimpaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether an individually significant customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the

Group carefully considers whether the event

should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as "cured" and therefore reclassified out of Stage 3 when none of the default criteria have been present and the borrower is no longer considered as nonperforming in accordance with the Directives of the Central Bank

Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure. The Group's criterion for 'cure' for rescheduled / restructured loans is more stringent than ordinary loans.

### Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Group assesses whether there has been a significant increase in the credit risk since initial recognition. The Group considers an exposure to have a significantly increase in the credit risk when it is past due for more than 90 days.

### Calculation of ECL

The Group calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans

are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Key elements of the ECL calculations are outlined below:

### Probability of default (PD)

The probability of default is computed using a transition matrix for the last five years and computed average matrix from year 1 to 5. To minimize the sum of squired errors between average matrix and empirical matrix for that year computed a credit index. Regress macroeconomic/other variables to forecast future indexes

### Exposure at default computation (EAD)

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

### **№** Loss Given Default (LGD)

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Actual credit loss experience will be adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the

receivables. Scalar factors were based on GDP and unemployment rate forecasts and industry outlook.

### Calculation of ECLs for Individually significant loans

The Group first assesses ECLs individually for financial assets that are individually significant to the Group. In the event the Group determines that such assets are not impaired (Not in stage 3), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment of individually significant accounts is reviewed more regularly when circumstances require. This normally encompasses a reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The amount and timing of expected receipts and recoveries:
- w The realizable value of security (or other credit mitigants) and likelihood of successful repossession; and
- w The likely deduction of any costs involved in recovery of amounts outstanding;

### Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. The Group categories the collective impairment exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:

- Product type
- Type of collateral
- Industry of the borrower

### The PD estimation Process

PD estimation for loans and advances to other customers under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Companies in the country at present.

Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- № 1 30 days past due
- 31 60 days past due
- № 61 90 days past due
- Nove 90 days past due

### **Exposure at Default**

The exposure at default (EAD) represents the gross carrying amount of the financial instrument subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to be cured and subsequently default again, then all linked default events

are taken into account. For Stage 2 and stage 3 financial assets and credit impaired assets at origination, events over the lifetime of the instruments are considered. The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of the Group's models.

### Loss given default

LGD values are assessed at least annually for each material collateral type. The Group segregates its customer loan book based on following major types of collaterals when calculating the LGD,

- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

### Forward looking information

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Interest rates
- Treasury bill rate
- w Inflation rate

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or

overlays are occasionally made as temporary adjustments when such differences are significantly material. To ensure completeness and accuracy, the Group obtains the above data from third party sources (Central Bank, World Bank, IMF, ADB, UN and etc.).

To reflect these uncertainties in the calculation of expected credit losses, the Group also revisited the weightages assigned for multiple economic scenarios during the year.

# Write-off of loan & advances, leases and hire purchases

Loans, advances, leases and hire purchases (the related impairment allowance was accounted) are normally written off, either partially or in full, when there are no realistic prospects of recovery. Where such balances are secured, these are generally after receipt of any proceeds from the realisation of security.

### Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

### **Collateral valuation**

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, gold, real estate, receivables, and other non-financial assets. The fair value of the collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

### Collateral repossessed

The Group's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined

to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

### Material Judgments and uncertainties

Company has made significant judgment as at period end to determine which events and circumstances relate and which do not. Typically, the shorter the period of time between period end and the information becoming available (e.g., a borrower defaulting on a loan shortly after period end), the more likely it is that the information confirms events and conditions as at period end, and therefore, ought to be reflected in ECL calculations.

A movement from stage 1 to either stage 2 or 3 will typically result in a higher ECL, as the probability of default ('PD') over the lifetime of a financial asset will be at least equal to or higher than the PD over the next 12 months. However, the assessment of whether there has been a significant increase in credit risk (SICR) for a financial asset is carried out on the basis of the expected life of the financial asset.

### Forward Looking and Probability of Default

SLFRS 9 recognizes that information relevance decreases as the forecast horizon increases and emphasizes the relevance of historical information. In this regard, the SLFRS 9 provisions lead to the conclusion that where there is no reliable evidence for specific forecasts, long-term macroeconomic outlooks will provide the most relevant basis for estimation. And further, scenario-based analysis has improved, and Worst case has been given 45% of weighting when determine the forward looking and probability of default.

# 4.6 Non – Financial Asset 4.6.1 Investment Property

### Recognition and measurement

Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, based in the production or supply of goods or services or for administrative purposes. Investment properties are recognised if it is probable that future economic benefits

that are associated with the investment property will flow to the Group and cost of the investment property can be reliably measured. Where the Group provides ancillary services to the occupants of a property it holds, the Group treats such a property as investment property if the services are insignificant to the arrangement as a whole.

If an owner-occupied property becomes an investment property that will be carried at fair value, an entity shall apply LKAS 16 "Property, plant and equipment" up to the date of change in use. When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and classified as Investment Property. The entity shall treat any difference at that date between the carrying amount of the property in accordance with LKAS 16 "Property, plant and equipment "and its fair value in the same way as a revaluation in accordance with LKAS 16 "Property, plant and equipment". The land is non-depreciated. Accordingly, land and buildings classified as investment properties are stated at fair value.

### De-recognition

Investment properties are de-recognised when disposed of, or permanently withdrawn from use since no future economic benefits are expected. Gains or losses arising from the de-recognition of an Investment Property are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss.

### 4.6.2 Property, plant and equipment

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially Property, Plant & Equipment are measured at its cost.

### Recognition and measurement

Cost Model

Property, Plant and Equipment is stated at cost except land and building, excluding the costs of day-to-day servicing, less accumulated

depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

### **Revaluation Model**

Land and buildings are measured at fair value, less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed every 3 to 5 years to ensure that the fair value of revalued asset does not differ materially from it carrying

Any revaluation surplus is credited to the Revaluation Reserve included in the Equity of the Statement of Financial Position except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss. In which case the increase is recognised in Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset Revaluation Reserve. For more details relating to the land and building valuation refer the Note 33.

### **Subsequent Cost**

These are costs that are recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part of the cost will flow to the Group and it can be reliably measured. The costs of the dayto-day servicing of property and equipment are recognised in Profit or Loss as incurred.

### Depreciation

The company has reassessed useful lifetime and changed the depreciation policy from reducing balance to the straight-line method from 1st April 2016, further company has applied this changes accordance with LKAS 8-"Accounting Policies and Change in Accounting Estimates and Errors".

The group provides depreciation from the date the assets are available for use and up to the date of disposal at the following rates on straight line basis over the periods appropriate to the estimated useful lives based on the pattern in

which the asset's future economic benefits are expected to be consumed by the Group.

Category of Asset	Expected useful lifetime (in years)
Buildings	20
Furniture & fittings	8
Equipment	5
Plant, Machinery & cutlery	5
Motor vehicles & accessories	5
Motor vehicles -Hiring Fleet	5
Computers	3

Freehold lands are not depreciated. Depreciation of an asset ceases at the earlier of the date that the asset is classified as Held for Sale or the date that the asset is derecognised.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

### De-recognition

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other Operating Income' in the Statement of Profit or Loss in the year the asset is derecognised.

### 4.6.3 Intangible assets

The Group's intangible assets include the value of computer software.

### Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standards LKAS 38 on 'Intangible Assets'.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are stated in the Statement of Financial Position at cost less accumulated

amortisation and accumulated impairment losses, if any.

Expenditure of internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can be reliably measured the costs to complete the development.

### Subsequent expenditure

Subsequent expenditure on Intangible Assets is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditures are expensed as incurred.

### Amortisation

Group owned intangible assets are amortised over the period of 10 years unless otherwise stated.

### De-recognition of intangible assets

The carrying amount of an item of an intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of intangible asset, is included in the Statement of Profit or Loss when the item is derecognised.

There were no restrictions on the title of the intangible assets as at the reporting date. Further, there were no items pledged as securities for liabilities.

Intangible assets reported in note 34 only included computer software and cost of licences.

The Group is in the process of implementing new system to replace its core banking system. The development cost incurred up to 31st March 2025, was presented as an addition to the intangible assets (WIP).

### 4.7 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date after taking in to account the risks and uncertainties surrounding the obligation as at that date. The expense relating to any provision, is presented in the Statement of Profit or Loss net of any reimbursement.

### 4.7.1 Retirement Benefit Obligations

All the employees of the Group are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983. Employees who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of half of the gross salary applicable to the last month of the financial year in which the employment is terminated or resigned for each year of completed service, for those who have served in excess of 5 years.

The Group operates an approved noncontributory Gratuity Fund to facilitate the Gratuity payments to the retiring employees of the Group. The Group determines the adequacy of gratuity liability in terms of Payment of Gratuity Act No.12 of 1983. In order to meet this liability, the Group carries forward a provision in the Statement of Financial Position based on:

- Half a month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have complete service 5 to 10 years,
- One month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who completed the service over 10 years but not exceeding 15 years,

- One and half month's salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 15 years but not exceeding 25 years.
- Two months' salary of the last month's salary of the financial year for each completed year of service for all permanent employees who have completed the service over 25 years.

An actuarial valuation is carried out as every year end to ascertain the full liability under gratuity. The valuation was carried out as at 31st March 2025 by M/s Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries based on the Projected Unit Credit Method recommended by the actuarial present value of the defined benefit obligation (PV-DBO) under the PUC method.

### Recognition of actuarial losses / gains

The Group recognized the total actuarial gain and losses that arose in calculating the Group's obligation in respect of gratuity in Other Comprehensive Income during the period which it occurred.

# Recognition of past service cost (applicable only when a plan has been changed)

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the instruction of, or changes to the plan, past service costs are recognized immediately.

### Management of the fund's assets

The assets of the Gratuity Fund and the Employees' Provident Fund are held separately from those of the Group and are independently administered by a separate management team appointed by the Group. As at 31st March 2025 the fair value of plan assets is LKR 692,182,294/- (2024– LKR 606,497,954/-

### 4.7.2 Taxation

As per the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes' tax expense (Tax income) is the aggregate amount included in determination of Profit or Loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Statement of Profit or Loss except to the extent it relates to items recognised directly in Equity or in Other Comprehensive Income (OCI), in which case it is recognised in the Statement of Changes in Equity or in OCI.

### 4.7.2.1 Current taxation GRI 201-4

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the reporting period. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for the taxation purpose in accordance with the provisions of the Inland Revenue Act No. 27 of 2017 and the amendments thereto

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

Deferred tax assets are recognised for all deductible differences carrying forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of a deferred tax asset is reviewed at end of the reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that the future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at end of the reporting period.

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

# 4.7.2.3 Value Added Tax on Financial Services (FVAT) GRI 207-1, 207-2

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto. The value base for the computation of Value Added Tax on Financial Services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable.

### 4.7.2.4 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April 01, 2013, and is payable to the National Insurance Trust Fund. Currently CIL is payable at 1% of the profit after tax.

### 4.7.2.5 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the subsidiaries attracts WHT at source and is not available to set off against the tax liability of the Company. Thus, the WHT deducted at source, on the dividends distributed by the subsidiaries is charged to the Consolidated Statement of Profit or Loss as a consolidation adjustment.

Withholding tax that arises from the distribution of dividends by the Group is recognised at the time of the liability is payable.

# 4.7.2.6 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022.SSCL is payable on 100% of the Value Addition attributable to financial services.

The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

### 4.8 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### 4.8.1 Net Interest income

Interest income and expense are recognised in the Statement of Profit or Loss using the effective interest rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest on financial assets measured at amortized cost (AC) calculated using EIR method;
- Interest on financial assets measured at fair value through other comprehensive income (FVOCI) calculated using EIR method;
- Interest on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest on financial liabilities is measured at amortized cost calculated using the EIR method.

### Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- w The amortized cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECLs). For credit-impaired financial assets which are classified under Stage 3, a credit-adjusted EIR is calculated using estimated future cash flows including ECLs.

The credit adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

### 4.8.2 Net Fee and Commission Income

### Service Income

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

### Fee and Commission Income

The Group earns fee and commission income from a diverse range of services, it provides to its customers. Fee and commission income relates mainly to transactions and services fees which are charged from customers to provide relevant financial services. It mainly includes CRIB verification charges, Yard fees, Loan processing fees and vehicles transfer fees, income account on cash basis.

### 4.8.3 Dividend Income

Dividend income is recognised when the right to receive the payment is established. Usually, this is the ex-dividend date for equity securities. Dividends are presented in the 'Other Operating Income' in Statement of Profit or Loss.

### 4.8.4 Net Trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities recognized through Profit or Loss other than interest income.

### 4.8.5 Other Operating Income

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

The Profit/(Loss) on Disposal of Property, Plant and Equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of Other Operating Income in the financial year in which significant risks and rewards of ownership are transferred to the buyer.

### 4.8.6 Personal Expenses

Personnel Expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

# Defined Contributions Plans - Employees' provident fund (EPF) and Employees' trust fund (ETF)

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions in to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable to a defined contribution plan is in proportion to the services

rendered to the Company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The Parent company and employees contribute 20% and 10% respectively of the employee's monthly gross salary to the Employees' Provident Fund. The subsidiary company and employees contribute 12% and 8% respectively of the employee's monthly gross salary to the Employees' Provident Fund.

The Group operates an approved private fund to manage EPF and managed by the committee of management.

The Group contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

### 4.8.7 Other operating expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year

### 4.9 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

### 4.10 Earnings per Share

The Group presents basic Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

### 4.11 Operating Segments

A business segment is a distinguishable component of the Group, engaged in providing products or services subject to risks and returns that are different from those of other business segments. Operating results of those segments are reviewed regularly by the Board of Directors to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The primary business format is based on the core business activities of the Group, namely, lease, loans, pawning, hiring of vehicles, investing in shares, investing in government securities, collaboration finance & others. The management uses its judgment in determining the compositions of these core business activities by taking into account the objective of reporting financial information by segment as set forth in Sri Lanka Accounting Standard, SLFRS 8 "Operating Segments", segment reporting and qualitative characteristics of financial statements as identified in the Framework for the Preparation and Presentation of Financial Statements.

The Group's business activities are carried out in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risk and returns that are significantly deferent on a geographical basis. Hence, disclosure by geographical region has not been provided. For the purpose of segment reporting disclosures, the information presented in respect of the Group's business segments is based on the Group's management and internal reporting structure.

Income recognized in segments is an income which is directly identified and reported in those segments and expenses directly identified to a particular segment are charged accordingly and expenses that cannot

be directly identified to a particular segment are allocated on basis decided by the management and applied consistently throughout the period. Unallocated items mainly comprise of head office expenses. Measurement of segments assets, liabilities, segment revenue and results are based on the group accounting policies. Segments revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segments assets that are expected to be used for more than one accounting period.

### **Gross Income**

	Com	Company		oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Interest income (Note 7.1)	14,616,592,608	13,184,634,453	14,635,683,861	13,200,296,688
Fee & commission income (Note 8)	461,051,367	318,390,667	591,428,233	413,481,566
Net gains/(losses) from trading (Note 9)	80,517,660	(22,928,907)	80,256,913	(24,710,704)
Other operating income (Note 10)	514,957,240	445,998,037	524,341,120	474,807,918
	15,673,118,875	13,926,094,250	15,831,710,127	14,063,875,468

### **Net Interest Income**

### **Interest Income**

	Company		Gr	oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Financial assets- recognised through profit or loss	429,549,180	510,547,945	429,549,180	510,547,945
Loans and advances (Note 7.1.1)	6,262,555,499	5,519,164,910	6,262,555,499	5,519,164,910
Lease rentals receivable	7,647,117,204	6,780,133,013	7,647,117,204	6,780,133,013
Hire purchase & consumer durables	-	398,642	-	398,642
Repurchase agreements	81,706,588	21,900,079	81,706,588	21,900,079
Placements with banks & other financial institutions	195,664,137	352,489,864	214,755,390	368,152,099
Total interest income	14,616,592,608	13,184,634,453	14,635,683,861	13,200,296,688

### 7.1.1 Interest Income from Loans & Advances

	Com	Company		oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Interest income from loans	3,290,691,217	2,242,453,556	3,290,691,217	2,242,453,556
Interest income from pledge loan	583,572	3,815,282	583,572	3,815,282
Interest income from gold loan	2,906,779,954	3,162,106,705	2,906,779,954	3,162,106,705
Interest income from loans again deposit	61,821,485	98,686,094	61,821,485	98,686,094
Interest income from micro finance	2,679,271	12,103,273	2,679,271	12,103,273
Total Interest Income from Loans & Advances	6,262,555,499	5,519,164,910	6,262,555,499	5,519,164,910

## **Interest Expenses**

	Com	Company		oup
	2025	2024	2025	2024
	LKR	LKR	LKR	LKR
Securitization borrowings	694,179,378	1,460,028,404	694,179,378	1,460,028,404
Bank borrowings	1,880,919,160	1,229,178,989	1,881,059,820	1,229,238,389
Bank overdraft and Bank Chargers	132,629,680	473,937,261	132,629,680	473,937,261
Due to depositors	3,744,759,122	4,092,520,913	3,744,721,874	4,081,213,458
Debt instruments issued and other borrowed funds	12,406,801	-	12,406,801	-
Other financial liabilities (Note 7.2.1)	7,371,267	42,022,993	7,371,267	42,022,993
Total interest expenses	6,472,265,408	7,297,688,560	6,472,368,820	7,286,440,505
Net interest income	8,144,327,200	5.886.945.893	8,163,315,041	5.913.856.183

<sup>7.2.1</sup> The amount includes an amount of LKR 7,371,267/- (2023/24 LKR 42,022,993/-) incurred SWAP arrangement.

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### 8 **Fee and Commission Income**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Fees and Commission Income				
Commission income	207,569	-	200,861,409	158,534,082
Service charges	209,849,018	159,489,398	209,849,018	159,489,398
Transfer fees	104,365,001	60,627,906	104,365,001	60,627,906
Other fees	146,629,779	98,273,363	76,352,805	34,830,180
Total fee and commission income	461,051,367	318,390,667	591,428,233	413,481,566

### Net Gain / (Loss ) from Trading 9

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Profit /(loss) on foreign currencies	(8,556,131)	(43,706,025)	(8,816,878)	(45,487,822)
Income from trust investment	89,073,791	20,777,118	89,073,791	20,777,118
	80,517,660	(22,928,907)	80,256,913	(24,710,704)

### 10 **Other Operating Income**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Income from financial investment - Quoted shares	38,436,201	12,264,186	33,251,724	19,219,784
Fair value gain on financial investments - FVTPL	57,989,735	7,172,338	57,989,735	7,172,338
Profit on disposal of property, plant & equipment	13,373,265	78,391,610	13,373,265	78,391,610
Fair value gain on investment property	-	24,480,000	7,000,000	42,480,000
Profit/ (loss) on sale of vehicles	54,149,174	43,035,311	54,149,174	43,035,311
Rental income from hiring vehicles	68,323,018	40,170,290	68,323,018	40,170,290
Income from sale of tiles & furniture	10,211,448	5,642,022	10,211,448	5,642,022
Bad debt recoveries	63,869,163	47,005,928	63,869,163	47,005,928
Recovery of charges on settlements	143,603,253	98,735,192	143,603,253	98,735,192
Others	65,001,983	89,101,160	72,570,340	92,955,443
Total Other Operating Income	514,957,240	445,998,037	524,341,120	474,807,918

### 11 Impairment Charges for Loans and Other Losses

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Impairment Charges / (Reversal)				
Lease rentals receivable	(29,630,858)	73,681,113	(29,630,858)	73,681,113
Hire purchase rentals receivable	(677,657)	(974,249)	(677,657)	(974,249)
Loans and advances (Note 11.1)	54,597,404	34,139,471	54,597,404	34,139,471
Impairment Charges / (Reversal) (Note 11.2)	24,288,889	106,846,334	24,288,888	106,846,334
Bad Debts Written off				
Lease rentals receivable	176,552,385	196,448,791	176,552,385	196,448,791
Loans and advances (Note 11.1)	32,948,790	32,413,172	32,948,790	32,413,172
	209,501,175	228,861,963	209,501,175	228,861,963
	233,790,064	335,708,297	233,790,064	335,708,297

### 11.1 Impairment Charge on Loans and advances

	Comp	Company		oup
	2025 LKR	2024 LKR		2024 LKR
Term Loans Receivable	62,969,169	(1,877,640)	62,969,169	(1,877,640)
Gold Loan Receivable	(6,532,492)	40,475,509	(6,532,492)	40,475,509
Microfinance Receivable	(1,809,373)	(7,358,836)	(1,809,373)	(7,358,836)
Pledged loan & Speed Cash Loan Receivable	(29,900)	2,900,438	(29,900)	2,900,438
	54,597,404	34,139,471	54,597,404	34,139,471

### **Bad Debts Written off charge on Loans & Advances**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Term Loans Receivable	32,948,790	32,413,172	32,948,790	32,413,172
	32,948,790	32,413,172	32,948,790	32,413,172

## 11.2 Impairment Charge / (Reversal) to Income Statement

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2025

		Stage 01	Stage 02	Stage 03	Total
	_	LKR	LKR	LKR	LKR
Loans and advances	- Collective impairment	(27,053,655)	(16,305,480)	(23,456,315)	(66,815,450)
	- Individual impairment	-	-	121,412,854	121,412,854
Lease rentals receivable	- Collective impairment	(10,578,093)	(31,368,171)	(21,706,840)	(63,653,105)
	- Individual impairment	-	-	34,022,246	34,022,246
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(677,657)	(677,657)
		(37,631,748)	(47,673,651)	109,594,287	24,288,888

SLFRS 09 - Expected Credit Loss Charge for the Year ended 31 March 2024

		Stage 01	Stage 02	Stage 03	Total
		LKR	LKR	LKR	LKR
Loans and advances	- Collective impairment	40,456,303	8,510,338	11,305,289	60,271,930
	- Individual impairment	-	-	(26,132,459)	(26,132,459)
Lease rentals receivable	- Collective impairment	(15,467,043)	(88,197,298)	(31,719,849)	(135,384,189)
	- Individual impairment	-	-	209,065,301	209,065,301
Hire purchase rentals receivable	- Collective impairment	-	-	-	-
	- Individual impairment	-	-	(974,249)	(974,249)
		24,989,260	(79,686,960)	161,544,033	106,846,333

#### 12 **Personnel Expenses**

	Com	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Salaries and bonus	1,547,585,034	1,169,460,019	1,562,519,815	1,180,091,607	
Gratuity charge for the year	75,387,265	59,869,919	76,337,527	60,563,055	
Employer's contribution to EPF	222,229,624	176,827,693	223,594,654	178,044,177	
Employer's contribution to ETF	33,334,444	26,524,299	33,675,702	26,828,420	
Staff welfare	97,101,955	81,397,832	97,964,831	82,245,424	
Other allowances & staff related expenses	133,820,128	90,555,181	133,966,898	90,693,643	
	2,109,458,450	1,604,634,943	2,128,059,427	1,618,466,326	

#### 13 **Other Operating Expenses**

	Com	pany	Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Auditors' remuneration				
Audit fee and expenses	3,692,500	3,206,250	4,055,313	3,506,250
Audit related services and expenses	1,346,000	991,250	1,386,000	991,250
Non audit fees and expenses	2,594,500	460,000	2,594,500	460,000
Directors emoluments and other expenses (Note 13.1)	98,512,811	81,645,030	101,712,811	81,645,030
Professional fees	28,266,348	15,643,560	28,326,418	15,693,560
Office administration & establishment expenses	1,271,788,256	1,164,767,911	1,274,686,060	1,166,870,918
Advertising & business promotion expenses	222,632,987	191,169,366	222,726,018	191,257,733
Motor vehicle running & maintenance	438,668,547	350,365,572	445,309,683	356,720,424
Brokerage	179,902,454	146,203,086	179,902,454	146,203,086
Credit related fees	83,270,797	76,391,968	85,027,721	77,978,049
Others	233,817,650	139,329,511	233,817,650	139,375,449
	2,564,492,850	2,170,173,504	2,579,544,628	2,180,701,749

13.1 Directors emoluments and other expenses represent the fees, salaries, allowances and other expenses (except gratuity provision) of both Executive and Non-Executive Directors of the Company.

