

# CRAFTING ENDLESS POSSIBILITIES



LB FINANCE PLC | ANNUAL REPORT 2023/24





# CRAFTING ENDLESS POSSIBILITIES

Relying on decades of experience, time-tested techniques, and a well-honed strength, here at L B Finance, we have long empowered our stakeholders with the freedom to express their thoughts, emotions and dreams – and armed them with the power to achieve their true potential.

Our boundless energy and dynamism is reinforced with a perfectly balanced structure and form: attributes that drive us to rise above the challenges of today, and deliver an exceptional performance every step of the way.

Our unwavering dedication and passion ensures we remain poised to deliver endless opportunities for positive transformation and growth for the foreseeable future. As you read this report, we invite you to explore the ever-evolving, adaptive strategies that enable us to far surpass expectations and achieve extraordinary outcomes for our stakeholders, year after year.

**LB Finance PLC. We're crafting a vibrant future of endless possibilities.**

*Across centuries, ballet has utilised the grace, fluidity and dynamism of the human form to create countless movements that evoke emotion, communicate ideas and transform perspectives. This art form has evolved over time, yet it serves as the foundation upon which all other dance movements are built. It is a testament to our ability to establish the right controls, push beyond our limits, and strengthen our capabilities to overcome challenges and achieve the seemingly impossible.*

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This visual is developed in the style of origami – an ancient Japanese art that symbolises transformation, innovation, and creativity. It represents the power to craft endless possibilities, and denotes a holistic, multifaceted approach towards value creation that caters to diverse needs.



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# Advancing Possibilities

## MOST TECHNOLOGICALLY ADVANCED ANNUAL REPORT MICRO-SITE

### Smart AI Chatbot

The smart chatbot in our annual report micro-site is more convenient and faster than a conventional AI chatbot, thereby supporting a user-friendly experience.

### Smart Chart Generator

The micro-site's smart chart generator facilitates the creating of charts in relation to Company performance as per the user's requirement.

### Integrated Dashboard

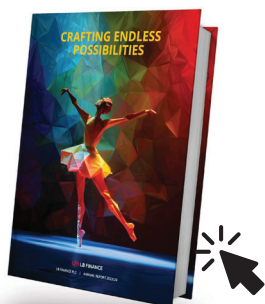
The micro-site contains an integrated dashboard which includes charts and graphs related to our financial and non-financial highlights, and provides a digitised picture of our business at a glance.

### Accessibility Features

We have included a range of accessibility features to our annual report micro-site, which enables users with different abilities to read its content.

### Text to Speech Feature

A plugin that supports the text to speech feature has also been integrated to the annual report micro-site.



### CLICKABLE PDF VERSION

We have simplified the reader experience by including links within the annual report, which improves connectivity, and enables faster access to different sections across the report.



### SASB FOR SUSTAINABILITY

We are the first Company in the NBF sector to report on industry-specific SASB Standards, thereby driving improved sustainability reporting.



### LB MASCOT

We introduced our LB Mascot to this year's annual report as a symbol of our corporate identity. The mascot acts as a guide where new information is available.

# Innovations Continued

## OUR REPORTING JOURNEY

		2019/20	2021/22	2022/23	2023/24
FIRST TIME IN SRI LANKA	<b>Equity Design Integrated Report</b>				
	Audio presentation for visual impaired	✓	✓	✓	✓
	Colour separation to reduce colour blind impact	✓	✓	✓	✓
	Comprehensive information for undergraduates or learning partners	✓	✓	✓	✓
	Trilingual Chairperson's Statement and Managing Director's Review	✓	✓	✓	✓
	Dedicated website and Facebook page for Annual Report information	✓	✓	✓	✓
	Summarised Annual Report snapshot	✓	✓	✓	✓
	Company as a carbon neutral/conscious entity 8th consecutive year	✓	✓	✓	✓
	SWOT analysis for each capital	✓	✓	✓	✓
CONTENT SPECIALTY	<b>Content specialty</b>				
	Value creation score card (stakeholder view and Six capital view)	✓	✓	✓	✓
	Materiality impact matrix and relationship between material issues		✓	✓	✓
	Trade-off between capitals	✓	✓	✓	✓
	Financial statement analysis – Horizontal and vertical analysis	✓	✓	✓	✓



We are pleased to present the 12th integrated annual report of LB Finance PLC (LBF or the Company) for the year ended 31 March 2024 which sets out a faithful account of the performance of the Group during this period. Its primary intent is to meet the information requirements of investors, and the information needs of other stakeholders.

## EVOLVING OUR REPORT IN 2023/24

- The report is more concise, reducing the narrative report compared to the previous year
- We have commenced implementation of SLFRS S1 & S2 and significant changes in the presentation of information throughout the report reflecting our efforts and progress
- The SASB Standard on Consumer Finance has been used as an industry guidance in identifying sustainability risks and opportunities
- Tagging of all GRI and SASB requirements facilitating easy search and identification
- The process for determining materiality matters was fine-tuned ensuring that material topics from GRI and SASB standards as well as our business priorities were covered in the process

## SCOPE AND BOUNDARY

The boundaries for reporting financial and non-financial information have been aligned and refer to information regarding LB Finance PLC unless specifically stated otherwise.

### INTEGRATED REPORTING

- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- 'A Preparer's Guide to Integrated Reporting' issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

### ESG AND SUSTAINABILITY REPORTING

- Global Reporting Initiative (GRI) standards - 'In Accordance with the GRI Standards', issued by Global Sustainability Standards Board
- Guideline on Environmental, Social and Governance (ESG) Reporting issued by the Colombo Stock Exchange (CSE)
- United Nations Sustainable Development Goals (SDGs)
- 10 Principles of United Nations Global Compact
- SLFRS Sustainability Disclosure Standards S1 & S2
- Consumer Finance Standard issued by the Sustainability Accounting Standards Board (SASB)
- Disclosure on Gender Parity Reporting issued by CA Sri Lanka

### CLIMATE-RELATED DISCLOSURES

- ISO 14064-1:2018 Organisation Level for Quantification and Reporting of Green House Gas (GHG) Emissions and Removals

### FINANCIAL REPORTING

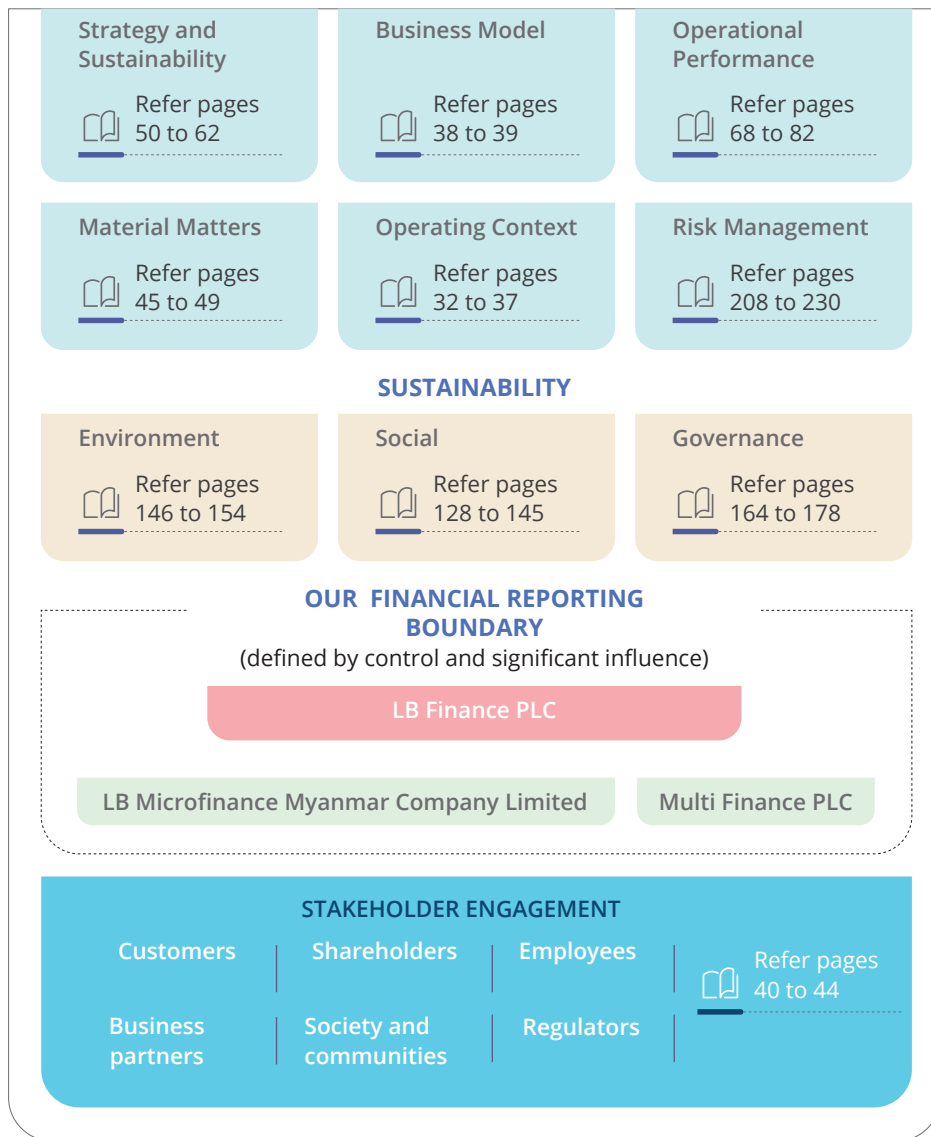
- Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Lanka Accounting Standards (LKASs) issued by CA Sri Lanka
- Companies Act No. 07 of 2007
- Finance Business Act No. 42 of 2011
- Listing Rules of the Colombo Stock Exchange (CSE)

### CORPORATE GOVERNANCE PRACTICES

- Listing Rules of the Colombo Stock Exchange (CSE), including the revised Section 9 which was issued in August 2023
- Companies Act No. 07 of 2007 and amendments thereto
- Corporate Governance Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka
- Code of Best Practice for Corporate Governance 2023 issued by CA Sri Lanka
- Directions issued under Finance Business Act No. 42 of 2011



### OUR INTEGRATED ANNUAL REPORT BOUNDARY



### GUIDING PRINCIPLES

LB Finance PLC has applied the following guiding principles in preparing this report to ensure that it provides a credible review of our performance.

#### Faithful representation

We have presented a balanced view of our performance, including both positive, neutral and negative aspects

#### Materiality

We have reported on material matters using the dual materiality concept

#### Connectivity of information

Icons have been used to connect strategy, capitals and stakeholders throughout the report

#### Conciseness

This has been a key objective to convey the critical matters to users of the report in a complete but concise manner

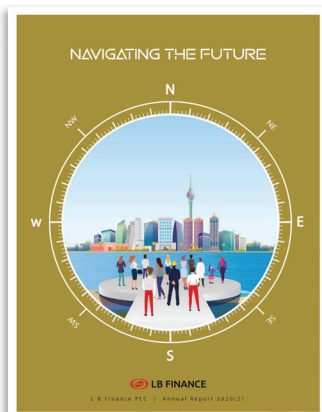
#### Consistency and comparability

Indicators for measurement have been aligned to reporting frameworks and industry standards wherever possible facilitating comparability

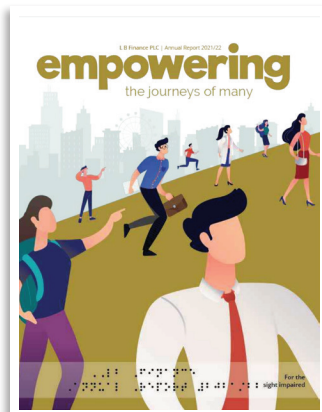
#### Reliability

Internal processes and controls have been put in place to ensure the reliability of both financial and non-financial information

### OUR PREVIOUS REPORTS



Annual Report 2020/21



Annual Report 2021/22



Annual Report 2022/23

### REPORTING PERIOD

In line with LB Finance PLC's established procedure of publishing an annual integrated report including sustainability information, this current report has been prepared for the period 01 April 2023 to 31 March 2024 in alignment with the Company's financial reporting cycle ending on 31st March 2024. Any material events after this date and up to date of Board approval 31 May 2024 have also been included.

**ASSURANCE**

External assurance for both financial and non-financial information has been provided by Messrs Ernst & Young. Their report is given on pages 63 to 66.

**FORWARD-LOOKING STATEMENTS**

This report contains “forward-looking” statements which have been included to enhance the future orientation of the report. These are based on information available at the time of preparation of the report sourced from reliable and publicly available information, internal information and our perceptions and opinions. These statements can be verified only with hindsight and therefore, have significant levels of uncertainty associated with the same. As Sri Lanka is on a path to economic recovery and geopolitical risks continue to remain high, the external operating environment continues to remain fluid, and readers are advised to exercise their own judgments using the latest available information at the time of assessing such forward-looking statements. While significant efforts have been made to ensure the validity of these, all forward-looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons enumerated above.

**RESTATEMENTS OF INFORMATION**

There are no restatements of financial or non-financial information which was audited in the previous year.

**CONNECTIVITY OF INFORMATION**

The connectivity of information has been improved by the use of the following icons throughout the report.

**The Capitals**



Financial Capital



Manufactured Capital



Human Capital



Intellectual and Digital Capital



Social and Relationship Capital



Natural Capital

**Stakeholders**



Customers



Shareholders



Employees



Society/Communities



Regulators



Business Partners

**Material Matters**



Challenging Economic Conditions



Serving and Meeting the Needs of Customer



Good Governance and Risk Optimisation



Financial Resilience



Customer Centricity



Business Simplification and Optimisation



Future-fit Organisation



Supporting Social Cohesion



Digital Transformation

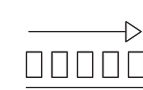


Workforce Empowerment



Manage Our Impacts

**Sustainability Pillars**



Financial Stability



Positive Environmental Impact



Inclusive Growth



Great Work Place

**FEEDBACK**

We welcome your suggestions and comments on further improving the readability and relevance of our Report. Kindly direct your feedback to:

Chief Financial Officer or Manager  
- Sustainability & Corporate Reporting

**LB FINANCE PLC,**

Corporate Office,  
No. 20, Dharmapala Mawatha,  
Colombo 03.

Tel: 011 2155 473 | Fax: 011 2575 096

**BOARD RESPONSIBILITY STATEMENT**

The Integrated Annual Report of LB Finance PLC has been prepared by the Management of the Company and has been reviewed by the Board of Directors of the Company to ensure the integrity of the 2023/24 Integrated Report. The Board has considered the completeness of the material aspects addressed in the report, and the reliability of financial and non-financial information presented, taking into consideration the internal and external assurance provided.

The Board is satisfied that the 2023/24 Integrated Report provides a faithful representation of the performance of LB Finance PLC and its financial position for the year under review. The 2023/24 Integrated Report was approved by the Board and signed on its behalf by:

**GARD Prasanna**  
Chairman

**JASS Adhietty**  
Managing Director





THE COMPANY

# LEADING THROUGH EXPERIENCE

With decades of knowledge at our fingertips, we empower and guide our stakeholders along their journey, and enable them to achieve their dreams, no matter what they may be.

In ballet, decades of training and accumulated knowledge are passed down by seasoned professionals who guide their students – arming them with the necessary support, direction, and insights to confidently step out into a challenging world.

## SECTION 1

About LB Finance 10 | Our Socio-Economic Impact 13 | Awards and Accolades 17 | Financial Highlights 20  
Non-Financial Highlights 22 | Strategic Journey 24 | Chairman's Message 26 | Managing Director's Review 28





LB Finance PLC was established as a private limited liability company in May 1971 and converted into a public limited liability company in 1982. It became listed on the Colombo Stock Exchange in 1997, with Lewis Brown & Company Limited holding the majority of shares. In 1994, Vanik Incorporation Limited gained control of the Company. Later on, in 2003, the renowned Sri Lankan entrepreneur, Mr Dhammika Perera assumed ownership, integrating LB Finance PLC into Vallibel One PLC group, a diverse local conglomerate with interests spanning lifestyle, finance, aluminium, plantation, leisure, consumer, and investments. In June 2008, LB Finance PLC was re-registered under the new Companies Act No. 7 of 2007.

Today, we proudly stand among the top-tier Non-Banking Financial Institutions (NBFIs) in Sri Lanka, backed by 53 years of invaluable experience. Throughout the past five decades, we have played a crucial role in fostering prosperity for individuals and businesses across the island. With the trust and respect of millions earned along the way, we are widely acknowledged as the preferred financial services provider in Sri Lanka.



Visit our website for more information about LB Finance PLC

## Vision

To contribute to the quality of life experienced by our depositors, customers, employees, and the general public through partnerships that fuel the growth of our Company and to create shareholder value both in the short term and long term

## Mission

- To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors
- To engage in prudent lending to entrepreneurs to assist them in the creation of wealth
- To embark on investments in which results can be clearly assessed and seize new opportunities in the market
- To offer a caring and personalised service that will form the foundation for developing lasting partnerships with our stakeholders, employees, and the general public
- To use training and career development to create an empowered and committed group of employees who will drive the Company to high levels of achievement

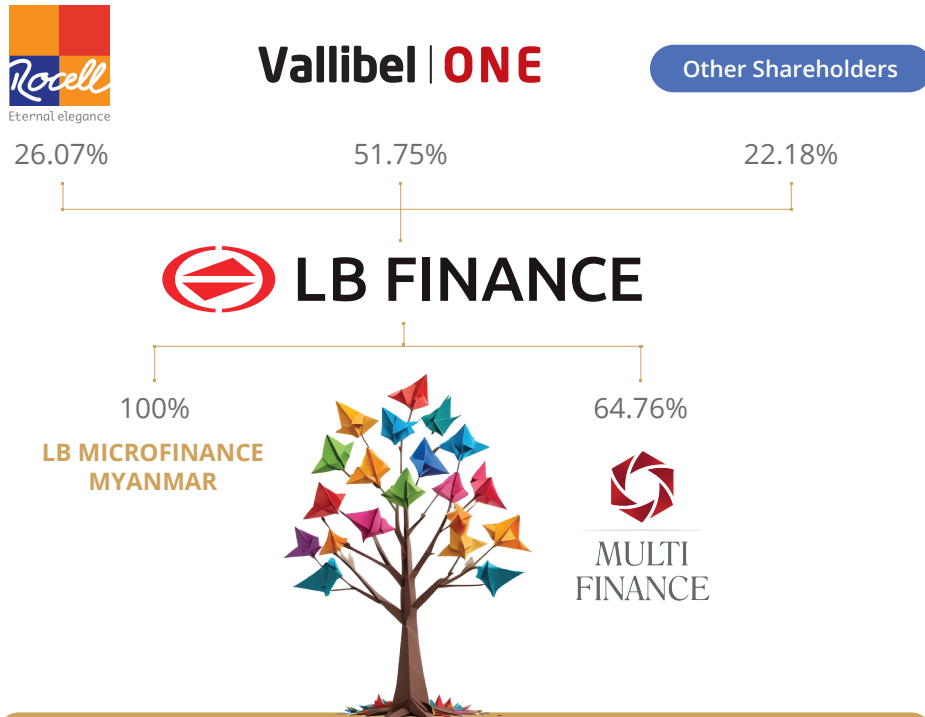
## Goal

To be a major player in the financial services sector in Sri Lanka

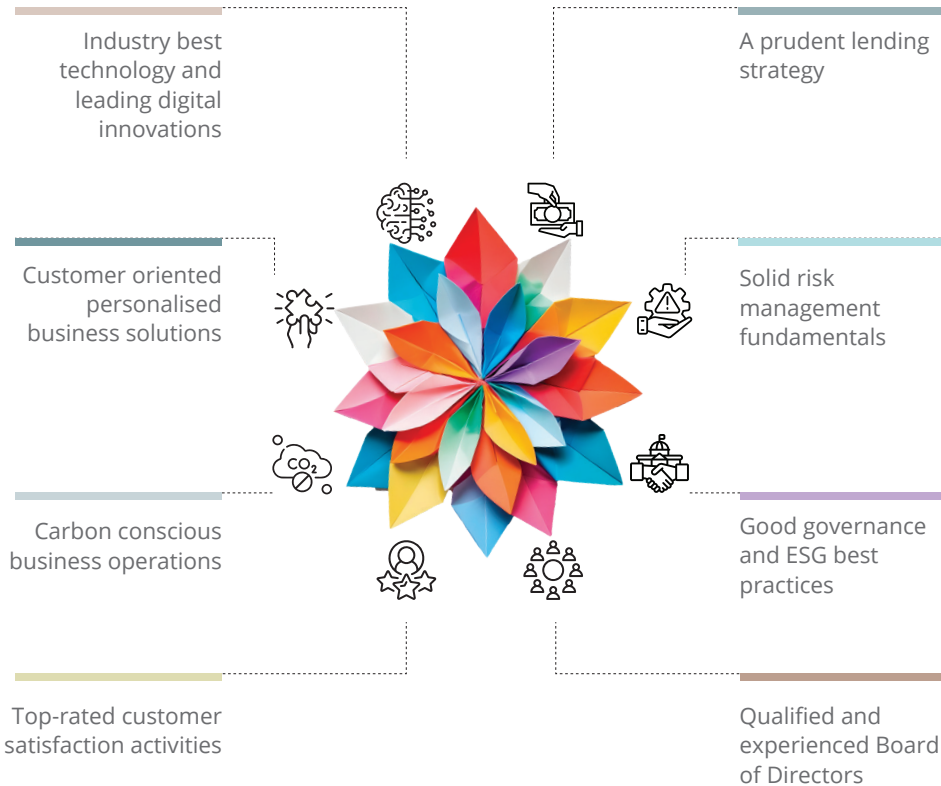
## Values

- Excellence
- Ethics
- Transparency
- Innovation
- Professionalism
- Quality

OWNERSHIP STRUCTURE



What Differentiates LBF ?



**SIMPLICITY**



Simplicity is the hallmark of our value proposition and the essence of how LBF operates

**ACCESSIBILITY**



Accessibility is at the heart of our brand promise to enable customers to access our financial services in their preferred medium

**AFFORDABILITY**



Affordability is the assurance we give to our customers that they will receive the best possible outcomes at the right price

**PERSONALISATION**



Personalisation is the key to our effort to meet the exact needs of all customer segments around the Country

- 1
- 2
- 3
- 4
- 5
- 6
- 7

# KEY ATTRIBUTES THAT GIVES LBF ITS COMPETITIVE EDGE IN THE MARKET

A UNIQUE CORPORATE CULTURE THAT SUPPORTS THE CREATION OF A HIGHLY ENGAGED AND MOTIVATED WORKFORCE

PRUDENT COST MANAGEMENT TO ENABLE A REDUCTION IN OUR COST TO INCOME RATIO

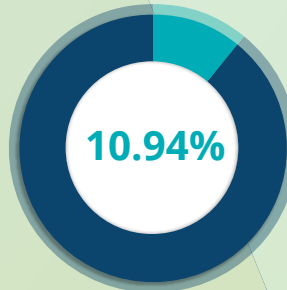
Strong captive market share representing an opportunity for

CONSISTENT REVENUE GROWTH

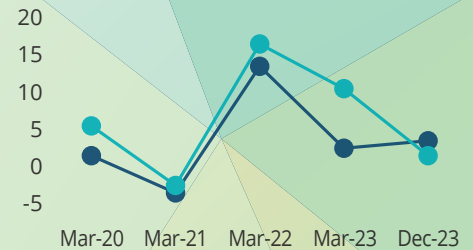
Experienced management team that brings together

THE BEST MINDS IN THE INDUSTRY

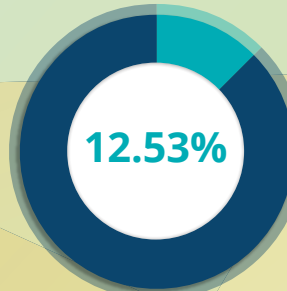
## Total Assets



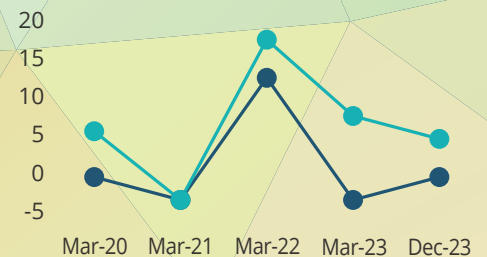
### Growth in Market Share (%)



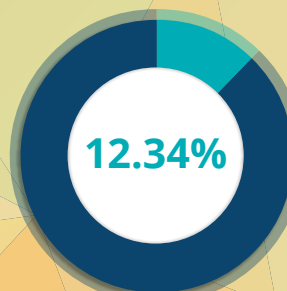
## Loans and Advances



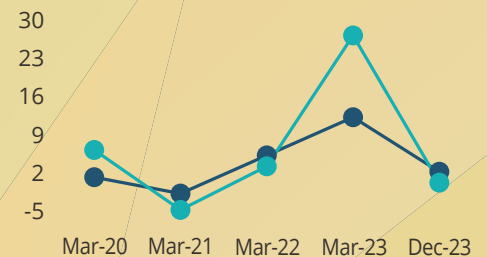
### Growth in Market Share (%)



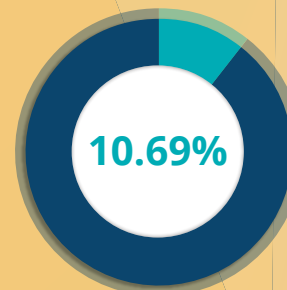
## Customer Deposits



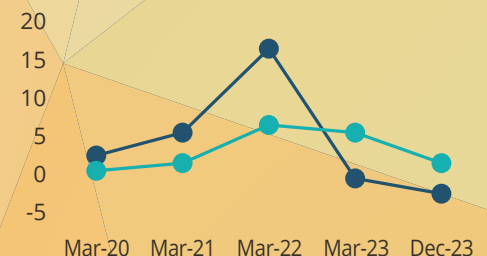
### Growth in Market Share (%)



## Number of Branches



### Growth in Market Share (%)



● LBF ● NBFI Sector





## Economic Value

As one of the largest NBFIs in the country, we play a key role in facilitating wealth creation and access to finance in Sri Lanka and Myanmar. A network of 200 branches in Sri Lanka and 16 branches in Myanmar drives our growth, supporting financial inclusion. Digitalisation, connectivity and strong business partnerships facilitate our customers to manage their finances in a digital era. The value created by LB Finance is set out below.

### Economic Value Added Statement

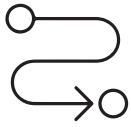
For the year	2023/24 Rs. Million	2022/23 Rs. Million
<b>Invested Equity</b>		
Shareholders' funds	43,626.07	38,115.74
Add: Allowance for Impairment losses	7,309.25	7,858.72
	50,935.32	45,974.46
<b>Earnings</b>		
Profit attributable to shareholders	9,563.64	8,460.33
Add: Impairment charges	373.24	545.74
	9,936.87	9,006.07
Economic cost % (Average Treasury Bill rate plus 2% risk premium)	16.80	29.12
Economic cost	8,140.42	12,594.64
Economic value added	1,796.45	(3,588.56)

### Market Value Added (MVA)

For the year	2023/24 Rs. Million	2022/23 Rs. Million
<b>Market capitalisation</b>		
Market value of equity	34,794.79	30,473.14
Less: Equity owners' funds		
Shareholders' funds	43,626.07	38,115.74
Total equity owners' funds	43,626.07	38,115.74
Market value added/(destroyed)	(8,831.28)	(7,642.60)

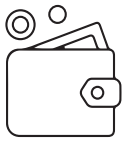


## ABOUT LB FINANCE



### Access to Finance

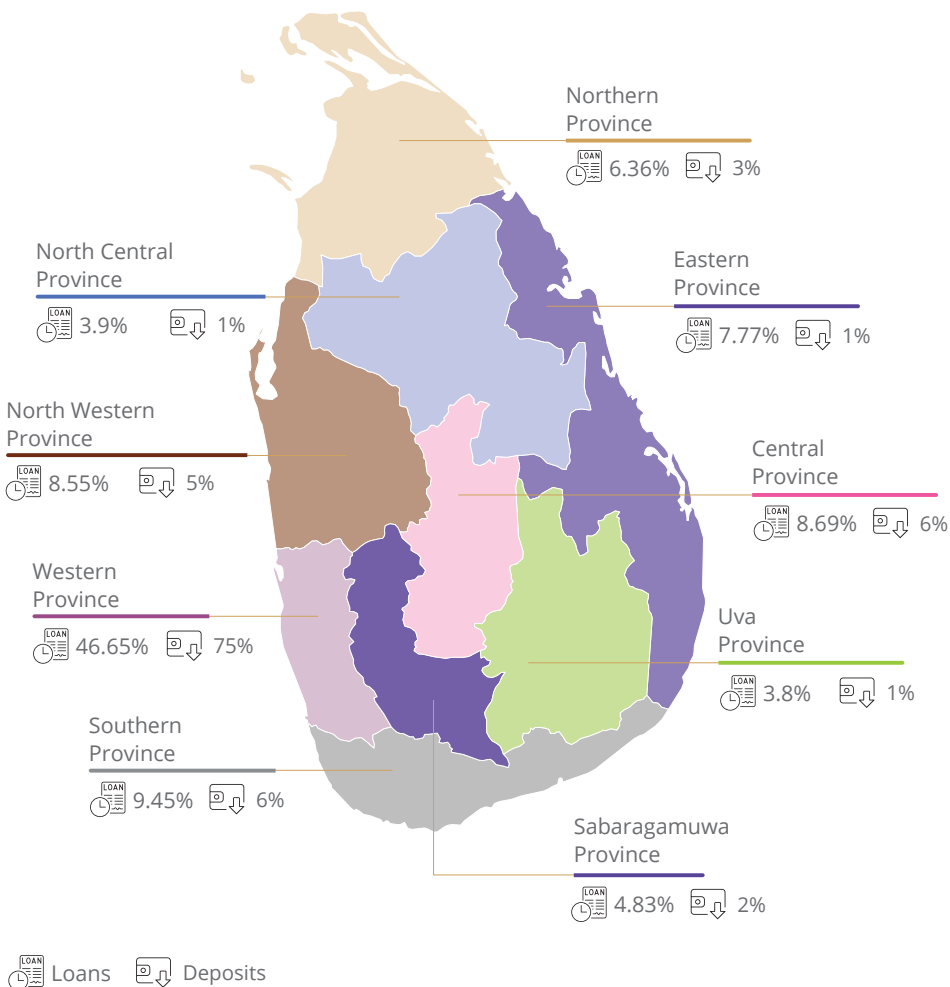
LB Finance plays a key role supporting individuals, microentrepreneurs and small and medium businesses to obtain the funding they need to support their livelihoods.



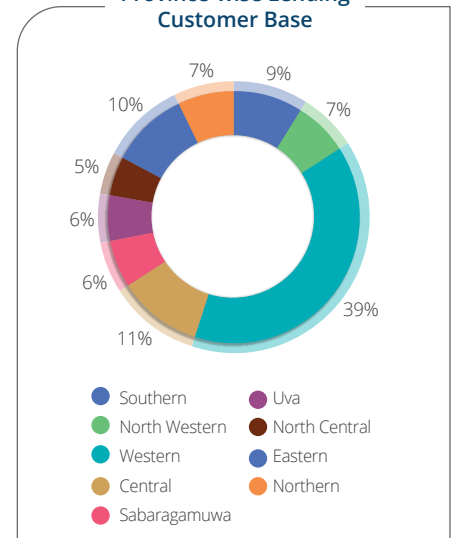
### Supporting income stability for people

LB Finance has consistently maintained deposit growth rates above the industry average reflecting the combination of attractive interest rates and financial stability. This has enabled people to earn a stable income, supplementing their other income sources. Accordingly, LBF paid Rs. 21,158 Mn as interest to our depositors and lenders. It is noteworthy that our depositors range from large to small as we ensure we remain inclusive and support customers throughout their life.

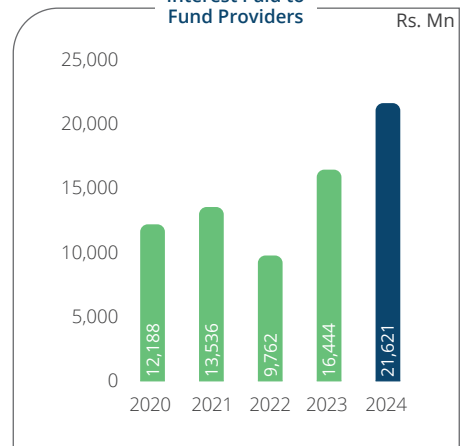
## Provincial Distribution of Loans and Deposits



## Province-wise Lending Customer Base



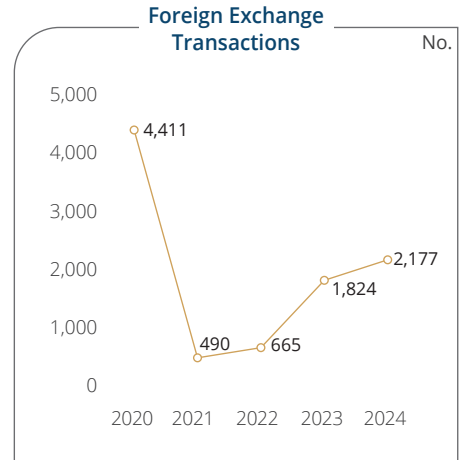
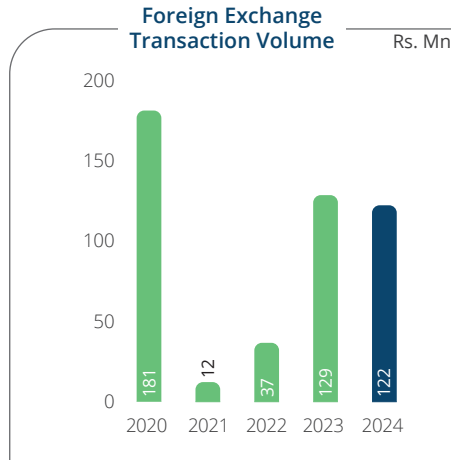
## Interest Paid to Fund Providers





**Foreign Exchange**

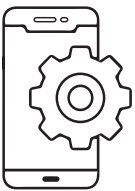
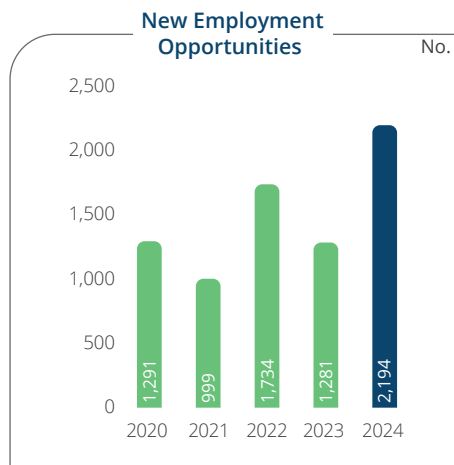
LBF facilitated migrant worker remittances through its money transfer business partners, enabling them to send money to their families in Sri Lanka. As inward remittances continue to increase in importance, this facilitation plays a key supporting role in the country's economic recovery.



**Employment**

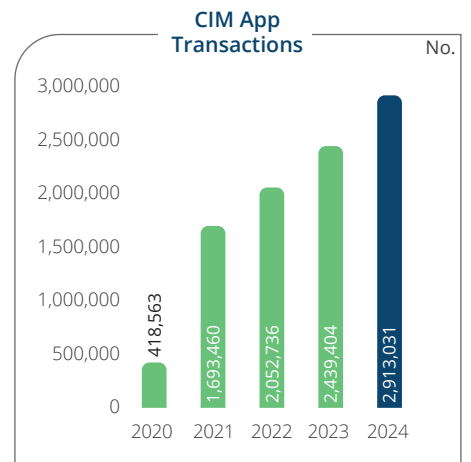
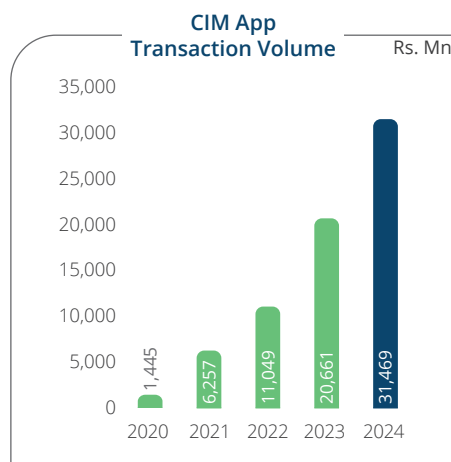
GRI 3: 203-2

An island-wide branch network provides jobs for 2,194 employees. During the year, the value of remuneration and benefits offered to our employees was Rs. 4,095 Mn. LBF continues to invest in capacity building of our team, nurturing a culture of professionalism, learning and mentoring.



**Continuous Innovation - Digital Access**

As a leading digital disruptor in Sri Lanka's Non-Bank Financial Institution (NBFI) sector, we focus on fostering the growth of SMEs/MSMEs by facilitating access to formal financial services.





## ABOUT LB FINANCE



### Women empowerment

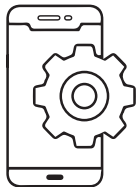
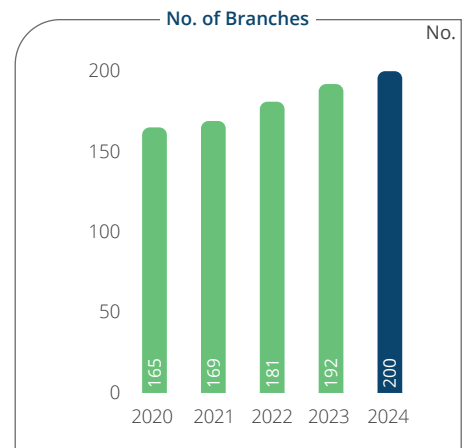
We continue to empower and support women, emphasising equal opportunities in the workplace, enhancing female representation in leadership roles, and extending financial support to businesses led by women

Product for women empowerment	'Wanitha Ran Saviya'
Gold loans granted for women empowerment through 'Wanitha Ran Saviya'	Rs. 2,364 Mn.
Percentage of female employees promoted	50%



### Rural Development

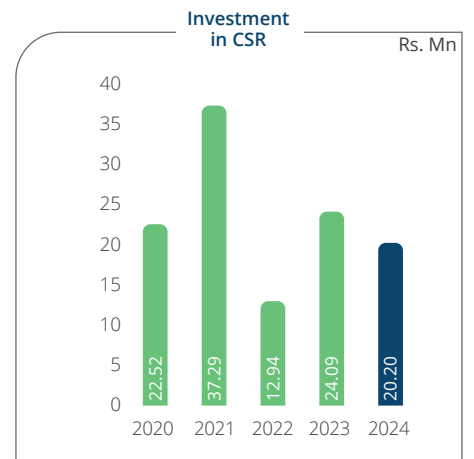
We contribute to the development of provincial economies through our branch network across the island. Aligning with our commitment to promote equitable access for all Sri Lankans, our branch expansion strategy focuses on reaching out to customers outside the Western province.



### Supporting Communities

Our dedication to community upliftment was reflected through our investments in CSR projects focused on addressing critical national priorities including education and community well-being.

Establishing a rehabilitation center, communities can foster an environment of healing and recovery, offering individuals a chance to rebuild their lives while simultaneously benefiting society as a whole





**SPECIAL AWARD  
- BEST DISCLOSURE  
ON CAPITALS**

CMA Excellence in Integrated Reporting Awards  
CMA Sri Lanka

**OVERALL 1ST  
RUNNER-UP**  
CMA Excellence in Integrated Reporting Awards  
CMA Sri Lanka

**GOLD AWARD - NON BANK  
FINANCIAL INSTITUTION**  
TAGS Awards  
CA Sri Lanka

**BRONZE AWARD -  
INTEGRATED  
REPORTING**  
TAGS Awards  
CA Sri Lanka

**ICSDB  
EXCELLENCE  
AWARDS**

International Conference on Sustainable and Digital Business  
SLIIT Business School

**SILVER AWARD FOR  
FINANCIAL SERVICES**  
South Asian Best Presented Annual Report Awards (SAFA)

**10 BEST INTEGRATED  
REPORTS**  
CMA Excellence in Integrated Reporting Awards  
CMA Sri Lanka

**BRONZE -  
DIGITALLY  
TRANSFORMATIVE  
REPORTING**  
TAGS Awards  
CA Sri Lanka







## DEPOSIT

Total deposit base Rs. 122.80 Bn

### Fixed Deposit

Fixed deposits yield the highest return on investment with an array of attractive benefits including promotional campaigns.

### Savings Deposit

LBF has the second largest savings deposit base in the NBF1 sector, offering different products under the savings deposit category



## LOANS AND RECEIVABLES

Lending portfolio Rs. 161.29 Bn

### Auto Finance

Flexible financial solutions provided by convenient leasing, vehicle loan and power draft services.

### Gold Loans

Provide best value for gold at competitive interest rates for business and urgent cash requirements.

### Mortgage Loans

Convenient and flexible financing with longer tenors of repayment to build/ own your dream house.

### Pension Loans

Uniquely designed product to suit various requirements for upgrading lifestyles.







### VALUE ADDED SERVICES

Total transactions worth Rs. 5,724 Mn

#### Digital Loans

Digitally granting which allows a smooth cash flow facilitating the customer to innovate and develop his business

#### Fixed Deposit Loans

Cost-effective option for individuals who need funds but do not want to break their FD. It allows them to meet their financial needs while still earning interest on their deposits.



#### Money Exchange

Involves the buying and selling of different currencies and facilitate the conversion of one currency into another for various purposes

#### Bill Payments

Customers can pay utility bills anytime with convenience, with real time payment updates.

#### Money Remittance

Involves the transfer of funds from one individual or entity to another, often across international borders through Western Union

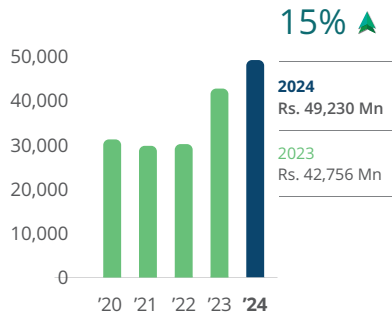


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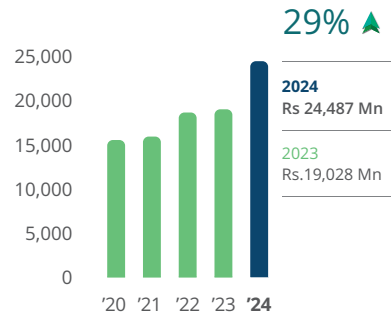
# FINANCIAL HIGHLIGHTS

Indicator		Company			Group		
		2023/24	2022/23	Change (%)	2023/24	2022/23	Change (%)
<b>Operating Results</b>							
Income	Rs. Million	49,230.09	42,756.46	15.14	49,635.77	43,133.44	15.07
Interest Income	Rs. Million	45,866.54	39,643.93	15.70	46,239.19	39,973.56	15.67
Net Interest Income	Rs. Million	24,487.04	19,028.35	28.69	24,778.56	19,309.60	28.32
Profit before Taxation (PBT)	Rs. Million	15,180.21	11,746.55	29.23	15,334.43	11,843.06	29.48
Profit after Taxation (PAT)	Rs. Million	9,563.64	8,460.33	13.04	9,707.01	8,552.89	13.49
<b>Financial Position</b>							
Total Assets	Rs. Million	202,176.51	182,346.59	10.87	203,147.89	183,018.07	11.00
Loans and Receivables	Rs. Million	161,291.49	145,189.17	11.09	162,521.73	146,371.60	11.03
Due to Depositors	Rs. Million	122,808.12	114,011.70	7.72	123,034.55	114,248.25	7.69
Borrowings	Rs. Million	27,193.41	23,251.81	16.95	27,447.26	23,274.56	17.93
Equity	Rs. Million	43,626.07	38,115.74	14.46	43,911.26	38,324.10	14.58
<b>Investor Information</b>							
Market Price per Share	Rs.	62.80	55.00	14.18	N/A	N/A	-
Market Capitalisation	Rs. Million	34,794.79	30,473.14	14.18	N/A	N/A	-
Net Asset Value per Share	Rs.	78.74	68.79	14.46	79.25	69.17	14.58
Earning per Share (EPS) Basic	Rs.	17.26	15.27	13.04	17.53	15.44	13.55
Earning per Share (EPS) Diluted	Rs.	17.26	15.27	13.04	17.53	15.44	13.55
Dividend per Share (DPS)	Rs.	5.75	5.00	15.00	N/A	N/A	-
Dividend Yield	%	9.16	9.09	0.77	N/A	N/A	-
Dividend Payout Ratio	%	33.31	32.74	1.74	N/A	N/A	-
<b>Statutory Ratios</b>							
Core Capital to Risk Weighted Assets Ratio (Tier I) (Minimum 10%)	%	31.45	30.50	3.11	31.59	30.67	3.00
Total Risk Weighted Capital Ratio (Tier I & II) (Minimum 14%)	%	32.19	31.13	3.41	32.33	31.29	3.32
Equity to Deposits (Minimum 10%)	%	35.52	33.43	6.26	35.69	33.54	6.40
Liquidity Ratio	%	21.02	19.31	8.84	21.21	19.41	9.27
<b>Other Ratios</b>							
Return on Assets (ROA)	%	4.97	4.88	1.84	5.03	4.91	2.44
Return on Equity (ROE)	%	23.40	23.78	(1.60)	23.57	23.84	(1.13)
Net Interest Margin (NIM)	%	13.70	11.86	15.51	13.76	11.94	15.24
Cost to Income	%	31.13	32.42	(3.98)	31.74	33.07	(4.01)
Loan to Deposits	Times	1.31	1.27	3.13	1.32	1.28	3.10
Gross Non- Performing Loans Ratio (Gross NPL)	%	3.54	4.45	(20.45)	3.60	4.61	(21.91)
Net Non- Performing Loans Ratio (Net NPL)	%	(0.79)	(0.65)	21.54	(0.74)	(0.64)	15.63
Provision Coverage Ratio	%	122.42	114.40	7.01	119.79	109.35	5.05
Total Impairment as a Percentage of Gross Loans & Receivables	%	4.34	5.13	(15.48)	4.50	5.08	(15.09)

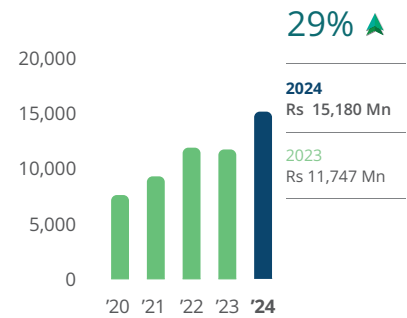
Income Rs.Mn



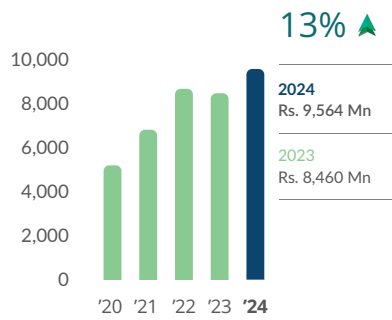
Net Interest Income Rs.Mn



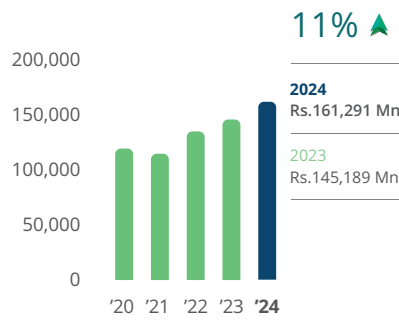
Profit before Tax Rs.Mn



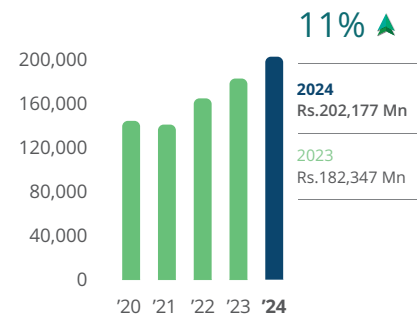
Profit after Tax Rs.Mn



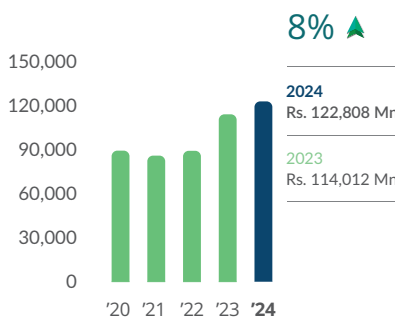
Loans and Receivables Rs.Mn



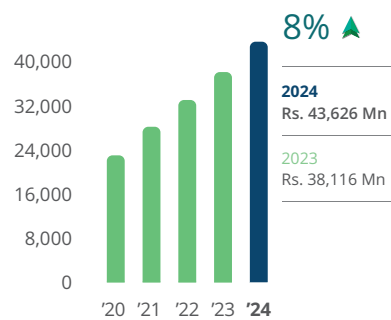
Total Assets Rs.Mn



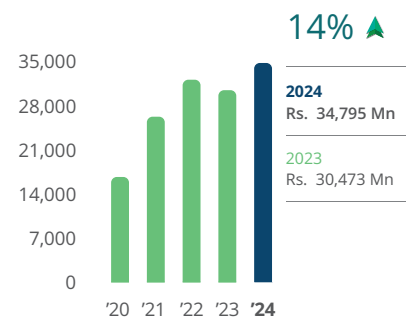
Due to Depositors Rs.Mn



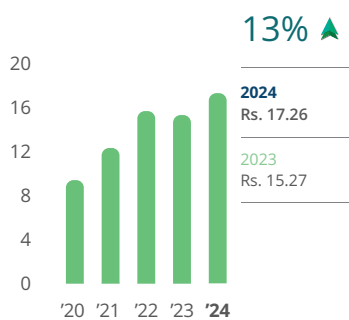
Equity Rs.Mn



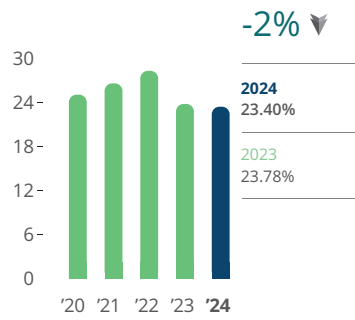
Market Capitalisation Rs.Mn



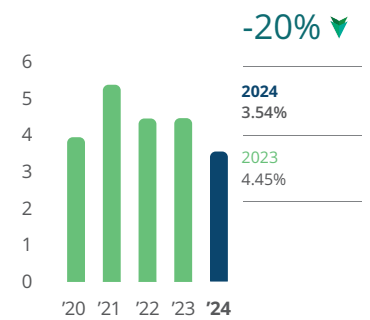
Earnings per Share (EPS) Rs.



Return on Equity (ROE) %



Non-Performing Loans Ratio (NPL) %





## NON FINANCIAL HIGHLIGHTS

Macro dimension	Indicator	Measurement	2022/23	2023/24	Capital
Economic wellbeing	Economic value created	Rs. Million	(3,588.56)	1,796.45	SC
	Economic value distributed to:				
	Depositors and Lenders	Rs. Million	20,418.06	21,144.19	SC
	Employees	Rs. Million	3,533.42	4,353.25	SC
	Government	Rs. Million	9,242.28	9,485.08	SC
	Shareholders	Rs. Million	2,770.29	3,185.83	SC
Social wellbeing	Community development programmes	Number	25	18	SC
	Staff volunteered hours	Hours	15,492	7,132	SC
Environment and landscape	Environment related projects	Number	3	3	HC
	Water consumption	m3	38,847.00	44,908.00	HC
	Water consumption per Rs. million of profit	m3	4.59	0.21	HC
	Trees planted/ distributed	Number	-	8,200	HC
	Trees saved from recycling	Number	827	342	HC
	Paper recycled	Kg	48,643	20,109	HC
	Energy consumption	GJ	14,384.00	16,852.95	HC
	Energy per Rs. million of profit	GJ	1.70	1.76	HC
	Total carbon footprint	tCO2e	3,480	3,982.9	HC
	Total carbon footprint per Rs. million of profit	tCO2e	0.41	2.40	HC
Business sophistication	Total branches/ Total outlets	Number	192	200	MC
	CDM machines	Number	24	24	MC
	Branches outside Western province	Number	110	117	MC
	New outlets opened	Number	11	8	MC
Infrastructure and quality of services	Investment on ICT	Rs. Million	214.79	279.25	MC
	Investment on freehold land and building	Rs. Million	69.71	88.09	IC
Employee wellbeing	Total workforce	Number	3,562	4,132	MC
	Employees hired	Number	1,281	2,194	MC
	Training programs carried out	Number	39	68	MC
	Investment on training and development	Rs. Million	11.71	23.22	MC
	Total training hours	Hours	18,163	43,127	MC
	Average hours of training per employee	Hours	6.50	10.44	MC
	Staff remuneration and benefits	Rs. Million	3,545.13	4,095.95	MC
Reputation	Brand value (Brand Finance)	Rs. Million	5,821.00	3,597.00	IC
	Brand ranking (Brand Finance)	Number	24	25	IC
	Credit rating (Fitch Rating)	Rating	A- (lka) (RWN)	BBB+(lka) (Stable Outlook)	IC
Customers	Total customer base	Number	Over 750,000	Over 800,000	SC
	Customer financial solutions	Number	32	33	SC

# NON FINANCIAL DASHBOARD

## Over 50 Years

OF FINANCIAL SERVICE PROVIDER

## BRAND FINANCE

Brand Value

Rs. 3,597 Mn

Brand Ranking

25

Brand Rating

A+



## Total Branches

2024 - 200

2023 - 192



54%  
Male

46%  
Female

## 4,132 Employees

EXPERIENCED  
MANAGEMENT TEAMS

Employees hired

2023/24 - 2,194

2022/23 - 1,281



Wallet transactions  
volume

52%



Mental  
Well-being



Physical  
Well-being



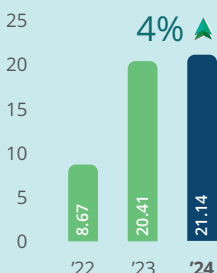
20,109Kg  
Paper Recycled



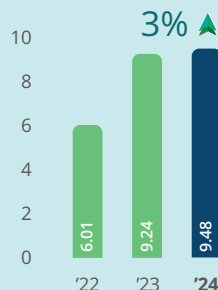
8,000+  
Trees Planted

### Economic Value Distributed to Stakeholders

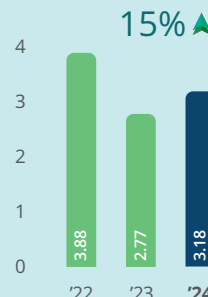
Depositors and  
Lenders  
Rs.Bn



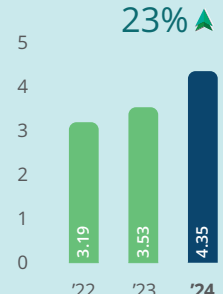
Government  
Rs.Bn



Shareholders  
Rs.Bn



Employees  
Rs.Bn



# STRATEGIC JOURNEY

Established as a private Company on 30th May 1971 with its registered office at No. 101, Vinayalankara Mawatha, Colombo 10. Majority shareholding of 94.9% was held by Lewis Brown & Company Limited

## 1971 - 1981



Mr. K D D Perera took over a stake of 58.74% to turn around the loss-making Company into a profitable venture

Registered in terms of Section 2 of the Finance Companies Act No. 78 of 1988.

The Company re-registered under the new Companies Act No. 07 of 2007

Developed a new website with online payment and vehicle trade-in facility

Profits doubled and reached over Rs. 1 billion for the first time in the history

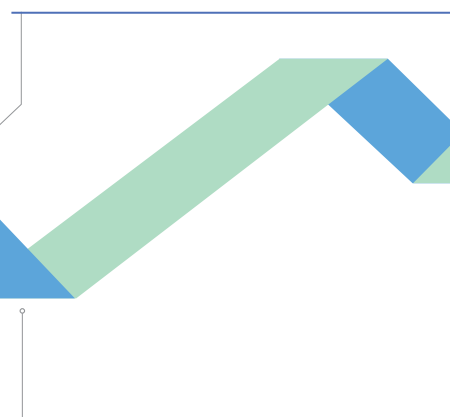
North and East market presence for the first time

Became a part of Vallibel One PLC umbrella which is a diversified Company

Upgraded the ratings from BBB+/P2 to A-/P2 by RAM Ratings (Lanka) Limited

Company has emerged as the second largest Licensed Finance Company (LFC) in Sri Lanka introducing Global Reporting Initiative (GRI) to the Annual Report

## 2002 - 2011



## 1982 - 2001

Changed its status as a public Company

Vanik Incorporation Limited's shareholding increased to 83.26%

Listed on the Colombo Stock Exchange

Commenced gold loan

First gold loan centre opened in Maradana

Moved Head Office to Prof. Stanley Wijesundera Mawatha, Colombo 7

Introduced lottery based deposit scheme "Siya Savi"

## 2012 - 2015

Moved to our new corporate office located at Dharmapala Mawatha, Colombo 03

Introduced LB Savings to customers

Largest expansion drive within the industry with 20 new outlets

Recorded the largest deposit base among the NBFI sector

Launched Pay Hub facility

Global Banking and Finance Review UK awarded us as the 'Best Retail Finance in Sri Lanka for 2013'

Opened first premier branch in Mount Lavinia

Became the 1st finance company in Sri Lanka to comply with ISO 27001:2013

Interbank payment system (SLIPS)

Opened the 100th branch in Jaffna

Introduced the VISA shopping card

Became the first carbon neutral finance institution in Sri Lanka.

LBF ranked 26 among the top 100 brands in country by Brand Finance



Successfully completed 45 years in the finance industry with a profit growth of 70%, profit of Rs. 3.7 billion (PAT)

Launched LB e-connect online platform to Savings customers

Obtained MoneyGram agentship for international money transfer

Integrated with Common Electronic Fund Transfer Switch (CEFTS)

Exceeded Rs. 100 billion asset base

Launched LB Gift Store

## 2016 - 2017



LB Finance ranked 26 among the top 100 brands in the country by Brand Finance

Chatbot was introduced to the corporate website and social media platforms

Fully automated risk assessment scorecard for branches and gold loan centres

## 2020 - 2021



## 2018 - 2019

Upgraded the ratings from BBB+/P2 to A-/P2 by RAM Ratings (Lanka) Limited

Mortgage loan product was re-branded and re-launched as 'Mulgala'

Launched of 'Krutha Hastha' senior citizens loan scheme

First overseas expansion of LB Finance to Myanmar

Moved to cloud based IT platform

Ranked among the top 20 brands in Sri Lanka by Interbrand

## 2022 - 2024

LBF tied up with DRP to fast-track digital financial services

Partnered with WEBXPAY to promote 'CIM' business loans to MSMEs

Installation data visualisation and modelling software

Further strengthened the ISO 27001 information security standard

Tied up with FinCSIRT (Computer Security Incident Response Team for Sri Lanka's financial sector)

Multi Finance PLC Acquisition

Introduced a cookie policy to LBF's newly updated corporate website

Integration with CRIB backend

Updated the corporate website with the inclusion of AI-based digital imagery

LBF ranked 16 among top 40 corporates by Business Today

Opened 200th branch in Pallai

Highest ever PAT of Rs. 9.5 Bn



FY 2023/24 marked a year of exceptional performance for LB Finance PLC, characterised by the highest-ever profit after tax, significant expansion of our asset base, and strong portfolio quality. These achievements are a testament to our strategic approach, underpinned by a robust balance sheet that empowers us to invest in key growth opportunities. Moreover, our investments in technology have significantly enhanced the customer experience and the passion and perseverance of our dedicated team, are the driving force behind our ongoing success.

### SRI LANKA'S ECONOMIC COMEBACK GAINS MOMENTUM

Sri Lanka's economy showed promising signs of recovery in the latter half of 2023 and early 2024 after navigating a period of significant challenges.

The resolution of the Domestic Debt Optimisation (DDO) by June 2023 played a key role in stabilising the financial sector and alleviating market stress. This resulted in a sharp decline in interest rates, with policy rates dropping by 700 basis points. Targeted monetary policy interventions successfully curbed inflation. This stability paved the way for positive economic growth in the following two quarters, with contributions from all sectors.

Factors such as a resurgence in tourism, increased migrant worker remittances,

and IMF Extended Fund Facility assistance boosted foreign exchange liquidity, contributing to a 9% appreciation of the rupee. This positive momentum continued into the fourth quarter, with exports experiencing a notable surge.

### ADAPTING TO CHANGE

Our commitment to excellence drives us to consistently create positive change and foster growth for our stakeholders. Built on decades of experience, proven methods, and unwavering strength, we provide the tools and support needed to turn dreams into reality. Moreover, our dynamic approach ensures we consistently deliver exceptional results, even in the face of challenges.

Our proactive portfolio management, particularly our focus on short-term business activities enabled us to successfully navigate volatile interest rates. By repricing these assets/liabilities and maintaining a balanced approach, we mitigated risks and capitalised on opportunities in a year where interest rates fluctuated significantly. This strategy, crucial to our strong financial performance, underscores our commitment to a resilient and adaptable business model.

To our customers, we remained steadfast in our commitment to supporting and standing by them, particularly during

EPS and PE Ratio Rs. | Times



Return on Equity %



Capital Adequacy Ratio %



Green Financing Rs. Mn



times of hardship. Recognising the challenges they faced, we continued to offer comprehensive assistance and financial guidance. This included partnering with our customers and providing tailored support, empowering them to navigate the digital landscape by enhancing their digital literacy and enabling seamless financial management through our CIM app.

Our commitment to corporate social responsibility (CSR) is deeply woven into the fabric of our operations. Through strategic partnerships and targeted investments, we address societal challenges in areas such as education, knowledge empowerment, environmental conservation, and community development. By leveraging our resources and expertise, we made a meaningful and lasting impact on the lives of individuals and communities during the year under review.

### A COMMENDABLE PERFORMANCE

We are proud to report another year of exceptional performance, delivering increased value to our stakeholders through strong financial results, enhanced customer experiences, and unwavering commitment to responsible business practices.

The profit after tax reached Rs. 9.56 Bn. reflecting a 13.04% increase YoY in FY 2023/24.

Significant progress was made in enhancing asset quality during the year under review through improved credit underwriting practices, a vigilant approach to credit monitoring and robust recovery efforts, which resulted a decrease in impairment charge.

The tax liability reached Rs. 9.24 Bn. in 2023/24 due to the Company's strong financial performance during the current financial year and the full impact of tax reforms introduced in the second half of the previous financial year. Notably, we were the highest tax-paying NBF (Non-Banking Financial Institution) in Sri Lanka making a substantial contribution to the national economy.

Moreover, we recorded a deposit growth of 7.72% YoY and maintained a fixed deposit renewal ratio of 81%. This is a testament to the Company's ability to

retain existing customers and foster their ongoing trust. Furthermore, our lending portfolio grew by 11.09% YoY demonstrating the success of our volume-driven strategy in expanding our lending base.

Additionally, both Tier 1 and Total capital adequacy ratios improved in FY 2023/24 to 31.45% and 32.19% respectively demonstrating our financial stability and resilience against potential losses.

Our dedication to driving shareholder value is evident in the 8.86% CAGR growth in our balance sheet and a 14.46% YoY increase in shareholder funds, reaching Rs. 43.63 Bn. As a result, the Board is pleased to recommend a dividend of Rs. 5.75 per share (Interim of Rs. 2.25 per share and final of Rs. 3.50 per share), continuing our consistent dividend policy, which reflects a payout ratio of 33.31%. This demonstrates our commitment to rewarding our shareholders for their ongoing trust and support.

### A LEGACY OF INTEGRITY

#### Strengthening our governance framework

For over half a century, we have prioritised good governance, adhering to not just regulatory requirements, but also voluntary standards and codes. This commitment proved particularly valuable in navigating the challenges of the pandemic and economic crisis, allowing us to demonstrate resilience and fulfil our promises to stakeholders. In response to recent external developments, including new listing rules and revised governance codes, the Board has intensified its focus on corporate governance, ensuring we remain adaptable and robust. While already largely compliant, we are addressing remaining gaps, particularly in preparation for upcoming mandatory sustainability reporting. The formation of a dedicated Board Sustainability Committee and the proactive efforts of other Board committees highlight our commitment to continuous improvement in governance and risk management.

### BUILDING A SUSTAINABLE FUTURE

Looking ahead, we are committed to building on our achievements and solidifying our position as a leading NBF. We are crafting a vibrant future filled with

endless possibilities for all stakeholders, driven by innovative strategies and a dedication to exceeding expectations.

Accordingly, we will continue to invest in technology, prioritise customer-centric initiatives, and foster talent development, ensuring we deliver increasing value to our stakeholders. Recognising the importance of environmental sustainability and social responsibility, we are prioritising these initiatives, ensuring they are embedded in every aspect of our operations. The recent establishment of a dedicated Board Sustainability Committee formalises our commitment to these essential values. With this dedicated focus, we will continue to drive positive change for our communities, our planet, and our stakeholders.

### A NOTE OF APPRECIATION

To conclude, I wish to express my sincere gratitude to the entire LB team for their unwavering commitment and dedication. Your loyalty to LBF's vision, even amidst challenging circumstances, is truly commendable. I am deeply grateful for the unwavering support and encouragement I receive from my fellow Board members.

A special thank you to the Governor of the Central Bank of Sri Lanka and the dedicated officials at the Department of Supervision of Non-Bank Financial Institutions for their invaluable guidance.

To our valued shareholders, customers, and all other stakeholders, your continued trust and partnership are the foundation of our success. We deeply appreciate you joining us on this journey and trust you will remain by our side as LBF strives for even greater heights in the years to come.



GARD Prasanna  
Chairman

27 May 2024





FY 2023/24 was a year of significant achievements for LBF, marked by a surge in our asset base surpassing to an impressive Rs.200 Bn. exceeding previous records and demonstrating our commitment to growth. We also achieved our highest-ever profit, a testament to the tireless efforts of our dedicated team of over 4,000 employees. This success is further evidenced by our expanded network of 200 branches, extending our reach and impact across the nation. Furthermore, we remain the top tax-paying Non-Bank Financial Institution in Sri Lanka, demonstrating our commitment to contributing to the nation's economic growth. While the record profit performance was supported by favourable market conditions, it is an evidence to the dedication and hard work of our employees. I would like to extend my sincere gratitude to our entire team for their unwavering commitment to serving our customers.

### A COMMENDABLE PERFORMANCE

Despite challenging macroeconomic conditions and industry-wide systemic shocks, we achieved a commendable performance in FY 2023/24. Our balanced structure and dynamic approach, coupled with strategic portfolio adjustments, effective risk management, and

operational efficiency, enabled us to consistently overcome challenges and deliver exceptional results.

Net interest income surged by 28.69% YoY, fuelled by a growing lending base and high-yield investments. Profit Before Taxes surged 29.23% YoY to Rs. 15.18 Bn. driven by our proactive approach to managing interest-sensitive assets and liabilities, ensuring optimal returns amidst changing market conditions.

The Company's asset base expanded by 10.87% to Rs. 202 Bn. driven by an 11.09% increase in the lending portfolio, with notable growth in Vehicle Financing and Gold Loans. Enhanced credit underwriting practices and robust recovery efforts led to a 31.61% decrease in impairment charges. The deposit base grew by 7.72% whilst shareholders' equity also saw a significant increase, reaching Rs. 43.63 Bn. reflecting the Company's strong financial position and ability to generate and retain earnings while maintaining consistent dividend payouts.

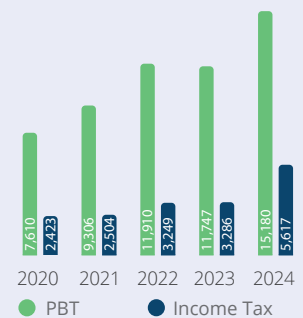
### ENHANCED RISK GOVERNANCE AND POLICY FRAMEWORK

We enhanced our risk management framework this year, strengthening both our governance and policy structures. Notably, we established a new Board Sub-Committee dedicated to overseeing sustainability and climate-related risks

**NII and Interest Spread** Rs. Mn | %



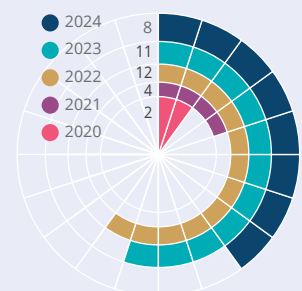
**PBT and Income Tax** Rs.Mn



**Gross and Net NPL Ratio** %



**New Branches Opened**



and opportunities. Additionally, we bolstered our second line of defence for Information Technology and Security risks by expanding our human resource capacity.

### REDUCING OUR NON-PERFORMING LOANS

We navigated the challenging economic landscape and the regulator tightened NPL classification by reducing the number of past due days from 120 to 90 days. Despite industry-wide trends, the NPL ratio declined from 4.45% to 3.54% in FY 2023/24 highlighting our expertise in managing non-performing loans. This achievement stems from our strategic approach to customer engagement and risk management. We understand the unique needs of our customer base, particularly those at the bottom of the pyramid, and invest in tailored solutions, not quick fixes. By understanding the market forces impacting their cash flow, we provide tailored support, through our investments in technology, skill development, and long-term sustainability strategies. This commitment has resulted in a positive shift in the repayment behaviour of our customers, demonstrating our dedication to responsible and sustainable lending practices.

### NURTURING A WINNING TEAM

Our employees are more than just a workforce – they are the heart of our success. We nurture a winning team by focusing on their holistic well-being, providing a comprehensive employee value proposition that caters to both personal and professional goals. This includes providing targeted training and development opportunities, modern communication tools, recognition programmes, and a commitment to work-life balance. Our goal is to empower our employees, creating a culture of collaboration, innovation, and engagement that drives our continued success.

## Our balanced structure and dynamic approach, coupled with strategic portfolio adjustments, effective risk management, and operational efficiency, enabled us to consistently overcome challenges and deliver exceptional results.

### CREATING A SUSTAINABLE IMPACT IN OUR COMMUNITIES

We believe that true corporate social responsibility goes beyond philanthropy; it is about driving systemic change that generates lasting impact. We leverage our expertise in financial services, island-wide presence, talented team, and leadership in technology and innovation to deliver real value to the communities we serve. This year, also we have invested in impactful CSR initiatives focused on expanding access to education, fostering entrepreneurship, and empowering communities, directly benefiting many individuals. Our commitment to building a sustainable future extends beyond our business operations.

### STRONG PARTNERSHIPS, SHARED SUCCESS

We continued to foster strong partnerships that drive mutual success providing our business partners with ongoing support to expand their reach and enhance their operations. Our robust infrastructure, competitive pricing, and deep industry expertise empower them to connect with the right customers at the right time and streamline their operations. This collaborative approach results in faster service, more competitive prices, and greater customer satisfaction – a true win-win for our partners, customers, and our business.

### ENVIRONMENTAL STEWARDSHIP

We recognise the urgency of climate change and are committed to mitigating our environmental impact. Going beyond simply reducing our operational carbon footprint, we safeguard ecosystems and integrate green financing principles into

our lending strategy. This commitment translates into practical action through energy-efficient practices, resource conservation, and biodiversity conservation measures.

Our Environmental Management System (EMS) continuously evolves to address emerging environmental challenges and ensure regulatory compliance. Through the EMS, we have achieved milestones, in managing carbon emissions and the successful implementation of a recycling programme.

Moreover, we nurture a workforce of environmentally conscious individuals, embrace sustainable green practices, and contribute to the conservation of our planet. By doing so, we strive to build a sustainable future for generations to come.

### OUR COMMITMENT TO REGULATORY EXCELLENCE

As the highest taxpayer in the NBF sector, we are proud of our significant contribution to the national economy. Our tax liability reached Rs. 9.24 Bn. in 2023/24, a significant 55.19% increase YoY, demonstrating our commitment to fiscal responsibility.

Beyond financial contributions, we are dedicated to ethical and responsible business practices. We continuously strengthen our corporate governance and risk management frameworks, upholding the high standards of transparency and integrity. Our proactive adoption of industry best practices and voluntary compliance with standards beyond regulatory requirements underscore our commitment to operating with the utmost integrity and transparency.

## MANAGING DIRECTOR'S REVIEW

### RECOGNITIONS AND AWARDS

Our commitment to excellence in financial reporting has earned us recognition both in Sri Lanka and internationally. Our annual report received multiple accolades, including a Silver and Merit Award at the South Asian Best Presented Annual Report Awards 2023, and clinched a gold award for the NBFi sector at the TAGS Awards. Moreover, our integrated reporting practices were recognised, with the Company securing the Overall First runner-up position and multiple awards at the CMA Excellence in Integrated Reporting Awards 2023.