### 14 Depreciation and Amortization

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	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Depreciation of property, plant and equipment	201,382,217	158,683,135	201,687,261	159,178,329
Amortization of intangible assets	11,402,112	10,766,544	11,483,847	10,958,210
	212,784,329	169,449,679	213,171,108	170,136,539

### 15 Taxes on Financial Services

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Value added tax on financial services	890,177,534	587,821,305	890,177,534	587,821,305
Social security contribution levy	122,087,257	80,782,300	122,087,257	80,782,300
	1,012,264,791	668,603,605	1,012,264,791	668,603,605

### 16 Provision for Income Taxation

	Company		Gr	oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Income Tax expense for the year (Note 16.1)	1,275,283,955	667,821,856	1,317,743,808	700,249,216
Provision for contingent tax liabilites	76,851,210	113,165,552	76,851,210	113,165,552
Total Income Tax expense for the year	1,352,135,165	780,987,408	1,394,595,018	813,414,768

### 16.1 The Major Components of Income Tax Expense

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Current Income Tax Expenses				
Current tax on profit for the year ( Note 16.2)	1,204,804,186	635,703,889	1,243,618,687	663,234,032
Under/ (over) provision of current taxes in respect of prior years	-	(24,433,981)	2,162,293	(24,433,981)
	1,204,804,186	611,269,908	1,245,780,980	638,800,051
Deferred Tax Expenses				
Deferred taxation charge/ (reversal) (Note 16.4)	70,479,769	56,551,948	71,962,828	61,449,165
	1,275,283,955	667,821,856	1,317,743,808	700,249,216

Current year income tax expense of the subsidiary Company is LKR 40,508,922/- (LKR 34,462,920/-2023/24)

### A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate for the year ended 31 March is as follows;

	Comp	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Accounting profit before income taxation	3,086,968,217	1,697,866,760	3,211,416,523	1,821,849,545	
Total value of non deductible expenses	1,682,916,244	1,282,883,472	1,683,813,145	1,283,725,789	
Total value of other allowable credits	(533,219,853)	(565,636,589)	(533,219,853)	(565,636,589)	
Total value of exempt income	(250,505,537)	(432,564,613)	(277,612,197)	(479,033,620)	
Taxable Proift/Loss	29,854,882	136,463,932	29,854,882	136,463,932	
	4,016,013,953	2,119,012,962	4,114,252,500	2,197,369,057	
Income tax for the year @ 30% ( 2023/24-30%)	1,204,804,186	635,703,889	1,243,618,687	663,234,032	
Total Income Tax for the year	1,204,804,186	635,703,889	1,243,618,687	663,234,032	
Effective Tax rate (with defferd tax)	41.31%	40.77%	40.97%	39.78%	
Effective Tax rate (without defferd tax)	39.03%	37.44%	38.95%	36.77%	

## 16.3 Applicable Income Tax Rates

	Gr	oup
	2025	2024
	 LKR	LKR
Alfinco Insurance Brokers (Pvt) Ltd	30%	30%
Macbertan (Pvt) Ltd	30%	30%

### 16.4 Deferred Tax Expense/(Reversal)

The following table shows deferred tax expense recorded in the profit or loss due to changes in the deferred tax assets and liabilities.

	Compa	any	Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Deferred Tax Liabilities				
Lease rentals	(8,547,387)	(7,143,815)	(8,547,387)	(7,143,815)
Fair Value Gain on Investment Property	-	7,344,000	2,100,000	7,344,000
Accelerated depreciation - Own assets	32,102,848	25,916,993	31,922,348	26,043,727
	23,555,461	26,117,178	25,474,962	26,243,912
Deferred Tax Assets				
Accelerated depreciation - Own assets	-	27,803,793	-	27,803,793
Defined benefit obligation - Profit or Loss	5,352,763	(1,084,133)	5,352,763	3,686,350
Other temporary differences	41,571,545	3,715,110	41,135,103	3,715,110
	46,924,308	30,434,770	46,487,866	35,205,253
Total Deferred tax expense / (reversal)	70,479,769	56,551,948	71,962,828	61,449,165
Other Comprehensive Income				
Defined benefit obligation	(15,850,348)	4,655,771	(16,061,712)	4,655,771
Revaluation	-	158,746,457	-	158,746,457
Deferred tax expense adjusted through profit or loss / OCI	54,629,421	219,954,176	55,901,116	224,851,393

The deferred tax assets/liabilities of the Company as at 31st March 2025 were computed using the income tax rate of 30%. (2023/2024-30%)

### **Basic Earnings Per Share**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

	Company		Gro	an
	2025	2024	2025	2024
	LKR	LKR	LKR	LKR
Amounts Used as the Numerators:				
Net profit for the year attributable to equity shareholders for basic earnings per ordinary share	1,734,833,052	916,879,352	1,779,739,681	975,500,926
Number of Ordinary Shares Used as Denominators for Basic Earnings per share				
Weighted average number of ordinary shares in issue	33,696,000	33,696,000	33,696,000	33,696,000
Basic earnings per ordinary share (EPS)	51.48	27.21	52.82	28.95

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

#### 18 **Dividend Per Share**

### 18.1 Declared and Paid During the Year

	Company		Gr	Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Dividends on ordinary shares:					
Final dividend paid for 2023/24 LKR 8.40 (2022/23 LKR 5.00) per share	283,046,400	168,480,000	283,046,400	168,480,000	
Interim dividend paid for 2024/25 LKR 8.00/- per share 2025	269,568,072	-	269,568,072		
	552,614,472	168,480,000	552,614,472	168,480,000	

### 18.2 Proposed for Approval at Annual General Meeting

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Final Dividend for 2024/25 - LKR 9.20 per Share (Final Dividend for 2023/24 - LKR 8.40 per Share) (Not Recognised as a Liability as at 31 March)	310,003,200	283,046,400	310,003,200	283,046,400
Dividend per share	17.20	8.40	17.47	8.40

### 19 **Net Assets Value Per Ordinary Share**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Amount used as the numerator				
Total equity attributable to equity holders of the Company	9,349,531,864	8,129,029,986	9,550,255,439	8,294,452,296
Number of ordinary shares used as the denominator				
Total number of ordinary shares	33,696,000	33,696,000	33,696,000	33,696,000
Net assets value per ordinary share	277	241	283	246

#### 20 **Analysis of Financial Instruments by Measurement Basis**

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in SLFRS 9 on 'Financial Instrument Recognition & Measurement' under the headings of the Statement of Financial Position.

### 20.1 Company

As at 31st March 2025	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,475,822,024	-	1,475,822,024
Repurchase agreements	-	1,834,618,154	-	1,834,618,154
Placements with banks & financial institutions	=	4,905,397,835	-	4,905,397,835
Financial assets recognised through profit or loss -measured at fair value	5,271,089,167	-	-	5,271,089,167
Loans and advances - at amortised cost	-	38,342,731,995	-	38,342,731,995
Lease rentals receivable - at amortised cost	-	24,173,323,963	-	24,173,323,963
Financial assets - fair value through other comprehensive income	-	-	175,800,654	175,800,654
Other financial assets	-	566,898,746	-	566,898,746
Total Financial Assets	5,271,089,167	71,298,792,717	175,800,654	76,745,682,538

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	30,341,711,845	30,341,711,845
Debt Securities Measured at amortised cost	1,012,406,801	1,012,406,801
Due to depositors	36,524,836,317	36,524,836,317
Other financial liabilities	1,537,657,682	1,537,657,682
Total Financial Liabilities	69,416,612,645	69,416,612,645

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# **Notes to the Financial Statements**

## Analysis of Financial Instruments by Measurement Basis (Contd.)

## 20.1 Company

As at 31st March 2024	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,037,507,757	-	1,037,507,757
Repurchase agreements	-	962,606,909	-	962,606,909
Placements with banks & financial institutions	-	3,246,352,935	-	3,246,352,935
Financial assets recognised through profit or loss -measured at fair value	3,508,968,758	-	-	3,508,968,758
Loans and advances - at amortised cost	-	23,506,870,064	-	23,506,870,064
Lease rentals receivable - at amortised cost	-	22,597,190,332	-	22,597,190,332
Financial assets - fair value through other comprehensive income	-	-	317,703,694	317,703,694
Other financial assets	-	458,631,541	-	458,631,541
Total Financial Assets	3,508,968,758	51,809,159,538	317,703,694	55,635,831,990

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	20,310,185,391	20,310,185,391
Due to depositors	28,387,365,249	28,387,365,249
Derivative financial liabilities	5,379,033	5,379,033
Other financial liabilities	1,129,788,584	1,129,788,584
Total Financial Liabilities	49,832,718,257	49,832,718,257

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## 20.2 Group

As at 31st March 2025	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,741,401,080	-	1,741,401,080
Repurchase agreements	-	1,834,617,974	-	1,834,617,974
Placements with banks & financial institutions	-	4,941,814,722	-	4,941,814,722
Financial assets recognised through profit or loss -measured at fair value	5,400,608,853	-	-	5,400,608,853
Loans and advances - at amortised cost	-	38,342,731,995	-	38,342,731,995
Lease rentals receivable - at amortised cost	-	24,173,323,963	-	24,173,323,963
Financial assets - fair value through other comprehensive income	-	-	175,800,654	175,800,654
Other financial assets	-	545,171,168	-	545,171,168
Total Financial Assets	5,400,608,853	71,579,060,902	175,800,654	77,155,470,409

	Other Financial Liabilities at amortised cost	Total
	LKR	LKR
Financial Liabilities		
Due to banks	30,397,669,512	30,397,669,512
Debt Securities Measured at amortised cost	1,012,406,801	-
Due to depositors	36,523,989,296	36,523,989,296
Derivative financial liabilities	-	-
Other financial liabilities	1,609,980,121	1,609,980,121
Total Financial Liabilities	69,544,045,730	68,531,638,929

### 20 Analysis of Financial Instruments by Measurement Basis (Contd.)

### 20.2 Group

As at 31st March 2024	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Other Comprehensive Income	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	-	1,136,828,171	-	1,136,828,171
Repurchase agreements	-	962,606,909	-	962,606,909
Placements with banks & financial institutions	-	3,266,942,485	-	3,266,942,485
Financial assets recognised through profit or loss -measured at fair value	3,625,924,356	-	-	3,625,924,356
Loans and advances - at amortised cost	-	23,506,870,064	-	23,506,870,064
Lease rentals receivable - at amortised cost	-	22,597,190,332	-	22,597,190,332
Financial assets - fair value through other comprehensive income	-	-	317,703,694	317,703,694
Other financial assets	-	450,152,846	-	450,152,846
Total Financial Assets	3,625,924,356	51,920,590,807	317,703,694	55,864,218,860

	Other Financial Liabilities at	Total
	amortised cost	
	LKR	LKR
Financial Liabilities		
Due to banks	20,310,185,391	20,310,185,391
Due to depositors	28,386,553,614	28,386,553,614
Derivative financial liabilities	5,379,033	5,379,033
Other financial liabilities	1,159,602,656	1,159,602,656
Total Financial Liabilities	49,861,720,694	49,861,720,694

## 21 Cash and Cash Equivalents

	Com	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Cash in hand	217,233,207	222,110,440	217,233,207	222,114,636	
Balances with banks	1,258,588,817	815,397,317	1,524,167,873	914,713,535	
	1,475,822,024	1,037,507,757	1,741,401,080	1,136,828,171	
Less: Bank Overdrafts (Note 36)	(3,578,665,825)	(1,320,679,267)	(3,634,623,492)	(1,320,679,267)	
	(2,102,843,801)	(283,171,510)	(1,893,222,412)	(183,851,096)	

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits as define above.

### 22 Financial Assets - Recognised Through Profit or Loss

	Com	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Government of Sri Lanka treasury bills - at fair value	3,730,914,157	1,900,347,524	3,730,914,157	1,900,347,524	
Government of Sri Lanka treasury bonds - at fair value	-	626,067,144	-	626,067,144	
Quoted equity securities (Note 22.1)	-	127,629,421	-	127,629,421	
Investment Of Unit Trust (Note 22.2)	1,540,175,010	854,924,669	1,669,694,696	971,880,267	
	5,271,089,167	3,508,968,758	5,400,608,853	3,625,924,356	

## 22.1 Quoted equity securities

As at 31 March		2025			2024	
Company and Group	No of shares	Cost	Fair Value	No of shares	Cost	Fair Value
Banks, Finance & Insurance						
Hatton National Bank -Voting	-	-	-	17,697	2,171,972	2,658,974
Hatton National Bank -Non voting	-	-	-	171,611	32,334,800	30,889,980
LB Finance PLC	-	-	-	534,733	35,245,506	33,527,759
Vallible Finance PLC	-	-	-	220,343	8,451,610	8,593,377
		-	-		78,203,888	75,670,090
Diversified Holdings						
LOLC Holdings-Voting	-	-	-	30,000	13,908,273	11,925,000
		-	-		13,908,273	11,925,000
Manufacturing						
ACL Cables PC	-	-	-	250,000	20,666,057	21,025,000
Dipped Products	-	-	-	336,368	11,598,891	10,225,587
Haycarb PLC	-	-	-	100,000	7,147,470	7,650,000
JAT Holdings PLC	-	-	-	65,521	1,106,679	1,133,744
Total		-	-		40,519,097	40,034,331
		_	_		132,631,258	127,629,421

### 22.2 Investment Of Unit Trust

As of 31 March 2025		Company			Group	
	No. of Units	Cost	Fair Value	No of Units	Cost	Fair value
CAL Investment Grade Fund	14,123,101	509,848,174	513,849,248	17,682,938	626,803,772	643,368,935
JB Vantage Money Market Fund	10,392,176	509,588,652	513,385,953	10,392,176	509,588,652	513,385,953
FC Money Market Fund	152,927	509,200,735	512,939,809	152,927	509,200,735	512,939,809
Total			1,540,175,010			1,669,694,697

As of 31 March 2024		Company			Group	
	No of Units	Cost	Fair Value	No of Units	Cost	Fair Value
CAL Investment Grade Fund	10,316,693	350,000,000	352,471,880	13,876,530	460,000,000	469,427,478
JB Vantage Money Market Fund	6,736,699	300,000,000	300,920,961	6,736,699	300,000,000	300,920,961
FC Money Market Fund	66,371	200,000,000	201,531,828	66,371	200,000,000	201,531,828
Total			854,924,669			971,880,267

### 23 Loans And Advances at Amortised Cost

	Com	Company		oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Term loan receivable	22 050 507 740	12.057.224.574	22.050.507.740	12 057 221 571
Gold loans	23,059,507,740 15,403,317,776	13,057,331,571	23,059,507,740 15,403,317,776	13,057,331,571 10,407,402,568
Pledge loans	148,814,341	171,100,735	148,814,341	171,100,735
Micro finance loans	958,304	20,209,778	958,304	20,209,778
Loans against fixed deposits	489,682,342	538,292,569	489,682,342	538,292,569
Gross loans and advances receivable	39,102,280,503	24,194,337,221	39,102,280,503	24,194,337,221
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 23.1 (a))	(100,043,679)	(82,559,732)	(100,043,679)	(82,559,732)
Outstanding loans and advances receivable	39,002,236,824	24,111,777,489	39,002,236,824	24,111,777,489
Less : Allowance for impairment losses (Note 23.1 (b), 23.2,23.3 & 23.4)	(659,504,829)	(604,907,425)	(659,504,829)	(604,907,425)
Net loans and advances	38,342,731,995	23,506,870,064	38,342,731,995	23,506,870,064

### 23.1 a) Interest Adjustment on NPLs using credit adjusted EIR

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
As at 01st April	82,559,732	82,461,807	82,559,732	82,461,807
Reversed /(credited ) to interest income	17,483,947	97,925	17,483,947	97,925
As at 31 st March	100,043,679	82,559,732	100,043,679	82,559,732

### b) Allowances for Impairment Losses

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
As at 01st April	604,907,425	570,767,954	604,907,425	570,767,954
Reversed /(credited ) to interest income	54,597,404	34,139,471	54,597,404	34,139,471
As at 31 st March	659,504,829	604,907,425	659,504,829	604,907,425

### 23.2 Loan Category wise Allowances for Impairment Losses

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Term loan receivable	462,974,349	400,005,180	462,974,349	400,005,180
Gold loans	90,461,160	96,993,652	90,461,160	96,993,652
Pledge loans	105,530,866	105,560,766	105,530,866	105,560,766
Micro finance loans	538,454	2,347,827	538,454	2,347,827
	659,504,829	604,907,425	659,504,829	604,907,425

## 23.3 Analysis of the Impairment for Expected Credit Losses, Based on the Staging of the Underlying Loans is Given Below:

	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Outstanding loans and advances 31st March 2025	32,884,910,596	5,176,616,949	940,709,279	39,002,236,823
Less: Provision for collective impairment	(65,577,646)	(71,136,819)	(107,950,115)	(244,664,578)
Less: Provision for individual impairment	-	-	(414,840,250)	(414,840,250)
	32,819,332,950	5,105,480,131	417,918,913	38,342,731,995
Outstanding loans and advances 31st March 2024	18,754,640,878	4,011,190,223	1,345,946,388	24,111,777,489
Less: Provision for collective impairment	(92,631,300)	(87,442,298)	(78,320,593)	(258,394,191)
Less: Provision for individual impairment	-	-	(346,513,234)	(346,513,234)
	18,662,009,578	3,923,747,925	921,112,561	23,506,870,064

Loans and advances receivables include receivables amounting to LKR 4,260,462,020/- (2023/2024 - LKR 7,796,335,728/-) . That have been assigned under a securitization funding arrangement.

### 23.4 Company & Group

	Within one year	1-5 Years	Over 5 years	Total
As at 31st March 2025	LKR	LKR	LKR	LKR
Outstanding rentals receivables				
- Loan rentals	32,067,526,512	6,521,687,492	221,234	38,589,435,238
- Amounts receivable from loans	512,845,265	-	-	512,845,265
	32,580,371,777	6,521,687,492	221,234	39,102,280,503
Less : Allowance for impairment losses				(659,504,829)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(100,043,679)
Total net rentals receivable				38,342,731,995

	Within one year	1-5 Years	Over 5 years	Total
As at 31st March 2024	LKR	LKR	LKR	LKR
Outstanding rentals receivables				
- Loan rentals	19,283,342,693	4,283,321,443	755,945	23,567,420,081
- Amounts receivable from loans	626,917,140	-	-	626,917,140
	19,910,259,833	4,283,321,443	755,945	24,194,337,221
Less : Allowance for impairment losses				(604,907,425)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(82,559,732)
Total net rentals receivable				23,506,870,064

### 4 Lease Rentals Receivable & Stock Out on Hire at Amortized Cost

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Lease rentals	32,070,755,438	30,127,351,672	32,070,755,438	30,127,351,672
Amounts receivable from Lease	2,027,082,340	2,351,116,053	2,027,082,340	2,351,116,053
Gross rentals receivables	34,097,837,778	32,478,467,725	34,097,837,778	32,478,467,725
Less: Unearned income	(8,759,418,407)	(8,707,053,270)	(8,759,418,407)	(8,707,053,270)
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 24.1 (a))	(117,825,793)	(99,439,130)	(117,825,793)	(99,439,130)
Outstanding rentals receivables	25,220,593,578	23,671,975,325	25,220,593,578	23,671,975,325
Less : Allowance for impairment losses (Note 24.1 (b) & 24.3)	(1,047,269,615)	(1,074,784,993)	(1,047,269,615)	(1,074,784,993)
Total net rentals receivable (Note 24.2 & 24.3 )	24,173,323,963	22,597,190,332	24,173,323,963	22,597,190,332

### 24.1 a) Interest Adjustment on NPLs using credit adjusted EIR

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
As at 01st April	99,439,130	84,030,290	99,439,130	84,030,290
Reversed /(credited ) to interest income	18,386,663	15,408,840	18,386,663	15,408,840
As at 31st March	117,825,793	99,439,130	117,825,793	99,439,130

### b) Allowances for Impairment Losses

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
As at 01st April	1,074,784,993	1,001,103,880	1,074,784,993	1,001,103,880
Reversed /(credited ) to interest income	(27,515,378)	73,681,113	(27,515,378)	73,681,113
As at 31st March	1,047,269,615	1,074,784,993	1,047,269,615	1,074,784,993

### 24.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying leases is given below:

Company & Group	Stage 1	Stage 2	Stage 3	Total
	LKR	LKR	LKR	LKR
Outstanding lease and receivables 31st March 2025	16,152,425,755	7,197,002,453	1,869,049,725	25,218,477,933
Less: Provision for collective impairment	(67,650,959)	(138,550,217)	(154,004,466)	(360,205,642)
Less: Provision for individual impairment	-	-	(684,948,493)	(684,948,493)
	16,084,774,797	7,058,452,237	1,030,096,766	24,173,323,799
Outstanding lease and receivables 31st March 2024	12,822,242,042	7,881,982,511	2,967,750,771	23,671,975,324
Less: Provision for collective impairment	(78,229,052)	(169,918,387)	(175,711,306)	(423,858,746)
Less: Provision for individual impairment	-	-	(650,926,247)	(650,926,247)
	12,744,012,990	7,712,064,124	2,141,113,218	22,597,190,331

## 24.3 Company & Group

Within one year	1-5 Years	Over 5 years	Total
LKR	LKR	LKR	LKR
14,572,781,702	17,497,973,735	-	32,070,755,437
2,027,082,340	-	-	2,027,082,340
16,599,864,042	17,497,973,735	-	34,097,837,777
(4,906,633,590)	(3,852,784,818)	-	(8,759,418,407)
11,693,230,453	13,645,188,917	-	25,338,419,370
			(1,047,269,615)
			(117,825,793)
			24,173,323,962
	14,572,781,702 2,027,082,340 16,599,864,042 (4,906,633,590)	LKR LKR  14,572,781,702 17,497,973,735 2,027,082,340 - 16,599,864,042 17,497,973,735 (4,906,633,590) (3,852,784,818)	LKR LKR LKR  14,572,781,702 17,497,973,735 - 2,027,082,340 16,599,864,042 17,497,973,735 - (4,906,633,590) (3,852,784,818) -

	Within one year	1-5 Years	Over 5 years	Total
As at 31st March 2024	LKR	LKR	LKR	LKR
Lease rentals	13,329,611,368	16,851,319,998	252,469	30,181,183,835
Amounts receivable from Lease	2,297,283,890	-	-	2,297,283,890
Outstanding rentals receivables	15,626,895,258	16,851,319,998	252,469	32,478,467,725
Less: Unearned income	(4,790,425,278)	(3,916,603,821)	(24,172)	(8,707,053,271)
Net rentals receivables	10,836,469,980	12,934,716,177	228,297	23,771,414,454
Less : Allowance for impairment losses				(1,074,784,993)
Less: Interest Adjustment on NPLs using credit adjusted EIR				(99,439,130)
Total net rentals receivable				22,597,190,333

Lease rental receivables include receivables amounting to LKR 1,408,628,898/- (2023/24 - LKR 17,862,833,760/-/-) that have been assigned under a securitization funding arrangement.