### A VISION FOR THE FUTURE

#### Crafting a vibrant future of endless possibilities

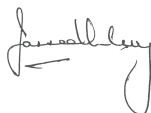
I am incredibly proud of our Company and its accomplishments. We remain committed to building upon our successes and solidifying our position as a leading NBFi in Sri Lanka. Through strategic investments in technology, customer-centric initiatives, and talent development, we are dedicated to creating a vibrant future of infinite possibilities for our stakeholders. This commitment ensures we consistently deliver enhanced value and empower our stakeholders to achieve their full potential. With a sustainable business model, a talented and dedicated team at every level, a proven strategy for value creation, a commitment to innovation, and a sound financial position, we are well-positioned to create long-term value for our stakeholders and strengthen our position as a top-tier financial services organisation in our nation.

### GRATITUDE AND ACKNOWLEDGEMENT

My sincere appreciation goes to the Chairman and Board of Directors for their foresight and visionary leadership, guiding LB Finance PLC towards sustainable growth. Their strategic guidance has ensured our continued success, even amidst challenging circumstances.

I extend my heartfelt gratitude to our senior management and staff for their tireless efforts, unwavering dedication to serving our customers, and commitment to all stakeholders. Your dedication is the foundation of our achievements.

Finally, I extend my sincere thanks to our valued customers, shareholders, and stakeholders. Your trust and confidence in LB Finance PLC are what drive us forward. Together, let us shape a brighter future.



**Sumith Adhihetty**  
Managing Director

27 May 2024





THE STRATEGIC REPORT

# PLANNED WITH PRECISION

We rely on our creative prowess, insightful strategies, and the right capabilities to skilfully plan every step we take, to achieve our shared vision and purposefully advance into the future.

Ballet choreography is an intricate and multifaceted process that utilises creativity, technical knowledge and a deep understanding of the purpose and emotion behind each story to enable its effective conceptualisation, planning, and execution.

## SECTION 2

Operating Environment 32 | Our Value Creating - Business Model 38 | Integrated Stakeholder Engagement 40  
Materiality 45 | Strategy 50

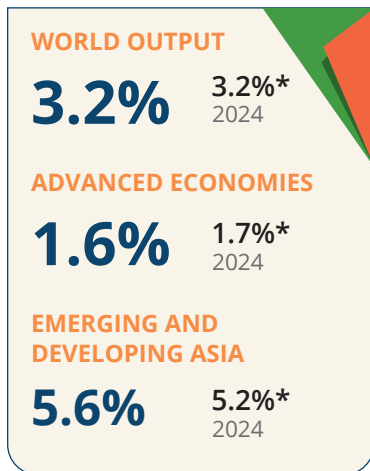
# OPERATING ENVIRONMENT

## GLOBAL ECONOMY

Global growth is estimated at 3.2% in 2023 and is projected to remain at this pace throughout 2024 and 2025. Several factors impacted this growth including high borrowing costs, withdrawn fiscal support, lingering pandemic effects, and weak productivity.

Global headline inflation is anticipated to decrease from an annual average of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. Advanced economies are expected to return to their inflation targets sooner than emerging market and developing economies, highlighting the uneven nature of the global recovery.

Risks to the global outlook are now broadly balanced. On the downside, new price spikes stemming from geopolitical tensions, including those from the war in Ukraine and the conflict in Gaza and Israel, could, along with persistent core inflation where labour markets are still tight, raise interest rate expectations and reduce asset prices.



Euro Area  
**0.4%**  
0.8%\*  
2024

Russia  
**3.6%**  
3.2%\*  
2024

Source: IMF World Economic Outlook April 2024



United States  
**2.5%**  
2.7%\*  
2024

India  
**7.8%**  
6.8%\*  
2024

China  
**5.2%**  
4.6%\*  
2024

\*Projection

## MYANMAR ECONOMY

Economic growth in Myanmar in 2023 plummeted to 0.8% from 2.4% in the previous year, primarily due to instability and conflict. Key sectors experienced widespread declines, with agriculture contracting by 1.8% due to increased costs and supply chain disruptions, while industrial activity grew only marginally at 2.2% due to power shortages, exchange rate volatility, and weak global demand. The services sector saw modest growth at 1.0%, primarily driven by domestic travel and tourism, finance, and healthcare.

Source: Asian Development Outlook April 2024

Although international tourist arrivals surged to seven times the previous year's level, instability remains a major obstacle to the tourism sector's full recovery.

Inflation remained high in 2023, averaging 22% due to a confluence of factors including supply chain disruptions, shortages, currency depreciation, and rising transportation costs. Worsening instability across the country has further exacerbated inflationary pressures, particularly in conflict-affected areas, by hindering food production and trade flows.

## Outlook

The economic outlook remains bleak, with persistent uncertainty and instability expected to further weaken the economy. Increased armed conflict in several regions has negatively impacted economic activity, resulting in a projected real GDP growth of only 1.2% in 2024 and 2.2% in 2025, significantly lower than the 6-7% average growth rate seen between 2016 and 2019. Agriculture is forecast to decline by an additional 1% in 2024 due to higher production costs, conflict, and trade disruptions. Disruptions along border areas, particularly with China, have severely curtailed exports and imports, with agricultural exports already dropping by 10.7% in January 2024. Unless the situation improves, these trends are likely to continue.

## SRI LANKA ECONOMY

## HIGHLIGHTS AND THEIR IMPACT THROUGH PESTEL ANALYSIS

## POLITICAL

Sri Lanka, having endured its most severe economic and political crisis since independence, is showing signs of stabilisation. This was supported by the implementation of monetary and fiscal policy measures as part of the IMF Extended Fund Facility Programme.

## Outlook

The IMF's stabilisation and reform efforts could face significant political risks beyond 2024. With presidential elections scheduled for September of next year and parliamentary elections likely in 2024, political uncertainty and potential shifts in policy direction could hinder progress.

## Risks Associated

- Market Risk
- Liquidity Risk

Related Material Theme



Related Strategies



## ECONOMIC

Sri Lanka's economy exhibited signs of a rebound in 2023, experiencing a moderate contraction of 2.3%, a significant improvement compared to the 7.3% contraction in 2022. This gradual recovery was particularly evident in the second half of the year, marked by positive GDP growth rates. This turnaround was driven by renewed macroeconomic stability, characterised by softening inflation and easing external sector pressures.

Market interest rates experienced a significant decline in 2023, reversing the high levels recorded in 2022. This shift was primarily attributed to accommodative monetary policy measures implemented since June 2023.

Moreover, S&P Global Ratings raised Sri Lanka's long and short-term local currency sovereign credit ratings on Sri Lanka to 'CCC+/C', from 'SD/SD' (selective default) and affirmed our 'SD/SD' foreign currency ratings.

## Risks Associated

- Market Risk
- Liquidity Risk
- Credit Risk

Related Material Theme



Related Strategies



The outlook on the 'CCC+' long-term local currency rating is stable.

## Outlook

The Central Bank of Sri Lanka projects economic growth to be 3% in 2024. Furthermore, the successful completion of Sri Lanka's external debt optimisation programme could lead to an improved sovereign credit rating, strengthening investor confidence and potentially unlocking access to more favourable financing terms.

The Central Bank aims to target the Colombo Consumer Price Index (CCPI)-based quarterly headline inflation rate at 5%. Moreover, more stable inflation rates, improved macroeconomic conditions, and other policy measures are anticipated to mitigate upward pressure on interest rates in the future.



## OPERATING ENVIRONMENT

### SOCIAL

Sri Lanka's mid-year population in 2023 decreased by 0.6% to 22.04 million, primarily due to a decline in births and increases in both deaths and net migration. The economically active population (labour force) also contracted, falling to 8.41 million in 2023 from 8.55 million in 2022. Despite this, the unemployment rate remained unchanged at 4.7% in 2023, reflecting a simultaneous decline in both the unemployed population and the labour force.

#### Outlook

The unemployment rate in Sri Lanka is forecast to be 5.24% in 2024 and the unemployed people in Sri Lanka are forecast to be 460,000 in 2024.

#### POPULATION



22.04 Mn  
2022 - 21.904 Mn

#### LABOUR FORCE



8.41 Mn  
2022 - 8.547 Mn

#### UNEMPLOYMENT RATE

4.7%  
2022 - 4.7%

#### DEPARTURE FOR FOREIGN EMPLOYMENT

297,656  
2022 - 311,056

#### Risks Associated

- Sustainability Risk
- Operational Risk

Related Material Theme

Related Strategies

### TECHNOLOGICAL

Artificial intelligence (AI), machine learning, blockchain, cryptocurrencies, and mobile platforms are reshaping the financial services landscape, empowering consumers with greater control and transparency.

This technological wave is transforming relationships with advisors and disrupting traditional financial models. Digital currencies and blockchain technology hold the potential to revolutionise the economy by increasing transparency through immutable ledgers, improving access for underserved populations, enhancing automation through smart contracts, and lowering costs for financial products and transactions. This shift is driving a new era of financial empowerment, promising greater accessibility, efficiency, and transparency.

Sri Lanka, standing at the cusp of digital transformation, has taken a significant leap forward with the launch of its National Digital Economy Strategy. This blueprint, developed through a collaborative effort involving government bodies, academia, and industry stakeholders, and supported by the World Bank, reflects Sri Lanka's commitment to harnessing digital technologies for inclusive growth and societal progress.

#### Outlook

The Digital Payments market is expected to experience significant growth in the coming years. Total transaction value is projected to reach US\$9.98 billion in 2024 and is expected to grow at a CAGR of 14.49% from 2024 to 2028, reaching US\$17.15 billion by 2028.

#### CELLULAR MOBILE CONNECTIONS



32.49 Mn  
2022 - 33.66 Mn

#### INDIVIDUALS USING INTERNET



12.34 Mn  
2022 - 11.85 Mn

#### SOCIAL MEDIA USER IDENTITIES



7.5 Mn  
2022 - 7.21 Mn

Source: DATAREPORTAL

#### Risks Associated

- Reputation Risk
- Cyber Security Risk

Related Material Theme

Related Strategies

**ENVIRONMENTAL**

Climate change poses a significant threat to global financial stability, with rising temperatures impacting economic activity, leading to price volatility and systemic risk. The risks are categorised as physical and transition


**Physical risk:** Climate-related damages decrease production, driving up prices and impacting financial institutions through increased non-performing assets.


**Transition risk:** Shifting to a low-carbon economy disrupts traditional businesses, potentially leading to financial losses and instability.

Sri Lanka, identified as highly vulnerable to climate risks, faces potential instability in sovereign bond yields due to these threats.

**Risks Associated**

- Sustainability Risk
- Operational Risk

Related Material Theme 

Related Strategies 

**Outlook**

Sri Lanka is committed to reducing greenhouse gas emissions and adapting to climate change under the Paris Agreement. The government views climate action as an opportunity for sustainable development and green economic growth. To further this commitment, Sri Lanka has proposed three new initiatives at COP28: a climate justice forum, a tropical belt initiative, and an international climate change university. The UN is ready to support Sri Lanka in achieving a more sustainable future.

**LEGAL**

The Central Bank of Sri Lanka strengthened the legal framework prioritising the preservation of financial system stability. Through enhanced crisis preparedness and management, the Central Bank effectively steered the financial system by implementing policies to bolster resilience, maintaining vigilant oversight, and regulating financial institutions in 2023. This included the introduction of the Banking (Special Provisions) Act to define its Resolution Authority and its powers.

This act establishes financial safety nets, new resolution measures, and a dedicated department within the Central Bank to exercise its authority. It also formally recognises the Deposit Insurance Scheme and provides a framework for orderly bank wind-ups. The Act also enables the extension of resolution measures from licensed banks to Licensed Finance Companies

(LFCs) as needed. Additionally, a guideline on dividend declaration and profit repatriation was issued to LFCs to bolster their resilience and capital adequacy, ensuring their capacity to support customer credit needs during economic uncertainty.

**Outlook**


The Central Bank of Sri Lanka is taking several steps to improve the stability of the non-bank financial sector. These include:

- Implementing Phase II of the Masterplan for Consolidation of Non-Bank Financial Institutions: This will strengthen and stabilise Non-Bank Financial Institutions (NBFIs) starting in 2024.
- Amending the regulatory framework: Updating the Finance Business Act and Finance Leasing Act, introducing

**Risks Associated**

- Reputation Risk
- Operational Risk

Related Material Theme 

Related Strategies 

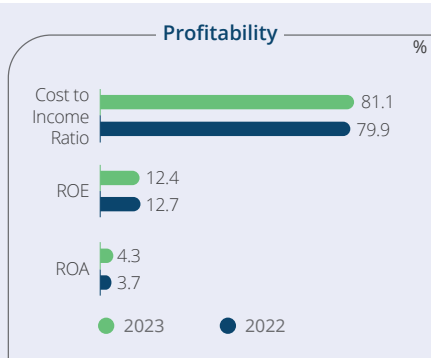
new rules, and strengthening the supervisory review process will help adapt to market developments and improve stability.

- Supporting the Microfinance and Credit Regulatory Authority Act: The Act, which is expected to be passed soon, will regulate unregulated moneylenders and improve market conduct and consumer protection.

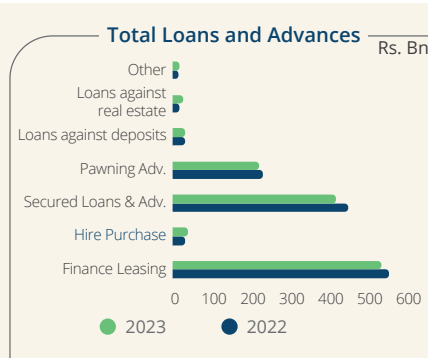


## OPERATING ENVIRONMENT

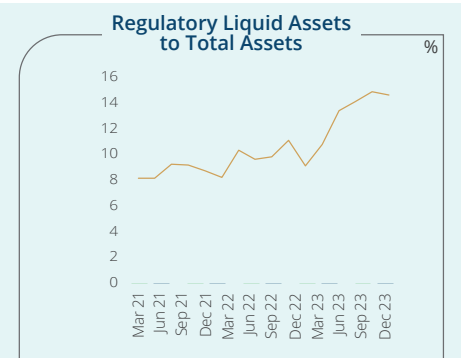
### LICENSED FINANCE COMPANIES (LFC) SECTOR



Profitability of the LFC sector rose in 2023, with Profit After Tax (PAT) increasing by 11.3% to Rs. 47.7 billion, driven by growth in both net interest income and non-interest income. This increased the Return on Assets (ROA) to 4.3% in 2023, up from 3.7% in 2022. However, the Return on Equity (ROE) marginally declined to 12.4% in 2023 from 12.7% in 2022 due to a larger increase in equity capital. Additionally, the cost-to-income ratio rose to 81.1% in 2023 compared to 79.9% in 2022.



The assets of the LFC sector are mainly composed of loans and advances, which constituted 68.6% of the total. While this portfolio contracted by 3.2% in 2023, reaching Rs. 1,160.4 billion compared to a 7.7% growth in 2022, Finance Leases remain dominant, accounting for 41.5% of total loans and advances. Other secured loans, including vehicle loans, contributed 32.5% while loans against gold and deposits declined by 4.7% and 3.2% respectively. Conversely, other assets, primarily cash and balances with banks and institutions, recorded a 3.2% increase in 2023.



The LFCs sector maintained a strong liquidity position throughout 2023, exceeding the minimum regulatory requirement. At the end of the year, the sector held Rs. 254.9 billion in regulatory liquid assets, significantly exceeding the mandated Rs. 103.4 billion. This resulted in a liquidity surplus of Rs. 151.5 billion, a substantial increase from the Rs. 86.9 billion surplus reported at the end of 2022.

### Outlook

The improving macroeconomic environment and the resurgence of businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), are poised to create a more conducive landscape for the Non-Banking Financial Institution (NBFI) sector in 2024. This positive outlook is fuelled by proactive measures to bolster regulatory frameworks, strengthen corporate governance, and cultivate financial stability and growth.

### KEY CHALLENGES OF THE LFC SECTOR

- **Economic Headwinds:** Restrictions on vehicle imports, adverse macroeconomic conditions, elevated inflation, and eroded household disposable income are negatively impacting the demand for loans and leases, a key part of the sector's business.
- **Credit Risk & Asset Quality:** Heightened exposure to pawning advances poses a risk due to gold price volatility. Deteriorating asset quality, evidenced by rising Stage 3 loan ratios, necessitates increased impairment charges and careful risk management.
- **Operational Challenges:** The sector faces challenges in managing credit risk, fostering growth, and maintaining stability amid challenging macroeconomic conditions.
- **Cybersecurity:** Protecting customer data and infrastructure from cyber threats is paramount.
- **Regulatory Environment:** The sector must navigate a rapidly evolving regulatory landscape, including new policies and compliance requirements.
- **Market Volatility:** Volatility in exchange rates and interest rates creates uncertainty and challenges for the sector.
- **Sovereign Risk:** Sri Lanka's sovereign rating continues to impact the non-bank financial sector's ability to access financing and operate effectively.

Source: CBSL Annual Economic Review 2023




## OUR COMPETITIVE LANDSCAPE (FIVE FORCES ANALYSIS)

**Power of Customer**Impact 

While large-ticket loan / deposit customers have historically been highly price-sensitive and possessed greater bargaining power, MSMEs have generally been less rate-sensitive and held less leverage in negotiations. However, as Micro, Small and Medium Sized Enterprises (MSMEs) become more financially sophisticated, they are likely to become increasingly price-sensitive and demand more competitive terms.

**Our Response**

Focus on relationship building among existing customer base and channel resources towards finding new opportunities

 Refer Social and Relationship Capital on page 128

**Power of Business Partner**Impact 

As a financial institution, our primary suppliers are providers of support services. Due to the nature of their services, which are essential but not core to our business, the bargaining power of these business partners is generally low.

**Our Response**

Focus on a diversified pool of support service providers to reduce risk of over-dependence on any specific group of service providers


 Refer Social and Relationship Capital on page 128

**Threat of New Entrants**Impact 

Sri Lanka's financial sector is comprised of 30 banks and 34 non-bank financial institutions (NBFIs), creating a competitive landscape. The likelihood of new entrants is also based on the decision by authorities to grant new licenses.

**Our Response**

Build a strong and credible brand that stands out among peers


 Refer MD's Review on page 28 and Business Review on page 68

**Threat of Substitute Products**Impact 

While the threat of substitutes within the NBFi industry itself is low, competition from banks and other financial institutions offering similar loan and deposit products poses a significant challenge. In the medium to long term, the threat of substitutes is substantial, highlighting the need for NBFIs to innovate and create value-added solutions to meet the evolving lending needs of businesses and individuals.

**Our Response**

Stay updated with industry best practices and new opportunities offered through technology and incentives


 Refer Social and Relationship Capital on page 128 and Business Review on page 68

**Competitive Rivalry**Impact 

Traditionally, Sri Lankan customers have been reasonably loyal; however, competitive tactics among entities have greatly reduced loyalty levels, especially across high net-worth customer segments.

**Our Response**






Improve product mix, customer service and process efficiency to attract and retain customers. Explore new ways of delivering value and innovative means of utilising existing resources to extend our range of offerings.

 Refer MD's Review on page 28 and Business Review on page 68


Low  Medium  High 

# OUR VALUE CREATING - BUSINESS MODEL

## INPUT

 <p><b>Financial Capital</b> (Refer to pages 84 to 99)</p> <ul style="list-style-type: none"> <li>Shareholder's Funds <b>Rs. 38,115 Mn</b></li> <li>Borrowing <b>Rs. 23,251 Mn</b></li> <li>Deposits <b>Rs. 114,011 Mn</b></li> </ul>	 <p><b>Manufactured Capital</b> (Refer to pages 100 to 105)</p> <ul style="list-style-type: none"> <li>Property, plant and equipment <b>Rs. 8,633 Mn</b></li> <li>Branch network <b>192</b></li> <li>CDMs <b>24</b></li> </ul>	 <p><b>Human Capital</b> (Refer to pages 106 to 119)</p> <ul style="list-style-type: none"> <li>Committed team of <b>3,562</b> employees</li> <li>Investment in training and development <b>Rs. 11.71 Mn</b></li> <li>Employee benefits and remuneration programmes <b>Rs. 3,545 Mn</b></li> </ul>	 <p><b>Intellectual Capital</b> (Refer to pages 120 to 127)</p> <ul style="list-style-type: none"> <li>Brand value <b>Rs. 5,821 Mn</b></li> <li>CIM app downloads <b>+180,000</b></li> <li>Investment on ICT <b>Rs. 214.79 Mn</b></li> </ul>	 <p><b>Social and Relationship Capital</b> (Refer to pages 128 to 145)</p> <ul style="list-style-type: none"> <li>Customer base <b>+750,000</b></li> <li><b>Rs. 24.09 Mn</b> Investment in CSR</li> <li>Employee volunteer hours <b>15,492</b></li> </ul>
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## DRIVEN BY BUSINESS ACTIVITIES



**Loans & Receivables**  
(Refer to page 71)

**Value Added Services**  
(Refer to page 77)

**Deposits**  
(Refer to page 68)

**MATERIAL MATTERS**

- Challenging Economic Conditions
- Serving and Meeting the Needs of Customer
- Good Governance and Risk Optimisation
- Future-fit Organisation
- Supporting Social Cohesion

Refer material matters - page 45 - 49

**STRATEGIC PILLARS**

- Financial Resilience
- Customer Centricity
- Business Simplification and Optimisation
- Digital Transformation
- Workforce Empowerment
- Manage Our Impacts

Refer strategic pillars - page 50 - 54

**COST DRIVERS**

- Interest expense
- Infrastructure and technology

**REVENUE DRIVERS**

- Infrastructure and technology
- Human resources

**KEY RISKS**

- Credit Risk
- Interest Rate Risk
- Commodity Risk
- Liquidity Risk
- Information Security Risk
- Sustainability Risk

Refer risk management - page 208 - 230

**OUTPUT**

**VALUE PROPOSITION OUTCOME**



**Natural Capital**

(Refer to pages 146 to 154)

- Energy consumption **14,384 Gj**
- Water consumption **38,847 M<sup>3</sup>**
- Green lending portfolio **Rs. 2,411 Mn**
- Carbon foot print **3.480 tCo<sub>2</sub>e**



- Profit after tax **Rs. 9,564 Mn**
- Return on equity (ROE) **23.40%**
- Earning per Share (EPS) **Rs. 17.26**



- Branches **200**
- CIM app users **+200,000**
- Property Plant and Equipment **Rs. 8,984 Mn**



- Total training hours **43,127**
- Employee benefits and remuneration **Rs. 4,095 Mn**
- Female employees **46%**
- New recruitments **2,194**



- CIM Wallet transactions **Rs. 31,469 Mn**
- Brand value **Rs. 3,597 Mn**
- Investment on ICT **Rs. 279.25 Mn**



- investment in CSR **Rs. 20.20 Mn**
- Customer complaints resolution **95%**
- Customer base **+800,000**



- Energy consumption **16,853 Gj**
- Carbon footprint **3,982 tCo<sub>2</sub>e**
- Water consumption **44,908 m<sup>3</sup>**
- Green lending portfolio **Rs. 5,056 Mn**



Refer capital management - page 84 - 154



- Provide investment Opportunities
- Return on investments
- Future focused resource allocation



- Access to innovative financial products and services
- Competitive rates and fees
- Security and reliability



- Job security and career growth
- Competitive compensation and benefits
- Positive work environment



- Well established governance and control systems
- Financial stability of the financial system
- Consumer protection



- Timely payments
- Strong and reliable partnership
- Responsible business practices



- Economic growth and development
- Social responsibility
- Focused positive impact in five CSR pillars



Refer stakeholder engagement - page 40 - 44

- Human resources
- Administrative cost
- Administrative cost
- Operational Risk
- Model Risk

# INTEGRATED STAKEHOLDER ENGAGEMENT

We continuously strive to enrich the lives of our stakeholders. Our long-term strategy is geared to empower individuals towards financial freedom. We recognise that fulfilling this commitment necessitates an in-depth understanding of our stakeholders and their aspirations. Hence, meaningful engagement with our diverse stakeholder groups is paramount to our success.

## STAKEHOLDER ANALYSIS AND ENGAGEMENT PROCESS

We adopt a eight-point stakeholder engagement model to engage proactively and interactively with our stakeholders. Acknowledging the dynamic financial landscape and evolving social trends, we emphasise the importance of regularly assessing and adjusting engagement strategies to address stakeholders' changing needs and expectations.

This approach enables alignment with stakeholders' concerns amid a continuously evolving operating context.

By conducting a thorough review of our engagement mechanisms, we identified areas for improvement. This enabled us to refine integrating stakeholder engagement into our value creation process.

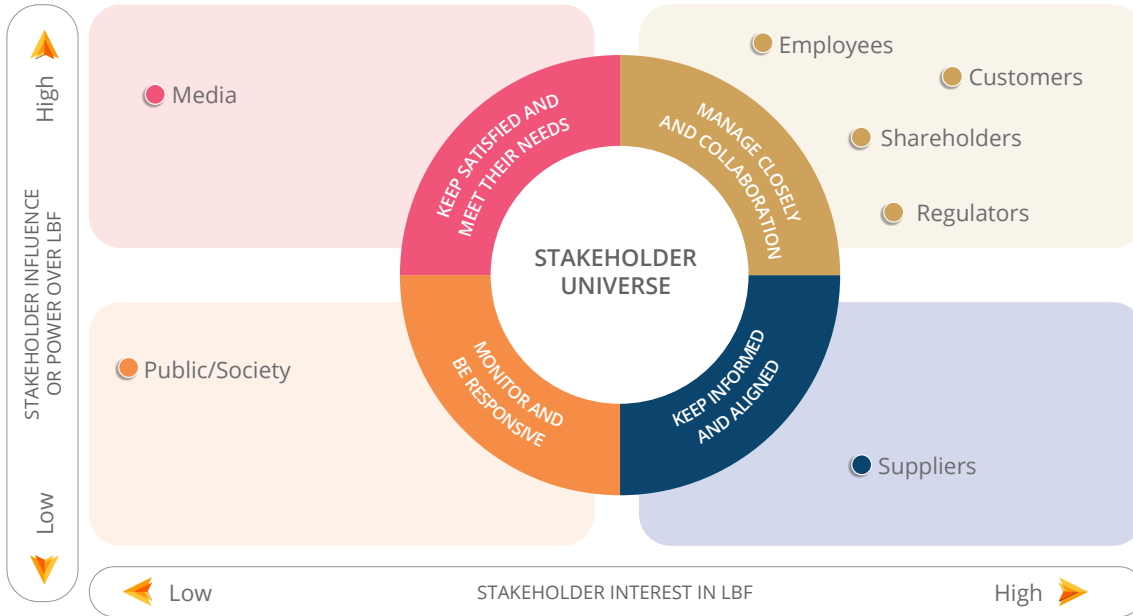


Hey there! Interested in checking out our Value Creation Scorecard? Just follow the link to dive in!





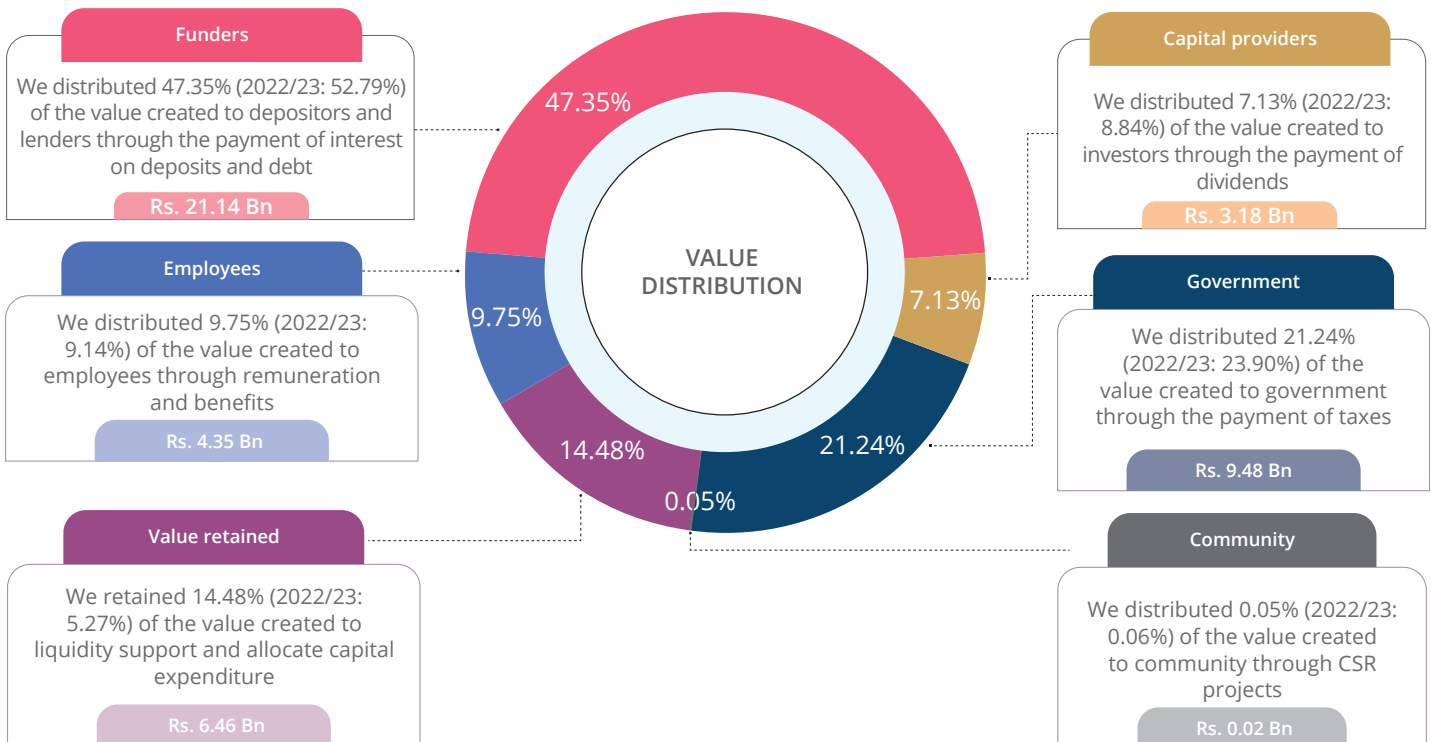
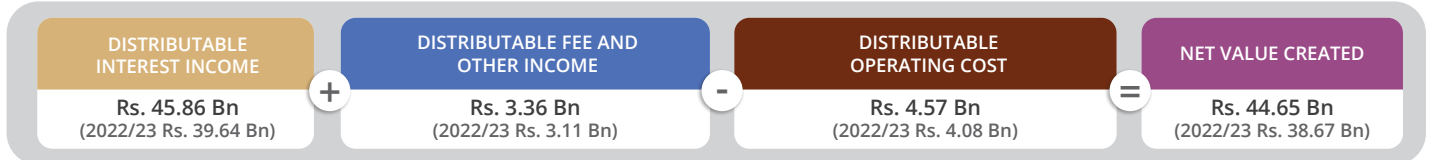
**STAKEHOLDER MAPPING**



It is important to strike a balance between the expectations of key stakeholders for the long-term sustainability of our business. The effectiveness of our business model is closely tied to the contributions made by these stakeholders. The table below illustrates our engagement mechanisms to manage our relationships with multiple stakeholders.


**VALUE CREATION AND DISTRIBUTION**


Stakeholder engagement is a core component of our social and financial value creation as both an input and an outcome. Our stakeholder-focused, value-added statement demonstrates how financial value is created and distributed to our stakeholders.



## INTEGRATED STAKEHOLDER ENGAGEMENT

### MATERIAL THEMES AND TOPICS

 <b>CUSTOMERS</b>		Relevant Capitals <b>SC</b> <b>MC</b>	Relevant SDGs <b>8</b> <b>9</b> <b>11</b> <b>17</b>
Engagement Mechanism	Frequency	Customer concerns	Our strategic response/value proposition
Interactions with branch teams	Continuous	<ul style="list-style-type: none"> <li>• Efficient service</li> <li>• Access to finance</li> <li>• Product and service innovation</li> <li>• Data privacy</li> <li>• Customer security</li> <li>• Fair selling practices</li> <li>• Financial literacy</li> <li>• Grievances handling</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening the branch proposition to facilitate better access to financial services in both local and regional markets</li> <li>• Introducing relevant new products and services to meet customer needs</li> <li>• Investing in expanding digital ecosystems to facilitate access to digital financial solutions</li> <li>• Investing in information security</li> </ul>
Mass/digital media advertising campaigns	Continuous		
Emails	As required		
Corporate website	Continuous		
Propaganda vehicle	Continuous		
Product and service brochures	As required		
Product launches	As required		
Market surveys	Annually		
Call centre	Continuous		
Customer visits	As required		
Social media platforms	Continuous		
		Future focus	
		<ul style="list-style-type: none"> <li>• To provide sound financial advice and financial consumer education</li> <li>• To access 24/7 world-class innovative solutions and services</li> <li>• To enjoy convenient access to banking that is cost-effective, user-friendly and flexible</li> <li>• To protect their investment and information through secure information technology (IT) systems and infrastructure</li> <li>• To provide competitive financial solutions</li> </ul>	

 <b>SHAREHOLDERS</b>		Relevant Capitals <b>SC</b> <b>FC</b>	Relevant SDGs <b>8</b> <b>9</b> <b>12</b>
Engagement Mechanism	Frequency	Shareholder concerns	Our strategic response/value proposition
Annual reports and AGMs/EGMs	Annually/ As required	<ul style="list-style-type: none"> <li>• Financial performance and dividends</li> <li>• Improved market presence</li> <li>• Investor confidence</li> <li>• Adaptability to dynamic economic conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring sound risk management process</li> <li>• Ensuring robust governance and internal control framework</li> <li>• Accelerating market development activities</li> <li>• Offering incremental growth in shareholder returns</li> <li>• Ensuring strong capital and liquidity levels</li> </ul>
Financial results	Annually/ Quarterly		
CSE announcements	As required		
General correspondence	As required		
Press releases	As required		
Corporate website	Continuous		
Feedback surveys	As required		
		Future focus	
		<ul style="list-style-type: none"> <li>• To provide current and future shareholders with relevant and timely information</li> <li>• To maintain strong relationships, keep abreast of market developments, and inform our shareholders of ongoing developments regarding our strategy execution</li> <li>• To ensure good governance and trust-based relationships</li> <li>• To become a compelling listing proposition</li> </ul>	



## EMPLOYEES

Relevant Capitals **SC** **MC** **HC**Relevant SDGs **5** **10** **16**

Engagement Mechanism	Frequency	Employee concerns	Our strategic response/value proposition
Staff meetings	As required	<ul style="list-style-type: none"> <li>• Comprehensive benefit package</li> <li>• Reward and recognition</li> <li>• Equality and diversity</li> <li>• Career development opportunities</li> <li>• Work-life balance</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing “Pinnacle Club” to recognise high performers</li> <li>• Engaging in management development programmes for identified employees with potential</li> <li>• Implementing extensive employee engagement activities</li> <li>• Facilitating equality through HR policies and procedures</li> <li>• Providing performance-based rewards and recognition</li> <li>• Providing a comprehensive wellness programme to nurture a healthy work-life balance</li> </ul>
Performance appraisal	Annually		
Social media platforms	Continuous		
E-publications	Monthly		
Notifications	As required		
Emails	As required		
Training programmes and workshops	As required		
Post-training feedback	As required		
One-on-one engagement	Continuous		
Focus group sessions	As required		
		Future focus	
		<ul style="list-style-type: none"> <li>• To ensure we proactively address employees’ concerns, expectations and opportunities</li> <li>• To have strong relationships that will contribute towards LBF being a ‘Top Employer’ within our sector</li> <li>• To ensure clear, regular and transparent communications within the staff</li> <li>• To ensure that all matters impacting the primary conditions of employment are addressed through collective bargaining</li> <li>• To promote fairness and equality</li> </ul>	



## COMMUNITY

Relevant Capitals **SC** **HC** **NC**Relevant SDGs **1** **2** **4** **6** **13** **15**

Engagement Mechanism	Frequency	Community concerns	Our strategic response/value proposition
Individual engagements	As required	<ul style="list-style-type: none"> <li>• Ethical business conduct</li> <li>• Responsible corporate citizen</li> <li>• Support for socioeconomic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Donating IT infrastructure to a government hospital</li> <li>• Continuing tree planting projects</li> <li>• Skill development programmes with selected universities</li> <li>• Empowering women entrepreneurs</li> </ul>
Press publication	As required		
Corporate website	Continuous		
Social media	Continuous		
Public events	As required		
		Future focus	
		<ul style="list-style-type: none"> <li>• To engage community representatives to ensure that our products and services remain relevant and needed</li> <li>• To provide accessible financial education to our communities</li> <li>• To be a sustainable organisation that proactively drives environmental protection and socioeconomic socio-economic development</li> </ul>	



## INTEGRATED STAKEHOLDER ENGAGEMENT

REGULATORS		Relevant Capitals	Relevant SDGs
		SC FC	8 9 11 16
Engagement Mechanism	Frequency	Regulator concerns	Our strategic response/value proposition
Meetings	As required	<ul style="list-style-type: none"> <li>Strong governance and compliance</li> <li>Business transparency</li> <li>Ethical business operations</li> <li>Financial system stability</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring timely submission of regulatory reports and returns</li> <li>Ensuring timely tax payments</li> <li>Ensuring appropriate due diligence to maintain 100% compliance</li> </ul>
Directives and circulars	As required		
Telephone discussions	As required		
On-site and off-site examinations	As required		
Periodic or thematic assessments	As required		
Participation in forums	As required		
Future focus			
<ul style="list-style-type: none"> <li>Ensure continuous compliance with new regulations and directions</li> <li>Continuous support to regulators in developing macro economic policies for financial sector stability</li> <li>Invest in training and education programmes to ensure employees understand and comply with regulatory requirements</li> </ul>			

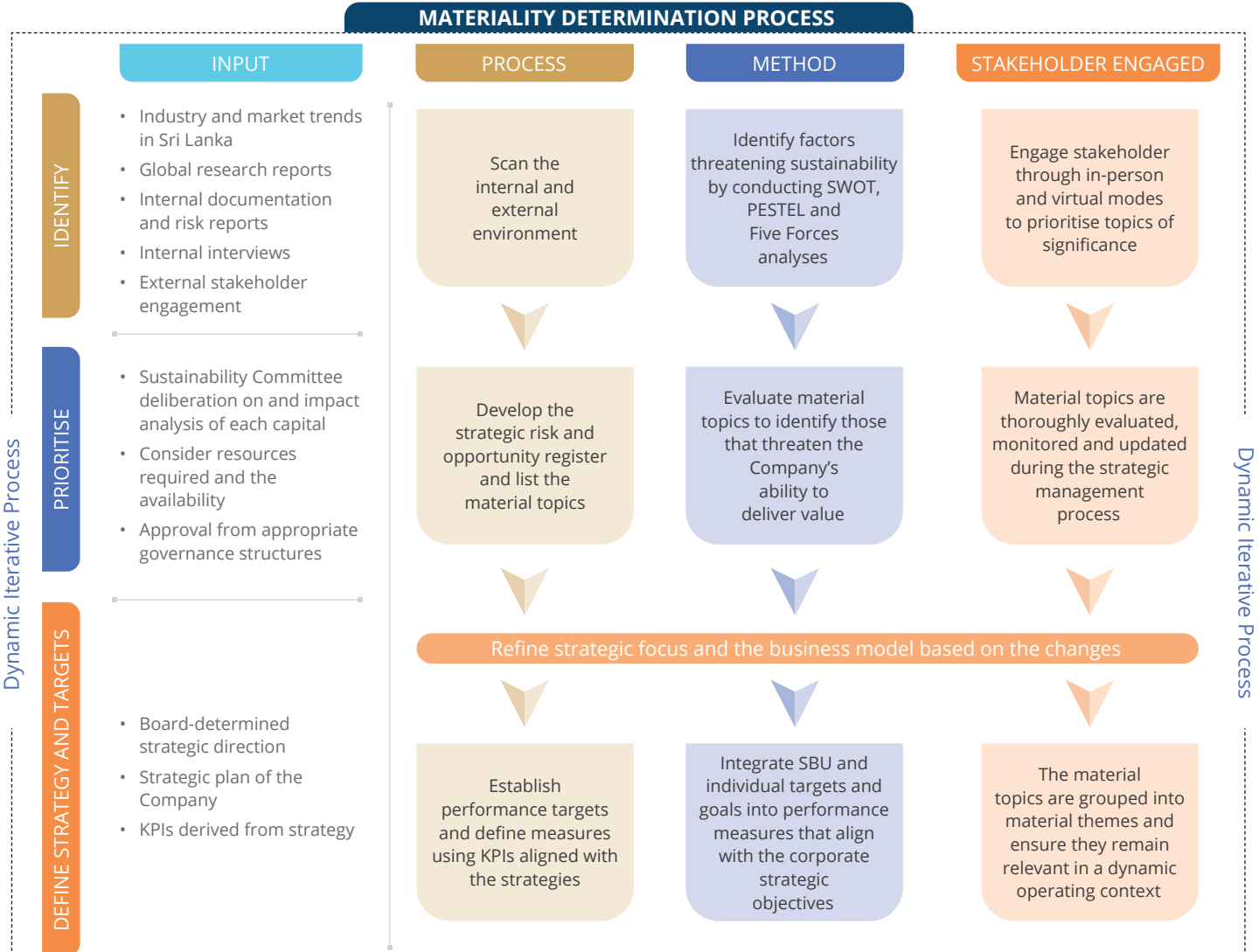
BUSINESS PARTNERS		Relevant Capitals	Relevant SDGs
		SC MC	9 17
Engagement Mechanism	Frequency	Business partners concerns	Our strategic response/value proposition
Field visits	As required	<ul style="list-style-type: none"> <li>Timely payments</li> <li>Fair dealings</li> <li>Transparency</li> <li>Competitive pricing</li> <li>Maintaining healthy relationships</li> </ul>	<ul style="list-style-type: none"> <li>Communicating the Company's policies and procedures</li> <li>Continuous engagement</li> </ul>
Service agreements	Annually		
Supplier appraisal	As required		
Meetings	As required		
Future focus			
<ul style="list-style-type: none"> <li>To negotiate mutually beneficial commercial agreements</li> <li>To develop suppliers that will serve us and the financial sector over the long-term</li> <li>To develop new businesses that meaningfully contribute to the economy</li> <li>To promote local procurement</li> </ul>			

Our stakeholder goals drive us forward, articulating the value we seek to deliver for each of our key stakeholders, and therefore serve to inform our strategy.

Key stakeholders	Goals	Level of relationship	Level of engagement
Shareholders	Sustained growth and wealth maximisation	■ ■ ■ □ □	Consult
Customers	Customer at the center of the business	■ ■ ■ ■ ■	Involve
Employees	Career progress and best place to work	■ ■ ■ ■ ■	Collaborate
Communities	Empowering communities through CSR	■ ■ □ □ □	Collaborate
Regulators	Full statutory compliance	■ ■ ■ ■ □	Collaborate
Business partners	Sustainable business practices	■ ■ ■ □ □	Collaborate

## APPROACH TO DETERMINE MATERIALITY

As a financial services provider, we play a crucial role in the economy, supporting individuals, businesses, and our nation in building and safeguarding wealth through partnerships in economic development. Our ability to create value is influenced by factors including our operating environment, stakeholders, responses to risks and opportunities, and our strategic decisions. This report outlines what we consider our most important concerns ones that could substantially impact our capacity to generate or, preserve or erode value in the short, medium, and long-term. Illustrated below is our three-tiered materiality determination process:



### Material Matters

ECONOMIC	ENVIRONMENTAL	SOCIAL	GOVERNANCE
 GRI: 201 Challenging Economic Conditions	 GRI: 202 GRI: 401 GRI: 404 GRI: 405 Future-fit Organisation	 GRI: 418 Serving and Meeting the Needs of Customer	 GRI: 305 GRI: 413 GRI: 205 GRI: 206 Good Governance and Risk Optimisation

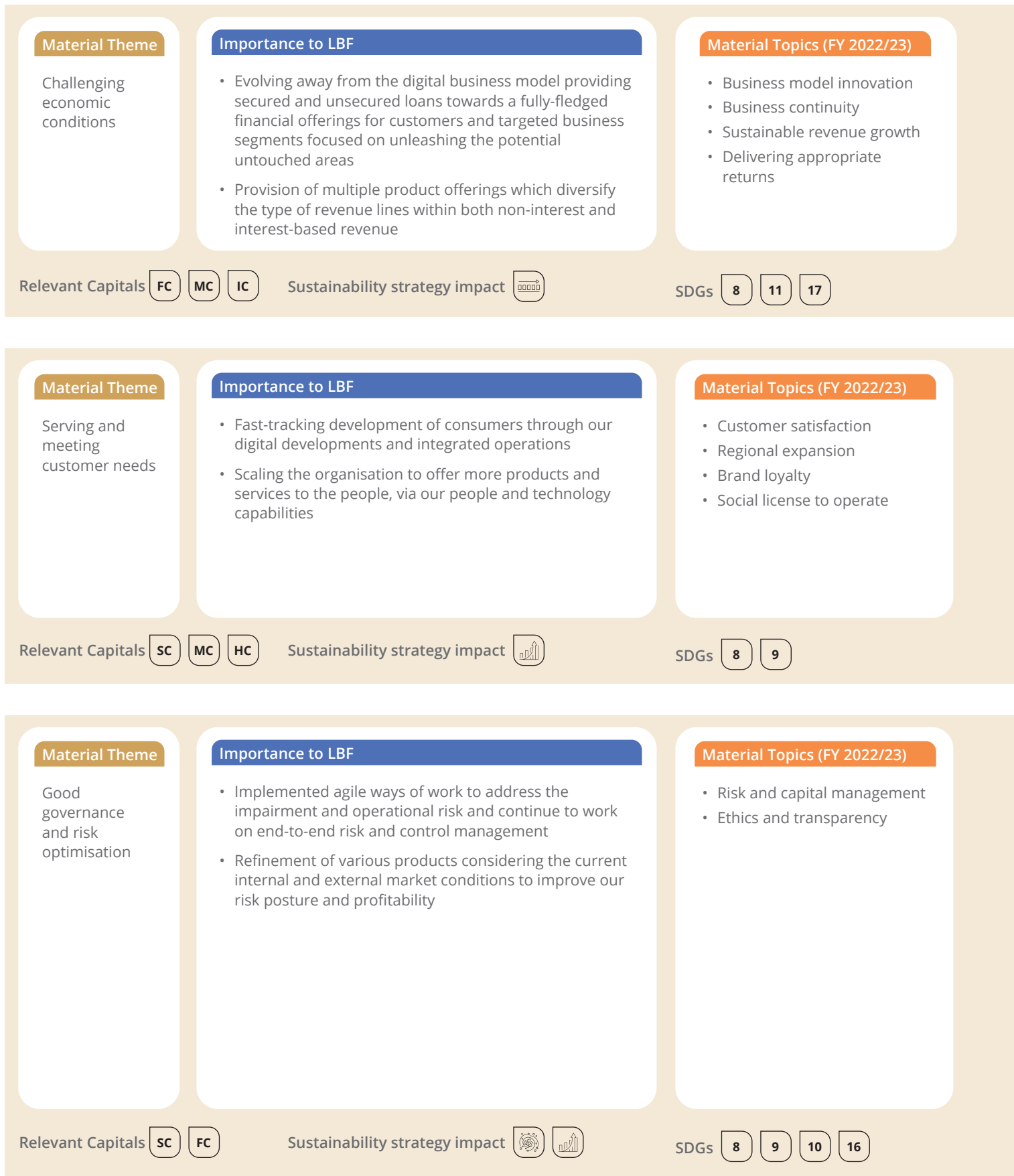


Hello! Want to delve into how our material matters impact the six capitals, our strategic focus, and stakeholders? Visit the link below to explore in detail.



- 1
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## MATERIALITY









**Material Topics (FY 2023/24)**

- Reinventing the business model
- Business continuity
- Sustainable revenue growth
- Delivering appropriate returns

**Mitigating Risk and Maximising Opportunity**




- Creating a balance in revenue mix across our portfolio
- Improving productivity in resource management
- Pursue cost containment to achieve the Company's strategic goals
- Diversifying revenue streams through initiatives that aligned with positive social outcomes

Strategic Pillar  Impacted stakeholders   **Material Topics (FY 2023/24)**

- Customer experience
- Product and service evolution
- Regional expansion
- Digital transformation
- Customer complaints resolution
- Social license to operate

**Mitigating Risk and Maximising Opportunity**







- Offering customised advisory services to meet the unique needs of customers
- Creating platforms to increase customer engagement
- Encouraging and rewarding employees for their customer-centric innovations
- Promoting financial inclusion through targeted and relevant financial advice and products

Strategic Pillar  Impacted stakeholders   **Material Topics (FY 2023/24)**

- Risk and capital management
- Legal and regulatory requirements
- Data privacy and cyber security
- Anti-fraud environment

**Mitigating Risk and Maximising Opportunity**

- Supporting and aligning with international and local practices upholding capital and ESG requirements
- Adhering to strong capital and liquidity management principles to mobilise adequate resources for business growth while complying with regulatory capital buffers and Board-approved liquidity appetite limits
- Increasing transparency through reporting and disclosures
- Conducting stringent due diligence, including third-party assurance on compliance systems at various levels of the business
- Balancing robust risk management with growth aspirations across our markets
- Enhancing privacy by providing safe, reliable, and seamless customer service
- Mitigating or preventing systemic risks across the Company
- Promoting financial stability

Strategic Pillar  Impacted stakeholders    

## MATERIALITY

<p><b>Material Theme</b></p> <p>Future-fit organisation</p>	<p><b>Importance to LBF</b></p> <ul style="list-style-type: none"> <li>Leveraging technology, agile practices, digitised and digitalised capabilities that enable efficient and cost-effective scalability</li> <li>Building on existing digital and analytics capabilities to improve end-to-end customer journeys, driving growth</li> </ul>	<p><b>Material Topics (FY 2022/23)</b></p> <ul style="list-style-type: none"> <li>Process excellence</li> <li>Technological advancement</li> <li>Online customer support</li> </ul>
<p>Relevant Capitals <b>SC</b> <b>IC</b> <b>HC</b> Sustainability strategy impact </p>		<p>SDGs <b>9</b> <b>11</b></p>

<p><b>Material Theme</b></p> <p>Supporting social cohesion</p>	<p><b>Importance to LBF</b></p> <ul style="list-style-type: none"> <li>Embedding sustainable practices across all areas of the business, including environmental and stakeholder aspects</li> <li>Strengthening, empowering, serving and transforming our communities through community social responsibility and enterprise supplier development</li> </ul>	<p><b>Material Topics (FY 2022/23)</b></p> <ul style="list-style-type: none"> <li>Corporate citizenship</li> <li>Health and safety</li> <li>Employee engagement</li> <li>Training and development</li> </ul>
<p>Relevant Capitals <b>SC</b> <b>NC</b> <b>FC</b> Sustainability strategy impact </p>		<p>SDGs <b>1</b> <b>2</b> <b>3</b> <b>4</b> <b>13</b></p>

MATERIALITY DRIVERS 2023/24		
1	Reinventing the business model	
2	Business continuity	
3	Sustainable revenue growth	
4	Delivering appropriate returns	
5	Customer experience	
6	Product and service evolution	
7	Regional expansion	
8	Digital transformation	
9	Customer complaints resolution	
10	Social license to operate	
11	Risk and capital management	
12	Legal and regulatory requirements	
13	Data Privacy and cyber security	
14	Anti-fraud environment	
15	Process excellence	
16	Tech resource allocation	
17	Skills development and competencies	
18	Data science and data analytics	
19	Transformative imperatives	
20	Corporate citizenship	
21	Health and safety	
22	Employee engagement	
23	Tech-savvy trained employees	

Short Medium Long

**Material Topics (FY 2023/24)**

- Process excellence
- Tech resource allocation
- Skills development and competencies
- Data science and data analytics
- Transformative imperatives

**Mitigating Risk and Maximising Opportunity**

- Growing revenue from digital products and services using mobile technology and fintech partnerships
- Furthering financial and digital inclusion
- Increasing agility, efficiency and cost optimisation through cloud computing and AI
- Enhancing the LB CIM mobile app with new digital features alongside upgraded security measures to promote higher rates of digital adoption

Strategic Pillar

Impacted stakeholders

**Material Topics (FY 2023/24)**

- Corporate citizenship
- Health and safety
- Employee engagement
- Tech-savvy trained employees

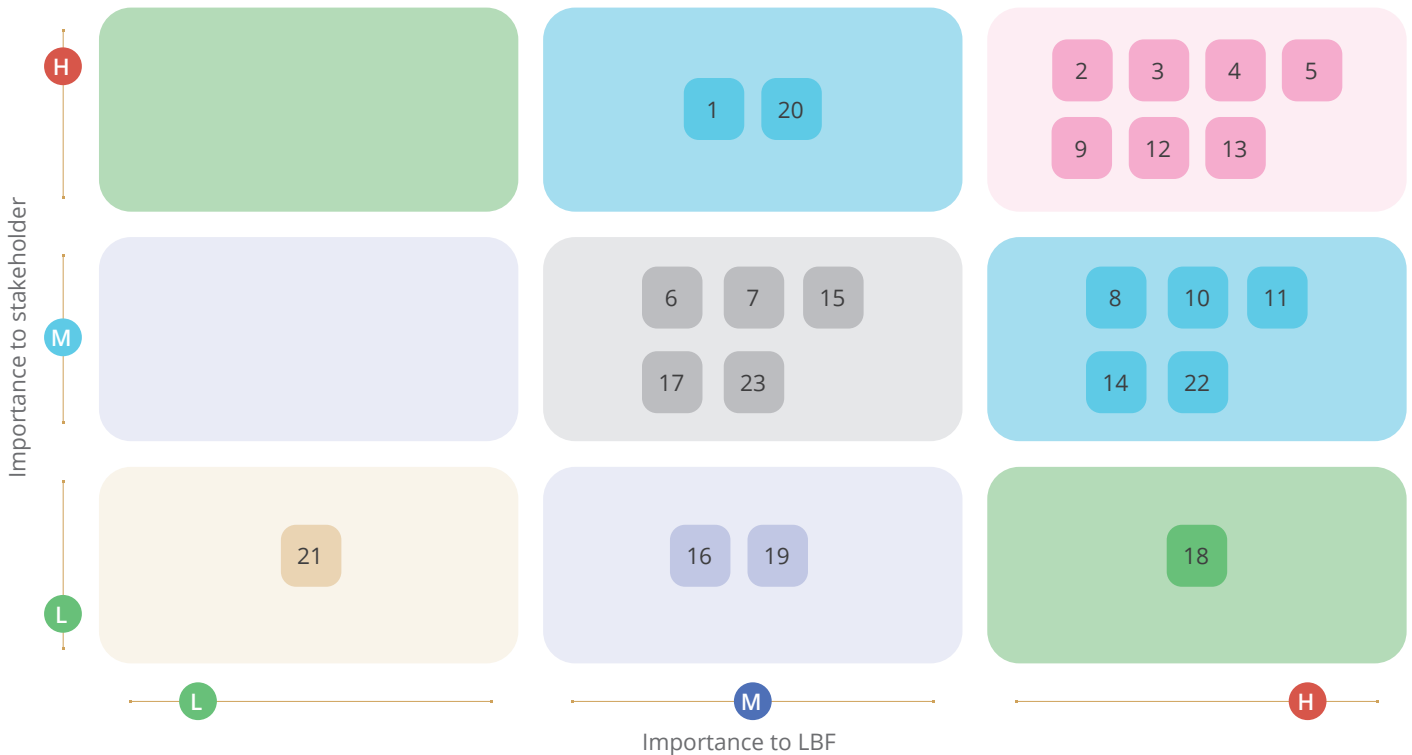
**Mitigating Risk and Maximising Opportunity**

- Allocating capital to environmentally responsible businesses
- Aligning initiatives with positive social outcomes
- Increasing insight into customers' sustainability needs and roadmaps to climate change adaptability leading to new financing opportunities, including nature-positive financing
- Focusing on developing and retaining a capable team of talented and empowered employees who embrace our high-performing culture

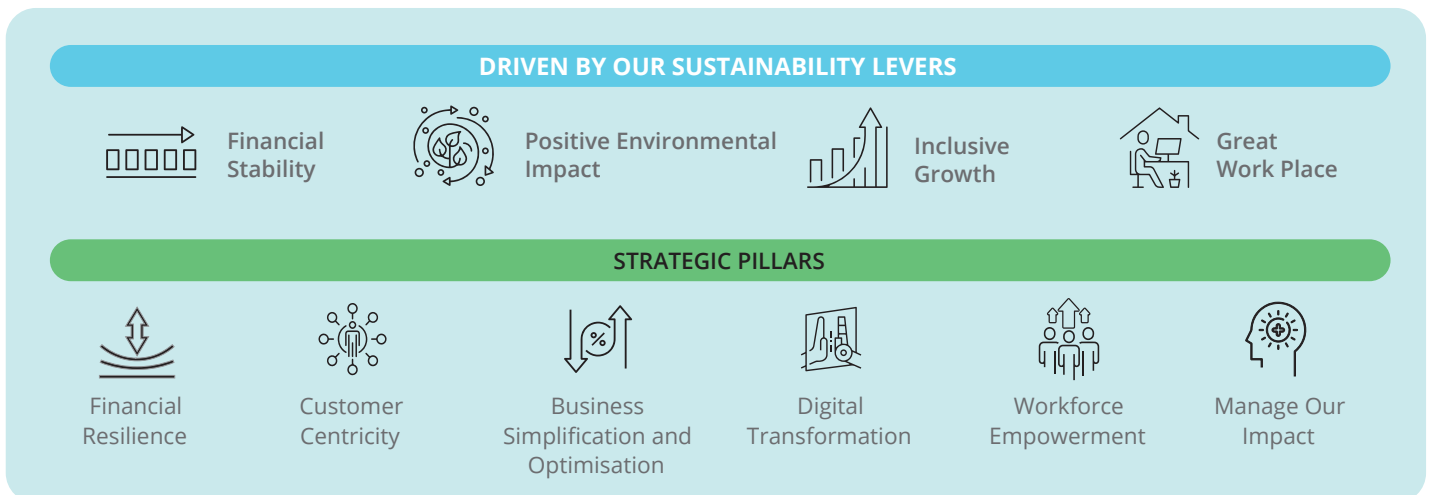
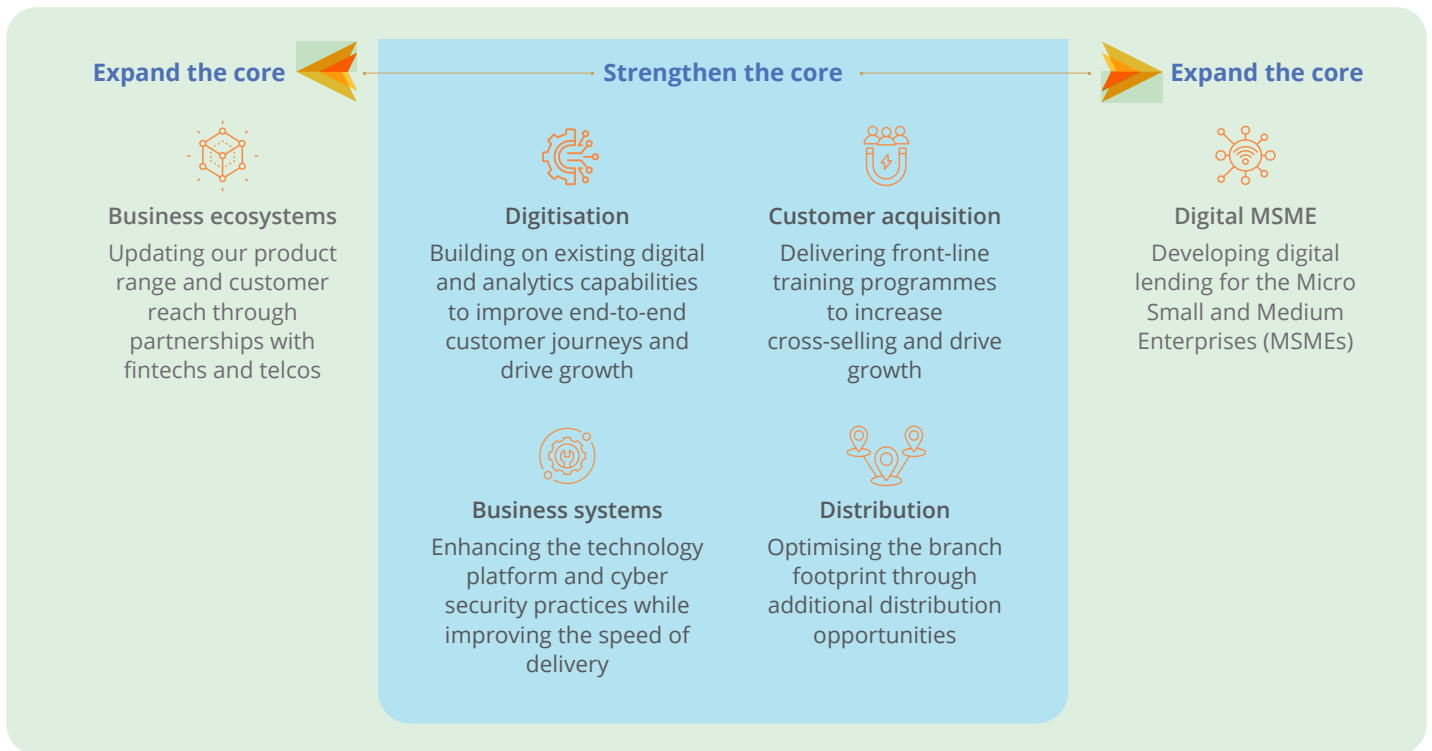
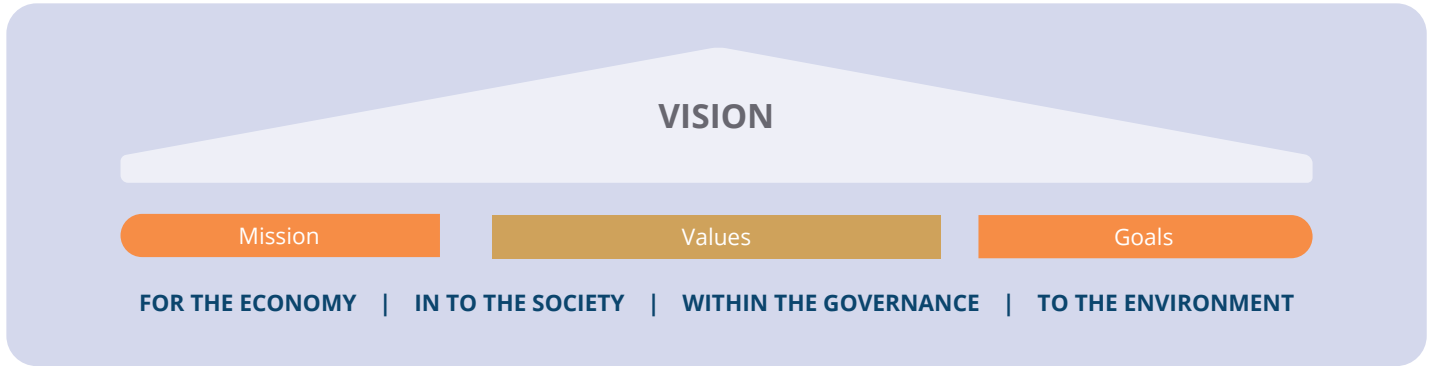
Strategic Pillar

Impacted stakeholders

**MATERIALITY MAPPING**

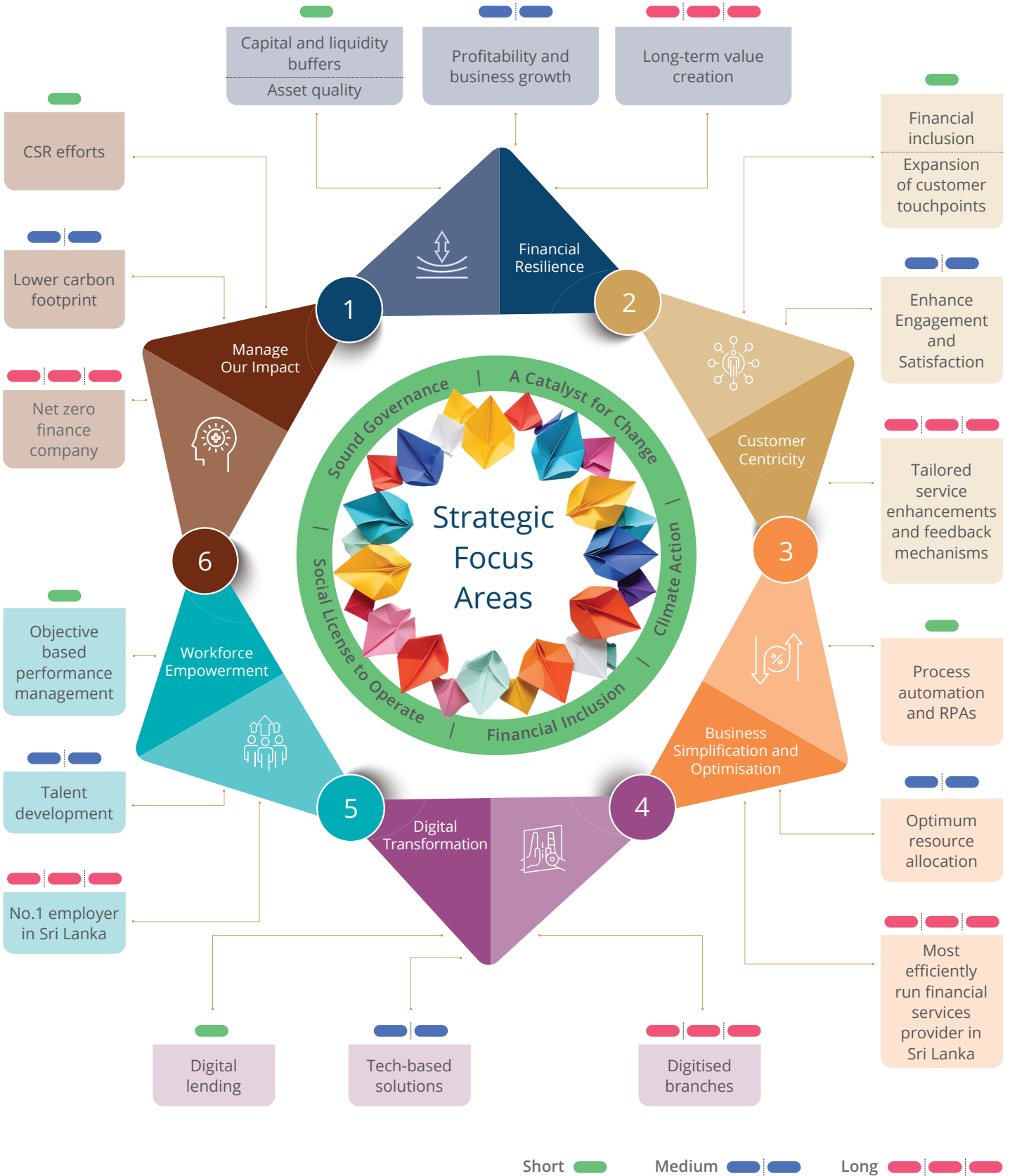


## APPROACH TO STRATEGY





CONNECTIVITY OF STRATEGIC DRIVERS



## STRATEGY

1



### FINANCIAL RESILIENCE

#### KPIs

Liquidity ratio  
 CAR >2% more than the regulatory requirement  
 Net NPL <1%  
 ROE, ROA  
 EVA, MVA

#### Progress for the year

EVA	Liquidity ratio
<b>Rs. 1.8 Bn</b>	<b>23.48%</b>
MVA	Net NPL <1%
<b>Rs. (8.8) Bn</b>	<b>(0.79)%</b>
ROE	ROA
<b>23.40%</b>	<b>4.97%</b>

#### Value creation activities

- Maintained sufficient capital and liquidity buffers
- Improved asset quality levels
- Strengthened credit risk rating based lending practices
- Maintained profitability

#### Focus for 2024/25

Enhance profitability

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Investment on continuous improvement of the Eclipse core banking system enabling capacity expansion and accurate decision making
- Enhance team strength
- Optimum resource allocation for non-vehicle financing products

#### Challenges

- Volatility in the operating environment
- Economic recovery and economic activities were slower than anticipated
- Continued pressure on repayment capacity of customers
- Continuation of vehicle import restrictions
- Frequent changes in the Fiscal Policy

2



### CUSTOMER CENTRICITY

#### KPIs

New branches opened  
 Brand ranking  
 Brand value

#### Progress for the year

No. of new branches opened	
<b>08</b>	
Brand ranking	Brand value
<b>25</b>	<b>Rs. 3,597 Mn</b> (Brand Finance)

#### Value creation activities

- Focused growth in female participation to increase financial inclusivity
- Optimised customer reach through existing distribution channels and while adopting digitised distribution networks

#### Focus for 2024/25

Brand building to drive digital channel expansion

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Investment on land and building
- Investment on digital channels and related developments
- Investment on staff training on customer service standards

#### Challenges

- Increased branch setup cost
- Customer resistance to change into digital channels
- Brand building and challenges in communication channels
- Implementation of financial consumer protection framework

### 3 BUSINESS SIMPLIFICATION AND OPTIMISATION

#### KPIs

Process automations  
Growth in volumes of digital transactions volume

#### Progress for the year

RPAs system implementation  
52% growth in CIM transaction volume

#### Value creation activities

- Enhanced efficiency through process automation and RPAs
- Evaluated core and non-core activities for better internal resource allocation

#### Focus for 2024/25

Lean management

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Investment on RPAs
- Investment on analytical tools
- Investment on process automation
- Investment on human capital - specific training to IT Staff

#### Challenges

- Frequent changes in underlying technologies
- Employee resistance towards automations

### 4 DIGITAL TRANSFORMATION

#### KPIs

Digitally active customers  
System and CIM app downtime  
No. of CIM app downloads

#### Progress for the year

Digitally active customers	No. of CIM app downloads
<b>+200,000</b>	<b>+200,000</b>
CIM app downtime	
<b>0.41%</b>	

#### Value creation activities

- High focus and priority for digital lending
- Implemented tech-based solutions for customer onboarding, customer service and internal processes

#### Focus for 2024/25

Enriching the digital journey of the customers

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Investment in data security
- Investment in customer care operations
- Investment in human capital specific, IT related training to staff

#### Challenges

- Cyber security related threats and vulnerabilities
- Implementation of data protection regulations
- Evolving digital need of customers
- Customer complaints

## STRATEGY

5



### WORKFORCE EMPOWERMENT

#### KPIs

Employee training hours  
Gender parity  
Employee promotions

#### Progress for the year

Employee training hours <b>43,127</b>	Gender parity (M : F) <b>1 : 0.85</b>
Employee promotions <b>1,037</b>	

#### Value creation activities

- Further improved our objective-based performance management process across the Company
- Continued to invest in talent development

#### Focus for 2024/25

Retain and empower talented staff

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Employment compensations
- Investment in employee engagement activities
- Investment in physical and mental well-being
- Investment in training and development

#### Challenges

- Brain drain
- Talent staff acquisition
- Management of employee mental well-being due to uncertainties in the socio-economic environment

6



### MANAGE OUR IMPACT

#### KPIs

Carbon footprint  
Investment in CSR  
Green financing  
CSR projects

#### Progress for the year

Carbon footprint <b>3,982 tCo<sub>2</sub>e</b>	Investment in CSR <b>Rs. 20.20 Mn</b>
Green financing <b>Rs. 5.05 Bn</b>	No. of CSR projects <b>22</b>

#### Value creation activities

- Further optimised CSR efforts to maximise impact
- Increased geographic presence
- Lowered carbon footprint

#### Focus for 2024/25

Climate resilience

#### Related Capitals



#### Related Sustainability Levers



#### Resource allocation

- Investment on renewable energy generation at branches
- Investment on training
- Investment on carbon credits

#### Challenges

- New standard and regulatory implementation
- Quantification of scope 3 GHG emissions



# THE SUSTAINABILITY REPORT

## BALANCING OUR STRENGTHS

Our ability to maintain the right balance ensures our longstanding stability against overwhelming odds. Nurturing our core strengths and engaging in holistic development enable us to build endurance and agility; by simply minimising our negative impact and sustaining our performance for the foreseeable future.

All ballet techniques primarily focus on aspects of balance, poise, strength, and coordinated movement. This holistic focus on perfecting the right mix of skills enables dancers to maximise their long-term success and continuity, while minimising any potential harm to their future well-being.



### SECTION 3

Our Commitment to Sustainability 56 | Sustainability Strategy With Measurable Targets 59  
Sustainability Related Risks and Opportunities 60 | Independent Practitioner's Assurance Report on Sustainability Reporting 63  
Independent Practitioner's Assurance Report on Integrated Reporting 65

# OUR COMMITMENT TO SUSTAINABILITY



Ms. Yanika Amarasekera  
Chairperson  
Board Sustainability Committee

## MESSAGE FROM THE CHAIRPERSON

Throughout the year, LBF has remained steadfast in its commitment to sustainability by integrating environmental, social, and governance principles into our business operations. Our initiatives were driven by the overarching goal of generating long-term value for our stakeholders, minimising our environmental impact, and making a positive societal contribution.

As Chairperson of the Board Sustainability Committee, I am pleased to provide an update on LBF's sustainability activities for the financial year 2023/24.

Throughout the year, LBF has remained steadfast in its commitment to sustainability by integrating Environmental, Social, and Governance (ESG) principles into our business operations. Our initiatives were driven by the overarching goal of generating long-term value for our stakeholders, minimising our environmental impact, and making a positive societal contribution.

LBF actively pursued numerous initiatives to minimise its environmental footprint such as implementing energy efficient practices across its operations, introducing innovative technologies, promoting a paperless environment, and engaging in waste reduction and recycling programs. Additionally, LBF continued to support green financing to reduce scope 3 GHG emissions. Most importantly, our digital initiatives significantly enhanced operational efficiencies while maintaining a low environmental impact.

During the year, LBF prioritised social welfare and community development. Our CSR programs focused on education, healthcare, and economic empowerment, with the goal of uplifting underprivileged communities. The Company also prioritised employee well-being by providing extensive training programs,

fostering a diverse and inclusive workplace, and ensuring fair labour practices. Additionally, the Company engaged in frequent stakeholder dialogues to understand and address community needs effectively.

In terms of governance and ethics, LBF maintained robust governance structures and established a dedicated Board Sustainability Committee to oversee its sustainability initiatives. The Company adhered to the highest ethical standards, implementing comprehensive risk management frameworks, anti-corruption policies, and compliance mechanisms. LBF ensured transparency and accountability through regular disclosures and reporting, aligning with global standards such as GRI, United Nations' SDGs, and other sustainability related voluntary disclosures.

LBF's sustainability reporting aligns with international best practices, offering detailed insights into its ESG performance. The sustainability reporting information LBF provides include both quantitative metrics and qualitative assessments, highlighting the Company's impact and progress over time. To ensure credibility and stakeholder trust, the Company engages third-party auditors to verify the accuracy and reliability of its sustainability data.

Looking ahead, LBF is dedicated to continually advancing its sustainability practices. The Company aims to set more ambitious targets for reducing its environmental impact, expand its social programs to reach a broader range of beneficiaries, and further strengthen its governance frameworks. LBF is dedicated to staying at the forefront of sustainability, leveraging innovation and best practices to drive positive change within the financial sector and beyond.

I extend my sincere appreciation to all employees, partners, and stakeholders who have contributed to our sustainability efforts. Your dedication and commitment are invaluable as we work together to create positive change.

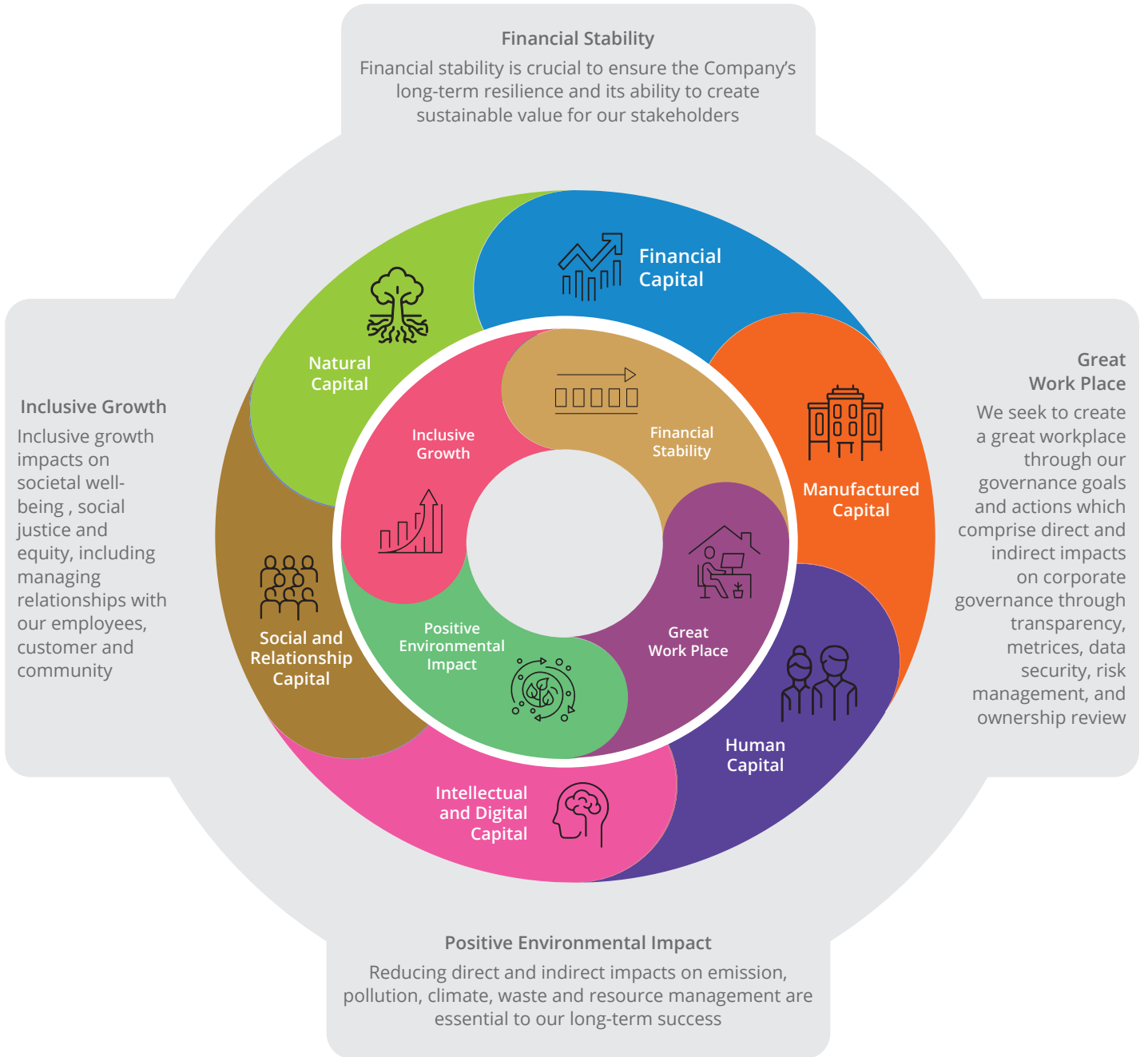
A handwritten signature in black ink that reads "Yanika Amarasekera".

Ms. Yanika Amarasekera  
Chairperson  
Board Sustainability Committee

27 May 2024

**SUSTAINABILITY VALUE CREATION MODEL**

LB Finance continues its journey to integrate sustainability in a structured manner within the Company in readiness for full compliance with SLFRS S1 & S2 by due dates. The model below sets out LBF's Sustainability Value Creation Model which encapsulates our ESG Framework. The model ensures that all three ESG pillars are covered and connects sustainability strategy with capitals to drive achieving the Company's vision, mission, goals and values.



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## OUR COMMITMENT TO SUSTAINABILITY



**Board Sustainability Committee Members**

**Ms. Yanika Amarasekera**  
Chairperson/Independent Non-Executive Director

**Mr. G.A.R.D. Prasanna**  
Non- Independent Non-Executive Director

**Mr. Niroshan Udage**  
Deputy Managing Director

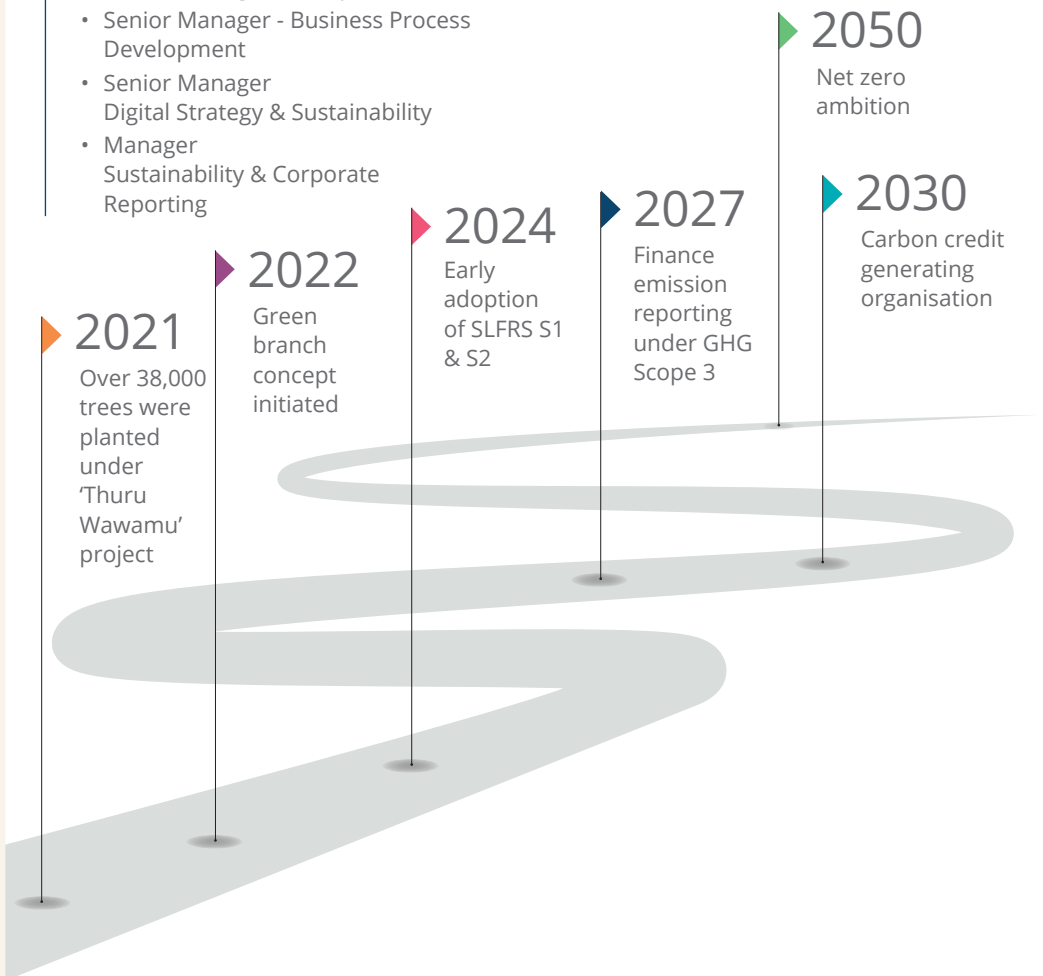
**Ms. Ashwini Natesan**  
Independent Non-Executive Director

**Management Committee Members**

- Deputy Managing Director
- Chief Financial Officer
- AGM - Risk Management
- Chief Internal Auditor
- AGM - Treasury
- Senior Manager - Compliance
- Senior Manager - Business Process Development
- Senior Manager Digital Strategy & Sustainability
- Manager Sustainability & Corporate Reporting

## OUR ESG JOURNEY

Our ESG journey is captured alongside with the adoption of GRI, progressing to widen the scope as momentum gathered on sustainability reporting. We continue to be at the forefront of sustainability reporting as we believe this is the path to corporate longevity and building resilience. This year, we have set out our goals for the short, medium and long term which will be our roadmap in the future.





		Strategic focus	KPI	Where we are	Where we will be		Capital alignment
				2024	2030	2050	
Financial Stability	Capital adequacy	Core capital ratio and total capital ratio	Achieved	Achieved	Achieved	FC	
	Earnings	ROE	Achieved	Achieved	Achieved	FC	
	Liquidity	Liquidity ratio	Achieved	Achieved	Achieved	FC	
Positive Environmental Impact	Building sustainable portfolio	Enhancing green and sustainability linked portfolio	In Process	Achieved	Achieved	NC SC	
	Responsible consumption	Reducing water consumption, Electricity consumption, Fuel consumption, 3Rs implementation	In Process	In Process	Achieved	NC	
	Aligning with net zero emission target	GHG carbon footprint measurement	In Process	In Process	Achieved	NC	
	Net per employee GHG emission reduction through monitoring	GHG carbon footprint measurement	In Process	Achieved	Achieved	NC SC	
	Climate risk management	Adaptation of SLFRS S1 & S2	In Process	Achieved	Achieved	NC	
Inclusive Growth	Promoting diversity and gender balance	Increase in women recruitments	In Process	Achieved	Achieved	HC	
	Financial inclusion	Attract more customers through digital deposit product and portfolio innovation	Achieved	Achieved	Achieved	MC IC SC	
	Empowering employee	Increase in number of promotions	In Process	Achieved	Achieved	HC	
	Community well being	Expanding the net of CSR beneficiaries	In Process	Achieved	Achieved	SC	
Great Workplace	Empowering employees	Yearly increase of training hours	In Process	Achieved	Achieved	HC	
	Diverse environment	Gender parity, equal opportunity employment	Achieved	Achieved	Achieved	HC	
	Fair pay	Ratio of basic salary men to women	In Process	Achieved	Achieved	HC	

● Achieved 
 ● In Process 
 ● Not initiated

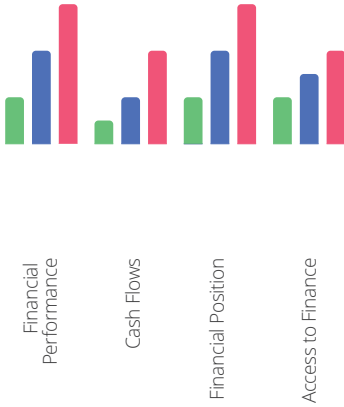

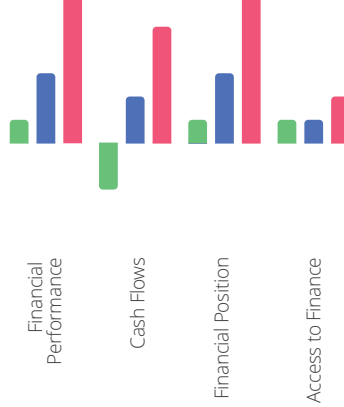


# SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES

Sustainability Related Risks			
Risk	Energy Management	Employee Attrition	Information Security
Description	High dependency on non-renewable energy sources	High turnover of talented staff	Potential threats or vulnerabilities that could compromise the confidentiality integrity or availability of digital assets
Mitigations and Opportunities	25 branches use solar power in addition to the use of main grid electricity and further continue to transform branches into use of solar power.	Improving skills and developing pleasant workplace through human resources development and retaining talented human resources through productivity management	Governance structures were strengthened and surveillance and monitoring tools were enhanced
Potential Adjustment to Assets and Liabilities in 2024/25	Slight increase in assets	No significant impact	Moderate increase in assets
Related Strategy	Creating Positive Impact	Workforce Empowerment	Digital Transformation
Short-term, Medium-term and Long-term Impact through Risks Mitigation and Opportunities			
	Short <span style="color: green;">■</span> Medium <span style="color: blue;">■</span> Long <span style="color: red;">■</span>		

Sustainability Related Risks

Volatility in operating environment	Intense rivalry	Inefficient Processes
Uncertain macroeconomic conditions has a direct on the performance e.g.: Interest rates, political environment, tax impact	Intense market competition among the peer financial service providers leads to loss of loyal customers	Increased costs due to inefficient processes
Maintaining sufficient capital and liquidity buffers	Measures to safeguard the interests of its customers while ensuring customer touchpoints functioned efficiently to serve the needs of the communities it operates in	Business process re-engineering
Impact is subject to severity of macro economic conditions	Low impact on assets and liabilities	Low impact on assets and liabilities

Financial Resilience	Customer Centricity	Business Simplification and Optimisation
		

# OUR CONTRIBUTION TOWARDS SUSTAINABILITY

## CONTRIBUTION TO GENDER PARITY

### Global trend

Gender parity has a fundamental bearing on whether or not economies and societies thrive. While the representation of women in governance and in leadership roles in the corporate sector has been increasing in recent years, there is still a long way to go in order to achieve equality. Statistics suggest that supporting empowerment as a general rule, corresponds with increased numbers of women in senior roles in the labour market. Furthermore, investing equally to develop both men and women helps to drive economies of scale and improve future readiness of companies.

### LBF context

LBF's does not discriminate on the basis of gender or any other status protected by law. However, a majority of the Company's field sales force remains largely male-dominated. Taking proactive steps to correct this situation, specific gender parity thresholds have been established for every stage of the employment lifecycle.

## CONTRIBUTING TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

### Global trend

The 17 Sustainable Development Goals (SDGs) launched by the UN in 2015 have provided a clear framework for countries and organisations to realign their economic, social and environmental strategies to meaningfully tackle the most pressing sustainability challenges of our time. The fact that the SDG's have provided clear 2030 targets pushes governments and corporations towards the systematic implementation of projects at a granular level

### LBF context

LBF contributes to the SDGs both directly and indirectly. Through our core business of providing financial services, we support individuals, directly enabling them to enhance their financial stability and quality of life. By supporting businesses, LBF is indirectly contributing to economic growth and job creation across Sri Lanka.

In addition, by conserving resources and driving diversity, financial inclusion, education, we contribute to the societies and natural environment in which we operate





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## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT FY2023/24

### SCOPE

We have been engaged by LB Finance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on LB Finance PLC's Economic, Environment, Social and Governance (EESG) indicators (the "Subject Matter") contained in LB Finance PLC's (the "Entity's") Sustainability Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### CRITERIA APPLIED BY LB FINANCE PLC

In preparing the Subject Matter, LB Finance PLC applied the following criteria ("Criteria"):

- The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at <https://www.globalreporting.org>
- The Sustainability Accounting Standards Board (SASB) Standards, publicly available at <https://sasb.org/standards/>

Such Criteria were specifically designed for the purpose of assisting you in

determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators contained in the Entity's Report is presented in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### LB FINANCE PLC'S RESPONSIBILITIES

LB Finance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the LB Finance PLC on 3 June 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend

on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance



## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations

and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

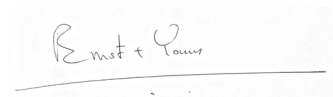
### EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

### CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of LB Finance PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



27 May 2024  
Colombo

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

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## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC ON THE INTEGRATED ANNUAL REPORT 2023/24

### SCOPE

We have been engaged by LB Finance PLC to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on LB Finance PLC's Information on how it's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term (the "Subject Matter") contained in LB Finance PLC's (the "Entity's") Integrated Annual Report for the year ended 31 March 2024 (the "Report").

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

### CRITERIA APPLIED BY LB FINANCE PLC

In preparing the Subject Matter, LB Finance PLC applied the Integrated Reporting Framework (<IR> Framework) issued by the International Integrated Reporting Council (IIRC) ("Criteria"):

Such Criteria were specifically designed for the purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Integrated Annual Report is presented in accordance with the

relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

### LB FINANCE PLC'S RESPONSIBILITIES

LB Finance PLC management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

### ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the LB Finance PLC on 3 June 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.



## INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

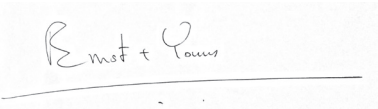
### EMPHASIS OF MATTER

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

### CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the information contained in the Integrated Annual Report of LB Finance PLC for the year ended 31 March 2024, in order for it to be in accordance with the Criteria.



27 May 2024  
Colombo

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## REPORT ON BUSINESS OPERATIONS

# COLLABORATION IN MOTION

By uniting individual skills, knowledge, and capabilities, we create a cohesive unit that is in sync with our surroundings. We support the bigger picture by maximising value through the power of connection, collaboration, and solidarity.

The corps de ballet represent a group of dancers who work together as a single entity, supported by teamwork and synchronised movement. They serve as the backbone of the ballet, by providing the necessary form, framework, context, and support for the overall narrative. Each member is responsible and accountable towards fulfilling a greater purpose and vision at every stage.



## SECTION 4



## DEPOSITS



### STRATEGY

We deliver a range of deposit and savings solutions, enabling customers to capitalise on market opportunities to boost their financial capacity. We also focus on fostering enduring customer relationships through personalised service, prompt resolution of issues, and providing incentives to nurture customer loyalty.

### CORE COMPETENCIES

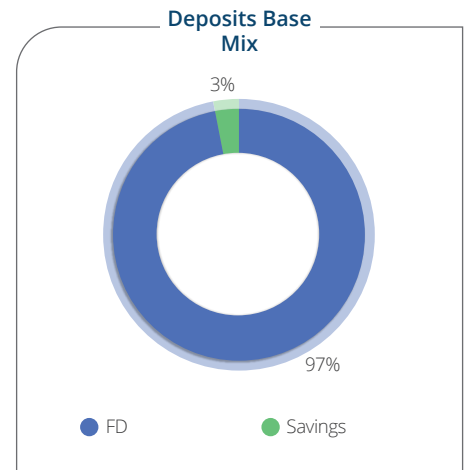
- High returns on investment
- Customised solutions catering to individual customer requirements
- Wide multi-channel network for easy accessibility through digital mediums
- Exceptional service, quick response time, and ongoing assistance

### PERFORMANCE HIGHLIGHTS

DEPOSIT BASE  
**Rs. 122.80 Bn**  
 (2022/23- Rs. 114.01 Bn)

GROWTH RATIO  
**8%**  
 (2022/23- 28%)

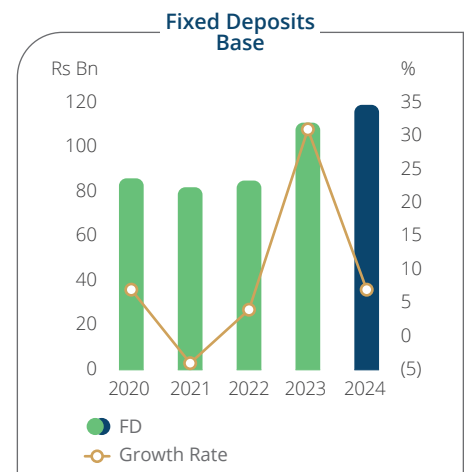
### PRODUCT PORTFOLIO



### SWOT ANALYSIS

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Expansive physical and digital presence</li> <li>• Strong reputation</li> <li>• Financial stability</li> <li>• Exceptional customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Non-availability of own ATM network</li> <li>• Underutilisation of cross-selling opportunities</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Automation and digitisation to enhance customer experience</li> <li>• Further reduction in cost of funds through savings mobilisation</li> </ul>	<ul style="list-style-type: none"> <li>• Macroeconomic vulnerabilities</li> <li>• Intense competition</li> <li>• Ad-hoc monetary policy changes</li> <li>• Influence from informal market establishments</li> </ul>

### FIXED DEPOSITS



**Operating Context and Strategy**

The deposit base recorded healthy growth during FY 2023/24 irrespective of the decline in interest rates. Moreover, the implementation of a new tax policy by the government deterred customers from mobilising deposits by turning to alternative investments. This trend posed challenges in maintaining our deposit portfolio during FY 2023/24. Despite these challenges, our focus was on maintaining and growing our deposit base.

Anticipating a decline in interest rates, we exercised caution in accepting high-cost, long-term deposits, enabling a swifter downward re-pricing of the fixed deposit base as rates decreased starting in April 2023. The ad hoc policy changes posed challenges in retaining and maintaining the flow of deposits. To overcome these challenges, we customised our approach to address specific requirements, ensuring the stability of our deposit base while reducing interest costs. During periods of interest rate hikes, we introduced new deposit products to attract customers. Additionally, we concentrated on short-term deposit options, adjusting rates accordingly to align with customer preferences. Our efforts yielded positive results, recording an 81% renewal ratio. Moreover, in the declining interest rate trend during the year, we repriced our deposit base quickly responding to the market rate movements.

We conducted seasonal campaigns leveraging our branch network to mobilise deposits.

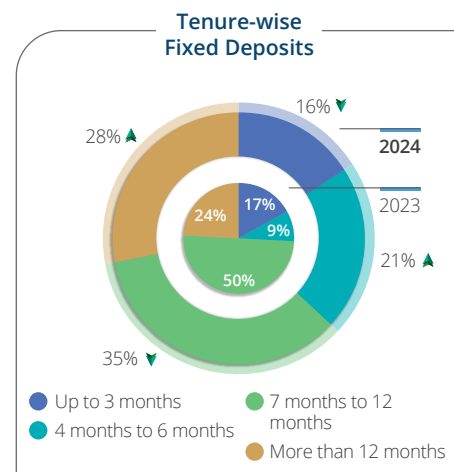
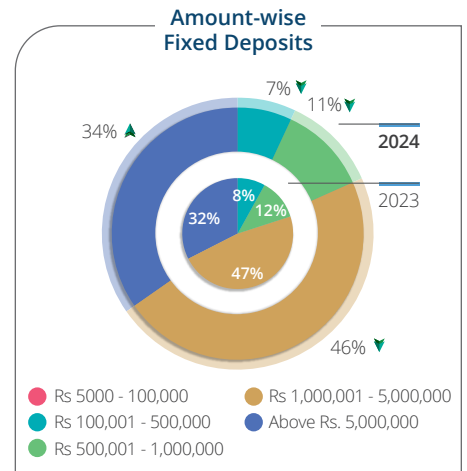
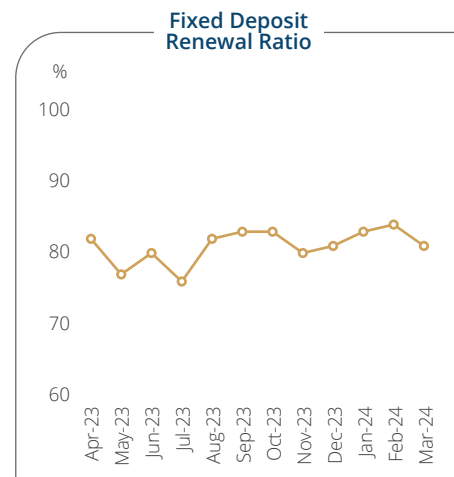
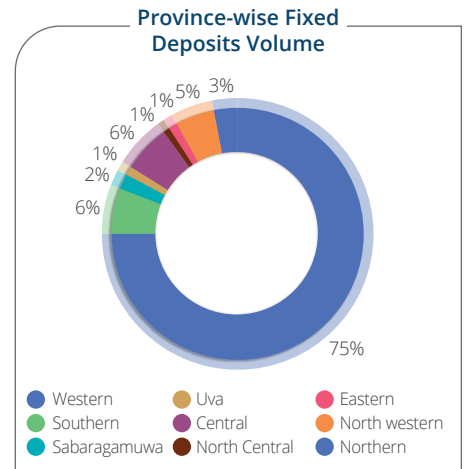
Along with the increased trend in digital intervention to the business processes, we strategically promoted our CIM app as a convenient and accessible digital solution for deposit mobilisation. This approach leverages technology to grow our deposit base, aligning with customer preferences for a seamless and efficient financial experience.

In response to the challenge of staff turnover, we promoted our CIM app to encourage deposit mobilisation, leveraging its accessibility and

convenience to grow our deposit base. By embracing digital solutions, we foster sustainable business practices that streamline processes and enhance customer engagement.

**Performance**

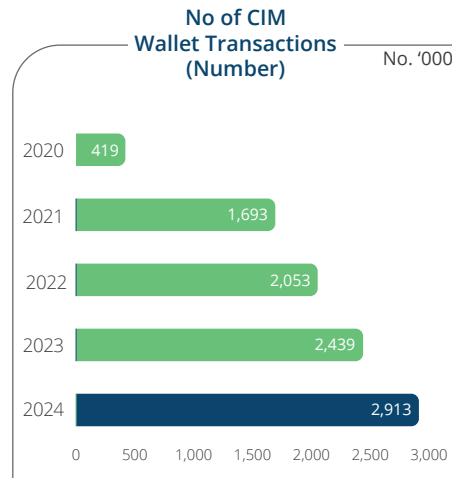
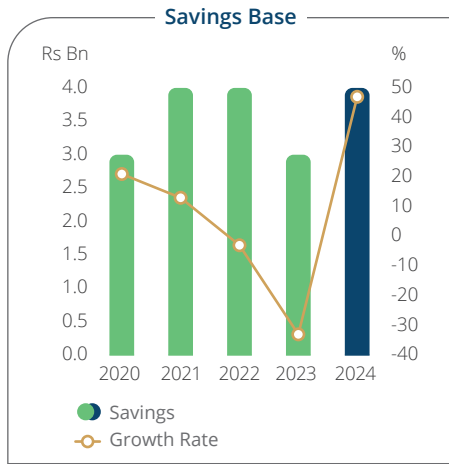
The Fixed Deposit (FD) base expanded by 7%, while including savings, the growth reached 8%. The Fixed Deposit renewal ratio was maintained above 75%, which is a testament to the Company's ability to retain its existing customers and sustain their trust and satisfaction over the years. In terms of tenure, 72% of our deposits were within the 1 month to 1-year range, while 28% extended over 1 year to 5 years.



## BUSINESS REVIEW

### DEPOSITS

#### SAVINGS



#### Customer loyalty services for our depositors

We are in the process of digitising our manual deposit process to streamline operations and offer enhanced customer convenience. Through our CIM app, we seamlessly onboard customers, providing access to a comprehensive suite of financial services. Customers are enabled to apply and obtain a loan in just 10 minutes. This not only addresses their immediate financial requirements efficiently but also nurtures customer loyalty through the delivery of fast and convenient solutions.

We have also maintained customer loyalty through several key strategies:

- Building strong rapport with customers through our branch network nurturing strong customer relationships that foster trust and loyalty
- Focusing on customer acquisition, in addition to retaining existing customers to ensure sustainable growth
- Encouraging repeat business by tracking our depositors and encouraging them to return for more transactions

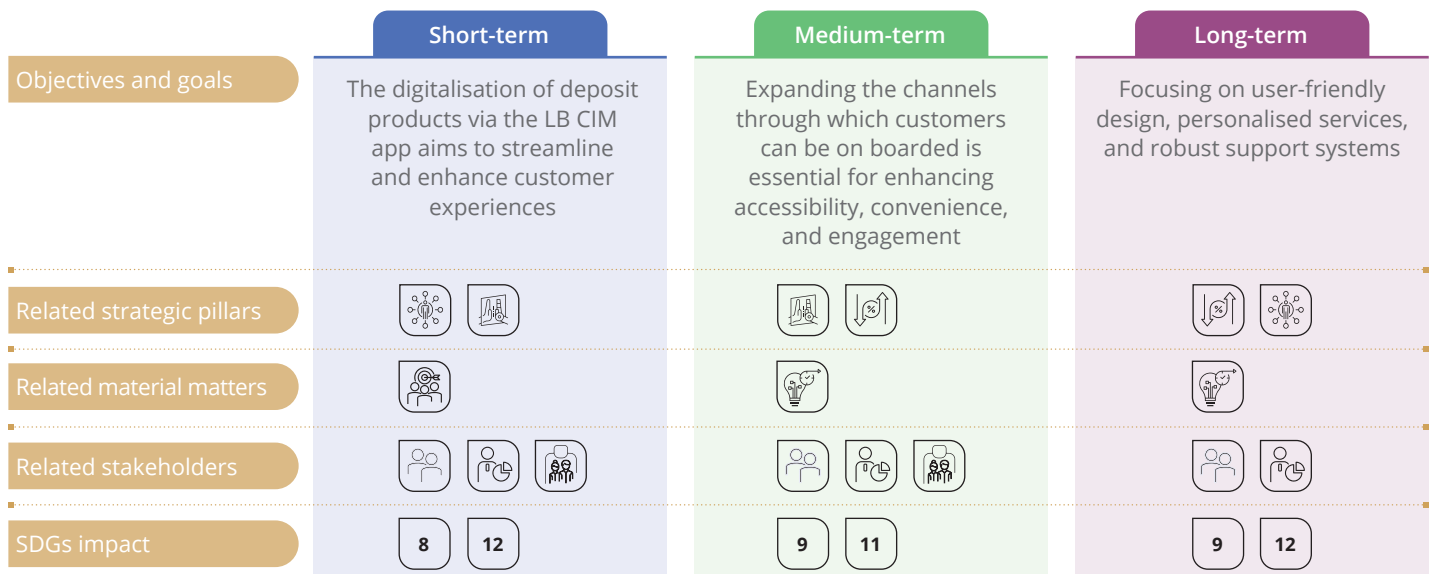
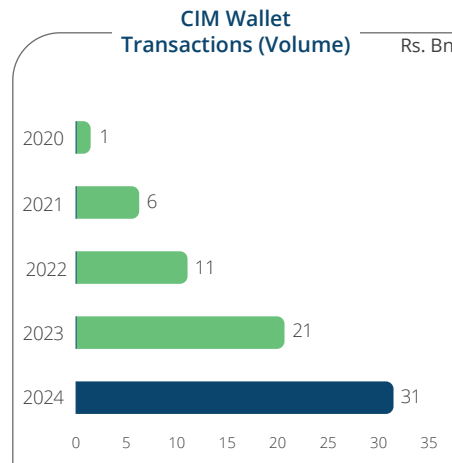
#### Operating Context and Strategy

Furthermore, by leveraging our LB CIM wallet, we onboarded new customers and promoted digital accounts, enhancing accessibility and convenience for our savers. Moreover, promotions were conducted within our branch network, providing attractive incentives to save and invest.

#### Performance

We shifted our focus during FY 2023/24 to increase our savings portfolio. As a result, we achieved a remarkable savings portfolio growth of 47% YoY, amounting to Rs. 3.7 Bn.

The number of CIM wallet transactions grew by 19% while over 50,000 new customers were onboarded.





**LOANS AND RECEIVABLES**



**STRATEGY**

Our financing strategy, aligned with our Company's goals, aims to make LBF the top lending solutions provider in Sri Lanka. We focus on enhancing our lending portfolio for individuals and businesses through activities such as leasing, vehicle loans, mortgage loans, gold loans, and other credit options to achieve our long-term, medium-term, and short-term objectives.

**CORE COMPETENCIES**

- Diverse product suite catering to all customer segments
- Customised solutions catering to individual customer
- Wide and multi-channel network for easy accessibility
- Exceptional service and quick response time

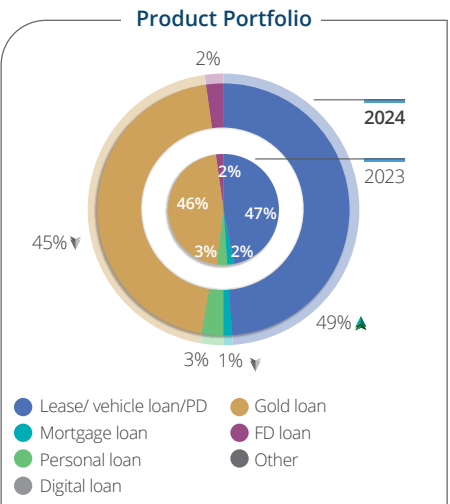
**PERFORMANCE HIGHLIGHTS**

LEASE, VEHICLE LOANS AND POWER DRAFT PORTFOLIO GROWTH **14%** (2022/23 - 11%)

LOANS AND RECEIVABLES PORTFOLIO **Rs. 161 Bn** (2022/23 - Rs. 145 Bn)

GOLD LOAN PORTFOLIO GROWTH **10%** (2022/23 - 46%)

LENDING CUSTOMER BASE **400,000+**



**PRODUCT PORTFOLIO**



**LEASE/ VEHICLE LOANS AND POWER DRAFT**

**Operating Context and Strategy**

The operating context in the financial year 2023/24 improved compared to the previous year, marked by a continued decline in interest rates and improved business sentiments. This shift benefited the auto loans business, making it more attractive, resulting in increased volumes and improved contribution to the Company's bottom line.

During the FY, we remained committed to expanding our lending activities and supporting our customers' financial needs. Our focus was on expanding our existing portfolio with improved service and customer-centric initiatives. Notably, after a pause of three years, we resumed lending to the tourism sector, placing a greater emphasis on this industry.

**SWOT ANALYSIS**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Expansive physical and digital presence</li> <li>• Diverse product portfolio</li> <li>• Prompt customer service</li> <li>• Competent team</li> </ul>	<ul style="list-style-type: none"> <li>• Staff turnover due to the macro-economic conditions of the country</li> <li>• Limited regional presence (Myanmar)</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Automation and digitisation to enhance customer experience</li> <li>• Green lending</li> </ul>	<ul style="list-style-type: none"> <li>• Macroeconomic vulnerabilities</li> <li>• Adverse fiscal policies</li> <li>• High bargaining power of the customer</li> </ul>



## BUSINESS REVIEW

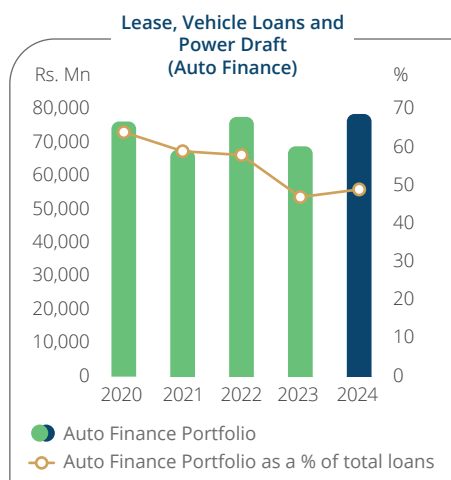
### LOANS AND RECEIVABLES

Our credit marketing team reduced by 30% during the FY, reflecting the broader industry challenges stemming from the country's situation. Therefore, emphasis was placed on recruitment and training, resulting in the successful restoration of our team. The LB Pinnacle Club was launched to recognise top performers. Moreover, we successfully retained our top performers by close communication, incentivising top performers, and fostering a culture of excellence.

In terms of marketing and promotions, we sustained our annual promotions ensuring consistency in our marketing efforts. We invested in branding initiatives to resonate with the improving business sentiment, aligning our brand with the positive economic outlook.

#### Performance

The Auto Loans business delivered a commendable performance for FY 2023/24, in tandem with the improved lending sentiments. Auto finance portfolio increased by 14% YoY to Rs. 78.6 Bn. from Rs. 68.9 Bn. the previous year. Auto finance portfolio as a % of total loans too increased from 47% to 49% in 2023/24.



#### NPL Management

The recovery team demonstrated exceptional performance, maintaining diligent follow-up with customers ensuring their needs were addressed promptly. Moreover, we took proactive measures to comply with the CBSL regulations effective from April 2023. Therefore, the impact on Non-Performing Loans (NPLs) was minimal. Although there was a slight increase in the NPL initially, it was reduced to 3.54% by the end of the fiscal year. We remained committed to expanding our lending activities and supporting our customers' financial needs.

Furthermore, our call centre played a crucial role in facilitating close coordination with various operational departments, ensuring smooth communication with customers and efficient resolution of issues.

#### Extending Support to Our Customers

We maintained close engagement with our customers, seeking solutions to mitigate their losses and manage risks. Many customers independently found solutions to their challenges and successfully navigated through their difficulties. We provided the following concessions during the year.

- Offered interest waivers and reduced rates on flexible facilities in line with the declining interest rates
- Rebated the accumulated overdue interests
- Provided concessions to genuine customers for settlement of facilities
- Rescheduled facilities accommodating the financial challenges of customers

#### Outlook

We will commence the ensuing FY on a solid footing with our well-trained staff. To streamline loan disbursement, we will integrate the CIM app for smoother processing. We will engage in enhancing our brand and overall business visibility and actively promote pension loans and mortgage financing. Despite our current market share standing at 12%, our goal is to increase it by offering the most competitive rates. We aim to maintain our position as the market leader in terms of value propositions and attractiveness to customers.

**GOLD LOANS**

**Operating Context and Strategy**

The gold prices in Sri Lanka dropped in Q1 of FY2024 driven by a decline in global gold prices and the appreciation of the Sri Lankan rupee. This trend coincided with a negative growth in the Gold Loan portfolio of LFCs during the year. Accordingly, the Gold Loan portfolio of LFCs decreased notably from Rs. 229,800 Mn in FY 2022 to Rs. 218,923 Mn in FY 2023. This was mainly due to the majority of customers moving to banks from finance companies to take advantage of the reduced interest rates during the FY under review.

In this context, we focused on regaining our market share by maintaining a close relationship with our customers, adjusting their payment patterns and encouraging them to maintain interest payments to sustain their gold loan facilities. Moreover, to capture the business community, we strategically lowered our rates to be more competitive and conducted quarterly promotional campaigns tailored to their specific needs. A new product was launched targeting large ticket businesses. Furthermore, every quarter, we conducted a series of promotional campaigns targeting specific customer segments.

It is noteworthy to mention that we are the first finance company in Sri Lanka to launch a Gold Loan product catered for women. With 52% of our customer base comprising women entrepreneurs, engaged in home industries, the “Vanitha Ran saviya” was launched to empower women during the year.

Our customer experience was enhanced by conducting a raffle draw, giving away 50 gold chains and bracelets to the winners, delivered to their homes. This is our second year of rewarding our customers, having gifted gold coins in the previous year.

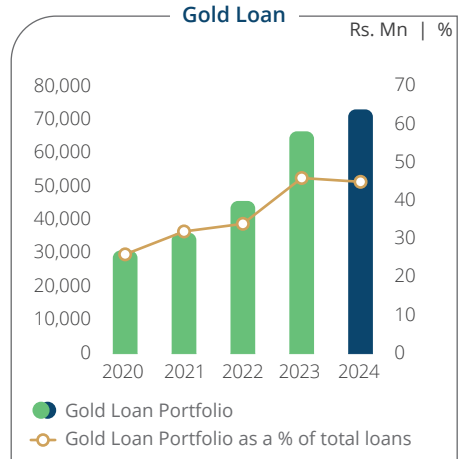


**Performance**

Through our CIM platform, we offer unparalleled convenience to our customers by enabling all transactions to be conducted from the comfort of their homes, eliminating the need to visit a branch. Once the facility is granted, customers need to visit the branch when redeeming the article only. With an average of Rs. 2 Bn. top-ups processed through the CIM app, we have minimised paperwork and manual work while providing exceptional convenience. Consequently, top-up facilities have significantly increased YoY, reflecting the efficiency and popularity of our streamlined processes.

The Gold Loan portfolio increased by 10% YoY from Rs. 67 Bn. as of 31 March 2023 to Rs. 73 Bn. as of 31 March 2024. The proportion of Gold Loans in the total portfolio declined marginally from 46% to 45% in 2023/24.

The only Financial Institution in Sri Lanka to launch a Gold Loan product to empower women



The only Financial Institution to facilitate Gold Loan top-ups and renewals through the digital app

**NPL Management**

We successfully maintained our NPL ratio below the industry average, recording a value of 0.17% for the FY 2023/24 compared to 0.35% in the FY 2022/23.

Several proactive measures were implemented including stringent post-disbursement follow-up by the call centre and recovery action by branch teams to ensure effective management of portfolio quality throughout the current year.

**Extending Support to Our Customers**

With a dedicated workforce of 1200 employees and a well-organised business structure, we prioritise meticulous supervision and monitoring of our facilities. In addition, we have taken steps to educate our customers on using the LB CIM app, thereby enhancing their digital literacy and providing convenient financial solutions. Setting ourselves apart from other players in the LFC

## BUSINESS REVIEW

### LOANS AND RECEIVABLES

sector, we provide exclusive customer services such as fund top-ups and gold loan facility renewals through the CIM app, eliminating the need for branch visits. The camaraderie, collaboration, competence, and commitment of our staff enable us to consistently deliver exceptional customer service year-round. We offer more than just financial facilities to our loyal customers including caring and loyal service, and fostering enduring relationships.

#### Outlook

Leveraging our island-wide network, we will continue to serve customers across Sri Lanka. Even as gold holds significance at every milestone in life, we will support and serve our customers through each of these moments. We have fostered enduring relationships over the years through personalised service and support. We will continue to grow our business and enrich the experiences of our customers.

### MORTGAGE LOANS

#### Operating Context and Strategy

The operating context was marked by several challenges, including high-interest rates and inflation, soaring condominium prices, and rising building material costs. Government regulations, particularly income taxes, also had a significant impact on the disposable income of families, reducing their repayment capacity. Consequently, the demand for mortgage loans declined during the FY 2023/24.

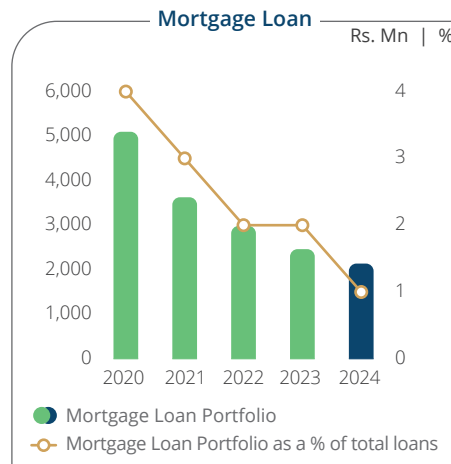
However, recognising an opportunity among expatriates and Sri Lankans migrating for white-collar jobs, we strategically directed our efforts towards this segment, as they typically had higher rental payment capacity compared to average earners. Moreover, we observed a surge in demand for mortgage loans, particularly for financing children's education abroad. To effectively reach these target segments, we conducted targeted Facebook campaigns tailored to foreign expatriates, resulting in a significant influx of prospective inquiries.

Our credit appraisal system implemented a few years ago, provided invaluable support in assessing and managing these new demands. Additionally, to streamline processes and enhance convenience, all

payments are now channelled through the LB CIM app. We encourage our customers to use the app for all transactions, ensuring efficiency and security in their financial interactions with us.

#### Performance

Mortgage loans recorded a decrease of 13% YoY to Rs. 2.14 Bn. as of 31 March 2024 from Rs. 2.46 Bn. as of 31 March 2023. The composition of mortgage loans decreased to 1% of the total loan portfolio in 2023/24.



#### NPL Management

We have refined our approach to effectively manage our NPLs. Our primary focus now lies on small ticket mortgages, specifically those under Rs. 10 million. Leveraging the synergy between our recovery team and the marketing department, we have adopted a collaborative strategy to expedite the loan recovery processes. This entails close monitoring of accounts, proactive engagement with customers to offer advice, and tailoring solutions to individual requirements.

#### Extending Support to Our Customers

The following initiatives were implemented to support our customers:

- Rescheduled facilities on a case-by-case basis
- Offered sub-loans to tide over temporary cash flow issues
- Provided rebates when settling loans to those who had financial difficulties

#### Outlook

As the economic landscape shows signs of improvement, we anticipate the economy to return to pre-2019 levels. The growing number of foreign income earners is expected to contribute positively to this trajectory. To capitalise on this trend, we are placing greater emphasis on serving foreign income earners and offering tailored solutions, particularly for small-ticket facilities. By aligning our focus with evolving market dynamics, we aim to optimise growth opportunities and enhance our overall performance.

### CIM DIGITAL LOANS

#### Operating Context and Strategy

We introduced the CIM Business Loan to address the needs of customers who have been overlooked or underserved by traditional lenders. Other service providers often engage in selective lending practices, coupled with cumbersome paperwork requirements. On the other hand, while money lenders may offer fast service, the reliability of loan repayment can be uncertain. In response to these gaps in the market, we designed the CIM Business Loan to provide accessible, transparent, and reliable financing solutions to a broader spectrum of customers.

Amid the challenging business landscape where SMEs are particularly vulnerable and at risk of closure, we recognised the importance of supporting them with a cautious yet proactive approach. For our existing customers, we conducted thorough evaluations of their cash flows and CRIB reports, providing tailored advice and support throughout. Our commitment to never letting down any of our customers remains unwavering, as we strive to be a reliable partner.

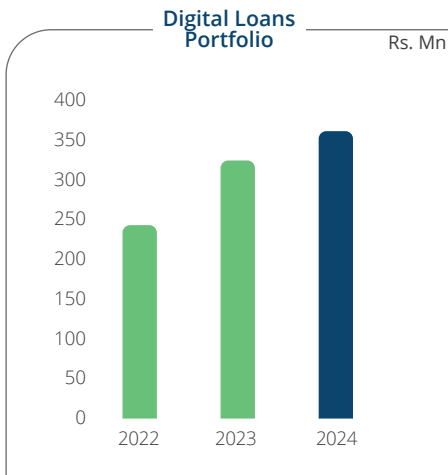


We continued to lend to Pharmaceutical, groceries, hardware businesses and seasonal businesses.

Our marketing campaigns were conducted by a team of 60 marketing officers. We engaged in leaflet distributions, targeted Facebook advertisements, mega campaigns in key towns and assigned seven new customer interactions per marketing officer per day, to expand our customer base.

**Performance**

Digital loan portfolio recorded a 11% growth in 2023/24 from Rs. 324 Mn. as of 31 March 2023 to Rs. 361 Mn. as of 31 March 2024.



**NPL Management**

To effectively manage the NPLs, we focused on conducting thorough investigations into NPL cases and improved follow-up procedures involving multiple team members including marketing officers, team leaders, and recovery heads.

**Extending Support to Our Customers**

We offered guidance to empower customers to make sound financial decisions as follows:

- Extended personalised advice on maximum loan amounts that match their repayment capacity
- Discouraged over borrowing to avoid financial strain
- Helped them to identify optimal timing to obtain a loan based on their business seasons

**Outlook**

Moving forward, we will focus on expanding our business to individuals seeking loans over Rs. 500,000 with a need for swift processing, particularly those experiencing daily cash flow challenges.

**PENSION LOANS**

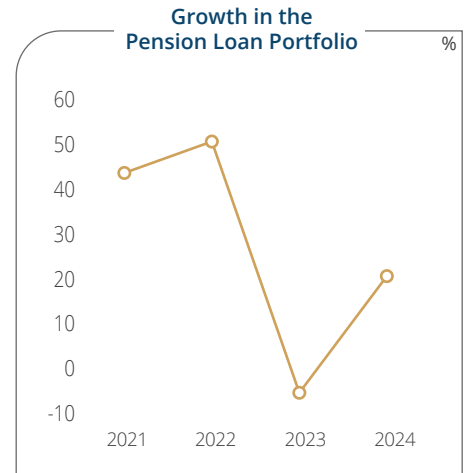
**Operating Context and Strategy**

The operating context for pension loans was challenging in the first 6 months of the FY 2023/24, marked by increased interest rates and limitations by the Pensions Department on loan amounts to 60% of the pension. This led to a drastic drop in loan volumes. The high inflation and income losses among pensioners also contributed to this decline. However, in recent months, there has been a reversal in this trend, with loan demand increasing, reflecting improving economic conditions and decreasing interest rates.

During the year, we strategically targeted acquiring new customers who had taken loans from other banks and successfully acquired those loans. We conducted an SMS campaign targeting pensioners and also sent out letters via postal mail.

**Performance**

Pension loans grew by 21% YoY to Rs. 3.9 Bn. as of 31 March 2024 compared to Rs. 3.2 Bn. as of 31 March 2023.



**NPL Management**

We maintain a low NPL ratio of 0.56%, largely attributed to our practice of using a guarantor, often the spouse, to facilitate better communication.

**Extending Support to Our Customers**

To support the customers, we couldn't adjust the instalments directly as they are linked to insurance coverage. However, we implemented rate changes based on individual customer circumstances to reduce their overall financial burden.

**Outlook**

Moving forward, we aim to double our loan volume delivering a fast and seamless service that meets the needs and expectations of our customers and also driving volumes by targeting customers who prefer using digital platforms.



## BUSINESS REVIEW

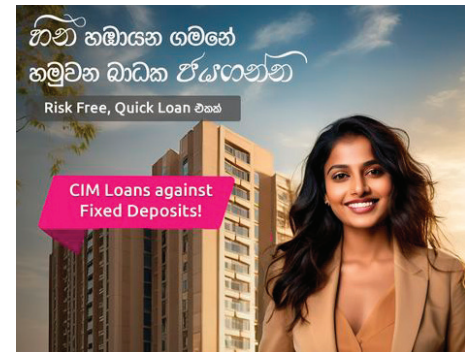
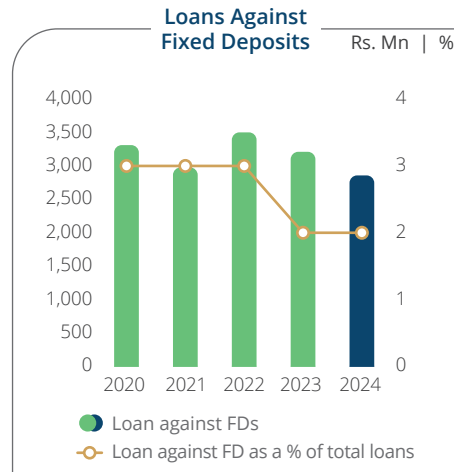
### LOANS AND RECEIVABLES

#### LOANS AGAINST FIXED DEPOSITS

Loans against fixed deposits offer a convenient and hassle-free way to access funds through the CIM app. This option provides a quick and easy loan facility with minimal lead time, making it a sustainable solution. Customers can avoid the inconvenience and cost of travel, as well as the hassle of paperwork, enabling a seamless borrowing experience.

#### Performance

On average, our loan volume ranges from 500 to 600 million per month. As of 31 March 2024, our loan portfolio stood at Rs. 2.9 Bn. reflecting our commitment to providing low-risk financing solutions.



	Short-term	Medium-term	Long-term
Objectives and goals	Tailor lending products to meet the specific needs of different customer segments through data analytics and AI.	Explore opportunities in emerging markets to expand the customer base.	Continuously monitor and comply with regulatory changes to avoid legal issues and build trust with customers
Related strategic pillars			
Related material matters			
Related stakeholders			
SDGs impact	8, 9, 12	8, 11	8, 9, 12, 17

**VALUE ADDED SERVICES**



**STRATEGY**

We offer customers streamlined payment systems and a range of Value Added Services (VAS) through interconnected channels, aiming to give them full control over their finances. With an extensive branch network, we efficiently process utility payments, foreign currency exchange, and money remittance (Western Union) to meet our clients' needs comprehensively.

**CORE COMPETENCIES**

- Versatile customer-focused solutions
- Consistent and uninterrupted service delivery
- Wide multi-channel network for easy accessibility
- Exceptional service, quick response time, and ongoing assistance

**PERFORMANCE HIGHLIGHTS**

**VAS VOLUME**  
**Rs. 5,724 Mn**  
 (2022/23- Rs. 5,513 Mn)

**BILL PAYMENT TRANSACTIONS VOLUME GROWTH**  
**57%**  
 (2022/23- 4%)

**WESTERN UNION TRANSACTION VOLUME**  
**Rs. 4,594 Mn**  
 (2022/23- Rs. 4,742 Mn)

**FOREIGN CURRENCY OPERATIONS (FC)**

**Operating Context and Strategy**

The volatile exchange rate adversely impacted the FC operations during the year whilst the increase in tourist arrivals and Sri Lankans going overseas for employment positively impacted FC operations in FY 2023/24.

To mitigate the impact of volatile exchange rates, we refrained from stockpiling currencies and increased the gap of buying and selling rates to minimise potential losses. Instead, we opted for immediate currency trading to adapt swiftly to market fluctuations.

The 106% YoY surge in tourist arrivals led to a 19.35% increase in foreign currency exchange transactions. While foreign currency operations were initially limited to 63 branches, we are currently in the process of expanding this service to all branches to increase our transaction volumes.

Additionally, we have initiated discussions with the Central Bank of Sri Lanka (CBSL) to exchange Indian Rupees following the permission granted by the CBSL to trade in these currencies. This development opens new avenues for us to diversify our money exchange portfolio and better serve our customers' needs.

**PRODUCT PORTFOLIO**



**SWOT ANALYSIS**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Strong reputation</li> <li>• Exceptional customer service</li> <li>• Long operating hours</li> <li>• Loyal customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Unexpected network and technical issues.</li> </ul>
<b>S</b>	<b>W</b>
<b>O</b>	<b>T</b>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Automation and digitisation to enhance customer experience</li> <li>• Resurgence of tourism</li> <li>• Increased number of expatriates</li> <li>• Rise in migration</li> <li>• Ability to cross sell other products.</li> </ul>	<ul style="list-style-type: none"> <li>• Volatility in exchange rate</li> <li>• Intense competition</li> <li>• Competitive mobile apps</li> <li>• Competitors' customer loyalty programmes</li> </ul>



## BUSINESS REVIEW

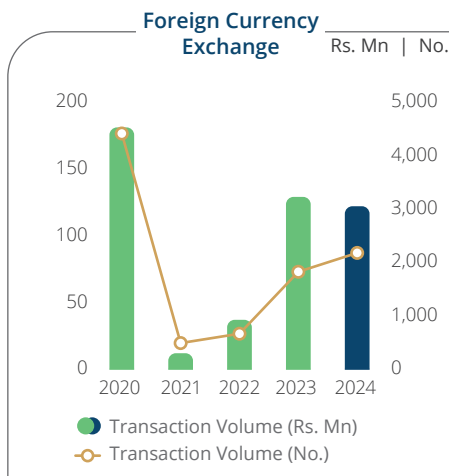
### VALUE ADDED SERVICES

Marketing campaigns were carried out to enhance our visibility, create customer awareness and improve the accessibility of our services. Visibility was improved both internally and externally through mediums such as A-boards, door stickers, advertising on Monopoles, sideboards, and LED panels. Internally, we used backdrops and tabletops to maintain consistent visibility.

To foster awareness, we used SMS, leaflets, and social media platforms. Moreover, through strategic cross-selling and increasing customer awareness, we strive to continually enhance our brand recognition and service accessibility.

#### Performance

The transaction volumes increased by 19.35% YoY, but the value of transactions recorded a slight decline of 4.92% YoY, primarily due to the decrease in the exchange rate throughout the FY. The exchange rate dropped from Rs. 330 to Rs. 300 by the end of the fiscal year, impacting transaction values accordingly.



#### Outlook

Looking ahead, we aim to further expand our transaction volumes by leveraging the resurgence in the market. We plan to collaborate with travel agents and hotels to offer currency transactions at special rates, thereby capturing a larger market share. Moreover, maintaining our competitive exchange rates remains a priority going forward.

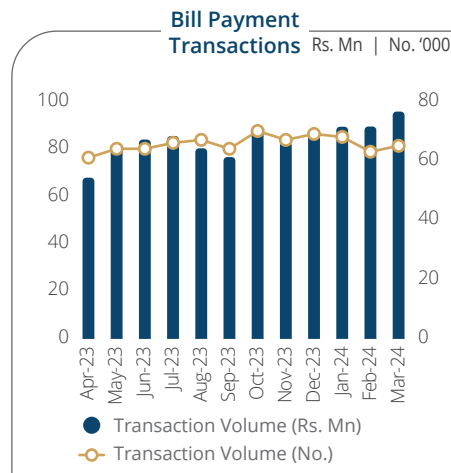
### BILL PAYMENTS

#### Operating Context and Strategy

During the year, we partnered with mCash to streamline bill payments through our platform to Western Union sub-agents affiliated with LBF. Our objective is to expand and enhance this initiative in the coming years to tap into a broader market segment. Additionally, we plan to leverage the mCash app to facilitate insurance payments for leasing facilities. Moreover, customers are enabled to make bill payments through the CIM app.

#### Performance

The transaction volumes increased by 57% YoY, mainly driven by the increase in bill values. However, the value of transactions recorded a slight decline of 4.29% YoY, primarily due to the decrease in reload transactions.



#### Outlook

We aim to expand our reach through collaborative promotions with more communication service providers to elevate awareness of the CIM App. Additionally, aim to grow our volumes by implementing branch targets, with recognition and rewards given to high achievers. Our aim is to achieve a significant increase of 10,000 transactions to reach a total of 75,000 in the ensuing FY.

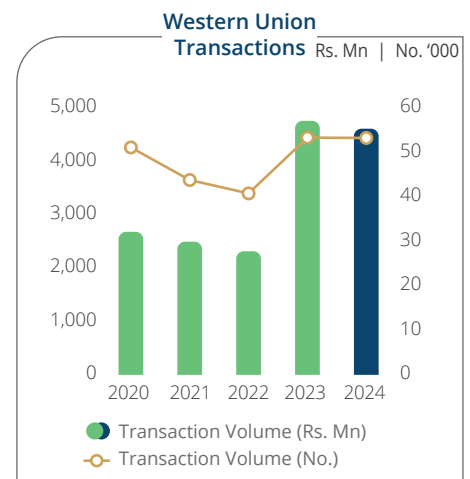
### WESTERN UNION

#### Operating Context and Strategy

We continued to capitalise on our status as a principal agent of the Western Union money transfer network, strengthened by the appointment of sub-agents. The LB CIM Business Loan team also engaged in cross-selling and raising awareness of the LBF's money transfer facility. Through our remittance service, we primarily facilitate cash transactions, enabling recipients to collect their funds in person. However, a decreasing trend was observed in cash transactions. To address this trend, we are exploring the feasibility of integrating cash transactions into the CIM App, aligning with evolving customer preferences and enhancing convenience for our use. To achieve volumes, we have assigned staff targets with rewards. Additionally, a customer loyalty programme was implemented, rewarding customers based on the value of their transactions. We have remained committed to facilitating cash transactions, ensuring convenience and reliability for our customers.

#### Performance

The total Dollar remittances processed through LBF's Western Union channel increased by an impressive 9.38% YoY. The Rupee volume decreased marginally by 3.12% whilst the number of transactions too declined by a marginal 0.14% YoY.





### Want to Level Up Your Rewards?

Settle your bills online with LB CIM Mobile app & win cash rewards every month!

- 1<sup>st</sup> Place **Rs. 5,000**
- 2<sup>nd</sup> Place **Rs. 3,000**
- 3<sup>rd</sup> Place **Rs. 2,000**



- ▶ Conduct Bill Payments through CIM App.
- ▶ Open to all CIM App users, including New Sign-ups.
- ▶ The total of the transactions amount should be more than 500/=
- ▶ In case of a tie, priority will be given to the transaction amount.
- ▶ Make a Minimum of 3 transactions per Month

### LB FINANCE ආචි භරත Western Union සමඟ ගනුදෙනු කරන ඔබට වටිනා පෑම්



- Below Rs: **150,000** Pen
- Rs:150,000 to Rs: 500,000 Cosmetic Pouch
- Above Rs: **500,000** Lunch Bag

LB FINANCE Western Union



	Short-term	Medium-term	Long-term
Objectives and goals	Enhance focused promotional efforts to ensure top-of-mind awareness among all key customer segments for foreign currency exchange	Improve the customer experience by integrating digital solutions for money transfers	Amid intense competition in the market and taking proactive measures to mitigate risks.
Related strategic pillars		 	 
Related material matters			
Related stakeholders	 	  	  
SDGs impact	 	 	   

# BUSINESS SEGMENT REVIEW – SUBSIDIARIES

## LB MICROFINANCE MYANMAR

LB Microfinance Myanmar (LBMM), a wholly owned subsidiary of LB Finance PLC, launched in 2017 with a mission to champion financial inclusion in Myanmar. By providing accessible and impactful microfinance solutions, LBMM empowers individuals and communities, paving the way for greater economic opportunity and prosperity.

## VISION

To contribute to the development of sustainable and socially significant enterprises that improve the lives of the entire nation.

## MISSION

The mission of LB Microfinance Myanmar is to bridge the gap between ambition and achievement of the low-income individuals of Myanmar by providing financial assistance to creative entrepreneurs, value-demanding consumers, and innovative business partners, through a robust microfinance model leading to the creation of businesses and markets, which mutually benefit LB Microfinance Myanmar and the poor communities of Myanmar.

## VALUES

Excellence

Transparency

Ethics

Respect

Professionalism

Quality

22%

INCREASE IN CUSTOMER BASE

54%

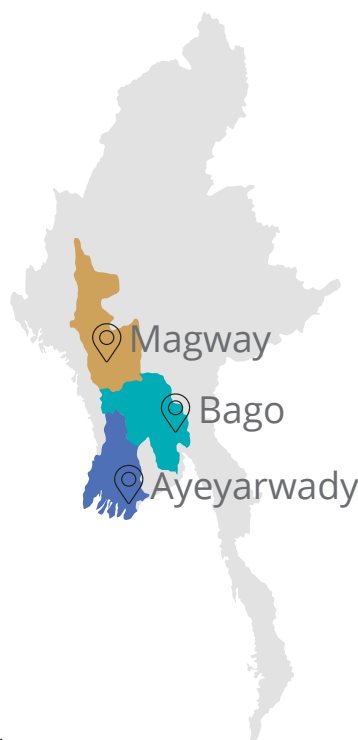
FEMALE EMPLOYEES

91%

OF THE GRANTING FOR WOMEN EMPOWERMENT

## PRODUCT PORTFOLIO

LBMM caters to a diverse clientele with a comprehensive suite of financial products tailored to their unique needs. Starting with the Microfinance Group Loan, which empowers micro-entrepreneurs through collective borrowing, LBMM has expanded its offerings to include the Group Business Loan for joint ventures, the Business Loan for registered enterprises seeking higher credit lines, and the Employee Loan designed to provide financial flexibility for salaried individuals. This commitment to innovation and customer-centricity ensures that individuals and businesses across Myanmar have access to the financial tools they need to prosper.

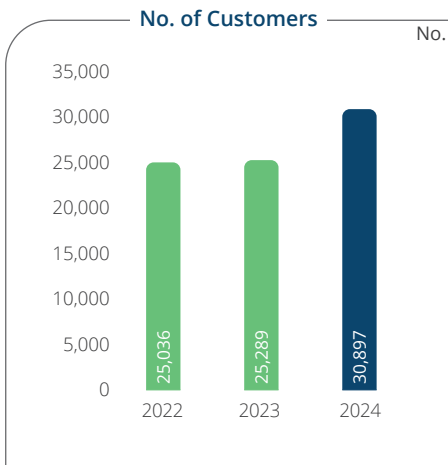


## BUSINESS FOCUS

True to its mission, LBMM's microfinance model is deeply rooted in empowering rural areas of Myanmar. By providing small-scale farmers with vital financial assistance and tailored business development guidance, LBMM empowers them to build sustainable livelihoods, enhance their living standards, and improve their overall quality of life. This commitment is backed by substantial and ongoing investments in infrastructure, technology, and human resources, enabling LBMM to strategically expand its reach and impact within this crucial market.

## REGIONAL FOOTPRINT, CUSTOMERS AND EMPLOYEES

Two new branches were opened in Magway and Ayeyarwady in 2023/24 increasing the total branches to 16. The total number of customers swelled by 22% to 30,897, whilst a majority of 54% of the employees were women.

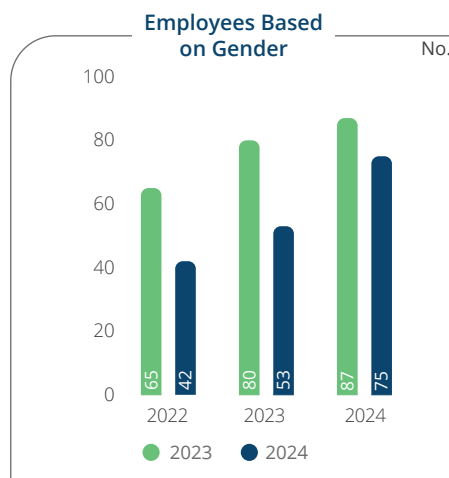
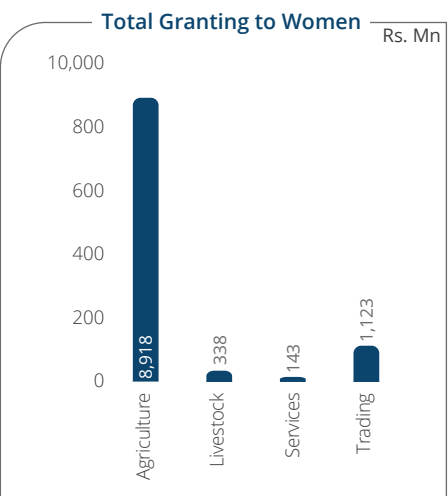
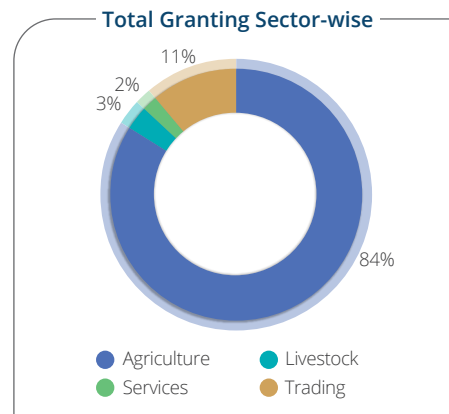
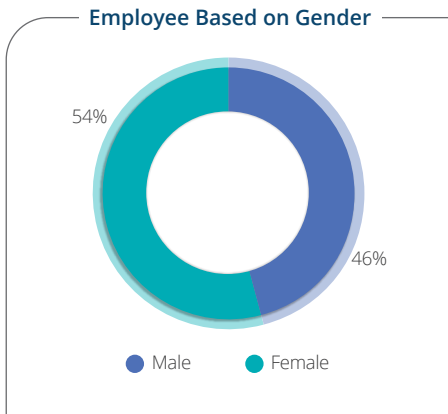


### Outlook

We are dedicated to fostering financial inclusion and economic empowerment. LBMM plays a crucial role in achieving this mission by providing essential financial services to underserved communities in Myanmar.

By aligning LBMM's growth strategies with our overarching mission and leveraging our expertise, we are confident in our ability to make a significant impact in Myanmar. LBMM will continue to empower individuals and communities, driving sustainable development and improving the quality of life for our clients.

As we move forward, we remain committed to the endeavours of LBMM, ensuring that it remains a beacon of financial inclusion and economic empowerment in Myanmar.



**MULTI FINANCE PLC**

Multi Finance PLC (MFP) is a licensed finance company regulated by the Central Bank of Sri Lanka. Initially incorporated as a Limited Liability Company in Kandy on 14 October 1974, it was re-registered under the Companies Act No.07 of 2007 on 26 February 2009. Subsequently, on 13 July 2011, the company was listed on the Colombo Stock Exchange.

**VISION**

To be the first choice for financial solutions


**MISSION**

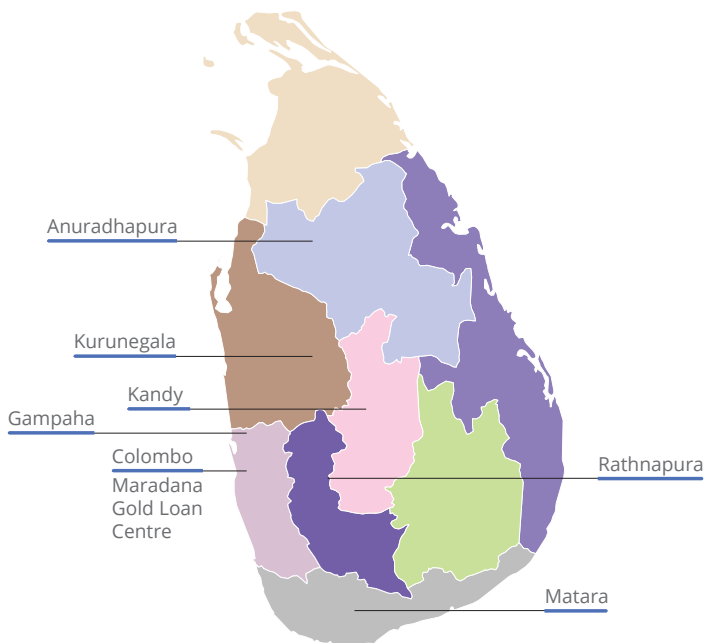
- To enhance shareholder value through financial stability and growth
- To satisfy our valued customers by providing innovative solutions to their financial needs
- To train, develop and empower employees to give their best
- To achieve the highest operational efficiency through advanced technology
- To adhere to the highest corporate ethics and social responsibilities
- To be recognised for our expertise and professionalism

**BUSINESS FOCUS**

Over the years, MFP has garnered the trust of diverse customer segments, ranging from individuals to micro entrepreneurs, SMEs to high-level corporate clients. Today, it is recognised as a dependable financial institution committed to fostering the development of people and businesses across all sectors of the Sri Lankan economy. LBF's acquisition of MFP aligns seamlessly with LBF's growth strategy, offering MFP's customer base access to LBF's wide array of investment opportunities, financing options, value-added services, and digital solutions. This integration ensures that customers benefit not only from MFP's established reliability but also from LBF's unwavering commitment to service excellence.