### Hire Purchase Rentals Receivable & Stock out on Hire 25

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Rentals Receivables		-	_	-
Amounts receivable from hirers	2,115,480	2,793,137	2,115,480	2,793,137
Gross rentals receivables	2,115,480	2,793,137	2,115,480	2,793,137
Less: Interest Adjustment on NPLs using credit adjusted EIR (Note 25.1 (a))	-	-	-	-
Outstanding rentals receivables	2,115,480	2,793,137	2,115,480	2,793,137
Less : Allowance for impairment losses (Note 25.1 (b))	(2,115,480)	(2,793,137)	(2,115,480)	(2,793,137)
Total net rentals receivable (Note 25.2 & 25.3)	-	-	-	-

### 25 Hire Purchase Rentals Receivable & Stock out on Hire (Contd.)

## 25.1 a) Interest Adjustment on NPLs using credit adjusted EIR

	Company		Gr	Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
As at 01st April	-	208,062	-	208,062	
Reversed /(credited) to interest income	-	(208,062)	-	(208,062)	
As at 31 st March	-	-	-	-	

### b) Allowance for Impairment Losses

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
As at 01st April	2,793,137	3,767,386	2,793,137	3,767,386
Charge / (Reversal) for the year	(677,657)	(974,249)	(677,657)	(974,249)
As at 31 st March	2,115,480	2,793,137	2,115,480	2,793,137

### 25.2 Analysis of the impairment for expected credit losses, based on the staging of the underlying hire purchase is given below:

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Outstanding rental receivable 31st March 2025	-	-	2,115,480	2,115,480
Less: Provision for individual impairment	-	-	(2,115,480)	(2,115,480)
	-	-	-	-
Outstanding rental receivable 31 March 2024		-	2,793,137	2,793,137
Less: Provision for individual impairment	-	-	(2,793,137)	(2,793,137)
	-	-	-	-

## 25.3 Company & Group

	Within one year	1-5 Years	Over 5 years	Total
As at 31st March 2025	LKR	LKR	LKR	LKR
Hire purchase rentals	-	-	_	-
Amounts receivable from hirers	2,115,480	-	-	2,115,480
Outstanding rentals receivables	2,115,480	-	-	2,115,480
Less: Unearned income	-	-	-	-
Net rentals receivables	2,115,480	-	-	2,115,480

	Within one year	1-5 Years	Over 5 years	Total
As at 31st March 2024	LKR	LKR	LKR	LKR
Hire purchase rentals	-	-	-	-
Amounts receivable from hirers	2,793,137	-	-	2,793,137
Outstanding rentals receivables	2,793,137	-	-	2,793,137
Less: Unearned income	-	-	-	-
Net rentals receivables	2,793,137	-	-	2,793,137

### 26 Financial Assets - Fair Value Through Other Comprehensive Income

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Quoted equity securities (Note 26.1)	175,221,404	317,124,444	175,221,404	317,124,444
Unquoted equities (Note 26.2)	579,250	579,250	579,250	579,250
	175,800,654	317,703,694	175,800,654	317,703,694

### 26.1 Quoted Equities

_	2025 Company & Group			2024 Company & Group			
	No of Shares	Cost of	Fair Value	No of Shares	Cost of	Fair Value	
_		Investment			Investment		
		LKR	LKR		LKR	LKR	
Banks, Finance & Insurance							
Sanasa Development Bank	3,592,187	182,085,425	130,037,169	3,516,310	182,085,425	114,280,075	
Ceylinco Insurance	33,707	27,413,582	45,184,234	48,765	39,660,921	41,450,250	
HNB Assurance PLC	-	-	-	274,513	15,404,186	16,306,072	
		209,499,007	175,221,403		237,150,532	172,036,397	
Diversified Holdings							
Cargills (Ceylon) PLC	-	-	-	36,254	12,356,623	13,051,440	
Chevron XD	-	-	-	426,970	40,945,333	46,006,018	
Kelani Valley	-	-	-	234,817	17,487,274	17,376,458	
Lanka Milk Foods (CWE) PLC	-	-	-	458,000	9,918,500	12,457,600	
		-	-		80,707,730	88,891,516	
Plantations							
Talawakelle Tea Estates PLC	-	-	-	154,765	17,410,251	17,604,519	
Watawala Plantations PLC	-	-	-	256,165	20,045,625	22,721,836	
		-	-		37,455,876	40,326,355	
Poultry industry							
Three Acre Farms PLC	-	-	-	57,605	13,282,990	15,870,178	
		-	-		13,282,990	15,870,178	
Total Investment		209,499,007	175,221,403		368,597,128	317,124,446	

### 26.2 Unquoted Equities

	2025		2024	
Company & Group	Cost of Investment	Fair Value	Cost of Investment	Fair Value
	LKR	LKR	LKR	LKR
Comp trust Equity Fund	200,500	200,500	200,500	200,500
Commercial Fund Management	1,500	1,500	1,500	1,500
Shaw Wallace Ceylon Ltd	11,544	11,544	11,544	11,544
Alliance Agencies Ltd	75,300	75,300	75,300	75,300
Ceylon Japan Industries Ltd	1	1	1	1
Orient Food Processing (Lanka) Ltd	1	1	1	1
Trigem Knitwear Ltd	1	1	1	1
Credit Information Bureau of Sri Lanka	25,400	25,400	25,400	25,400
Finance House Consortium (Pvt) Ltd	200,000	200,000	200,000	200,000
Orient Hotels Ltd	1	1	1	1
Ranwelli Holiday Resorts Ltd	65,001	65,001	65,001	65,001
Nation Lanka Equities (Pvt) Ltd	8,785,740	1	8,785,740	1
Total	9,364,989	579,250	9,364,989	579,250

Directors of the Company assessed that fair value of the unquoted share investments held by the Company as at 31st March 2025 and concluded that the carrying value as at that date is a reasonable approximation of fair value.

### **Other Trading Stocks**

	Con	Company		oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Vehicles stock and Other Stock	67,495,284	85,653,478	67,495,284	85,653,478
	67,495,284	85,653,478	67,495,284	85,653,478

#### **Other Financial Assets** 28

	Com	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Collaboration debtors	20,381,538	45,942,884	20,381,538	45,942,884	
Deferred expenses	315,841,926	287,361,756	315,841,926	287,361,756	
Other receivables	230,675,282	125,326,901	208,947,705	116,848,209	
	566,898,746	458,631,541	545,171,168	450,152,849	

#### 29 **Other Non Financial Assets**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Pre-paid expenses	230,816,444	236,601,512	230,882,604	236,667,670
Stationery stock account	13,808,633	20,935,842	13,808,633	20,935,842
VAT recoverable	-	-	8,291,913	7,593,475
	244,625,077	257,537,354	252,983,150	265,196,987

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### **Investment in Associates** 30

### **Equity Method** a)

Company	% Holding	Carrying Value 01.04.2024	Share of profit/ (loss)	Addition	Dividend Received	Carrying Value 31.03.2025
		LKR	LKR	LKR	LKR	LKR
Macbertan (Pvt) Ltd	22.39%	87,502,731	21,067,819	-	(2,734,800)	105,835,751
Helios P2P (Pvt) Ltd	25.00%	22,829,449	(2,162,585)	-	-	20,666,863
		110,332,180	18,905,234	-	(2,734,800)	126,502,614

Group	% Holding	Carrying Value 01.04.2024	Share of profit/ (loss)	Addition	Dividend Received	Carrying Value 31.03.2025
		LKR	LKR	LKR	LKR	LKR
Macbertan (Pvt) Ltd	22.39%	105,655,098	21,067,819		(9,072,923)	117,649,995
Helios P2P (Pvt) Ltd	25.00%	22,829,449	(2,162,585)	-	-	20,666,863
		128,484,547	18,905,234	-	9,072,923	138,316,858

Company shareholding of Macbertan (Pvt) Ltd is 9.02%. However Company have a significant influence over the associate and recognised its holding based on the group effective rate of 22.39%.

No. of Ordinary

2025

2024

### **Cost Method- Holding**

	Shares	LKR	LKR
Company	_	Cost of	Cost of
		Investment	Investment
Macharton (Dut) Ltd	4 720 000	47 200 000	17 200 000
Macbertan (Pvt) Ltd	1,720,000	17,200,000	17,200,000
Helios P2P (Pvt) Ltd	40,314	25,000,000	25,000,000
		42,200,000	42,200,000
	<del></del>		
	No. of Ordinary	2025	2024
	No. of Ordinary Shares	2025 LKR	2024 LKR
Group	-		
Group	-	LKR	LKR
Group	-	LKR Cost of	LKR Cost of
Group  Macbertan (Pvt) Ltd	-	LKR Cost of	LKR Cost of

### b) **Summarized Financial Information of Associate Companies**

Macbertan (Pvt) Ltd	2025	2024
	LKR	LKR
Revenue	974,252,933	975,579,152
Profit for the period	94,094,772	90,226,214
Current Assets	497,943,330	452,745,485
Non Current Assets	464,838,611	355,337,754
Current Liabilities	157,183,513	101,077,257
Non Current Liabilities	269,290,309	234,992,994

Helios P2P (PVT) Ltd	2025	2024
	LKR	LKR
Revenue	1,544,595	1,052,650
Profit /(Loss) for the period	(8,650,341)	(8,682,206)
Assets	7,208,042	15,468,925
Liabilities	781,327	344,620
Equity	6,426,714	15,124,306

d) Alliance Tech Trading (Pvt) Ltd is an Associate Company (40% holding) and the Company has been dormant and no significant assets or liabilities were carried in its books as at 31st March 2025 and 31st March 2024. Investment in Alliance Tech Trading Pvt Ltd Amount LKR 200,000/-.

### 31 Investment in Subsidiaries

	Principal Activity	% Holding	Cost of
			Investment
Alfinco Insurance Brokers (Pvt) Ltd	Inquirance Prokering	63.93%	16,924,038
Bonus received from Alfinco	Insurance Brokering	03.9370	1,598,250
			18,522,288

Alfinco Insurance Brokers (Pvt) Ltd is not quoted in Colombo Stock Exchange.

### **Summarized Financial Information of Associate Company**

As at 31st March	2025	2024
Alfinco Insurance Brokers (Pvt) Ltd	LKR_	LKR
Operating income	246,914,788	214,313,651
Less: operating expenses	(103,572,188)	(91,476,390)
Profit before taxes	143,342,600	122,837,261
Less: Taxes	(48,925,857)	(34,462,920)
Profit after tax	94,416,743	88,374,341
Assets	628,063,863	476,455,118
Liabilities	144,133,046	79,826,039
Equity	483,930,817	396,629,079

## 32 Investment Property

Company	Balance As at 01.04.2024	Fair value gain	Addition	Disposals	Balance As at 31.03.2025
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR
Land	187,680,000	-	-	-	187,680,000
	187,680,000	-	-	-	187,680,000

Group	Balance As at 01.04.2024	Fair value gain	Addition	Disposals	Balance As at 31.03.2025
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR
Land	187,680,000	-	-	-	187,680,000
Building	108,000,000	7,000,000	-	-	115,000,000
	295,680,000	7,000,000	-	-	302,680,000

### 32.1 Fair Valuation of Investment property

The Company revalued its investment properties as at 31st March 2025, adopting an open market comparable basis of valuation by Mr. M.T.H Farook, an independent, professional valuer with recent experience in the location category of the property being valued.

Details of investment properties Stated at Valuat	ion			Company	Group
Company and Group					
Location	Date of valuation	Net book Value at valuation	Fair Value	Fair Value Recognised in	Fair Value Recognised in
		at valuation		P&L	P&L
		LKR	LKR	LKR	LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2025	81,880,000	81,880,000	-	-
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	31.03.2025	105,800,000	105,800,000	-	-
No.137,Sir James Pieris Mw, Colombo 02	31.03.2025	108,000,000	115,000,000	-	7,000,000
		295,680,000	302,680,000	-	7,000,000

### 32.2 Details of investment properties as at 31st March 2025

Company and Group Location	Land extent (perches)	No of Buildings	Extent of the Building	Value LKR
No.199/11,Obeysekara Crescent Rajagiriya Road, Rajagiriya	19.25	-	-	81,880,000
No.199/10, Obeysekara Crescent Rajagiriya Road, Rajagiriya	23	-	-	105,800,000
No.137,Sir James Pieris Mw, Colombo 02			1654 Square feet	115,000,000

### Fair Value

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

## Company

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair
		Value Measurements
Land value is based on the market	Market value of Land	The estimated fair value would increase/ (decrease), when market
prices of each land respectively.	(Price per Perch & LKR 4.6Mn)	value per perch was higher (lower)

### Subsidiary

Valuation Technique Significant Unobservable Inputs		Interrelationship between Key Unobservable Inputs and Fair			
		Value Measurements			
Investment method of valuation.	Rent per sq.ft @ LKR 350	The estimated fair value would increase/ (decrease) if Market value			
		per Square Foot was higher (lower)			

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in directors opinion, meets the requirements in SLFRS 13 fair Value Measurements.

### 32.3 Title restriction on Investment properties

There were no restriction on the title of land classified as investment properties as at 31st March 2025.

### 32.4 Rental income earned and expenses incurred on Investment Property

Rental income of LKR. 7,568,357/- (2023/24 LKR.3,854,283/-)was earned, and no direct expenses were incurred in relation to the investment property owned by the subsidiary during the financial year.

## 33 Property, Plant and Equipment

## 33.1 Company

	Balance As at 01.04.2024	Additions	Disposals	Transfers /	Revaluation	Balance As at
				Adjustments		31.03.2025
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR	LKR
Cost / Valuation						
Freehold Assets						
Land	2,134,060,000		-	-	-	2,134,060,000
Buildings	452,804,000	2,649,171	-	-	-	455,453,171
Furniture & fittings	128,551,746	26,245,375	(1,436,081)	-	-	153,361,040
Equipment	520,797,521	128,790,771	(2,317,708)	(86,958)	-	647,183,626
Plant, Machinery & cutlery	57,020,793	1,178,478	-	-	-	58,199,271
Motor vehicles & accessories	248,045,425	30,200,000	(130,322)	-	-	278,115,103
Motor vehicles - Hiring Fleet	223,303,393	169,444,713	(27,600,000)	-	-	365,148,106
Computers	261,117,040	48,490,554	-	900	-	309,608,494
Antiques	25,580	-	-	-	-	25,580
	4,025,725,498	406,999,062	(31,484,111)	(86,058)	-	4,401,154,391
Depreciation						
Freehold Assets						
Land	-		-	-	-	-
Buildings	-	22,640,563	-	-	-	22,640,563
Furniture & fittings	81,447,352	10,516,742	(1,163,511)	-	-	90,800,583
Equipment	327,245,308	73,845,024	(2,162,131)	(3,179)	-	398,931,380
Plant, Machinery & cutlery	32,461,836	8,085,885	-	-	-	40,547,721
Motor vehicles & accessories	168,915,955	26,639,851	(130,322)	-	-	195,425,484
Motor vehicles - Hiring Fleet	26,388,643	17,147,962	(10,819,167)	-	-	32,717,438
Computers	186,616,745	42,502,948	-	25	-	229,119,718
Antiques	-	-	-	-	-	-
	823,075,839	201,378,975	(14,275,131)	(3,154)	-	1,010,182,887
Net book value						
Land	2,134,060,000					2,134,060,000
Buildings	452,804,000					432,812,608
Furniture & fittings	47,104,393					62,560,457
Equipment	193,552,213					248,252,246
Plant, Machinery & cutlery	24,558,951					17,651,550
Motor vehicles & accessories	79,129,470					73,948,369
Motor vehicles - Hiring Fleet	196,914,750					332,430,668
Computers	74,500,295					80,488,776
Antiques	25,580					25,580
	3,202,649,652					3,390,971,504

### 33.2 **Group**

	Balance As at	Additions	Disposals	Transfers /	Revaluation	Balance As at
	01.04.2024			Adjustments		31.03.2025
Gross Carrying Amounts	LKR	LKR	LKR	LKR	LKR	LKR
Cost / Valuation						
Freehold Assets						
Land	2,134,060,000	-	-	-	-	2,134,060,000
Buildings	452,804,000	2,649,171	-	-	-	455,453,171
Furniture & fittings	129,796,807	26,245,375	-	-	-	154,606,101
Equipment	523,326,884	128,790,771	(86,958)			649,712,989
Plant, Machinery & cutlery	57,020,793	1,178,478	-	-	-	58,199,271
Motor vehicles & accessories	248,045,425	30,200,000	-	-	-	278,115,103
Motor vehicles - Hiring Fleet	223,303,393	169,444,713	-	-	-	365,148,106
Computers	263,499,039	49,398,054	900	-	-	312,897,993
Antiques	25,580	-	-	-	-	25,580
	4,031,881,921	407,906,562	(86,058)	-	-	4,408,218,314
Depreciation						
Freehold Assets						
Land	-	-	-	-	-	-
Buildings	-	22,640,563	-	-	-	22,640,563
Furniture & fittings	82,438,481	10,516,742	(1,163,511)			91,791,712
Equipment	329,645,487	73,912,344	(2,162,131)	(3,179)		401,392,521
Plant, Machinery & cutlery	32,461,836	8,085,885	-	-	-	40,547,721
Motor vehicles & accessories	168,915,788	26,639,851	(130,322)	-	-	195,425,317
Motor vehicles - Hiring Fleet	26,388,643	17,147,962	(10,819,167)	-	-	32,717,438
Computers	189,080,763	42,746,982	-	25	-	231,827,770
Antiques	-	-	-	-	-	-
	828,930,998	201,690,329	(14,275,131)	(3,154)	-	1,016,343,042
Net book value						
Land	2,134,060,000					2,134,060,000
Buildings	452,804,000					432,812,608
Furniture & fittings	47,358,326					62,814,389
Equipment	193,681,397					248,320,468
Plant, Machinery & cutlery	24,558,959					17,651,550
Motor vehicles & accessories	79,129,637					82,689,786
Motor vehicles - Hiring Fleet	196,914,750					332,430,668
Computers	74,418,276					81,070,223
Antiques	25,580					25,580
	3,202,950,925					3,391,875,272

### 33.3 Revaluation of land and buildings

As per company policy, the Company revalued its land and buildings as of 31st March 2024. In accordance with the policy to revalue land and buildings every 3 to 5 years, the valuation was conducted on an open market comparable basis by Mr. M.T. Hilmy Farook, an independent professional valuer with recent experience in the location and category of the property being valued.

### 33.3.1 Details of Company's Land Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
				LKR	LKR	LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	1,072,981,930	1,232,700,000	159,718,070
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	308,046,420	359,160,000	51,113,580
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	212,389,850	248,600,000	36,210,150
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	158,144,740	186,080,000	27,935,260
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	41,840,000	60,000,000	18,160,000
No.152,150/1 Batapadura Watta Road, Siyambalagoda	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	24,500,000	29,400,000	4,900,000
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	15,257,521	18,120,000	2,862,479
				1,833,160,461	2,134,060,000	300,899,539

### 33.3.2 Details of Company's Buildings Stated at Valuation

Location	Valuer	Date of valuation	Method of valuation	Net book Value Before valuation	Revaluation amount	Revaluation Gain/(Loss) Recognised in OCI
	_			LKR	LKR	LKR
No.84, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	28,687,500	33,750,000	5,062,500
No.98, Ward Place, Colombo 7	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	39,430,396	46,580,000	7,149,604
No.720, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	21,250,000	25,000,000	3,750,000
No.722, Kotte Road, Rajagiriya	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	115,641,225	325,584,000	209,942,775
No.383, Kotugoda Road, Seeduwa	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	6,915,600	8,136,000	1,220,400
No.107/2, Ratnapura Road,Avissawella	Mr.M.T.Hilmy Farook	31.03.2024	Market Comparable Method	12,623,961	13,754,000	1,130,039
				224,548,682	452,804,000	228,255,318

### 33.3.3 Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used:

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements		
Land value is based on the market prices	Market value of Land (Price per Perch)	The estimated fair value would increase/ (decrease)		
of each land respectively.		if - Market value per perch was higher (Lower)		

### 33.4 Revaluation of land and buildings

### 33.4.1 Carrying value at cost

The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

	Cost	Accumulated	Net
		Depreciation	<b>Book Value</b>
As at 31st March 2025	LKR	LKR	LKR
Freehold lands	353,350,808	-	353,350,808
Freehold buildings	219,880,691	91,295,448	128,585,243
	573,231,499	91,295,448	481,936,051

### 33.4.2 Carrying value at revaluation

The carrying amount of Company's revalued freehold land and buildings, if they were carried at cost less accumulated depreciation would be as follows;

	Revalued	Accumulated	Net Book Value
	Amount	Depreciation	
As at 31st March 2025	LKR	LKR	LKR
Land	2,134,060,001	-	2,134,060,001
Building	455,453,171	229,119,718	226,333,453
	2,589,513,172	229,119,718	2,360,393,454

### 33.5 Details of Freehold Land and Buildings as at 31st March 2025

Location	Land extent (Perches)	Per perche price	Cost or Revaluation of Land LKR	No of Buildings	Buildings (Square Feet)	Cost or Revaluation of Building LKR	Total Value LKR
No 84 Ward Place Colombo - 7	65P	18,964,615	1,232,700,000	2	6,967	33,750,000	1,266,450,000
No.98, Ward Place, Colombo - 7	19.41 P	18,503,864	359,160,000	1	8,460	46,580,000	405,740,000
No.152,150/1 Batapadura Watta	49 P	600,000	29,400,000		-	-	29,400,000
Road, Siyambalagoda							
No.720, Kotte Road, Rajagiriya	33.85 P	7,344,165	248,600,000	1		25,000,000	273,600,000
No.722, Kotte Road, Rajagiriya	23.26 P	8,000,000	186,080,000	1	16,660	325,584,000	511,664,000
No.383, Kotugoda Road, Seeduwa	80P	750,000	60,000,000	1	2,712	8,136,000	68,136,000
No.107/2, Ratnapura	7.55P	2,400,000	18,120,000	1	2,737	13,754,000	31,874,000
Road, Avissawella							
Freehold Land and Building			2,134,060,000			452,804,000	2,586,864,000

33.6 During the financial year, the Company acquired property, plant & equipment to the aggregate value of LKR 406,999,062/- (2023/24 - LKR 288,379,464 /-) and payment made by cash.

33.7 The cost of the fully depreciated / amortised property, plant and equipment and intangible assets of the Company which are still in use as at the end of the reporting date is as follows:

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Motor vehicles	128,745,471	122,120,463	128,745,471	122,120,463
Office Equipment	234,484,142	198,338,552	236,881,216	200,735,626
Furniture & Fittings	59,670,868	52,159,682	60,660,021	53,140,835
Plant machinery and cutlery	17,551,640	16,509,856	17,551,640	16,509,856
Computers	178,112,932	142,439,434	180,713,901	143,569,564
Software - Intangible assets	32,102,009	22,452,565	34,230,006	24,005,565
	650,667,062	554,020,552	658,782,255	560,081,909

### 33.8 Title restriction on Property Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2025.

### 33.9 Measurement of fair values

The fair value measurement for freehold lands have been categorized as a Level 3 fair value based on the input to the valuation technique used.