In March 2022, LB Finance PLC acquired a 64.63% controlling stake in Multi Finance PLC (MFP), aligning with the Central Bank's proposed consolidation strategy for the Non-Bank Financial Institutions (NBFIs) sector. Subsequently, this stake increased to 64.76% following a mandatory offer made at the beginning of 2022/23.

 Please refer to Financial Capital on page 84 for the financial performance of MFP.



**Outlook**

As prospect in the Central Bank of Sri Lanka's Master Plan for Consolidation of Non-Bank Financial Institutions, we are excited to announce the upcoming amalgamation of LBF and MFP. This strategic move aligns perfectly with LBF's growth strategy, providing MFP's customers with access to our comprehensive suite of investment, financing, and value-added services – all delivered with our unwavering commitment to service excellence.



# CAPITAL REPORTS



Financial  
Capital



Manufactured  
Capital



Human  
Capital



Intellectual  
and Digital  
Capital



Social and  
Relationship  
Capital



Natural  
Capital



# Financial Capital



## SHORT TERM

### Challenges

- Slower recovery of the economy and its activities which continuously pressure the repayment capacities of customers
- Macroeconomic conditions and volatilities in the operating environment
- Restrictive government policies including continuation of vehicle import restrictions and frequent changes in Fiscal Policy

### Managing capital

- Management efficiencies aimed to maximise returns and profits
- Budgetary controls set out to enhance operational excellence
- Cost efficient funding and prudent lending through proactive pricing strategies

### Opportunities arising from this risk

- Comprehensive planning and budgeting is done and revised continuously to make sure that the Company is properly funded throughout the year with a well balanced leverage
- Maintaining neck to neck balance between funding and investments to generate sustainable returns when market interest rates are volatile and uncertain
- Novel technologies allow artificial intelligence to perform advance analytics

**Rs. 9.56 Bn**  
Highest Profit  
After Tax

**23.40%**  
ROE

**Rs. 202 Bn**  
Total Assets

**3.54%**  
Gross NPL

**31.13%**  
Cost to  
Income Ratio





## MEDIUM TERM

### Space for development

- Growth opportunities through diversification
- Enhance the technology utilisation for business model utilisation
- Enhance the use of business intelligent platforms and artificial intelligence for credit decisions



## LONG TERM

### Future crafting

- Enhance long term value creation through capitalising overseas expansions
- Industry association engagements towards sustainable growth while generating collaborative returns to empower financial markets

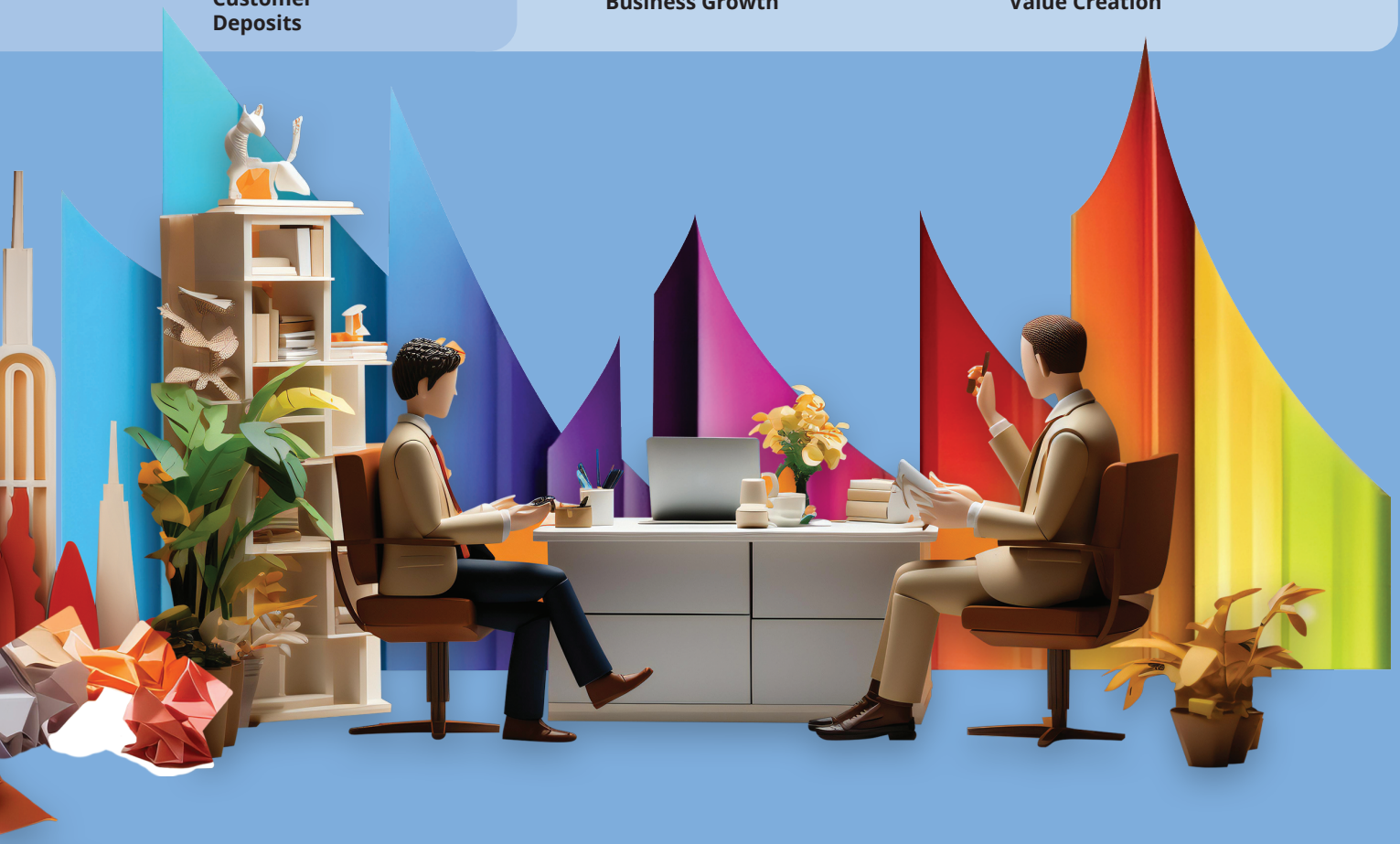
### Impact to value chain

- Generating attractive and sustainable returns
- Year-on-year perfections in all key financial indicators
- Assuring the growth of our business operations
- Enhancing other capitals

**Rs. 122.80 Bn**  
Customer  
Deposits

**Profitability and  
Business Growth**

**Long Term  
Value Creation**



1

2

3

4

5

6

7



## CAPITAL REPORTS

### FINANCIAL CAPITAL

LB Finance PLC demonstrated resilience in the face of challenging macroeconomic conditions and widespread systemic shocks within the industry. Despite these headwinds, the Company achieved a robust profit after tax of Rs. 9.56 billion, highlighting its strong financial performance and unwavering commitment to its strategic objectives.

#### MANAGEMENT APPROACH

We have implemented policies and procedures to guide our financial management, encompassing key areas such as risk management, strategic planning, budgeting, revenue management, cost control, internal controls, treasury and liquidity management and asset quality management.

#### NURTURING FINANCIAL CAPITAL

Sound Risk Management  
Proactive Pricing Strategies  
Prudent Lending  
Efficient Liquidity Management  
Management Efficiencies

#### COMPONENTS OF FINANCIAL CAPITAL



REVENUE MANAGEMENT



STRATEGIC PLANNING AND BUDGETING



COST CONTROL



ASSET QUALITY MANAGEMENT



TREASURY AND LIQUIDITY MANAGEMENT

#### CONTRIBUTING TO OUR MISSION

To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors.

To engage in prudent lending to entrepreneurs to assist them in the creation of wealth.

#### CONTRIBUTION TO OUR VALUES



Excellence



Innovation



Quality

#### STAKEHOLDERS IMPACTED



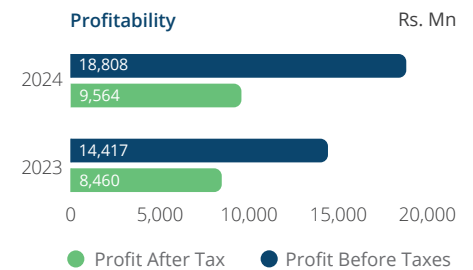
#### MATERIAL MATTERS

Sustainable Revenue Growth  
Delivering Appropriate Returns  
Business Continuity  
Risk and Capital Management

#### COMMITMENTS TO UN SDGs



STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Income Generation	Rs. 49 Bn.	Maintain at current levels	10% Growth	Increase to Rs. 100 Bn.
Profitability	Rs. 9.5 Bn.	Increase to Rs. 10 Bn.	20% Growth	Increase to Rs. 25 Bn.
Growth (Total Assets)	Rs. 202 Bn.	20% Growth	50% Growth	Increase to Rs. 500 Bn.

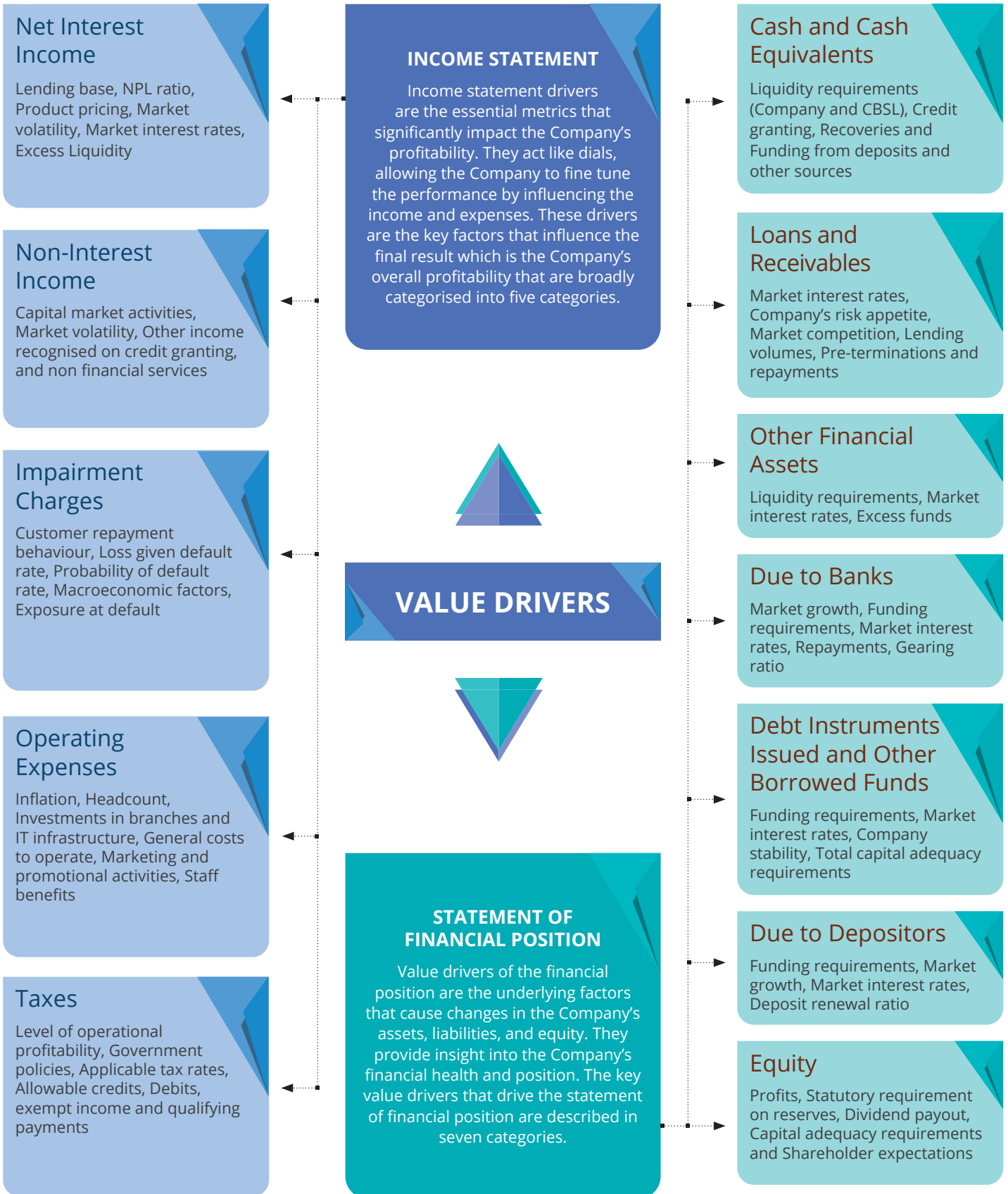


#### CAPITAL TRADE-OFFS

##### Profit Growth

NC	HC	MC	SC
Investing in energy efficient equipment and expanding green lending portfolio improves natural capital	Nurturing a motivated and skilled workforce through training and providing attractive staff benefits build human capital	Investing in the expansion of the branch network and infrastructure contributes to manufactured capital	Investing in community development and payments to suppliers supports social and relationship capital





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## CAPITAL REPORTS

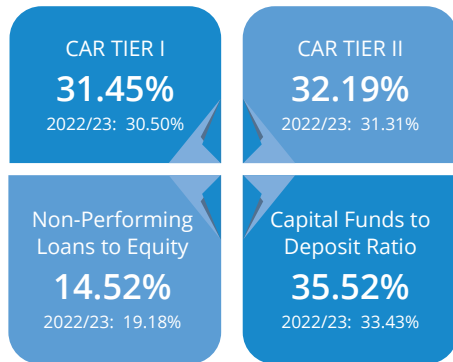
### FINANCIAL CAPITAL

#### CAMELS ANALYSIS

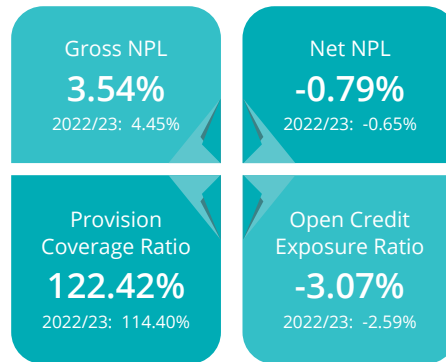
To enhance the evaluation of the Company's Key Performance Indicators (KPIs), a new dimension – Sensitivity – has been integrated into the existing CAMEL rating system. While the traditional CAMEL framework, which analyses Capital Adequacy, Asset Quality, Management Efficiency, Earnings and Liquidity provides insights into the Company's financial strength and sustainable returns, it does not fully capture the impact of market fluctuations.



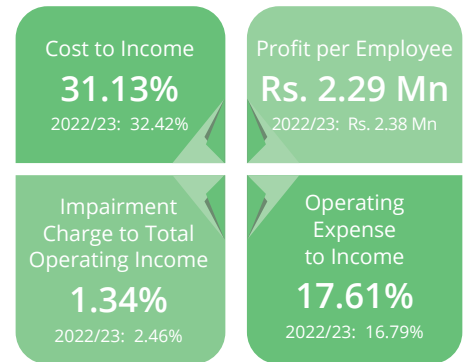
#### CAPITAL ADEQUACY



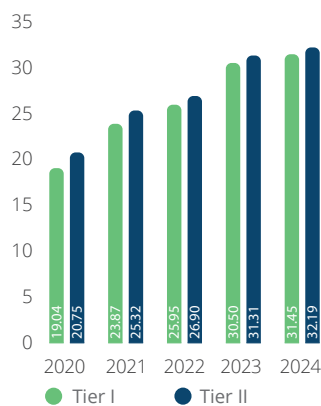
#### ASSET QUALITY



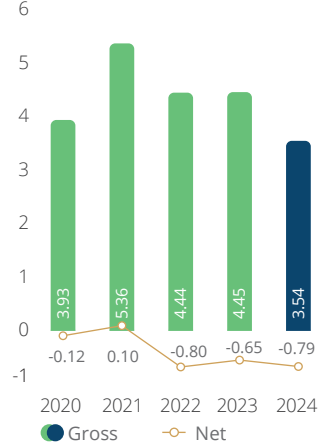
#### MANAGEMENT EFFICIENCY



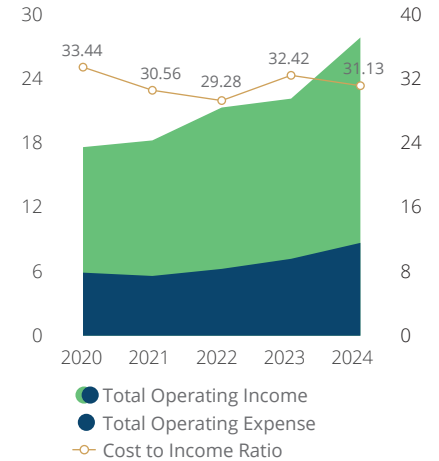
Capital Adequacy Ratio %



Gross and Net NPL Ratio %



Cost to Income Ratio Rs. Bn | %



#### Way Forward →

Strive to maintain a capital cushion of at least 2% on top of the regulatory capital ratio set by the CBSL.

#### Way Forward →

To maintain net NPL Ratio at zero level.

#### Way Forward →

Maintain a lean cost structure with expenses consuming no more than 35% of revenue.



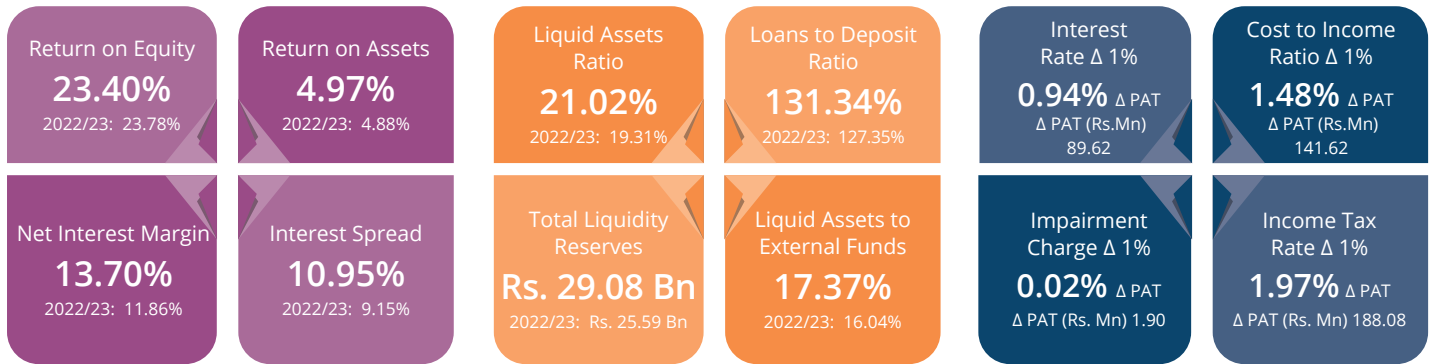
The addition of Sensitivity to the CAMEL system allows for a more comprehensive assessment of the Company's ability to navigate dynamic market conditions, thereby providing a more holistic and insightful evaluation of its overall performance.



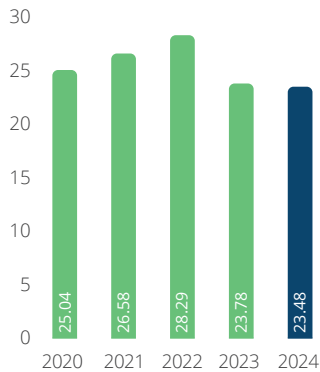
**EARNINGS**

**LIQUIDITY**

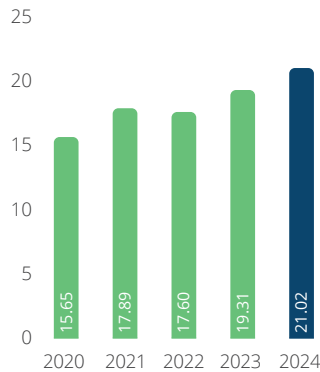
**SENSITIVITY**



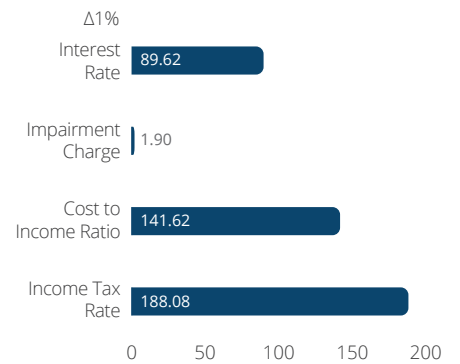
Return on Equity %



Liquid Assets Ratio %



Sensitivity of PAT Rs. Mn



**Way Forward** →

We aim to achieve a minimum ROE of 20% by optimising our operations and financial performance.

**Way Forward** →

Maintain a robust liquidity buffer of atleast 150%.

**Way Forward** →

Our objective is to employ sensitivity analysis as a tool for making strategic decisions that not only serve the best interests of stakeholders but also maximise shareholder wealth.



## CAPITAL REPORTS

### FINANCIAL CAPITAL

#### HORIZONTAL ANALYSIS OF INCOME STATEMENT

Income Statement	CAGR*	2023/24		2022/23		2021/22		2020/21		2019/20	
		%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn
Income	12	49,230	15	42,756	42	30,160	1	29,766	(5)	31,223	7
Interest Income	12	45,866	16	39,644	44	27,511	0	27,458	(6)	29,160	7
Interest Expenses	12	21,379	4	20,616	133	8,847	(23)	11,523	(15)	13,615	5
Net Interest Income	12	24,487	29	19,028	2	18,664	17	15,935	3	15,545	8
Other Operating Income	13	3,364	8	3,113	18	2,649	15	2,308	12	2,063	8
Total Operating Income	12	27,851	26	22,141	4	21,313	17	18,243	4	17,608	8
Impairment Charges	(33)	373	(32)	546	(47)	1,026	(39)	1,692	(8)	1,831	86
Total Operating Expenses	10	8,670	21	7,178	15	6,240	12	5,576	(5)	5,888	5
Tax on Financial Services	12	3,628	36	2,670	25	2,137	28	1,669	(27)	2,279	13
Profit Before Tax	19	15,180	29	11,747	(1)	11,910	28	9,306	22	7,610	(2)
Income Tax Expense	23	5,616	71	3,287	1	3,248	30	2,503	3	2,423	(10)
Profit for the Year	17	9,564	13	8,460	(2)	8,662	27	6,803	31	5,187	3

\*CAGR - Compound Annual Growth Rate

LB Finance PLC's financial performance over the past five years reflects a consistent growth trajectory, marked by a significant increase in both income and profitability. The Company's income reached a record high of Rs. 49,230 million in 2023/24, driven by a robust 12% Compound Annual Growth Rate (CAGR) over the past five years. This growth is evident across key income streams, including a 12% CAGR in net interest income, which reached Rs. 24,487 million in 2023/24, and a steady 13% CAGR in other operating income. While operating expenses have shown a slight upward trend, increasing from Rs. 5,888 million to Rs. 8,670 million over the past five years, they remain relatively stable. This controlled expense growth has contributed significantly to the impressive growth in profitability, with profit for the year reaching a historic high of Rs. 9,564 million in 2023/24, reflecting a 17% CAGR over the period. This consistent track record of growth underscores LB Finance PLC's strong financial performance and its ability to navigate market challenges effectively.

#### VERTICAL ANALYSIS OF INCOME STATEMENT

Income Statement	2023/24		2022/23		2021/22		2020/21		2019/20	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Income	49,230	100	42,756	100	30,160	100	29,766	100	31,223	100
Interest Income	45,866	93	39,644	93	27,511	91	27,458	92	29,160	93
Interest Expenses	21,379	43	20,616	48	8,847	29	11,523	39	13,615	44
Net Interest Income	24,487	50	19,028	45	18,664	62	15,935	54	15,545	50
Other Operating Income	3,364	7	3,113	7	2,649	9	2,308	8	2,063	7
Total Operating Income	27,851	57	22,141	52	21,313	71	18,243	61	17,608	56
Impairment Charges	373	1	546	1	1,026	3	1,692	6	1,831	6
Total Operating Expenses	8,670	18	7,178	17	6,240	21	5,576	19	5,888	19
Tax on Financial Services	3,628	7	2,670	6	2,137	7	1,669	6	2,279	7
Profit Before Tax	15,180	31	11,747	27	11,910	39	9,306	31	7,610	24
Income Tax Expense	5,616	11	3,287	8	3,248	11	2,503	8	2,423	8
Profit for the Year	9,564	19	8,460	20	8,662	29	6,803	23	5,187	17

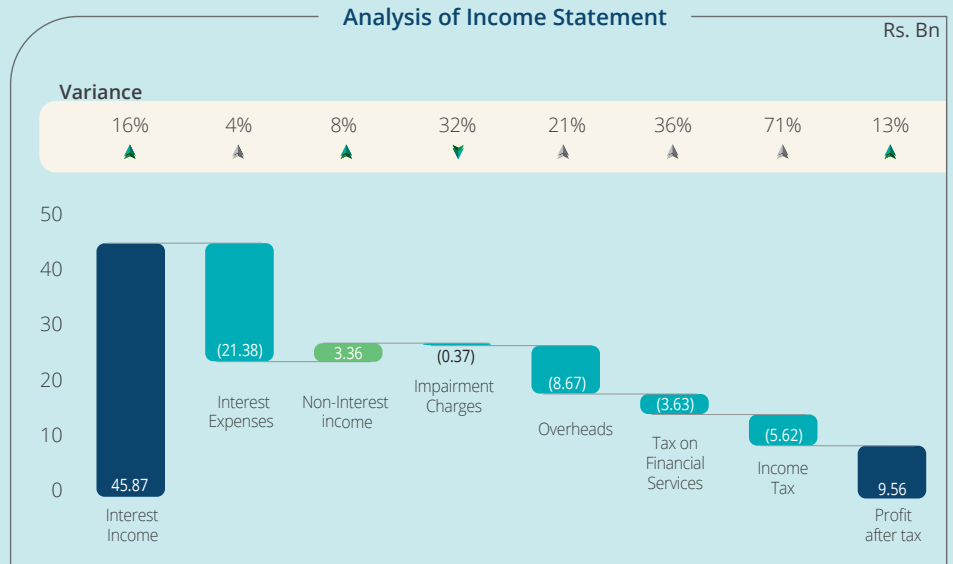
The vertical analysis of our income statement provides a clear picture of the Company's revenue and expense structure. Interest income consistently represents a substantial portion of total income, ranging from 91% to 93% over the past five years, highlighting the Company's core focus on interest-generating activities. Meanwhile, interest expenses have gradually declined, ranging from 48% to 29% over the same period, indicating effective management of borrowing costs. Tax on financial services and Income tax expenses, which constitute a significant proportion of total expenses, ranged from 14% to 18% of income, reflecting a substantial contribution to government revenue. Importantly, LB Finance PLC has consistently maintained a high level of profitability, averaging over 19% over the last five years. This strong performance demonstrates the Company's ability to effectively manage its operations, optimise shareholder returns, and contribute meaningfully to the national economy.





**INCOME STATEMENT**

In FY 2023/24, the Company profit after tax surged to Rs. 9.56 billion. This growth was fuelled by an interest income of Rs. 45.87 billion and a non-interest income of Rs. 3.36 billion. The interest expense amounted to Rs. 21.38 billion whilst impairment charges amounted to Rs. 373 million and overhead expenses totalled Rs. 8.67 billion. The Company incurred a total taxation of Rs. 9.25 billion.



**Interest Income**

**Rs. 45,866 Mn**



**Impairment Charges**

**Rs. 373 Mn**



**Taxes Paid**

**Rs. 11,411 Mn**

**NET INTEREST INCOME**

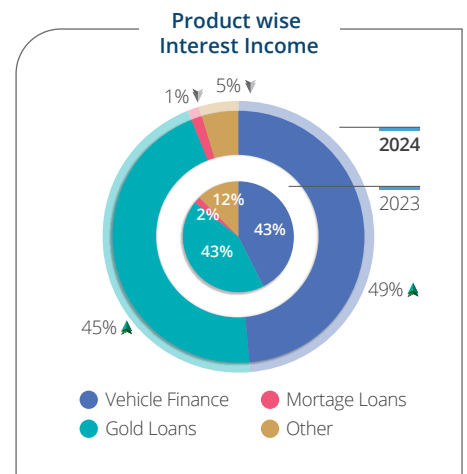
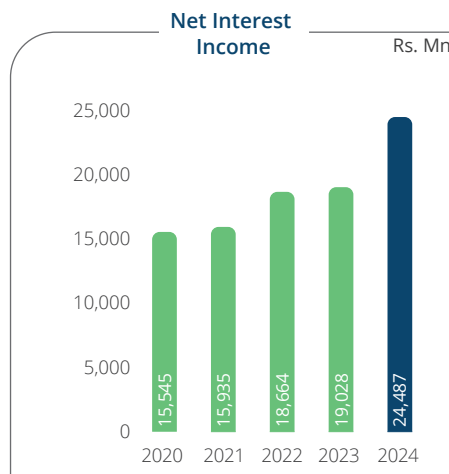
Net interest income recorded a growth of 28.69% Year on Year (YoY) to Rs. 24.49 billion in Financial Year (FY) 2023/24 due to an increase in interest income by 15.70% YoY and a slower increase in interest expense of 3.71%.

The proactive repricing of interest sensitive assets and liabilities, combined with a growing lending base led to an increase in interest income during the year. Furthermore, the high interest yields on investments secured early in the financial year led to a substantial increase in investment income compared to the previous year.

Vehicle financing spearheaded the growth of the Company's lending portfolio in FY 2023/24, supplemented by a moderate increase in gold loans.

Following a sharp rise in interest expenses last year due to a rapid increase in interest rates, we observed a stabilising trend in overall market rates during FY 2023/24. This resulted in a marginal rise in interest

expenses on our deposits and borrowings. While our deposit base expanded during the year, the impact on interest expenses was largely offset by the downward trend in interest rate repricing.

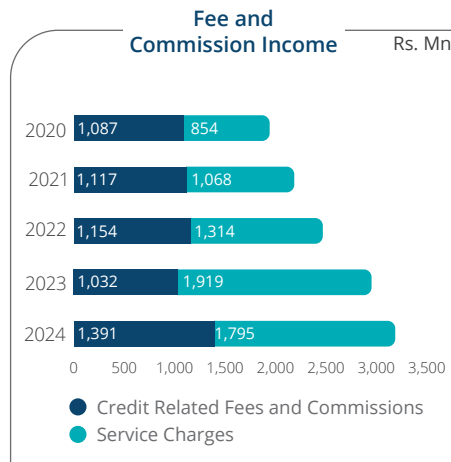


## CAPITAL REPORTS

### FINANCIAL CAPITAL

#### NON-INTEREST INCOME

Non-interest income comprising credit-related fees and commissions increased by 34.76% YoY in alignment with business volume growth, particularly during the second half of the financial year. This positive trend was driven by improving overall economic conditions. Service charges on the other hand declined by 6.44% due to a decline in gold loan lending volumes compared to the previous year.

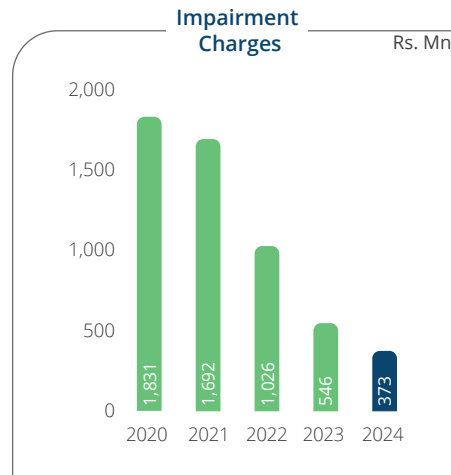


#### IMPAIRMENT CHARGES

We made significant strides in enhancing asset quality during FY 2023/24. The Company allocated an impairment charge of Rs. 373 million, reflecting a 31.61% decrease from the previous year's Rs. 546 million charge.

This improvement is particularly evident in the impairment charge related to loans and receivables, which declined by 40.37% (Rs. 262 million) to reach Rs. 386.93 million. This positive development can be attributed to a strategic shift in the lending product mix, enhanced credit underwriting practices, and robust recovery efforts, all achieved despite a challenging macroeconomic environment.

Our management maintained a vigilant approach to credit monitoring throughout the year, diligently managing credit risk and prioritising asset quality improvement through efficient management and recovery of loans and receivables.



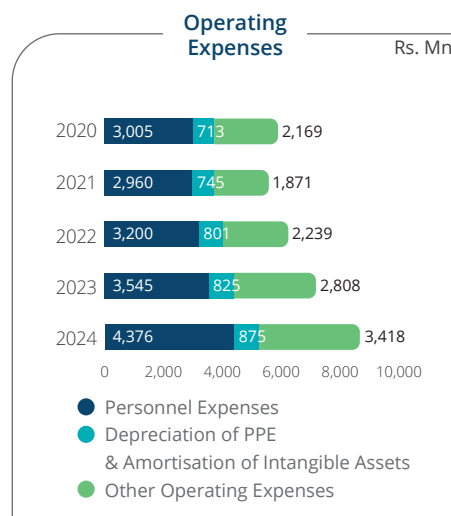
#### OPERATING EXPENSES

Operating expenses rose 20.78% to Rs. 8.67 billion in FY 2023/24, compared to Rs. 7.18 billion in the previous year. This increase was largely driven by the prevailing high inflationary economic environment.

Key contributors to the rise in operating expenses include personnel expenses due to increases in staff training costs, inflationary salary adjustments, and staff incentives.

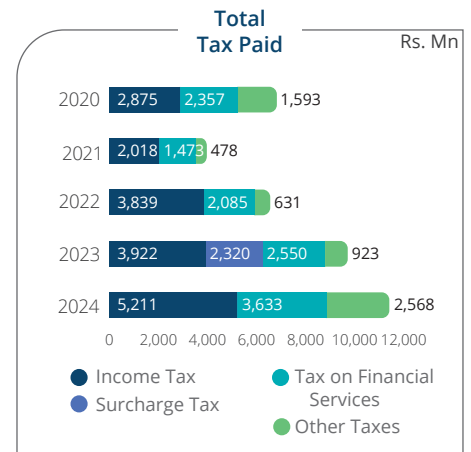
Administrative expenses encompassing administrative, advertising and business promotional expenses increased compared to the previous year.

However, the cost to income ratio improved to 31.13% in FY 2023/24 compared to 32.42% in the previous year.



#### TAXES

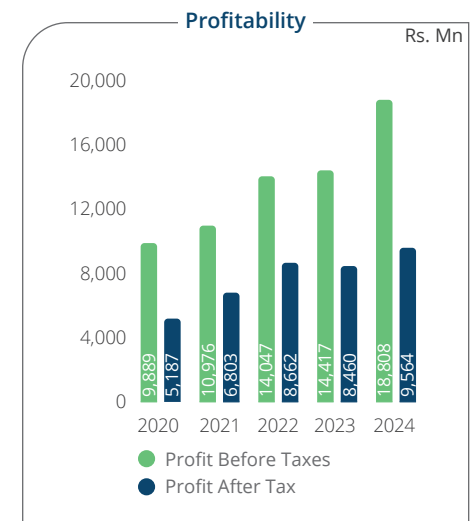
The Company experienced a significant increase in its overall tax payment for the current financial year, rising 17.45% YoY to Rs. 11.41 billion. This increase was primarily driven by the full impact of tax reforms introduced in the second half of the previous financial year.



#### PROFIT FOR THE YEAR

Despite challenging macroeconomic conditions, the Company's Profit Before Taxes increased by 30.45% YoY to Rs. 18.81 billion which is the highest ever reported in the history of LB Finance PLC. Timely repricing of interest sensitive assets and liabilities supported this result.

Profit After Tax for 2023/24 increased to Rs. 9.56 billion surpassing the previous year's Rs. 8.46 billion by 13.04% YoY.





## HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	CAGR*	2023/24		2022/23		2021/22		2020/21		2019/20	
		%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn
<b>Assets</b>											
Cash and Cash Equivalents	11	9,314	106	4,524	(69)	14,459	134	6,187	0	6,163	53
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	33	15	38	11	(19)	13	22	11	134	5	(32)
Financial Assets at Amortised Cost - Loans and Receivables	8	161,291	11	145,190	8	134,396	18	114,138	(4)	118,866	5
Financial Assets Measured at Fair Value Through Other Comprehensive Income	19	119	1	117	36	86	11	78	32	59	(34)
Other Financial Assets	22	20,375	(6)	21,686	287	5,599	(46)	10,454	15	9,120	(16)
Other Non Financial Assets	(18)	431	(9)	474	4	454	(51)	920	(5)	967	(9)
Investment in Subsidiary	8	699	(24)	922	0	921	77	521	-	521	63
Property, Plant and Equipment and Right-of-Use Assets	2	8,984	4	8,633	3	8,422	2	8,241	0	8,221	25
Intangible Assets	(16)	21	(9)	23	52	15	(43)	26	(38)	42	5
Deferred Tax Assets	-	928	21	767	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>9</b>	<b>202,177</b>	<b>11</b>	<b>182,347</b>	<b>11</b>	<b>164,365</b>	<b>17</b>	<b>140,576</b>	<b>(2)</b>	<b>143,964</b>	<b>6</b>
<b>Liabilities</b>											
Due to Banks	(1)	21,702	12	19,370	(28)	26,859	63	16,467	(28)	22,771	(8)
Financial Liabilities at Amortised Cost - Due to Depositors	8	122,808	8	114,012	28	89,144	4	85,860	(4)	89,256	7
Debt Instruments Issued and Other Borrowed Funds	15	5,491	41	3,882	(55)	8,565	175	3,114	0	3,111	0
Other Financial Liabilities	8	3,758	15	3,256	(1)	3,305	9	3,044	10	2,766	40
Other Non Financial Liabilities	14	1,549	42	1,089	(4)	1,135	10	1,028	13	909	(56)
Current Tax Liabilities	38	2,770	23	2,256	20	1,882	1	1,872	144	767	(45)
Deferred Tax Liabilities	-	-	-	-	(100)	111	(83)	637	(39)	1,038	(21)
Post Employment Benefit Liability	8	473	29	366	15	317	(13)	365	6	346	35
<b>Total Liabilities</b>	<b>7</b>	<b>158,551</b>	<b>10</b>	<b>144,231</b>	<b>10</b>	<b>131,318</b>	<b>17</b>	<b>112,387</b>	<b>(7)</b>	<b>120,964</b>	<b>3</b>
<b>Equity</b>											
Stated Capital	-	838	0	838	-	838	-	838	-	838	-
Reserves	10	8,973	6	8,493	6	8,039	6	7,596	22	6,217	19
Retained Earnings	21	33,815	17	28,785	19	24,170	22	19,755	24	15,945	29
<b>Total Equity</b>	<b>17</b>	<b>43,626</b>	<b>14</b>	<b>38,116</b>	<b>15</b>	<b>33,047</b>	<b>17</b>	<b>28,189</b>	<b>23</b>	<b>23,000</b>	<b>25</b>
<b>Total Liabilities and Equity</b>	<b>9</b>	<b>202,177</b>	<b>11</b>	<b>182,347</b>	<b>11</b>	<b>164,365</b>	<b>17</b>	<b>140,576</b>	<b>(2)</b>	<b>143,964</b>	<b>6</b>

\*CAGR - Compound Annual Growth Rate

The horizontal analysis of LB Finance PLC's Statement of Financial Position reveals a positive financial performance marked by consistent growth in assets and equity over the past five years. The Company's lending portfolio has experienced a notable 8% CAGR, demonstrating its commitment to expanding its core business operations. This growth is further supported by a robust 17% CAGR in internal capital generation, which has increased from Rs. 23,000 million to Rs. 43,626 million over the five years. Simultaneously, LB Finance PLC has maintained a consistent dividend policy, distributing 1/3 of its business earnings to shareholders. While total liabilities have shown a slight increase over the past year, driven by growth in depositor funds from Rs. 89,256 million to Rs. 122,808 million at an 8% CAGR, this growth has been at a slower pace compared to the expansion of assets. This balanced approach to managing liabilities, coupled with consistent growth in assets and equity, demonstrates the Company's strong financial performance and its ability to manage its financial resources effectively.

## CAPITAL REPORTS

### FINANCIAL CAPITAL

#### VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	2023/24		2022/23		2021/22		2020/21		2019/20	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
<b>Assets</b>										
Cash and Cash Equivalents	9,314	5	4,524	2	14,459	9	6,187	4	6,163	4
Financial Assets Recognised through Profit or Loss - Measured at Fair Value	15	0	11	0	13	0	11	0	5	0
Financial Assets at Amortised Cost - Loans and Receivables	161,291	80	145,190	80	134,396	82	114,138	81	118,866	83
Financial Assets Measured at Fair Value Through Other Comprehensive Income	119	0	117	0	86	0	78	0	59	0
Other Financial Assets	20,375	10	21,686	12	5,599	3	10,454	7	9,120	6
Other Non Financial Assets	431	0	474	0	454	0	920	1	967	1
Investment in Subsidiary	699	0	922	1	921	1	521	1	521	0
Property, Plant and Equipment and Right-of-Use Assets	8,984	5	8,633	5	8,422	5	8,241	6	8,221	6
Intangible Assets	21	0	23	0	15	0	26	0	42	0
Deferred Tax Assets	928	0	767	0	-	-	-	-	-	-
<b>Total Assets</b>	<b>202,177</b>	<b>100</b>	<b>182,347</b>	<b>100</b>	<b>164,365</b>	<b>100</b>	<b>140,576</b>	<b>100</b>	<b>143,964</b>	<b>100</b>
<b>Liabilities</b>										
Due to Banks	21,702	11	19,370	11	26,859	16	16,467	12	22,771	16
Financial Liabilities at Amortised Cost - Due to Depositors	122,808	61	114,012	62	89,144	54	85,860	61	89,256	62
Debt Instruments Issued and Other Borrowed Funds	5,491	3	3,882	2	8,565	5	3,114	2	3,111	2
Other Financial Liabilities	3,758	2	3,256	2	3,305	2	3,044	2	2,766	2
Other Non Financial Liabilities	1,549	0	1,089	1	1,135	1	1,028	1	909	1
Current Tax Liabilities	2,770	1	2,256	1	1,882	1	1,872	1	767	0
Deferred Tax Liabilities	-	-	-	-	111	0	637	1	1,038	1
Post Employment Benefit Liability	473	0	366	0	317	0	365	0	346	0
<b>Total Liabilities</b>	<b>158,551</b>	<b>78</b>	<b>144,231</b>	<b>79</b>	<b>131,318</b>	<b>79</b>	<b>112,387</b>	<b>80</b>	<b>120,964</b>	<b>84</b>
<b>Equity</b>										
Stated Capital	838	0	838	0	838	1	838	1	838	1
Reserves	8,973	5	8,493	5	8,039	5	7,596	5	6,217	4
Retained Earnings	33,815	17	28,785	16	24,170	15	19,755	14	15,945	11
<b>Total Equity</b>	<b>43,626</b>	<b>22</b>	<b>38,116</b>	<b>21</b>	<b>33,047</b>	<b>21</b>	<b>28,189</b>	<b>20</b>	<b>23,000</b>	<b>16</b>
<b>Total Liabilities and Equity</b>	<b>202,177</b>	<b>100</b>	<b>182,347</b>	<b>100</b>	<b>164,365</b>	<b>100</b>	<b>140,576</b>	<b>100</b>	<b>143,964</b>	<b>100</b>

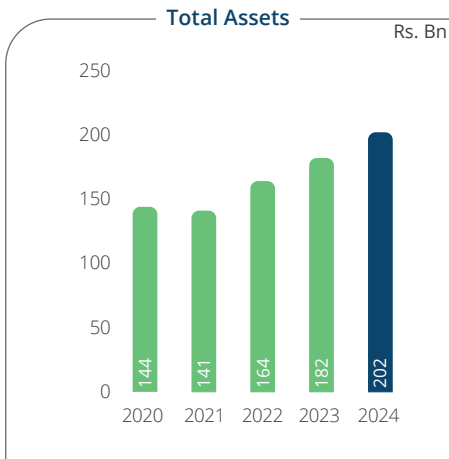
The vertical analysis of LB Finance PLC's Statement of Financial Position provides a comprehensive view of the Company's asset and liability structure over the past five years. The analysis reveals that the majority of LB Finance PLC's total assets are comprised of interest earning assets, such as loans and receivables and other financial assets, consistently accounting for between 92% and 90% of total assets. This highlights the Company's focus on generating income through its core lending and investment activities. On the liability side, customer deposits represent the largest source of funding, consistently comprising approximately 61% of total liabilities, demonstrating LB Finance PLC's commitment to prioritising customer deposits. Notably, total equity has shown a significant increase in its contribution to the Company's funding mix, rising from 16% in the financial year 2019/20 to 22% in the financial year 2023/24. This upward trend in equity financing indicates a strengthening of the Company's capital structure and a greater reliance on internal resources to fuel growth.





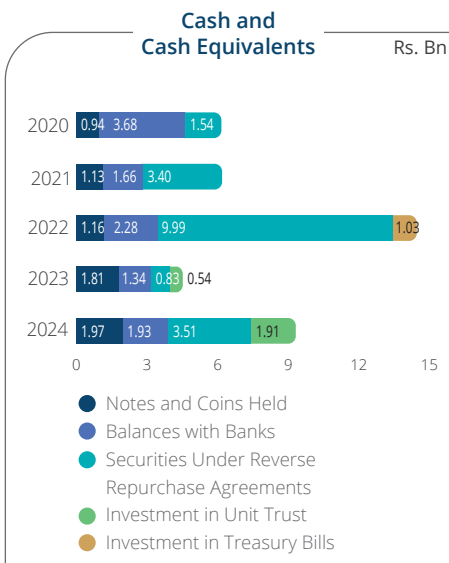
### TOTAL ASSETS OVERVIEW

Total assets reached Rs. 202 billion as of 31 March 2024, a 10.87% increase YoY. Interest earning assets, including cash and cash equivalents, loans and receivables and other financial assets, comprised 93.19% of total assets, up slightly from 92.67% in the previous year.



### CASH AND CASH EQUIVALENTS

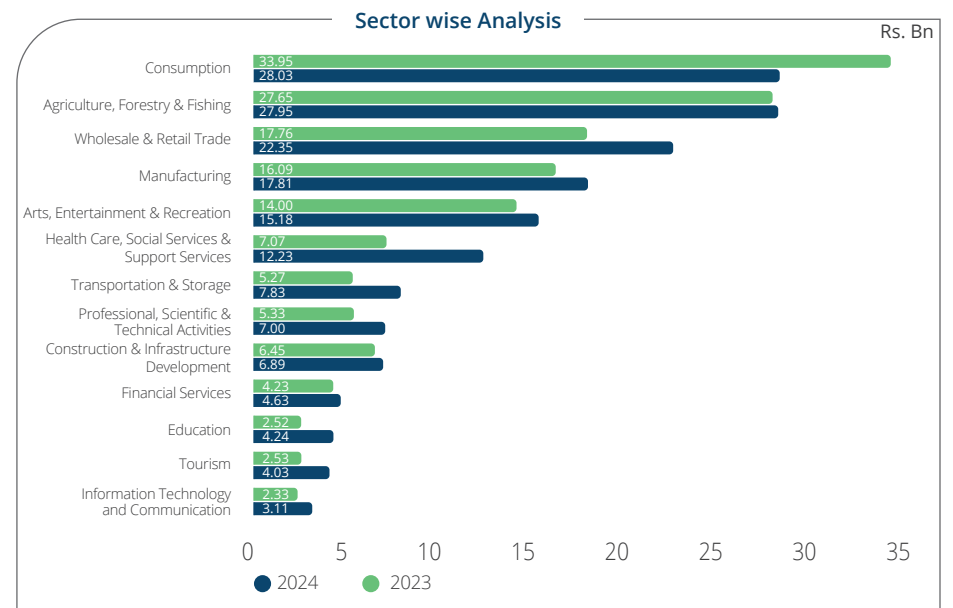
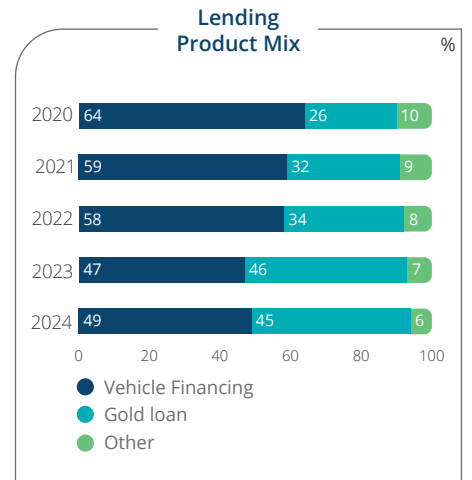
Cash and cash equivalents increased by 105.89% YoY to Rs. 9.31 billion as of 31 March 2024 compared to Rs. 4.52 billion recorded in the previous year. This surge was largely driven by short term investments in banks and other institutions.



### LOANS AND RECEIVABLES

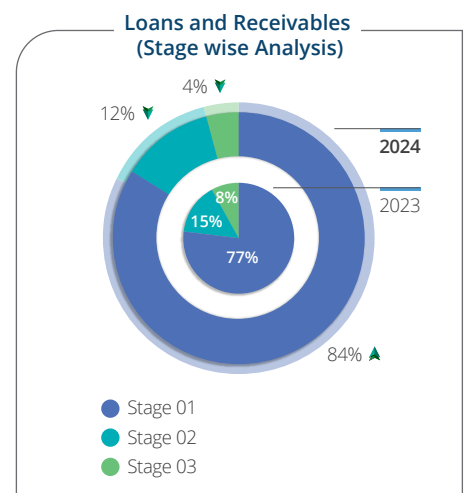
The Company's lending base stood at Rs.161.29 billion as of 31 March 2024, compared to Rs. 145.19 billion as of 31 March 2023, reflecting an 11.09% YoY increase. This growth was primarily driven by a 14.06% surge in Vehicle Financing, which reached Rs. 78.58 billion. Continued growth in gold loans, which increased by 9.86% to reach Rs. 73.11 billion also contributed to the lending portfolio's expansion.

Our well diversified lending portfolio mitigates sector specific risks by strategically allocating resources across multiple sectors. This diversification helps to offset potential losses in one sector with the performance of others, enhancing the Company's overall resilience.



### CREDIT QUALITY

The Company demonstrated exceptional credit quality in FY 2023/24, achieving a gross NPL ratio of 3.54% and a negative net NPL ratio of -0.79%. The low gross NPL ratio highlights effective credit risk management, while the negative net NPL ratio signifies that provisions for non performing loans surpass the actual amount. These results, achieved even under the stricter 90 day past due NPL classification criteria implemented from 1 April 2023, showcase the Company's robust credit management practices and superior asset quality compared to industry peers.

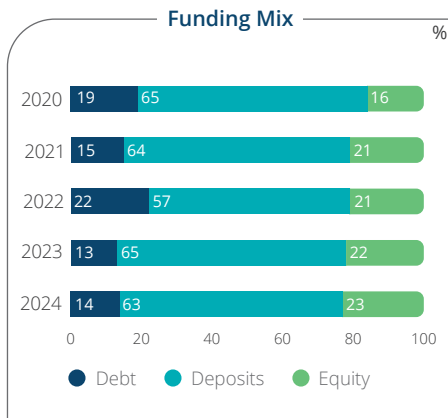


## CAPITAL REPORTS

### FINANCIAL CAPITAL

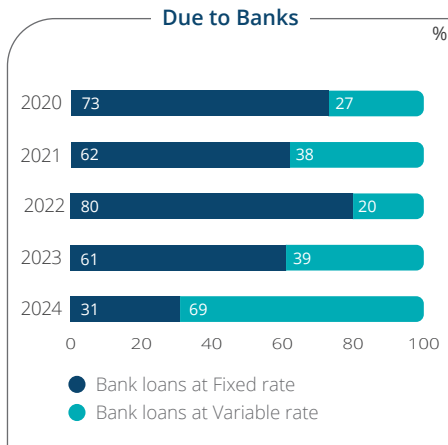
#### LIABILITY OVERVIEW

Total liabilities of the Company increased by 9.93% YoY to Rs. 158.55 billion as of 31 March 2024. This primarily comprises dues to banks, depositors, debt instruments issued, other borrowed funds and other financial liabilities. These items collectively represent 96.98% of total liabilities as of 31 March 2024.



#### DUE TO BANKS

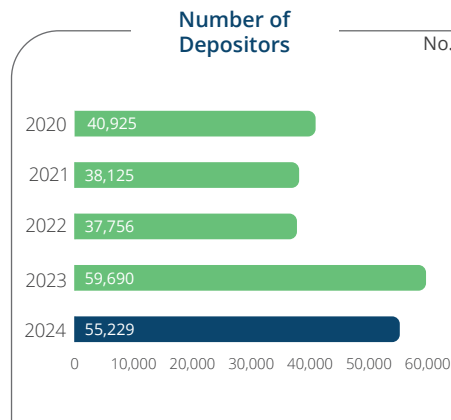
As of 31 March 2024, funds obtained from banks reached Rs. 21.70 billion representing a 12.04% YoY increase. To meet growing credit demand and strengthen its maturity profile, the company proactively increased its debt funding from banks towards the end of the financial year.



#### DUE TO DEPOSITORS

The total amount of customer deposits held by the Company amounted Rs. 122.80 billion as of 31 March 2024 representing an increase of Rs. 8.79 billion compared to the previous financial year. The growth in customer deposits was largely driven by a substantial increase of 6.81% in fixed deposits, which indicates a strong level of customer confidence and

loyalty towards the Company. Additionally, the Company successfully attracted new depositors while maintaining adequate levels of liquidity to support its business operations. The fixed deposit renewal ratio remained above 80%, which is a testament to the Company's ability to retain its existing customers and sustain their trust and satisfaction over the years.



#### DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS

The Company's debt instruments issued and other borrowed funds increased by 41.46% YoY to Rs. 5.49 billion as of 31 March 2024. This growth primarily stems from securitised borrowings. The loan from responsAbility Global Micro and SME Finance Fund was fully settled during FY 2023/24, leaving the outstanding balance from FMO at Rs. 1.54 billion. Securitised borrowings from banks were secured towards the end of the fiscal year to address the increasing credit demand while strengthening the company's maturity profile.



#### EQUITY

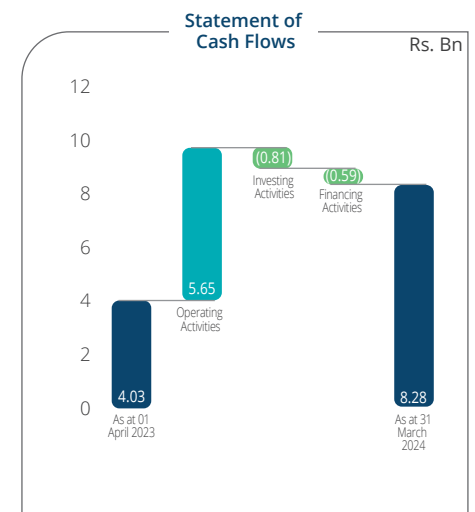
Equity of the Company stood at Rs. 43.63 billion as of 31 March 2024 reflecting a 14.46% YoY increase from the previous year which was Rs. 38.12 billion. This growth of Rs. 5.51 billion is primarily attributed to retained earnings from the strong profits generated during the financial year. The increase in shareholders' equity reflects the Company's improved financial position, demonstrating its ability to generate and retain earnings while maintaining a consistent dividend payout of 1/3 of profit.

#### CASH FLOW ANALYSIS

Facing challenging market conditions, the Company strategically managed its liquidity and funding while adhering to regulatory requirements. Cash and cash equivalents increased from Rs. 4.03 billion in March 2023 to Rs. 8.28 billion in March 2024.

The Company generated Rs. 5.65 billion from operating activities during the financial year and met its funding requirements through customer deposits, equity, and bank borrowing.

The Company invested Rs. 813 million in assets, aiming to generate future cash inflows. Financing activities resulted in a net outflow of Rs. 594 million, including Rs. 3.99 billion dividend payout to shareholders, demonstrating the Company's commitment to profit distribution.

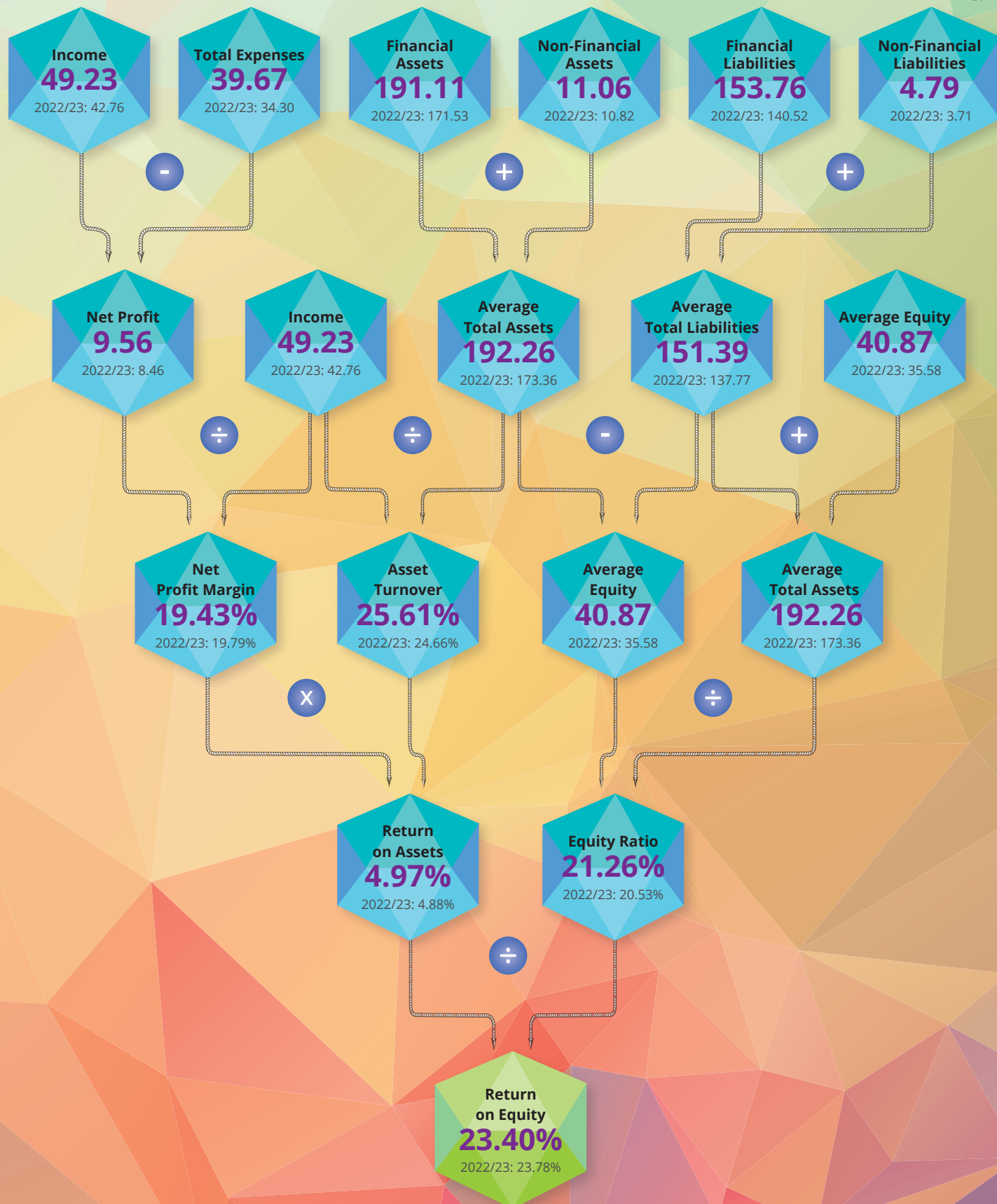


Refer Economic Value Generated and Distributed - page 13

## DUPONT ANALYSIS

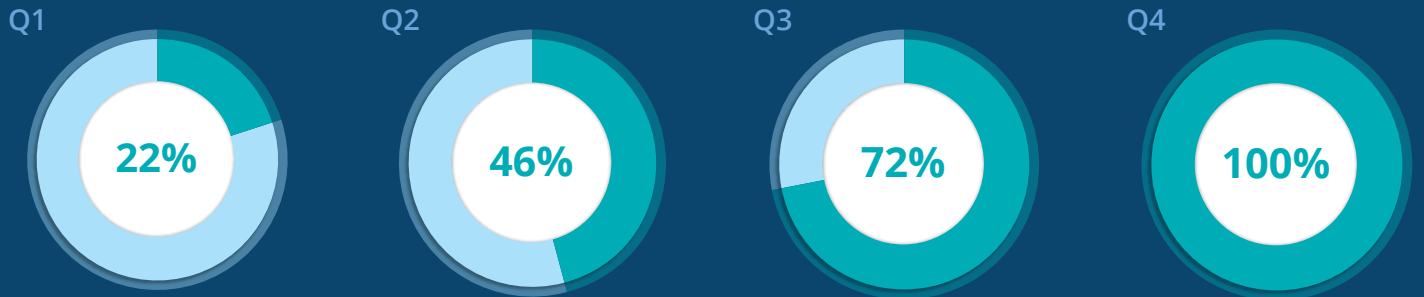
DuPont analysis breaks down Return on Equity (ROE) into three key components: profit margin, asset turnover, and financial leverage. By examining each of these factors, stakeholders can gain valuable insights into a Company's profitability, operational efficiency, and risk profile.

Rs. Bn

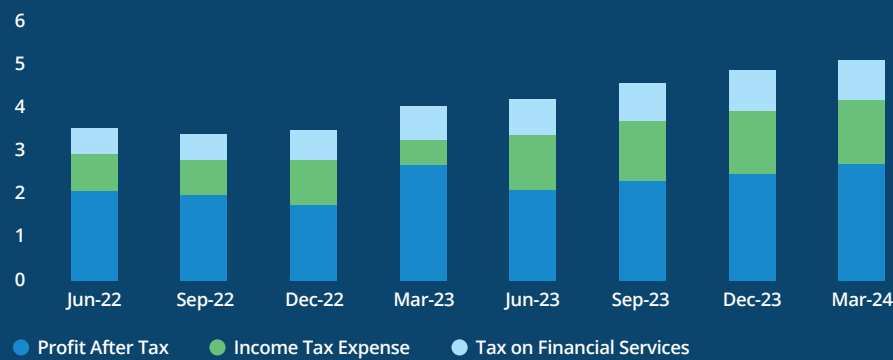


# QUARTERLY FINANCIAL INFORMATION DASHBOARD

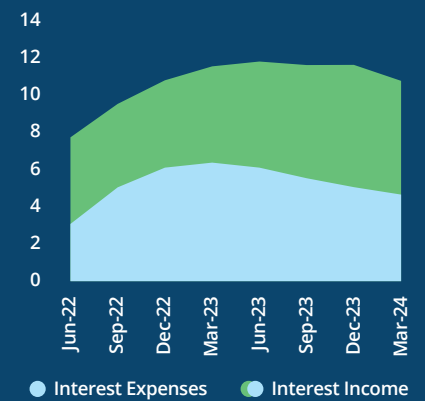
## Profit After Tax



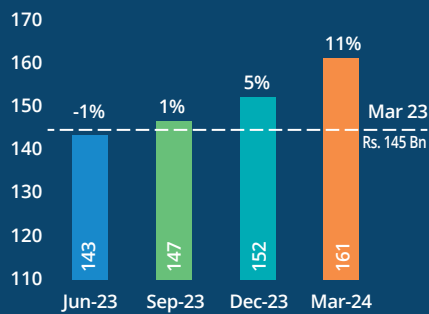
## Composition of Profit Before Taxes (Rs. Bn)



## Net Interest Income (Rs. Bn)



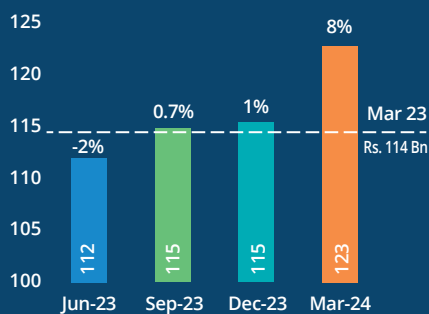
## Loans and Receivables (Rs. Bn)



## Key Performance Indicators

	Jun-23	Sep-23	Dec-23	Mar-24
<b>Asset Quality (%)</b>				
Gross NPL	6.69	6.39	4.53	3.54
Net NPL	1.37	1.56	-0.38	-0.79
<b>Profitability (%)</b>				
ROE	22.23	22.61	22.79	23.40
ROA	4.66	4.87	4.98	4.97

## Due to Depositors (Rs. Bn)



**Total Assets**  
**Rs. 202 Bn**

**Total Equity**  
**Rs. 44 Bn**

**Liquid Assets**  
**Rs. 26 Bn**

Refer Quarterly Financial Statements - page 418





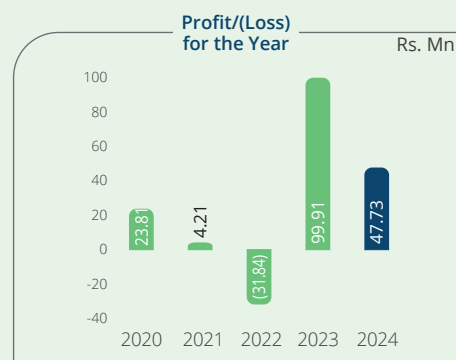
## LBF SUBSIDIARIES: PERFORMANCE OVERVIEW

We believe that as a non-bank financial institution that provides a comprehensive range of financial services, the Company has set out on a steadfast journey to expand its presence both locally and internationally, aiming to capitalise on various opportunities for growth and development. The Company's expertise reached the international financial market through LB Microfinance Myanmar Company Limited. Further the Company strengthened its capacities with the acquisition of Multi Finance PLC which is resolved to be amalgamated with the Company.

Refer Business Segment Review – Subsidiaries - page 80

### LB MICROFINANCE MYANMAR COMPANY LIMITED (LBMM)

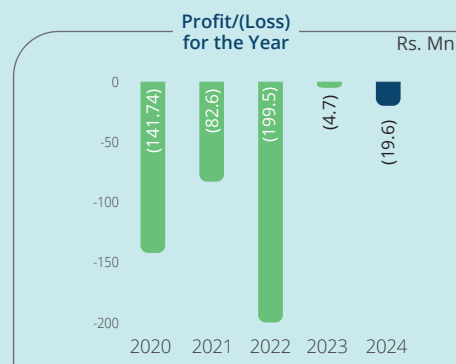
LB Microfinance Myanmar Company Limited, a fully owned subsidiary of LB Finance PLC, was incorporated in Myanmar on 22 May 2017. The company specialises in microfinance lending, having commenced commercial operations in December 2017 following the issuance of its license. The Company's Profit After Tax declined to Rs. 47.73 million in 2024 from Rs. 99.91 million in the previous year. Total assets increased by 23.55% to Rs. 1,229.74 million.



	2024	2023	2022	2021	2020
Income (Rs. Mn)	234.02	217.08	58.87	153.24	136.81
Profit After Tax (Rs. Mn)	47.73	99.91	-31.84	4.21	23.81
Lending portfolio (Rs. Mn)	1,140.22	890.42	804.94	688.39	554.09
Total Assets (Rs. Mn)	1,229.74	995.31	909.55	909.94	895.37
Total Equity (Rs. Mn)	806.75	831.68	805.01	719.12	681.39
ROA	4.29%	10.49%	-3.50%	0.47%	3.65%
ROE	5.83%	12.21%	-4.18%	0.60%	4.58%

### MULTI FINANCE PLC (MFP)

Following the acquisition of Multi Finance PLC in March 2022, LB Finance PLC became the majority shareholder and the parent company. In furtherance of the Financial Sector Consolidation Plan of the Central Bank of Sri Lanka, the Boards of Directors of L B Finance PLC and its subsidiary, Multi Finance PLC, have resolved to amalgamate Multi Finance PLC with L B Finance PLC under Section 239 of the companies Act No.07 of 2007, whereby L B Finance PLC will be the Amalgamated Company, subject however to the regulatory approvals and the approval of the shareholders of both Multi Finance PLC and L B Finance PLC, by way of Special Resolutions at Extraordinary General Meetings of the respective companies.



	2024	2023	2022	2021	2020
Income (Rs. Mn)	109.20	147.87	120.36	134.10	218.66
Profit After Tax (Rs. Mn)	-19.60	-4.70	-199.50	-82.60	-141.74
Lending portfolio (Rs. Mn)	90.60	292.00	336.86	569.53	861.74
Total Assets (Rs. Mn)	441.19	516.21	617.53	870.14	1,194.72
Total Equity (Rs. Mn)	274.51	294.74	298.81	493.85	577.15
ROA	-4.09%	-0.83%	-26.82%	-8.00%	-10.58%
ROE	-6.89%	-1.58%	-50.33%	-15.42%	-21.87%



# Manufactured Capital



## SHORT TERM

### Challenges

- Ensuring infrastructure adequacy to align with growth ambitions
- Managing the balance in costs & benefits and ensure efficient service delivery
- Evolving technological needs and timing of investments

### Managing Capital

Maintained/updated systems according to technology and process audits for quick adoption and improvisation

Made strategic investments in network expansion

Making Financial services part of customers' lives through our digital channels

### Opportunities Arising from this Risk

Within a challenging operating environment, we have re-evaluated the growth prospects of our expansion and repositioned it to remain resilient

We remain adaptable and agile to leveraging opportunities in potential future scenarios, such as repurposing space to align with changing market needs

**200**  
Total  
Branches

**8**  
New Branches  
Opened

**Rs. 88.09 Mn**  
Investment on  
Freehold Buildings



### Impact to Value Chain

Reducing carbon footprint and optimise resource management

Untouched market expansion support to Rural development and Financial inclusion



### MEDIUM TERM

#### Space for Development

Enhance our accessibility by increasing both geographical and virtual presence

Enhance infrastructure to meet upcoming business needs

Improving operational efficiency in business process and branches through process improvements



### LONG TERM

#### Future Crafting

Acquiring new businesses, assets, and infrastructure

Building partnering capability with FinTechs, telcos, and value-added services providers to expand product range and customer reach

**2**  
Branch  
Re-locations

**Rs. 272.77 Mn**  
Investment on  
IT Infrastructure

**24**  
Cash Deposit  
Machines

**16**  
Branches in  
Myanmar



1

2

3

4

5

6

7

## CAPITAL REPORTS

### MANUFACTURED CAPITAL

Our Manufactured Capital encompasses a robust physical infrastructure that spans an island-wide network of branches, cash deposit machines, digital channels, and other essentially built assets. This infrastructure is crucial for delivering exceptional customer experiences.

#### MANAGEMENT APPROACH

Manufactured capital encompasses both physical and digital infrastructure, such as property, plant and equipment, investment properties, and right-of-use assets. As of 31 March 2024, property, plant, equipment, and right-of-use assets amounted to Rs. 8.9 Bn. Our ongoing investments in nurturing manufactured capital support our commitment to delivering value to a diverse range of stakeholders and transforming LBF into a customer-centric and digitally enabled organisation.

#### COMPONENTS OF MANUFACTURED CAPITAL



OUR BRANCH NETWORK



INVESTMENTS IN DIGITAL INFRASTRUCTURE



REGIONAL PRESENCE

#### NURTURING MANUFACTURED CAPITAL

- Investment in branch infrastructure
- Investment in capacity expansion
- Investment in digital technology
- Maintenance and upkeep of manufactured capital

#### CONTRIBUTING TO OUR MISSION

To embark on investments in which results can be clearly assessed and seize new opportunities in the market.

#### CONTRIBUTION TO OUR VALUES



Excellence



Innovation



Quality

#### STAKEHOLDERS IMPACTED



#### MATERIAL MATTERS

Regional expansion

Business continuity

Business model innovation

Customer experience

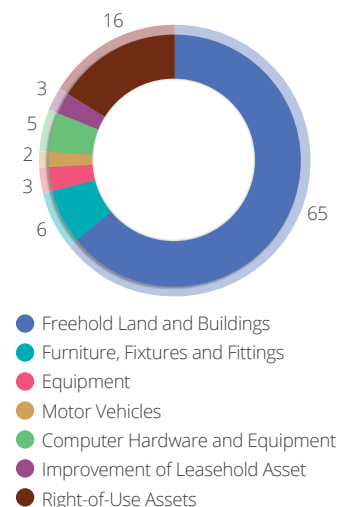
Process excellence

#### COMMITMENTS TO UN SDGs



STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Strengthen LBF's physical presence in untouched markets	06 branches opened in Northern region	Improve the integration between the core business activities and LB CIM wallet	Expand the range of low-cost digital channels	Process innovations and knowledge sharing through investment in technology and platforms
Leveraging manufactured capital to drive innovation and value addition that exceed sustainable business model	25 hybrid solar power branches	Strengthen branch level digital infrastructure	Leverage on the capabilities of the data warehouse and the team of in-house data scientists to find more productive ways of using data to grow the business	Acquiring new businesses, assets, and infrastructure and investing in cloud based network architecture

Composition of Manufactured capital







CAPITAL TRADE-OFF

Investment in the branch network

FC	HC	IC	SC
Requires significant financial resources to build, relocate, and refurbish branches. This results in long-term benefits such as an increased customer base, market share, and revenue	Creates a conducive work environment	Enhances brand reputation through promotion of digital and physical touchpoints	The provision of efficient services through the branch network enhances customer experience. Expansion of reach results in financial inclusion

Investment in digital infrastructure

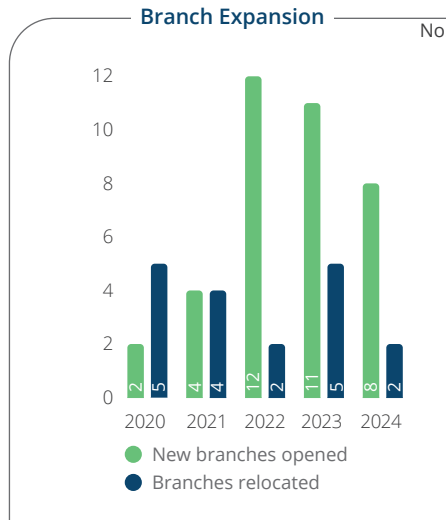
FC	HC	IC	MC
Investment in hardware and software requires financial resources, but provides benefits in terms of efficiency improvements, and cost savings in the long-term	Employee development in digital competencies and increased productivity through automation	Investment in technology and digital channels augments intellectual capital	Provides an exceptional customer experience through a faster, efficient, secure, and convenient service

OUR BRANCH NETWORK

Our islandwide branch network comprises of 200 branches that enables us to reach over 800,000 customers across Sri Lanka.

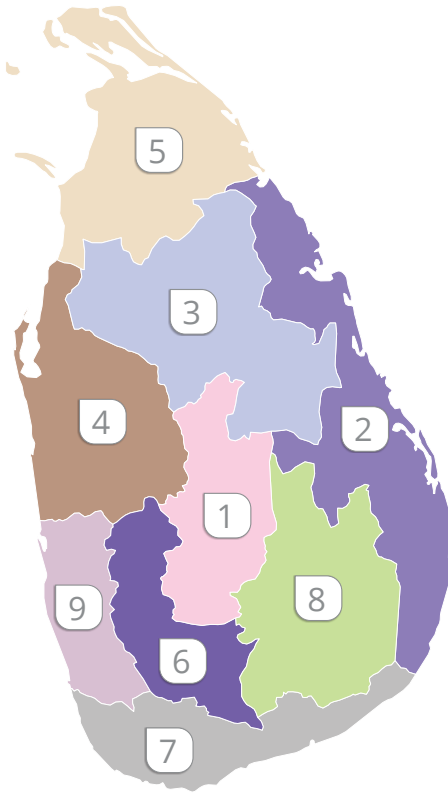
We have continued to expand our branch network to extend our reach to a broader spectrum of Sri Lankans. To optimise the efficiency of these physical touchpoints, we assess customer feedback and data, including transactional status and average annual footfall at each branch location. Our primary objective is to strategically position our branches to meet the evolving needs of our customers. Consequently, through our branch relocation programme, we have relocated branches to regions with higher population density, ensuring enhanced accessibility for our customers.

During FY 2023/24, 02 branches were relocated to improve accessibility. Moreover, we have standardised our branches and provided training to ensure branch teams are equipped to deliver exceptional customer service. Furthermore, 08 branches were opened during the year, and over Rs. 146 Mn investment made in the branch network for FY 2023/24.



## CAPITAL REPORTS

### MANUFACTURED CAPITAL



Province	No. of Branches	No. of Employees	Mid Year Population '000	GDP Growth Rs. Mn (in 2022)
1. Central	18	310	2,788	243,253
2. Eastern	25	331	1,774	1,248,306
3. North Central	8	138	1,395	1,209,771
4. North Western	11	210	2,572	2,706,227
5. Northern	29	258	1,175	985,139
6. Sabaragamuwa	7	162	2,080	1,725,853
7. Southern	13	270	2,688	2,199,791
8. Uva	6	122	1,405	1,176,221
9. Western	83	2,331	6,160	10,473,166

### INVESTMENTS IN DIGITAL INFRASTRUCTURE

Our investments in technology drive digitalisation across our manufactured capital. By strategically allocating resources to technological advancements, we are transforming traditional processes into streamlined, automated workflows. Furthermore, by integrating cutting-edge solutions, we have enhanced operational efficiency, reduced redundancies, and mitigated errors.

Moreover, we are harnessing the full potential of automation and data analytics to engage in data-driven decision-making and foster innovation. Please refer to the intellectual capital report on page 120 for further information.



Pallai Branch Opening



Kaduwela Branch Relocation



Poonakary Branch Opening

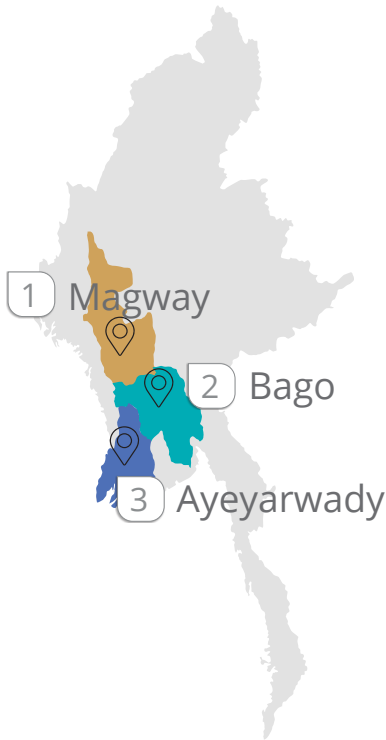


Nanthan Branch Relocation



**REGIONAL PRESENCE**

Venturing beyond Sri Lanka to the regional market, LBF set up LB Microfinance Myanmar Company (LBMM) in December 2017 to penetrate into Myanmar’s robust microfinance market. Over the past years, LBMM has continued to make good headway in its target market in the Bago region, Magway region, and Ayeyarwady region of Myanmar.



**Footprint of LB Microfinance Myanmar**

Region	Branch	2023/24	
		No of employees	
		Sri Lankan	Burmese
1 Magway	Sinbaungwe	1	9
	Magway		12
	Aunglan		6
	Minbu		8
	Thyet		6
	Myothit		7
2 Bago	Pyay	3	33
	Paukkaung		11
	Shwedaung		12
	Paungde		10
	Letpadan		8
	Okeshitpin		9
	Nattalin		9
3 Ayeyarwady	Kyangin		5
	Myanaung		7
	Ingapu		6

**DEVELOPING ENTREPRENEURSHIP IN MYANMAR**







# Human Capital



## SHORT TERM

### Challenges

- Pressure on the Talent Acquisition Strategy to enhance employee talents through need-based training, coaching and e-learning
- Addressing change management issues arising from increased digitisation and process automation

### Managing Capital

- Supporting the career and development plans of all the employees
- Focus on providing the right training to the right personnel
- Providing an inclusive work arrangements that embraces and respect diversity

### Opportunities Arising from this Risk

- Identifying behaviours that drive shifting needs and enhancing group-wide EVP
- Providing innovative incentives and rewards through supporting workforce well-being and diversity, equity and inclusion

**4,132**

**Total Number of Employees**

**2,194**

**New Employees**

**43,677**

**Training Hours**

**1,895**

**Female Employees**

**Rs. 23.22 Mn**

**Investment on Training**







**MEDIUM TERM**

**Impact to Value Chain**

- Enhance morale, productivity and overall operational efficiency
- Improving skilful and driving efficient execution workforce
- Deepening the shared value and commitments
- Developing critical skills and succession planning

**Space for Development**

- Through technology, we support employees to have a digitally enabled way of working, as well as empower them to seamlessly serve our customers
- Our skills and experience enable us to develop state-of-the art products and services and charter new territories.



**LONG TERM**

**Future Crafting**

- Focus on utilisation of competency mapping in our overall Talent Management processes by incorporating them in our processes
- Continue the introduction of new technologies to automate HR processes

**1,037**  
Staff Promotions

**1 : 0.85**  
Gender Ratio (Male : Female)

Strengthening Work-life Balance

Automated Performance Evaluation

Virtual Training



- 1
- 2
- 3
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## CAPITAL REPORTS

### HUMAN CAPITAL

At LBF, our employees are more than just a workforce; they are the guardians of our business, the engine driving our competitive advantage, and the architects of our success. We are committed to their well-being, offering a holistic employee value proposition that caters to both personal aspirations and organisational objectives.

#### MANAGEMENT APPROACH

By investing in our employees and strengthening relationships, we create a positive work environment that translates into exceptional customer experiences.

We do this by anticipating employee needs and providing resources and assistance to ensure their well-being and job satisfaction. Moreover, in addition to skills and competency development, we foster a culture of open communication, collaboration, and recognition, making employees feel valued and connected to the organisation.

#### COMPONENTS OF HUMAN CAPITAL

-  EMPLOYEE VALUE PROPOSITION
-  HR GOVERNANCE
-  TALENT MANAGEMENT
-  TALENT RETENTION

#### NURTURING HUMAN CAPITAL

- Training and development
- Work-life balance
- Diversity and equal opportunity
- Grievance handling
- Health and well-being
- Employee engagement

#### CONTRIBUTING TO OUR MISSION

To use training and career development to create an empowered and committed group of employees who will drive the Company to high levels of achievement.



Excellence



Innovation



Quality



Professionalism

#### STAKEHOLDERS IMPACTED



#### MATERIAL MATTERS

Skills development and competencies

Data science and analytics

Health and well-being

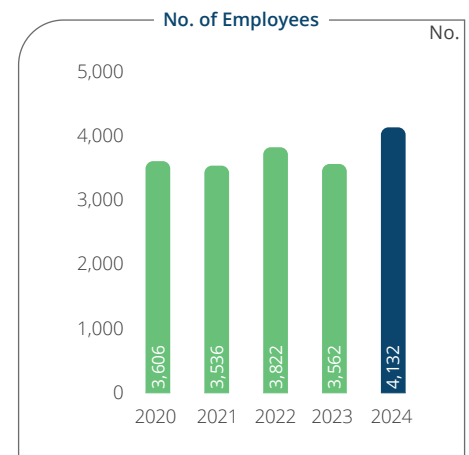
Employee engagement

Tech-savvy trained employees

#### COMMITMENTS TO UN SDGS



STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Scope, design and update Group Human Capital frameworks and processes and Invest in developing a competency	3D orientation programmes were conducted (Dream, Dare and Deliver with LB Finance)	Strengthen the talent acquisition process by strengthening screening and evaluation procedures	Continue to embed the culture, leadership and values rollout within the organisation	Continue on the journey of implanting our digital ways of work
Promote employee wellness programme and encourage work-life balance	31 events and activities conducted to enhance employee engagement	Drive a competitive reward strategy at all levels	Having finalised the target operating model, we have now transitioned activities to the business-as-usual cadence	Continuously digitising, automating and aligning people practices to best known methods
Developing an in-house training plan to comprehensively manage training needs of all employees	103 training programmes were conducted during the year	Embrace diversity to build a future-ready workforce	Implement a fit for purpose Human Capital System	Using mobile learning and other business technology to enhance the environment for continuous learning that was created by our digital learning approach





CAPITAL TRADE-OFF

Employee training and development

<b>FC</b>	<b>IC</b>	<b>NC</b>	<b>SC</b>
Investments in training and development	Improves productivity and tacit knowledge	Productive employees improve efficiency contributing to less consumption of resources	Exceptional customer service through trained and skilled staff

Employee well-being and work-life balance

<b>FC</b>	<b>IC</b>	<b>NC</b>	<b>MC</b>
Financial resources to enhance employee engagement	Nurtures a productive and motivated team	Employees volunteering to engage in environmental conservation initiatives	Employees volunteering to engage in CSR initiatives

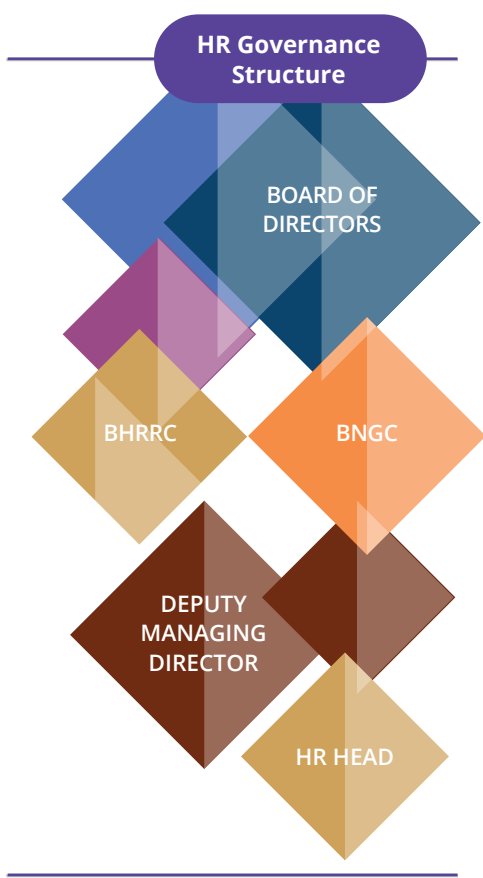
**EMPLOYEE VALUE PROPOSITION**

Our comprehensive employee value proposition is the cornerstone of our talent strategy. It not only fosters employee retention but also attracts top talent who aligns with the Organisation's aspirations. This includes nurturing collective knowledge, ensuring employee satisfaction, and aligning individual goals with organisational objectives.

To strengthen our culture, we relaunched our corporate values, and clearly defined each value to guide employee behaviours and inspire them to become powerful brand ambassadors.

Furthermore, we are in the process of implementing a recognition point scheme to reward employees who exemplify our core values in their daily work. This, along with our core value index integrated into performance evaluations, reinforces a sense of pride and belonging within the LBF community.

**HR GOVERNANCE**



Our Human Resource Department (HRD) centrally manages all aspects of HR governance. Led by the Head of HR, who

reports directly to the Deputy Managing Director, the HRD ensures alignment with the company's strategic goals. The Head of HR also collaborates closely with the Board Human Resources and Remuneration Committee and the Nominations Committee on relevant HR matters.

Under the Head of HR's supervision, the HRD guarantees full compliance with all applicable labour laws and regulations. Furthermore, the department oversees the execution of human capital development initiatives, ensuring alignment with the Company's overall business strategy and the evolving needs of its workforce.

As part of our ongoing commitment to maintaining a fair and compliant work environment, we have recently reviewed and updated two key HR policies:

**Whistle-blowing Policy:** The revised policy clarifies reporting procedures and strengthens protections for employees who raise concerns about potential misconduct. E-campaigns and quizzes were initiated to educate the staff on this.

**Working Hours and Leave Policy:** The updated policy ensures alignment with current labour regulations and provides greater flexibility for employees to manage their work-life balance.



## CAPITAL REPORTS

### HUMAN CAPITAL

#### Modernising Our HR Functions

We have transitioned from traditional HR practices to a more strategic and employee-centric approach. This includes:

##### Data-Driven Decision Making

Utilising data and analytics to inform HR strategies and measure the effectiveness of our initiatives.

##### Technology Adoption

Implementing HR technology solutions to streamline processes, enhance communication, and improve the employee experience. This also includes providing IT-related training to our employees to nurture a tech-savvy workforce.

##### Focus on Employee Experience

Prioritising employee feedback and creating a positive and engaging workplace culture.

#### OUR WINNING TEAM

Our team of 4,132 employees are the driving force behind our success and a key source of our competitive advantage. We are proud to be an equal opportunity employer, fostering a diverse and inclusive workplace where individuals are valued for their unique talents and contributions. We do not discriminate based on gender, age, religion, race, or any other factor, ensuring a level playing field and equal opportunities for all. The following provides a snapshot of our diverse team composition comprising 2,237 men and 1,895 women in FY 2023/24.

#### RECRUITMENT

Attracting and retaining top talent is crucial to our continued success. We seek individuals who not only possess the necessary skills and experience but also embody diverse perspectives and values that align with our business model. Our recruitment strategy is tailored to the specific requirements of each position, utilising a combination of targeted sourcing and selection methods. Our diverse recruitment channels include career fairs, industry partnerships, walk-in interviews, and a strong employee referral programme. Furthermore, with 200 branches nationwide, we offer our employees a continuous flow of internal career opportunities, fostering growth and development within the Organisation.

Our “Discover You” career guidance programme, launched in March 2024, assists undergraduates and A-Level students in making informed career choices. Additionally, we provide employment opportunities through our “NextGen” programme, currently with 80 candidates.

Moreover, we offer Management Trainee programmes for undergraduates and Clerical Trainee programmes for A-level students, providing them with valuable experience and development opportunities. During the year 2,194 individuals joined the LBF team.

#### EMPLOYEE TURNOVER

We experienced the resignation of 1,605 employees and the premature retirement of one employee, leading to an attrition rate of 41.7%.

#### Addressing attrition

We experienced a higher attrition rate within the Leasing and Gold Loan segments, particularly during the first year of employment. We implemented the following strategies to address this challenge and retain valuable talent.

- **Assessment and Career Development Programme:** Our focus on attracting school leavers is coupled with comprehensive development programmes aimed at nurturing and retaining high-potential employees.

- **60 Days Buddy Programme:** We offer a comprehensive 60-day buddy programme, wherein each new recruit is paired with a dedicated buddy. This buddy serves both a mentor and a supportive guide, assisting the new comer in navigating their new role and providing a continuous support throughout their integration process.
- **Marketing Officer Development Programme:** Professional Certification in Credit & Marketing is a special three-day certification program designed to upskill and retain top performers within the Credit Department.
- **Staff Development Programmes:** Provides targeted training and development opportunities for employees in various roles, including the Marketing Officer Development Programme for the second management tier.
- **Leadership Development Programme:** At LBF we have initiated “Leadership Development Programmes” designed at identifying employees with inherent leadership qualities. Following thorough performance evaluations, individuals demonstrating potential undergo specialized training to refine their leadership skills. This proactive approach also enables us to entrust them with new responsibilities within their job roles.
- **Performance Recognition:** We offer exclusive programmes to acknowledge and reward high-performing employees.
- **Best Starters Programme:** Recognises and rewards high-performing new recruits.

#### HEALTH AND WELL-BEING

Employee Health and Safety Initiatives:

- We have appointed a dedicated Safety Officer responsible for overseeing all aspects of fire safety training and other safety-related training programmes at the branch level.
- Our Administration Department has a designated Safety Auditor who conducts comprehensive safety audits to identify and mitigate potential risks across all branches.
- We have a team of Technical Officers who provide specialised support and expertise in various safety-related areas.





## ENHANCING EMPLOYEE VALUE PROPOSITION (EVP)

We are committed to providing a comprehensive EVP that fosters employee well-being and engagement. Our focus areas include:

### Holistic Development

We go beyond professional development to support our employees' moral and character development, creating a positive and ethical work environment.

### Work-Life Balance

We promote a healthy work-life balance through flexible work arrangements, wellness initiatives, and programmes that support employee well-being.

### Teamwork and Collaboration

We foster a collaborative culture that values teamwork, communication, and mutual support.

### Motivation and Engagement

Recognising the needs of our younger generation workforce, we have implemented initiatives to boost employee motivation and engagement. These include modern communication channels, recognition programmes, and opportunities for growth and development.

During the year under review, the LB Service Excellence Awards was held to recognise and reward employees who have served the Company for over 10 and 15 years. Accordingly, 537 employees were awarded gold coins for their dedicated service to the Company.

### Recognition and Rewards

Launching the LB Pinnacle Club, The Achiever's Fraternity, in tandem with the performance evaluations and award conferment of Branch Managers of Credit Department after analysing their Branch performance, is a strategic move to recognise outstanding performance. Categorising members into Platinum Elite, Platinum, Gold, and Silver tiers adds a competitive yet motivating dimension to the initiative. Offering a variety of rewards tailored to each category allows individuals to select rewards that resonate with their preferences and aspirations, thus further boosting their morale and engagement.

Employees in positions ranging from Marketing Officer to Assistant Manager within each category are eligible to receive a recognition badge based on their performance metrics such as Target achievement and Weighted Average Lending Rate. The quarterly top 5 performers from each branch category have the opportunity to join LB Silver Circle fostering healthy competition within the organisation while motivating employees to strive for excellence.



## SUPPORTING EMPLOYEE HEALTH, WELL-BEING AND WORK-LIFE BALANCE

Investing in our employees' well-being creates a positive and productive work environment that benefits everyone. Going beyond traditional medical insurance, we offer a comprehensive programme addressing both the mental and physical health of our employees.

### Mental Well-being



- SMILE Counselling Programme – Provides free and confidential access to external consultants for all employees seeking support with personal or work-related challenges
- 'Battle of Minds' quiz competition was conducted across all 9 provinces encompassing two categories, Provincial and Departmental

### Physical Well-being



- Post-work fitness sessions organised by Fitness Feb with monthly themes, encouraging employee participation and team building
- Employees at branch locations enjoy complimentary access to gym facilities for maintaining physical fitness
- Annual regional sports events fostering teamwork, friendly competition, and physical activity
- Opportunities for employees to engage in competitive sports and showcase their talents through the Mercantile tournaments
- Outward bound training for team building and to enhance communication, collaboration, and problem-solving skills
- Regional events including head office and inter-branch sports days
- Organised free eye campaigns, hearing screening tests and health campaigns

## CAPITAL REPORTS

### HUMAN CAPITAL

#### HR EVENT GALLERY

##### FITNESS FEB

An initiative was launched to prioritise health and promote fitness among staff throughout the month. Recognising the crucial role of workplace fitness in enhancing employee well-being and creating a safer, healthier, and more productive environment, the program aimed to reduce stress and absenteeism while boosting mental health and job satisfaction. Additionally, daily e-flyers were circulated to educate staff on valuable health information

##### Biggest Loser (Weight Losing Competition)

A 29-day fitness challenge took place in February, to lose the most weight to become the 'Biggest Loser'. Impressively, three employees emerged as winners with the top performer losing an astounding 13.7 kilograms.

##### Weekly workouts/CrossFit Sessions

We implemented a CrossFit programme for our staff, held twice weekly at the corporate office. Due to unexpectedly rapid health improvements and popular demand, the programme was expanded to include additional days, kickboxing, and workshops. The participants experienced remarkable results.

##### Weekly Yoga

We also arranged special yoga sessions for our staff every Wednesday at the Corporate Office focusing on promoting a healthy mental lifestyle.



##### LB BATTLE OF MINDS

LB Battle of Minds 2024 was a successful grand quiz competition initiated for the very first at LB Finance to foster an unbreakable spirit of knowledge of staff and to boost self confidence while giving prominence to competitive learning.



##### "MERRY & BRIGHT" GREAT CHRISTMAS TREE COMPETITION

The Great Christmas Tree Contest Season 06, themed "Merry & Bright," successfully promoted eco-friendly practices during the holiday season. By encouraging the use of sustainable materials and fostering creativity, the event raised awareness about environmental responsibility while strengthening team spirit and creating a memorable experience for employees.







### REGIONAL EVENTS

Organising regional engagement events like sports days and themed get-togethers for staff across the island was a fantastic initiative that fostered leadership skills and promoted unity among staff. Regional Heads were empowered to plan and execute these events, allowing for a decentralised approach. The success of the sports days and themed get-togethers in 12 and 13 regions respectively demonstrates the effectiveness of this strategy. The variety of activities provided a sense of community, fostering a positive work culture and enhancing morale. These events not only provided fun but also served as platforms for personal and professional development, helping organisers enhance their leadership skills and strengthen their relationships with colleagues.



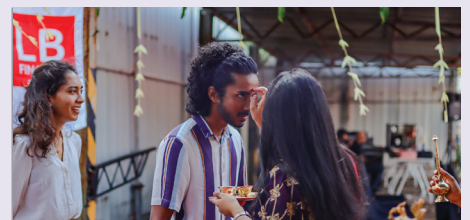
### OLYMPIA TROPHY - SPORTS DAY

Sports Day was a resounding success, characterised by strong teamwork, dedication, and sportsmanship. The event ignited passion and enthusiasm among all participants, fostering a positive and supportive atmosphere. While each team strived for victory, the focus remained on encouraging and motivating one another to perform at their best, demonstrating exceptional camaraderie and respect.



### LB GOT SWEETEST PONGAL FIESTA

This marked a historic first for LB Finance PLC, celebrating Thai Pongal and sharing Hindu and Tamil culture with colleagues. The event served as a gesture of gratitude towards farmers worldwide, acknowledging their essential role in providing sustenance.



### X-CITING FRIDAYS

A series of engaging online activities was held over three consecutive Fridays in December 2023, aimed to showcase the positive aspects of online games and recognise employee creativity during the festive season. Themed dress codes, puzzles, riddles, brainteasers, and selfie competitions fostered a fun and interactive experience for staff.



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**HUMAN CAPITAL**

**SUPPORTING CAREER TRANSITIONS**

We provide assistance programmes to facilitate continued employability and manage career transitions, whether due to retirement or termination of employment. Our initiatives include:

**Succession Planning**

We proactively identify potential successors for key positions through our performance appraisal process, focusing on employee potential and development needs.

**PDP Programmes**

We offer Personalised Development Programmes (PDPs) tailored to individual career aspirations and goals.

**Speech Masters Programme**

Our specialised three-month certification programme is meticulously crafted to enhance presentation skills, refine telephone etiquette, and elevate email writing standards with a tailored approach, fostering personal and professional development.

**REMUNERATION AND BENEFITS**

We provide our employees with a rewarding and fulfilling work experience that recognises their value and contributions to the Organisation. Accordingly, this includes fair and equitable compensation for all employees, based solely on merit and contributions. Our remuneration and benefit structures are designed to attract and retain top talent while ensuring competitiveness within our industry. Compensation is determined based on job role and responsibilities, skills and competencies, experience and performance, and industry benchmarking to ensure our compensation packages remain competitive.

**WORK-LIFE BALANCE**

We have implemented initiatives to empower our employees, allowing them to manage their time effectively and achieve a fulfilling balance between their work and personal commitments. These initiatives include:

**Work From Home (WFH)**

IT and selected staff have the option to work remotely, promoting flexibility and autonomy

**Weekly Dress Down Days**

Create a relaxed and comfortable work atmosphere

**Flexi Rosters**

Accommodate individual employee needs with flexible work schedules, assessed on a case-by-case basis

**SMILE Volunteer Club**

Employees are enabled to participate in Corporate Social Responsibility (CSR) initiatives, contributing to the community and fostering a sense of purpose

**Statutory Benefits**

In addition to competitive salaries, we offer a comprehensive benefits package by Sri Lankan labour laws, including, the Shop and Office Employees Act No. 19 of 1954, EPF Act No. 24 of 1971 ETF Act No. 46 of 1980 and Payment of Gratuity Act No. 12 of 1983

The ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.

	2023/24		2022/23	
	Male	Female	Male	Female
Senior Management	1	0.53	1	0.36
Middle Management	1	0.98	1	1.03
Executive	1	0.84	1	0.91
Clerical	1	0.94	1	0.90

During the year, we offered special financial benefits to support our employees through the economic challenges of the country.

**Benefits Offered to Our Employees**

	2023/24	2022/23
Salaries and other related expenses (Rs. Mn)	3,617.72	3,000.43
Employer's contribution to EPF (Rs. Mn)	296.72	262.01
Employer's contribution to ETF (Rs. Mn)	63.21	54.3
Gratuity (Rs. Mn)	118.28	102.77



**LIFE AT LB****Employees' Journey**

Employees drive our business and we consider it as our responsibility to make their life journey more comfortable and trouble-free.

**Family**

- Support our employees and their families through their vulnerable moments and difficult life circumstances
- Extend our culture of savings and investment to encourage our employees and their families to cultivate the savings habit
- Provide a better work-life balance to enable our employees to manage to their family commitments

**Financial**

- Support development of financial acumen and a culture of saving and investment to empower our employees

**Physical and mental well-being**

- Provide a healthy, supportive and enabling work environment free from discrimination or harassment

**Relationships**

Create a place to work that:

- Embraces diversity and facilitates opportunities for employees to "give back"
- Promotes a culture of respect, and fosters positive working relationships

**Work, job, career and employment**

- Empower employees through meaningful work and an environment that supports career progression, collaboration and learning from mistakes, while encouraging high performance

**Lifestyle, dreams, aspirations**

- Position LBF as a prominent financial services company by engaging prospective employees prior to their LBF journey

**DIVERSITY AND EQUAL OPPORTUNITY**

We foster a diverse and inclusive workplace, recognising that a broader range of perspectives drives innovation and benefits both the company and our stakeholders. Accordingly, we strive to bridge the gender gap at all levels of our Organisation. Our commitment is reflected in our non-discriminatory Policies that ensure equal opportunities for all employees, regardless of gender, religion, race or any other criteria.

Gender Parity targets have been established for every stage of the employee lifecycle, from recruitment to promotions. In the current financial year, women comprised 45.86% of our workforce and received 49.60% of promotions, demonstrating our progress towards achieving gender balance.

- **Diversity and inclusion policy:** Reflects our commitment to maintaining gender equality across all HR processes including recruitment, remuneration and benefits, training and development, promotions, employee retention, flexible work arrangements, leave entitlement, policies and procedures, Board appointments, and succession planning.
- **Gender pays equity:** Guides our Board and management in remuneration decisions, ensuring that men and women in similar roles at any level of the Organisation are entitled to be remunerated equally. Specific policies on sexual harassment in the workplace are aimed at safeguarding employees from sexual harassment and providing them with guidelines to report incidents.

**INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTION TAKEN IN FY 2023/24**

Incident	No. of Incidents
Total number of incidents of discrimination during the reporting period.	0
Status of the incidents and actions taken concerning the following:	0
i. Incident reviewed by the organisation;	0
ii. Remediation plans being implemented;	0
iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes;	0
iv. Incident no longer subject to action.	0

Gender Parity Indicators	2022/23	2023/24
Female representation at the Board level	30%	30%
Female representation at the Senior Management level	7%	8%
Female representation at the Middle Management level	16%	17%
Female representation at the Executive level	50%	49%
Female representation at the non-executive level	55%	52%
Female recruits	53%	48%
Number of female staff members promoted (Nos.)	523	515
Average training hours for female staff members (Hrs.)	15,056.45	16,940.8

HUMAN CAPITAL

PARENTAL LEAVE – FY 2023/24

	MALE	FEMALE	TOTAL
Total number of employees that were entitled to parental leave	-	13	13
Total number of employees that took parental leave	-	51	51
Total number of employees that returned to work in the reporting period after parental leave ended	-	25	25
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	-	40	40
Return to work employees who took parental leave	-	49%	49%
Retention rates of employees who took parental leave	-	78%	78%

PERFORMANCE MANAGEMENT

Our performance management system is designed to nurture a high-performance culture and effectively manage talent throughout the Organisation.

Key Features

**Pre-agreed KPIs:** Clear performance expectations are established at the beginning of the year, ensuring alignment with company goals.

**Continuous Monitoring and Feedback:** Regular performance monitoring with mid-year and annual reviews provides ongoing feedback and development opportunities.

**Automated HRIS:** Our fully automated Human Resource Information System (HRIS) streamlines the performance management process.

**Data-Driven Decision Making:** Performance data informs decisions regarding salary increments, promotions, training needs, and talent development initiatives.

100% of employees received regular performance review.

During the year under review, all permanent employees underwent performance appraisals.

TRAINING AND DEVELOPMENT

We provide our employees with continuous learning opportunities to enhance their skills and support their professional growth. In response to labour market trends, we focused on developing a pipeline of versatile employees equipped to drive the Company's strategic goals. This included specialised training interventions and

leadership development programmes for middle management.

In FY 2023/24, the total investment in training amounted to Rs. 23.22 Mn. while a total of 3,905 employees underwent 43,677 hours of training during the year. The average training hours per employee was 11.18.

TRAINING ON ANTI-CORRUPTION

We strive to create a culture of awareness and accountability regarding the Anti-bribery and Corruption (ABC) Policy, ensuring its effective implementation throughout the Organisation.

- **Recruitment Stage:** All new employees sign a declaration acknowledging their responsibility to read and understand the ABC Policy.
- **Induction and Refresher Programmes:** Comprehensive training on the ABC Policy is incorporated into employee induction programs and ongoing refresher sessions.
- **E-Learning Modules:** We provide accessible e-learning modules to reinforce understanding of the ABC Policy and its implications.





### TRAINING PROGRAMMES

The following training programmes were conducted during the FY 2023/24

Training Programme	Target Group	No. of Participants	Training Hours		
			Male	Female	Total
Management Development Programme	Credit, Gold Loan, Recoveries and Fixed Deposits Management	99	2,777	180	2,957
One on one Coaching session	Credit Management	2	40	-	40
Ultimate leadership programme for Gold Loan OIC & Second Officers	Gold Loan OIC & Second Officers	206	368	1,148	1,516
Ultimate leadership programme for the Recoveries Department	Recoveries Team	163	848	456	1,304



### GRIEVANCE HANDLING

We nurture a culture of open communication, encouraging our employees to voice any work-related concerns or grievances without hesitation. Multiple channels are provided for employees to express their opinions and seek resolution.

Regular Team Briefings	Open-Door Policy	Formal Grievance Procedure
Daily, weekly, and monthly team meetings offer a platform for open dialogue and collective feedback	Employees have direct access to senior management to discuss individual concerns impacting their roles.	Our HR department maintains a structured grievance procedure, outlined in our Code of Conduct, for formal escalation of concerns directly to the HR Head. This procedure ensures timely resolution with clear timelines and expectations

We are pleased to report that no formal grievances were filed with the HR department during FY2023/24, reflecting our commitment to a positive and supportive work environment.

### HUMAN RESOURCE ACCOUNTING

The process of measuring the worth of human capital in terms of its potential to generate future value for the Company is known as human resource accounting, or HRA. HRA is basically the process of determining, quantifying, and reporting on the investments in human resources that are not already taken into consideration by standard accounting procedures. Unlike the typical accounting approach, which treats personnel costs as an expense item in the profit and loss account, the HRA approach reports human resource-related expenditures as assets on the balance sheet.

#### KEY HR METRICS PER EMPLOYEE



Now you're turning to our HR dashboard, your tool for simplifying HR statistics. Whether it's employee performance, attendance, or recruitment trends, we've got it covered. Our dashboard makes it all easy to simplify and understand. But wait, there's more! Dive deeper and discover all the features we offer. Visit our micro-site through the following link and start exploring today!





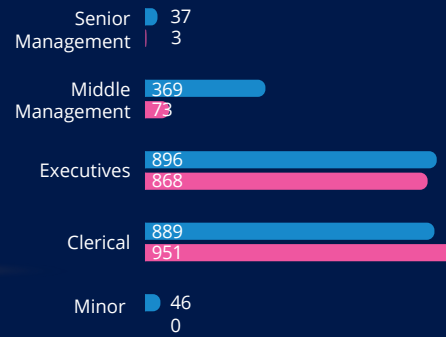
# HR DASHBOARD

GRI: 2-21, 401-1, 401-2, 404-1 

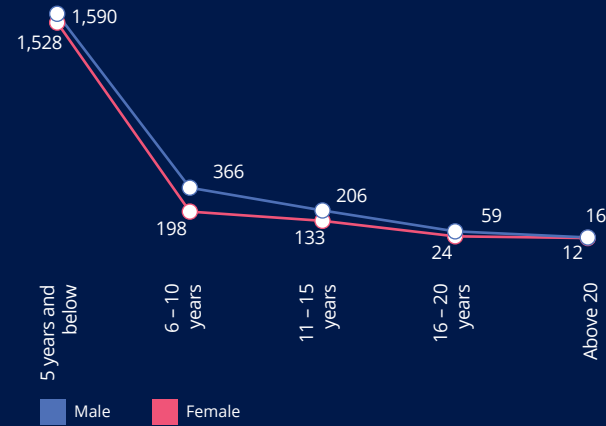
**4,132**  
Employees



## Type of Employment



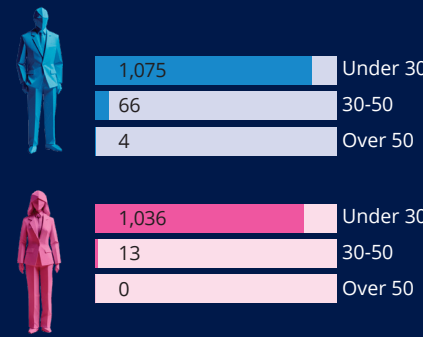
## Employees by Gender and Service Period



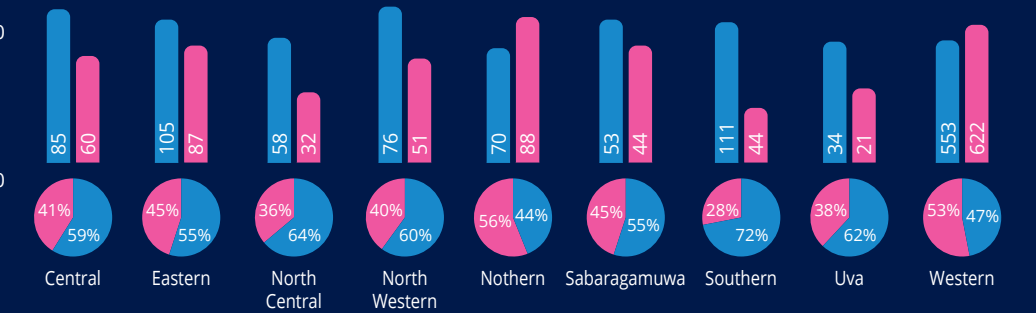
## Province-wise Staff Allocation

Province	2023/24				2022/23			
	No. of branches	Male	Female	Grand Total	No. of branches	Male	Female	Grand Total
Central	18	197	113	310	17	189	99	288
Eastern	25	168	163	331	25	142	134	276
North Central	8	96	42	138	8	85	44	129
North Western	11	118	92	210	11	101	93	194
Northern	29	113	145	258	23	92	102	194
Sabaragamuwa	7	97	65	162	7	92	57	149
Southern	13	169	101	270	13	154	95	249
Uva	6	80	42	122	6	76	36	112
Western	83	1199	1132	2331	82	1009	969	1978
Grand Total	200	2,237	1,895	4,132	192	1,940	1,629	3,569

## Recruitments in 2023/24



## Province-wise Recruitments in 2023/24



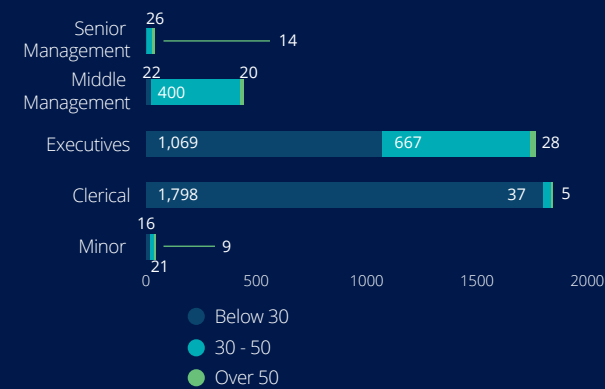
## Benefits Provided to Full-time Employees that are not Provided to Temporary or Part-time Employees

Benefit category	Full time employees	Employees on contract basis
Insurance scheme (including medical)	√	×
Parental leave	√	×
Retirement provision	√	×
Stock ownership	√	×

## Ratio of Basic Salary and Remuneration of Women to Men

Type of Employment	Male	Female
Senior Management	1	0.53
Middle Management	1	0.98
Executive	1	0.84
Clerical	1	0.94

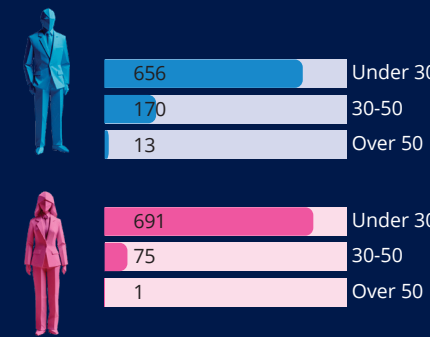
## Age Analysis by Staff Category



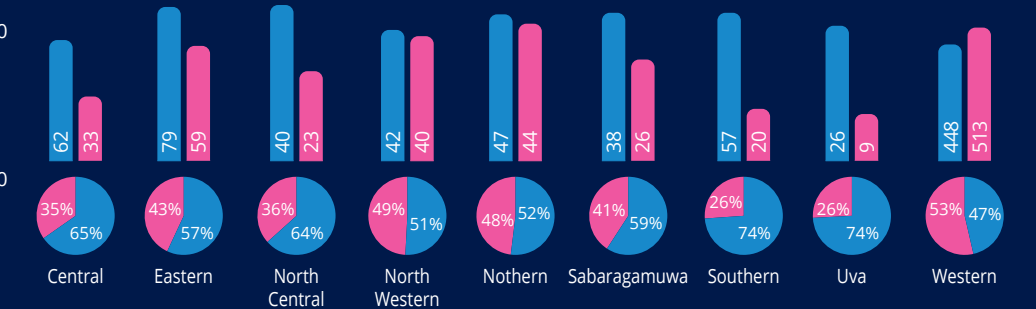
## Province-wise Employees by Type of Employment



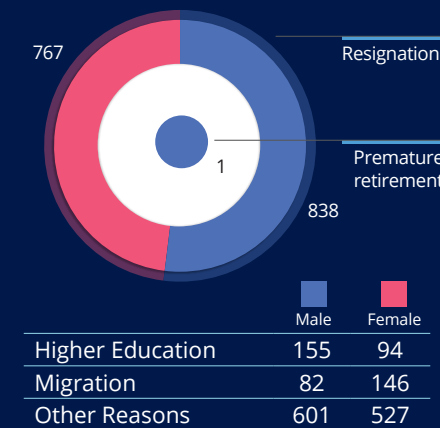
## Turnover in 2023/24



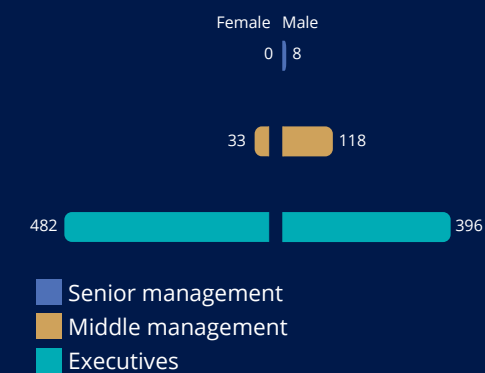
## Province-wise Turnover in 2023/24



## Reasons for Turnover vs Gender



## Staff Promotions



## Average Training Hours per Female Staff Member Increased by 12.51% YoY





**Gender Parity**

Gender parity indicator	2023/24 (%)
Female representation at Board level	30
Female representation at Senior Management level	8
Female representation at Middle Management level	17
Female representation at Executive level	49
Female representation at Non-Executive level	52
Female recruits	48
Number of female staff members promoted	515 (Head Count)
Average training hours for female staff members	16,940.8 Hr

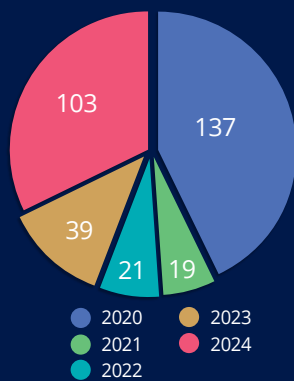
**GRI 404-1 Average Hours of Training per Year per Employee**



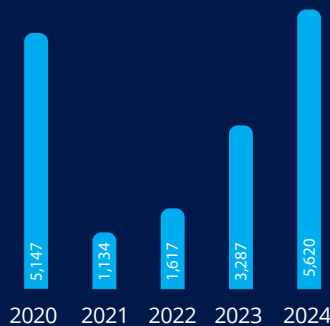
**GRI 404-2 Programs for Upgrading Employee Skills and Transition Assistance Programmes**

Programme	Participants	Training Hours
<b>Management development programme</b>	99 participants	2,957 training hours
<b>One on one coaching sessions</b>	2 participants	40 training hours
<b>Ultimate Leadership program for Gold Loan OIC &amp; second officers</b>	206 participants	368 training hours
<b>Ultimate leadership program for Recovery Department</b>	163 participants	848 training hours
		180 training hours
		0 training hours
		1,148 training hours
		456 training hours

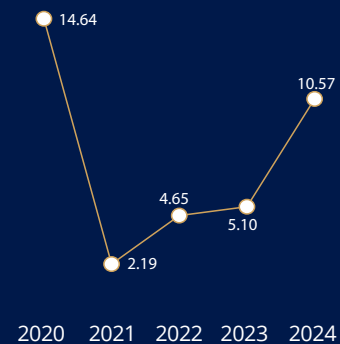
**Number of Training Programmes**



**Investment on Training & Development per Employee (Rs.)**



**Average Hours of Training per Employee**



**Incidents of Discrimination and Corrective Actions Taken**

Description	Count
Number of incidents of discrimination during the reporting period	0
Status of the incidents and actions taken with reference to the following:	0
i. Incident reviewed by the organisation;	0
ii. Remediation plans being implemented;	0
iii. Remediation plans that have been implemented, with results reviewed through routine internal management review processes;	0
iv. Incident no longer subject to action	0



# Intellectual and Digital Capital



## SHORT TERM

### Challenges

- Evolving needs of customers and rapid changes in Technology
- Ongoing risk of system failure, connectivity failure and cyber security
- Attaining process improvements for continuous development of employee productivity and customer service
- Serving and reaching customers offline

### Managing Capital

- Ensure control systems and frameworks are continuously reviewed and updated
- Maintain world-class information technology infrastructure
- Continuous improvisation of digital financial products
- Continuous assessment of existing controls and adoption of appropriate measures

### Opportunities Arising from this Risk

- Leveraging big data to analyse changing markets and behavioural trends to maintain relevance and align our compatibility with trending technologies

**Rs. 3,597 Mn**  
Brand Value

**Rs. 6.48 Mn**  
Investment on Software Development

**+200,000**  
CIM App Downloaded

**ISO 27001:2022**  
Information Security Standards Rectified





**MEDIUM TERM**

**Space for Development**

- Better use of AI technology based robotic process automation and predictive analysis to increase internal efficiency
- Strengthen the internal governance of information security and data privacy
- Move to a cloud-based environment to maintain more effective BCP control



**LONG TERM**

**Future Crafting**

- Focus on the digital space to keep with technological change
- Improve time to market by automating the software development lifecycle
- Acquisition of software that permits the digital interaction of customers

**Impact to Value Chain**

- Strong brand image Improving stability and driving efficient execution
- Delivering market leading personalised customer solutions
- Focusing and Continuing disruptive market innovations
- Increase digital productivity, employee morale and overall operational efficiency

**2,913,031**

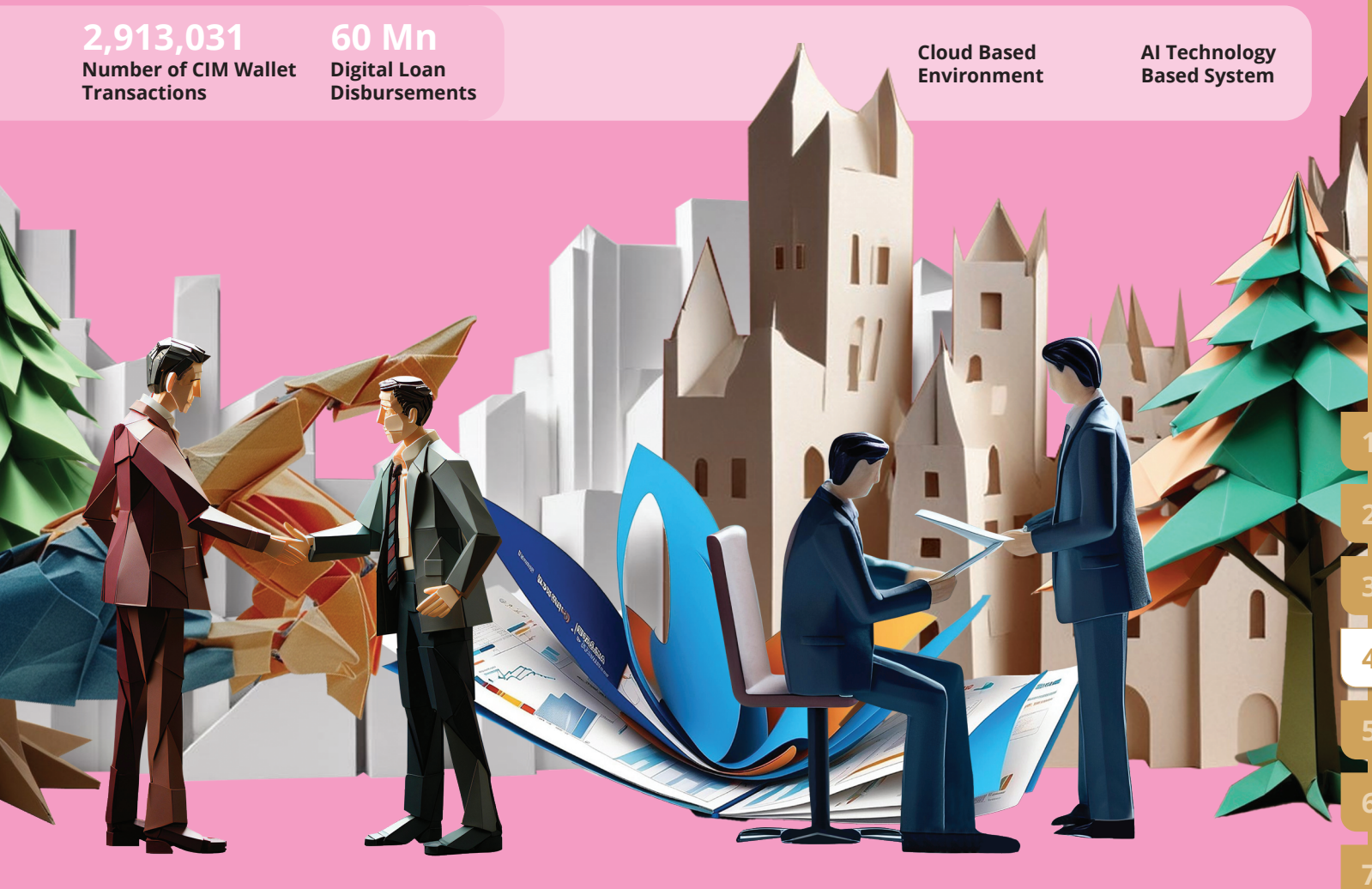
**Number of CIM Wallet Transactions**

**60 Mn**

**Digital Loan Disbursements**

**Cloud Based Environment**

**AI Technology Based System**





## CAPITAL REPORTS

### INTELLECTUAL AND DIGITAL CAPITAL

Intellectual capital comprises the intangible assets that shape our identity and provide a competitive edge. It encompasses our brand, our information technology assets, control systems and frameworks, and knowledge-based assets.

#### MANAGEMENT APPROACH

We continued to nurture our intellectual capital by adhering to the latest globally accepted best practices, and ongoing investments in our digital capabilities, processes, and people that would position us for future growth and success.

#### COMPONENTS OF INTELLECTUAL CAPITAL



BRAND



INFORMATION TECHNOLOGY ASSETS



CONTROL SYSTEMS AND FRAMEWORKS



KNOWLEDGE-BASED SYSTEMS AND PROCESSES

#### NURTURING INTELLECTUAL CAPITAL

- Digitising business processes
- Strengthening IT security
- Enhancing brand image
- Developing employees
- Strengthening IT governance

#### CONTRIBUTING TO OUR MISSION

To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors.

#### CONTRIBUTION TO OUR VALUES



Excellence



Innovation



Quality

#### STAKEHOLDERS IMPACTED



#### MATERIAL MATTERS

Business continuity

Digital transformation

Data Privacy and Cyber security

Process Excellence

Tech resource allocation

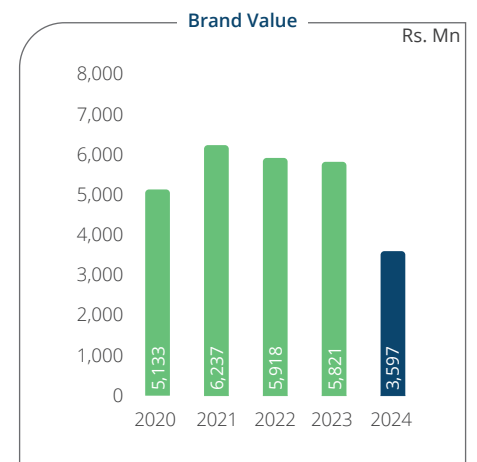
Data science and data analytics

Tech-savvy trained employees

#### COMMITMENTS TO UN SDGs



STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Enhance the systems with the latest software and secure protocols	Obtain ISO 27001 Scope certification for managing information security requirement related to IT services	Improve time to market by automating the software development lifecycle	Continuous R & D to boost idea generation and innovation capabilities	Pursue continuous process enhancements
Fraud awareness campaigns aimed at educating and creating customer awareness on fraudulent activities	Training and email awareness campaigns were conducted continuously for the staff members	Improve efficiency of the system audit process using AI technology	Enable the digital migration of core products	Prioritise cyber security initiatives to protect digital assets, customer data, and sensitive information from cyber threats
Acquisition of software that permits the digital interaction of customers	Transfer the digital CIM App development function from outside development to in-house management	Introduce a new audit programme to provide assurance regarding LBF's IT compliance status	Forge strategic partnerships and collaborations with technology vendors, startups, and industry peers to access specialised expertise	Leverage data analytics and business intelligence tools to derive actionable insights from data







CAPITAL TRADE-OFF

Process automation

<b>FC</b> Significant financial outlay in the short-term but financial returns in the long-term due to improved efficiency	<b>HC</b> Improves employee productivity	<b>NC</b> Less paper usage contributes to environmental sustainability	<b>SC</b> Improves customer satisfaction through enhanced convenience
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Investment in Advanced data analytics, digital financing and machine learning platform

<b>FC</b> Investments made on new infrastructure system to improve reliability and productivity	<b>IC</b> Enhances innovation, and improves brand reputation	<b>SC</b> New products and services	<b>HC</b> Improves decision making, new skill development
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OUR BRAND

Since its inception over 50 years ago, the journey of LBF has been one of continuous growth, evolving into a pivotal asset within the Group. Our brand has undergone numerous transformative phases, reinforcing the fundamental principles defining LBF: Excellence, Quality, Innovation, Professionalism, Ethics, and Transparency.

Our strategic objective has been to enhance our brand image, ensuring it resonates with our audience. This is facilitated by a range of tactical and business support initiatives, including a robust public relations strategy, well-defined social media policies, and precise communication protocols. These initiatives effectively disseminate our brand messages across a variety of digital platforms and communication channels, ensuring that critical messages are amplified while safeguarding our brand equity at all times.

By steadfastly adhering to these core principles, we have earned the trust and admiration of all stakeholders, thereby cementing our reputation as one of the most respected and beloved brands in Sri Lanka

INFORMATION TECHNOLOGICAL ASSETS

Our information technology assets encompass an extensive IT infrastructure and software architecture developed



over the years. We refine our IT strategy annually to leverage technology to accelerate business growth. Through sustained investments over the years, we have expanded and upgraded our

technology assets, positioning LBF to gain substantial competitive advantages. These advantages further solidify the Company's position as a digital leader in the local financial services sector.



## CAPITAL REPORTS

### INTELLECTUAL AND DIGITAL CAPITAL

#### OUR BRAND PERFORMANCE - 2023



Brand Finance®

Brand value reflects the image of the Company in the eyes of customers, existing or potential and other important stakeholders. Since LBF recognises the importance of brand as a key value driver the Company is constantly striving to preserve and nurture it.

#### CONTROL SYSTEMS AND FRAMEWORKS

##### Business Continuity Planning

To mitigate potential risks that could disrupt or jeopardise our critical business functions, our strategy places utmost importance on the safety and security of all employees while ensuring uninterrupted continuity of essential business operations. This involves ensuring uninterrupted business operations from a pre-established alternative site in the event of an emergency.

Our comprehensive Business Continuity Plan (BCP) is formulated in accordance with the guidelines of the Central Bank of Sri Lanka (CBSL) and is benchmarked against global standards. It serves as a fail-safe mechanism, offering comprehensive protection for our staff members, facilities, technology, and information systems.

**25<sup>th</sup>** MOST VALUABLE BRAND  
place in

**01<sup>st</sup>** SECTOR WINNER - FINANCE AND LEASING  
place in

**28<sup>th</sup>** MOST RESPECTED ENTITY  
place in

#### ATTRIBUTE RANKING

**11<sup>th</sup>** FINANCIAL PERFORMANCE  
place in

**14<sup>th</sup>** MANAGEMENT PROFILE  
place in

**22<sup>nd</sup>** HONESTY  
place in

**20<sup>th</sup>** INNOVATION  
place in

**25<sup>th</sup>** DYNAMISM  
place in

**32<sup>nd</sup>** CSR AND SUSTAINABILITY  
place in

**20<sup>th</sup>** VISION  
place in

**25<sup>th</sup>** HR AND PEOPLE MANAGEMENT  
place in

**21<sup>st</sup>** CRISIS MANAGEMENT  
place in

#### LICENSED SOFTWARE

- E-financial system, leasing, treasury modules
- Oracle fusion ERP cloud
- Oracle budgeting and planning modules
- Oracle profitability management modules
- ATM switch
- HRIS system
- Document management system
- Customer relationship management system
- Internet banking and e-wallet (iOS & Android)
- E-learning platform
- Reporting services and Tableau
- AML system
- CACM system
- Western Union system
- Kasperky End point security
- Robotic process automated software
- Data visualisation and modelling software
- Azure DevOps
- Kibana

#### INHOUSE SOFTWARE

- Common business partner management module
- Common cashier module
- Gold loan module
- Credit origination module including iOS oracle profitability management modules and Android mobile apps
- Savings module
- Fixed deposit module
- Money exchange module
- MIS reporting services
- Eclipse credit mobile app
- CIM wallet app
- 3CX call centre application
- PAM solution



## Information Security

We continued to safeguard our information and data assets proactively. The following initiatives were implemented during the FY 2023/24.

- Streamlined routine internal due diligence processes to ensure ongoing compliance and operational efficiency.
- Successfully transitioned from ISO 27001:2013 to ISO 27001:2022 certification, marking the fourth certification cycle. The new standard has brought down the 140 clauses to 93, and integrated 11 new clauses. A pre-certification audit was conducted to validate coverage of these clauses, affirming our seamless upgrade.
- Conducted a comprehensive audit of the CIM App based on the CBSL guidelines for payment-related applications, by engaging a third-party vendor for compliance verification.
- The technology risk management framework was overhauled to align with

the CBSL standards. Our adherence to the comprehensive CBSL Technology Risk Management and Resilience Framework No.1 of 2022. Tech risk resilience framework stands at over 70%, with ongoing efforts to fulfil the remaining requirements outlined in our compliance roadmap.

## Monitoring information security risk

- The Risk Management Department has a dedicated function responsible for overseeing security risks, as mandated by CBSL requirements. This includes conducting initial risk assessments on new developments to ensure compliance and mitigate potential risks.
- In addition, we have a separate product development team tasked with thoroughly discussing and addressing all compliance and risk aspects during the development phase. Our streamlined process ensures that all necessary measures are taken to safeguard against risks and maintain regulatory compliance.

## Ensuring customer privacy

We maintain the highest standards of data security and privacy and we prioritise the protection of customer data in accordance with regulatory requirements.

A comprehensive Data Protection Policy has been developed to strengthen our data protection measures. Additionally, we are evaluating the implementation of a data leakage prevention solution to enhance security measures.

## IT Training

The following IT-related training programmes were conducted in FY 2023/24

PROGRAMME	FOCUS	MEDIUM
Targeted awareness and training on avoiding phishing	Avoiding phishing	Online
Orientation programme for newly recruited employees	IT operations and systems	Physical
User awareness for customers and the general public	CIM app	Online

## IS Audit

Our information systems audit function conducts specialised audits to safeguard the integrity of our internal systems. These encompass reviews of IT policies, procedures, and guidelines, vulnerability management audits for web environments and mobile apps, software development lifecycle audits, and evaluations of database and server administration, network security, cloud governance, disaster recovery, access management, endpoint security, software compliance, phishing simulations, and robotic process automation.

In addition to these assessments, our program ensures adherence to ISO 27001:2022 standards, covering IT supplier security, operations processes, risk assessments, asset and capacity management, and incident management.

All independent audits are structured based on industry best practices and international standards such as ISO 27001, NIST Cybersecurity Framework, COBIT, ITIL, and CIS to drive continuous improvements to our internal technology processes.

Furthermore, we integrate control requirements from regulatory mandates such as the Direction Technology Risk Management & Resilience - Direction No 01 of 2022 and the Sri Lanka Personal Data Protection Act into our validation processes.

## IT Governance

We have strengthened our digital governance structure and policy framework which articulates our priorities, facilitates resource allocation and supports the overall internal control framework of the Company.

## CAPITAL REPORTS

### INTELLECTUAL AND DIGITAL CAPITAL

The Board Digital Information Security Committee and Board Audit Committee provide oversight in the implementation of the digital strategy of the Company. While the IT Security and Steering Committee executes the IT framework. During the year under review, we enhanced our governance structure by implementing a multi-tiered approach.

Moreover, the Board reviewed the information security policy and approximately 40 Standard Operating Procedures (SOPs) were approved during the year.

#### MULTI-TIER IT GOVERNANCE APPROACH

##### L1 Level

Focuses on regulatory compliance daily, ensuring adherence to all necessary standards and regulations

##### L2 Level

Integrated within the Risk Department, specifically addressing technology risk and resilience, ensuring robustness in our technological infrastructure

##### L3 Level

Conducts independent Information Systems (IS) audits of both L1 and L2, ensuring comprehensive evaluation and alignment with established standards and best practices

#### KNOWLEDGE-BASED SYSTEMS AND PROCESSES

##### Process Re-engineering

Process re-engineering plays a major role in our efforts to improve internal efficiencies that would benefit the Company's bottom line and enhance service delivery to customers. As such existing processes and technology are regularly reviewed to determine scope for improvement, while changes made are strictly monitored to determine if the desired results are being achieved.

#### Digital Infrastructure

The following infrastructure developments were done during the FY 2023/24 to enhance customer experience by providing efficient, user-friendly, and accessible financial services and ensuring a seamless and convenient transaction experience. Furthermore, this has greatly improved employee productivity by reducing their manual workload.

- Digitisation of the core banking process
- Digitised the entire lifecycle of Fixed Deposits (FD) while offering comprehensive services from initiation to maturity
- Conversion of conventional FDs to digital platforms - conventional deposits that previously required physical placement at a branch were digitised enabling customers to operate these FDs via our digital platform. This has enabled customers to access and manage their investments conveniently. Moreover, the manual workload for our staff has been reduced significantly by digitising approximately 50% of FDs

Our revamp efforts include:

- Separate versions for Android and iOS: To streamline development and prevent duplication, we adopted Flutter to create separate versions of our application for Android and iOS platforms
- Improved application performance for faster response times and smoother user experience
- Revamped User Interface (UI) and User Experience (UE) to make navigation intuitive and interactions seamless
- Upgraded the storage servers and implemented a new router and WiFi infrastructure to enhance connectivity and efficiency across the network
- Improved server capacity by upgrading memory, CPU, and RAM to facilitate the smooth operation of our applications

- Implemented Huawei storage solution for anticipated data growth over 5 years, enhancing data retrieval, increasing capacity, enabling remote work, and cost-effectively eliminating expensive cables, promoting environmental sustainability
- Transitioned from traditional firewalls to a cloud-based Managed Security Service Provider (MSSP) model enabling cost efficiencies, and providing branches with improved security and higher bandwidth
- Implemented Privileged Access Management (PAM) to protect admins and senior resources from cyber attacks, providing additional security measures. This initiative is part of CBSL security control
- Acquired the source code of the LB CIM app, granting us complete control over the product

#### Data Analytics

We have formed a data science team of 15 experts, focusing on creating impactful dashboards and advanced data modelling projects to improve decision-making.

- Revamped the gold loan pawning model to provide customised benefits to loyal customers through a scoring system
- Developed a scoring framework, by integrating the CRIB score and the internal score of customers
- Developed a dashboard to track profitability at branch and product levels
- In the process of probability model to predict early settlement or default likelihood, with forecasting early termination in leasing facilities
- Streamlined MIS reporting and implemented advanced data visualisation tools to facilitate senior management decision-making
- Developed GOAML, the Anti-Money Laundering system aligned to the recommendations of the Central Bank of Sri Lanka (CBSL)





Transitioned from traditional firewalls to a cloud-based Managed Security Service Provider (MSSP) model enabling cost efficiencies, and providing branches with improved security and higher bandwidth

#### Digital initiatives to enhance employee value proposition

- Ongoing enhancements to the core banking and in-house systems
- Revamped the intranet platform for improved usability
- Introduced an app allowing employees to make calls from their desktops/ laptops
- Implemented the WhatsApp channel for incident reporting
- Conducted cyber security awareness campaigns
- Adopted lean management practices to eliminate non-value-added activities and enhance performance
- Established an Operations Management Office to oversee all IT-related developments
- Implemented infrastructure IT library to meet internally set service level agreements (SLAs)

### FUTURE CRAFTING

#### Investing in our brand of improved technologies

Our brand identity is an important component of our intellectual property and a driving force behind our corporate plans and decisions. Our brand and ethos are being used to get our staff and business practices into line with our brand pledge. Our integrated stakeholder engagement approach, which is part of our broader reputation management framework, is a key focus field. Our customer engagement initiative, which we call our customer relationship management (CRM) approach, is a core differentiator of our brand promise.

Our integrated stakeholder engagement approach, which is part of our broader reputation management framework, is a key focus field. The key differentiator of our brand promise is our approach for customer relationships management (CRM), which we call our customer experiences programme. Our Interaction was improved during past years and analysis into other digital tools for stakeholder interaction ensures that we are up-to-date with state of the art technologies. Our brand protection remains a core priority and we are committed to strong brand leadership values, including our brand guidelines on the use of our brand, which we also cover with external engagements.

#### Identify business excellence opportunities

We are still looking to improve our business procedures and functions more effectively in order to satisfy the demands of our customers. We use business processes and technology for business analysis to define key performance processes that enable us to concentrate on core expertise. In addition, LBF has developed a center of innovation and technology to supervise management activities of business processes.

#### Leveraging technology in our spaces

We are committed to creativity to maximise our market worth and our stakeholders and have thus taken the unorthodox path to our infrastructure. This ensures that we have the freedom to take the decisions to mould our experience as desired and still keep control of the produced results. We also wanted to follow new world class digital platforms.

We partner with media agencies to capitalise our room and our own screens to achieve 'space' or slots on digital advertisement space. We thus build on established ties and industrial know-how of our stakeholders while ensuring that the bulk of revenue is kept within our company.





# Social and Relationship Capital



## SHORT TERM

### Challenges

- Reaching customer base outside major cities
- Finding the right partnerships that can bolster value creation for the company in the process of serving the large community
- Addressing stakeholders' queries and potential complaints

### Managing Capital

- Enhanced digital customer acquisition to reach mass people with our product offerings
- Building trust with business partners through proactive communication for business continuity
- Informing optimal incentives to attract our target customers and to retain our existing customers and women customers

### Opportunities Arising from this Risk

- Committed to inclusive stakeholder engagement and seizes opportunities to develop collaborative partnerships in the communities in which we operate

**21**  
CSR Projects

**Rs. 18.68 Mn**  
Investment on Community Development

**7,132**  
Employee Volunteer Hours

**Rs. 11.4 Bn**  
Tax Paid to the Government







**MEDIUM TERM**

**Space for Development**

- Continuing to Improve our customer satisfaction targets
- Innovative funding options for non-captured segments in collaboration with digital platforms
- Enabling financial inclusion by providing previously unbanked people with access to affordable products



**LONG TERM**

**Future Crafting**

- Align our business strategies with our branding approach for solidifying our long-term stakeholder relationships
- Further enabling process automation and digitalisation to achieve even faster turnaround times and greater customer satisfaction

**Impact to Value Chain**

- Updated software, increased automation and employee training
- Strong brand image Deepening shared values and commitments
- Broadened financial inclusivity spectrum through digital mediums

**+800,000**  
Customer Base

**33**  
Number of Financial Solutions

**Enhanced Social Media Engagement**

**Innovative Digital Products**



- 1
- 2
- 3
- 4**
- 5
- 6
- 7

## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

Our social and relationship capital involves the relationship we have created and nurtured with our stakeholders as well as the interrelationship between them that enabled greater value creation for all

#### MANAGEMENT APPROACH

We continued to forge strong relationships with our customers, suppliers, and communities to nurture our social and relationship (S&R) capital. The strength of our strategic relationships remains fundamental to maintaining our leadership in the industry.

#### COMPONENTS OF SOCIAL AND RELATIONSHIP CAPITAL



CUSTOMER CAPITAL



BUSINESS PARTNER CAPITAL



COMMUNITY CAPITAL

#### NURTURING SOCIAL AND RELATIONSHIP CAPITAL

- Leveraging digital platforms to enhance customer convenience
- Customer relationship management
- Responsible customer communications
- Supply chain management
- Community development

STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Increased digital engagement through business partnerships	Strong partnership and focus to let out our spaces	Analyse our customer profiles and identify the cross-selling capabilities	Partnerships with multilateral organisations to innovate financing and community engagement solutions for underserved segments	Empowering entrepreneurs
Implement digital customer relationship management solutions across the Company	80% of FD loans granted through the digital channel	Improving collective wellbeing through utilising relationships within and across communities	Addressing customers' queries and potential complaints through digital mediums	Digital modules for speedy transactions
Implement long-term community service and engagement initiatives based on our CSR approach	7,132 employee volunteer hours for CSR	Increase community engagement activities through social media	Improving community outreach through employee volunteerism	Engage in outcome-based community investment

#### CONTRIBUTING TO OUR MISSION

To offer a caring and personalised service that will form the foundation for developing lasting partnerships with our stakeholders

#### CONTRIBUTION TO OUR VALUES



Transparency



Innovation



Quality

#### STAKEHOLDERS IMPACTED



#### MATERIAL MATTERS

Customer Satisfaction

Online customer support

Technological advancement

Social license to operate

Regional expansion

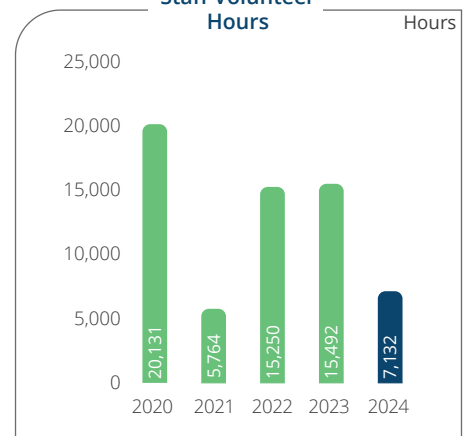
Business continuity

Business model innovation

#### COMMITMENTS TO UN SDGs



#### Staff Volunteer Hours







**CAPITAL TRADE-OFF**

**Engage in community development**

FC	HC	IC	NC
Requires financial resources to develop entrepreneurs and uplift the communities leading to a positive impact on economic growth	Employee engagement in CRS activities forges good employee-community relationships and increases employee satisfaction	Enhances brand reputation	Community engagement fosters a sustainable value chain

**Improve customer relationship management**

FC	HC	IC	MC
Investment in call centre and customer service improvements requires financial resources	Employee training to enhance customer service	Investment in technology and digital channels augments intellectual capital	Augmenting the branch network and customer touch points builds manufactured capital



**CUSTOMER CAPITAL**

Our customer base includes individuals and businesses engaged in investing, financing, and value-added services.

**WHAT WE WANT**

To provide differentiated, customised financial solutions and relevant space in the NBF sector

**WHAT THEY WANT**

We offer resource-efficient spaces relevant to their evolving needs, and our differentiators, people centricity, technology, and environmental efficiency are at the forefront of our offering

**OUR CUSTOMER PROMISE**

We place our customers at the forefront of all our actions. Accordingly, we strive to provide a service that surpasses their expectations through our service standards, convenience, branch network and touch points, digital services, product range, and quality of our customer relationships. Moreover, we adhere to all relevant legal and regulatory standards governing our business.