- **33.10** The Group does not foresee indications of Impairment of Fixed assets as at the reporting date due to the current macro economic situation and each business unit functions under the respective business continuity plans.
- 33.11 As per LKAS 16 Property, Plant and Equipment, the Company had no temporarily idle property as at 31st March 2025

### 34 Intangible Assets

### 34.1 Company

			Transfers / Disposals LKR	Balance As at 31.03.2025 LKR
	Balance As at	Additions		
	01.04.2024			
Gross Carrying Value	LKR	LKR		
Cost / Valuation				
Computer software - Freehold	127,763,509	19,178,731	897,125	147,839,365
Computer Software - WIP	108,061,956	28,913,291	-	136,975,247
	235,825,465	48,092,022	897,125	284,814,612
Amortization				
Computer software - Freehold	88,737,609	11,394,636	7,476	100,139,721
Computer Software - WIP	-	-	-	-
	88,737,609	11,394,636	7,476	100,139,721
Net book value				
Computer software - Freehold	39,025,900			47,699,644
Computer Software - WIP	108,061,956			136,975,247
	147,087,856			184,674,891

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#### 34.2 **Group**

	Balance As at	Additions	Transfers /	Balance As a	
	01.04.2024		Disposals	31.03.202 LKI	
Gross Carrying Value	LKR	LKR	LKR		
Cost / Valuation					
Computer software - Freehold	129,891,506	19,178,731	897,125	149,967,362	
Computer Software - WIP	108,061,956	28,913,291	-	136,975,247	
	237,953,462	48,092,022	897,125	286,942,609	
Amortization					
Computer software - Freehold	90,783,872	11,476,371	7,476	102,267,719	
Computer Software - WIP	-	-	-	-	
	90,783,872	11,476,371	7,476	102,267,719	
Net book value					
Computer software - Freehold	39,107,634			47,699,643	
Computer Software - WIP	108,061,956			136,975,247	
	147,169,590			184,674,890	

#### **Right of Use Assets** 35

### 35.1 Cost of Right of Use Asset

	202	25	
	Company	Group	
	LKR	LKR	
Balance as at 01st April 2024	866,394,422	866,394,422	
Additions and improvements	264,093,201	264,093,201	
Disposal	(2,698,253)	(2,698,253	
Balance as at 31st March 2025	1,127,789,369	1,127,789,369	
Accumulated Amortisation			
Balance as at 01st April 2024	510,046,969	510,046,969	
Charge for the Year	153,917,919	153,917,919	
Balance as at 31st March 2025	663,964,888	663,964,888	
Net book value as at 31st March 2025	463,824,482	463,824,482	
Net book value as at 31st March 2024	356,347,453	356,347,453	

## 35.2 Operating Lease Liability

	202	25
	Company	Group
	LKR	LKR
Balance as at 01st April 2024	349,669,731	349,669,731
Additions and improvements	218,109,302	218,109,302
Accretion of Interest	58,736,458	58,736,458
Disposal	(2,875,352)	(2,875,352)
Payments made during the year	(177,585,303)	(177,585,303)
Balance as at 31st March 2025	446,054,836	446,054,836
Balance as at 31st March 2024	349,669,731	349,669,731

#### 36 Due To Banks

	Con	npany	Group		
	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
Bank overdrafts	3,578,665,825	1,320,679,267	3,634,623,492	1,320,679,267	
Securitized borrowings and other facilities (Note 36.1)	26,763,046,020	18,989,506,124	26,763,046,020	18,989,506,124	
	30,341,711,845	20,310,185,391	30,397,669,512	20,310,185,391	

#### 36.1 Securitized Borrowings

Company and Group	As at 01.04.2024	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2025	Period	Security
	LKR	LKR	LKR	LKR	LKR		
Securitization 06	372,180,423	-	47,375,601	301,734,230	117,821,794	48 months	Lease receivables
Securitization 10	514,057,877	-	49,816,485	563,874,362	-	17 months	Lease receivables
Securitization 11	1,355,102,740	-	105,767,616	397,921,577	1,062,948,778	24 months	Lease receivables
Securitization 12	-	1,000,000,000	140,585,412	3,541,164	1,137,044,248	36 months	Lease receivables
Securitization 14	-	400,000,000	41,589,992	20,675,910	420,914,082	36 months	Gold loan
NDB Trust 01	784,380,041	-	95,159,574	541,038,118	338,501,497	24 months	Lease Receivables
NDB Trust 02	793,744,471	-	141,451,955	322,370,132	612,826,295	24 months	Gold Loan
NDB Trust 03	588,364,332	-	74,403,340	358,177,680	304,589,992	30 months	Gold Loan
	4,407,829,884	1,400,000,000	696,149,975	2,509,333,172	3,994,646,686		
Direct Bank Borrowings							
Cargills Bank	450,000,000	-	41,645,972	228,847,081	262,798,891	48 months	Lease receivables
Commercial bank	225,574,028	1,000,000,000	43,132,088	333,025,398	935,680,718	60 months	Lease receivables
DFCC Bank	1,129,809,858	1,500,000,000	163,905,038	639,474,379	2,154,240,517	60 months	Lease receivables
Hatton National Bank	549,100,000	1,500,000,000	175,998,010	587,719,275	1,637,378,735	60 months	Lease receivables
National Savings Bank	-	750,000,000	48,576,534	112,694,794	685,881,740	60 months	Loan Receivables
National Development Bank	2,424,133,220	1,200,000,000	313,105,433	1,379,033,448	2,558,205,205	60 Months	Lease & Gold loan
Nations Trust Bank	516,645,753	1,000,000,000	52,592,527	260,776,697	1,308,461,583	36 Months	Lease receivables, Land and Building & Solar Loan Receivable

Company and Group	As at 01.04.2024	Loans Obtained	Interest Recognized	Repayments	As at 31.03.2025	Period	Security
	LKR	LKR	LKR	LKR	LKR		
	LKK	LNK	LKK	LKK	LKK		
Public Bank	124,322,223	-	5,582,689	129,904,912	-	60 months	Land & Building
Pan Asia Bank	-	200,000,000	11,929,720	11,794,104	200,135,616	03 Months	Lease Receivables
Sampath bank loan	1,725,000,000	2,500,000,000	310,165,453	1,732,849,116	2,802,316,337	60 months	Lease receivables
Seylan Bank	1,624,497,260	-	148,898,151	990,192,560	783,202,851	60 Months	Loan & Lease Receivables
Union Bank	1,302,046,262	1,900,000,000	143,661,422	1,688,726,903	1,656,980,781	36 months	Loan & Lease Receivables
Syndication 02-Sub Debt 01	1,043,866,047	-	123,634,828	126,506,354	1,040,994,521	60 Months	Unsecured
Syndication 02-Sub Debt 02	-	383,000,000	52,034,256	33,130,352	401,903,904	60 Months	Unsecured
Syndication 02-Sub Debt 03	-	1,066,000,000	34,477,643	21,020,315	1,079,457,328	60 Months	Unsecured
	11,114,994,651	12,999,000,000	1,669,339,764	8,275,695,688	17,507,638,727		
Foreign Currency Borrowings							
FMO	2,324,111,449	-	95,338,084	912,799,539	1,506,649,994	60 Months	Lease & Loan
EQ	1,142,570,139	1,463,192,500	80,838,807	1,170,369,633	1,516,231,813	36 Months	Loan
DWM - LKR Index Loan	-	1,030,170,050	31,588,112	11,018,302	1,050,739,860	36 Months	Loan
DWM - CIFIF	-	1,185,806,800	1,843,793	511,600	1,187,138,993	36 Months	Loan
	3,466,681,588	3,679,169,350	209,608,796	2,094,699,074	5,260,760,660		
	18,989,506,123	18,078,169,350	2,575,098,535	12,879,727,934	26,763,046,073		

#### **37 Debt Securities Measured at Amortised Cost**

See accounting policy in Note 4.5.5.1.2

#### 37.1 Debt Securities at amortised cost

Face Value	Interest Rate	Repayment Term	Issued date	Maturity date	31st March 2025
1,000,000,000	10.75%	Semi-annually	21.02.2025	20.02.2028	1,012,406,801

#### 37.2 Debt Securities Issued - Listed Debentures

Debenture Category	Interest Payable frequency	Applicable Interest Rate	Interest rate of comparative government securities (Gross) p.a%	Balance as at 31st March 2025
Listed, Rated, Guaranteed, Senior,	Semi-annually	10.75% p.a	9.85%	1,012,406,801
Redeemable Green Bonds				

#### 37.3 Information on - Listed Debentures

Debenture Category	Interest Payable frequency	Effective Rate	Applicable Interest Rate	Interest Rate of comparative government securities (Gross) p.a%	Balance as at 31st March 2025	Market Price LKR		Yield Last Traded %	
		%	%	%		Highest	Lowest	Last Traded	
Listed, Rated, Guaranteed, Senior, Redeemable Green Bonds	Semi-annually	11.03%	10.75% p.a	9.85%	1,012,406,801	N/T	N/T	N/T	N/T

<sup>\*</sup>N/T=Not Traded

#### 37.4 Debt Securities Issued at amortised cost -By Maturity

As at 31st March 2025	LKR
Payable within one year	12,406,801
Payable after one year	1,000,000,000

### 37.5 Disclosure Regarding the utilization of fund as per the objectives stated the green bond issue prospectus

### Objectives Stated in the Green Bond Issue Prospectus

Objective Number	Objective as per Prospectus	Amount allocated as per Prospectus (LKR)	Proposed Date of allocation as per Prospectus	Amount allocated from proceeds (LKR) (A)	% of Total Proceeds	Amount utilized (LKR) (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (eg: whether lent to related party, etc.)
1	Financing rooftop solar energy installations to reduce greenhouse gas emissions and increase renewable energy in Sri Lanka's National grid.	1,000 Mn	Over a period of 24 months from the Date of Allotment	800 Mn	Approximately 80%	59.6 Mn	7.45%	Funds would be invested in cash equivalents, T-bills,
2	Financing solar equipment vendors and suppliers to strengthen the supply chain for renewable energy projects, ensuring efficient implementation and growth of solar initiatives	(Maximum Issuance)	Over a period of 24 months from the Date of Allotment	200 Mn	Approximately 20%	-	-	T-bonds, or FDs (excluding greenhouse gas-intensive activities) at the prevailing rates at the time of investments.

### 38 Due to Depositors at Amortized Cost

	Com	ıpany	Group		
	2025 2024 LKR LKR		2025 LKR	2024 LKR	
Fixed deposits	36,139,391,887	28,054,391,125	36,139,391,887	28,054,391,125	
Savings deposits	385,444,430	332,974,124	384,597,409	332,162,489	
	36,524,836,317	28,387,365,249	36,523,989,296	28,386,553,614	

#### 39 Other Financial Liabilities

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Accrued expenses	428,817,021	305,389,655	429,741,410	307,050,836
Lease Liability	303,571,289	195,702,038	303,571,289	195,702,038
Others	805,269,372	628,696,892	876,667,422	656,849,782
	1,537,657,682	1,129,788,584	1,609,980,121	1,159,602,656

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#### 40 **Other Non Financial Liabilities**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
VAT and VAT on FS payable	132,124,837	164,307,841	132,124,837	164,307,841
Other tax payables	59,693,487	54,929,830	59,693,487	54,929,830
	191,818,324	219,237,671	191,818,324	219,237,671

#### **Derivative Financial Liabilities** 41

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Foreign currency SWAP	-	5,379,033	-	5,379,033
	-	5,379,033	-	5,379,033

#### 42 **Income Tax Liability**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Tax refunds and self assessment payments	(457,852,594)	(327,539,904)	(479,981,503)	(345,081,522)
Current tax liability	1,204,804,186	635,703,889	1,243,618,687	663,234,032
Provision for contingent tax liabilities	623,172,918	620,349,210	623,172,918	620,619,946
(Over)/under provision in respect of previous years	-	-	1,717,260	-
	1,370,124,510	928,513,196	1,386,810,102	938,772,456

### 42.1 Movement of Income Tax Liability

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Balance as at 01st April	928,513,196	708,410,304	938,772,456	722,146,197
Current tax based on profit for the year	1,204,804,186	635,703,889	1,243,618,687	663,234,032
(Over)/under provision in respect of previous years	-	(24,433,982)	2,162,293	(24,433,982)
Provision for contingent tax liabilities	76,851,211	113,165,553	76,851,210	113,165,552
Payment of tax	(840,044,008)	(504,332,568)	(872,877,284)	(535,339,343)
Balance as at 31st March	1,370,124,514	928,513,196	1,388,527,363	938,772,456

#### 43 Retirement Benefit Obligations

#### 43.1 Liability Recognized in the Statement of Financial Position

	Company		Gr	oup
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Balance as at 01st April	52,103,008	48,489,232	56,338,393	50,962,873
Amount charged/(reversed) for the year (Note - 43.2)	128,221,759	44,350,684	129,876,566	46,112,428
Transfer to gratuity trust fund	(52,103,008)	-	(52,103,008)	-
Payments made during the year	(41,126,797)	(40,736,908)	(41,326,797)	(40,736,908)
Balance as at 31st March (Note 43.2 & 43.3)	87,094,962	52,103,008	92,785,154	56,338,393

#### 43.2 Amount charged/(reversed) for the year

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Current service cost for the year	69,134,904	51,141,859	69,635,792	51,448,343
Interest cost for the year	79,032,115	100,987,864	79,481,489	101,374,516
Expected return on plan assets	(72,779,754)	(92,259,802)	(72,779,754)	(92,259,802)
	75,387,265	59,869,921	76,337,527	60,563,057
Amount Recognised in Other Comprehensive Income				
Net actuarial (gains)/ losses	52,834,494	(15,519,237)	53,539,039	(14,450,629)
Amount Charged for the year	128,221,759	44,350,684	129,876,566	46,112,428

### 43.3 Changes in the Present Value of Obligation

Company		Group	
2025 LKR	2024 LKR	2025 LKR	2024 LKR
658,600,962	561,043,687	661,667,812	562,348,793
79,032,115	100,987,864	79,481,489	101,374,516
69,134,904	51,141,859	69,635,792	51,448,343
(41,126,797)	(40,736,908)	(41,326,797)	(40,736,908)
13,636,072	(13,835,540)	14,340,617	(12,766,932)
779,277,256	658,600,962	783,798,913	661,667,812
	2025 LKR 658,600,962 79,032,115 69,134,904 (41,126,797) 13,636,072	2025 LKR 2024 LKR 2024 LKR 2024 LKR 2024 LKR 2024	2025 LKR 2024 LKR 2025 LKR 2025 LKR 2025 LKR 2025 LKR 2025 LKR 2025 2026 LKR 661,667,812 79,032,115 100,987,864 79,481,489 69,134,904 51,141,859 69,635,792 (41,126,797) (40,736,908) (41,326,797) 13,636,072 (13,835,540) 14,340,617

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#### 43.4 Movement in the Present Value of Plan Assets

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Value of plan assets as at 01st April	606,497,954	512,554,455	605,329,419	511,385,920
Expected return on the plan assets for the period	72,779,754	92,259,802	72,779,754	92,259,802
Contribution paid to the plan	52,103,008	-	52,103,008	-
Actuarial gain/(loss) on plan assets	(39,198,423)	1,683,697	(39,198,423)	1,683,697
Value of plan assets as at 31st March	692,182,293	606,497,954	691,013,758	605,329,419
Retirement Benefit Liability	87,094,963	52,103,008	92,785,155	56,338,393

#### 43.5 Assumptions

	Company		Subsidiar	y Company
Discount rate	10.50%	12.00%	10.50%	12.00%
Salary scale	9.00%	11.00%	11.00%	10.00%
Mortality table	A 67/70	A 67/70	A 67/70	A 67/70
Staff turnover	25.42%	30.00%	13.00%	13.00%
Retirement age	Normal retirement age, or age on valuation date, if greater.			

An actuarial valuation of the gratuity was carried out as at 31st March 2025 by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", recommended by LKAS 19.

Sensitivity Analysis of Present Value of Defined Benefit Obligation	2025 LKR	2024 LKR
A one percentage point increase (+1%) in the discount rate	736,673,083	622,359,122
A one percentage point decrease (-1%) in the discount rate	827,275,423	699,470,290
A one percentage point increase (+1%) in the salary/wage increment rate	830,683,363	702,141,552
A one percentage point decrease (-1%) in the salary/wage increment rate	732,929,766	619,376,218

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#### **Deferred Tax Assets and Liabilities**

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Deferred tax liability				
Balance as at 01st April	663,298,289	478,434,654	668,778,398	478,434,654
Recognised in profit & loss	23,555,461	26,117,178	25,474,962	26,117,178
Recognised in other comprehensive income	17,371,037	158,746,457	17,371,037	164,226,566
Balance as at 31st March	704,224,787	663,298,289	711,624,397	668,778,398
Deferred tax asset				
Balance at 01st April	174,526,137	209,616,678	175,796,752	210,498,249
Recognised in profit & loss	(46,924,308)	(30,434,770)	(46,924,308)	(30,434,770)
Recognised in other comprehensive income	7,881,425	(4,655,771)	8,529,232	(5,537,342)
Balance as at 31st March	135,483,254	174,526,137	137,401,676	175,796,752
Net Deferred tax liability / (asset)	568,741,533	488,772,152	574,222,721	492,981,646

#### 44.1 Composition of Deferred Tax Assets and Liabilities

	Comp	Company		ир
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Liabilities				
Fair Value Gain on Investment Property	24,473,100	24,473,100	31,926,475	29,826,475
Lease rentals	16,847,345	25,394,732	16,847,345	25,394,732
Recognised in revalaution surplus	604,884,501	587,513,464	604,884,501	587,513,464
Accelerated depreciation - Own assets	58,019,841	25,916,993	57,966,075	26,043,727
	704,224,787	663,298,289	711,624,397	668,778,398
Assets				
Defined benefit obligation	10,278,140	15,630,903	10,278,140	15,630,903
Provisions	109,354,766	150,926,311	111,061,823	152,196,926
Recognised in other comprehensive income	15,850,348	7,968,923	16,061,712	7,968,923
	135,483,254	174,526,137	137,401,676	175,796,752

The deferred tax assets/liabilities of the Company as at 31st March 2025 were computed using income tax rate of 30%. (2023/24 -30%)

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#### **Stated Capital** 45

#### 45.1 Issued and Fully Paid-Ordinary shares

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Ordinary shares	613,980,000	613,980,000	613,980,000	613,980,000
	613,980,000	613,980,000	613,980,000	613,980,000

#### 45.2 Number of Shares

	Company		Group	
	2025 LKR	2024 LKR	2025 LKR	2024 LKR
Balance as at 01 April	33,696,000	33,696,000	33,696,000	33,696,000
	33,696,000	33,696,000	33,696,000	33,696,000

#### 45.3 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

Shares in the Company quoted in the Colombo Stock Exchange.

#### 46 **Retained Earnings**

	Com	pany	Group		
As at 31st March	2025 LKR	2024 LKR	2025 LKR	2024 LKR	
As at 01st April	4,509,940,679	3,761,997,661	4,675,362,989	3,870,187,587	
Dividend paid	(552,614,544)	(168,480,000)	(561,726,728)	(168,480,000)	
Profit for the year	1,734,833,052	916,879,352	1,779,739,681	975,500,926	
Transfer of realised share disposal profit from FVTOCI	87,651,562	34,524,168	87,651,562	34,524,168	
Adjustment on actuarial gain / (losses) on defined benefit plan	(36,984,146)	10,863,466	(37,477,326)	9,474,276	
Transfers to statutory reserve fund	(86,741,653)	(45,843,968)	(86,741,653)	(45,843,968)	
As at 31st March	5,656,084,950	4,509,940,679	5,856,808,525	4,675,362,989	

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

#### 47 Reserves

		Company		Group			
	2024	Transfers	2025	2024	Transfers	2025	
	LKR	LKR	LKR	LKR	LKR	LKR	
Fair Value Through OCI	(25,273,504)	12,955,952	(12,317,552)	(25,273,504)	12,955,952	(12,317,552)	
(Note 47.1)					/		
Capital Reserve - Revaluation Reserve (Note 47.2)	1,593,798,551	(25,339,998)	1,568,458,553	1,593,798,551	(25,339,998)	1,568,458,553	
General reserve	388,258,055	-	388,258,055	388,258,055	-	388,258,055	
Statutory reserve fund (Note 47.3)	1,048,326,205	86,741,653	1,135,067,858	1,048,326,205	86,741,653	1,135,067,858	
	3,005,109,307	74,357,607	3,079,466,914	3,005,109,307	74,357,607	3,079,466,914	

#### 47.1 Fair Value Through OCI

The Fair Value through other Comprehensive income reserve represents the market to market change in the market values of the quoted share investments.

#### 47.2 Capital Reserve - Revaluation Reserve

The Capital Reserves represents the increase in the fair value of the land & buildings at the date of revaluation. The Company revalues its freehold lands and buildings in every three to five years, unless significant changes in fair values indicate it may be necessary to revalue freehold lands and buildings on an earlier date, to ensure that the carrying amounts do not differ materially from the fair values at the end of the reporting date.

The Company treats 50% of the revaluation surplus as supplementary capital in the Total Capital Base in the computation of the Risk Weighted Capital Adequacy Ratio in accordance with the Central Bank of Sri Lanka, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.03 of 2018 on Capital Adequacy Requirements.

#### 47.3 Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

#### 48 Contingent Liabilities and Commitments

#### a. Financial guarantees Issued:

As at 31st March 2025, the Company has provided financial guarantees totalling to LKR 14 Mn.

#### b. Tax assessments issued by the Commissioner General of Inland revenue:

For the year of assessment 2014/15, an additional income tax liability amounting to LKR 124.47 Mn was assessed, comprising LKR 88.5 Mn in income tax and LKR 35.97 Mn in interest. The company has appealed this assessment. While a determination has been issued by the Commissioner General of Inland Revenue, a final decision from the Tax Appeal Commission remains pending.

For the taxable periods 2018/19 and 2020/21, the Commissioner General issued additional income tax assessment notices amounting to a total of LKR 820 Mn, consisting of LKR 537.9 Mn in income tax and LKR 282.1 Mn in interest.

Furthermore, an additional surcharge tax assessment has been issued for the 2020/21 period, amounting to LKR 892.64 Mn, comprising LKR 628.6 Mn in surcharge tax and LKR 264.02 Mn in interest.

Following a detailed assessment of the circumstances and the relevant tax legislation, management is of the view that there are strong and valid grounds to challenge these assessments. Accordingly, the company has initiated appeals seeking administrative review of the said assessments."

There are no significant changes in the nature of the Contingent Liabilities other than disclosed above.

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#### 48.1 Litigations Against the Company

Litigation is a common occurrence in the Finance Industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. No material losses are anticipated as a result of there transactions.

As of the date of the Statement of Financial Position, twenty two (22) clients have filed cases against the company. The Company's legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

#### 49 Events After The Reporting Period

Events after the reporting period are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. No circumstances have arisen since the reporting date that would require adjustments or disclosure in the financial statements, except for the dividend declaration and Social bond issue by the board of directors, as disclosed below,

The Board of Directors of the Company on 23rd May 2025 declared a final cash dividend of LKR 9.20 per share for the financial year ended 31st March 2025 subject to the approval of the shareholders at the Annual General Meeting. Further Company received the Central Bank approval for the above proposed dividends.

The Board of Directors of Alliance Finance Company PLC resolved on 17th May 2025 to issue upto Twenty Million (20,000,000) Listed, Rated, Unsecured, Redeemable Senior Social Bond with a total value of Sri Lankan Rupees upto Two Billion (LKR2,000,000,000). the proposed Social Bond issue is subject to obtaining all necessary approvals from the relevant regulatory authorities.

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# **Notes to the Financial Statements**

### **Segment Report**

Leasing and Hire F Consumer D 2025 LKR		2025 LKR	2024	
2025 LKR	2024		2024	
LKR			2024	
	LKR	LKD		
		LNR	LKR	
8,132,507,976	7,151,570,342	3,487,060,793	2,436,067,831	
6,905,808,438	5,500,903,363	3,193,258,384	1,825,176,714	
(2,056,617,656)	(2,978,400,246)	(1,959,767,944)	(1,740,484,937)	
24,173,323,963	22,597,806,537	23,034,959,985	13,205,458,850	
22,192,465,996	20,179,606,515	19,315,660,377	10,950,638,005	
	(2,056,617,656) (24,173,323,963	6,905,808,438 5,500,903,363 (2,056,617,656) (2,978,400,246) 24,173,323,963 22,597,806,537	6,905,808,438 5,500,903,363 3,193,258,384  (2,056,617,656) (2,978,400,246) (1,959,767,944)  24,173,323,963 22,597,806,537 23,034,959,985	6,905,808,438 5,500,903,363 3,193,258,384 1,825,176,714 (2,056,617,656) (2,978,400,246) (1,959,767,944) (1,740,484,937) 24,173,323,963 22,597,806,537 23,034,959,985 13,205,458,850

Gold Lo	pans	Oth	er	Tot	al
2025 LKR	2024 LKR	2025 LKR	2024 LKR	2025 LKR	2024 LKR
2,906,987,523	3,164,393,210	1,305,153,834	1,311,844,084	15,831,710,127	14,063,875,468
2,563,209,202	2,671,965,250	1,257,375,726	1,240,928,760	13,919,651,750	11,238,974,087
				(3,242,506,849)	(1,480,111,530)
				10,677,144,901	9,758,862,557
(1,302,354,374)	(1,357,730,268)	(1,153,628,836)	(1,209,825,054)	(6,472,368,810)	(7,286,440,504)
				18,905,234	18,031,098
				(1,012,264,791)	(668,603,605)
				(1,394,595,018)	(813,288,033)
				1,816,821,516	1,008,561,512
15,307,772,010	10,301,411,294	13,559,663,724	9,179,220,554	76,075,719,681	55,283,897,235
				138,316,858	128,484,547
				5,880,685,482	5,109,116,810
				82,094,722,021	60,521,498,594
12,836,129,321	8,542,454,094	12,382,683,037	7,611,876,415	66,726,938,731	47,284,575,029
				5,647,917,073	4,809,942,312
				72,374,855,804	52,094,517,342

#### 51 Fair Value of Financial Instruments

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments. The amounts are based on the values recognised in the Statement of Financial Position.

#### 51.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Company					
As at 31st March 2025		Level 1	Level 2	Level 3	Total
Financial Assets	Note	LKR	LKR	LKR	LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills/bonds	22	-	3,730,914,157	-	3,730,914,157
Investments in Unit Trusts	22	1,540,175,010	-	-	1,540,175,010
Quoted equities	26	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	175,221,404	-	-	175,221,404
Total Financial Assets		1,715,396,414	3,730,914,157	579,250	5,446,889,821

As at 31st March 2024		Level 1	Level 2	Level 3	Total
Financial Assets	Note	LKR	LKR	LKR	LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills / bonds	22	-	2,526,414,668	-	2,526,414,668
Investments in Unit Trusts	22	854,924,669	-	-	854,924,669
Quoted equities	26	127,629,421	-	-	127,629,421
Financial Investments - fair value through other comprehensive income					-
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	317,124,444	-	-	317,124,444
Total Financial Assets		1,299,678,534	2,526,414,668	579,250	3,826,672,452

Group					
As at 31st March 2025		Level 1	Level 2	Level 3	Total
Financial Assets	Note	LKR	LKR	LKR	LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills/bonds	22	-	3,730,914,157	-	3,730,914,157
Investments in Unit Trusts	22	1,669,694,696	-	-	1,669,694,696
Quoted equities	26	-	-	-	-
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	175,221,404	-	-	175,221,404
Total Financial Assets		1,844,916,100	3,730,914,157	579,250	5,576,409,507

As at 31st March 2024		Level 1	Level 2	Level 3	Total
Financial Assets	Note	LKR	LKR	LKR	LKR
Financial assets- recognised through profit or loss					
Government of Sri Lanka treasury bills / bonds	22	-	2,526,414,668	-	2,526,414,668
Investments in Unit Trusts	22	854,924,669	-	-	854,924,669
Quoted equities	26	127,629,421	-	-	127,629,421
Financial Investments - fair value through other comprehensive income					
Unquoted equities	26	-	-	579,250	579,250
Quoted equities	26	317,124,444	-	-	317,124,444
Total Financial Assets		1,299,678,534	2,526,414,668	579,250	3,826,672,452

#### 51 Fair Value of Financial Instruments (Contd.)

#### 51.2 Determination of Fair Value and Fair Value Hierarchy

Set out below is the comparison by classes of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

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Company	203	25	2024		
	Carrying	Fair	Carrying	Fair	
	Amount	Value	Amount	Value	
	LKR	LKR	LKR	LKR	
Financial Assets					
Cash and cash equivalents	1,475,822,024	1,475,822,024	1,037,507,757	1,037,507,757	
Repurchase agreement	1,834,618,154	1,834,618,154	962,606,909	962,606,909	
Placement with banks & other financial institutions	4,905,397,835	4,905,397,835	3,246,352,935	3,246,352,935	
Loans and advances	38,342,731,995	37,310,068,715	23,506,870,064	24,236,478,606	
Lease rentals receivables	24,173,323,963	25,270,985,400	22,597,190,332	25,386,292,519	
Other financial assets	566,898,746	566,898,746	458,631,541	458,631,541	
Total Financial Assets	71,298,792,717	71,363,790,874	51,809,159,538	55,327,870,267	
Financial Liabilities					
Due to banks	30,341,711,845	30,341,711,845	20,310,185,391	20,310,185,391	
Debt Securities Measured at amortised cost	1,012,406,801	1,012,406,801	-	-	
Due to customers	36,524,836,317	36,461,247,045	28,387,365,249	28,323,775,977	
Financial liabilities	1,537,657,682	1,537,657,682	1,129,788,584	1,129,788,584	
Total Financial Liabilities	69,416,612,645	69,353,023,373	49,827,339,224	49,763,749,952	

Group	202	25	2024	
	Carrying	Fair	Carrying	Fair
	Amount	Value	Amount	Value
	LKR	LKR	LKR	LKR
Financial Assets				
Cash and cash equivalents	1,741,401,080	1,741,401,080	1,136,828,171	1,136,828,171
Repurchase agreement	1,834,617,974	1,834,617,974	962,606,909	962,606,909
Placement with banks & other financial institutions	4,941,814,722	4,941,814,722	3,383,898,083	3,383,898,083
Loans and advances	38,342,731,995	37,310,068,715	23,506,870,064	24,236,478,606
Lease rentals receivables	24,173,323,963	25,270,985,400	22,597,190,332	25,386,292,519
Other financial assets	545,171,168	545,171,168	450,152,849	450,152,849
Total Financial Assets	71,579,060,902	71,644,059,059	52,037,546,408	55,556,257,137
Financial Liabilities				
Due to banks	30,397,669,512	30,397,669,512	20,310,185,391	20,310,185,391
Debt Securities Measured at amortised cost	1,012,406,801	1,012,406,801	-	-
Due to customers	36,523,989,296	36,460,400,025	28,386,553,614	28,322,964,342
Financial liabilities	1,609,980,121	1,609,980,121	1,159,602,656	1,159,602,656
Total Financial Liabilities	69,544,045,730	69,480,456,459	49,856,341,661	49,792,752,389

#### **Fair Value of Financial Instruments**

#### Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

#### 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 amount of an approximate to their fair value. This assumption is also applied to fixed deposits and savings deposits without a specific maturity.

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

#### Fixed rate financial instruments

Carrying amounts are considered as fair values for short term credit facilities. Loans and Advances with fixed interest rates were fair valued using market rates at which fresh loans were granted during the fourth quarter of the reporting year. Conversely, fixed deposits with original tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the fourth quarter of the reporting year. For quoted debt issued the fair value are determined based on quoted market prices.

#### 52 Related Party Transactions

The Company carried out transactions in the ordinary course of business on agreed commercial terms with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures',

Details of related party transactions which the Company had during the year are as follows,

#### 52.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company (include executive and non executive directors), executives who directly report to Board sub committees and other key executives who meet the criteria described above.

#### 52.2 Compensation to Key Management Personnel GRI 2-21

Compensation to Key Management Personnel		2025	2024
		LKR	LKR
KMP's Emoluments (other than directors)			
	Short term	65,256,451	81,529,499
	Long term	15,928,640	31,374,656
		81,185,091	112,904,155
Compensation to Key Management Personnel		2025	2024
Compensation to Key Management Personner			
		LKR	LKR
Remuneration and other expenses of directors			
	Short term	89,467,243	71,141,943
	l t 0 t	37,959,945	32,125,547
	Long term & post	0.,000,0.0	
	employment benefits	01,000,010	

#### Related Party Transactions (Contd.)

#### 52.3 Transactions, Arrangements and Agreements Involving KMPs, and their Close Family Members (CFMs)

Close Family Members (CFMs) of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity. They may include KMPs domestic partner and children of the KMP, the children of KMP's domestic partner and dependents of KMP and KMPs domestic partner.

#### 52.4 Transactions involving Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Statement of Financial Position - Company and Group	2025	2024	
Statement of Financial Fosition - Company and Group		LKR	
	LIN	LNN	
Liabilities			
Financial Liabilities measured at amortised cost - due to depositors			
Fixed deposits	188,468,210	171,672,965	
Savings Deposits	12,037,255	5,768,389	
Assets - Company and Group			
Financial assets measured at amortised cost - Loans and advances	13,052,921	11,346,070	
Financial assets measured at amortised cost - Lease rentals receivable & stock out of hire	-	-	
Statement of Profit or Loss - Company & Group			
Interest income	1,391,500	1,027,762	
Interest expenses	73,730,840	58,291,072	
No of Shares held by KMPs			
Ordinary shares	12,835,175	11,928,286	
Other Transactions			
Deposits accepted during the year	238,752,166	776,854,440	

#### 52.5 Transaction, arrangements and agreements involving with Entities which are controlled, and /or jointly controlled by the KMP's and their CFMs.

#### 52.5.1 Transactions with Subsidiaries

	Nature of the	Nature of	2025	2024
	Relationship	Transaction / Facility		
			LKR	LKR
Income statement - transactions during the year				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Dividend income	14,290,042	-
		Shared service fee	85,000,000	63,443,183
		income		
		Interest expense	-	9,117,985
Statement of financial position - outstanding as at reporting date				
Alfinco Insurance Brokers (Pvt) Ltd.	Subsidiary	Saving deposits	847,021	811,635
		Fixed deposits	-	-
		Insurance fee	45,000,000	29,221,318
		receviables		
Other transactions during the year				
New deposits accepted during the year			-	-

### **52.5.2 Transactions with Associates and Other related parties**

	Nature of the	Nature of	2025	2024
	Relationship	Transaction / Facility	LKR	LKR
			LKK	LINIX
Income statement - transactions during the year				
Macbertan (Pvt) Ltd	Associate	Dividend income	2,734,800	3,604,260
		Other Income	991,526	-
		Other expenses	2,162,710	-
Helios P 2 P (Private) Limited	Associate	Interest expense	-	68,055
Alliance Management Services (Pvt) Ltd	Other related parties	Secretarial fees	1,180,618	945,165
		Interest expense	2,225	375,149
Alliance Travel Services Ltd	Other related parties	Interest expense	6,694	755,953
Alliance Ventures (Pvt) Ltd	Other related parties	Interest expense	1,044	165,274
Alliance Agencies Ltd	Other related parties	Dividend income	66,683	66,470
		Interest expense	81,187	27,873,904
Alliance Graphic Services (Pvt) Limited	Other related parties	Interest expense	2,654,816	1,846,897
Alliance Auto Care Ltd	Other related parties	Vehicles maintenance	108,080	-
Heshia Shipping (Pvt) Limited	Other related parties	Interest expense	1,964,234	940,368
Sanasa Development Bank PLC	Other related parties	Dividend income	-	-
Drive One (Pvt) Limited	Other related parties	Vehicles maintenance	1,800,830	1,800,830
Sri Lanka Institute of Credit Management	Other related parties	Sponsorships	260,000	-
The Finance Houses Association of Sri Lanka	Other related parties	Annual Subscription & Other expenses	350,000	-
Statement of financial position - outstanding as at reporting date				
Helios P2P (Pvt) Ltd	Associate	Fixed deposits	-	4,500,000
Alliance Management Services (Pvt) Ltd	Other related parties	Fixed deposits	2,338,674	2,186,648
		Saving deposits	28,652	27,455
Alliance Travel Services Ltd	Other related parties	Fixed deposits	5,505,252	5,105,252
		Saving deposits	329,277	342,169
Alliance Tech Trading (Pvt) Ltd.	Other related parties	Fixed deposits	-	-
		Investment	200,000	200,000
Alliance Ventures (Pvt) Ltd	Other related parties	Fixed deposits	992,306	989,720
		Saving deposits	44,594	84,338
Alliance Agencies Ltd	Other related parties	Fixed deposits	125,670,367	145,000,000
		Saving deposits	630,593	10,507,772
		Share investment	75,300	75,300
Alliance Graphic Services (Pvt) Ltd	Other related parties	Fixed deposits	9,695,112	9,242,990
Heshia Shipping (Pvt) Ltd	Other related parties	Fixed deposits	4,805,849	4,696,979
Drive One (Pvt) Ltd	Other related parties	Fixed deposits	40,772,834	-
Sanasa Development Bank PLC	Other related parties	Share investment	182,085,425	114,280,075
Other transactions during the year				
New deposits accepted during the year			191,966,976	993,510,845

#### 52 Related Party Transactions (Contd.)

#### 52.6 Parent and Ultimate Controlling Party

The Company does not have an identifiable parent of its own.

- 52.7 There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the company which require additional disclosures under the Colombo Stock Exchange Listing Rule 9.14.7.
- 52.8 There were no recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue in the financial statements ending March 31, 2025, which require additional disclosures in the 2024/25 annual report under the Colombo Stock Exchange Listing Rule 9.14.8.
- 52.9 There are no related parties or related party transactions other than those disclosed in Note 52 to the Financial Statements

#### 53 Financial Risk Management

#### 53.1 Introduction

Constantly assessing and being cognizant of the concept of risk is fundamental to the managerial philosophy of Alliance Finance Company PLC.

Consequent to the global, economic and financial crises, companies are placing greater emphasis on risk management by adopting comprehensive risk management framework to increasingly safeguard stakeholder interest. Due to diversified and geographic spread of the portfolio of businesses, Alliance Finance maintains a holistic risk management system that continuously monitors primary risk factors. Risk mitigation actions are also built in to the day to day operations of the Company. The Company's business divisions are closely monitored through a comprehensive computerized information system and employees, ranging from managerial credit and other officers, have been apprised and trained to adopt risk management practices as an integral part of their decision making.

#### Risk Coverage

The Company's Comprehensive risk management framework covers three major areas that comprise credit risk, liquidity risk, and market risk management.

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, analysis, measurement and continuous monitoring, subject to the risk limits and their controls.

#### 53.2 Credit Risk

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to discharge their contractual obligations and arises principally from the loans and advances to the customers comprehensive Credit Risk Management Policy serves as the backbone to manage both credit counterparty and credit concentration risks.

The Credit risk management Policy and the Credit Operations Manual which together provide clear direction to enable risk owners (first line of defence) to focus on prudent lending that will ultimately minimise credit risk. These efforts are further supported by a well established set of internal procedures and directives, outlining detailed procedures and segregation of duties for each step of the lending process from loan origination, pre-credit evaluation and credit administration to post-credit monitoring.

Similarly post-credit monitoring too is viewed as a key facilitator in mitigating credit risk, prompting the AFC to adopt a range of strategies to closely monitor credit risk, post disbursement.

#### 53.2.1 Credit quality analysis

The Company has established a credit quality review process to provide early identification of possible changes in the credit worthiness of counter parties, including regular collateral revisions, products, assets, sectors and demographich location. Actual credit limits are compared as against the limits set out in appetite.

#### Impairment assessment

For accounting purposes, the Company uses an expected loss model for the recognition of losses on impaired financial assets. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. Triggering events include the following:

- Significant financial difficulty of the customer
- No A breach of contract such as a default of payment
- where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

Allowances are assessed collectively for losses on loans and advances that are not individually significant (including hire purchases, lease receivables, other loans and advances and consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

Company include macroeconomic factors within its expected credit loss assessments. The Company relies on a broad range of forward looking information as economic inputs, such as GDP growth, unemployment rates, interest rates, inflation rate and etc. (Note 4.5.7)

#### **Analysis of Credit Risk Exposure**

The following tables shows the maximum exposure to credit risk by class of financial asset.

		Maximum Exposure to Credit Risk				
		Com	pany	Gre	oup	
		2025	2024	2025	2024	
	Note	LKR	LKR	LKR	LKR	
Cash and cash equivalents	21	1,475,822,024	1,037,507,757	1,741,401,080	1,136,828,171	
Repurchase agreements		1,834,618,154	962,606,909	1,834,617,974	962,606,909	
Placements with banks & financial institutions		4,905,397,835	3,246,352,935	4,941,814,722	3,383,898,083	
Financial assets recognised through profit or loss	22	5,271,089,167	3,508,968,758	5,400,608,853	3,508,968,758	
Loans and advances (Gross)	23	39,102,280,503	24,111,777,489	39,102,280,503	24,111,777,489	
Lease rentals receivable & stock out on hire (Gross)	24	25,340,534,851	23,671,975,325	25,340,534,851	23,671,975,325	
Hire purchase rentals receivable & stock out on hire	25	2,115,480	2,793,137	2,115,480	2,793,137	
Financial assets- fair value through other comprehensive income	26	175,800,654	317,703,694	175,800,654	317,703,694	
		78,107,658,668	56,859,686,004	78,539,174,116	57,096,551,565	

### Financial Risk Management (Contd.)

The following table shows the classification of Financial Assets based on the three stage approach.

			As	s at 31st March 2025		
Company		12 Month Expected Credit	Life Time Expected Credit	Life Time Expected Credit	Unclassified	Tota
		Losses	Losses - Not	<b>Losses - Credit</b>		
			Credit Impaired	Impaired		
	Note	LKR	LKR	LKR	LKR	LKR
Cash and cash equivalents	21	1,475,822,024	_	_	_	1,475,822,024
Repurchase agreements		1,834,618,154	-	-	-	1,834,618,154
Placements with banks & financial institutions		4,905,397,835	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	22	5,271,089,167	-	-	-	5,271,089,167
Loans and advances (Gross)	23	32,884,910,596	5,176,616,949	940,709,279	-	39,002,236,823
Less :ECL Allowance	23	(65,577,646)	(71,136,819)	(522,790,365)	-	(659,504,829)
Lease rentals receivable & stock out on hire (Gross)	24	16,152,425,755	7,197,002,453	1,869,049,725	-	25,218,477,932
Less :ECL Allowance	24	(67,650,959)	(138,550,217)	(838,952,959)	-	(1,045,154,135)
Hire purchase rentals receivable & stock out on hire	25	-	-	2,115,480	-	2,115,480
Less :ECL Allowance	25	-	-	(2,115,480)	-	(2,115,480)
Financial assets- fair value through other comprehensive income	26	175,221,404	-	-	579,250	175,800,654
		62,566,256,330	12,163,932,367	1,448,015,680	579,250	76,178,783,626

		As at 31st March 2024						
Company		12 Month	Life Time	Life Time	Unclassified	Tota		
		<b>Expected Credit</b>	<b>Expected Credit</b>	<b>Expected Credit</b>				
		Losses	Losses - Not	Losses - Credit				
			Credit Impaired	Impaired				
	Note	LKR	LKR	LKR	LKR	LKR		
Cash and cash equivalents	21	566,946,383	-	-	-	566,946,383		
Repurchase agreements		250,154,110	-	-	-	250,154,110		
Placements with banks & financial		4,905,611,281	-	-	-	4,905,611,281		
institutions								
Financial assets recognised through profit	22	3,130,690,272	-	-	-	3,130,690,272		
or loss								
Loans and advances (Gross)	23	12,623,966,714	3,838,817,882	1,557,851,181	-	18,020,635,777		
Less :ECL Allowance	23	(52,174,997)	(78,931,961)	(439,660,996)	-	(570,767,954)		
Lease rentals receivable & stock out on	24	9,580,987,023	9,355,855,147	3,616,687,549	-	22,553,529,719		
hire (Gross)								
Less :ECL Allowance	24	(93,696,095)	(258,115,685)	(649,292,100)	-	(1,001,103,880)		
Hire purchase rentals receivable & stock	25	-	-	3,767,386	-	3,767,386		
out on hire								
Less :ECL Allowance	25	-	-	(3,767,386)	-	(3,767,386)		
Financial assets- fair value through other	26	182,126,371	-	-	579,250	182,705,621		
comprehensive income								
		31,094,611,062	12,857,625,383	4,085,585,633	579,250	48,038,401,328		

#### **ECL** allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of Loan portfolio.

#### Movement in Allowance for Expected Credit Losses (Stage Transition)

		As at 31st March 2025					
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL		
	Note	LKR	LKR	LKR	LKR		
Balance as at the beginning of the year	23,24 & 25	84,668,372	152,103,042	1,627,713,002	1,864,484,416		
Transferred from 12 Month ECL		33,399,254	(22,392,118)	(11,007,136)	-		
Transferred from LifeTime ECL not-credit impaired		(14,469,229)	33,714,611	(19,245,381)	-		
Transferred from LifeTime ECL credit impaired		(1,238,521)	(12,133,758)	13,372,279	-		
Interest accrued / (reversals) on impaired loans and advances		-	-	-	-		
Net remeasurement of loss allowance		(2,249,575)	67,204,835	(4,795,760)	60,159,500		
Balance as at the end of the year	23,24 & 25	100,110,301	218,496,612	1,606,037,004	1,924,643,916		

		As at 31st March 2024					
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total ECL		
	Note	LKR	LKR	LKR	LKR		
Balance as at the beginning of the year		145,871,093	337,047,646	1,259,420,641	1,742,339,380		
Transferred from 12 Month ECL		(101,533,194)	49,140,943	52,392,250			
Transferred from LifeTime ECL not-credit impaired		7,629,326	(204,688,553)	197,059,227			
Transferred from LifeTime ECL credit impaired		941,334	9,531,031	(10,472,365)			
Interest accrued / (reversals) on impaired loans and advances		-	-	10,881,934	10,881,934		
Net remeasurement of loss allowance		117,951,794	66,329,619	(73,018,310)	111,263,103		
Balance as at the end of the year	23,24 & 25	170,860,353	257,360,686	1,436,263,378	1,864,484,417		

#### Financial Risk Management (Contd.)

### Stage Transition on Lending Portfolio

The following tables show reconciliations from the opening to the closing balance of the lending portfolio (gross) based on three stage approach.

		As at 31st March 2025					
		Stage 1: St 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)		
	Note	LKR	LKR	LKR	LKR		
Balance as at the beginning of the year		31,461,086,694	11,873,445,108	4,498,489,834	47,833,021,635		
Transferred from 12 Month ECL		1,755,083,135	(1,562,001,011)	(193,082,124)	-		
Transferred from LifeTime ECL not-credit impaired		(3,768,052,833)	4,203,114,303	(435,061,469)	-		
Transferred from LifeTime ECL credit impaired		(306,792,481)	(805,882,163)	1,112,674,643	-		
Other Changes in the portfolio		19,896,011,833	(1,335,056,834)	(1,953,276,764)	-		
Balance as at the end of the year	23,24 & 25	49,037,336,348	12,373,619,403	3,029,744,120	47,833,021,635		

		As at 31st March 2024				
		Stage 1: 12Months ECL	Stage 2: Life time ECL not Credit Impaired	Stage 3: Life time ECL Credit Impaired	Total Portfolio (Gross)	
	Note	LKR	LKR	LKR	LKR	
Balance as at the beginning of the year		22,204,953,737	13,194,673,029	5,174,538,730	40,574,165,496	
Transferred from 12 Month ECL		(2,588,214,210)	2,239,948,399	348,265,811	-	
Transferred from LifeTime ECL not-credit impaired		1,056,897,040	(2,325,778,649)	1,268,881,609	-	
Transferred from LifeTime ECL credit impaired		122,929,443	426,126,486	(549,055,929)	-	
Other Changes in the portfolio		10,780,316,234	(1,681,251,783)	(1,744,140,387)	7,394,379,316	
Balance as at the end of the year	23,24 & 25	31,576,882,244	11,853,717,482	4,498,489,834	47,968,544,812	

#### 53.2.2 Concentrations of Credit Risk

The Company monitors concentration of credit risk by sector exposures.

#### Industry wise concentration

The following table shows the risk of concentration by industry for the financial assets measured at amortised cost.

Sector wise Breakdown	Cash and Bank Balances		Financial assets - fair value through OCI	assets	Total Financial Assets
	LKR	LKR	LKR	LKR	LKR
Financial services	1,475,822,024	-	-	4,905,397,835	6,381,219,859
Government	-	3,730,914,157	-	1,834,618,154	5,565,532,311
Services	-	-	-	566,898,746	566,898,746
Other	-	-	175,800,654	-	175,800,654
Total	1,475,822,024	3,730,914,157	175,800,654	7,306,914,735	12,689,451,570

#### **Segment Concentration**

Concentration of net loans and advances by segment is given below as at 31st March

Segment	Net Po	ortfolio	
	2025	2024	
	LKR	LKR	
Equipment	483,583,665	4,896,713	
Heavy Vehicles and Motor Lorry	3,271,871,003	1,860,691,598	
Agricultural Equipments	2,492,135	234,630	
Tractor	284,123,442	232,555,569	
Two - Wheelers -2W	2,419,486,392	1,849,230,848	
Three Wheelers -3W	12,362,747,968	11,699,110,727	
Transport Vehicles: W-4<=1Mn	2,452,898,778	2,023,452,556	
Transport Vehicles: W-4>1Mn	12,401,714,907	4,956,311,464	
Mortgage Loans<=2.5Mn	25,008,332	88,180,115	
Mortgage Loans>2.5Mn	207,977,705	181,769,465	
Personal Loans (Guarantees & Other)	148,818,186	6,210,786,266	
Speed Cash	12,339,342,437	6,091,347,423	
Gold loans	15,477,400,017	10,301,411,294	
Pledge loans	25,257,593	47,999,687	
Micro finance loans	97,702,169	17,789,472	
Loans against fixed deposits	489,682,342	538,292,569	
	62,490,107,072	46,104,060,396	

## Geographical concentration

Concentration of loans and advances by location is given below

2025	2024		
LKR	%	LKR	%
9,352,264,621	32%	14,728,279,397	32%
4,929,878,062	13%	6,048,568,112	12%
3,655,629,810	12%	5,361,614,991	12%
2,091,223,724	6%	2,722,625,106	6%
5,637,018,491	8%	3,560,494,513	8%
8,920,843,980	12%	5,415,449,126	12%
6,503,306,970	7%	3,237,755,247	7%
14,310,969,668	6%	2,753,966,567	6%
9,039,564,545	5%	2,275,307,335	5%
64,440,699,871	100%	46,104,060,396	100%
	LKR  9,352,264,621 4,929,878,062 3,655,629,810 2,091,223,724 5,637,018,491 8,920,843,980 6,503,306,970 14,310,969,668 9,039,564,545	LKR       %         9,352,264,621       32%         4,929,878,062       13%         3,655,629,810       12%         2,091,223,724       6%         5,637,018,491       8%         8,920,843,980       12%         6,503,306,970       7%         14,310,969,668       6%         9,039,564,545       5%	LKR         %         LKR           9,352,264,621         32%         14,728,279,397           4,929,878,062         13%         6,048,568,112           3,655,629,810         12%         5,361,614,991           2,091,223,724         6%         2,722,625,106           5,637,018,491         8%         3,560,494,513           8,920,843,980         12%         5,415,449,126           6,503,306,970         7%         3,237,755,247           14,310,969,668         6%         2,753,966,567           9,039,564,545         5%         2,275,307,335

Concentraion by location for loans and advances is measured based on the location of the customer centre that granted the facility, which has a high correlation with the location of the borrower.

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#### 53 Financial Risk Management (Contd.)

#### **Products Concentration of Gross Portfolio**

As at 31st March	2025	2024		
	LKR	%	LKR	%
Lease	25,336,303,726	39.32%	23,771,414,454	49.56%
Loan	23,209,280,385	36.02%	13,248,642,084	27.62%
Hire Purchase	2,115,645	0.00%	2,793,137	0.01%
Gold Loan	15,403,317,775	23.90%	10,407,402,568	21.70%
Fixed Deposit Against Loan	489,682,342	0.76%	538,292,569	1.12%
	64,440,699,873	100.00%	47,968,544,812	100.00%

#### Collateral held as security and other credit enhancements

The Company holds collateral and other credit enhancements against its credit exposures. The following table sets out the principal types of collateral held against different types financial assets.