**MANAGEMENT APPROACH**

Our commitment to customers is reflected in our value proposition, based on enhancing customer experience and fostering trust. We promote inclusive financial services, serving Sri Lankans across the nation.

**CUSTOMER BASE**  
**+800,000**



**MALE**  
**CUSTOMERS**  
**61%**



**FEMALE**  
**CUSTOMERS**  
**39%**

Principle	Our Responsibility
Customer first	Consider customer requirements first
Customer accountability	Own the issue without passing the blame
Simple, clear and transparent	Communicate in clear, simple language
Continuous improvement	Continuously improve products, services and channels in line with customer expectations and changing needs
Monitor and reporting	Identify gaps and initiate appropriate corrective actions



## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

#### VALUE CUSTOMERS RECEIVE

- Customised products to satisfy every financial need
- Investment products that provide retirement income and meet savings goals
- Responsible and objective financial advice

#### VALUE WE RECEIVE

- Income generated through lending activities
- Access to funds through deposits
- Mobilisation activities
- Ability to earn fee-based income through value added services

#### VALUE SOCIETY RECEIVES

- Enhances the service quality of the LBF's value proposition
- Improves trust in the financial services industry
- Opportunity for development of start-ups

### OUR CUSTOMER VALUE PROPOSITION (CVP)

We engage with our customers to understand their evolving requirements amidst shifting lifestyles and socio-economic conditions. These insights enable us to improve our CVP by continuously refining our ability to effectively address their needs over time.

#### Cost-effective and affordable financial products and services

Facilitating convenience by enabling more financial services through the CIM app and offering concessions to customers to tide over their financial challenges

#### Consistent support to achieve financial goals

Facilitating access to financial services anywhere any time whilst rewarding loyal customers

#### Simple and secure platforms with 24/7-availability

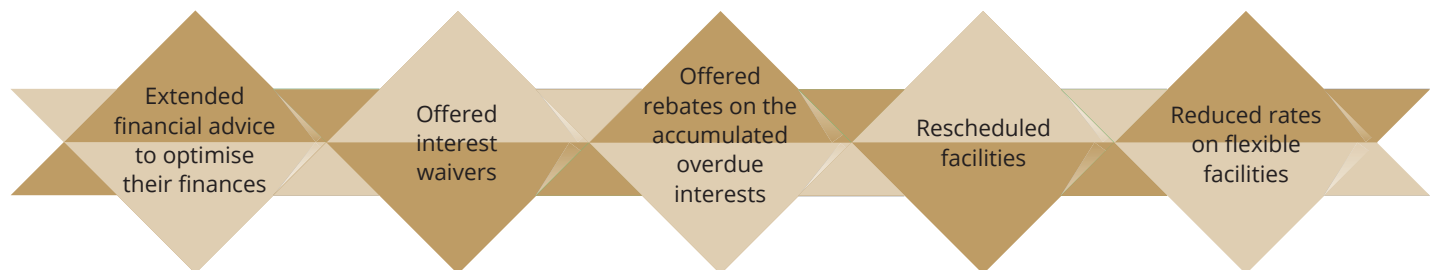
Accessible convenience at an affordable cost through user-friendly channels including the CIM app and online services

### LEVERAGING OUR DIGITAL PLATFORMS TO MEET OUR CUSTOMERS' NEEDS

During the year under review, we have enabled our gold loan customers to conduct all their transactions, including gold loan top-ups and renewals from the comfort of their homes, eliminating the need to visit a branch.

### SUPPORTING CUSTOMERS THROUGH FINANCIAL CHALLENGES

We supported our customers to navigate the financial challenges during the year by:



### RESPONSIBLE CUSTOMER COMMUNICATION

We empower our customers by providing comprehensive information about our products and services, allowing them to make informed decisions. Our marketing materials comply with regulatory requirements and industry standards, reflecting insights from customer interactions to enhance quality. All content aligns with our ethical values. All product-specific content is approved by the respective head and generic content by the marketing head. Additionally, all materials undergo Board approval before publication.

#### Our marketing communication initiatives

The following marketing campaigns were launched during the year and each campaign was strategically designed to meet specific objectives and attract targeted audiences.

- The Gold Loan product campaign targeting the business sector was conducted for 3 months with prizes as incentives. The campaign received significant advertising exposure, reaching a wide audience.
- Branch expansion campaign to promote the opening of new branches in local areas

- Leasing and Power Draft campaigns
- A Women's Day campaign was launched to honour female entrepreneurs who play a crucial role in our nation's economy. As a part of this initiative, we introduced a convenient loan scheme with favourable rates tailored to support their endeavours.



In our marketing communications, we enhanced the visual appeal and brought a more feel to the CIM app. Our aim is to achieve our customer reach objectives by digitising and infusing vibrancy into our communication. Accordingly, we shifted focus from product-oriented content to visually appealing material, targeting the younger demographic who will be our future customers. However, the challenge lies in striking a balance between catering to existing clients and making our content appealing to the younger generation.

Prominence was given to video content, particularly through a revamped TikTok

presence. Additionally, we've launched dedicated campaigns to engage our staff, featuring their user-generated content on our channels to foster a sense of involvement. Furthermore, we conducted customer polls and tracked customer satisfaction metrics, with plans to share KPIs internally.

During FY 2023/24, there were no incidents of non-compliance concerning marketing and communication nor product and service information and labelling.



## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

#### Our social media footprint - LB Finance PLC

	Facebook		Instagram		YouTube		TikTok	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
Reach	4.2 M	5.6 M	541.9 K	506.7 K	292.4 K	648.9 K	N/A	N/A
Followers	122 K	178 K	338	15 K	30 K	31 K	303	10 K
Impressions	31 M	51 M	N/A	N/A	1.2 M	1.3 M	2 K	48.2 K



### MANAGING CHANNELS

Our channel infrastructure forms the backbone of delivering our customer value proposition. To ensure it remains adaptable to customer needs, we proactively enhance its flexibility and responsiveness. Our channel management decisions are based on our customer profiles, life cycles, geographical locations, population density, and competitive positioning. To enhance the overall appeal of our channel architecture, we have transitioned towards an omni-channel environment, facilitating seamless integration between physical and digital channels. For more detailed insights into our channel operations, please refer to the Manufactured Capital Report on page 100.

	Kids/Teenagers 01-18	Millennials 19-29	Young families 30-39	Established families 40-55
Focus Products	LB Minor Savings, LB Regular Savings	Personal Loan, Digital Financing, Leasing and Savings products	Leasing, Mortgage Loan, Gold loan, Digital Financing and Savings products	Education loan, gold loan and savings products
Channel Preference	-	Digital	Physical/Digital	Physical
	Mature well-off 55-60	Senior citizens 60+	Self-employed individuals	SMEs
Focus Products	FD products and Savings products	Senior citizens' FD and savings products	Personal Loan, Leasing, Savings, Mortgage and Gold Loan	Personal Loan, Gold Loan, Mortgage, Micro Leasing and Savings
Channel Preference	Physical	Physical	Physical/Digital	Physical/Digital





**SOCIAL AND RELATIONSHIP CAPITAL**

We operate 4 call centres to efficiently respond to customer queries and handle complaints.

- A dedicated recovery call centre
- A dedicated gold loan call centre
- A dedicated marketing call centre
- A dedicated CIM wallet call centre

The call centres engage in:

- Direct business conversions convert leads into sales
- Customer complaint resolution: enhance handling of customer complaints
- Provision of customer information: provide accurate and timely information to customers

During the year under review, we implemented the following:

- The capacity of the call centre was increased to 20 agents, along with a supervisor and admin officer
- A new inquiry channel was introduced to improve customer accessibility
- Established a business unit to follow up on potential business leads

The call centres continued to collaborate with the marketing department to boost sales efforts. During the year, more than 80% of customer complaints were resolved successfully and ensured efficient escalation for remaining issues beyond the call centre’s scope.

**Customer complaint statistics for FY 2023/24**

	No. of Customer Complaints Received	Customer Complaints Solved
Credit	172	170
Gold loan	39	39
Insurance	26	26
Recovery	287	263
Deposits	2	2
General	7	7

**FUTURE**



We will continue to strengthen our customer relationships by improving customer-centricity, enhancing our digital services, and providing tailor-made products and services.

**Short-term**

- Continue to refine internal systems and processes through increased automation
- Improve the effectiveness of the customer survey process

**Medium-term**

- Further strengthen information security architecture by implementing the data protection protocol
- Continuously develop new technology based solutions tailored to meet the needs of different customer segments

**Long-term**

- Track customer satisfaction and loyalty as a more frequent indicator across business units
- Capitalise on creating more customised promotional content in all mediums



## BUSINESS PARTNER CAPITAL

We cultivate enduring relationships with our business partners, fostering sustainable and mutually rewarding collaborations that drive business growth. During the FY 2023/24, Rs. 42,036 Mn was spent on local suppliers.

### OUR DIVERSE BUSINESS PARTNERS

#### Assets and material suppliers

- Vehicles
- Furniture
- Office equipment
- Stationery

#### Financial service providers

- Banks
- Financial institutions

#### IT partners

- IT hardware suppliers
- Software development services
- Network service security
- Software services (ORACLE)

#### Outsourced services

- Security
- Food and beverage
- Water
- Sanitary facilities
- Traveling and transport
- Courier
- Auditors

#### Other services

- Utility services
- Media
- Consultancy
- Premises providers

### MANAGEMENT APPROACH

We adopt a centralised supply chain management approach, with the administrative department overseeing all procurement activities. The department ensures alignment with the requirements of the business units and compliance with the Company's procurement policy, ensuring fair treatment of all suppliers.

### OUR SUPPLY CHAIN

The Company's ABC (Anti-Bribery and Anti-Corruption) policy extends to all stakeholders: directors, employees, and third-party service providers, including suppliers, contractors, sub contractors, outsourced staff, and agents. This policy applies universally across all activities and functions of our Company, regardless of jurisdiction or business scope, incorporating stringent checks against bribery and corruption. We ensure our suppliers to uphold governance and align with our ethics and human rights policies. Their commitment to managing operational, financial, and reputational risks is evaluated during onboarding and regularly thereafter, guided by our procedure manual, procurement guidelines, external supplier management mechanism, and Code of Ethics. There were no negative impacts in the supply chain during the year under review.

### Supplier Relationship Management

The Administrative Department is entrusted with the selection and onboarding of suppliers and fostering ongoing dialogue to ensure they are well-informed and aligned with our social and environmental best practices. Additionally, the administrative team develops long-term strategic partnerships with the suppliers. We engage with our suppliers through social media, emails and face-to-face interactions.

### MEMBERSHIP IN ASSOCIATIONS

We maintain membership in the following industry associations to leverage collective strengths and foster mutually beneficial partnerships.

- Finance House Association
- Ceylon Chamber of Commerce

### Creating Business Partner Value

#### VALUE TO BUSINESS PARTNERS

- Quick settlement of dues
- Nurturing long-term business relationships
- Ensuring the earnings stability even amidst uncertainty

#### VALUE TO LBF

- Procure high quality good and services
- Competitive prices
- Long-term contracts
- Business continuity

#### VALUE TO SOCIETY

- Procure high quality goods and services
- Business continuity
- Cost effective solutions
- High quality of service
- Enhanced trust in financial services industry
- Opportunity to develop startups



## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

#### FUTURE



We will continue to strengthen the supply chain by enhancing supplier relationships, responsible procurement, and adding value to our suppliers.

#### Short-term

- Further strengthen the quality and reliability of the supply through diversification
- Create opportunities for suppliers to develop their businesses

#### Medium-term

- Increase supplier training to raise awareness on ethics, integrity and best business practices
- Use of technology solutions to streamline the supplier screening

#### Long-term

- Create digital solutions to promote greater financial inclusion among small scale suppliers
- Encourage suppliers to align with LBF's social and environmental priorities



### COMMUNITY CAPITAL

Our commitment to fostering positive change in the communities we serve is paramount to promoting financial inclusion. Critical aspects of our focus lie in providing access to education, knowledge sharing, community well-being, building partnerships, and engaging in business-linked CSR activities.



#### MANAGEMENT APPROACH

Moving beyond considering corporate social responsibility (CSR) as mere philanthropy, we are driving systemic change that generates sustainable impact over the long-term. To do this, we leverage our extensive experience in financial services, island wide presence, the expertise of our team, and our leadership in technology and innovation to deliver value to the communities.

A summary of our five-year CSR strategy includes the following outcomes and initiatives

#### Objectives

- We believe that we best serve the communities surrounding with CSR initiatives
- Increase our engagement and involvement
- Empower and uplift disadvantaged communities by understanding their needs and co-creating solutions for measurable positive impact on their socioeconomic conditions
- Monitor the impact of interventions and communities on our business and properties
- Build and strengthen relationships

#### Strategic focus area

- Driven by innovation to ensure scalability and replicability, we focus on five strategic focus areas for CSR:
- Education and Skills development
- Youth development
- Community development
- Business linkage and partnerships
- Environmental awareness

These focus areas are crucial to create a positive legacy for our communities



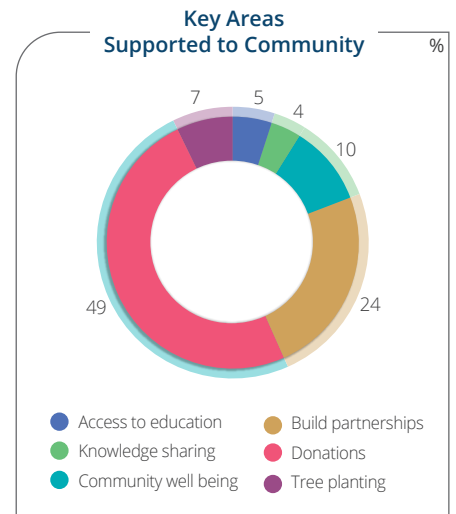


We will continue to adopt a hybrid approach, blending physical and digital engagements, to bolster our CSR strategy. We anticipate that this “phygital” CSR strategy will be crucial in driving significant outcomes in the years ahead.

During the year under review, there were no operations with significant actual and potential negative impacts on local communities

**CSR GOVERNANCE**

Under the guidance of our senior management, the sustainability team at LBF is responsible for determining sustainability initiatives and implementing projects aligned with the Company’s five CSR pillars.



**Corporate Social Responsibility**

**Access to education**

We advocate that quality education across all levels serves as the cornerstone for mitigating inequalities and fostering sustainable socio-economic development over the long haul. Within LBF’s CSR strategy, priority is given to enhancing educational access with the goal of eradicating the enduring knowledge gap prevalent in Sri Lanka. Additionally, as a responsible financial institution, we recognise our significant role in enhancing digital literacy among the broader community. This, in turn, fosters the development of self-sustaining communities capable of driving economic growth

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
‘Chaturmana’: The Inter-University Talent Competition	Talent show for University students 500+ contestants from 16 universities participated in the interuniversity talent show LBF was the Diamond sponsor for this competition which was organised by the Accounting and Financial Management Association (AFMA), the student body of the Department of Accounting, Faculty of Management Studies and Commerce, University of Sri Jayewardenepura	<ul style="list-style-type: none"> <li>Showcasing Diverse Skills</li> <li>Promoting Confidence and Self-esteem</li> <li>Fostering Creativity and Innovation</li> <li>Building Teamwork and Collaboration</li> <li>Stress Relief and Entertainment</li> <li>Enhancing Event Management Skills</li> </ul>	224	350,000/-
Empowering Future Technologists	The project aims to provide essential computer resources to students facing financial difficulties, with a specific focus on supporting Mr. Yakalla Kankanamalage Kushan Chamikara. Mr. Chamikara is a dedicated student enrolled in the BSc in Electronics and Automation Technologies degree programme at the University of Colombo.	<ul style="list-style-type: none"> <li>Equal Opportunity</li> <li>Increased Engagement and Participation</li> <li>Reduction of Barriers to Education</li> </ul>	42	185,000/-



## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
CSE Stock Market Challenge 2023	CSE Stock Market Challenge 2023 organised by the Students' Association of Financial Management of the Department of Commerce and Financial Management was held at University of Kelaniya. The event was organised with the collaboration of Colombo Stock Exchange and LB Finance PLC. The objectives were; Increasing the investments in stock market among new generation.	<ul style="list-style-type: none"> <li>Increasing the knowledge about the process of stock market among school students.</li> <li>Encouraging new generation to be alert about corporate organisations and world economic market.</li> <li>Increasing the general sense about prevailing macro-economic conditions of the country among school students.</li> </ul>	237	300,000/-
Educational Resources for Ampe Junior School	The Educational Resources for Ampe Junior School project aimed to provide essential books and equipment for Grade 1 students for the year 2024. The list of required items included rule books, drawing books, stationery, and other educational materials necessary for the students' learning and development.	<ul style="list-style-type: none"> <li>Early Literacy Development</li> <li>Enhanced Social and Emotional Development</li> <li>Preparation for Lifelong Learning</li> <li>Positive School Experience</li> </ul>	192	100,050
Consumer education	<b>Education on financial management</b> Conducted video series on social media to build awareness of the financial management under the topics of building investment habits, developing your savings habit, golden rules for strong financial security	<ul style="list-style-type: none"> <li>Enhance the savings habit of the customers and non-customers</li> <li>Day today financial information and regulatory requirements</li> <li>Information on wealth maximisation</li> </ul>	74	-





### Knowledge sharing

Entrepreneurs represent the future of our nation, and empowering them is crucial for driving our country's growth trajectory in the years ahead. At LBF, we uphold a structured agenda aimed at offering the necessary guidance and support to nurture a new generation of innovators, business professionals, and corporate leaders

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
Business development	We launched video series and sharing information on social media to raise awareness about business development. Our focus includes key topics such as building and developing a business on social media, meeting financial needs, leveraging hidden skills to generate income, and identifying potential customers. Stay tuned for valuable insights and tips to help you succeed in your entrepreneurial journey	<ul style="list-style-type: none"> <li>• Wealth Creation and Poverty Alleviation</li> <li>• Inclusive Growth</li> <li>• Diversification of the Economy</li> <li>• Innovation and Creativity</li> <li>• Job Creation</li> </ul>	304	-
Fuelling Futures: LB Finance empowers women youth with LCES	LBF proudly sponsored another impactful community project at the La Sallian Community Education Center (LCES) in Colombo. One of the primary vocational training programs that the organisation offers is a tailoring program, which helps individuals develop skills in the field of tailoring and sewing and relaunch a comprehensive Dress Making Course, a transformative educational program for those embarking on a career in the fashion industry.	<ul style="list-style-type: none"> <li>• Empowers women by equipping them with practical skills and knowledge</li> <li>• Vocational training opens up diverse career opportunities for women in traditionally male-dominated fields enables women to gain entry into skilled professions that offer higher wages and greater financial stability</li> <li>• Women who receive vocational training contribute to the development of their communities by participating in skilled labour markets</li> </ul>	401	890,817
Women empowerment Developing start-up business and budding entrepreneurs in Sri Lanka and Myanmar	We organised a video series showcasing success stories, awareness sessions, financial literacy, and entrepreneurial capacity building for LBF women entrepreneurs. These initiatives highlight the contributions made by LBF to enhance their lives and foster their development.	<ul style="list-style-type: none"> <li>• Empowering women as entrepreneurs is essential for achieving sustainable development goals, including poverty eradication, gender equality, and economic growth. By investing in women's entrepreneurship, societies can create a more inclusive, equitable, and prosperous future for all.</li> </ul>	77	-



## CAPITAL REPORTS

### SOCIAL AND RELATIONSHIP CAPITAL

#### Community well being

LBF's initiatives for community well-being are meticulously crafted to extend assistance promptly and strategically, aligning with the community's most urgent requirements. These activities are geared towards promptly identifying and addressing the critical needs of the community, ensuring that support is delivered precisely when it's needed the most. Whether it's providing essential resources, offering guidance, or implementing targeted interventions, LBF's commitment lies in responding swiftly and effectively to the pressing needs of the community.

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
Blood donation campaign	As part of the Anniversary celebration, the Kekirawa branch organised a blood donation campaign, engaging more than 150 donors who generously contributed blood to fulfil the needs of the blood bank	<ul style="list-style-type: none"> <li>• Help meet the ongoing demand for blood and blood products in healthcare facilities.</li> <li>• Support the overall functioning of healthcare systems by providing a critical resource for medical treatment</li> <li>• Promote health and well-being by encouraging individuals to engage in altruistic behaviours that benefit others</li> </ul>	103	60,000/-
Little Hearts Project	We contributed to The Little Hearts Project, aimed to provide critical medical interventions, care, and support to children with Congenital Heart Disease at the Lady Ridgeway Hospital in Sri Lanka. This project addressed a significant healthcare challenge in the country, where approximately 3,000 babies are born with these conditions annually, but only around 1,500 receive necessary treatment due to limited facilities.	<ul style="list-style-type: none"> <li>• Providing care and support to children with CHD can reduce mortality rates associated with the condition</li> <li>• Support and care for children with CHD can contribute to an improved quality of life</li> <li>• Supporting care for children with CHD also involves providing assistance and resources to their families</li> <li>• By supporting care and awareness initiatives, it is possible to promote early detection and intervention for CHD</li> </ul>	367	1,350,000
Helping hand to physically impaired people	The Wheelchair Assistance Program is a vital initiative aimed at enhancing the quality of life for physically impaired members of the Sri Lanka Navy Seva vanitha Unit (SLNSVU) community. Recognising the diverse needs within our community, this project seeks to provide essential mobility support to individuals facing physical challenges	<ul style="list-style-type: none"> <li>• Assistance from others can help physically impaired individuals navigate their environment more easily, improving their mobility and independence</li> <li>• Providing assistance to physically impaired individuals empowers them to advocate for their needs and rights</li> </ul>	141	120,000
Financial assistance	The project aims to assist Mr. Sarath Kumara, an employee with over 12 years of service at LBF. Due to his current employment status on extension, he is not eligible for medical insurance coverage. The project specifically targets the approval of funds for Mr. Sarath Kumara's eye surgery expense.	<ul style="list-style-type: none"> <li>• Helps to reduce disparities in access to healthcare by ensuring that individuals from all socioeconomic backgrounds can afford needed medical interventions.</li> <li>• Alleviates the emotional and mental stress associated with worrying about healthcare costs</li> </ul>	27	78,500





Continuation project of rehabilitation center development	A project to build a drug rehabilitation centre in Rumassala in the Galle district, and continuation of the project	<ul style="list-style-type: none"> <li>• Provide assistance and guidance to rehabilitate drug users to become productive members of society.</li> <li>• Minimising the negative impact caused by drug addiction to the general public</li> </ul>	127	377,850
Health camps and workshops	<p>Was initiated to give prominence to Health First and to promote a month of Fitness to all staff. Fitness in workplace plays a vital role in improving the staff member's health, resulting in a safer, healthier and more productive work environment.</p> <ul style="list-style-type: none"> <li>• Biggest Loser (Weight Losing Competition)</li> <li>• Weekly workouts / CrossFit Session</li> <li>• Weekly Yoga</li> </ul>	<ul style="list-style-type: none"> <li>• Fitness in workplace plays a vital role in improving the staff member's health, resulting in a safer, healthier and more productive work environment.</li> </ul>	783	90,000
Community Awareness programmes	Awareness build on international days through social media	<ul style="list-style-type: none"> <li>• World Autism Awareness Day, World Heritage Day, International Labour Day, World Oceans Day, International Day of Sign Languages, World Heart Day, World Food Day, Easter Sunday, Vesak poya day, World Happiness, Thaipongal day, World Happiness Day etc..</li> </ul>	43	



**SOCIAL AND RELATIONSHIP CAPITAL**

**Build partnerships**

Recognising the power of strategic partnerships with organisations that share our values, we have observed how such alliances can amplify the impact of our community initiatives. Therefore, we are committed to seeking out and cultivating value-adding partnerships that align with our goals and objectives. These partnerships are tailored to the scope and scale of the projects we undertake, allowing us to leverage complementary strengths, resources, and expertise to achieve meaningful and sustainable outcomes for the communities we serve

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
Donating Firewall to Lady Ridgeway Hospital	<p>LB Finance donated a firewall to Lady Ridgeway Hospital on 10th January 2024 in support of the hospital's Initiative to securely share its patients' medical details with other hospitals in a secure manner.</p> <p>The mechanism would be crucial in transforming patients' details to better assist them during emergencies and LB Finance is proud to be a part of this initiative.</p>	<ul style="list-style-type: none"> <li>Protect patients' medical information from unauthorised access</li> <li>Secure sharing of patients' medical information between hospitals helps avoid duplication of tests, procedures, and treatments</li> </ul>	63	4,801,566

**Transformative CSR**

Project	Description	Achievement	Employee volunteerism (hours)	Expenditure (Rs.)
Cyber security awareness	Conducted awareness campaigns on social media to enhance the knowledge of cyber security tips on fraudulent e-mails, cautious of the portable devices and sensitive information	<ul style="list-style-type: none"> <li>Awareness build on cyber security Problems</li> <li>Building discussion to protect from ransomware</li> </ul>	91	-
LB career support	"LB Career Fair" series in partnership with University of Kelaniya to increase the participation in career development	<ul style="list-style-type: none"> <li>Opportunity to explore a wide range of career options networking opportunities for students to connect with recruiters, hiring managers, and professional</li> <li>Interacting with industry professionals at career fairs provides students with valuable insights into current trends, challenges, and opportunities</li> </ul>	54	-
Digital literacy development and digital engagement	Building awareness of digital transactions and encouraging customers to adopt digital transaction habits through educational videos and sharing the benefits of digital payments	<ul style="list-style-type: none"> <li>Educational videos provide a visual and interactive way to explain the process and benefits of digital transactions to customers</li> <li>Digital transactions have a smaller environmental footprint compared to paper-based transactions, as they reduce the need for paper, ink, and other resources</li> </ul>	74	-



**SPECIAL NOTICE**

Dear Valued Customers,

Please avoid sharing confidential information like passwords, PINs, OTPs with third parties under any circumstances.



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**Creating Community Value**

**VALUE TO COMMUNITIES**

- Reduce inequalities
- Build sustainable communities
- Develop the rural economy

**VALUE TO LBF**

- Improve brand equity
- Enhance brand recognition and awareness of products and services
- Build a pool of potential stakeholders

**VALUE TO SOCIETY**

- Association with a trusted financial partner
- Gain from expert investment guidance
- Strengthened confidence in the financial services sector

**FUTURE**

We will continue to empower communities to foster sustainable development across Sri Lanka.

**Short-term**

- Systematically expand the community investment in identified areas
- Increase community engagement through social media

**Medium-term**

- Partnerships with multilateral organisations to develop innovative financial solutions for underserved segments
- Develop and launch a formal employee volunteer programme

**Long-term**

- Establish a formal mechanism to handle community grievances
- Introduce a set of quantitative and qualitative indicators to measure the effectiveness of each project over time







# Natural Capital



## SHORT TERM

### Challenges

- Implementing an effective resource optimisation system to reduce energy consumptions
- Creating awareness among customers regarding the benefits of green projects
- Ensuring Green Office practices are maintained and internal stakeholders are aware of its benefits

### Managing capital

- Implemented an organisation-wide Carbon reduction and resource Optimisation initiatives
- Leveraged our relationships with regulators and multilateral organisations to increase green financing

### Opportunities arising from this risk

- Increasing efficiencies to reduce reliance on domestic supplied utilities through innovative and green solutions and resource-efficient green initiatives results in lower operating costs

**+8.000**  
Island wide trees  
planted

**3,983 tCO<sub>2</sub>e**  
Carbon  
footprint

**Carbon Conscious  
Company**

**Rs. 5.05 Bn**  
Green  
Lending





**Impact to value chain**

- Continuous awareness on organisation wide resource optimisation



**MEDIUM TERM**

**Space for development**

- Conducted training through seminars and establish Sustainable Finance Help Desks with aim towards establishing Green office



**LONG TERM**

**Future crafting**

- Continue to conduct and disclose carbon footprint analysis and monitor and reduce net carbon emission

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**Solar Powered Hybrid Branches**

**Strengthen E-learning Platform**

**Low CO<sub>2</sub> Emitting Equipments**



## CAPITAL REPORTS

### NATURAL CAPITAL

We focus on mitigating the adverse impacts of climate change by implementing initiatives to minimise our carbon footprint.

#### MANAGEMENT APPROACH

We are focused on mitigating our environmental impact, especially as the consequences of climate change become more pronounced. Beyond minimising our operational carbon footprint and safeguarding ecosystems, we have integrated green financing principles into our lending strategy. Moreover, we adopt energy-efficient practices and technologies, resource conservation, and biodiversity conservation to positively contribute to mitigating adverse climate change impacts.

#### COMPONENTS OF NATURAL CAPITAL



ENERGY MANAGEMENT



WATER MANAGEMENT



EMISSIONS MANAGEMENT



WASTE MANAGEMENT

#### NURTURING NATURAL CAPITAL

- Digitalisation of business processes
- Environmental Management System
- Water conservation
- Reducing energy consumption
- Green lending

#### CONTRIBUTING TO OUR MISSION

To mobilise public funds by innovating investment products that will enhance the value delivered to our depositors.



Transparency



Innovation



Quality

#### CONTRIBUTION TO OUR VALUES

#### STAKEHOLDERS IMPACTED



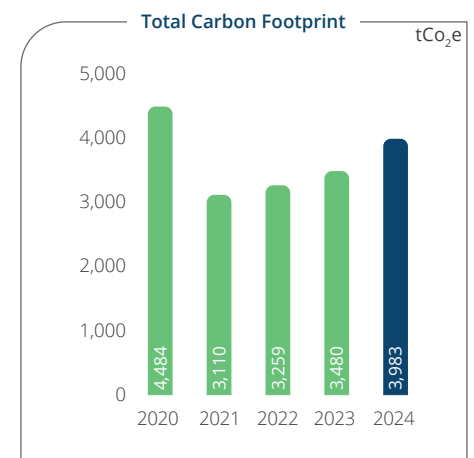
#### MATERIAL MATTERS

- Digital transformation
- Social license to operate
- Corporate citizenship
- Employee engagement
- Digital transformation

#### COMMITMENTS TO UN SDGs



STRATEGIC PRIORITIES	PROGRESS IN FY 2023/24	LOOKING AHEAD		
		Short-term	Medium-term	Long-term
Engaging with internationally recognised frameworks and standards	Implementing SLFRS S1 and SLFRS S2	Identifying and quantifying the impact our business activities and value chain have on the environment	To be a catalyst for good and achieve our UN SDG commitments, we must carefully manage our impact on natural capital.	Unwavering commitment lies in the seamless integration of ESG principles across all facets of our operations
The initiative to digitise operations and automate processes aims to minimise paper usage throughout the organisation	Newly implemented 100% digital personal loan portfolio recorded Rs. 59.8 Mn	Identifying and mitigating our environmental risks and opportunities respectively	Measuring our impact through selected metrics and targets	Integrating Environmental and Social (E&S) factors into lending decisions to promote environmental sustainability among customers





CAPITAL TRADE-OFF

Managing our carbon footprint

<b>FC</b> Investment in energy-efficient equipment	<b>HC</b> Nurtures an environmentally conscious workforce through training and awareness creation	<b>MC</b> Adopts green concepts in branches including maximising natural light	<b>SC</b> Maintains a sustainable value chain through supplier screening and promoting green lending
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Expanding green initiatives

<b>FC</b> Expands green financing and lending	<b>IC</b> Automation and digitisation contribute to a paperless office and efficiency improvement	<b>SC</b> Conducts tree-planting projects in collaboration with the community	<b>HC</b> Employee volunteering to engage in environmental conservation initiatives
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DRIVING BEHAVIOURAL CHANGE THROUGH ENGAGEMENT

Our approach to safeguarding natural capital is based on understanding stakeholder needs and taking action in areas where we can positively impact long-term sustainability and effective environmental stewardship. By incorporating ESG into our stakeholder engagement, we are able to create awareness and influence better practices.

ENGAGEMENT



RESOURCE MANAGEMENT - UNDERSTANDING OUR IMPACTS

INPUT MANAGEMENT



Water Footprint

Established contingency plans to mitigate and improve efficiency of water consumption across our business



Energy Footprint

Our energy consumption matrix helps to streamline energy consumption in day-to-day activities

OUTPUT MANAGEMENT



Emission Footprint

Continuous and ongoing monitoring of our carbon footprint helps to maintain control over our emissions and emissions related materials



Waste Footprint

Proactive effort to control waste through the promotion of 4R principles. (Reduce, Reuse, Refuse and Recycle)

ENVIRONMENTAL GOVERNANCE

The sustainability team plays a vital role in overseeing effective management of the EMS (Environmental Management System). This encompasses monitoring the adequacy of the EMS in relation to the evolving regulatory requirements.

Environmental Management System (EMS)

Our EMS is the foundation of our commitment to the environment. All our employees are encouraged to uphold the Environmental Pledge, which reflects our core values and guiding principles. The EMS is dynamic, evolving to address emerging environmental challenges while ensuring compliance with regulations. Our focus on addressing key environmental issues demonstrates our commitment

to responsible stewardship and driving positive change. Through the EMS, we have achieved specific achievements, including management in carbon emissions and the implementation of a successful recycling programme. Through these efforts, we cultivate a workforce of environmentally conscious individuals, adopt sustainable green practices, and contribute to the conservation of our planet for future generations.



THE SIX PILLARS OF EMS

REDUCE

Identify and implement strategies to reduce energy consumption, water usage, and waste generation across all operations.

REUSE

Priorities reusing materials whenever possible and explore creative ways to extend the lifespan of resources.

RECYCLE

Implement a comprehensive recycling programme encompassing various materials and diverting waste from landfills.

TRAINING

All employees undergo regular environmental awareness training to understand their role in minimising our negative impact.

POLICIES AND PRACTICES

Establish clear environmental policies and procedures that guide our operations and decision-making.

EMPLOYEE ENGAGEMENT

Foster a culture of environmental responsibility, encouraging employees to participate in sustainability initiatives actively.

OUR WATER FOOTPRINT



Total water consumption  
**44,908m<sup>3</sup>**  
38,847m<sup>3</sup> (2022/23)

Per employee  
**10.87m<sup>3</sup>**  
10.91m<sup>3</sup> (2022/23)

Per working day  
**186.34m<sup>3</sup>**  
167.44m<sup>3</sup> (2022/23)

Per outlet  
**224.54m<sup>3</sup>**  
202.33 m<sup>3</sup> (2022/23)



WATER MANAGEMENT

We manage our water consumption, primarily reserved for essential staff utility purposes. Reducing our water footprint is a key objective outlined in our EMS. To achieve this, we have established a company-wide water management plan, outlining clear guidelines to minimise daily water usage. Additionally, we raise staff awareness, encouraging vigilance to minimise wastage and support conservation efforts.

Water Management Initiatives

FOCUS PILLAR	ACTIONS TAKEN
Reduce consumption	<ul style="list-style-type: none"> <li>Using high-intensity pressure pumps for vehicle washing</li> <li>Using pressure-reducing valves to maintain consistent water pressure</li> <li>Regulating water flow with taps with spray attachment</li> </ul>
Awareness	<ul style="list-style-type: none"> <li>Displaying water-saving tips</li> </ul>
Reuse	<ul style="list-style-type: none"> <li>Using drain water for air conditioner cooling</li> </ul>
Policies and procedures	<ul style="list-style-type: none"> <li>Employees committing to the Sustainability Pledge</li> </ul>



Sustainability Pledge and Environment Policy



**OUR ENERGY FOOTPRINT**

Overall energy consumption

**16,852.95GJ**

14,384.00 (2022/23)

Per employee

**4.08GJ**

4.04GJ (2022/23)

Per working day

**69.93GJ**

62.00GJ (2022/23)

Per outlet

**84.26GJ**

74.92GJ (2022/23)

**ENERGY MANAGEMENT**

We recognise the environmental impact of our growing energy consumption and are committed to mitigating it through our Energy Management framework.

**Energy Management Initiatives**

FOCUS PILLAR	ACTIONS TAKEN
Reduce consumption	<ul style="list-style-type: none"> <li>Using high-tech energy-efficient equipment</li> <li>Adopting energy reduction methodologies</li> <li>Using energy-efficient lighting for sign boards at outlets</li> <li>Maximising usage of natural light</li> </ul>
Awareness	<ul style="list-style-type: none"> <li>Displaying of energy-saving tips</li> <li>Conducting an e-mail campaign on the benefits of energy-saving</li> </ul>
Reuse	<ul style="list-style-type: none"> <li>Using energy reduction methods at the office and home</li> </ul>
Policies and procedures	<ul style="list-style-type: none"> <li>Employees committing to the Sustainability Pledge</li> </ul>

**EMISSION MANAGEMENT**

As a financial services institution, our direct emission (scope 1 as defined by the GHG protocol) resulting from business activities are minimal. However, we recognise that our responsibility extends beyond direct emission and are taking steps to address scope 2 and 3 emissions associated with our operations. We are pursuing energy efficiency measures and exploring renewable energy options to reduce our reliance on grid electricity, thus minimising our scope 2 emissions.

To address scope 3 emission, we are implementing programmes to encourage employees to adopt sustainable commuting options such as carpooling, public transportation, cycling, and walking. We are also exploring options for remote work and flexible work arrangements to further reduce commuting-related emission.

While our assessments did not reveal significant air emissions or hazardous compounds, we are committed to continuous improvement. We are exploring more comprehensive emission measurement methodologies to further refine the understanding of our environmental impact and identify additional areas for improvement.

**Emission Management Initiatives**

FOCUS PILLAR	ACTIONS TAKEN
Reduce consumption	<ul style="list-style-type: none"> <li>Moving away from high-energy intensive equipment to energy-saving equipment</li> <li>Promoting common transport as opposed to private transport</li> <li>Regulating usage during peak times</li> <li>Providing integrated transport solutions for business duties</li> </ul>

**OUR EMISSION FOOTPRINT**Total CO<sub>2</sub> emitted**3,983 tCO<sub>2</sub>**3,480 tCO<sub>2</sub> (2022/23)

Per employee

**0.96 tCO<sub>2</sub>**0.98 tCO<sub>2</sub> (2022/23)

Per working day

**16.53 tCO<sub>2</sub>**14.09 tCO<sub>2</sub> (2022/23)

Per outlet

**19.91 tCO<sub>2</sub>**18.13 tCO<sub>2</sub> (2022/23)

EMISSION INTENSITY RATIO

**0.0809 tCo2e/Rs.Mn**

NATURAL CAPITAL

FOCUS PILLAR	ACTIONS TAKEN
Awareness	<ul style="list-style-type: none"> <li>E-mail campaign on energy-saving mechanisms across the Company</li> <li>Encouraging customers, corporate entities, and the general public to adopt low-emission initiatives</li> </ul>
Reuse	<ul style="list-style-type: none"> <li>Leading by example and encouraging peers to focus on carbon neutrality by adopting the carbon footprint calculation process</li> </ul>
Policies and procedures	<ul style="list-style-type: none"> <li>Securing the commitment of employees to the EMS</li> </ul>

**CARBON FOOTPRINT VERIFICATION**

Our carbon footprint calculations are independently verified according to the ISO 14064-1:2006 standard, ensuring the accuracy and credibility of our reported emissions data.

This carbon footprint assessment provides valuable insights that guide our emission reduction strategies and initiatives.



Visit web page for more information on the carbon footprint report

**CARBON FOOTPRINT CALCULATION**

Following the GHG Protocol, we report our emissions across three scopes:

Scope 1 : Direct emissions from sources we own or control.

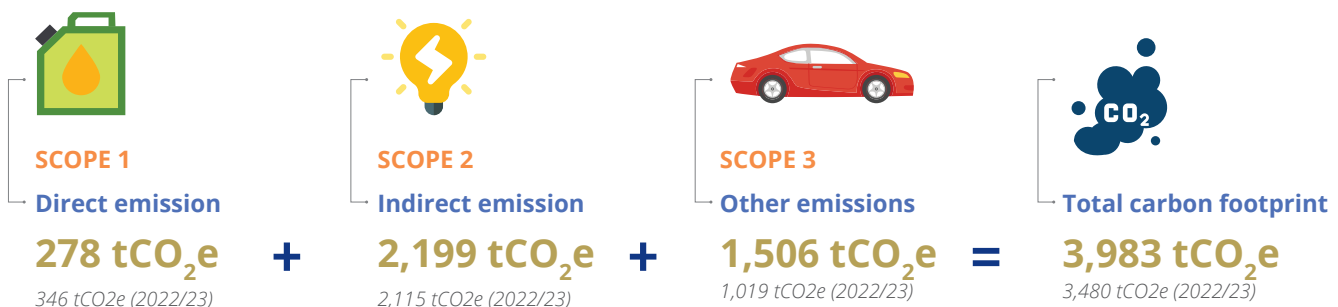
Scope 2 : Indirect emissions from purchased electricity, heating, and cooling.

Scope 3 : Other indirect emissions across our value chain, such as employee commuting and business travel.

**Strategies and targets**

SCOPE	TARGET	STRATEGY
Scope 1	<ul style="list-style-type: none"> <li>Effectively and efficient use of natural capital at workplace</li> </ul>	<ul style="list-style-type: none"> <li>Focus on GHG emission reduction in work place arrangements, construction and maintenance of office premises</li> <li>Maintain optimum temperature of air conditions at all locations</li> <li>Use of energy intensity sensor based lights where possible</li> <li>Awareness on LB sustainability pledge and environment policy</li> <li>Purchase laptops while phasing out old desktops</li> <li>Encourage using online platforms and digital systems in the business processes and business meetings</li> </ul>
Scope 2	<ul style="list-style-type: none"> <li>Reduction of carbon emission of our own operation</li> </ul>	<ul style="list-style-type: none"> <li>Installation of solar panel in 26 branches</li> <li>Awareness campaign for employees to promote responsible green practices</li> </ul>

SCOPE	STRATEGY IN MEDIUM TERM	STRATEGY IN LONG TERM
Scope 3	<ul style="list-style-type: none"> <li>Take necessary actions to measure finance emissions</li> <li>Provide financial incentives for environmental friendly business practices</li> </ul>	<ul style="list-style-type: none"> <li>Promote recycling and circular economy</li> <li>Assess the financial risks and opportunities associated with the scenarios</li> <li>Support research and development efforts for reducing GHG emission</li> </ul>

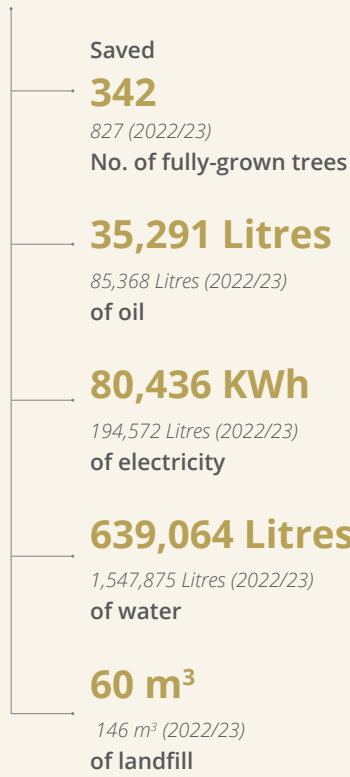




## OUR WASTE FOOTPRINT



Total paper recycled  
**20,109.00Kg**  
48,643.00Kg (2022/23)



## ENVIRONMENTAL SUSTAINABILITY

### Green Lending

Our Green Lending scheme promotes sustainable transportation by offering attractive financing options for hybrid vehicles. These vehicles significantly reduce carbon emissions and contribute to a cleaner environment compared to traditional gasoline or diesel vehicles.

### Green financing facilities

Year	Volume (Nos)	Volume (Rs.)
2019/20	2,814	5,750,625,199
2020/21	2,293	4,293,103,819
2021/22	1,457	4,135,768,244
2022/23	855	2,411,246,625
2023/24	1,597	5,056,620,478



## WASTE MANAGEMENT

To minimise paper waste, our EMS promotes the 4R principles:

### Waste Management Initiatives

FOCUS PILLAR	ACTIONS TAKEN
Refuse	<ul style="list-style-type: none"> <li>Implementing strategies to minimise paper usage through digitisation and responsible document management</li> <li>Creating a centralised web portal has created a paperless work environment</li> </ul>
Reduce	<ul style="list-style-type: none"> <li>Monitoring and controlling inventory consumption through the inventory management system</li> </ul>
Recycle	<ul style="list-style-type: none"> <li>Directing paper items to a designated area in each office to be sent for recycling</li> <li>Recycling all paper waste through Neptune Recyclers</li> <li>Recycling all e-waste through an authorised e-waste recycling partner</li> </ul>
Reuse	<ul style="list-style-type: none"> <li>Reuse of paper and envelopes as much as possible</li> </ul>

### Thuru Wawamu

Under the Thuru Wawamu project launched in 2018 we have grown 8,200 trees as of 31 March 2024. The project was launched coinciding with the Company's 50th anniversary, contributing to the restoration of Sri Lanka's forest cover. The collaborative approach with key stakeholders including school authorities, local governing bodies, and the general public have ensured community involvement and long-term sustainability of the project.

The initiative focuses on installing and maintaining informative display boards at the entrances of national parks across Sri Lanka. These boards provide visitors with essential information about the parks' ecosystem, wildlife conservation efforts, and guidelines for responsible behaviour to minimise their impact on the environment. By educating visitors about the significance of national parks and promoting responsible tourism practices, we aim to contribute to the long-term preservation of Sri Lanka's rich biodiversity and natural heritage.

### Awareness Building

We partnered with the Young Zoologists' Association of Sri Lanka in a joint initiative to raise awareness about the importance of national parks and responsible visitor behaviour.

Year	Project location
2023/24	Dehiwala, Pinnawala
2022/23	Udawalawa, Katharagama, Suriyawewa, Padalangala, Matara, Ambalantota, Ussangoda, Hambanthota, Dehiwala
2021/22	Dehiwala





# CARBON JOURNEY

Our commitment to protect and preserve the environment by continuously refining our policies and procedures and improving our products and services through the use of technology has enabled LB Finance PLC to be certified as a Carbon Neutral Company until last year.

LB Finance's commitment towards nature and sustainability by promoting environment-friendly business practices to the various business segments of the country as well as reducing carbon footprints from our organisational framework.

## 3,982.9 tCO<sub>2</sub>e



Scan QR code to view our Carbon Journey online



ClimateSI

### CARBON CONSCIOUS CERTIFICATE

Climate Smart Initiatives (Pvt) Ltd assures that GHG Inventory of  
**LB Finance PLC**

for the financial year 2023/24

has been measured and reported in accordance with the requirements of ISO 14064-1: 2018 – Specification with guidance at the organizational level for the quantification and reporting of greenhouse gas emissions and removals.

Certificate No : ClimateSIMRV/047  
Date of Certification : 28. 05. 2024  
Period of Assessment : 01. 04. 2023 to 31. 03. 2024  
Scope of Certification : Operationally controlled business activities belongs to LB Finance PLC

Total Direct GHG Emissions : 278.3 tonnes of CO<sub>2</sub> equivalent  
Total Indirect GHG Emissions : 3,704.6 tonnes of CO<sub>2</sub> equivalent  
**Total : 3,982.9 tonnes of CO<sub>2</sub> equivalent**

Eng. H. M. Buddika Hemashantha  
(Bsc (Hons) Eng., M. Eng.)  
Director  
Climate Smart Initiatives (Pvt) Ltd

Direct Emissions : Onsite diesel generators, Company owned vehicles, Fire extinguishers, Refrigerant leakage

Indirect Emissions : Grid connected electricity, Transmission and distribution loss, Employee commuting not paid by company, Municipal water, Paper waste, Business air travel

Exclusions : Transportation of locally purchased items, Emissions of client/ guest transportation, Waste disposal (except paper waste) & transportation

Period of validity : 28. 05. 2024 to 31. 03. 2025



## REPORT ON CORPORATE STEWARDSHIP

# GEARED FOR THE FUTURE

By equipping ourselves with the right tools, we build the right degrees of flexibility and support to optimise performance, create safer conditions, and ensure adaptability. We rely on time-tested structures to ensure the fair distribution of resources, while mitigating risks effectively.

Many tools are used to support the often challenging, specialised movements that are an inherent part of ballet. Pointe shoes in particular are used to distribute weight to less critical places enables the dancer to minimise risks, while offering greater levels of support and stability.

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## BOARD OF DIRECTORS



**MR. G A R D PRASANNA**  
Chairman/Non-Independent  
Non-Executive Director



**APPOINTED TO THE BOARD**  
1st December 2021



**APPOINTED AS THE CHAIRMAN**  
1st March 2022



**MR. ASHANE JAYASEKARA**  
Independent Non-Executive  
Director/Senior Director



**APPOINTED TO THE BOARD**  
30th October 2017



**APPOINTED AS SENIOR  
INDEPENDENT DIRECTOR**  
1st March 2022



**MR. SUMITH ADHIHETTY**  
Managing Director



**APPOINTED TO THE BOARD**  
10th December 2003



**MR. NIROSHAN UDAGE**  
Deputy Managing Director



**APPOINTED TO THE BOARD**  
1st January 2007



**MR. B D A PERERA**  
Executive Director



**APPOINTED TO THE BOARD**  
1st January 2007



**MR. RAVINDRA YATAWARA**  
Executive Director



**APPOINTED TO THE BOARD**  
15th March 2016



**MS. YOGADINUSHA BHASKARAN**  
Non-Executive Director

 **APPOINTED TO THE BOARD**  
15th March 2016






**MS. ASHWINI NATESAN**  
Independent Non-Executive Director

 **APPOINTED TO THE BOARD**  
1st September 2018



**Board Composition**

-  Executive Director
-  Non-Executive Director



**MR. DHARMADASA RANGALLE**  
Non-Executive Director

 **APPOINTED TO THE BOARD**  
10th April 2019











**MS. YANIKA AMARASEKERA**  
Independent Non-Executive Director

 **APPOINTED TO THE BOARD**  
1st July 2021



**Board Sub-Committee Memberships**

-  Board Nominations and Governance Committee (BNGC)
-  Board Audit Committee (BAC)
-  Board Human Resource and Remuneration Committee (BHRRC)
-  Board Integrated Risk Management Committee (BIRMC)
-  Board Related Party Transactions Review Committee (BRPTRC)
-  Board Information Security Committee (BISC)
-  Board Sustainability Committee (BSC)



**MR. G A R D PRASANNA****Appointed to the Board**

Appointed to the Board on 1st December 2021 and as the Chairman of the Board of Directors on 1st March 2022.

**Role**

Chairman/Non- Independent Non-Executive Director

**Skills and Experience**

Mr. G A R D Prasanna has wide experience in various business management strategies and a business leader in manufacturing, banking and finance, leisure, plantations, and hydropower generation. He has many of years of experience in managing businesses and extensive governance experience gained through leadership of the Boards of quoted and unquoted companies.

**Current appointments**

He holds directorships in sixteen other companies viz: an Independent Non-Executive Director of Royal Ceramics Lanka PLC, Managing Director of Wise Property Solutions (Pvt) Ltd, Executive Director of Wise Homes (Pvt) Ltd and Grandmark (Pvt) Ltd, Non-Executive Director of Multi Finance PLC, Rocell Bathware Limited, Rocell Ceramics Distributors (Private) Limited, Rocell Properties Limited, Country Energy (Private) Limited, La Forteresse (Private) Limited, Delmege Forsyth & Co. (Shipping) Ltd, Lewis Shipping (Pvt) Ltd, Delmege Air Services (Pvt) Ltd, Delmege Aero Services (Private) Limited, Delmege Insurance Brokers (Pvt) Limited and Delmege Airline Services (Private) Limited.

**Former appointments**

Director of Lanka Ceramics PLC, Director of Delmege Forsyth & Co. Ltd, Director of Delship Services (Pvt) Ltd, Director of Lewis Brown Air Services (Pvt) Ltd, Chairman of Pan Asian Banking Corporation PLC, Director of Tekro Holdings (Pvt) Ltd, Delship Services (Pvt) Ltd, Hayleys Global Beverages (Pvt) Ltd, Director of Delmege Forsyth & Co. (Exports) (Pvt) Ltd, Delmege Coir (Pvt) Ltd, Director of Delmege Aviation Services (Pvt) Ltd and Alternate Director to Mr. K D D Perera of Lanka Tiles PLC.

**MR. ASHANE JAYASEKARA****Appointed to the Board**

On 30th October 2017, Appointed as Senior Independent Director on 1st March 2022

**Role**

Independent Non-Executive Director (Senior Independent Director)

**Skills and Experience**

Mr. Jayasekara is a Fellow Member (FCA) of the Institute of Chartered Accountants of Sri Lanka, a Fellow Member (FCMA) of the Chartered Institute of Management Accountants – UK, and a Fellow Member (FBCS) of the British Computer Society - UK. He holds Associate Membership (AIArb) of the Singapore Institute of Arbitrators. He has a Bachelor of Science Degree [Hons] in Information Systems from the London Guildhall University and a Master of Business Administration from the University of Southern Queensland. He also holds a Master of Laws (LLM) from Cardiff Metropolitan University specialising in Information Technology and Intellectual Property. Mr. Jayasekara is a Certified Internal Auditor [IIA - USA], Certified Fraud Examiner [ACFE - USA], Certified Information Systems Auditor [ISACA - USA] and a Computer Hacking Forensic Investigator [EC Council - USA].

He has over 20 years of experience in the fields of internal audit, cyber security, fraud investigations, corporate governance, risk management and internal controls. His experience spans private, publicly listed, multinational and government enterprises across a range of sectors. He has overseen many forensic audits and provided litigation support for cases ranging from arbitration hearings to Magistrates and High Court cases. He has served as a consultant to local government and state-owned enterprises on the development of enterprise risk management policies and IPPF based Internal audit manuals. He is a visiting faculty member at leading state and private sector universities and has played a pioneering role in the introduction and delivery of Fraud & Forensic Accounting as a subject in undergraduate and postgraduate programs in Sri Lanka.

**Other current appointments**

He holds directorships in three other companies viz: Deputy Managing Partner of BDO Partners Sri Lanka and Managing Director of BDO Partners (Pvt) Ltd and Independent Non-Executive Director of National Savings Bank.

He is also a Council Member - Institute of Chartered Accountants Sri Lanka, Council Member - University of Colombo, Vice President - ISACA Sri Lanka Chapter [Affiliated to ISACA Global USA], Member - Global Advisory Council of the Association of Certified Fraud Examiners USA and Member – Global Advisory Board on Computer Forensics of the EC Council USA.

**Previous key appointments**

Managing Partner of BDO Maldives, Director of BT Communication Lanka (Pvt) Ltd. (Subsidiary of British Telecom Global Services (UK), Director of BDO BPO Services (Pvt) Ltd, Director of BDO Prime Consultants (Pvt) Ltd, President of the Institute of Internal Auditors Sri Lanka [Affiliated to IIA Global USA] in 2012/13. Chairman of the Integrated Reporting Council of Sri Lanka.

**MR. SUMITH ADHIHETTY****Appointed to the Board**

On 10th December 2003

**Role**

Managing Director

**Skills and Experience**

He is a well-known professional in the marketing field, counts over 45 years of experience in the finance sector.

**Current appointments**

He holds directorships in nine other companies viz: a Non-Executive Director of Vallibel One PLC, Multi Finance PLC, The Fortress Resorts PLC, LB Microfinance Myanmar Company Limited, Greener Water Ltd., Summer Season Ltd., Summer Season Mirissa (Pvt) Ltd., Summer Season Residencies Ltd., and La Forteresse (Private) Limited.



### Former appointments

Deputy Managing Director of Mercantile Investments Limited and served as a Director of Nuwara Eliya Hotels Company Limited, Grand Hotel (Private) Limited, Royal Palm Beach Hotels Limited, Tangerine Tours Limited, Security Ceylon (Private) Limited, Director of Vallibel Finance PLC and Pan Asia Banking Corporation PLC. Also served as the Managing Director of The Fortress Resorts PLC.

### MR. NIROSHAN UDAGE

#### Appointed to the Board

On 1st January 2007

#### Role

Deputy Managing Director

#### Skills and Experience

He holds Bachelor's Degree in Science from the University of Colombo and possesses 33 years of experience in the field of leasing and finance, including 10 years at Lanka Orix Leasing Company PLC and 03 years at Mercantile Investments Limited prior to joining LB Finance PLC in 2004. He has undergone extensive training in Strategy and Management in Banking conducted by Intentional Development Ireland Ltd in Dublin and London and also successfully completed High Potentials Leadership Program at Harvard Business School in Boston, MA, USA in 2012.

#### Current appointments

He holds directorships in two other companies viz: a Non-Executive Director of Multi Finance PLC, LB Microfinance Myanmar Company Limited.

He is also a Council Member of The Finance Houses Association of Sri Lanka (FHA).

#### Former appointments

Director of Hayleys Fibre PLC, Chairman of the Finance Houses Association of Sri Lanka (FHA), Member of the Financial System Stability Consultative Committee established by the Central Bank of Sri Lanka. Director of Credit Information Bureau of Sri Lanka (CRIB).

### MR. B D A PERERA

#### Appointment to the Board

On 1st January 2007

#### Role

Executive Director

#### Skills and Experience

He is an Associate Member of the Chartered Institute of Management Accountants of UK (ACMA), CGMA (UK) and holds a BSc (Business Administration) Special Degree from the University of Sri Jayewardenapura, successfully completed High Potentials Leadership Program in 2012 at Harvard Business School in Boston, MA, USA. Counts over 26 years of experience in the leasing industry that includes positions at Commercial Leasing Company Limited, Lanka Orix Leasing Company PLC and a Merchant Bank in Bangladesh.

#### Current Appointments

He holds directorships in three other companies viz: an Non-Executive Director of Multi Finance PLC, LB Microfinance Myanmar Company Limited and Independent Non-Executive Director of Pan Asia Banking Corporation PLC

#### Former appointments

Director of Hayleys Fibre PLC

### MR. RAVINDRA YATAWARA

#### Appointed to the Board

On 15th March 2016

#### Role

Executive Director

#### Skills and Experience

He Holds a BSc. Degree in Business Administration from the Oklahoma State University, USA. Counts over 28 years' experience in the Finance Industry, including both Managerial and Senior Managerial positions in the LOLC Group, Hatton National Bank PLC and AMW Capital Leasing PLC.

#### Current appointments

He holds directorships in two other companies viz: a Non-Executive Director of Multi Finance PLC and LB Microfinance Myanmar Company Limited.

### Former appointments

General Manager of LB Finance PLC, Chairman of The Finance Houses Association of Sri Lanka (FHA). Vice Chairman of the Leasing Association of Sri Lanka (LASL).

### MS. YOGADINUSHA BHASKARAN

#### Appointed to the Board

On 15th March 2016

#### Role

Non-Executive Director

#### Skills and Experience

Ms. Dinusha Bhaskaran is a Fellow member of the Chartered Institute of Management Accountants UK (FCMA), Fellow member of CPA Australia (FCPA) and Fellow Member of the Institute of Bankers Sri Lanka (IBSL).

#### Current appointments

She holds directorships in six other companies viz: Managing Director of Vallibel One PLC, Chairperson / Director of Greener Water Ltd, Executive Director of Delmege Ltd, Non-Executive Director of Vallibel Power Erathna PLC, Multi Finance PLC and Country Energy (Private) Limited.

#### Former appointments

Ms. Dinusha Bhaskaran has previously worked as a Chief Financial Officer of Clenergy, Australia and Financial Controller in several Australian companies based in Melbourne. Assistant General Manager (Finance & Planning) at Pan Asia Banking Corporation PLC. Alternate Director to Mr. K D D Perera on the Boards of Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

### MS. ASHWINI NATESAN

#### Appointed to the Board

On 1st September 2018

#### Role

Independent Non-Executive Director

#### Skills and Experience

She is a qualified legal practitioner, specialising in Technology, Media and Telecommunications (TMT) Law. She consults on TMT Law issues including those concerning financial technology

## BOARD OF DIRECTORS

(FinTech) . She also works on research projects relating to data protection, privacy, right to information, alternative dispute resolution mechanisms, etc. both independently and with other organisations. She is also a Research Fellow at LIRNEasia, a think tank in Sri Lanka. She frequently participates in national and international forums to speak on broader TMT law issues. In India, she has previously worked in litigation and corporate law offices including with Senior Counsel Mr. P. Wilson, former Additional Solicitor General of India and former Additional Advocate General of Tamil Nadu. She holds an LL.M (Master of Laws) in International Business Law from Faculty of Law, National University of Singapore where she graduated as one of the top students of her batch. She has a Bachelor of Arts and Law (B.A. LL.B (Hons.)), Distinction from the School of Excellence in Law, Tamil Nadu Dr. Ambedkar Law University, Chennai, India. Additionally, she has diplomas in International Business Management (offered by Loyola Institute of Business Administration, India) Commercial Arbitration (offered by ICLP, Sri Lanka) and AI Policy (Center for AI and Digital Policy).

### Current appointments

None

### Former appointments

Independent Non-Executive Director of Multi Finance PLC.

## MR. DHARMADASA RANGALLE

### Appointed to the Board

On 10th April 2019

### Role

Non-Executive Director

### Skills and Experience

He is a retired Senior Commissioner of the Department of Inland Revenue (Special Grade). He has over 34 years of experience in the Government (Public) Sector, including 31 years of experience of Tax Administration as an Assessor, a Deputy Commissioner, a Commissioner, and a Senior Commissioner. He obtained the Master of Commerce (M. Com) Degree from the University of Kelaniya, the Bachelor of Commerce (B. Com) Special Degree- Second Class Upper Division

(Honours) from the University of Kelaniya. He has completed all course work relating to the Doctoral Degree Programmer at the Open University of Malaysia. He is also a fellow member of the Sri Lanka Institute of Taxation. He was a visiting Lecturer at the University of Kelaniya, Sri Lanka Institute of Information Technology (SLIIT), Business School of Institute of Chartered Accountants of Sri Lanka and the Sri Lanka Institute of Taxation.

### Current appointments

He holds directorships in five other companies viz: a Non-Executive Director of Hayleys Aventura (Pvt) Ltd. and Hayleys Advantis Limited, which are subsidiaries of Hayleys PLC, Multi Finance PLC, DHS Holdings (Pvt) Ltd and Flying Angel's Flight Academy (Pvt) Ltd.

He is also a member of the Executive Council - Sri Lanka Institute of Taxation - Sri Lanka.

### Former appointments

None

## MS. YANIKA AMARASEKERA

### Appointed to the Board

On 01 July 2021

### Role

Independent Non-Executive Director

### Skills and Experience

She is an alumni of the prestigious UC Berkeley from where she obtained two Bachelor of Arts degrees in Political Economy and Media Studies with an emphasis on Digital Marketing. She completed her MSc in Entrepreneurship, Innovation, and Management in Imperial College, London. She founded the country's first online wedding gift registry, Silver Aisle, which has since evolved into a multidimensional E-commerce gifting site and is now considered the premier platform of choice.

### Current appointments

Chief Executive Officer of Silver Aisle (Pvt) Ltd.

### Former appointments

Director of Greener Water Ltd and Non-Executive Director of Multi Finance PLC.



**MR. MARLON PERERA**  
Senior Deputy  
General Manager  
– Deposits



**MR. AINSLEY MOTHA**  
Deputy General Manager  
– Credit and Branch  
Operations



**MR. CHETHANA  
KAHANDUGODA**  
Chief Information Officer  
– Information Technology



**MR. ROSHAN  
JAYAWARDENA**  
Senior Assistant General  
Manager – Micro Leasing



**MR. PRASANNA KALINGA**  
Assistant  
General Manager  
– Human Resources



**MR. WICKRAMA  
PUNCHIHEWA**  
Assistant General  
Manager – Legal



**MR. KALPA SANJEWA**  
Assistant General  
Manager – Credit and  
Branch Operations



**MR. MALITH HEWAGE**  
Chief Financial Officer



**MR. SUNETH DABARERA**  
Chief Internal Auditor



**MR. SURAJ  
KARUNANAYAKA**  
Assistant General  
Manager – Gold Loan



**MS. DESHIKA YATAWARA**  
Assistant General  
Manager – Treasury



**MS. THISARI GUNASEKERA**  
Assistant General Manager  
– Risk Management



## SENIOR MANAGEMENT



**MR. KENNETH DANIEL**  
Senior Chief Manager  
– Credit and Branch  
Operations



**MR. GIHAN DE SILVA**  
Chief Manager  
– Recoveries



**MR. GAYAN  
AYUWARDANE**  
Chief Manager  
– Central Region



**MR. SUDEEP PERERA**  
Chief Manager  
– Marketing



**MR. SHANAKA PERERA**  
Senior Manager  
– Administration



**MR. WARUNA PERERA**  
Country Manager  
– Myanmar



**MR. SAMEERA  
WANNINAYAKE**  
Senior Manager – Business  
Process Development



**MR. MAHESHAN  
KARUNATHNE**  
Senior Manager – Credit &  
Branch Operations



**MR. PRASAD SURENDRA**  
Senior Manager  
– Credit & Branch  
Operations



**MR. CHANAKA  
ALEXANDER**  
Senior Manager – Credit &  
Branch Operations



**MR. VARUNA PERERA**  
Senior Manager  
– Compliance



**MR. SURAIN SILVA**  
Chief Information  
Security Officer



**MR. CHAMINDA PERERA**  
Senior Manager  
– Finance Operations





**MR. STEPHAN FONSEKA**  
Senior Manager  
– Insurance



**MR. SHANE AHAMAT**  
Senior Manager  
– Fixed Deposits



**MR. HEMAL EKANAYAKE**  
Senior Manager  
– ERP & Business Analysis



**MR. THUSITHA WICKRAMA**  
Senior Manager  
– Sustainability & Digital  
Strategy



**MR. JAGATH  
HETTIARACHCHI**  
Senior Manager – Credit &  
Branch Operations



**MR. CHANAKA  
PEMRUWAN**  
Senior Manager – Credit &  
Branch Operations



**MR. PAMUDRA JAYATISSA**  
Senior Manager – Credit &  
Branch Operations



**MR. PANDUKA WIJEKOON**  
Senior Manager – Security  
Surveillances & Transport



**MR. SAMPATH KUMARA**  
Senior Manager – Solution  
Architect, Information  
Technology



Scan QR code to  
view our Senior  
Management  
profiles online

1

2

3

4

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6

7

# CORPORATE GOVERNANCE



**G A R D Prasanna**  
Chairman

## MESSAGE FROM THE CHAIRMAN

Corporate governance is the bedrock on which successful institutions are built to last. Standing strong for over 50 years, LB Finance has continuously set its sights beyond regulatory requirements to uphold principles of good governance embedded in voluntary standards and codes of governance. This approach has served us well, particularly as we navigated three consecutive years of the pandemic and the economic crisis with resilience, honouring our commitments to stakeholders.

We are pleased to state, we maintained a steadfast commitment to upholding transparency, accuracy, and compliance with regulatory standards throughout the fiscal year. Corporate governance is the bedrock on which successful institutions are built to last. Standing strong for over 50 years, LB Finance has continuously set its sights beyond regulatory requirements to uphold principles of good governance embedded in voluntary standards and codes of governance. This approach has served us well, particularly as we navigated three consecutive years of the pandemic and the economic crisis with resilience, honouring our commitments to stakeholders. Building trust in the institution is key to sustainable growth and feedback from stakeholders serve as a barometer, providing valuable insights on the issues that need to be addressed.

The year under review saw the Board of LB Finance increased our focus on corporate governance as there were several developments externally that needed review and action to ensure that LB Finance structures remain future ready and resilient. The Colombo Stock Exchange issued a new Listing Rules on Corporate Governance for public listed companies and the Board reviewed the regulation to determine gaps and how they should be addressed. Actions taken and plans for compliance during the current financial year are set out in the Corporate Governance Report that follows. It was noted that LB Finance was compliant with many of the requirements and needed to address only a few areas which will be effective from 1st October 2024 onwards, affirming our levels of compliance.

The Institute of Chartered Accountants (CA) of Sri Lanka also revised the Code of Best Practice on Corporate Governance with

changes mainly to sustainability reporting and we have set out our compliance with the same in this report.

The issue of the SLFRS Sustainability Disclosure Standards in January 2024 mandating sustainability reporting necessitates significant changes to governance, strategy, risk management and the metrics and targets set. As it becomes effective for reporting period beginning in 2025, we are commencing our journey to complying with the requirements proactively. I am pleased to note that the commitment to sustainability over the past decade has provided a head start in meeting the requirements. We have formed a Board Sub Committee which will have responsibility for oversight of sustainability related matters.

The board sub committees were active, driving progress in their areas of oversight and their reports are set out at the end of the Corporate Governance report. Risk management continues to be an important area with significant transformations to strengthen capabilities and processes as many risks continue to remain volatile. The Board Audit Committee (BAC) plays a key role in ensuring the effective operation of a comprehensive system of internal controls supporting timely and reliable financial reporting. The Board Nominations & Governance Committee (BNGC) and the newly appointed Board Sustainability Committee (BSC) are developing a new agenda to steer LB Finance through necessary changes. The Board Human Resource and Remuneration Committee (BHRRC) continues to play a key role in ensuring that Directors' remuneration and overall remuneration policies serve the long term interests of the company as well as the short term. The Board Integrated Risk Management Committee (BIRMC) continues

to navigate LBF through an uncertain landscape while the Board Information Security Committee (BISC) contributes to the highly specialised area of data and information protection which is seeing elevated threat levels. The Board Related Party Transactions Review Committee (BRPTRC) continues to ensure discharging of their regulatory mandate, directing the necessary communications.

The Annual General Meeting of the Shareholders is on 28 June 2024 at the Auditorium of the Corporate Office and is the main platform for engaging shareholders and notice of meeting is set out on page 431 in this regard. We welcome your active participation at the AGM where the Board and I look forward to interacting with you.

The Board is pleased to report that the Company has applied the principles and complied with the corporate governance directives set out under the Finance Business Act and the covenants recommended in the Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka and Continuous Listing Rules on Corporate Governance issued by Colombo Stock Exchange (CSE). Furthermore, on behalf of the Board, I wish to declare that the Board of Directors, Senior Management and employees of LB Finance PLC have acted in good faith in conducting the affairs of the Company.

**G A R D Prasanna**  
Chairman

27 May 2024



**Ashane Jayasekara**  
Senior Director

## REPORT OF THE SENIOR INDEPENDENT DIRECTOR

The Board has a strong representation of Independent Directors that helps to maintain objectivity of the Board which is vital for sound corporate governance. The Independence of each Director has been established based on the information and declaration submitted by each Independent Director.

The appointment of the Senior Independent Director was made as per the requirements stipulated in the Finance Business Act Direction No. 5 of 2021 Corporate Governance.

The objective of the appointment of a Senior Independent Director is to ensure the greater independent element in proceedings of the Board and in all deliberations by the Board either at Board meetings or in resolutions circulated amongst the Board. In order to facilitate the functions of Senior Director, a Board approved Terms of Reference is available which define the roles, responsibilities and authority of the Senior Director function.

The Board has a strong representation of Independent Directors that helps to maintain objectivity of the Board which is vital for sound corporate governance. The Independence of each Director has been established based on the information and declaration submitted by each Independent Director. Accordingly, the Board of Directors has concluded that the all the Independent Directors of the Company are compliant with the independent criteria set by "Finance Business act direction no. 5 of 2021", "CSE listing Rule no. 9 Corporate Governance" and "Code of best practice of Corporate Governance issued by Institute of Chartered Accountants of Sri Lanka".

During the year under review, two (2) meetings were conducted by the Senior Independent Director with the Non-Executive Directors without the presence of Executive Directors to discuss matters relating to the Company and the operations of the Board. The meeting with Independent Directors without the presence of Non-Executive Directors and Executive Directors will be held in financial year 2024/25.

As required by the "Finance Business act direction no. 5 of 2021", the Non-Executive Directors have assessed the performance of the Chairperson of the Board.