Type of Credit Exposure	Percentage of ex	•	Principal type of Collateral He	
	2025	2024		
Loans and Receivables to Other Customers				
Loans & Other Advances	100	100	Vehicles,Property and equipment	
Loans against Fixed Deposits	100	100	Fixed Deposits	
Pledged Loans	100	100	Mortgages	
Micro Finance Loans	100	100	Personal Guarantees	
Gold Loans	100	100	Gold articles	

Lease Rental and Hire Purchase Receivables	Percentage of exposure that is subject to collateral requirements		Principal type of Collateral Held
	2025	2024	
Lease Rental Receivables	100	100	Vehicles, Property and equipment
Hire Purchase Receivables	100	100	Vehicles,Property and equipment

There was no change in the Company's collateral policy during the year. Further, the Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company does not provide for any allowances for ECL against financial assets secured by deposits held within the Company. Further, no allowance for ECL has been recognised for government securities, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost.

#### 53.2.3 Risk limit control and mitigation policies

The Company manages, limits and controls concentrations of credit risk wherever they are identified; in particular, to individual counter-parties and groups, and to industries and geographical locations.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to quarterly or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved by the Credit Committee.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default. The Company doesn't have significant financial guaranteed contract as of the year ended 31st March 2025 & 31st March 2024.

#### Collateral and other credit enhancements

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The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of a security for funds advanced. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The amount and type of collateral required depends on an assessment of the credit risk of the counter-party. Guidelines are in place covering the acceptability and valuation of each type of collateral. The general creditworthiness of customer tends to be the most relevant indicator of the credit quality of a loan.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlining agreement. The company pursue timely realisation of the collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding claim.

#### Credit quality analysis of Placements with Banks and other Listed Companies

The following table sets out the credit quality of Placements with Banks and other Finance Companies. The analysis is based on credit ratings.

As at	2025	2024
Placements with Banks	LKR	LKR
Rated AA- to AA+	1,920,530,599	1,706,296,945
Rated A- to A+	2,857,748,118	1,415,757,413
Rated BBB + and below	82,686,797	124,298,578
	4,860,965,513	3,246,352,936

#### 53.3 Liquidity Risk

Liquidity risk refers to the unavailability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments, debt obligations associated with its financial liabilities due to lack of funds or having to meet these obligations at excessive cost. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counter-parties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

#### Management of Liquidity Risk

The objective of the Company liquidity and funding framework is to ensure that funding commitments and deposit withdrawals can be met when due and that market access remains cost effective. The Company's liquidity management process is monitored by a separate team and includes;

- w Maintaining a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of
- Maintaining lines of credit that it can access to meet liquidity needs.
- Maintaining the liquidity ratio prescribed by Central Bank of Sri Lanka.
- v Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers.
- w Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Nonitoring the liquidity ratios of the Statement of Financial Position against internal and regulatory requirements and reviewing the gaps by Assets and Liability Committee.
- Managing the concentration and profile of debt maturities.
- Nonitoring and reporting daily, weekly and monthly cash flow requirements respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
- Nonitoring unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

#### 53 Financial Risk Management (Contd.)

#### 53.3.1 Statutory Liquid Asset Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 01 of 2009, Company has to maintain minimum liquid assets, not less than the total of,

- (i) Ten per cent of,
  - (a) the outstanding value of the time deposits received by the finance company at the close of the business on such day,
  - (b) the face value of certificate of deposits issued by the finance company; as appearing on the books of the finance company at the close of the business of such day and
- (ii) Fifteen per cent of the outstanding value of savings deposits accepted by such company, at the close of the business on such day.

As at 31st March 2025, the Company maintained Statutory Liquid Asset ratio at 17.66% (2024: 13.82%).

#### 53.3.2 Analysis of Total Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Company's total assets and liabilities as at 31 March 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31st March 2025	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Total Assets							
Cash and cash equivalents	1,475,822,024		_		-	-	1,475,822,024
Repurchase agreements	500,328,893	1,334,289,296	_	-	-	-	1,834,618,063
Placements with banks & financial institutions	46,171,432	942,886,471	3,916,339,932		-	-	4,905,397,835
Financial assets recognised through profit or loss	11,482,146	2,010,870,112	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	3,749,437,148	13,273,046,100	14,798,350,228	4,752,683,549	1,769,003,942	211,027	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	1,106,321,672	2,411,638,089	7,010,175,285	11,361,391,791	2,283,797,126	-	24,173,323,963
Financial assets- fair value through other comprehensive income	-	175,221,404	-	-	-	579,250	175,800,654
Other trading stocks	-	342,194	67,153,090	-	-	-	67,495,284
Other financial assets	(16,007)	214,041,898	169,840,169	159,199,700	23,832,986	-	566,898,746
Other non financial assets	10,580,500	46,257,425	77,427,061	34,794,026	20,818,106	54,747,959	244,625,077
Investments in associates	-	-	-	-	-	126,502,614	126,502,614
Investments in subsidiaries	-	-	-	-	-	18,522,288	18,522,288
Investment property	-	-	-	-	-	187,680,000	187,680,000
Property, plant & equipment	-	36,594,461	98,216,117	196,962,629	117,795,372	2,941,402,925	3,390,971,504
Intangible assets	-	1,061,859	3,132,419	6,456,248	3,959,904	170,064,461	184,674,891
Right of use asset	-	420,491	11,986,506	98,353,563	260,389,031	92,674,891	463,824,482
Deferred tax assets	-	-	-	159,302,526	-	-	159,302,526
Total Assets	6,900,127,808	20,446,669,799	29,401,357,718	16,745,324,762	4,479,596,467	3,592,385,415	81,565,461,968
Total Liabilities							
Due to banks	3,594,722,385	3,477,080,482	6,679,241,193	12,826,134,674	3,764,533,111	-	30,341,711,845
Debt Securities Measured at amortised cost	-	-	-	12,406,801	1,000,000,000	-	1,012,406,801
Due to depositors - at amortised cost	1,088,690,380	10,692,683,217	16,557,419,232	7,279,748,106	906,295,382	-	36,524,836,317
Debt instruments issued and other borrowed funds	-	-	-	-	-	-	-
Other financial liabilities	20,463,191	1,384,294,752	98,899,738	-	-	34,000,000	1,537,657,682
Other non financial liabilities	2,849	191,815,475	-	-	-	-	191,818,324
Derivative financial liabilities	-	-	-	-	-	-	-
Income tax liabilities	-	-	881,410,763	488,713,751	-	-	1,370,124,514
Retirement benefit obligations	-	87,094,962	-	-	-	-	87,094,962
Deferred tax liabilities	-	-	-	704,224,775	-	-	704,224,775
Lease Liability	-	618,054	14,668,053	105,883,671	239,627,263	85,257,795	446,054,836
Total Liabilities	4,703,878,806	15,833,586,943	24,231,638,979	21,417,111,778	5,910,455,756	119,257,795	72,215,930,056
Total Net I Assets/(Liabilities)	2,196,249,002	4,613,082,856	5,169,718,739	(4,671,787,016)	(1,430,859,289)	3,473,127,620	9,349,531,912

As at 31st March 2024	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Total Assets							
Cash and cash equivalents	1,037,507,757		_				1,037,507,757
Repurchase agreements	1,037,307,737	962,606,909	-			-	962,606,909
Placements with banks & financial institutions	44,610,214	105,658,624	3,096,084,097	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	44,010,214	2,701,365,049	698,911,496	-	108,692,212	-	3,508,968,757
Loans and advances - at amortised cost	-	11,443,421,354	7,778,623,604	3,147,981,842	1,136,087,319	755,945	23,506,870,064
Lease rentals receivable & stock out on hire - at	-					228,297	
amortised cost	-	3,333,766,770	6,328,250,791	11,120,480,340	1,814,464,134	228,297	22,597,190,332
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-	-
Financial assets- fair value through other			317,703,694				317,703,694
comprehensive income	-	-	317,703,094	-	-	-	317,703,094
Other trading stocks		85,653,478					85,653,478
Other frauling stocks Other financial assets	-	165,502,220	146,615,247	133,575,691	12,938,382	-	458,631,541
Derivative financial assets		100,002,220	140,010,247	100,070,091	12,930,302		400,001,041
Other non financial assets	10,580,500	68,645,365	54,764,765	30,474,788	17,894,292	75,177,645	257,537,355
Investments in associates	10,560,500	00,045,305	54,764,765	30,474,766	17,094,292	110,332,180	
Investments in associates			-	-		16,924,038	110,332,180 16,924,038
			-	-			
Investment property			-			187,680,000	187,680,000
Property, plant & equipment	-	35,683,473	111,261,046	203,861,463	170,620,478	2,681,223,192	3,202,649,652
Intangible assets	-	886,192	2,658,576	5,908,817	3,329,409	134,304,863	147,087,856
Right of use asset	-	-	13,658,081	143,853,354	134,345,017	64,491,001	356,347,453
Retirement benefit Assets	-	-	-	-	-	-	- 474 500 407
Deferred tax assets		-	-	174,526,137	-	-	174,526,137
Total Assets	1,092,698,471	18,903,189,434	18,548,531,398	14,960,662,432	3,398,371,243	3,271,117,160	60,174,570,138
Total Liabilities							
Due to banks	1,287,186,817	1,596,738,414	2,468,238,303	5,261,983,608	9,458,538,248	237,500,000	20,310,185,391
Due to depositors - at amortised cost	805,070,789	10,300,322,745	11,563,678,264	3,553,956,962	2,164,336,489	-	28,387,365,249
Debt instruments issued and other borrowed funds	-	-	-	-	-	-	-
Other financial liabilities	45,501,902	825,873,379	31,761,508	102,478,265	83,673,632	40,499,897	1,129,788,582
Other non financial liabilities	-	219,137,417	100,256	-	-	-	219,237,673
Derivative financial liabilities	-	5,379,033	-	-	-	-	5,379,033
Income tax liabilities	-	(4,230,460)	455,982,028	476,761,639	-	-	928,513,207
Retirement benefit obligations	-	-	-	52,103,008	-	-	52,103,008
Deferred tax liabilities	-	-	-	663,298,289	-	-	663,298,289
Lease Liability	-	-	18,303,039	145,447,468	117,621,900	68,297,325	349,669,731
Total Liabilities	2,137,759,508	12,943,220,528	14,538,063,398	10,256,029,239	11,824,170,270	346,297,221	52,045,540,164
Total Net Assets/(Liabilities)	(1,045,061,037)	5,959,968,906	4,010,468,000	4,704,633,193	(8,425,799,027)	2,924,819,938	8,129,029,973

#### Financial Risk Management (Contd.)

### 53.3.3 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at 31 March 2025. The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31st March 2025	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets							
Cash and cash equivalents	1,475,822,024	-	-	-	-	-	1,475,822,024
Repurchase agreements	500,328,824	1,334,289,330	-	-	-	-	1,834,618,154
Placements with banks & financial institutions	46,171,432	942,886,471	3,916,339,932	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	11,482,146	2,010,870,112	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	3,749,437,148	13,273,046,100	14,798,350,228	4,752,683,549	1,769,003,942	211,027	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	1,106,321,672	2,411,638,089	7,010,175,285	11,361,391,791	2,283,797,126	-	24,173,323,963
Financial assets- fair value through other comprehensive income	-	175,221,404	-	-	-	579,250	175,800,654
Other financial assets	(16,007)	214,041,898	169,840,169	159,199,700	23,832,986	-	566,898,746
Total Financial Assets	6,889,547,239	20,361,993,404	29,143,442,523	16,273,275,041	4,076,634,055	790,277	76,745,682,539
Financial Liabilities							
Due to banks & other borrowings	3,594,722,385	3,477,080,482	6,679,241,193	12,838,541,475	4,764,533,111	-	31,354,118,646
Due to depositors - at amortised cost	1,088,690,380	10,692,683,217	16,557,419,232	7,279,748,106	906,295,382	-	36,524,836,317
Other financial liabilities	20,463,191	1,384,294,752	98,899,738	-	-	34,000,000	1,537,657,682
Lease Liability	-	618,052	14,668,053	105,883,672	239,627,263	85,257,795	446,054,835
Derivative financial liabilities	-	-	-	-	-	-	-
Total Financial Liabilities	4,703,875,957	15,554,676,504	23,350,228,216	20,224,173,253	5,910,455,756	119,257,795	69,862,667,480
Total Net Financial Assets/(Liabilities)	2,185,671,282	4,807,316,900	5,793,214,307	(3,950,898,212)	(1,833,821,701)	(118,467,518)	6,883,015,059

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Snapshot

As at 31st March 2024	On Demand	Less than 03 Months	3-12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets							
Cash and cash equivalents	1,037,507,757	-	-	-	-	-	1,037,507,757
Repurchase agreements	-	962,606,909	-	-	-	-	962,606,909
Placements with banks & financial institutions	44,610,214	105,658,624	3,096,084,097	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	-	2,701,365,049	698,911,496	-	108,692,212	-	3,508,968,757
Loans and advances - at amortised cost	-	11,443,421,354	7,778,623,604	3,147,981,842	1,136,087,319	755,945	23,506,870,064
Lease rentals receivable & stock out on hire - at amortised cost	-	3,333,766,770	6,328,250,791	11,120,480,340	1,814,464,134	228,297	22,597,190,332
Hire purchase rentals receivable & stock out on hire - at amortised cost	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-
Financial assets- fair value through other comprehensive income	-	-	317,703,694	-	-	-	317,703,694
Other financial assets	-	165,502,220	146,615,247	133,575,691	12,938,382	-	458,631,541
Total Financial Assets	1,082,117,971	18,712,320,926	18,366,188,929	14,402,037,873	3,072,182,048	984,242	55,635,831,989
Financial Liabilities							
Due to banks & other borrowings	1,287,186,817	1,596,738,414	7,730,221,911	9,458,538,248	237,500,000	-	20,310,185,391
Due to depositors - at amortised cost	805,070,789	10,300,322,745	11,563,678,264	3,553,956,962	2,164,336,489	-	28,387,365,249
Other financial liabilities	45,501,902	825,873,379	31,761,508	102,478,265	83,673,632	40,499,897	1,129,788,582
Lease Liability	-	-	18,303,039	145,447,468	117,621,900	68,297,325	349,669,731
Derivative financial liabilities	-	5,379,033	-	-	-	-	5,379,033
Total Financial Liabilities	2,137,759,508	12,728,313,570	19,343,964,722	13,260,420,943	2,603,132,021	108,797,221	50,182,387,986
Total Net Financial Assets/(Liabilities)	(1,055,641,537)	5,984,007,355	4,284,207,816	5,338,171,571	(8,751,988,222)	(345,312,979)	5,453,444,003

#### Assets held for managing liquidity risk

The Company holds a diversified portfolio of cash and high-quality ,highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

#### Cash and balances with central banks;

Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and Secondary sources of liquidity in the form of highly liquid instruments in the Company's trading portfolios.

#### 53.4 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company classifies exposures to market risk into either trading or non-trading portfolios and manages each of those portfolios separately. Trading portfolio includes financial assets and liabilities that are managed on a fair value basis. Non trading portfolio is managed in accordence with the purpose and strategic benefits of such investments, rather than purely on fair value basis.

#### 53 Financial Risk Management (Contd.)

#### 53.5 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

To manage the interest rate risk, company has established limits on the non-trading interest rate gaps for stipulated periods. The Company's policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits which is supplimented by monitoring the sensitivity of the company's financial assets and liabilities to various rate senarios. Net interest yeilds are also calculated for each product to ensure adequate margins are kept.

#### **Interest Rate Sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity. Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on the rate sensitive assets and liabilities is shown below.

	Currency of Borrowings/	Increase (Decrease) in 100	•	Sensitivity of Ne	t Interest Income		
	Advance	basis points	2025		20	2024	
			LKR ('000)		LKR	('000')	
В	Porrowing at floating Data	1100// 100)	(450, 202)	450 202	(407.453)	107.152	
В	Borrowing at floating Rate	+100/ (-100)	(150,392)	150,392	(107,153)	107,153	

#### 53.5.1 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 repricing or maturity dates.

As at 31st March 2025	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non Interest	Total
	140	LKD	LICE	140	Bearing	LICE
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and cash equivalents	1,253,711,584	-	-	-	222,110,440	1,475,822,024
Repurchase agreements	1,334,289,330	-	-	-	-	1,334,289,330
Placements with banks & financial institutions	989,057,903	3,916,339,932	-	-	-	4,905,397,835
Financial assets recognised through profit or loss	2,022,352,259	3,248,736,909	-	-	-	5,271,089,167
Loans and advances - at amortised cost	17,022,483,247	14,798,350,228	6,521,687,492	211,027	-	38,342,731,995
Lease rentals receivable & stock out on hire - at amortised cost	3,517,959,761	7,010,175,285	13,645,188,917	-	-	24,173,323,963
Financial assets- fair value through other comprehensive income	175,221,404	-	-	-	175,800,654	351,022,059
Other financial assets	214,025,890	169,840,169	183,032,687	-	-	566,898,746
Total Financial Assets	26,529,101,379	29,143,442,523	20,349,909,095	211,027	397,911,094	76,420,575,119
Financial Liabilities						
Due to banks	7,071,802,867	6,679,241,193	17,603,074,586	-	-	31,354,118,646
Due to depositors - at amortised cost	11,781,373,597	16,557,419,232	8,186,043,488	-	-	36,524,836,317
Other financial liabilities	1,404,757,944	98,899,738	-	34,000,000	-	1,537,657,682
Derivative financial liabilities	-	-	-	-	-	-
Total Financial Liabilities	20,257,934,408	23,335,560,163	25,789,118,073	34,000,000	-	69,416,612,645
Interest Sensitivity Gap	6,271,166,971	5,807,882,360	(5,439,208,978)	(33,788,973)	397,911,094	7,003,962,474

As at 31st March 2024	Up to 03 Months	03-12 Months	01-05 Years	Over 05 Years	Non Interest Bearing	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Assets						
Cash and cash equivalents	815,397,317	-	-	-	222,110,440	1,037,507,757
Repurchase agreements	962,606,909	-	-	-	-	962,606,909
Placements with banks & financial institutions	150,268,838	3,096,084,097	-	-	-	3,246,352,935
Financial assets recognised through profit or loss	2,701,365,049	698,911,496	108,692,212	-	-	3,508,968,757
Loans and advances - at amortised cost	11,443,421,354	7,778,623,604	4,284,069,161	755,945	-	23,506,870,064
Lease rentals receivable & stock out on hire - at amortised cost	3,333,766,770	6,328,250,791	12,934,944,474	228,297	-	22,597,190,332
Financial assets- fair value through other comprehensive income	-	-	-	-	317,703,694	317,703,694
Other financial assets	165,502,220	146,615,247	146,514,074	-	-	458,631,541
Total Financial Assets	19,572,328,457	18,048,485,235	17,474,219,921	984,242	539,814,134	55,635,831,989
Financial Liabilities						
Due to banks	2,883,925,231	2,468,238,303	14,720,521,856	237,500,000	-	20,310,185,391
Due to depositors - at amortised cost	11,105,393,534	11,563,678,264	5,718,293,451	-	-	28,387,365,249
Other financial liabilities	871,375,280	31,761,508	186,151,897	40,499,897	-	1,129,788,582
Derivative financial liabilities	5,379,033	-	-	_	-	5,379,033
Total Financial Liabilities	14,866,073,079	14,063,678,075	20,624,967,204	277,999,897	-	49,832,718,255
Interest Sensitivity Gap	4,706,255,378	3,984,807,160	(3,150,747,283)	(277,015,655)	539,814,134	5,803,113,734

#### 53.5.2 Exchange rate risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local exchange rate with other major currencies The following significant exchange rates were applied during the year

	Average Rate	Reporting da	Reporting date Spot Rate	
	2025	2025	2024	
USD/ LKR	297.76	296.32	300.44	

The Company's exposure to foreign currency risk is as follows;

As at 31st March 2025	LKR	USD / LKR	Total (USD)
Cash & Cash Equivalents/Placements with banks	4,670,319,453	296.32	15,760,865
Borrowings	2,963,238,000	296.32	10,000,000
	7,633,557,453		25,760,865

#### 53 Financial Risk Management (Contd.)

#### Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2025.

	Effect on profit or loss (LKR)	Effect on equity (LKR)
USD depreciated against LKR by 5%	381,677,873	381,677,873
USD appreciated against LKR by 5%	(381,677,873)	(381,677,873)

#### 53.5.3 Commodity price risk

Commodity price risk refers to the uncertainties of future market values and of the size of future income, caused by the fluctuation in the prices of commodoties. Given the significance of the Gold Loans business to the Company's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk is the primary source of credit risk associated with this product. The company manage gold commodity risk bys concentarting short term products and revise LTV at routine intervels.

#### 53.5.4 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks

#### 53.6 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

Business were stress tested with multiple operating scenarios to ascertain the impact on the ability to sustain its operations with liquidity reserves in place. With the assumptions and different levels of operations the company satisfied of the ability of the business manage its operations even an extreme tested scenarios.

#### 53.7 Capital

The Company maintains an activity managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

#### **Capital Management**

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financing markets where the entities within the Company operate;
- To safeguard 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; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Company's management, employing techniques based on the guidelines developed by the Central Bank of Sri Lanka, for supervisory purposes. The required returns are filed on a monthly basis

The Company maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the Authority which takes into account the risk profile of the Company.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital is managed by each month by the Board of Directors and comprises two tiers:

#### **Capital Management**

For a financial institution capital is a buffer against insolvency. It is available to absorb unforeseen losses which asserts the Company's ability to continue operations in to the foreseeable future. The more capital the company has relative to the risks it takes, the more confident the stakeholders are that it will meet its obligations to them. Company's capital management process is steered with the aim of holding sufficient capital to support the Company's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements.

Tire 1' Capital is capital which is permanently and freely available to absorb losses without a finance company being obliged to cease trading. Tier 1' Capital consists of paid up ordinary share capital, free reserves, statutory reserve fund and audited retained earnings. Tier 1' Capital is important because it safeguards both the survival of a finance company and stability of the financial system.

**Tier 2** Capital is capital which generally absorbs losses only in the event of a winding up of a finance company, and so provides a lower level of protection for depositors and other

creditors Tier - 2' Capital includes revaluation reserve, general provisions and hybrid capital instruments and approved subordinated term debts.

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

# Measures taken to consider capital adequacy requirements of the Company

- 1 The Company prepares the Corporate Plan and Budget on a rolling basis covering a period of 5 years which includes the computation of Capital Adequacy ratios (CARs).
- 2 The Company carefully analyses the CARs against increases in risk-weighted assets underlying the budgeted expansion of business volumes.
- 3 The Company has set up an internal guideline on minimum CARs and ensures that appropriate measures are employed to improve the CARs are also built into the budget. Budgeting process of the Company encapsulates all future capital requirements and this process invariably captures estimated capital expenditure and the business growth in determining the optimum level of capital to be maintained.
- 4 The Company has addressed all material risk exposures when formulating strategic plan and has a well-diversified assets portfolio which is neither overly exposed to any counterparty nor to any sector. Ways and means of improving the CARs are being monitored on an ongoing basis.
- 5 The Company always strives to achieve a reasonable growth in profit and is also mindful to pay a consistent stream of dividends to the shareholders Part of the profit generated is retained for future business expansion. Given the size of the Company, capital generated through retained profits over the years could be considered as one of the primary sources of internal capital to the Company.

#### Capital management objectives

The objectives of the Company's Capital Management efforts include:

Compliance with the regulatory requirements

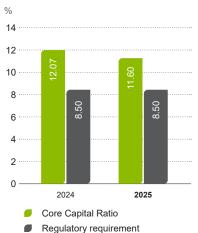
- w Maintaining internal capital targets which are more stringent than the regulatory requirements
- Optimum capital usage for maximum profitability (which meets investor expectations)
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- w To maintain a strong capital base to support the development of its business.

The table below summarises the composition of regulatory capital and the ratios of the Company for the years ended 31 March 2025 and 2024. During those two years, the Company has complied with all of the externally imposed capital requirements to which they are subjected.

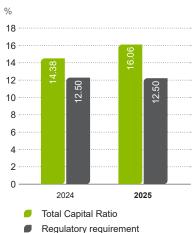
#### **Capital Adequacy Ratios**

As at 31st March	2025	2024	
_	LKR ('000)	LKR ('000)	
Tier 1 Capital	7,392,616	6,202,545	
Total Capital	10,232,153	7,387,730	
Total Risk Weighted Amount	63,725,337	51,368,378	
Risk Weighted Amount for Credit Risk	55,872,220	44,659,738	
Risk Weighted Amount for Operational Risk	7,853,118	6,708,639	
Core Capital Ratio, %	11.60	12.07	
Regulatory requirement	8.50	8.50	
Total Capital Ratio, %	16.06	14.38	
Regulatory requirement	12.50	12.50	

#### **Core Capital Ratio**



#### **Total Capital Ratio**





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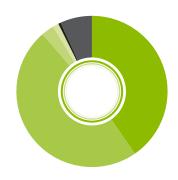
# **Contribution to National Economy**

#### Sources and Utilisation of Income - Company

For the year ended 31st March	2025	%	2024	%	
	LKR		LKR		
Sources of Income					
Loans and Advances	6,262,555,499	40%	5,519,164,910	40%	
Lease, Hire purchases and Consumer	7,647,117,204	49%	6,780,531,655	49%	
Durables	7,047,117,204	40 /0	0,700,001,000	40 70	
Government Securities	429,549,180	3%	510,547,945	4%	
Placements with Banks & Financial Institutions	195,664,137	1%	352,489,864	3%	
Other Investments	81,706,588	1%	21,900,079	0%	
Other Income	1,056,526,267	7%	741,459,797	5%	
Total Income	15,673,118,875	100%	13,926,094,250	100%	
To Employees					
Personnel Expenses	2,109,458,450	13%	1,604,634,943	12%	
To Suppliers					
Interest paid	6,472,265,408	41%	7,297,688,560	52%	
Other Expenses	2,564,492,850	16%	2,170,173,504	16%	
Depreciation	212,784,329	1%	169,449,679	1%	
Impairment for loans and other losses	233,790,063	1%	335,708,298	2%	
	9,483,332,650	61%	9,973,020,041	72%	
To Government					
Value added Tax & Other Taxes	1,012,264,791	6%	668,603,605	5%	
Income Tax	1,352,135,176	9%	780,987,459	6%	
	2,364,399,967	15%	1,449,591,064	10%	
To Shareholders					
Dividends	552,614,544	4%	168,480,000	1%	
Invested in the Business	1,163,313,264	7%	730,368,202	5%	
	1,715,927,808	11%	898,848,202	6%	
	15,673,118,875	100%	13,926,094,250	100%	

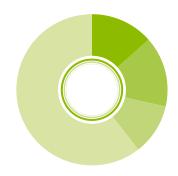
#### Sources of Income 2024/25

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<ul> <li>Loans and Advances</li> </ul>	40%
Lease, Hire purchases and Consumer Durables	48%
Government Securities	3%
Placements with Banks & Financial Institutions	1%
Other Investments	1%
Other Income	7%

#### Value Distribution 2024/25



To Employees	13%
To Government	15%
To Shareholders	11%
To suppliers	61%

# **Depositors' Information**

#### **Analysis of Deposit Base**

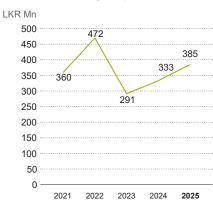
#### a) Value of Deposit Base

Value of Deposits	2021	2022	2023	2024	2025
	LKR Mn				
Value of Term Deposits	12,558	14,209	20,185	28,054	36,139
Value of Savings Deposits	360	472	291	333	385
	12,919	14,681	20,476	28,387	36,525

#### **Value of Term Deposits**



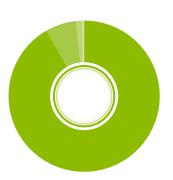
#### **Value of Savings Deposits**



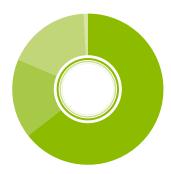
#### b) Rate of Interest Basis on Term Deposits

	As at 31	st March 2025	As at 3			
	No.of	Value	% of	No.of	Value	% of
	Deposits	LKR Mn	Total	Deposits	LKR Mn	Total
Less than 15%	15,604	33,166	92%	11097	18,106	64%
More than or equal to 15% and less than 20%	712	2,388	7%	2287	4,757	17%
More than or equal to 20% and less than 25%	138	495	1%	2329	4,979	18%
More than or equal to 25% and less than 30%	74	126	0%	141	245	1%
More than or equal to 30%	-	-	0%	-	-	0%
Total	16,528	36,174	100%	15,854	28,087	100%

#### Rate of interest on Term Deposit 2025



#### Rate of interest on Term Deposit 2024



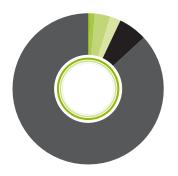
	2025	
Less than 15%	92%	64%
More than or equal to 15% and less than 20%	7%	17%
less than 25%	11%	18%
More than or equal to 25% and less than 30%	1%	61%
■ More than or equal to 30%	0%	0%

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## c) Capital Range on Term Deposits

	As at 31s	t March 2025	As at 31st March 2024			
	No. of	Value	%	No. of	Value	%
	Deposits	LKR Mn		Deposits	LKR Mn	
1 - 100,000	2,109	123	0%	2,217	137	0%
100,001 - 250,000	2,128	392	1%	2,251	427	2%
250,001 - 500,000	2,820	1,191	3%	2,834	1,213	4%
500,001 - 750,000	1,294	839	2%	1,269	839	3%
750,001 - 1,000,000	2,237	2,214	6%	2,118	2,104	7%
Over 1,000,000	5,940	31,416	87%	5,165	23,368	83%
	16,528	36,174	100%	15,854	28,087	100%

## Deposit Holders' Analysis 2025







	2025	
<b>1</b> - 100,000	0%	0%
<b>1</b> 00,001 - 250,000	1%	2%
<b>250,001 - 500,000</b>	3%	4%
500,001 - 750,000	2%	3%
<b>750,001 - 1,000,000</b>	6%	7%
Over 1,000,000	87%	83%

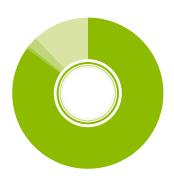
### d) Deposits Term Analysis

As at 31st March	1 2025	As at 31st March 2024		
LKR Mn	%	LKR Mn	%	
27,985	77%	23,903	85%	
195	1%	178	1%	
773	2%	620	2%	
7,220	20%	3,386	12%	
36,174	100%	28,087	100%	
	27,985 195 773 7,220	27,985 77% 195 1% 773 2%	LKR Mn         %         LKR Mn           27,985         77%         23,903           195         1%         178           773         2%         620           7,220         20%         3,386	

## Deposit Holders' Analysis 2024/25



## Deposit Holders' Analysis 2023/24



	2025	2024
Individuals	77%	85%
Subsidiaries / Associate Companies	1%	1%
Other Companies	2%	2%
Pensions, Provident Funds, Clubs etc.	20%	12%

## **Ten Years at a Glance**

For the Year Ended 31 March (In LKR Million)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operating Results										
Income	4,473	5,331	6,731	7,029	7,501	7,527	8,442	12,421	13,926	15,673
Profit Before Tax	530	834	810	600	532	1,296	2,364	951	1,698	3,087
Income Tax	111	185	82	294	323	735	901	446	781	1,352
Profit After Tax	419	649	728	306	209	561	1,463	505	917	1,735
Balance Sheet										
Assets										
Cash,Cash Equivalent & Deposits	2,714	1,645	1,626	1,224	2,253	1,781	1,333	5,723	5,246	8,216
Receivables	595	1,307	1,435	3,279	4,138	2,586	3,176	2,567	2,581	2,236
Stocks	19,294	22,866	25,019	24,863	24,790	26,249	40,266	37,382	44,545	61,376
Investments	1,796	2,081	2,019	1,020	1,071	1,129	863	3,980	4,600	6,346
Property,Plant & Equipment	1,447	2,123	1,682	1,746	1,694	2,378	2,502	2,595	3,203	3,391
Total Assets	25,845	30,022	31,781	32,132	33,945	34,122	48,140	52,248	60,175	81,565
Liabilities										
Term Deposit	10,464	10,088	13,257	12,494	12,347	12,919	14,681	20,476	28,387	36,525
Bank Overdraft/Loans	12,276	15,154	13,144	14,190	16,217	14,098	25,096	23,455	21,440	31,879
Provisions & Other Liabilities	383	715	1,081	937	769	1,289	1,681	1,359	2,218	3,812
Total Liabilities	23,123	25,957	27,482	27,621	29,332	28,306	41,459	45,290	52,046	72,216
Shareholders' Funds	2,722	4,065	4,299	4,510	4,613	5,816	6,681	6,958	8,129	9,350
Changes in Financial Position										
Sources of Funds		•			•				•	
Operations	877	796	1,534	38	782	1,973	2,325	(468)	1,723	1,988
Sale of Fixed Assets	48	25	40	7	8	(24)	1,380	285	21	(14)
Term Deposits	120	(376)	3,169	(763)	(146)	571	1,763	5,794	7,912	8,137
Bank Overdraft/Loans	5,259	2,890	(1,572)	728	1,935	(2,123)	9,848	(4,149)	(212)	6,021
Others	(153)	(102)	(120)	(106)	(119)	(123)	(67)	(200)	(382)	2,346
Grand Total	6,150	3,234	3,052	(96)	2,460	274	15,248	1,262	9,062	18,478
Application of Funds										
Capital Expenditure	451	70	208	207	99	123	379	291	443	724
Portfolio Disbursements	5,953	2,848	2,179	191	705	418	14,761	(1,352)	7,112	16,415
Deposits	(73)	37	(334)	(95)	478	(244)	(357)	4,020	(1,375)	2,147
Income Tax	20	180	126	148	413	255	793	683	545	881
Dividends	126	183	214	76	34	0	404	270	168	553
Other	(351)	(192)	399	(395)	27	(44)	(684)	732	(501)	(421)
Changes in Available Resources	25	106	260	(229)	705	(234)	(48)	(3,382)	2,669	(1,820)
Grand Total	6,150	3,234	3,052	(96)	2,460	274	15,248	1,262	9,062	18,478
No. of Shares	2,430,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000	33,696,000

For the Year Ended 31 March (In LKR Million)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Indicators of Performance										
Return on Shareholders Funds % (After Tax)	16.21	19.14	17.42	6.95	4.57	10.76	23.41	7.40	12.15	19.85
Return on Total Assets % (After Tax)	1.83	2.33	2.36	0.96	0.63	1.65	3.56	1.01	1.63	2.45
Earnings per Share (LKR)	172.51	19.85	21.62	9.09	6.19	16.65	43.42	14.98	27.21	51.48
Market Value per Share (LKR)	740.00	55.00	65.70	53.60	34.40	49.50	70.40	66.80	90.40	180.50
Price Earning Ratio %	4.29	2.77	3.04	5.90	5.56	2.97	1.62	4.46	3.32	3.51
Rate of Dividend %	530.00	32.38	35.12	5.49	-	30.18	65.86	27.44	46.10	94.40
Dividend per Share (LKR)	53.00	5.90	6.40	1.00	-	5.50	14.50	5.00	8.40	17.20
Gross Dividend LKR Mn	128.79	198.81	215.65	33.70	-	185.33	488.59	168.48	283.05	579.57
Dividend Cover (Times)	3.25	3.36	3.38	9.09	-	3.03	2.99	3.00	3.24	2.99
Dividend Payout %	30.72	29.73	29.60	11.01	-	33.04	33.39	33.38	30.87	33.41
Net Assets per Share (LKR)	1,120.19	120.63	127.58	133.85	136.90	172.61	198.28	206.50	241.25	277.47
Market Value Per Share During The Year										
Highest Value Recorded During the Year (LKR)	1,000.00	1,300.00	79.40	72.50	54.50	59.00	116.50	92.00	120.00	215.00
Lowest Value Recorded During the Year (LKR)	732.00	52.30	53.00	50.00	30.00	30.00	59.10	42.00	67.60	90.50
Market Value as at 31st March (LKR)	740.00	55.00	65.70	53.60	34.40	49.50	70.40	66.80	90.40	180.50

#### **Financial Highlights**

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assets (LKR Mn)	25,845	30,022	31,781	32,132	33,945	34,122	48,140	52,248	60,175	81,565
Liabilities (LKR Mn)	23,123	25,957	27,482	27,621	29,332	28,306	41,459	45,290	52,046	72,216
Shareholders Funds (LKR Mn)	2,722	4,065	4,299	4,510	4,613	5,816	6,681	6,958	8,129	9,350

## **Shareholder Information**

#### **Distribution of Shares**

Holdings	31st M	larch 2025		31st March 2024		
	No of Shareholders	Total No. of Shares	%	No of Shareholders	Total No. of Shares	%
1-1000	1,251	194,703	0.6	1,300	296,000	0.88
1001 - 10000	465	1,381,710	4.1	528	1,823,970	5.41
10001 - 100000	133	4,048,054	12.01	143	3,998,752	11.87
100001 - 1000000	25	5,593,401	16.6	25	5,693,697	16.9
Over 1000000	5	22,478,132	66.71	5	21,883,581	64.94
	1,879	33,696,000	100	2,001	33,696,000	100
	.,	, , ,		_,	, ,	

#### Public Shareholding as at 31st March 2025

The shares in the hands of the public 31.3.2025 were 11,904,575 representing 35.33% of the Issued Share Capital of the Company and as at 31.3.2024 were 17,164,339 representing 50.94% of the Issued Share Capital of the Company.

No. of Public Shareholders as at 31st March 2025 were 1,860.

#### **Float Adjusted Market Capitalization**

The Float adjusted market capitalization as at 31st March 2025 - was LKR 2,148,775,788 (31st March 2024 - 1,551,661,669).

The Company is compliant with option 5 of the Listing Rules 7.13.1 (i) (a) - Less than LKR 2.5 Bn. Float Adjusted Market Capitalization which requires 20% minimum public holding.

## 20 Major Shareholders

	31/03/2025		31/03/2024				
No.	Name of Shareholder	No. of Shares	%	Name of Shareholder	No. of Shares	%	
1	Mr.R.K.E.P. de Silva	12,423,830	36.87	Mr.R.K.E.P. de Silva	11,881,184	35.26	
2	Motor Service Station (Pvt) Ltd.,	4,647,133	13.79	Motor Service Station (Pvt) Ltd.,	4,636,107	13.76	
3	Mrs D.M.E.P. Perera	2,564,862	7.61	Mrs D.M.E.P. Perera	2,544,909	7.55	
4	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera (Joint)	1,483,984	4.40	Mr.D.F.W.S.K. Perera & Mr.D.F.W. Perera (Joint)	1,463,057	4.34	
5	Orient Hotels Ltd.,	1,358,323	4.03	Orient Hotels Ltd.,	1,358,323	4.03	
6	Mrs.S.E. Canekeratne	612,268	1.82	Mrs.S.E. Canekeratne	612,268	1.82	
7	J B Cocoshell (Pvt) Ltd.	596,066	1.77	Mr.D.L.S.R. Perera	553,556	1.64	
8	Mr.D.L.S.R. Perera	412,266	1.22	Mrs.C.R. de Silva	374,400	1.11	
9	Mrs.C.R. de Silva	374,400	1.11	Mr. D.F.W. Perera	343,089	1.02	
10	Mr. D.F.W. Perera	363,243	1.08	Ms.D.C.M.A. Perera	343,004	1.02	
11	Ms.D.C.M.A. Perera	361,042	1.07	Hatton National Bank PLC/Mr.K.K. Shujeevan	334,434	0.99	
12	Hatton National Bank PLC/Mr.K.K. Shujeevan	334,434	0.99	Ms.D.D.P.T. Perera	319,384	0.95	
13	Ms.D.D.P.T. Perera	319,384	0.95	Mrs.P.N. Weththasinghe	299,975	0.89	
14	Mrs.P.N. Weththasinghe	299,975	0.89	Mrs.A.S. Wijewardena	259,200	0.77	
15	Mr.G.P. Kapilasena	201,180	0.60	JB Cocoshell (Pvt) Ltd	258,698	0.77	
16	Mrs.K.G.G.S.L. Perera	201,066	0.60	Mr.G.P. Kapilasena	201,180	0.60	
17	Mrs.N.U. Silva	172,105	0.51	Mrs.K.G.G.S.L. Perera	201,066	0.60	
18	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46	Mrs.N.U. Silva	172,105	0.51	
19	Mr.W.G.D.C. Ranaweera	149,384	0.44	Mrs.C. Yogagopalakrishnan & Mrs.Y. Thirukumar	155,920	0.46	
20	Mr.D.L.S.R. Perera & Mrs. D.C.M.A Perera	146,290	0.43	Mr.K. Krishnasamy	138,420	0.41	
		27,177,155	80.65		26,450,279	78.50	

Institutional and Individual shareholders as at	31/03/2025			3	1/03/2024	
	No of shareholder	No of Shares	%	No of shareholder	No of Shares	%
Institution	32	7,010,230	20.80	33	6,704,927	19.90
Individuals	1,846	26,685,770	79.20	1,968	26,991,073	80.10
	1,878	33,696,000	100	2,001	33,696,000	100

## **GRI Index Table**

Statement of use	Alliance Finance Company PLC has reported the information cited in this GRI content index for the period 01st April 2024 to
	31st March 2025 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	2, Inner Back Cover	About Our Integrated Report, Corporate Information
	2-2 Entities included in the organization's sustainability reporting	2	About Our Integrated Report
	2-3 Reporting period, frequency and contact point	2, 5	About Our Integrated Report, Feedback
	2-4 Restatements of information	5	Forward-Looking Statements
	2-5 External assurance	5	Combined Assurance
	2-6 Activities, value chain and other business relationships	34, 110, 129	Value Creation Model, Suppliers, Strategic Business Partners
	2-7 Employees	116, 117	Human Capital, Disciplined Recruitment and Selection
	2-9 Governance structure and composition	136	Corporate Governance Report
	2-10 Nomination and selection of the highest governance body	142	"Appointment / Re-Election / Resignation / Retirement Of Directors"
	2-11 Chair of the highest governance body	145	Division of Responsibilities
	2-12 Role of the highest governance body in overseeing the management of impacts	137	The Board
	2-13 Delegation of responsibility for managing impacts	145	Board Committees
	2-14 Role of the highest governance body in sustainability reporting	141	ESG Governance
	2-15 Conflicts of interest	143	Managing Conflicts of Interest
	2-16 Communication of critical concerns	148	Corporate Governance Report
	2-17 Collective knowledge of the highest governance body	141	Board Composition
	2-18 Evaluation of the performance of the highest governance body	147	Access to Information
	2-19 Remuneration policies	144	Directors Remuneration
	2-20 Process to determine remuneration	144	Directors Remuneration
	2-21 Annual total compensation ratio	267	Compensation to Key Management Personnel
	2-22 Statement on sustainable development strategy	6	The Alliance Finance Co. PLC
	2-23 Policy commitments	114	Human Capital
	2-24 Embedding policy commitments	124, 125	Intellectual Capital, Brand Strength
	2-25 Processes to remediate negative impacts	109, 122, 125, 135, 109	Customer Complaints, Employee Relations, Brand Strength, Conserving water,
	2-26 Mechanisms for seeking advice and raising concerns	109, 122	Customer Complaints, Employee Relations
	2-27 Compliance with laws and regulations	60	Managing Risks and Opportunities
	2-28 Membership associations	129	Memberships and Affiliations
	2-29 Approach to stakeholder engagement	36	Stakeholder Engagement
	2-30 Collective bargaining agreements	122	Employee Relations

GRI Standard	Disclosure	Page	Location
GRI 3: Material Topics	3-1 Process to determine material topics	45	Materiality Assessment
2021	3-2 List of material topics	45	Materiality Assessment
	3-3 Management of material topics	45	Materiality Assessment
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	18	Value Added Statement - Company
	201-2 Financial implications and other risks and opportunities due to climate change	86	Risk Management
	201-3 Defined benefit plan obligations and other retirement plans	118	Competitive Remuneration and Benefit Structure
	201-4 Financial assistance received from government	14	Historical Milestones
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	118	Competitive Remuneration and Benefit Structure
	202-2 Proportion of senior management hired from the local community	117	Disciplined Recruitment and Selection
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	111	Community
2016	203-2 Significant indirect economic impacts	111	Community
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	111	Supplier Management Framework
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	73, 138	Managing Strategic Risk, Key Board Responsibilities
	205-2 Communication and training about anti- corruption policies and procedures	73, 111	Managing Strategic Risk, Supplier Management Framework
	205-3 Confirmed incidents of corruption and actions taken	111	Supplier Management Framework
GRI 206: Anti- competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	108	Responsible Marketing
GRI 207: Tax 2019	207-1 Approach to tax	221	Value Added Tax on Financial
	207-2 Tax governance, control, and risk management	221	Value Added Tax on Financial
	207-3 Stakeholder engagement and management of concerns related to tax	40	Regulators
GRI 302: Energy 2016	302-1 Energy consumption within the organization	134	Natural Capital
	302-3 Energy intensity	134	Natural Capital
	302-4 Reduction of energy consumption	134	Natural Capital
	302-5 Reductions in energy requirements of products and services	81, 134	Target and matrix, Natural Capital
GRI 303: Water and	303-1 Interactions with water as a shared resource		
Effluents 2018	303-2 Management of water discharge-related impacts		
	303-3 Water withdrawal	134	Natural Capital
	303-4 Water discharge		
	303-5 Water consumption	134	Natural Capital

## **GRI Index Table**

Disclosure	Page	Location
304-3 Habitats protected or restored	87	Biodiversity & Ecosystem
305-1 Direct (Scope 1) GHG emissions	81	Targets and Metrics
305-2 Energy indirect (Scope 2) GHG emissions	81	Targets and Metrics
305-3 Other indirect (Scope 3) GHG emissions	81	Targets and Metrics
305-4 GHG emissions intensity	81	Targets and Metrics
305-5 Reduction of GHG emissions	81	Targets and Metrics
306-1 Waste generation and significant waste-related impacts	and significant waste-related 135 Managing Waste,Enviro	
306-2 Management of significant waste-related impacts	135	Managing Waste,Environmental Projects
306-3 Waste generated	135	Managing Waste,Environmental Projects
308-1 New suppliers that were screened using environmental criteria	111	Supplier Management Framework
308-2 Negative environmental impacts in the supply chain and actions taken	111	Supplier Management Framework
401-1 New employee hires and employee turnover	117	Disciplined Recruitment and Selection
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	118	Competitive Remuneration and Benefit Structure
401-3 Parental leave	119	Parental Leave
402-1 Minimum notice periods regarding operational changes	122	Employee Relations
403-1 Occupational health and safety management system	122	Safety and Wellbeing
403-2 Hazard identification, risk assessment, and incident investigation	122	Safety and Wellbeing
403-3 Occupational health services	122	Safety and Wellbeing
403-4 Worker participation, consultation, and communication on occupational health and safety	122	Safety and Wellbeing
403-5 Worker training on occupational health and safety	122	Safety and Wellbeing
403-6 Promotion of worker health	122	Safety and Wellbeing
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	122	Safety and Wellbeing
404-1 Average hours of training per year per employee	120	Training and Development
404-2 Programs for upgrading employee skills and transition assistance programs	120	Training and Development
404-3 Percentage of employees receiving regular performance and career development reviews	119	Performance Management
405-1 Diversity of governance bodies and employees	116	Human Capital
405-2 Ratio of basic salary and remuneration of women to men	118	Competitive Remuneration and Benefit Structure
	304-3 Habitats protected or restored  305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions intensity 305-5 Reduction of GHG emissions 306-1 Waste generation and significant waste-related impacts 306-2 Management of significant waste-related impacts 306-3 Waste generated 308-1 New suppliers that were screened using environmental criteria 308-2 Negative environmental impacts in the supply chain and actions taken 401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave 402-1 Minimum notice periods regarding operational changes 403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety 403-5 Worker training on occupational health and safety 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 404-3 Percentage of employees receiving regular performance and career development reviews 405-2 Ratio of basic salary and remuneration of	304-3 Habitats protected or restored  87 305-1 Direct (Scope 1) GHG emissions  81 305-2 Energy indirect (Scope 2) GHG emissions  81 305-3 Other indirect (Scope 3) GHG emissions  81 305-3 Other indirect (Scope 3) GHG emissions  81 305-5 Reduction of GHG emissions  81 306-1 Waste generation and significant waste-related impacts 306-2 Management of significant waste-related impacts 306-3 Waste generated 308-1 New suppliers that were screened using environmental criteria 308-2 Negative environmental impacts in the supply chain and actions taken 401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave 402-1 Minimum notice periods regarding operational changes 403-1 Occupational health and safety management system 403-2 Hazard identification, risk assessment, and incident investigation 403-3 Occupational health services 403-4 Worker participation, consultation, and communication on occupational health and safety 403-5 Worker training on occupational health and safety 403-6 Promotion of worker health 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 405-2 Ratio of basic salary and remuneration of 118

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GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	115	Governance Compliance and Best Practices
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	115	Governance Compliance and Best Practices
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	115	Governance Compliance and Best Practices
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	115	Governance Compliance and Best Practices
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	111	Community, Community Investment
	413-2 Operations with significant actual and potential negative impacts on local communities	111	Community, Community Investment
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	111	Supplier Management Framework
2016	414-2 Negative social impacts in the supply chain and actions taken	111	Supplier Management Framework
GRI 416: Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	107	Sustainable Financial Solutions
2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	107	Sustainable Financial Solutions
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	108	Responsible Marketing
	417-2 Incidents of non-compliance concerning product and service information and labeling	108	Responsible Marketing
	417-3 Incidents of non-compliance concerning marketing communications	108	Responsible Marketing
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	109	Data Privacy

# Alignment to SLFRS S1 and S2

	SLFRS S1 (CORE CONTENT)	Alignment to SLF
SLFRS No.	SLFRS S1 CORE CONTENT	Location
	(CLAUSES 25 to 53 OF SLFRS S1)	
Core Content	(02.10020 20.10 00.01 02.110 0.1)	
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32	-	
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# **Sustainability Accounting Standards Board** (SASB) Disclosure

Industry as per SASB Standard	Topic	Accounting Metric	Code	Page number(s)
	Data security	<ul><li>(1) Number of data breaches,</li><li>(2) percentage that are personal data breaches,</li><li>(3) number of account holders affected</li></ul>	FN-CB-230a.1	Page 78
		Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Page 72 Page 78
		(1) Number and (2) amount of loans outstanding that qualify for programmes designed to promote small business and community development	FN-CB-240a.1	Page 54 Page 78
	Financial Inclusion & Capacity Building	(1) Number and (2) amount of past due and nonaccrual loans or loans subject to forbearance that qualify for programmes designed to promote small business and community development	FN-CB-240a.2	Page 54 Page 78
		Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	Page 78
		Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	Page 78
	Incorporation of Environmental, Social, and Governance factors in Credit Analysis	Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	FN-CB-410a.1	Page 64 - 65 Page 78 - 79 Page 82 - 86
Commercial banks	Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	FN-CB-410b.1	Page 78 - 81 Page 87 - 88
		Gross exposure for each industry by asset class	FN-CB-410b.2	Page 78 - 81 Page 87 - 88
		Percentage of gross exposure included in the financed emissions calculation	FN-CB-410b.3	Page 78 - 81 Page 87 - 88
		Description of the methodology used to calculate financed emissions	FN-CB-410b.4	Page 78 - 81 Page 87 - 88
	Business ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations5	FN-CB-510a.1	Page 79
		Description of whistleblower policies and procedures	FN-CB-510a.2	Page 74 Page 79
		Global Systemically Important Bank (G-SIB) score, by category6	FN-CB-550a.1	N/A
	Systemic Risk Management	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Page 60 - 63 Page 79

# Independent Limited Assurance Report **Deloitte.**

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INDEPENDENT ASSURANCE REPORT TO THE BOARD OF THE DIRECTORS OF ALLIANCE FINANCE COMPANY PLC ON THE INFORMATION PRESENTED WITH REFERENCE TO THE GRI, SLFRS S1 and S2, AND SASB STANDARDS IN THE INTEGRATED ANNUAL REPORT - 2024/2025.