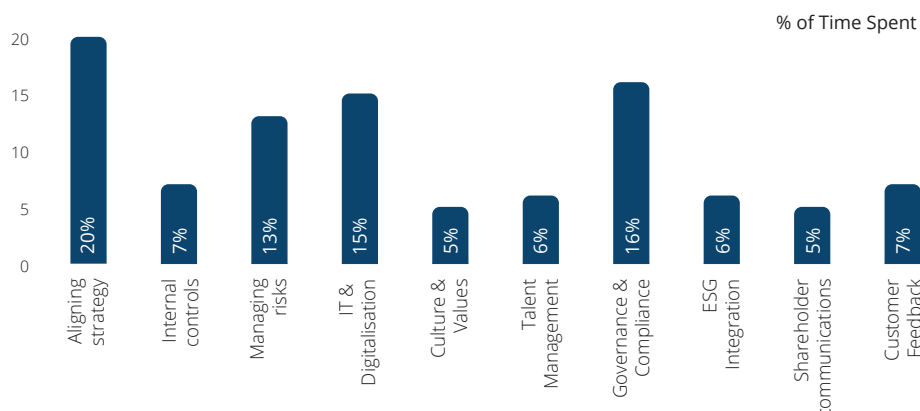
**Ashane Jayasekara**  
Independent Non-Executive Director/  
Senior Independent Director

27 May 2024

## CORPORATE GOVERNANCE

Corporate governance continues to evolve at LB Finance, ensuring our structures, policies and processes are aligned to current developments in regulation, voluntarily adopted international standards and our own assessment of economic, social and environmental issues that we impact or impact us

### Board Priorities



### HIGHLIGHTS

#### Regulatory Matters

- Appointment of Chief Information Security Officer (CISO)
- Develop a Board approved Personnel Data Protection Policy
- Implementation of CSE listing rule No. 9 – Corporate Governance
- Appointment of Key Responsible Persons for regulatory reporting

#### Committees of the Board

- Appointed Board Committee for Sustainability
- Expanded mandate of Nominations & Governance Committee
- Adopting Terms of Reference of BISC

#### Appointments

- Appointment of Central Depository Systems (Pvt) Ltd., as Corporate Registrars

#### Strategy & Oversight

- Board approved strategic plan from 2023/24 to 2025/26
- Periodic review of progress

#### Risk Management and internal control

- Strengthened risk management function
- Review and updating risk related policies
- Updating Risk Appetite Statement (RAS)
- Implementation of exception monitoring process
- Implementation of ICAAP
- Review of Control Assessment Forms (CAF)

### External Developments

- Issue of Direction No. 1 of 2024 on Periodic Reporting Requirements by CBSL
- Issue of IFRS Sustainability Disclosure Standards by ISSB and subsequent amendments
- Issue of SLFRS Sustainability Disclosure Standards by CA Sri Lanka
- Issue of Listing Rules
- Rule No. 9 on Corporate Governance by the Colombo Stock Exchange
- Revised Code of Best Practice on Corporate Governance issued by CA Sri Lanka

### Key Shareholder Communications

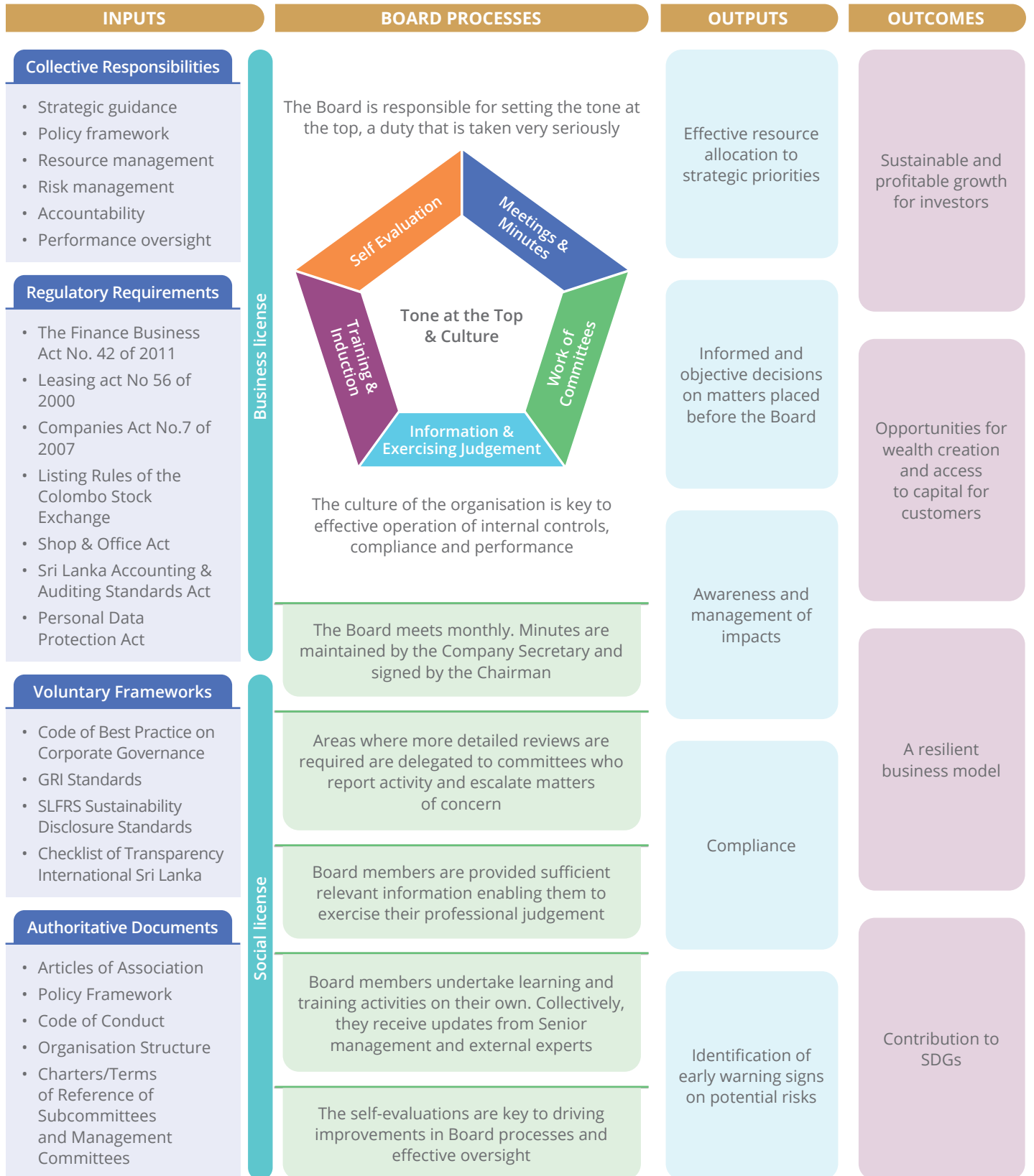
TOPIC	DATE
Annual Report 2022/23	07 June 2023
Annual General Meeting	30 June 2023
Q1 Performance	19 July 2023
Q2 Performance	18 Oct 2023
Q3 Performance	17 Jan 2024
Appointment of Registrars	09 Jan 2024
Q4 Performance	15 May 2024

### CORPORATE GOVERNANCE MATTERS

As a Company engaged in the business of finance, our business license is issued by the Monetary Board of the Central Bank of Sri Lanka which also issues directions from time to time. The Board is also cognizant of the need to maintain the trust of its depositors and confidence of its borrowing customers to act in good faith as custodians of their wealth and providers of capital for their needs – in other words, maintain our social license to operate. Our governance framework is designed to ensure that these two licenses which are necessary for our continuity are maintained without any impairment. The legal enactments and regulations support our business licenses while we look to a range of voluntary frameworks and internal policies adopting best practice to support the social license as reflected in the Governance Framework. Arguably, the social license is perhaps, more fragile than the business license and the Board and the Senior Management are cognizant of this.



**A FRAMEWORK FOR GOVERNANCE**



The remainder of the report is structured along the following themes.

CORPORATE GOVERNANCE THEMES					
	Page No.		Page No.		Page No.
Composition	168	Managing Conflicts of Interests	175	Stakeholder Engagement & Communication	176
Governance Structure	169	Ethical Practices & Corporate Culture	176	Sustainability Integration	177
Appointments, Re-elections, Retirement & Resignations	170	Internal Control	176	IT Governance	177
Work of Committees	171	Risk Management	176	Evaluations & Appraisal	177
Policy Framework	173	Accounting Audit	176	Group Governance	178
Board Effectiveness	173	Remuneration & Incentives	176	Priorities for 2024/25	178

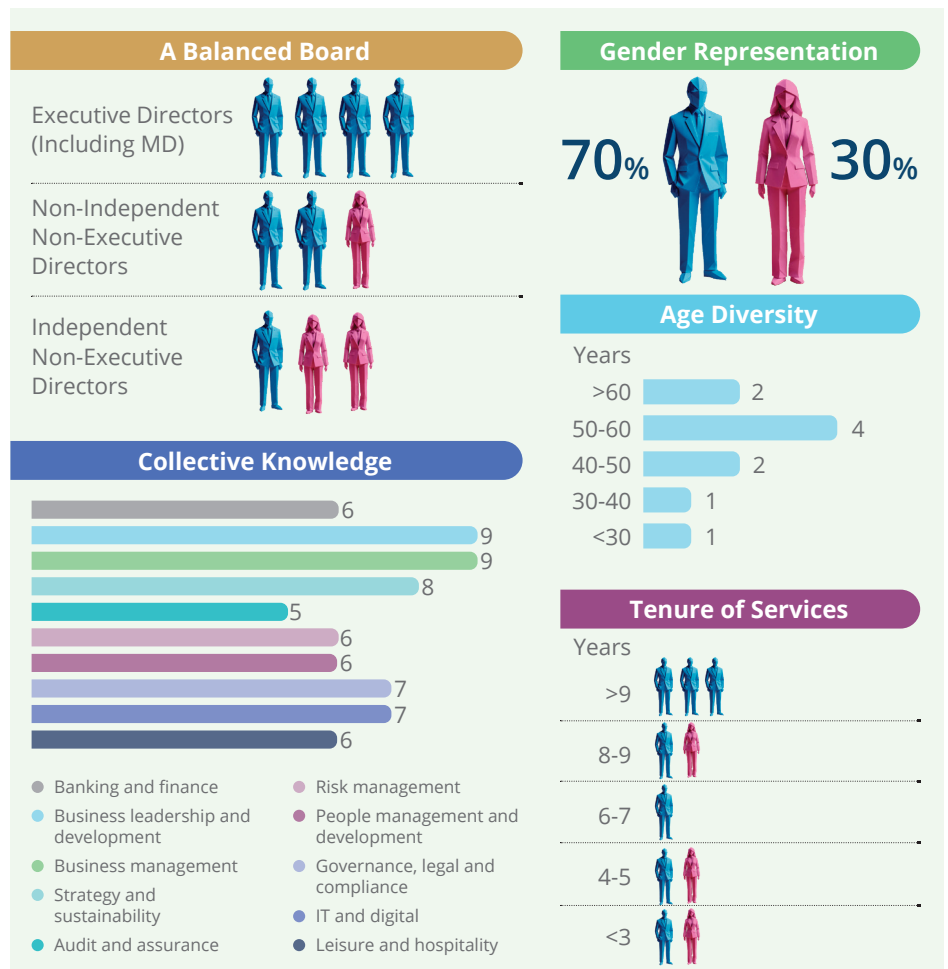
**Compliance with the Finance Business Act Direction No. 5 of 2021 Corporate Governance issued by Central Bank of Sri Lanka is given on pages 359 to 383**

**Compliance with Colombo Stock Exchange Listing Rule No. 7.6 - Contents of Annual Report and no. 9 - Corporate Governance is given on pages 402 to 411**

**The Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants is given on pages 384 to 401**

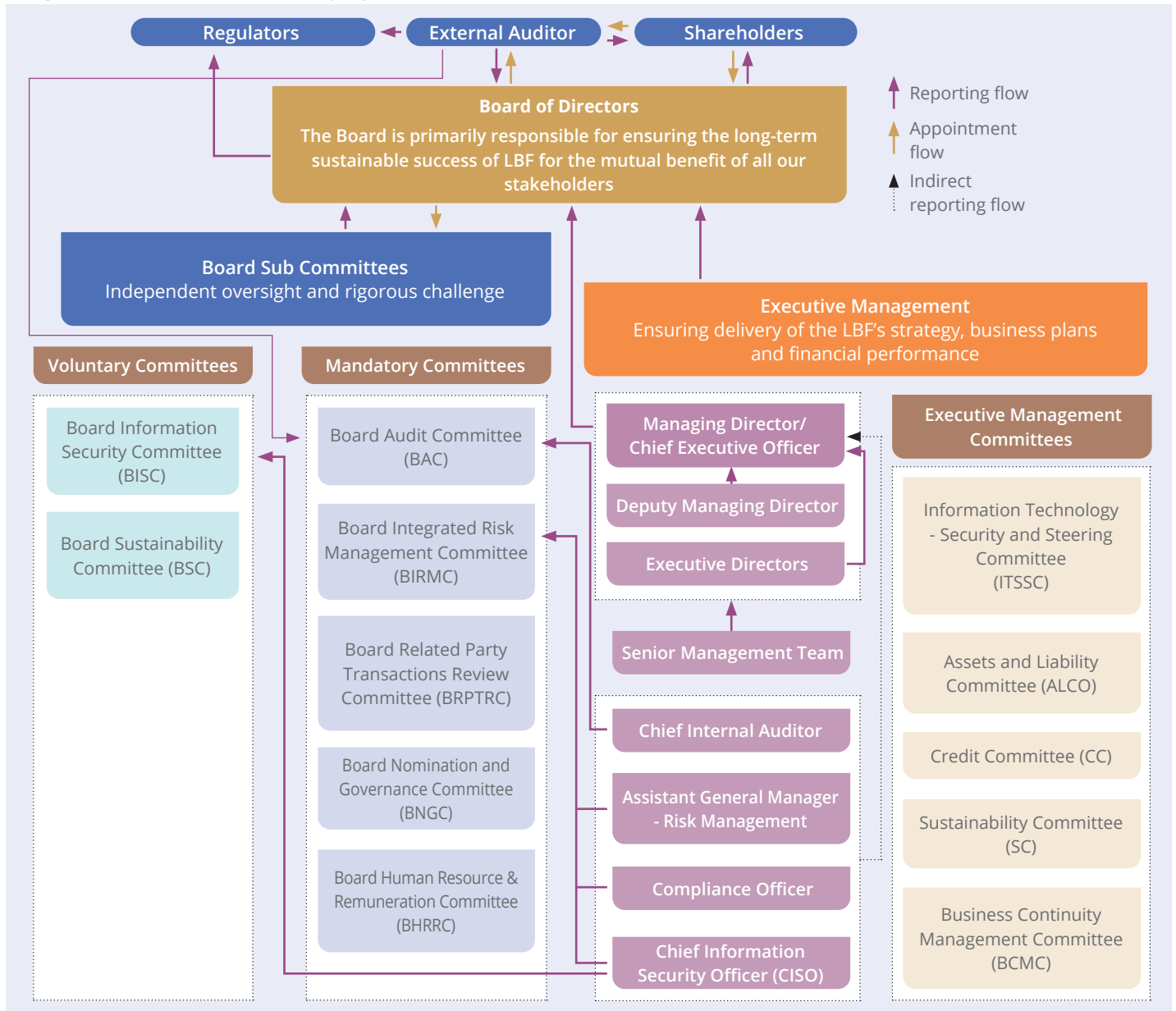
**COMPOSITION**

The Board comprises 10 Directors of whom 6 are Non-Executive Directors. Three (3) of the Non-Executive Directors are independent as determined by the regulatory and voluntary criteria for independence. The profiles of the Directors together with their current appointments are given on page 156. The Articles require the number of Directors to be between 3 and 12 Directors. Collectively, the Board possesses the skills and experience to provide guidance and exercise oversight in relation to the operations of the LB Finance PLC as set out. The Board is also diverse with regards to gender, age and tenure of service as set out, reflecting the work of the Board Nomination and Governance Committee to ensure there are diverse views at the Board.



**GOVERNANCE STRUCTURE**

The governance structure of the Company is as follows:



**Balance of Power**

A balance of power has been established through segregation of the roles of the Chairman and Managing Director / Chief Executive Officer as well as the appointment of a Senior Director and the clear articulation of their roles.

**Role of Chairman**  
(Non-Independent Non-Executive Director)

- Ensure the Board meets regularly to discuss relevant matters
- Maintain the appropriate balance of power between ED's and NED's
- Secure the effective participation of both ED's and NED's in all Board matters
- Implement decisions/directions of the regulator
- Prepare the agenda for each Board Meeting or delegate such function and to maintain minutes in an orderly manner to the company secretary
- Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board
- Oversee the annual assessment on the performance and the contribution during the past 12 months of the Board and the MD/CEO



### Role of Managing Director/ Chief Executive Officer

- Implement business and risk strategies in order to achieve the LBF's strategic objectives
- Establish an appropriate management structure that promotes accountability, and transparency throughout LBF's operations, and preserves the effectiveness and independence of control functions
- Promote, together with the Board, a sound corporate culture within LBF which reinforces ethical, prudent and professional behaviour
- Ensure implementation of proper compliance culture and being accountable for accurate submission of information to the regulator
- Strengthen the regulatory and supervisory compliance framework
- Address the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner
- Devote the whole of the professional time to the service of LBF and shall not carry on any other business, except as a Non-Executive Director of another Company

### Role of Senior Director

- Bring an objective and unbiased perspective to the Board
- Participate in Board meetings, provide expertise, and contribute to strategic decision-making
- Contribute to performance evaluation of MD/CEO's performance evaluation and succession planning
- Conduct semi-annual meetings with only independent directors to find out if there are any concerns

Additionally, the presence of independent directors who are reputed, knowledgeable and experienced professionals serve as an additional balancing mechanism.

### Company Secretary

The Company Secretary manages administration of the matters of the Board and guides the Board in discharging their duties and responsibilities. Directors have the right to reach out individually to the Company Secretary to seek out advice or guidance on relevant matters. Company Secretary is also required to facilitate any training requirements of Directors in order to keep them updated on the latest developments in legislation and regulations applicable to the Company. The appointment or removal of the Company Secretary is a matter for the Board as a whole. PW Corporate Secretarial (Pvt) Ltd., serves as the Company Secretary for LB Finance PLC.

### APPOINTMENTS, RE-ELECTIONS, RETIREMENT & RESIGNATIONS

#### Appointments & Re-elections

The Board Nominations & Governance Committee plays a key role in the selection of candidates for appointment as Directors as they recommend candidates to the Board for their approval. The Committee assesses the skills, expertise and other attributes required to meet the business needs of the Company and seeks suitable candidates to meet the requirements. Potential candidates are vetted and screened against fit and proper criteria and, in the case of Independent Directors, criteria to determine independence as well. Candidates who meet the relevant criteria are recommended to the Board for appointment.

Non-Executive Directors are appointed by the shareholders subject to retirement and re-elected at the Annual General Meeting. Executive Directors are appointed by the Board and typically serve the duration of their employment contract. Executive Directors who reach the age of 70 years are re-appointed annually at the AGM subject

to approval from CBSL. Non-Executive Directors who hold more than 10% of shares, directly or indirectly or appointed to represent a shareholder who directly or indirectly holds more than 10% may serve a period exceeding 9 years with the approval of the Director, Department of Supervision of Non-Bank Financial Institutions. However, the number of Directors exceeding 9 years cannot exceed 1/4 of the Board. The Board also has the power to fill any casual vacancy that may arise during the year. In such cases, the recommendation of the Board Nominations & Governance Committee will be vetted and approved by the Board. Directors appointed during the year will retire at the next AGM and are eligible for re-election by shareholders at the same meeting. All appointments have to be approved by the Director, Department of Supervision of Non-Bank Financial Institutions. In all cases, all appointments of new Directors are informed to the CSE together with a brief profile of the Director, clearly stating in what capacity the Director has been appointed.

The election or re-election of each Director is a separate resolution and is set out in the Notice of Meeting on page 432 of this report.























#### Retirement & Resignations

Each year, 1/3 of Directors eligible for re-election must retire with the oldest Directors being those who retire. Such Directors may offer themselves for re-election by shareholders at the annual general meeting and a separate resolution is presented to shareholders for each such election of a Director. Non-Executive Directors typically retire after 9 years, except for those holding over 10% directly or indirectly or representing such a shareholder. Directors may also resign at any time by writing to the Chairman informing him of the reasons for the resignation and receiving formal acceptance of the resignation subject to the approval from Director of Department of Supervision of Non Bank Financial Institutions. CSE is immediately informed about the resignations or retirements of Directors together with their shareholding, if any, in the Company.



**WORK OF COMMITTEES**

The following committees of the Board have been appointed to assist the Board in discharge of their collective duties.





Composition	Area of Oversight	Link to Strategy	Link to Capital
<b>Board Nominations &amp; Governance Committee (BNGC) – page 194</b>			
<b>Mr. Ashane Jayasekara - Chairperson</b> Mr. G A R D Prasanna Ms. Ashwini Natesan	<ul style="list-style-type: none"> <li>Review the Board structure, size, composition and competencies</li> <li>Appointment of Board of Directors</li> <li>Overseeing the Board and the Senior Management succession planning</li> <li>Oversight the overall Governance Framework of the Company</li> </ul>		HC SC
<b>Board Audit Committee (BAC) – page 188</b>			
<b>Ms. Yogadinusha Bhaskaran - Chairperson</b> Mr. Ashane Jayasekara Ms. Ashwini Natesan	<ul style="list-style-type: none"> <li>Reviewing the accuracy and integrity of the financial reporting</li> <li>Internal and external assurance</li> <li>Reviewing the design and effectiveness of internal control system and risk management</li> </ul>	   	FC MC IC
<b>Board Human Resource and Remuneration Committee (BHRR) – page 196</b>			
<b>Mr. Ashane Jayasekara - Chairperson</b> Mr. G A R D Prasanna Ms. Yanika Amarasekera	<ul style="list-style-type: none"> <li>Remuneration policy</li> <li>Remuneration and compensations of Directors, Senior Management and staff salaries in general</li> <li>Structure for staff performance evaluation</li> </ul>	 	FC HC
<b>Board Integrated Risk Management Committee (BIRMC)– page 192</b>			
<b>Mr. Ashane Jayasekara - Chairperson</b> Ms. Yogadinusha Bhaskaran Ms. Ashwini Natesan	<ul style="list-style-type: none"> <li>Risk Management Framework</li> <li>Risk measurement, monitoring and management</li> <li>Compliance with regulatory and internal prudential requirements</li> <li>Reviewing the business continuity planning</li> </ul>	   	FC MC HC IC SC NC
<b>Board Related Party Transactions Review Committee (BRPTRC) – page 198</b>			
<b>Ms. Ashwini Natesan - Chairperson</b> Mr. Ashane Jayasekara Mr. Dharmadasa Rangalle	<ul style="list-style-type: none"> <li>Related party transaction policy</li> <li>Providing independent review, approval and oversight of RPT</li> <li>Ensuring relevant market disclosures</li> </ul>	 	FC HC SC
<b>Board Information Security Committee (BISC) – page 200</b>			
<b>Ms. Ashwini Natesan - Chairperson</b> Mr. Ashane Jayasekara Mr. B D A Perera	<ul style="list-style-type: none"> <li>Strengthen the information security and technology risk resilience process</li> <li>Continuous evaluation and improvement of information/ data security policies controls and practices</li> </ul>	  	FC MC HC IC SC
<b>Board Sustainability Committee (BSC) – page 202</b>			
<b>Ms. Yanika Amarasekera - Chairperson</b> Mr. G A R D Prasanna Ms. Ashwini Natesan Mr. Nirosan Udage	<ul style="list-style-type: none"> <li>Oversight of processes in place to identify and manage sustainability related risks and opportunities</li> <li>Review the measures taken to ensure the long-term sustainability of the Company in its ESG dimensions</li> <li>Review the Company's plans and actions with regard to ESG/Sustainability topics</li> </ul>	     	FC MC HC IC SC NC

The Board and Board Sub Committees are supported by Executive Management Committees which are listed below:

Executive Management Committee	Tasks	Members	Frequency of Meetings
IT Security & Steering Committee (ITSSC)	To ensure that IT strategy is aligned with the strategic goals of the Company whilst its top most mandate is to find and align business solutions that may leverage technology. ITSSC also looks into information security-related matters on a regular basis	<ul style="list-style-type: none"> <li>• Managing Director</li> <li>• Deputy Managing Director</li> <li>• Executive Director - Asset Management</li> <li>• Chief Financial Officer</li> <li>• Chief Information Officer</li> <li>• Chief Information Security Officer</li> <li>• Representatives from relevant departments</li> </ul>	Every other month
Assets & Liability Committee (ALCO)	To monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements	<ul style="list-style-type: none"> <li>• Managing Director</li> <li>• Deputy Managing Director</li> <li>• Executive Directors</li> <li>• Head of Treasury</li> <li>• Head of Deposits</li> <li>• Chief Financial Officer</li> <li>• Assistant General Manager – Risk Management</li> </ul>	Monthly
Credit Committee (CC)	The committee shall be responsible for laying out the overall credit policy for the Company. This includes setting lending guidelines in conformity with credit risk appetite set by the Board of Directors	<ul style="list-style-type: none"> <li>• Managing Director</li> <li>• Deputy Managing Director</li> <li>• Executive Directors</li> <li>• Deputy General Manager - Credit</li> <li>• Chief Financial Officer</li> <li>• Assistant General Manager – Risk Management</li> <li>• Senior Manager - BPD</li> </ul>	Quarterly
Sustainability Committee (SC)	The formulation and the review of the Company's Sustainability policy, and ensuring such activities are integrated into the Company's operations. Keeping in line with the Company's Environment, Social and Governance (ESG) focus, the Committee is tasked with the responsibility of steering the Company's policy on sustainability which aimed at uplifting the communities we work with and preserving the environment	<ul style="list-style-type: none"> <li>• Deputy Managing Director</li> <li>• Chief Financial Officer</li> <li>• Head of Treasury</li> <li>• Senior Manager - Digital Strategy and Sustainability</li> <li>• Representatives from relevant departments</li> </ul>	Meets when required
Business Continuity Management Steering Committee (BCMSC)	Committee is responsible for aligning BCM goals with business goals and provides strategic direction and support in establishing, implementing, operating, monitoring, reviewing and improving the BCMSC	<ul style="list-style-type: none"> <li>• Deputy Managing Director</li> <li>• Senior Manager - BPD</li> <li>• Representatives from the relevant departments</li> </ul>	Meets when required

## POLICY FRAMEWORK

LB Finance has a comprehensive policy framework that continues to be updated to reflect changes to regulatory requirements, best practice and our own findings. The policies that were updated during the year are set out below:

<b>Policies relating to Board Matters</b>  <b>3</b> <ul style="list-style-type: none"> <li>• Dividend Policy</li> <li>• Succession Plan for Key Responsible Persons</li> <li>• Delegation of Authority</li> </ul>	<b>Risk Management</b>  <b>16</b> <ul style="list-style-type: none"> <li>• TOR of BIRMC</li> <li>• Integrated Risk Management Framework</li> <li>• Operational Risk Management Framework and Policy</li> <li>• Risk Appetite Statement</li> </ul>	<b>IT &amp; Information Security</b>  <b>6</b> <ul style="list-style-type: none"> <li>• Information Security Policy</li> <li>• Disaster Recovery Plan</li> <li>• Information Asset Management Procedure</li> </ul>	<b>Credit</b>  <b>4</b> <ul style="list-style-type: none"> <li>• Credit and Operations Manual</li> <li>• Credit Committee Charter</li> <li>• Recovery Procedure Manual</li> </ul>	<b>Governance, Audit and Compliance</b>  <b>7</b> <ul style="list-style-type: none"> <li>• Board Audit Committee Charter</li> <li>• Anti Money Laundering, Countering the Financing of Terrorism and KYC Policy</li> <li>• Board Sustainability Committee – Terms of Reference</li> </ul>
<b>Liquidity &amp; Capital Management</b>  <b>3</b> <ul style="list-style-type: none"> <li>• Asset &amp; Liability Management &amp; Liquidity Management Policy</li> <li>• Investment Policy</li> <li>• ALCO Charter</li> </ul>	<b>Human Resources</b>  <b>1</b> <ul style="list-style-type: none"> <li>• Human Resource Policy</li> <li>• Code of Conduct</li> </ul>	<b>Financial Reporting and Asset Management</b>  <b>6</b> <ul style="list-style-type: none"> <li>• Impairment Policy Manual</li> <li>• CBSL Reporting Regulation Manual</li> <li>• Finance Manual</li> </ul>	<b>Other Products and Services</b>  <b>6</b> <ul style="list-style-type: none"> <li>• Foreign Currency Operations – Policy Manual</li> <li>• Policy &amp; Procedure for Development of new Products, Processes &amp; Systems</li> <li>• Procurement Manual- Administration, IT &amp; Marketing Department</li> </ul>	

 Number of Board approved policies

## BOARD EFFECTIVENESS

### Governance

Board effectiveness is key as it must uphold the commitments and discharge the duties set out in the governance framework as the body of persons charged with governance. Clear lines of delegation of authority and reporting have been established as set out in the Governance Structure with responsibilities and roles also clearly identified. The Board of LB Finance provides leadership and oversight with regular meetings facilitating review of progress, opportunities and threats and directions for further action.

In discharging their duties, the Board also reserves the exclusive right to review and approve the following ;

- Evaluating and approving of the Strategic Plan
- Evaluating and approving of the LBF's Annual Budget
- Appointment of the MD/CEO of LBF, its Key Responsible Personnel and the CEOs of all its Subsidiaries
- Approval of the succession plan for the Senior Management including MD/CEO
- Determine and approve the organisation structure
- Evaluating and approval of any type of strategic decisions
- Appointment of Board Sub Committees and defining their scope of work and the extent of delegated powers and authority for them

## CORPORATE GOVERNANCE

### Meetings & Minutes

The Board meets monthly with committees of the Board having varying frequencies as set out below in the Attendance matrix. Minutes are circulated within 14 days of the meeting and are ratified and signed by the Chairman at the next meeting. The Company Secretary is responsible for preparation and maintaining the minutes. Directors have access to minutes of the past months on their devices through a secure link and may request the Company Secretary for extracts of older minutes if required.

### Attendance Matrix of the Board and Board Sub Committees

Name of the Director	Designation/ Membership status	Tenure on the board (years)	Gender	Age	Meeting attendance			Board subcommittee membership and attendance						
					Eligible to attend/ attended	Participation		Mandatory					Voluntary	
						In person	Virtual	BAC	BIRMC	BNGC	BHRRC	BRPTRC	BISC	BSC
Mr. G A R D Prasanna	Chairman / Non-Independent Non-Executive Director	2	Male	53	13/13	13	-	-	-	4/4	3/3	-	-	1/1
Mr. Ashane Jayasekara	Independent Non-Executive Director (Senior Director)	6	Male	45	12/13	12	-	13/13	6/6	4/4	3/3	7/7	2/2	-
Mr. Sumith Adhietty	Managing Director	20	Male	73	11/13	11	-	12	6	-	-	-	-	-
Mr. Niroshan Udage	Deputy Managing Director	17	Male	53	12/13	12	-	12	6	-	3	-	1	1/1
Mr. B D A Perera	Executive Director	17	Male	56	12/13	12	-	12	6	-	3	3	2/2	-
Mr. Ravindra Yatawara	Executive Director	8	Male	53	12/13	12	-	-	1	-	2	-	-	-
Ms. Yogadinusha Bhaskaran	Non-Executive Director	8	Female	49	12/13	12	-	12/13	5/6	-	-	-	-	-
Ms. Ashwini Natesan	Independent Non-Executive Director	5	Female	36	13/13	13	-	13/13	6/6	4/4	-	7/7	2/2	-/1
Mr. Dharmadasa Rangalle	Non-Executive Director	4	Male	65	13/13	13	-	-	-	-	-	7/7	-	-
Ms. Yanika Amarasekera	Independent Non-Executive Director	2	Female	29	12/13	12	-	-	-	-	3/3	-	-	1/1

Attended by invitation

### BEFORE EACH MEETING

- Meeting calendar is prepared by the Company Secretary annually in advance and communicated to all Board members
- The Company Secretary seeks advice from the Chairman and the Managing Director to set the agenda
- Routine matters on the agenda include: discussions on strategy, the Company's performance, Industry Performance, Financial Results, Treasury updates, status of Human Resources, Risk Management and Compliance, progress on Company's digital initiatives, status on Cyber Security and Data Privacy etc.
- A Board approved procedure is in place to include additional matters and proposals to the Agenda by Directors
- The agenda and the information pack containing relevant Board Papers are uploaded to a secure portal at least seven (07) working days prior to the meeting date to give Directors remote access
- Selected members of the Senior Management / Board Committees may also be invited to be present at Board Meetings where necessary
- All Directors are allowed to reach the Company's Senior Management to obtain necessary information or clarifications. They also have the right to seek independent professional advice



**AT THE BOARD MEETING**

- The Chairman plays a key role in promoting open and active debate among Directors
- The Chairpersons of each Board committee will be called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings
- The Managing Director provides a comprehensive update on the Company's business and operations and overview of the context in which these outcomes were achieved
- The Chief Financial Officer provides the Board with detailed monthly financial performance reports
- Other Business heads are invited to provide updates on business aspects under their purview
- Directors' interests and related party transactions are tabled at Board Meetings
- In a situation where a conflict of interest arises, the relevant Director shall recuse from the discussions and refrain voting on such matter
- Directors who are unable to attend a Board meeting in person are allowed to participate through virtual means
- The Company secretary maintains the minutes with adequate information

**AFTER THE BOARD MEETING**

- Minutes are first presented to the Chairman for approval prior to being circulated among the Directors
- Minutes of the meetings are circulated within two weeks after the meeting date
- Strong emphasis is placed on encouraging continuous and ongoing engagement of Directors in the matters of the Company
- Directors have access to senior management and may request any additional information to make informed and timely decisions
- The Managing Director keeps the Board updated on LBF's performance and prospects vis-a-vis the prevailing economic and regulatory climate
- Special Board meetings are also convened on occasion as and when the need arises

**Information**

The Chairman ensures that the Board has sufficient information provided in a timely manner on matters to be discussed at the Board meeting. He is assisted in this by the CEO and the Company Secretary. Additionally, the Directors have access to the key management personnel to clarify matters set before them. The Chairpersons of the Board Committees also follow the same procedure for their meetings. The Senior Leadership of the Company take care to provide information in a concise but comprehensive manner, using reliable and verifiable sources of information where possible. Regular agenda items typically have well established formats that facilitate location of information and ease of review.

**Training & Induction**

All new Directors have a formal induction programme which is determined by the Chairman, CEO and the Company Secretary. New Directors receive an

orientation pack with relevant external and internal documentation to ensure they have the requisite knowledge of the company and its operations. New Directors are also given the opportunity to meet with the Senior Management.

Directors further benefit from regular training programmes throughout their tenure to support ongoing knowledge enhancement and also to inform them of economic, regulatory and industry trends. Each Director, receive adequate training hours annually.

During the year following training sessions were conducted to the Board of Directors,

- AML/CFT regulations
- Information and cyber security risks awareness
- Laws and regulations surrounding Personnel Data Protection
- Potential risk on Robotics Process Automation

**Induction Pack**

- Articles of Association
- Latest annual report and quarterly financial statements
- Minutes of the previous meeting
- Code of Conduct
- Board Charter and other key policies

**MANAGING CONFLICTS OF INTERESTS**

The Board has implemented a formal Conflict of Interest Policy that sets out clear guidelines to ensure that the Board of Directors, Senior Management, and all employees are well aware of the steps that need to be taken to avoid any conflict of interest. Directors are expected to exercise utmost good faith, honesty, and integrity in all their dealings with or on behalf of the Company. They are required to act in the Company's best interests by disclosing real or perceived conflicts to the Board.

## CORPORATE GOVERNANCE

All Directors are expected to disclose any potential conflicts of interest in their annual declarations and also before any meeting where a potential conflict may arise. The Company Secretary maintains a Register of Interests which is updated if there are any new declarations. Related

party transactions are reviewed by the Related Party Transactions Review Committee and any transactions that require disclosure under the Listing Rules are disclosed as specified. These are disclosed in Note 3.1 of the financial statements on page 318.

### ETHICAL PRACTICES & CORPORATE CULTURE

Having operated for over 5 decades, LB Finance has its own unique culture nurtured by its corporate values and the Code of Conduct. Decades of growth has seen the culture evolve into a service and mentoring culture that strengthens the passing down of knowledge and LB Finance way of doing business which has served us well in the past. The Code of Conduct for its employees covers the topics set out in the graphic alongside. The code was last reviewed in August 2023 and is signed by all employees on joining to ensure that they are aware of the standards of conduct expected of them and informed about managing potential conflicts and other situations that may arise in the course of employment. These are further reinforced by the Anti-bribery & Corruption Policy and the Whistle-blowing Policy which serve as broad spectrum controls.

Corporate Values	Code of Conduct	Policies
<ul style="list-style-type: none"> <li>• Excellence</li> <li>• Ethics</li> <li>• Transparency</li> <li>• Innovation</li> <li>• Professionalism</li> <li>• Quality</li> </ul>	<ul style="list-style-type: none"> <li>• General Conduct &amp; Compliance</li> <li>• Conflict of Interest</li> <li>• Bribery &amp; Corruption</li> <li>• Entertainment &amp; Gifts</li> <li>• Accurate Record Keeping</li> <li>• Confidentiality</li> <li>• Safeguarding of Assets</li> </ul>	<ul style="list-style-type: none"> <li>• Anti-Bribery &amp; Corruption Policy</li> <li>• Whistle-blowing Policy</li> <li>• Human Resource Policy</li> <li>• Code of Conduct</li> <li>• Policy on Managing conflict of interests</li> <li>• Financial Consumer Protection Policy</li> </ul>

### INTERNAL CONTROL

The Board has, over time, established a comprehensive system of internal controls including internal control over financial reporting and compliance with internal/ external regulations. The Board Audit Committee (BAC) is charged with oversight of this key function. An independent Internal Audit function provides support and assurance in accordance with the annual internal audit plan which is approved annually by BAC. BAC monitors progress of the same, reviews the internal audit reports and monitors implementation of recommendations. BAC also conducts an in-camera meeting with the Chief Internal Auditor annually to discuss any potential areas of concern. Further information in this regard is given in the Directors Statement on Internal Control on page 204 and the BAC Report on page 188.

### Whistle-blowing Policy

LB Finance has implemented a Whistle Blowing Policy which serves as a broad spectrum deterrent/control. The policy encourages employees to report unfair, unethical, illegal, fraudulent or other irregular practices to the Compliance Officer. Whistles blown are reported confidentially to BAC who updates the Board accordingly. BAC is charged with oversight of potential investigation and implementing appropriate action. The policy contains provisions to protect the identity of the whistle blower making the policy more effective as it removed potential fears of reprisal against the whistle blower. There was one (1) whistles blown during the year.

### RISK MANAGEMENT

The Board is assisted by the Board Integrated Risk Management Committee (BIRMC) in this regard and a more detailed description of this vital function is given on page 192.

### ACCOUNTING & AUDIT

The Board is responsible for the timely quarterly and annual disclosure of financial statements in accordance with both the CSE and CBSL regulations. The BAC is tasked with detailed review of financial reporting processes, controls and the financial statements themselves as this is a principal communication to the shareholders and other investors. BAC reviews the quarterly financial statements and the annual report and recommends it to the Board for approval and disclosure.

### REMUNERATION & INCENTIVES

The BHRRC makes recommendations to the Board on remuneration policy and the remuneration of Executive and Non-Executive Directors, and the Board considers the recommendations in determining the same. BHRRC has the authority to engage external consultants, if required, to determine remuneration levels, and policy to facilitate attraction and retention of skilled professionals. Non-Executive Directors receive a fixed fee taking in to consideration the commitment and responsibilities of their role. The Executive Director remuneration comprises a variable component for exceptional performance. The Board also approves remuneration schemes in total for executive staff including increments and variable pay. There are no stock options included in remuneration schemes.

### STAKEHOLDER ENGAGEMENT & COMMUNICATION

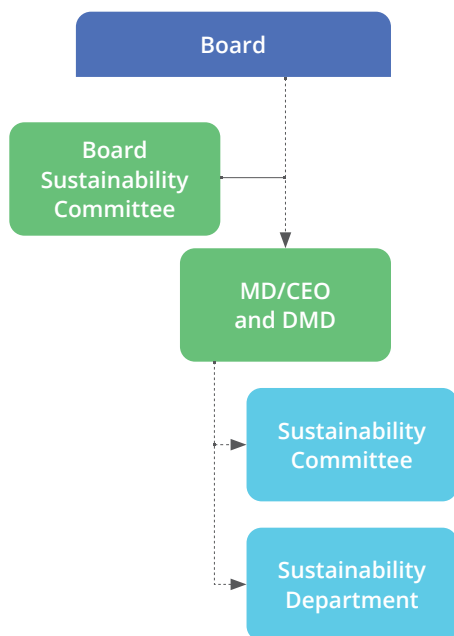
The Company has numerous engagement mechanisms with its stakeholders which are set out on page 40. The Board reviews analytics of the call centre to understand the issues that concern customers. BHRRC and the Board review the employee surveys to understand the issues and concerns that affect the team. Queries from the regulators are tabled at the Board meetings. The Board is responsible for shareholder communications together with the Company Secretary and these are reviewed by the Board. Accordingly, the company publishes quarterly performance reports and annual report through Colombo Stock Exchange to provide shareholders with a comprehensive view of the company's affairs during a particular financial year. The Annual General Meeting is the main

platform for engaging shareholders and due notice is given of the meeting in this report and as previously announced via the CSE. The feedback form which is incorporated in to the annual report serves as a key mechanism for shareholders to communicate with the company. To further strengthen the communication with shareholders and other stakeholders the Board has approved the company's corporate communication policy. We believe the adopting a structured approach to engaging with and involving stakeholders will allow us to collaborate and learn from one another in the pursuit of mutually supportive relationships. Accordingly, the LBF Board reinforce its commitment to inclusive stakeholder engagement is based on the principles of,

- Relevance – focusing on those issues of material concern to our stakeholders and identifying best to address them for our mutual benefits.
- Completeness – understanding the views, needs, performance expectations and perceptions associated with these material issues while also taking cognizance of prevailing local and global trends.
- Responsiveness – engaging with stakeholders on these issues and giving regular, comprehensive, coherent feedback.

**SUSTAINABILITY INTEGRATION**

LB Finance has been an early champion of sustainability and has been reporting on the same, winning multiple accolades for the reports over the years both in Sri Lanka and at international award programmes. While the Board provided oversight, the mandatory reporting requirement of sustainability reporting for reporting periods commencing after 1st January 2025 makes it imperative that the reporting has the same rigour of checks and balances as the financial reporting. Accordingly, the Board appointed a new Sustainability Committee to assist the Board in this regard. A structure is now in place to steer the course to sustainability reporting in line with the SLFRS. For more information on sustainability of LBF, refer page 56 on this annual report.



**IT GOVERNANCE**

IT governance continues to be a key strategic priority of LB Finance as we rely on IT systems for record keeping but also have a legal duty to protect the personal data of our customers in accordance with the Personal Data Protection Act No.9 of 2022. Indeed, it is recognised as a key sustainability issue for the consumer financial services sector by the SASB as well.

The Board has appointed the Board Information Security Committee (BISC) which has oversight responsibility for this key area of the Company's operations. The key focus areas under IT governance include; safeguarding IT infrastructure, data protection, network security, data servers and digital channels along with the provision of system support. Refer Board Information Security Committee report in page 200 of this annual report.

The Board has appointed Chief Information Security Officer (CISO) and a dedicated IT governance team who are tasked with;

- Formulating policies and operational procedures based on the compliance requirements and other best practices
- Reviewing and monitoring privileged access activities
- Coordinating the functions related to ISO 27001:2022 certification

- Reviewing and recommending to the BISC regarding amendments to IT and IS related policies and procedures
- Weekly/monthly/annual monitoring of information security and cyber risks
- Follow up on corrective and preventive action plans of audit findings
- Conduct information security awareness campaigns
- Coordinate vulnerability assessments and penetration tests
- Conduct due diligence assessments, security reviews on vendors

For more details, please refer to the Intellectual Capital section on page 120.

**EVALUATIONS & APPRAISAL**

**Evaluating the Performance of the Chairman**

The Chairman of the LBF Board is evaluated by Non-Executive Directors of the Company. The evaluation is carried out annually to determine the Chairman's effectiveness in discharging his assigned duties and responsibilities as the Board Chair.

**Evaluating the Effectiveness of the Board**

The BNGC performs an annual self-assessment to evaluate the overall effectiveness of the LBF Board according to the criteria set out alongside. The feedback from Directors is collated and reviewed by the BNGC and conveyed to the Chairman of the Board for discussion at a closed-door meeting with the Board. BNGC is charged with formulating action plans and implementing the same to address the issues and concerns raised.

**Evaluating the Performance of Directors**

All Directors are required to submit an annual self-evaluation to BNGC indicating their view of regarding the collective performance of the Board vis-a-vis the contribution towards developing and monitoring implementation of strategy, ensuring robust and effective risk management, maintaining effective internal control mechanism, oversight of Board Sub Committees etc. The BNGC together with the Board Chairman review these self-evaluations with the findings used to constructively discuss



improvements to the Board and to ascertain if each individual Director remains qualified to remain on the LBF Board. The Chairman and/or Board Nomination and Governance Committee Chairman/ Chairperson acts on the results of the evaluation, and if appropriate, proposes new Directors or seeks the resignation of Directors.

### Evaluating the Performance of the MD

The performance of the Managing Director is assessed annually by the Chairman of the Board based on the agreed goals and objectives for a particular financial year, set at the commencement of that particular year. Following the year end evaluation of the Managing Director's performance, the BHRRC makes recommendations to the Board regarding the performance related pay component for the past year and revisions to the compensation for the year ahead.

#### Criteria for evaluating the effectiveness of the Board

- Composition, accountability and governance
- Board operations
- Legal responsibilities
- Financial overview
- Planning
- Board management relations

### GROUP GOVERNANCE

LBF's Governance Framework includes clearly defined Group governance roles and responsibilities for the oversight and implementation of effective Group-wide policies to safeguard the interests of stakeholders of the Group. The LBF Board proactively reviews and updates the Group Governance Framework to take cognisance of changes in the operating environment, including the legal and regulatory requirements. The Board together with the BIRMC continuously review the potential risks posed by the subsidiaries and implement appropriate controls to mitigate such risks.

As part of this commitment, the Board has established clear reporting arrangements that promote the understanding and management of material risks at subsidiary level. Moreover, the Board takes the responsibility for mobilising adequate resources to effectively monitor the compliance status of subsidiaries in line with all applicable legal and regulatory requirements.

### PRIORITIES FOR 2024/25

The Board have noted the following matters for attention in the year that has commenced:

- Ensuring compliance with CSE Listing Rule no. 9 on Corporate Governance prior to specified dates
- Facilitate and guide the newly formed committees of the Board to ensure they are effective in oversight of matters assigned to the committees
- Ensure that processes for compliance with SLFRS Sustainability Disclosure Standards are set in place and that internal controls are in place to verify the completeness, accuracy and reliability of sustainability reporting
- Ensure that the Board gets sufficient non-financial information to monitor progress against sustainability targets
- The Board will prioritise technological solutions to streamline governance processes, bolster information and data security, and enhance the decision-making process, thereby supporting greater transparency, accountability, efficiency, and effectiveness across enterprise-wide governance systems



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

The Directors of L B Finance PLC have the pleasure of presenting to the shareholders the Annual Report of the Board of Directors on the affairs of the Company together with the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st March 2024 and the Independent Auditors Report on those Financial Statements, conforming to the relevant statutory requirements.

This Report includes the information as required by the Companies Act No. 7 of 2007 (Companies Act), Finance Business Act Directions No. 5 of 2021 on Corporate Governance read together with Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended) and the Listing Rules of the Colombo Stock Exchange. It is also guided by the Recommended Best Practices on Corporate Governance.

## GENERAL

L B Finance PLC (the Company) is a Licensed Finance Company in terms of the Finance Business Act No.42 of 2011.

It was incorporated under the Companies Ordinance No. 51 of 1938 as a private limited liability company on 30th May 1971, converted to a public limited liability company on 29th September 1982, and was admitted to the Official List of the Colombo Stock Exchange on 30th December 1997. The Company was re-registered as per the Companies Act No. 07 of 2007 on 6th June 2008 under Company Registration No. PQ 156.

The Company is a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000.

The Ordinary Shares issued by the Company are listed on the Main Board of Colombo Stock Exchange.

The Company has been assigned a national long-term rating of BBB+ (lka) with a stable outlook by Fitch Ratings Lanka Limited.

Both the Registered Office of the Company and its Head Office are situated at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 07.

As per the requirements set out in Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in this Report for the year under review.

Information required to be disclosed as per the Companies Act No. 7 of 2007	Reference to the Companies Act	Level of compliance by the Company
The nature of the business of the Company	Section 168 (1) (a)	Page 179
Signed Group Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Page 239 to 347
Auditor's Report on Group Financial Statements of the Company	Section 168 (1) (c)	Page 235 to 237
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 249
Particulars of entries in the Interests Register made during the accounting period	Section 168 (1) (e)	Page 182
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 318
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 185
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 181
Amounts payable to the Auditor as audit fees and fees for other services rendered during the accounting period as a separate disclosure	Section 168 (1) (i)	Page 185 to 186
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 186
Annual Report of the Board of Directors on the affairs of the Company to be signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)	Page 187
Information as per Section 168 (i)(b) to (j) in relation to the subsidiaries	Section 168 (2)	Pages 179 and 187

## VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission and values are given on page 10 of this Report.

## PRINCIPAL ACTIVITIES

The Company's principal activities during the year were savings/deposit mobilisation, lending activities including Finance Lease/Vehicle Loan facilities, Gold Loans, Mortgage Loans, Personal Loans and other Credit Facilities, value added Services and Digital Financial Services.

The Company's subsidiaries, LB Microfinance Myanmar Company Limited, carried on Micro Finance business in Myanmar and Multi Finance PLC carries on business as a Licensed Finance Company.

The Company has an interest in the leisure sector through its investment in The Fortress Resorts PLC.

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

It is further declared that the Company has not engaged in any activity which contravenes laws and regulations.

## REVIEW OF OPERATIONS

A review of the business of the Company and its subsidiaries and their performance during the year under review with comments on financial results, future strategies and prospects are contained in the Managing Director's Review on pages 28 to 30 which forms an integral part of this Report.

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

### FUTURE DEVELOPMENTS

An overview of the future developments of the Company is given in the Chairman's Message on pages 26 to 27, Managing Director's Review on pages 28 to 30 and the Management Discussion and Analysis on page 32.

### FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company and its subsidiaries have been prepared and presented in accordance with the Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, Finance Business Act No.42 of 2011 the directions and guidelines issued under the said Finance Business Act and the Listing Rules of the Colombo Stock Exchange.

Consequent to the Board Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 27th May 2024. The Consolidated Financial Statements of the Company and its subsidiaries duly signed by the Chief Financial Officer and two Directors on behalf of the Board which are attached hereto form an integral part of the Annual Report.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

In terms of Section 150(1), 151, 152(1) and 153(1) and (2) of the Companies Act No. 7 of 2007, the Board of Directors of the Company is responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the profit or loss or income and expenditure of the Company and its subsidiaries for the accounting period ending as at the reporting date.

The Directors confirm that the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 239 to 347 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the amendments

thereto, Companies Act No. 7 of 2007, 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' Responsibilities for Financial Reporting is given on page 203 and forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company.

### DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board has issued a statement on the Internal Control Mechanism of the Company as per Section 16.1 (ix) of Finance Companies (Corporate Governance) Direction No. 5 of 2021.

The said statement which forms an integral part of the Annual Report of the Board of Directors on the Affairs of the Company is given on page 179.

The Board has obtained an Assurance Report from the Independent Auditors on the Directors' Statement on Internal Control over Financial Reporting as referred to on page 206.

### AUDITORS' REPORT

The Report of the Independent Auditors on the Financial Statements of the Company and the Group is given on page 235.

### ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The accounting policies adopted in the preparation of the Financial Statements are given on pages 249. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

### INCOME

The income of the Company for the year ended 31st March 2024 was Rs. 49,230 Million (2022/23 - Rs.42,756 Million)

Group Income during the year under review was Rs. 49,636 Million (2023/24 - Rs.43,133 Million)

An analysis of the Income is given in Note 2.1.1. to the Financial Statements.

### FINANCIAL RESULTS AND APPROPRIATIONS

The Profit Before Tax increased by 29 % whilst the Company recorded a growth of 13% in Net Profit After Tax for the year under review in comparison to those of the preceding year.

The growth in total comprehensive income was 12%.

Details of appropriation of profit of the Company and the Group are given below:

	2023 Rs. '000	2022 Rs. '000
Profit for the year after payment of all the expenses of management, provision for depreciation and amortisation, impairment of loans and other losses, gold loan auction losses and tax on financial services	15,180,207	11,746,552
Less: Income Tax Expense	5,616,569	3,286,221
Profit After Tax	9,563,638	8,460,361
Unappropriated Balance Brought Forward from Previous Year	28,784,409	21,849,942
Actuarial Gains/(losses) on Defined Benefit Plans	(37,594)	5,277
Profit Available for Appropriation	38,348,047	30,315,550
Less: Appropriations		
Dividend Paid for Previous Financial Year	2,770,285	1,108,114
Interim Dividend Payable/Paid for Current Financial Year	1,246,629	-
Transfers During the Year	478,182	423,027
Total Appropriation	4,495,096	1,531,141
Unappropriated Balance Carried Forward	33,815,357	28,784,409
Proposed Final Dividend	Rs.3.50 per share	Rs.3.00 per share

## RESERVES

The Reserves of the Company and the Group with the movements during the year under review are given in Note 2.35 to the Financial Statements on pages 316.

## TAXATION

The Income Tax rate applicable to the Company's operations is 30% (1st April to 30th September 2022 – 24% and 1st October 2022 to 31st March 2023 – 30%)

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2022/23 - 18%) and Social Security Contribution Levy at 2.5% (1st October 2022 to 31st March 2023 – 2.5%)

## THE BOARD OF DIRECTORS

The Board of Directors of the Company as at 31st March 2024 consisted of ten (10) Directors with a balance of skills, wide knowledge and experience in Entrepreneurship, Banking, Finance, Audit & Assurance, Legal and Marketing which is appropriate for the business carried out by the Company.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on page 156 which also includes other directorships held by Directors.

### Executive Directors

**Mr. J A S S Adhihetty**  
Managing Director

**Mr. Niroschan Udage**  
Deputy Managing Director

**Mr. B D A Perera**  
**Mr. R S Yatawara**

### Non-Executive Directors

**Mr G A R D Prasanna** – Chairman

**Mr. M A J W Jayasekara** \* +

**Ms. Yogadinusha Bhaskaran**

**Ms. Ashwini Natesan** \*

**Mr. Dharmadasa Rangalle**

**Ms Yanika Amarasekera** \*

\* Independent Directors

+ Senior Independent Director

## Fit and Proper Assessment of Directors

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

## Extension of Office of the Managing Director

The approval of the Monetary Board of the Central Bank of Sri Lanka was granted on 21st June 2023 in terms of the Finance Business Act, Directions No.5 of 2021, for the Managing Director, Mr. J A S S Adhihetty to continue in office, for a period of one (01) year after attaining the age of seventy three (73) years. Accordingly, in terms of the said Regulatory approval read together with the shareholders' approval at the Annual General Meeting held on 30th June 2023, Mr Adhihetty continues to function as the Managing Director of the Company.

The Board at its meeting held on 17th April 2024, resolved to seek the approval of the Monetary Board, for a further extension of office of the Managing Director in terms of the said Directions and submitted the relevant documents to the Director – Department of Supervision of Non-Bank Financial Institutions in relation to the said extension.

## Resignations/Cessations

There were no Resignations/Cessations during the year under review.

## Directors of the Subsidiaries

The Directors of the subsidiary, LB Microfinance Myanmar Company Limited as at 31st March 2024 consisted of the following:

**Mr. J A S S Adhihetty**

**Mr. Niroschan Udage**

**Mr. B D A Perera**

**Mr. R S Yatawara**

The Directors of the subsidiary, Multi Finance PLC as at 31st March 2024

**Mr. G A R D Prasanna**

**Mr. J A S S Adhihetty**

**Mr. Niroschan Udage**

**Mr. B D A Perera**

**Mr. R S Yatawara**

**Mr. D Ranagalle**

There were no changes in the Directors of the subsidiaries.

## Retirement by Rotation and Re-Election of Directors/Annual Assessment of continuing Directors

The names of the Directors who are:

- (i) subject to retirement by rotation in terms of Articles 85 and 86 of the Articles of Association, and,
- (ii) proposed for re-appointment in terms of Section 211 of the Companies Act No. 7 of 2007, and the applicable provisions thereto,
- (iii) subject to annual assessment of their fitness and propriety to continue as Directors in terms of Finance Business Act Directions No.6 of 2021, are set out in the undernoted Table.

The Board Nomination Committee / the Board of Directors have recommended the re-election/re-appointment / continuation of the said Directors, subject to the relevant Regulatory approval/s in terms of the applicable Directions issued under the Finance Business Act.

Directors' Interests Register and Directors' Interests in Contracts or Proposed Contracts

The Company maintains the Directors' Interests Register in terms of the Companies Act No. 7 of 2007.

Directors of the Company have made necessary declarations of their interests in Contracts and proposed Contracts in terms of Section 192 (1) and 192 (2) of the Companies Act. These interests are entered in the Interests Register which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

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

The particulars of the Directors Interests in Contracts with the Company are given in Note 3.1 to the Financial Statements on pages 318 and form an integral part of this Annual Report.

The remuneration paid to the Directors during the year under review is entered in the Interests Register and the aggregate of such remuneration is disclosed in this Annual Report under "Directors' Remuneration" on page 318.

The relevant interests of Directors in the Shares of the Company as at 31st March 2024 as recorded in the Interests Register are given in this Report under Directors' shareholding on page 184.

In accordance with the Myanmar Companies Law, Directors of the

Myanmar subsidiary have disclosed their interests in shares and securities in the said subsidiary and also their interests in contracts and other arrangements with the said company.

The Directors of Multi Finance PLC too have disclosed their interests in Shares of the said subsidiaries together with their interests in contracts and agreements with the said subsidiary.

### Directors' Declarations in terms of Rule 9.16(i) of the Listing Rules of the CSE

The Directors declare that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director was materially interested in a contract or a

proposed contract with the Company, they have refrained from voting on such contracts. It is further declared that during the year under review, the Company did not enter into any contracts in which any Director was interested.

### Directors' Declarations in terms of Section 16.1(ii) and (v) of Finance Business Act Directions No. 5 of 2021 and Rule 9.10.4 (c) of the Listing Rules of the CSE

The Chairman and the Directors of the Company have made declarations as per the requirements in the above Directions / Rules, that there is no financial, business, family or other material/relevant relationship(s) between the Chairman and the Managing Director and/or amongst the members of the Board.

Name of Director	Applicable Article of the Articles of Association / Section of the Companies Act / Finance Business Act Directions	Other information
Ms. Ashwini Natesan	Articles 85 and 86 / FBA Directions No.6 of 2021	<p>According to Articles 85 and 86, the Directors to retire by rotation at the Annual General Meeting (AGM) are those who (being subject to retirement by rotation) have been longest in office since their last election or appointment.</p> <p>If one-third (1/3rd) of the Directors eligible for retirement by rotation is not a multiple of three (03), the number nearest to (but not greater than) one-third (1/3rd) shall retire from office. As per the Articles, in calculating the said number, a Director appointed to the office of Chairman and Executive Directors are excluded.</p> <p>Accordingly, after excluding the Chairman and the four (04) Executive Directors, the number of Directors subject to retirement by rotation is five (05) and therefore, one (01) Director should retire by rotation.</p> <p>Accordingly, Ms. Ashwini Natesan who has been longest in office, since her last re-election retires and offers herself for re-election at the forthcoming AGM.</p> <p>The Company has applied to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of Section 5.1.2 of the Finance Business Act Directions No. 06 of 2021, with respect to the said re-election and continuation.</p> <p>A Resolution will be placed before the shareholders at the forthcoming AGM for the re-election of the said Director which will be effective, upon the receipt of requisite Regulatory approval as aforesaid.</p>



Name of Director	Applicable Article of the Articles of Association / Section of the Companies Act / Finance Business Act Directions	Other information
Mr. J A S S Adihetty	Section 211 of the Companies Act / FBA Directions No.5 of 2021	<p>Mr. J A S S Adihetty, who holds the position of Managing Director of the Company, attained the age of seventy three (73) years on 4th July 2023. The Board at its meeting held on 17th April 2024 having considered the Finance Business Act Directions No.5 of 2021 and the approval granted by the Monetary Board on 21st June 2023, for a period of one (01) year from 4th July 2023, resolved to seek the prior approval of the Monetary Board for a further extension of time period vis-à-vis Mr. Adihetty.</p> <p>In terms of Section 210 of the Companies Act, Mr. Adihetty vacates office at the conclusion of the next Annual General Meeting.</p> <p>In line with the decision of the Board of Directors to seek an extension of time period for Mr. Adihetty in terms of the aforesaid Directions No.5 of 2021 and the Company's application for the requisite Regulatory approval in terms of the said Directions No.5 of 2021, the Board further resolved to place a Resolution before the shareholders at the forthcoming Annual General Meeting in terms of Section 211 of the Companies Act seeking the approval of the shareholders for the re-appointment of Mr. Adihetty specially declaring that the age limit referred to in Section 210 of the Companies Act shall not apply to Mr. Adihetty, subject to receiving the requisite Regulatory approval in terms of the said Directions.</p>
8 Other Directors	FBA Directions No.6 of 2021	<p>In terms of Section 3.3 of the said Directions, the fitness and propriety of continuing Board of Directors is subject to annual assessment by the Director, Department of Supervision of the Non-Bank Financial Institutions of the Central Bank of Sri Lanka.</p> <p>The Company has applied to the Director – Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, for the requisite regulatory approval in terms of the said Directions and the continuation of the office of the said Directors is subject to receiving the requisite Regulatory approval.</p>

### RELATED PARTY TRANSACTIONS WITH THE COMPANY

The Directors have also disclosed transactions, if any, that could be classified as Related Party Transactions (RPTs) in terms of LKAS 24.

With effect from 1st January 2016, all proposed non-recurrent (RPTs) have been placed before the Related Party Transactions Review Committee in accordance with Listing Rules of Colombo Stock Exchange, for its review and recommendations, which was extended to

recurrent transactions as well, during the financial year under review.

The aggregate value of transactions of related parties (as defined in LKAS 24 – “Related Parties Disclosure”) with the Company are set out in Note 3.1 to the Financial Statements on page 318.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party ‘more favourable treatment’ than that accorded to other similar constituents of the Company.

The Board of Directors declares that the Company is in compliance with the applicable provisions of the Listing Rules pertaining to (RPTs) during the Financial Year ended 31st March 2024.

### DIRECTORS’ REMUNERATION

The remuneration of Directors of the Company and its subsidiaries is disclosed under Key Management Personnel compensation in Note 3.1.1 to the Financial Statements on page 318.

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

### RELEVANT INTERESTS OF DIRECTORS' IN SHARES

The Directors' shareholding and the relevant interests of Directors in the shares of the Company as at 31st March 2024 and 31st March 2023 are as follows;

	Shareholding as at 31st March 2024	Shareholding as at 31st March 2023
Mr G A R D Prasanna	-	-
Mr. M A J W Jayasekara	-	-
Mr. J A S S Adhihetty	424,480	424,480
Mr. N Udage	2,861,235	1,816,540
Mr. B D A Perera	1,000,000*	-
Mr. R S Yatawara	8,593	8,593
Ms. Yogadinusha Bhaskaran	-	-
Ms. Ashwini Natesan	-	-
Mr. Dharmadasa Rangalle	-	-
Ms Yanika Amarasekera	-	-

\* Shares held by the spouse, Mrs M C P Perera (nee Gunaratne).

Vallibel One PLC, holds 286,729,600 Ordinary Shares constituting 51.75% of the shares representing the Stated Capital of the Company.

Vallibel One PLC is also the holding company of Royal Ceramics Lanka PLC which holds 144,492,928 shares constituting 26.08% of the shares representing the stated capital of the Company.

Mr. J A S S Adhihetty and Ms. Yogadinusha Bhaskaran are Directors of Vallibel One PLC, where they serve as a Managing Director and Non-Executive Director respectively.

### BOARD SUBCOMMITTEES

The Board of Directors of the Company has formed seven (07) Committees in compliance with the Finance Business Act Direction No.5 of 2021 and read together with Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended), Finance Business Act Direction No.1 of 2022 on Technology Risk Management and Resilience, Listing Rules of the Colombo Stock Exchange, as per the Recommended Best Practices on Corporate Governance and SLFRS S1 and S2 (Sustainability Disclosure Standards).

They are the Board Audit Committee, Board Integrated Risk Management Committee, Board Human Resource and Remuneration Committee, Board Related

Party Transactions Review Committee, Board Nomination Committee (renamed as Board Nomination and Governance Committee), Board Information Security Committee, and Board Sustainability Committee.

The composition of the said committees is as follows:

#### Board Audit Committee (BAC)

**Ms. Yogadinusha Bhaskaran**  
Chairperson/Non-Executive Director

**Mr. M A J W Jayasekara**  
Independent Non-Executive Director

**Ms. Ashwini Natesan**  
Independent Non-Executive Director

The Report of the said Committee appears on page 188.

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

**Mr. M A J W Jayasekara**  
Chairman/Independent Non-Executive Director

**Ms. Yogadinusha Bhaskaran**  
Non-Executive Director

**Ms. Ashwini Natesan**  
Independent Non-Executive Director

The Report of the said Committee appears on page 192.

#### Board Human Resources and Remuneration Committee

**Mr. M A J W Jayasekara**  
Chairman/ Independent Non-Executive Director

**Mr. G A R D Prasanna**  
Non-Executive Director

**Ms. Yanika Amarasekera**  
Independent Non-Executive Director

The Report of the said Committee appears on page 196.

#### Board Related Party Transactions Review Committee (BRPTRC)

**Ms. Ashwini Natesan**  
Chairperson/ Independent Non-Executive Director

**Mr. M A J W Jayasekara**  
Independent Non-Executive Director

**Mr. Dharmadasa Rangalle**  
Non-Executive Director

The Report of said Committee appears on page 198.

#### Board Nomination Committee (BNC) [renamed as Board Nomination and Governance Committee]

**Mr. M A J W Jayasekera**  
Chairman – Independent Non-Executive Director

**Mr. G A R D Prasanna**  
Non-Executive Director

**Ms. Ashwini Natesan**  
Independent Non-Executive Director

The Report of the said Committee appears on page 194.

### **Board Information Security Committee (BISC)**

**Ms. Ashwini Natesan**  
Chairperson - Independent Non Executive Director

**Mr. Ashane Jayasekara**  
Independent Non-Executive Director

**Mr. B D A Perera**  
Executive Director

The Report of the said Committee appears on page 200.

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

**Ms. Yanika Amarasekera**  
Chairperson - Independent Non-Executive Director

**Mr. G A R D Prasanna**  
Non-Executive Director

**Mr. Niroschan Udage**  
Deputy Managing Director

**Ms. Ashwini Natesan**  
Independent Non-Executive Director

The Report of the said Committee appears on page 202.

### **STATED CAPITAL AND DEBENTURES**

The Stated Capital of the Company as of 31st March 2024 was Rs. 838,282,159/-represented by 554,057,136 Ordinary Shares. There were no changes in the Stated Capital of the Company during the year under review.

### **SHARE INFORMATION AND SUBSTANTIAL SHAREHOLDINGS**

#### **Shareholders**

There were 5,014 shareholders registered as of 31st March 2024 (4,939 shareholders as of 31st March 2023).

#### **Distribution Schedule of Shareholders, Major Shareholders, Public Holding and Ratios and Market Price Information**

Information as required by the Listing Rules on distribution of shareholding with the respective percentages, twenty (20) Major Shareholders, Public Holding

& Ratios and Market Price Information are set out on pages 350 to 354 under Financial Review.

### **DIVIDENDS**

The Company paid an Interim Dividend of Rs. 2.25 per Ordinary Share for the year under review out of the profits of the Company.

The Directors have recommended a Final Dividend of Rs.3.50 per Ordinary Share for the year under review on the shares in issue of 554,057,136 to be approved by the shareholders at the forthcoming Annual General Meeting.

As required by Section 56 of Companies Act No. 07 of 2007 (Companies Act), the Directors have certified that they are satisfied that the Company will, immediately after the said distribution is made, satisfy 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 proposed Final Dividend.

The said Final Dividend will, subject to approval by the shareholders, be payable on or before 5th July 2024 to those shareholders who have provided accurate dividend disposal instructions, by way of direct credit to their respective Bank Accounts, through SLIPS and on 18th July 2024 to those shareholders whose payments are to be made by way of cheques.

#### **Property Plant & Equipment and Significant Changes in the Company's and Its Subsidiary's Fixed Assets/ Market Value of Land**

The details of Property, Plant and Equipment are given in Notes 2.23 of the Financial Statements.

The Lands and Buildings owned by the Company are recorded at cost and details

of those properties and their market values as at 31st March 2024 as per valuations conducted by Mr. H V Manjula Basnayake an Independent Valuer. The said information is set out in Note 2.23.9 to the Financial Statements on page 298.

### **HUMAN RESOURCES**

The Company's Employment Policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of the gender, race, and religion.

As at 31st March 2024, the Company had 4,132 employees (3,562 employees as at 31st March 2023).

#### **Material issues pertaining to employees and industrial relations pertaining to the Company**

No material issues pertaining to employees or industrial relations of the Company occurred during the year under review which required disclosure under Rule 7.6 (vii) of the Listing Rules.

#### **Employee Share Option Schemes/ Employee Share Purchase Schemes**

The Company has not implemented any Share Option/Share Purchase Schemes for its employees.

### **DONATIONS**

The Company made donations to the value of Rs.9.98 million during the year under review.

The subsidiaries L B Myanmar and Multi Finance PLC did not make any donations during the year under review.

### **AUDITORS**

Messrs Ernst & Young, Chartered Accountants served as the Independent Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

The Auditor of the subsidiary company, L B Microfinance Myanmar Company Ltd is UTW (Myanmar) Limited, a Member of Ernst & Young Global Limited.

The Auditors of the subsidiary company Multi Finance PLC is Messrs KPMG, Chartered Accountants.

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

A sum of Rs. 8,387,150/- is payable by the Company to the Auditors for the year under review comprising Rs. 4,857,724/- as Audit Fees, and 2,250,000/- as audit related fees and expenses and Rs1,279,425/- for non-audit services. The amounts payable to the Auditors of the subsidiary companies for the year under review are Subsidiary in Myanmar - Rs.2,020,455/- as Audit Fees – Statutory and Multi Finance PLC - Rs1,967,500/- as Audit Fees and Rs. 500,000/- as audit related fees and expenses.

The Board adopted a policy of rotation of Auditors in keeping with the principles of good Corporate Governance and to ensure compliance with Finance Business Act Direction No.5 of 2021 on Corporate Governance [Direction No.10.2 d(ii)].

Following a comprehensive evaluation process by the Board Audit Committee, Messrs KPMG, Chartered Accountants were selected for appointment as the Company's Auditors, for the financial year ending 31st March 2025.

A Resolution to appoint Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### RISK MANAGEMENT AND INTERNAL CONTROLS

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Board Audit Committee and the Board Integrated Risk Management Committee. Specific steps taken by the Company to manage the Risks are detailed under "Integrated Risk Management Report" on page 208.

The Board, through the Board Audit Committee and Board Integrated Risk Management Committee, conducts a review of internal controls covering financial, operational and compliance controls and risk management and has obtained reasonable assurance of their effectiveness and successful adherence therewith.

Directors' Statement on Internal Control is on page 204.

### MATERIAL FORESEEABLE RISK FACTORS

Material Foreseeable Risk Factors as applicable to the business operations of the Company and subsidiaries are set out in Notes 4.1 to 4.5 to the Financial Statements.

### APPRAISAL OF BOARD PERFORMANCE

A scheme of self-assessment is undertaken annually by each Director in conformity with the Section 1.5 (d) of the Finance Business Act Directions No. 05 of 2021 by answering a self-assessment questionnaire. The responses are collated by the Company Secretary, which are submitted to the Board for discussion and further evaluated by the Board.

In terms of the said Direction, the Board also carried out an annual self-evaluation of its own performance and that of the Sub-Committees to ensure that they discharge their duties and responsibilities satisfactorily in terms of the Companies Act No. 07 of 2007, Finance Business Act Direction No. 05 of 2021, Listing Rules of Colombo Stock Exchange and Best Practices on Corporate Governance.

Evaluations for the year under review of the Board of Directors and its Sub-Committees were discussed at the meeting of the Board of Directors held in the month of May, 2024.

### CORPORATE GOVERNANCE

The Board of Directors is responsible for the Governance of the Company.

The Board of Directors has placed considerable emphasis on developing rules, structures and processes to ensure Integrity and Transparency in all of Company's dealings and on making the best effort in achieving performance and quality profits. The Board has continuously refined the structure and systems to ensure governance on the lines as defined, being aware all the time that it is accountable to the stakeholders and to the general public.