#### Scope

We have been engaged by the management of Alliance Finance Company PLC ("the Company") to perform an independent limited assurance engagement, as defined by the Sri Lanka Standard on Assurance Engagements, on the information presented with reference to the GRI (Global Reporting Initiative), SLFRS S1 and S2 and SASB (Sustainability Accounting Standards Board) Standards ("Information") in its Integrated Annual Report for the year ended 31 March 2025 (the "Report").

#### Management's Responsibility

Management of the Company is responsible for preparation and presentation of the information with reference to the GRI, SLFRS S1 and S2 and SASB standards. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the information that is free from material misstatement, whether due to fraud or error.

#### **Our Independence and Quality Management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The firm applies Sri Lanka Standards on Quality Management and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

#### **Our Responsibility**

Our responsibility is to express a conclusion on the information presented in Report with reference to the GRI, SLFRS S1 and S2 and SASB standards. We conducted our limited assurance engagement in accordance with the Sri Lanka Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information ("SLSAE 3000 - Revised") issued by the Institute of Chartered Accountants of Sri Lanka. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the information is free from material misstatement.

A limited assurance engagement undertaken in accordance with SLSAE 3000 (Revised) involves assessing the risks of material misstatement of the information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and were included,

- Comparing of the content of the Report against the GRI, SLFRS S1 and S2 and SASB standards.
- w Interviewing relevant organization's personnel to understand the process for collection, analysis, aggregation, and presentation of data.
- ve Cross checking the sustainability disclosures with the supporting documents and schedules maintained by the Company.
- Cross checking the financial information presented in the Report with the audited financial statements of the Company for the financial reporting period ended 31 March 2025.
- Checking the calculations performed by the organization on a sample basis through recalculation.
- No Independently reviewing the content of the sustainability disclosures and request changes if required.
- Neviewing Board minutes to ensure consistency with the content of the Sustainability disclosures.
- Obtaining a letter of representation from management dated on the issuance of assurance report, content of the sustainability disclosures.

#### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information, as defined above, for the year ended 31 March 2025, is not presented, in all material respects, with reference to the GRI, SLFRS S1 and S2 and SASB standards.

#### Other Matter

Our assurance is not extending to the prospective/comparative information, or any other information presented in the Report other than based on the GRI, SLFRS S1 and S2 and SASB standards. Further, we do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

**Deloitte Associates** 

Chartered Accountants

Delitte Associates.

Colombo

5 June 2025

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# Disclosure on CA Sri Lanka Gender **Parity Reporting**

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	Workplace practices to promote gender parity	114-121	
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Gender Gap Indicators	Gender Analysis in Each Pay Quartile	118	
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	Proportion of Women Who Received Training	121	
	Training Hours Analysed by Gender	121	
	Retention of Women at Work 12 Months After Maternity Leave	119	
	Proportion of Females who Received a Performance Bonus	119	
	Proportion of Women in IT, Engineering and Production Related Activities	(-)	We have three female employee in the IT department. Engineering and production related activities are not applicable to our company.
Responsible Brand	Evaluation of gender bias in advertising and communications -	(-)	We do not undertake gender bias advertising.
	Activities that Support Gender Parity in the Supply Chain -	(-)	There are no specific activities carried out during the year addressing gender parity. However, at the screening, selection or in any part of the engagement process, we do not discriminate based on gender.

## **Abbreviations**

**AADFI** Association of African Development Finance Institutions

**ACCA** Association of Chartered Certified Accountants

**ADFIAF** Association of Development Finance Institutions in Asian and the Pacific

AFC Alliance Finance Company

**AGM** Assistant General Manager

**BCMS** Business Continuity Management System

**CA** Charted Accountants

CBSL Central Bank of Sri Lanka

**CCA** Customer Care Agents

**CCPI** Colombo Consumer Price Index

**CMA** Charted Management Accountants

**CRM** Customer Relationship Management

CSE Colombo Stock Exchange

**CSR** Corporate Social Responsibility

**CXO** Chief Executive Officer

**DF** Development Finance

**DR** Disaster Recovery Site

**DWM** Developing World Markets

**EA** Enterprise Asia

**EDS** Entrepreneur Development Services

**EOSD** European Organisation for Sustainable Development

**EPS** Earnings Per Share

**ESMS** Environmental and Social Management System

ESG Environmental, Social, and Governance

**EVP** Employee Value Proposition

FHASL Finance Houses Association of Sri Lanka

FMO Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden

**GDP** Gross Domestic Product

**GRI** Global Reporting Initiative

H/Os Head Office

**HP** Hire Purchase

**HR** Human Resource

HRIS Human Resource Information System

ICASL Institute of Chartered Accountants of Sri Lanka

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IFC International Finance Corporation

IIRC International Integrated Reporting council

**IUCN** International Union for Conservation of Nature

KMP Key Management Personnel

KPI Key Performance Indicator

LINN Lanka Impact Investing Network

LKAS Sri Lanka Accounting Standard

MSME Micro, Small and Medium Enterprises

**NBFI** Non Banking Financial Institutions

NPL Non Performing Loan

PCB Polychlorinated biphenyl

RAC Risk-Acceptance-Criteria

**RFS** Regional Financial Services

**SDG** Sustainable Development Goals

**SLICM** Sri Lanka Institute of Credit Management

SLFRS Sri Lanka Financial Reporting Standard

SME Small and Medium Enterprises

SSCI Sustainability Standards and certification Initiative

**RDA** Road Development Authority

**ROE** Return on Investment

**USP** Unique Selling Proposition

COVID-19 Corona Virus Disease 2019

# Glossarv

#### **ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules and practices adopted by a company in preparing and presenting Financial Statements

#### **ACCOUNTING**

The profit or loss for a period before deducting tax expense

#### ACCRUAL BASIS OF ACCOUNTING

The effects of transactions and other events are recognised when they are occurred (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the Financial Statements of the periods to which they relate

#### **AMORTISATION (DEPRECIATION)**

The systematic allocation of the depreciable amount of an asset over its useful life

#### ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of a raising of a charge against profit for the incurred loss.

### C

#### CARRYING AMOUNT

The amount at which an asset is recognized in balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses

#### **CASH EQUIVALENTS**

Short-term, highly-liquid investments that is readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

#### CONTINGENCIES

Conditions or situation at the balance sheet date and the financial effects of which are to be determined by the future events that may or may not occur

#### **COLLECTIVE IMPAIRMENT**

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at a reporting date.

#### **CORPORATE GOVERNANCE**

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability of owners and others.

#### **COST TO INCOME RATIO**

Personal and Other Non-Interest Expenses divided by the sum of Net Interest Income & Non-Interest Income

#### **CURRENT TAX**

The amount of tax payable in respect of taxable income for the period

**DEALING SECURITIES** 

Marketable securities that are acquired and held with the intention of reselling them in the short-term

#### **DEFERRED TAX LIABILITIES**

The amounts of income tax payable in future periods in respect of taxable temporary differences

#### **DEFINED BENEFIT PLANS**

Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' remuneration and completed years of service

#### **DISBURSEMENTS**

Another term for investments

#### **DISCRETIONARY PROVISION**

This includes provision for bonuses and incentives

#### **DIVIDENDS**

Distribution of profits to holders of equity investments, in proportion to their holdings of a particular class of capital

#### **DIVIDEND COVER**

Profit after tax divided by gross dividend. The ratio measures the number of times dividend is covered by current years' distributable profits

#### **DIVIDEND PER SHARE (DPS)**

Gross dividend divided by the number of shares in issues

#### **EARNINGS PER SHARE (EPS)**

Profit for the period attributable to ordinary shareholders(the numerator) divided by the weighted average number of ordinary shares in issue during the period (the denominator)

#### G

#### **GENERAL RESERVES**

Reserves set aside for future

#### **GROSS NPA (NPL) RATIO**

Total non-performing accommodations (loans) after deducting for initial rentals received and unearned income, divided by gross accommodations (loans) after deducting for initial rentals received and unearned income.

#### **GROSS DIVIDEND**

The portion of profits distributed to the shareholders including the tax withheld

#### IMPAIRMENT

This occurs when recoverable amount of asset declines below its carrying amount

#### INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

#### **INVESTMENTS**

Value of facilities granted during a specific period

#### **INVESTMENTS SECURITIES**

Securities acquired and held for yield or capital growth purposes; usually held to maturity

#### LIQUIDITY

The availability of sufficient funds to meet deposit withdrawals and other financial commitments as they fall due

#### **LIQUID ASSETS**

Cash and cash equivalents, repurchase agreements, placements in banks and other financial institutions and treasury bills

#### **LIQUID ASSETS RATIO**

Liquid assets as a percentage of total deposits

#### M

#### MATERIALITY

Information is material if its non-disclosure could influence the economic decisions of users taken on the Financial Statements

#### MARKET VALUE PER SHARE

Market capitalization divided by the number of ordinary shares in issue

### N

#### NON - BANKING FINANCIAL INSTITUTIONS (NBFI)

An institution that does not have the full banking license and undertakes banking services permitted by the license.

#### **NON - PERFORMING LOANS (NPL)**

Loans and advances which are 180 days or more in arrears of due principal and/or interest payments

#### **NET ASSETS VALUE PER SHARE**

Shareholders' funds excluding preference shares if any, divided by the weighted average number of ordinary shares in issue

#### **NET NPA RATIO**

Total non-performing accommodations excluding initial rentals received, unearned income and provision for loan losses.

divided by gross loans after deducting for initial rentals received, unearned income and provision for loan losses

#### NET INTEREST INCOME

The difference between income earned from interest bearing assets and cost incurred on financial instrument/ facilities used for funding the interest bearing assets

#### **NET INTEREST MARGIN**

Net interest income divided by total average assets

#### 0

#### OFF BALANCE SHEET TRANSACTIONS

Transactions that are not recognized as assets or liabilities in the balance sheet but which may give rise to contingencies and commitments

#### F

#### **PORTFOLIO**

Total rentals and other receivables on loans and advances after deducting for unearned interest in suspense and initial rentals paid

#### PRICE EARNING (P/E) RATIO

The market price of an ordinary share divided by the Earnings per Share

#### **PROVISION FOR LOAN LOSSES**

Amounts set aside against possible losses on net receivable of facilities granted to customer as a result of them becoming party or wholly uncollectible

#### R

#### **RETURN ON ASSETS (ROA)**

Profit before tax expressed as a percentage of average total assets; used along with ROE as a measure of profitability and as a basis of intra-industry performance comparison

## RETURN ON SHAREHOLDERS' FUND/ EQUITY (ROE)

Profit before tax expressed as a percentage of average total assets; used as a measure of profitability and as a basis of intra- industry performance comparison

#### **REVALUATION**

Restatement of assets and liabilities

### RATE OF DIVIDEND

Gross dividend as a percentage of total par value of shares

#### S

#### SBU

Strategic Business Unit

## SEGMENT REVENUE

Revenue reported in the Company's income statement that is directly attributable to a segment and the relevant portion of the Company's revenue that can be allocated on a reasonable basis to a segment

#### SHAREHOLDERS' FUNDS

Shareholders' Funds consist of issued and fullypaid ordinary share capital plus capital and revenue reserves

#### **SOCIAL PERFORMANCE**

#### **MANAGEMENT SYSTEM (SPMS)**

SPMS is a set of policies, procedures, tools and internal capacity to identify and manage the institution's exposure to the environmental and social risks of its clients/ investees and the impact of the institution on society and environment.

#### SUSTAINABILITY DEVELOPMENT GOALS

A collection of 17 global goals set by the United Nations that covers a broad range of social and economic development issues. These include poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanization, environment and social justice.

#### **TAXABLE PROFIT/ (TAX LOSS)**

The profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which the income tax is payable/ (recoverable)

#### **'TIER 1' CAPITAL**

Core capital representing permanent shareholders' equity and reserves created or increased by appropriation of retained earnings or other surplus

#### **'TIER 2' CAPITAL**

Supplementary capital representing revaluation reserve, general provisions and other capital instruments which combine certain characteristics of equity debt such as hybrid capital instruments and subordinated term debts

#### **VALUE ADDED**

Value Added is the wealth created by providing services less cost of providing such services. The value added is allocated amongst the employees, the providers of capital and to the Government by way of taxes and retained for expansion and growth

## **Notice of Annual General Meeting**

Notice is hereby given that the Sixty Nine Annual General Meeting of Alliance Finance Company PLC, will be held on Monday, 30th June 2025 at 9.30 a.m., at No. 722, Kotta Road, Rajagiriya, Sri Lanka for the following purposes;

- 1) To receive and consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2025, together with the Report of the Auditors thereon.
- 2) To declare a Final Dividend
- 3) To re-elect Dr.L.I. Hettiarachchi who retires by rotation in terms of Articles 131 and 132 of the Articles of Association of the Company.
- 4) To re-elect Mr.D.F.W. Perera as a Director in terms of Article 136 of the Articles of Association of the Company.
- 5) To elect Dr.S.L.N. Wickremasooriya as a Director in terms of Article 136 of the Articles of Association of the Company.
- 6) To re-appoint Messrs. Deloitte Associates, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No.07 of 2007.
- 7) To authorize the Directors to determine and make donations for the ensuing year.

By Order of the Board of Directors

**ALLIANCE FINANCE COMPANY PLC** 

Priyanga P. Peiris (Mrs)

Company Secretary

Colombo

05th June 2025

#### Note:

- (i) A shareholder is entitled to appoint a proxy to attend and vote instead of his/her place and a proxy need not be a member of the Company.
- (ii) A shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
- (iii) The completed Form of Proxy is enclosed for this purpose must be submitted to the Company not later than 9.30a.m., on 28/06/2025 via e-mail registrar@allinacefinance.lk or by hand or post to the registered office of the Company, "Alliance House", No.84, Ward Place, Colombo-07, Sri Lanka.
- (iv) A person representing a corporation is required to carry a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
- (v) A Shareholder/Proxy holder is requested when attending the Annual General Meeting to bring with them their National Identity Cards or any other form of valid identification.
- (vi) A Shareholders appointing proxies (other than Directors) to attend the Meeting are requested to indicate the number of the National Identity Card of the Proxy holders on the Form of Proxy.
- (vii) The Annual Report of the Company for 2024/2025 is available on the Corporate website www.alliancefinance.lk and on the Colombo Stock Exchange website www.cse.lk
- (viii)A shareholder who requires a hard copy of the Annual Report must post or hand over duly completed "Request Form Annexure A" to the office of the Company Secretary

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# **Form of Proxy**

I/We		
(in block letters) of		
being a member/members of the above-named Company hereby appoint Gopa Sarojini Tamara Dharmakirti-Hera Patrick de Silva or failing him, Wickramasinghe Pathiranage Kusal Jayawardana or failing him, Michael Joseph B or failing her, Lloyd John Hiran de Silva or failing him, Don Lasantha Ivers Hettiarachchi or failing him, Dissanaya	enedict or failing him	, Priyanthi de Silva
him, Sulochana Lasantha Noel Wickremasooriya		
of		
NIC No		as my/our
proxy to represent me/us and to		
*vote for me/us on my/our behalf at the Sixty Nine Annual General Meeting of the Company to be held on 30th J thereof and at every poll which may be taken in consequence thereof.	une 2025 and at any	adjournment
	For	Against
<ol> <li>To receive and consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2025, together with the Report of the Auditors thereon.</li> </ol>	е	
2) To declare a Final Dividend		
<ol> <li>To re-elect Dr.L.I. Hettiarachchi who retires by rotation in terms of Articles 131 and 132 of the Articles of Association of the Company.</li> </ol>		
4) To re-elect Mr.D.F.W. Perera as a Director in terms of Article 136 of the Articles of Association of the Compan	у.	
<ol> <li>To elect Dr.S.L.N. Wickremasooriya as a Director in terms of Article 136 of the Articles of Association of the Company.</li> </ol>		
6) To re-appoint Messrs.Deloitte Associates, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act No.07 of 2007.		
7) To authorize the Directors to determine and make donations for the ensuing year.		
Signed thisday of	ve (2025).	

- \* Please delete the inappropriate words
- b) A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company. A proxy so appointed shall the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- A shareholder is not entitled to appoint more than one proxy to attend on the same occasion
- d) Instructions as to completion of Form of Proxy given overleaf

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## **Form of Proxy**

#### Instructions as to Completion of the Form of Proxy

- 1) A Proxy holder need not be a shareholder of the Company.
- 2) The Full Name and the Address of the Proxy holder and of the Shareholder appointing the Proxy should be entered legibly in the Form of Proxy. Please perfect the Form of Proxy, by signing in the space provided and filling in the date.
- 3) To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, "Alliance House" No.84, Ward Place, Colombo 7, not later than 9.30 a.m. on 28 June 2025 48 hours before the time appointed for the holding of the meeting.
- 4) Article 94 of the Articles of Association of the Company provided that: In the case of a Company or a Corporate Body, the Form of Proxy should be executed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 5) 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.
- 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, the Proxy holder will vote as thought fit.

## Corporate Information GRI 24

#### Name of the Company

Alliance Finance Company PLC

#### **Statutory Status**

The Company was incorporated under the Companies Ordinance, No.51 of 1938 on 18th July 1956 and re-registered under the Companies Act No.7 of 2007 on 22nd November 2007. The Ordinary Shares of the Company were listed on Main Board of the Colombo Stock Exchange (formerly known as Colombo Stockbrokers Association) on 1st January 1959.

#### Approved and registered under the

- > Finance Business Act No. 42 of 2011
- Finance Leasing Act No. 56 of 2000
- An approved Credit Agency under the Mortgage Act No.6 of 1949
- Trust Receipt Ordinance No.12 of1947

#### **Date of Incorporation**

18th July 1956

#### **Company Registration Number**

PQ 93

#### **Principal Activities**

Providing finance lease, gold loans, Vehicle Trade-In, acceptance of fixed deposits, savings mobilization, other credit facilities and services

## **Registered Office**

Alliance House

No.84, Ward Place, Colombo 07, Sri Lanka.

Tel: (+94) 11 2673673 Fax: (+94) 11 2697205

E-mail: info@alliancefinance.lk

#### Website

www.alliancefinance.lk

#### **Credit Rating**

On 03rd May 2025, the company's credit rating was upgraded to BBB (lka) with a Stable Outlook by Lanka Rating Agencies Limited (LRA), up from the previous rating of BBB- (lka).

#### **Board of Directors**

Mrs. G. S. Tamara Dharmakirti-Herath - Chairperson

Mr. R.K.E.P. de Silva - Deputy Chairman & Managing Director

Mr. W. P. K. Jayawardana - Deputy Managing Director

Mr .M.J. Benedict - Executive Director

Mrs. P. de Silva - Independent Non Executive Director

Mr. L. J. H de Silva - Non Independent Non Executive Director

Mr. D. L. I. Hettiarachchi - *Independent Non-Executive Director* 

Dr. S.L.N. Wickramasooriya - Non-Independent Non-Executive Director (appointed w.e.f. 02/08/2024)

Mr. D.F.W. Perera - Non-Independent Non-Executive Director (appointed w.e.f. 02/08/2024)

#### **Board Audit Committee**

Mrs. Priyanthi de Silva - *Chairperson*Mrs. G. S.Tamara Dharmakirti-Herath - *Member*Mr. L. J. H. de Silva - *Member* 

## Board Integrated Risk Management Committee

Mrs. G. S. Tamara Dharmakirti-Herath - *Chairperson* 

Mrs. Priyanthi de Silva - *Member* Mr.L.J.H. de Silva - *Member* 

#### Related Party Transactions ReviewCommittee

Mr.D.L.I. Hettiarachchi - *Chairman*Mrs. G. S. Tamara Dharmakirti-Herath - *Member*Mr. L. J. H. de Silva - *Member* 

#### **Remuneration Committee**

Mr.D.L.I. Hettiarachchi - *Chairman*Mrs. G. S. Tamara Dharmakirti-Herath - *Member*Mr. D. L. I. Hettiarachchi - *Member* 

#### **Nomination and Governance Committee**

Mr.D.L.I. Hettiarachchi - *Chairman*Mrs. G. S. Tamara Dharmakirti-Herath - *Member*Mr. L. J. H. de Silva - *Member* 

#### **Subsidiaries**

Alfinco Insurance Brokers (Pvt) Ltd.

#### **Auditors**

M/s. Deloitte Associates Chartered Accountants No.100, Braybrooke Place, Colombo - 02

#### **Advisory Council**

Mr. B. Ponnambalam

Mrs. K. S. K. de Silva

Mr. K. Kanaglsvaran LLB (London)

Lincoln's Inn Barrister - (President's Counsel)

#### **Legal Consultants**

Gunawardena & Ranasinghe Associates

#### **Company Secretary**

Mrs. Priyanga P. Peiris No. 84 Ward Place, Colombo 07.

#### **Bankers**

Sampath Bank PLC

Seylan Bank PLC

Public Bank Berhad

People's Bank

Hatton National Bank PLC

Commercial Bank of Ceylon PLC

Bank of Ceylon

Nations Trust Bank PLC

NDB Bank PLC

Cargills Bank

**DFCC Bank PLC** 

National Savings Bank

#### Corporate memberships and associations

- The Finance Houses Association of SriLanka
- Leasing Association of Sri Lanka
- Credit Information Bureau of Sri Lanka
- Financial Ombudsman-Sri Lanka
- Biodiversity Sri Lanka (PatronMember) {Business and Biodiversity platform}
- **CSR Sri Lanka**
- Association for Development Finance Institutions in Asia and the Pacific (ADFIAP), The Philippines