The Report on Corporate Governance which is on pages 164 to 178 describes the application of the Corporate Governance practices within the Company during the year under review.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Compliance Officer independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board of Directors, the Board Audit Committee and the Board Integrated Risk Management Committee.

The Board has made arrangements to make themselves aware of applicable laws, rules, and regulations and changes thereto, particularly to Listing Rules and applicable capital market provisions through regular updates provided by the Compliance Officer, Head of Legal, the Company Secretaries, and the Directors themselves, whose expertise lies in the field of Law / Finance / Audit.

### STATUTORY PAYMENTS

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

### ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that is harmful or hazardous to the environment. Measures taken by the Company on environmental protection are given in the report on Natural Capital on page 146.

### OUTSTANDING LITIGATION

In the opinion of the Directors and Company's Lawyers, pending litigation by and against the Company will not have a material impact on the financial position of the Company or its future operations.

### CONTINGENT LIABILITIES

Except as disclosed in Note 4.3.2 to the Financial Statements, there were no material contingent liabilities as at the reporting date.



### EVENTS AFTER THE REPORTING DATE

Except for matters disclosed in Note 3.10 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements.

### PROPOSED AMALGAMATION OF MULTI FINANCE PLC WITH THE COMPANY

In furtherance of the Financial Sector Consolidation Plan of the Central Bank of Sri Lanka, the Boards of Directors of Multi Finance PLC and the Company resolved, to amalgamate Multi Finance PLC with the Company under Section 239 of the Companies Act No.07 of 2007, whereby LB Finance PLC will be the Amalgamated Company, subject however to the regulatory approvals and the approval of the shareholders of both Multi Finance PLC and the Company, by way of Special Resolutions at Extraordinary General Meetings of the respective companies. The in-principle approval of the Central Bank of Sri Lanka has been received for the amalgamation, and an Extraordinary General Meeting of the Company will be held on 28th June 2024 following the Annual General Meeting for the purpose of considering and if thought fit, to pass the requisite Special Resolution approving the amalgamation.

### GOING CONCERN

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

### ANNUAL GENERAL MEETING

The Notice of the Fifty First (51st) Annual General Meeting appears on page 431.

### ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

As required by section 168 (1) (k) of the Companies Act, this Report is signed on behalf of the Board of Directors of the Company by two (02) Directors and the Company Secretaries in pursuance of the authority granted by the Board Resolution passed on 31st May 2024 pursuant to having acknowledged the contents of this Annual Report.

Signed on behalf of the Board by

**G A R D Prasanna**  
Chairman

**Sumith Adihetty**  
Managing Director

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

27 May 2024

# BOARD AUDIT COMMITTEE REPORT

Our rigorous examination of internal controls and risk management practices ensured the integrity of the financial statements presented in this annual report. We engaged in constructive dialogue with management and external auditors, fostering a culture of accountability and continuous improvement. Our efforts aimed to safeguard the interests of shareholders and stakeholders, promoting trust and confidence in the company's financial operations



## PURPOSE OF THE COMMITTEE

The Board Audit Committee was established by the Board to obtain an objective review and oversight of the financial reporting process, governance process, the audit process, the company's system of internal controls and risk management and compliance process

## COMPOSITION OF THE COMMITTEE

During the year, the Board Audit Committee was composed of three Non-Executive Directors, a majority of whom are independent, in compliance with regulatory composition requirements. The Board is confident that the current members of the Committee poses the necessary competence in financial and technology related matters and have recent and relevant experience.

BOARD MEMBER	BOARD STATUS
Ms. Yogadinusha Bhaskaran	Non-Executive Director
Mr. Ashane Jayasekara	Independent Non-Executive Director
Ms. Ashwini Natesan	Independent Non-Executive Director

## COMMITTEE MEETINGS

The Committee convened thirteen (13) meetings throughout the reviewed year. Details regarding the attendance of Committee Members are stated in the table on page 174.

The Managing Director, Deputy Managing Director, Executive Directors and the senior management of LBF including Chief Internal Auditor and Chief Financial Officer attended the meetings by invitation. The members of the management team and the Company's External Auditor, Messrs. Ernst & Young were invited to participate at the meetings as and when required. M/s. P W Corporate Secretarial (Pvt) Ltd acted as Secretary to the Committee, the proceedings of which were periodically reported to the Board. The profiles of the Audit Committee members are given on pages 156 to 160.

## COMMITTEE CHARTER

The Board approved charter of the Audit Committee is in place and it clearly defines the terms of reference of the committee. The Audit Committee Charter

is reviewed annually to ensure that all new developments related to audit committee are duly incorporated. The audit committee charter was last reviewed and approved by the Board of Directors in December 2023.

The fundamental role of the Audit Committee is to assist the Board in discharging its oversight responsibilities in the areas of internal and external audits, internal financial controls and financial reporting process, other internal controls and regulatory compliances.

The Audit Committee functions are regulated in conformity with the finance business act direction no. 5 of 2021 on corporate governance, revised continuing listing rules on corporate governance issued by CSE that came to effective on October 2023 and revised code of best practice on corporate governance issued by CA Sri Lanka in 2023.

## COMMITTEE RESPONSIBILITIES

The key responsibilities of the Board Audit Committee as mandated by the Board are as follows;

- The primary objective of the Audit Committee is to assist the Board in its independent oversight of the accuracy and integrity of the financial statements, internal control systems and compliance with company policies, legal and regulatory requirements. This is essential in safeguarding the interests of all stakeholders, including shareholders and depositors.
- The Committee is responsible for supervising the effectiveness of the internal control system, financial reporting, internal audit function, risk management, and compliance with applicable laws, regulations and directives from the CBSL, CSE and other regulatory bodies. Additionally, committee ensures the adequacy and effectiveness of the Company's governance process.
- The Committee shall exercise its independent oversight over the internal and external assurance processes to ensure that both auditors maintain their independence, objectivity and the effectiveness of the audit process.

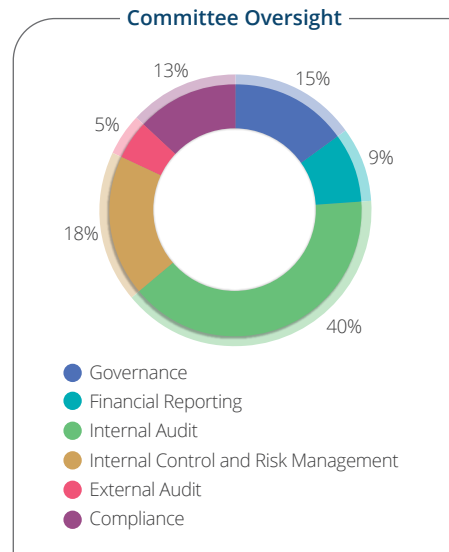
The committee considers relevant local and global professional and regulatory requirements to ensure compliance.

- The Audit Committee shall ensure that the Company adopts and adheres to highest level of standards in corporate governance practices, prime ethical standards and industry best practices in the best interest of all stakeholders.
- The Committee is responsible for reviewing the results of all types of inspections such as internal audit reports, information system audit reports and working with senior management to identify and address control weaknesses, procedure violations, frauds and errors. The Committee takes necessary precautionary measures to mitigate any risks may arise.
- The Committee is provided with adequate resources to fulfil its duties, including support from the Internal Audit Department, the external auditor, legal counsel and management. The committee examines all matters relating to the Company's accounting principles and practices, as well as reviews all material financial, operational and compliance controls.
- Examining statutory examination reports and ensure necessary corrective action are timely taken and monitor the implementation of action plan

### COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

#### Direct oversight of the Committee

The committee assisted in discharging Boards responsibility on governance aspects, financial reporting systems, internal and external audit processes, risk management and system of internal controls of the company and internal and external compliance reviews. Thirteen (13) committee meetings were held during the year and the committee allocated sufficient time to focus on key aspects as follows:



#### Financial reporting system

The Committee assisted the Board of Directors in the discharge of its duties by reviewing the company's financial reporting system. The Committee ensured that accounting policies, practices and internal controls are adequate to provide reasonable assurance that the financial reporting system is effective and efficient in providing reliable and timely information. The Committee discharged its duties with particular reference to the following:

- The preparation, presentation and adequacy of the disclosures in the Company's annual and interim financial statements in conformity with Sri Lanka accounting standards, regulatory and statutory requirements applicable to LBF;
- The rationale and basis for the 'significant estimates and judgments' underlying the financial statements;
- The internal control systems including information systems and procedures in place to provide reasonable assurance on the accuracy of recording all transactions in the books of accounts;
- The effectiveness of the financial reporting systems including the management accounts to ensure reliability of the information provided to the Board and other stakeholders of the Company.

- The Audit Committee has obtained assurance from both the MD and the CFO regarding the LBF's operations and finances to further strengthen its oversight responsibility on financial reporting and internal controls.
- The annual and the quarterly financial statements have been reviewed and recommended for the approval of the Board.
- The Committee focused special attention on the assessment of adequacy of provision for Expected Credit Loss (ECL) recognised in the financial statements by factoring the potential implications on prevailing economic condition of the country

#### Compliance monitoring mechanism

Statutory and regulatory compliances are on priority. Mechanisms to ensure timely and effective implementation of regulatory requirements are necessary to safeguard the interests of all stakeholders. Process owners are responsible for complying with all regulations as part of their standard operating procedure.

The Compliance Officer reviews and reports on any gaps or areas of non-compliance to the Audit Committee. It is also the mandate of the Compliance Officer to disseminate new regulatory requirements and update policies and procedure manuals to incorporate such requirements.

The reports of the Compliance Officer are monthly submitted to the Board audit committee and committee chairperson shall update the Board on matters which require board's attention.

A process has been set up to obtain periodic confirmations from the senior management regarding compliance with the statutory and regulatory requirements through the compliance function. The Committee also obtains assurance from internal auditors on several key regulatory compliance of the Company, in line with their respective internal audit programs.

A process is in place to establish new procedures / processes, or amending the existing, to facilitate new statutory / or regulatory requirements come in to effect. The compliance officer agrees on internal timelines with the respective process

## BOARD AUDIT COMMITTEE REPORT

owners when a significant change in people, processes or systems are effected as a result of new regulations.

Significant regulations / directions issued by regulators came to effect; Financial Consumer Protection Regulations No. 01 of 2023, amended CSE listing rules, transition periods provided for direction no. 05 of 2021 on Corporate Governance and direction no. 01 of 2022 on Technology Risk Management and Resilience have been incorporated to operations of the Company during the year under review. The implementation status of statutory and regulatory concerns has been duly followed up by the Compliance Officer and the committee is regularly updated on the status at the monthly meetings.

The statutory examination report of CBSL and Finance Intelligence Unit (FIU) have also been reviewed in its monthly meetings and necessary remedial actions have been taken as agreed in the time-bound action plan.

The Committee is satisfied with the present status of compliance with financial reporting requirements, CBSL regulatory requirements, information requirements under CSE listing rules, the Companies Act and the SEC Act and other relevant financial reporting related regulations and requirements.

### Internal assurance

The Chief Internal Auditor reports directly to the Board Audit Committee and provides independent assurance to the Committee in discharging its duties. The Committee ensures that the internal audit function is independent of the activities it audits and it possesses proficiency and exercises due professional care. The Board approved procedure manual for Internal Audit Department is in place to reflect current practices of the Internal Audit Department. The procedure manual was last reviewed and approved by the Board in August 2023.

A risk-based audit methodology and approach has been adopted and all auditable areas/ processes of the company are covered. The risk-based annual internal audit plan is reviewed by the Committee before commencement

of the financial year and assesses the adequacy of resources for the department to provide uninterrupted assurance service. The Committee has reviewed the performance of the chief internal auditor and senior manager IS audit for the period to strengthen the independent assurance process.

The Committee reviewed the efficacy of the internal control system and compliance with regulatory requirements and also the Company's accounting and operational policies through the internal audit function. Prior to the commencement of audits, the scope of audit is reviewed by the Committee which recommends amendments where necessary, prior to approval. Control weaknesses highlighted in the internal audit reports are critically examined by the Committee. All observations are graded into separate risk groups based on the risk grading matrix adopted by the company and action plans are prioritised according to the severity. Follow up action taken by the management on the audit recommendations are also reviewed and recommends re-audits where necessary, to ensure the effectiveness of the internal controls.

The Committee paid high level attention on the company's information systems and its supporting technology infrastructure to ascertain the adequacy of internal controls and effectiveness and efficiency of such investments are fulfilled while ensuring the confidentiality, integrity and availability of the processes supports for financial reporting. The IS Audit team independently assessed the level of confidence in line with industry standards such as ISO 27001:2022, COBIT, NIST, CIS etc., and other statutory/ regulatory directions to provide assurance at the monthly Audit Committee meetings.

The committee has prioritised systematic examinations of exception monitoring processes throughout the reporting period. These evaluations entailed meticulous reviews of financial transactions, operational procedures, and regulatory compliance frameworks to detect any deviations from established norms or potential risks. The internal audit team has been engaged to assess methodologies and tools for scrutinising

anomalies and exceptions, with the aim of fortifying the company's control environment and reducing potential threats.

### External assurance

The Committee assisted the Board by recommending the appointment of the External Auditor in compliance with the relevant statutes and regulations, the service period, audit fee and any resignation or dismissal of the auditor.

The Committee reviewed the independence, objectivity and the effectiveness of the audit process in accordance with applicable standards and best practices. A written assurance was obtained from the external auditor confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. During the year, the Committee has evaluated the external auditor in line with applicable standards and industry best practices and satisfied with the status of the independence, objectivity and performance of the external auditor. The committee noted that the current audit partner has served in that capacity since 2023/24, whereas the external audit firm, Messrs. Ernst & Young, has been LBF's auditor since its inception.

The Committee together with management reviewed and discussed the scope of audit, approach and audit plan with the external auditor, Messrs. Ernst & Young, prior to the commencement of the audit for 2023/24. The Committee reiterated the necessity of reviewing the compliance status on regulatory and statutory requirements, preparation of financial statements in conformity with relevant accounting principles and reporting obligations, cybersecurity aspects and other internal control measures.

The Auditors were provided with the opportunity of meeting the Committee Members twice during the year, without any executive officer being present, to ensure that the auditors had the unrestricted opportunity to discuss and express their opinions on any relevant



matter. This process assured the Committee that the management has fully cooperated in providing the information and explanations requested by the Auditor.

The Committee met the external auditors to discuss the management letter pertaining to the previous year's audit and the management's response thereto. Follow up actions were taken to ensure that the recommendations contained in the management letter were implemented by management.

The Committee reviewed the non-audit services provided by the auditor to ensure that the provision of these services does not impair their independence and objectivity. The Committee is satisfied that there is no conflict of interests between the Company and the Auditor which would hinder the independence and objectivity of the Auditor. The Policy for engaging External Auditor Non-Audit services was reviewed and approved in June 2023.

In compliance with the provisions made in new corporate governance direction no. 05 of 2021, the committee evaluated several proposals submitted by leading audit firms practicing Sri Lanka. As a result of this evaluation process, the committee has proposed to the Board of Directors the appointment of Messrs. KPMG, Sri Lanka, Chartered Accountants, as the external auditor for the year concluding on 31 March 2025, pending ratification by shareholders at the forthcoming annual general meeting.

### Internal Control systems and Risk Management

Various processes have been implemented by the Committee to ensure the efficiency and effectiveness of company's internal control systems. Key processes related risks and internal controls are regularly reviewed by the internal audit department and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements present a true and fair view. Status of remediation plans are updated at the monthly audit committee meetings.

The committee reviewed the risk management framework and Internal Capital Adequacy Assessment Process (ICAAP) of the company during the year.

In addition, a process has been established to assess the effectiveness of the company's internal control systems and internal controls over financial reporting.

### GOOD GOVERNANCE AND WHISTLEBLOWING

The highest standards of corporate governance and adherence to the internal policies and procedures were ensured by the Committee to establish good governance within the organisation. The requirement of establishing new policies/ procedures / and amending the existing policies/ procedures in line with applicable statutory / regulatory requirements have been identified by the committee and processes are in place to duly comply the requirements. The committee has reviewed 25 charters / policies and procedures during the year and recommended them for approval of the Board. The Committee is satisfied with the present corporate governance framework of the organisation which ensures a balance of power and authority.

The Committee ensures the Whistleblowing Policy of the Company is a current, active set of measures to which all employees/ incidents have recourse. There was only one incident reported by a whistleblower during the year and necessary investigations and actions were implemented as per the provisions made in the whistle-blowing policy. All employees are encouraged to practice whistleblowing if they suspect any wrongdoing. Senior Management, from time to time conducts awareness programs to encourage staff to raise genuine concerns. The Compliance Officer reports on the whistleblowing incidents confidentially to the Committee each quarter end. The Committee remains committed to follow-up on any future complaints/ incidents, should they occur. The whistleblowing policy has been reviewed and revised regularly with the intention of further strengthening the existing process

### TRAINING AND DEVELOPMENT OF COMMITTEE MEMBERS

Continuous training and professional development have been undertaken by committee. Attending virtual and physical seminars, conferences, workshops, presentations done by internal and external officers on the areas such as new developments, new accounting standards, tax regulations, new statutes and directions issued by the Central Bank of Sri Lanka. An awareness session has been conducted to the Committee by a leading audit firm on the potential risks to the internal control environment as a result of using RPAs and the overview of Domestic Debt Restructure (DDR), DDR Scenarios, SLDBs accounting and risk implications and key considerations.

### COMMITTEE EFFECTIVENESS EVALUATION

As in the previous years, the effectiveness of the Committee was self-evaluated by its members for the year ended 31.03.2024 and the results were presented to the Board. The Committee has concluded that its performance was highly effective.

I wish to thank my fellow Committee members, Executive Directors and the Senior Management for their cooperation during the year.



Ms. Yogadinusha Bhaskaran  
Chairperson - Board Audit Committee

27 May 2024

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# BOARD INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

We reviewed and strengthened LBF's risk management framework during the year by conducting risk assessments across all business units and implementing strategic initiatives to mitigate identified risks. We are pleased to report that current risk levels remain within the boundaries established by the Board with improved capacity to absorb risks, positioning LBF for sustained profitable growth



**Mr. Ashane Jayasekara**  
Chairman - Board Integrated Risk Management Committee

## PURPOSE OF THE COMMITTEE

The Board Integrated Risk Management Committee (BIRMC) is tasked with assisting the Board of Directors with oversight of the Company's enterprise-wide risk management function, ensuring the adequacy and effectiveness of the risk management framework

## COMPOSITION OF THE COMMITTEE

BIRMC comprises three Non-Executive Directors and is chaired by an Independent Non-Executive Director, in compliance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance issued by the CBSL. There was no alteration to its membership during the year. The profiles of the BIRMC members are given on pages 156 to 160.

BOARD MEMBER	BOARD STATUS
Mr. Ashane Jayasekara	Independent Non-Executive Director (Chairman)
Ms. Yogadinusha Bhaskaran	Non-Executive Director
Ms. Ashwini Natesan	Independent Non-Executive Director

## COMMITTEE MEETINGS

The Committee convened six (6) meetings throughout the reviewed year complying with the regulatory requirement. Details regarding the attendance of committee members are stated in the page 174. The Managing Director, Deputy Managing Director, Executive Directors and the Senior Management of LBF including AGM Risk Management, Compliance Officer, Chief Internal Auditor and Chief Financial Officer attended the meetings by invitation. AGM Risk Management functioned as the Secretary to the Committee. Proceedings of the Committee were reported to the Board through submission of the meeting minutes. Risk profile and other specific matters are submitted separately for information of the Board. The recommendations made by the BIRMC during the year under review were duly approved by the Board.

## CHARTER AND RESPONSIBILITIES

A Board approved charter is in place with clearly defined terms of reference that set out the mandate of the BIRMC in accordance with the Finance Business

Act Direction no. 5 of 2021 on Corporate Governance. The charter is reviewed annually to reflect regulatory and other developments. The BIRMC charter was last reviewed and approved by the Board of Directors in August 2023.

The responsibilities of BIRMC as set out in the charter are as follows:

- Establish an independent risk management function responsible for managing risk taking activities across the company
- Develop risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that the Company will accept, or avoid, in order to achieve the strategic business objectives
- Review at least annually, the Company's overall risk governance structure, and the risk management policy & procedure
- Assess all material risks i.e. credit, market, liquidity, operational, strategic, IT and information security risk of the Company at least once in two months basis through appropriate risk indicators and management information and make

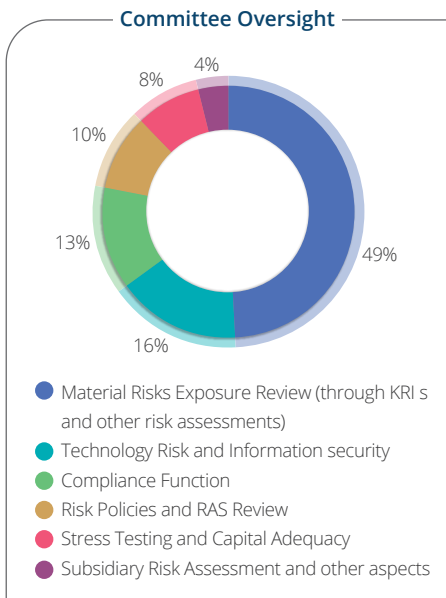
recommendations on the risk strategies and the risk appetite to the Board

- Review the adequacy and effectiveness of all management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee
- Review any issues raised by Regulator, External Audit or Internal Audit that may materially impact the Company's risk management framework
- Take prompt corrective action to mitigate the effects of specific risk in the case such risks are at levels beyond the prudent levels, decided by the Board on the basis of the Company's policies and regulatory and supervisory requirements
- Assess all aspects of risk management including business continuity and disaster recovery plans
- Submit a risk assessment report to the Board meeting following the BIRMC meeting seeking the Board's view, concurrence and/or specific directions
- Oversee and review the outcomes of stress testing of the risk portfolio, including both scenario analysis and sensitivity analysis for the capital adequacy assessment process and liquidity adequacy assessment process
- Oversee the reports from management regarding the Company's insurance strategy
- Review new products/processes of the Company and recommend the proposed products/processes for the Board approval
- Oversee management processes to ensure adherence to the Company's risk management policy & procedure

The process through which the BIRMC discharges its responsibilities is detailed in the Interated Risk Management Report in Page 208.

### COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

The Committee assisted the BOD in discharging its responsibility on overseeing the risk management functions. During the six meetings conducted, the Committee allocated sufficient time to focus on key aspects as follows;



In discharging its responsibilities, BIRMC performed the following activities.

#### Credit Risk

- Regular review of overall credit risk exposure using appropriate risk indicators, assessing mitigation strategies and making recommendations
- Review of Risk Appetite Statement and making recommendations to add new criteria and revise limits to ensure that the Company operates within healthy risk tolerance boundaries
- Local and global macro economic factors were discussed to identify the impact of such factors on the Company in order to initiate actions in a proactive manner
- Credit Risk Management Framework was strengthened and recommended for the approval of the Board

#### Liquidity and Market Risk

- Review of liquidity management strategies and cashflow forecast to have sufficient liquidity buffers
- Review of stress testing results on liquidity risk to assess adequacy of liquidity reserves under stressed scenarios
- Continuous monitoring of gold prices to assess adequacy of Loan to Value ratio and distribution of the gold loan portfolio
- Review Assets and Liability Management and Liquidity Risk Management Framework and recommend same for approval by the Board.
- Oversight of Asset and Liability management and functioning of ALCO, reviewing minutes of ALCO meetings as deemed necessary
- Movement of macro economic factors were discussed and reviewed the sensitivity of net interest income to changes in the interest rate

#### Operational Risk

- Monitoring the implementation of an automated exception monitoring procedure and strengthening the Policy on Exception Monitoring to strengthen the process
- Risk and Control Self Assessments on Fraud risk were reviewed as a key deterrent to promoting a conducive organisation culture
- Approving an enhanced methodology assessing branch operational risk assessment
- Operational Risk Management Framework was reviewed and recommended for the approval of the Board

#### IT and Information Security Risk

- Reviewed progress on implementation of technology security controls as per the regulatory Direction No 1 of 2022
- Information Technology Risk Management Framework was reviewed and recommended for the approval of the Board
- Close attention of the committee was given on setting up a framework for Personal Data Protection. Committee extended its assistance in initial tasks required in this process such as data

mapping, establishing a policy, etc. and recommended recruiting expertise on the relevant area

#### Capital Adequacy

- Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) report, which is a voluntary adoption and recommending for the approval of the Board
- Stress testing results were reviewed to ensure the Company's solvency under stressed scenarios

#### Other Risk Related Activities

- Assessed the effectiveness and adequacy of management level committees
- Monitored the risk exposures of the Company's subsidiary
- Risk register was reviewed to check the management commitment towards mitigating the open risks

#### Compliance Function

- Monitored implementation of new rules and regulations issued by the regulatory authorities
- Reviewed the Compliance checklist on monthly basis to ensure that the Company and its subsidiary are compliant with regulatory requirements
- Anti-Money Laundering (AML) and Countering of Financing of Terrorism (CFT) reports were reviewed quarterly
- Review of annual risk assessment of Money Laundering and Terrorist Financing (ML & TF) risks of the customers, products, processes and the overall Company

BIRMC continues to remain vigilant in view of the dynamic risk landscape and review the need to use additional tools to assess risk in the operations of LBF.

**Ashane Jayasekara**  
Chairman  
Board Integrated Risk Management Committee

27 May 2024

# BOARD NOMINATION AND GOVERNANCE COMMITTEE REPORT

Our continued dedication to fostering a culture of strong governance resulted us well as we have focused on enhancing our Board's diversity, ensuring a robust succession planning process, and implementing best practices in governance. These efforts are vital in driving sustainable growth and creating long-term value for our stakeholders



Mr. Ashane Jayasekara  
Chairman - Board Nomination and Governance Committee

## 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

## COMPOSITION OF THE COMMITTEE

BOARD MEMBER	BOARD STATUS	DATE OF APPOINTMENT TO THE COMMITTEE
Mr. Ashane Jayasekara	Independent Non-Executive Director (Chairman)	1 February 2019
Mr. G A R D Prasanna	Non-Executive Director	16 March 2022
Ms. Ashwini Natesan	Independent Non-Executive Director	16 March 2022

## COMMITTEE MEETINGS

The Committee met four (4) times during the year under review complying with the regulatory requirements. Details regarding the attendance of Committee members are stated on page 174. Executive Directors, AGM – Human Resources and Assistant Company Secretary attended the meetings by invitation. Company Secretaries functioned as the Secretary to the Committee. Proceedings of the Committee were reported to the Board. The recommendations made by the Committee during the year under review were duly approved by the Board.

## 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. The name of the Committee was changed to Board Nomination and Governance Committee as per the Listing Rules of Colombo Stock Exchange.

## FUNCTIONS

The functions of the Nomination Committee include:

- To regularly review the structure, size, composition, and competencies of the Board, the requirement of additional/new expertise, and the succession arrangements for retiring Directors and make recommendations to the Board regarding any structural changes in the Board.
- To consider the making of any appointments to the Board and other key responsible positions and provide advice and recommendations to the Board on such appointments.
- To ensure that Directors are fit and proper persons to hold office as per the criteria set out in the Directions issued by the Central Bank of Sri Lanka and the relevant Rules / Statutes.
- To evaluate and recommend the appointment, promotion, extension, transfer and re-designation of the Managing Director and Executive Directors and Key Responsible Persons.
- To evaluate and recommend (where appropriate) the re-election of Directors who are retiring by rotation to be placed before the shareholders, for re-election.

- To oversee and review the Board's succession plan together with the Succession plan for key responsible persons.
- To consider and examine such matters as it considers appropriate.
- To make recommendations on other related matters referred to the Committee by the Board of Directors.

## ACTIVITIES DURING THE YEAR

During the four (4) meetings in the year under review the Committee deliberated on succession planning for Key Responsible Persons (KRPs) / leadership training/grooming of successors, reviewed the Management's recommendations for certain key positions, recommended seeking an extension of the period of office of the Managing Director in terms of the Finance Business Act Direction No.5 of 2021, re-election of the Director who is retiring and reviewed the formation of Board Sustainability Committee and its composition.

In recommending the Director retiring by rotation (Ms Ashwini Natesan) for re-election by the shareholders, the Committee took cognizance that Ms Natesan was last re-elected as a Director in 2021. Ms Natesan did not participate



in the deliberations of the Committee pertaining to her re-election. Information, as required by Rule 9.11.6(g) of the Listing Rules in respect of the said Director, proposed for re-election is set out in her profile on page 156 and in 'Corporate Governance' on page 164.

The Committee also deliberated on the size and composition of the Board Sub Committee requirements as per the Finance Business Act Direction No.5 of 2021 and the New Listing Rules on Corporate Governance.

Recommendations made by the Committee which were duly forwarded to the Board of Directors were approved, subject to the requisite Regulatory approvals, where applicable.

#### **POLICIES AND PROCEDURES**

The Committee operates within the terms of reference as approved by the Board and according to further timely revisions thereof. As per the said terms of reference, the Committee shall be constituted with Non-Executive Directors, majority of whom may preferably be Independent Non-Executive Directors. The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman. As required by the said terms of reference, the Committee reviewed its terms of reference in October, 2023 and further reviewed in March, 2024 and made recommendations for the change in the name of the Committee and its functions. Consequent thereto, the name of the Committee was changed to Nomination and Governance Committee according to the new Listing Rules of CSE.

A documented Board approved Procedure for Nomination of Directors is in place, based on which the Committee recommends suitable individuals to be selected for appointment to the Board subject to the relevant regulatory approvals.

The retirement and re-election of Directors as stated in the Articles of Association (Articles 85 and 86) require 1/3 of the Directors eligible for retirement by rotation, to retire from office at each Annual General Meeting, and the Committee after evaluation, recommends (where appropriate) the re-election of Directors who are retiring by rotation to be placed before the shareholders, for re-election.

The Committee acknowledges Board diversity, covering academic/professional qualifications, skills, experience, age, gender, integrity as key attributes for eligibility taking into consideration the nature of the business of the Company and the specific requirements of the non-bank financial sector, which is further elaborated in 'Corporate Governance' on page 164.



**Ashane Jayasekara**  
Chairman  
Board Nomination Committee

27 May 2024

# BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT

We have implemented strategic initiatives to enhance employee development, align remuneration with performance, and promote a culture of inclusivity and engagement. Our commitment to fair and competitive compensation practices ensures that we attract and retain top talent, driving our Company's continued success

## PURPOSE OF THE COMMITTEE

The Board Human Resources and Remuneration Committee is required to establish a formal and transparent procedure for developing a Policy on Executive Directors' remuneration and for fixing the remuneration packages of the individual Directors



Mr. Ashane Jayasekara  
Chairman - Board Human Resources and Remuneration Committee

## COMPOSITION OF THE COMMITTEE

BOARD MEMBER	BOARD STATUS
Mr. Ashane Jayasekara	Independent Non-Executive Director (Chairman)
Mr. G A R D Prasanna	Non-Executive Director
Ms. Yanika Amarasekera	Independent Non-Executive Director

## COMMITTEE MEETINGS

The Board Human Resources and Remuneration Committee convened three (3) meetings during the year under review complying with the regulatory requirements. Details regarding the attendance of Committee are stated on page 174. Managing Director, Executive Directors, Chief Financial Officer and AGM – Human Resources attend the meetings by invitation, and provide relevant information and their views to the Committee for its deliberations, except when the Executive Directors' / KRPs' (as applicable) own remuneration packages and other matters relating to them are discussed. Company Secretaries functioned as the Secretary to the Committee. Proceedings of the Committee were reported to the Board. The recommendations made by the Committee during the year under review were duly approved by the Board.

## REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Committee was formed by the Board in compliance with the Listing Rules of the Colombo Stock Exchange and it conforms to Section 10.5 of Finance Business Act Direction No.5 of 2021 and its composition is in line with Rule 9.12.6 of the Listing Rules.

## FUNCTIONS

The functions of the Committee include the following:

- To make recommendations to the Board on the Remuneration Policy of the Company.
- To make recommendations on the compensation and benefits of the Managing Director and Executive Directors.
- To oversee any major changes in the employee remuneration and benefit structures throughout the Company, to consider and examine such matters as it considers appropriate.
- To make recommendations on other related matters referred to the Committee by the Board of Directors.

## ACTIVITIES DURING THE YEAR

During the meetings the Committee had in the year under review, it reviewed and made recommendations to the Board on bonus payments to Executive Directors and staff, the structure for staff performance evaluations, increments and promotions and staff salaries in general, the Policies on Remuneration to be aligned with the Finance Business Act Directions No.5 of 2021 on Corporate Governance and the remuneration structure of the Executive Directors.

## POLICIES AND PROCEDURES

The Committee operates within the terms of reference as approved by the Board. As per the said terms of reference, the Committee shall consist of not less than three (3) members, comprising exclusively of non-executive directors, a majority of whom shall be independent.


The Committee shall meet at least twice in a financial year and additional meetings may be called at any time at the Chairman's discretion or by a member in consultation with the Chairman. As required by the said terms of reference, the Committee reviewed the terms of reference in September 2023, and recommended changes thereto to be in strict conformity with the Finance Business Act Directions No. 05 of 2021.

## REMUNERATION POLICY

The primary objective of the Remuneration Policy of the Company is to align remuneration with performance, whilst ensuring that the Company is able to attract and retain employees critical to deliver the Company's strategy and to make continued progress towards ensuring a high performing culture in line with the Company's values. Through the Remuneration Policy, the Company endeavours to encourage an entrepreneurial mindset by creating a working environment that motivates high performance so that all employees can positively and ethically contribute to the strategy, vision and goals of the Company while upholding its values.

## DIRECTORS' REMUNERATION

The total amount paid as Directors' remuneration during the year under review is set out in Note 3.1 to the Financial Statements, which is in line with the Policy for Directors' Remuneration adopted by the Board on 17th February 2021.



**Ashane Jayasekara**  
Chairman  
Board Human Resource and  
Remuneration Committee

27 May 2024

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# BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

We have diligently overseen and reviewed Related Party Transactions to ensure that they met the highest standards of transparency, fairness, and compliance. Our commitment to maintaining robust governance practices continues to safeguard the integrity of our financial reporting and uphold the trust of our stakeholders

## PURPOSE OF THE COMMITTEE

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



**Ms. Ashwini Natesan**  
Chairperson  
- Board Related Party Transactions Review Committee Report

## COMPOSITION OF THE COMMITTEE

BOARD MEMBER	BOARD STATUS
Ms. Ashwini Natesan	Independent Non-Executive Director
Mr. Ashane Jayasekara	Senior Independent Non-Executive Director
Mr. Dharmadasa Rangalle	Non-Executive Director

## COMMITTEE MEETINGS

The Board Related Party Transactions Review Committee ('BRPTRC' and 'the Committee') The Committee convened seven (7) meetings during the year under review complying with the regulatory requirements. Details regarding the attendance of Committee members are stated on page 174. Executive Director, Chief Financial Officer, Compliance Officer, National Manager – Finance and Assistant Company Secretary attended the meetings by invitation. Company Secretaries functioned as the Secretary to the Committee. Proceedings of the Committee were reported to the Board. The recommendations made by the Committee during the year under review were duly approved by the Board.

## REGULATIONS/RULES RELEVANT TO THE FUNCTIONS OF THE COMMITTEE

The Committee was established by the Board on 22nd September 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules thereby enhancing the Company's internal control mechanism.

## FUNCTIONS

Scope of the Committee includes:

- To manage relationships with related parties to uphold good governance and the best interests of the Company

- To provide an independent review, approval and oversight of Related Party Transactions (RPTs) (except those expressly exempted by the Charter) on terms set forth in greater detail in the Policy
- To review the Charter and Policy annually and recommend amendments to the Charter and the Policy to the Board as and when determined to be appropriate by the Committee.
- Determining whether RPTs that are to be entered into by the Company require the approval of the Board or Shareholders of the Company;
- Establishing guidelines in respect of Recurrent RPTs, for senior management to follow in its ongoing dealings with the relevant related party
- Ensuring that no Director of the Company shall participate in any decision-making process of a proposed Related Party Transaction for which he or she is a related party. Such Director may be requested to participate in relevant discussions by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules/ regulations are made in a timely and detailed manner

## ACTIVITIES DURING THE YEAR

- In accordance with the Related Party Transactions Policy of the Company as was applicable at the commencement of the year, all Non-recurrent RPTs were placed before the Committee for prior review and recommendations, whereas all Recurrent RPTs were entered into by the Company as per the guidelines issued by the Committee on such transactions and reported to the Committee by the Chief Financial Officer (CFO) every quarter / month. Such reports were reviewed by the Committee and they covered all RPTs entered into by the Company during the preceding quarter / month (as applicable) and the Related Parties / Entities as at the end of relevant quarter / month along with Affirmative Statements by the CFO re-assuring that all recurrent transactions entered into during the quarter were those, which have been entered into as per the applicable guidelines on an arms-length basis where no favourable terms have been offered to related parties.
- The Committee reviewed four Non-recurrent RPTs during the year under review, made recommendations and communicated its observations to the Board. Neither of the said non-recurrent RPTs exceeded the threshold for immediate disclosure to the Colombo Stock Exchange as per the Listing Rules.
- The Committee revisited the guidelines for recurrent transactions in line with the provisions of the Finance Business Act (FBA) Direction No. 5 of 2021 on Corporate Governance and



recommended changes to the RPT Policy arising therefrom, which were adopted by the Board.

- In strict compliance with Direction No.12.1(b) of FBA Direction No.5 of 2021, which requires all RPTs to be subject to prior review and recommendation of the BRPTRC, the Committee Recommended that necessary system changes as needed be brought in, to be in conformity with the said provisions and initiated a robust approval process, for all Recurrent RPTs too to be placed before the Committee for prior review and recommendations.
- The Committee reviewed the RPT Charter / Policy during the year under review and recommended amendments to the RPT Policy as aforesaid, which were adopted by the Board.

In addition to the scheduled BRPTRC meetings adhoc meetings as necessary were held to ensure review of RPTs as and when required.

#### **POLICIES AND PROCEDURES**

- The BRPTRC operates within the Charter of the Committee as approved by the Board of Directors. It includes a RPT Policy whereby the categories of persons/entities who shall be considered as 'related parties' have been identified.
- In accordance with the RPT Policy, Directors are required to make and have made self-declarations for the purpose of identifying parties related to them and wherever such declarations are made, they are minuted by the Company Secretaries. The Company Secretaries communicate any changes in the Related Parties to the officer responsible for collation of information on related parties.
- The Company uses a RPT System that enables the Company to retrieve data on RPTs throughout the Company's network. Based on the information as disclosed by the Directors and communicated by the Company Secretaries to the relevant officer, the database of related parties maintained in the RPT System is continuously updated and whenever, a RPT of a recurrent nature is to be initiated, the RPT System generates a communication to the BRPTRC members seeking its prior review and recommendations and the transaction is closed only upon receipt of such recommendations from the Committee. Moreover, the system automatically generates a comprehensive report every quarter/ month for Management's review, which is also tabled at BRPTRC meetings and where necessary, at Board Meetings. The said report reflects all types of transactions with related parties including general payments, creditors, debtors, savings, fixed deposits and lending.
- In its review of RPTs, BRPTRC considers the terms and conditions of the RPT, value, and the aggregate value of transactions with the said related party during the financial year, comparison with market pricing etc. in order to determine whether they are carried out on an arm's length basis, the disclosure requirements as per the Listing Rules of the Colombo Stock Exchange and the level of approval required for the respective RPTs are complied with.
- The BRPTRC ensures that all transactions with related parties are in the best interests of all stakeholders, with adequate transparency in processes and are following the Listing Rules and the relevant Directions as applicable to Licensed Finance Companies. The Committee has established guidelines and stringent oversight and compliance procedures in respect of Recurrent RPTs to be followed by the Management of the Company, as per the requirements of the said Direction No. 5 of 2021.
- Reviewing and approval of RPTs are either at a meeting of a majority of the members who form the quorum or by circulation, approved by all the members.

#### **RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR.**

1. Information on all related parties, as extracted at the end of each quarter / month, was presented to the BRPTRC and where necessary, to the Board at their meetings held in the immediately following month.

2. All Directors made disclosures of any transactions entered/to be entered into by the respective Directors and/ or any related parties of the said Director, which were minuted by the Company Secretaries. Additionally, if any Director assumes office as a Director of any company, the Director concerned makes a disclosure to the Board which is then captured by the Company Secretaries and passed on to the officer concerned.
3. The value of non-recurrent RPTs during the year was below the threshold for immediate disclosure in terms of the applicable Listing Rules or disclosure in the Annual Report as per Rule 9.14.8 (1) of the Listing Rules.
4. The aggregate value of recurrent RPT entered into during the year was below the threshold for disclosure in the Annual Report as per Rule 9.14.8(2) of the Listing Rules.
5. The aggregate value of all RPTs during the year is disclosed in Note 3.1 to the Financial Statements in terms of LKAS 24 – Related Party Disclosures.

#### **DECLARATION**

A declaration by the Board of Directors as an affirmative statement of compliance with the Listing Rules on related party transactions is given on page 183 of the Annual Report.

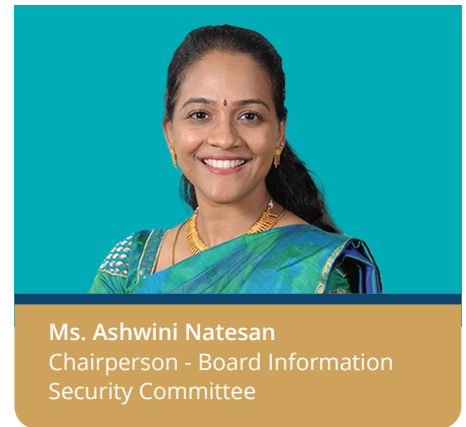


**Ashwini Natesan**  
Chairperson  
Board Related Party Transactions Review  
Committee

27 May 2024

# BOARD INFORMATION SECURITY COMMITTEE REPORT

Since the inception of the committee, we have prioritised the enhancement of our information security measures and ensured stringent compliance with regulatory standards. The Committee has collaborated closely with management and security teams to mitigate risks and strengthen the security measures of our layered defences. These initiatives have been integral in maintaining the integrity and security of our information systems. Our efforts are directed towards protecting the interests of our customers, shareholders and stakeholders, thereby reinforcing confidence in the company's steadfast commitment to robust information security practices.



## PURPOSE OF THE COMMITTEE

The Board Information Security Committee was established by the Board of Directors to provide strategic oversight and governance of the company's information security program. The committee's primary objectives include ensuring the protection of information assets, maintaining compliance with regulatory standards, overseeing the implementation of robust cybersecurity measures, and managing risks associated with information security. Through continuous evaluation and improvement of security policies, controls, and practices, the committee aims to safeguard the integrity, confidentiality, and availability of the company's information systems

strengthen the Information Technology and Information Security risk governance by the provisions of the Finance Business Act (Technology Risk Management and Resilience) Direction No.01 of 2022. Board of Directors formally approved the committee charter on January 30, 2024.

The key responsibilities of the Committee include the following;

- Review and recommend the Information Security Policy, procedures to the Board and assess the effectiveness of its implementation.
- Regularly review significant threat changes and vulnerabilities to ensure timely mitigation strategies are in place.
- Provide oversight to the Company's Information Security Management Program, ensuring it aligns with the organisation's objectives and regulatory requirements.
- Examine the status of security incidents and evaluate the outcomes of various information security assessments and monitoring activities across the Company.
- Review the effectiveness and reach of security awareness programs implemented within the Company to ensure a culture of security consciousness.
- Assess new developments or issues related to information security, ensuring the Company adapts to evolving threats and technological advancements.
- Review the technology/ information security risk register, risk management framework, including risk acceptance criteria and the acceptable levels of risk to ensure comprehensive risk

## COMPOSITION OF THE COMMITTEE

The Committee compose of two Independent Non-Executive Directors and one Executive Director. The Board is confident that the current members of the Committee poses the

necessary competence in information technology, information security and risk management related matters and have recent and relevant experience. The profiles of the Information Security Committee members are given on pages 156 to 160.

BOARD MEMBER	BOARD STATUS
Ms. Ashwini Natesan	Independent Non-Executive Director
Mr. Ashane Jayasekara	Senior Independent Non-Executive Director
Mr. B. D. A. Perera	Executive Director – Asset Management

## COMMITTEE MEETINGS

The inaugural meeting of the Board Information Security Committee was held on August 28, 2023, coinciding with the second quarter of the financial year. The Committee convened two (2) meetings during the year under review. Details regarding the attendance of Committee Members are stated in the table on page 174.

The Deputy Managing Director and senior management of LBF, including the Chief Information Officer, Chief Internal Auditor, Chief Financial Officer, Chief Risk

Officer and Compliance Officer attended the meetings by invitation. Members of the management, including information technology and security teams, were invited to participate in the meetings as and when required. The Company Secretary acted as the secretary to the Committee.

## COMMITTEE CHARTER AND RESPONSIBILITIES

The Board Information Security Committee was formed by the Board of Directors as voluntary adoption to

management.

- Evaluate the risks associated with Key technology infrastructure enhancements/ cloud implementations prior to the adoption of solutions to ensure they meet the Company's security and risk management standards.

### COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

The following key initiatives and actions were undertaken during the two-committee meetings convened during the year:

- Evaluated and recommended necessary control mitigations for new key technology infrastructure enhancements and cloud adaptations to safeguard company information assets. This includes MSSP managed firewall, cloud Wi-Fi implementation, digital FD withdrawal, cashier module, CIM payday loan, and more.
- Reviewed the IT/cyber risk register, assessed the effectiveness of management actions in mitigating and reducing risk exposure, and provided requisite recommendations for issue remediation.
- Established the Terms of Reference for the Board Information Security Committee to guide its operations and objectives.
- Provided strategic advisory support for establishing a Personal Data Protection Policy for LBF.
- Offered advisory support for implementation to meet the compliance requirements of the Personal Data Protection Act.
- Conducted follow-ups and accelerated the remediation efforts by management to address high-risk information security audit observations.

- Reviewed the implementation progress and level of compliance with the Regulatory Direction No 1 of 2022 on Technology Risks Management and Resilience.
- Reviewed the effectiveness of security assessments and monitoring controls established by L1, L2 and L3 layered defences.



**Ms. Ashwini Natesan**  
Chairperson  
Board Information Security Committee

27 May 2024

# BOARD SUSTAINABILITY COMMITTEE REPORT

The continuity of a business organisation hinges on its environmental impact and its management of these impacts. With this understanding, we have redefined our sustainability journey to introduce exemplary sustainability practices to the NBFi sector

## PURPOSE OF THE COMMITTEE

The Board Sustainability Committee (the Committee or BSC) was established with the purpose of streamlining the Company's sustainability related activities, and thereby add value to the environment, society while strengthening governance and economic performances of the business.



Ms. Yanika Amarasekera  
Chairperson  
Board Sustainability Committee

## COMPOSITION OF THE COMMITTEE

COMMITTEE MEMBER	STATUS
Ms. Yanika Amarasekera	Chairperson/Independent Non-Executive Director
Mr. G.A.R.D. Prasanna	Non-Independent Non-Executive Director
Mr. Niroshan Udage	Deputy Managing Director
Ms. Ashwini Natesan	Independent Non-Executive Director

## COMMITTEE MEETINGS

The Committee held its inaugural meeting on 28 March 2024 to establish a solid foundation for our sustainability journey, guided by a company-specific, well-defined sustainability policy, as well as relevant local and global standards and frameworks.

Details regarding the attendance of Committee members are stated in the table on page 174.

Members of the Sustainability Management Committee also participated in this meeting to share their ideas and gain insights from the BSC. The decisions taken at the Committee level will be executed through this Management Committee. The Company Secretary acted as the secretary to the Committee.

## COMMITTEE RESPONSIBILITIES

- Review and recommend the Company's sustainability policy.
- Oversight of sustainability-related risks and opportunities.
- Ensure the Company is equipped with the appropriate skills and competencies to oversee strategies addressing sustainability risks and opportunities.

- Review reports and advise on measures to ensure the Company's long-term sustainability across economic, social, and environmental dimensions.
- Monitor the Company's performance against selected external sustainability indexes and internal metrics.
- Review and approve the Company's annual sustainability agenda.
- Review the annual Sustainability Report included in the Company's annual report.
- Review, comment on, and provide guidance for the Company's plans and actions regarding ESG/sustainability topics.

## COMMITTEE ACTIVITIES DURING THE FINANCIAL YEAR

The Committee recognised the importance of adopting the Sustainability Disclosure Standards S1 and S2 (SLFRS S1 and S2), issued by the Institute of Chartered Accountants of Sri Lanka, as the primary standards for sustainability reporting.

These standards are effective for annual reporting periods commencing on or after January 1, 2025, with early adoption permitted. The Management expressed

a strong interest in voluntarily applying these standards to the Annual Report for the financial year ending March 31, 2024. Accordingly, necessary steps were taken to initiate reporting on sustainability-related risks and opportunities, as well as associated disclosures, in accordance with these standards.

Furthermore, the Committee emphasised the importance of complying with the 'Consumer Finance' Standard issued by the Sustainability Accounting Standards Board (SASB) to enhance the quality of the Company's sustainability reporting. Notably, LBF is the first company in the NBFi sector to apply the SASB Standard and obtain an independent assurance report for the financial year 2023/24.

I wish to extend my gratitude to my fellow BSC members and the members of the Sustainability Management Committee for their cooperation throughout the year

*Yanika Amarasekera*

Ms. Yanika Amarasekera  
Chairperson  
Board Sustainability Committee

27 May 2024



The following statement sets out responsibility of the Directors in relation to the Financial Statements of the Company and its Subsidiaries prepared in accordance with the provisions of the Companies Act No. 07 of 2007.

The responsibility of the Independent Auditor in relation to the Financial Statements is set out in the Report of the Auditors given on pages 235 to 237 of the Annual Report.

As per the provisions of sections 151, 153(1) and (2), 150 (1) and 152(1) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year, which should give a true and fair view of the state of affairs of the Company and its Subsidiaries as at the reporting date and its profit or loss for the financial year then ended, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that it is in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the annual report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting. However, under the prevailing situation of the country and the non-availability of paper and related items, the above obligation is discharged by the Directors by making available a copy of the Annual Report on the Company's official website and the Colombo Stock Exchange website in terms of Rule 7.5.b of the listing rules of the CSE. As per said rule, printed copies of the annual report will be made available to shareholders on request.

In preparing the Financial Statements, the Directors are responsible to ensure that appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and all applicable accounting standards have been complied with.

The Directors are also required to ensure that the Company and its Subsidiaries have adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Companies within the Group maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and the Subsidiaries.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRSs/LKASs) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 directions and guidelines issued under the Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year, which is primarily handled through the Audit Committee and the Integrated Risk Management Committee as set out in their Reports that appear on pages 236 to 238 and 239 to 241 respectively.

The Directors have taken appropriate steps to ensure that the Company and its Subsidiaries maintain proper books of accounts and the financial reporting system is directly reviewed by the Directors at their regular meetings and also through the Board Audit Committee.

The Board of Directors also approves the interim Financial Statements prior to their release following a review and recommendation by the Board Audit Committee.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

The Financial Statements of the Company and the Subsidiaries have been certified by the Chief Financial Officer of the Company, the officer responsible for their preparation as required by section 152(1) (b) and they have also been signed by two Directors of the Company as required by section 152(1)(c) of the Companies Act.

The Directors to the best of their knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities, which were due and payable by the Company and the Subsidiaries as at the reporting date have been paid or where relevant, provided for.

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

By Order of the Board  
LB Finance PLC



P W Corporate Secretarial (Pvt) Ltd  
Company Secretaries

27 May 2024



# DIRECTORS' STATEMENT ON INTERNAL CONTROL

## DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### Responsibility

In line with the section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021 – Corporate Governance, and Principle D.1.5 of the Code of Best Practice on Corporate Governance 2023 issued by Institute of Chartered Accountants of Sri Lanka, the Board of Directors ("Board") of LB Finance PLC ("Company") presents this report on internal control over financial reporting.

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

In light of the above, the Board has established a continuous process of identifying, evaluating and managing the significant risks faced by the Company. This includes enhancing the system of internal control over financial reporting, especially when there are changes to the business environment or regulatory guidelines. The Board regularly reviews this process by assessing key processes related risks against the compensating controls that may affect significant accounts of the Company.

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

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

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

The Company has established a comprehensive process for reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting which include the following key features:

- The Board has established specialised Sub Committees to assist in ensuring the effectiveness of the Company's day-to-day operations in line with the corporate objectives, strategies, annual budget as well as the approved policies and business directions.
- Policies, charters, procedures are in place covering functional areas of the Company, recommended by the Board appointed Committees, and are approved by the Board. All policies, charters and procedures are regularly reviewed and approved by the Board. Respective Board sub-committees follow up the regular reviews of policies, charters, and procedures through the Compliance officer to ensure timely updates.
- The Internal Audit Department of the Company monitors compliance with policies and procedures, and their suitability of design and effectiveness on an ongoing basis. Statistical verification procedures are used, and significant findings of non-compliance are highlighted. The risk-based annual audit plan is reviewed and approved by the Board Audit Committee, branches and service departments are audited to provide independent and objective assurance on operations and performance. Various initiatives have been taken by Internal Audit

Department, business teams and other monitoring authorities of the Company to review the exceptions on certain selected areas of the business through the usage of exception monitoring automated tools. The process has been gradually expanded year after year to cover an expanded scope.

- Information systems and its surrounding technology infrastructure which support financial reporting are independently assessed by specialised information systems audit team to ensure confidentiality, integrity and availability triads are preserved to reinforce the confidence level of the data processing technology facilities.
- The scope, quality and reports of internal audits are reviewed by the Board Audit Committee at its monthly meetings and refinements are applied wherever necessary.
- Overall, the Board Audit Committee of the Company reviews internal control issues identified by the Internal Audit Department, the External Auditor, regulatory authorities and the management, and evaluates the adequacy and effectiveness of the risk management and internal control systems.
- A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk on misrepresentation of financial reporting. The respective process owners of the Company continuously review and update all procedures and controls connected with significant accounts and disclosures of the Financial Statements of the Company. The risk management department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis, and internal audit department reviews the compliance and apprises the Board Audit Committee where necessary.
- The Company adopts Sri Lanka Accounting Standards comprising LKAS and SLFRS and progressive improvements are made to its processes to comply with requirements of recognition, measurement,

classification and disclosure. Financial reporting and management information processes will be further strengthened by constant monitoring and adaptation to market realities. The Company reviewed the existing models in use to ascertain the potential implications of the current economic condition and these models are regularly reviewed and validated through independent industry experts to ensure effective financial representation.

### Confirmation

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

### Review of the Statement by External Auditor

The external auditor, Messrs. Ernst & Young, has reviewed the above Directors' Statement on Internal Control over Financial Reporting and report is included in the Company's Annual Report for the year ended 31 March 2024. They have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company. Their report on the statement of internal control over financial reporting is given on page 204 of this annual report.

### STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

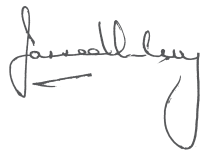
The Board of LB Finance PLC presents this report on compliance with prudential requirements, regulations and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

- The Board has implemented sufficient internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations, and legislation laws.
- The Board confirms that there are no significant regulatory and supervisory concerns on lapses in the Company's risk management, or non-compliance with the Act, rules and directions.

By order of the Board,



**Ms. Yogadinusha Bhaskaran**  
Chairperson - Board Audit Committee



**J A S Sumith Adhietty**  
Managing Director

27 May 2024

# INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS



**Building a better  
working world**

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

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

## INDEPENDENT ASSURANCE REPORT TO THE BOARD OF DIRECTORS OF LB FINANCE PLC

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

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

### Management's Responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the section 16 (1) (ix) of 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 behaviour.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented

policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibilities and Compliance with SLSAE 3051

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

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

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

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

### Summary of Work Performed

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

The procedures performed were limited primarily to inquiries of the Company personnel and the existence

of documentation on a sample basis that supported the process adopted by the Board of Directors.

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

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

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

### Our Conclusion

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

27 May 2024  
Colombo

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

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

A member firm of Ernst & Young Global Limited



# RESPONSIBILITY STATEMENT OF MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

The Financial Statements of LB Finance PLC (the Company) and the Consolidated Financial Statements of the Company and its Group Companies (the Group) as of 31 March 2024 are prepared and presented in compliance with the following regulatory requirements:

- I. Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka
- II. Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- III. Statements of Alternative Treatments (SoAT) on Accounting issued by The Institute of Chartered Accountants of SL
- IV. Companies Act No. 7 of 2007
- V. Finance Business Act No. 42 of 2011
- VI. Finance Leasing Act No. 56 of 2000
- VII. Directions, circulars and guidelines issued to licensed Finance Companies by the Central Bank of Sri Lanka.
- VIII. Listing Rules of the Colombo Stock Exchange (as amended)
- IX. The Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka (2023)

The formats used in the preparation of financial statements and disclosures made in this Annual report and interim financial statements comply with the specified formats described by the Central Bank of Sri Lanka.

The Company presents the financial results to its shareholders every quarter.

The Group has consistently applied the material accounting policies. The Accounting Policies of the Company and the Group are in compliance with Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka.

Significant Accounting Policies and estimates that involve a high degree of judgment and complexity were discussed with the Board Audit Committee and the External Auditors. Comparative

information has been reclassified wherever necessary to comply with the current

year's presentation. All significant items have been disclosed and explained through Notes to the Financial Statements. We confirm to the best of our knowledge, that the Financial Statements presented herewith give a true and fair view of the financial position, Statement of Profit or Loss and the cash flows of the Company and the Group for the year. Furthermore, we believe that the Company and the Group have adequate resources to continue its operations in the foreseeable future and accordingly adopt the going concern basis for the preparation of the Financial Statements.

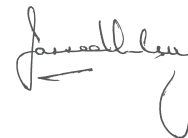
The Board of Directors and the Management of the Company and the Group accept responsibility for the integrity and the objectivity of the Financial Statements. The estimates and judgments relating to the Financial Statements were made on a reasonable and prudent basis; so that the Financial Statements reflect a true and fair view; the form and the substance of transactions and that the state of affairs of the Company and the Group is reasonably presented. To ensure this, the Company and the Group have taken proper and sufficient care in implementing internal control systems, with the use of a comprehensive core banking system, for safeguarding assets and for preventing and detecting fraud as well as other irregularities, which is reviewed, evaluated, and updated on an ongoing basis. The Internal Auditor of the Company and the Group has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the Group are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal control and accounting.

The Financial Statements of the Company and the Group were audited by Messrs. Ernst & Young, Chartered Accountants. The Report issued by them is available on page 235 of the Annual Report. The audit and non-audit services provided by Messrs. Ernst & Young are approved by the Board Audit Committee in line with the relevant audit policy or impair

Messrs. Ernst & Young's independence. The Board Audit Committee reviews the adequacy and the effectiveness of the Internal Control Systems including the effectiveness of the internal controls over financial reporting. This review ensures that all transactions are accurately and completely recorded in the books of account and that compliance with Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory provisions relating to financial reporting and disclosures is maintained. The Board Audit Committee Report is available on pages 188 to 191. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

We confirm to the best of our knowledge that,

- The Company and the Group have complied with all applicable laws, rules, regulations and guidelines;
- There is no material non-compliance;
- There is no material litigation against the Company and the Group other than those disclosed in Note 3.5.4 on page 325 of the Financial Statements section of Annual Report;
- All taxes, duties, levies and all statutory payments by the Company and the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the reporting date have been paid, or where relevant provided for.



**Sumith Adhietty**  
Managing Director



**Malith Hewage**  
Chief Financial Officer

27 May 2024

# INTEGRATED RISK MANAGEMENT REPORT

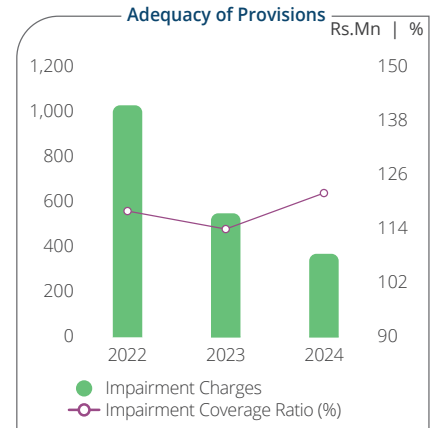
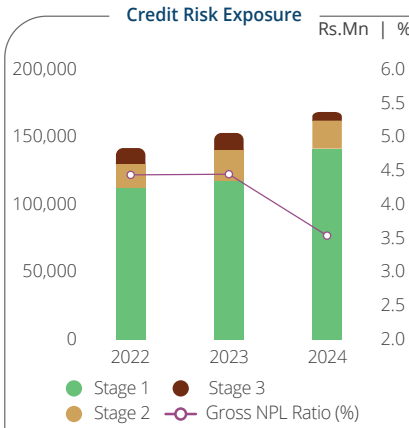
## RISK MANAGEMENT HIGHLIGHTS

As a leading player in Sri Lanka's Non-Bank Financial Institutions sector, risk management is an integral part of our business model, maintaining a careful balance between profitability, growth aspirations and financial stability. This report provides an overview of how the Board discharges its duty to manage risks effectively.

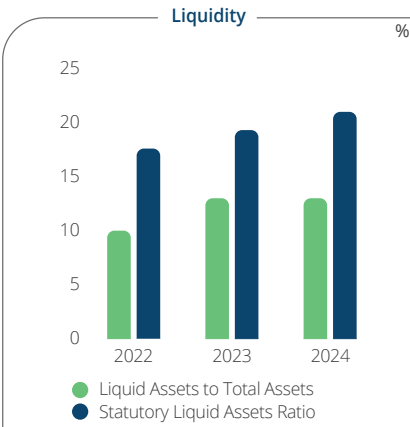
### RISK PROFILE & HIGHLIGHTS

#### Asset Quality

Credit risk is the largest exposure for LBF and significant resources are allocated to manage this key risk. Elevated credit risk was carefully managed to reduce the same with success. As a result, LBF has the lowest Non-Performing loan ratio in the LFC sector with adequate provision coverage

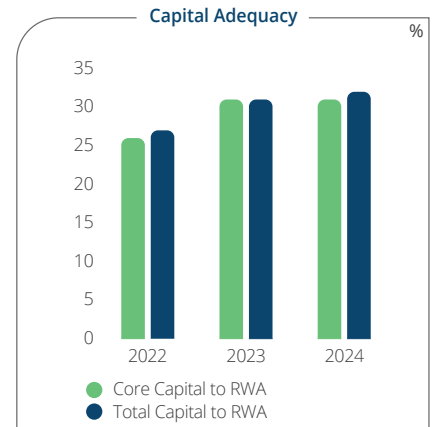


#### Liquidity & Capital Management



Liquidity and capital adequacy are key to financial stability of LBF and is carefully monitored to uphold the trust and confidence of our stakeholders. Relevant regulatory ratios are well above the minimum regulatory requirement, reflecting prudent management

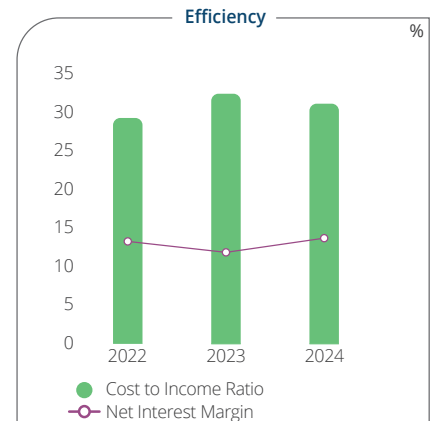
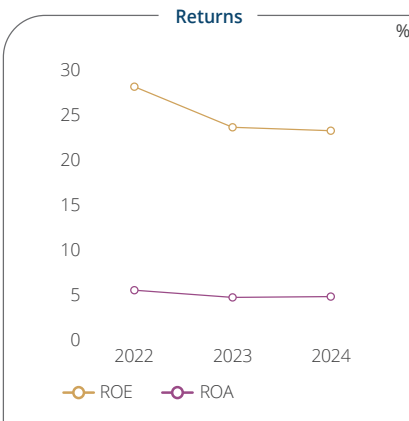
LBF's capital adequacy ratios stand well above the LFC average, reflecting its robust risk absorption capacity



#### Earnings

Effective management of market risk variables and the Company's cost profile is reflected in the earnings ratios and efficiency ratios

Amidst the significant decrease in interest rates, LBF has managed to enhance its Net Interest Margin through effective risk management strategies



## Key Improvements in 2023/24

- Established second line of defence for Information Technology and Security risk management
- Established the IT risk register and continued to monitor the status of action plans to mitigate the risks
- Compiled the first Internal Capital Adequacy Assessment Process (ICAAP) Report of LBF and submitted for the review of the Regulator
- Performed a comprehensive review of KRIs for appropriateness
- Introduced new risk appetite limits to better manage the emerging risks and opportunities
- Strengthened the Risk and Control Self-Assessment (RCSA) process for fraud risk
- Established an automated exception monitoring process
- Enhanced the regular risk reporting process to BIRMC and Board
- Continued to maintain the risk register and monitored the action plans to address identified risks effectively
- Adopted a new methodology for branch operational risk assessment covering all operational risk types under Basel classification
- Strengthened the stress testing process by increasing the frequencies and reviewing related scenarios and assumptions to reflect the changes in the operating environment
- Continued to review and update risk management policies and frameworks
- Facilitated BIRMC to assess the effectiveness of management committees
- Conducted Money Laundering and Terrorist Financing (ML & TF) risk assessment for the overall company, customers, products and processes adopting enhancements to the scoring methodology
- Constituted a new Board sub committee to oversee the sustainability risk management

## Priorities for 2024/25

- Strengthen asset quality through enhanced credit underwriting practices by leveraging on insights gained at more frequent portfolio reviews
- Establish a model risk governance framework
- Contribute towards the Company's profitability objectives by providing information on risk adjusted returns; facilitating for informed decision making
- Further strengthen and expand the exception monitoring process
- Further explore innovative options to minimise the gap between rate sensitive assets and rate sensitive liabilities
- Further strengthen information security risk management
- Enhance focus on digital products promoting sustainability risk management
- Manage product concentration
- Sharpen the attention on addressing sustainability risks and capitalising on opportunities

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## INTEGRATED RISK MANAGEMENT REPORT

### RISKS MANAGEMENT REVIEW

#### RISK LANDSCAPE

Managing risk was a key priority as the movement of key risk variables were uncertain and risks remained elevated as we commenced the year with significant economic stress. The uncertainty regarding the Domestic Debt Optimisation was resolved by end June 2023 without a significant impact to the stability of the financial services sector, easing significant stress in financial markets. Interest rates moved down sharply with policy rates declining by 700 basis points while benchmark indicators such as the 364 day

Treasury Bill Rate and Average Weighted Prime Rate (AWPR) declined by over 1,000 basis points reflecting the volatility of key market risk drivers. Inflation which reached 73.7% in September 2022 was on a downward trend with targeted monetary policy interventions and moved from 49.2% to 2.5% during the financial year.

As a whole, these changes contributed to greater economic stability by the close of Q1 2023/24 and Sri Lanka commenced a recovery recording positive growth

for the next two quarters with all three sectors of the economy contributing to growth. A resurgence in tourist arrivals and migrant worker remittances together with IMF Extended Fund Facility eased foreign exchange liquidity, supporting appreciation of the rupee by 9%. Cautious optimism buoyed growth in Q4 2023/24 with even exports recording a sharp increase in March 2024.

Changes in key areas impacting risk management are set out in the table below:

	IMPACT ON THE COMPANY	STRATEGIES ADOPTED TO MITIGATE
<b>Volatility in Market Variables</b>		
<b>Declining Interest Rates</b>	<p>Downward pressure on NII due to mismatches in rate sensitive assets and liabilities</p> <p>Risk Level: <span style="color: green;">■</span></p> <p>Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span></p>	<ul style="list-style-type: none"> <li>Strategically managed the rate sensitive assets and liabilities in each repricing bucket to minimise the gap</li> <li>Ensured timely repricing of deposit liabilities, following the market interest rate trend</li> <li>Secured long-term low-cost funding sources at the low interest rate environment</li> </ul>
<b>Volatility in Global and Local Gold Prices</b>	<p>High default risk of gold loan borrowers and risk of higher losses when recovering through collateral, if price drops suddenly</p> <p>Risk Level: <span style="color: orange;">■</span></p> <p>Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">↗</span></p>	<ul style="list-style-type: none"> <li>Promptly reacted to market price changes and maintained healthy loan to value ratio at all times</li> <li>Further strengthened the loan loss provision allocated for gold loan exposure</li> <li>Stress tests were carried out regularly to assess the impact at a further decline in gold prices</li> </ul>
<b>Volatility in Exchange Rate</b>	<p>Possible exchange rate loss related to repayment of foreign currency borrowings</p> <p>Risk Level: <span style="color: green;">■</span></p> <p>Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span></p>	<ul style="list-style-type: none"> <li>LBF has entered into cross currency swap, hence exchange rate risk is mitigated</li> </ul>
	<p>Create volatility in gold price in local market, leading to default risk of gold loan borrowers</p> <p>Risk Level: <span style="color: orange;">■</span></p> <p>Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span></p>	<ul style="list-style-type: none"> <li>Closely monitored exchange rate movement and its impact to local gold price and revised the advance amount swiftly</li> <li>Exchange rate volatility was also considered in the assessment of impairment for Gold Loan portfolio by adopting VaR methodology</li> </ul>
<b>Government Policies</b>		
<b>Continued Restrictions on Vehicle Importation</b>	<p>Less opportunities for the growth of vehicle financing portfolio</p> <p>Risk Level: <span style="color: orange;">■</span></p> <p>Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span></p>	<ul style="list-style-type: none"> <li>Leveraged on the lending opportunities in the registered vehicle financing category</li> <li>Strategically enhanced the lending focus on other products such as gold backed lending, digital lending, personal financing, etc.</li> </ul>



	IMPACT ON THE COMPANY	STRATEGIES ADOPTED TO MITIGATE
<b>Increase in Government taxes</b>	Increase in VAT created inflationary pressure, elevating default risk  Risk Level: <span style="color: green;">■</span> Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span>	<ul style="list-style-type: none"> <li>Adopted sound credit risk management practices such as pre/post sanctioning of loans to mitigate the risk impact</li> </ul>
<b>Regulatory Environment</b>		
<b>Change of NPL Definition</b> <i>NPL classification was tightened by reducing the number of past due days from 120 to 90 days</i>	Deteriorating NPL ratio  Risk Level: <span style="color: green;">■</span> Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span>	Strengthened the post sanction credit follow-up process to enhance the customers repayment pattern. This enabled LBF to reduce the NPL ratio to 3.5% by 31st March 2024, which is better than the ratio of 4.5% reported 31st March 2023, prior to the NPL Classification change. The current NPL ratio is well below the industry average of 17.8% as at 31st December 2023
<b>Economic Slowdown</b>		
<b>Low Demand for Credit</b> <i>Uncertainty and high interest rates deterred investment and demand for credit</i>	Limited potential for portfolio growth  Risk Level: <span style="color: green;">■</span> Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">→</span>	<ul style="list-style-type: none"> <li>Targeted marketing of credit products to existing customers with good credit quality</li> </ul>
<b>High Turnover of Talented Staff</b> <i>Due to socio economic deterioration of the country, many talented employees migrated</i> <i>Headhunting by competitors</i>	<ul style="list-style-type: none"> <li>Possible business loss/interruption due to loss of talented staff</li> <li>Negative impact on efficiency and productivity</li> <li>Higher replacement costs</li> </ul> Risk Level: <span style="color: orange;">■</span> Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">↗</span>	<ul style="list-style-type: none"> <li>Launched various programs to increase staff engagement</li> <li>Developed retention strategies for key talent</li> <li>Worked with universities to access talent pools</li> </ul>
<b>Technological Advancement</b>		
<b>Increasing Trends in Cyber Attacks</b>	<ul style="list-style-type: none"> <li>Possible loss of customer data or confidential company information</li> <li>Possible reputational, legal and financial consequences and loss of customer confidence</li> </ul> Risk Level: <span style="color: orange;">■</span> Trend: <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">↗</span>	<ul style="list-style-type: none"> <li>Established second line of defence for Information Security Risk Management</li> <li>Conducted continuous assessment of cyber risk, and vulnerability assessments</li> <li>Conducted many programs to increase awareness among employees</li> <li>Continuously invested to strengthen the IT security infrastructure</li> </ul>

While we expect the year ahead to have greater stability and growth, we remain vigilant for early warning signs, particularly as we commence growth of credit portfolios with narrower spreads to those in the previous year. Key sources of uncertainty remaining in 2024 include the finalisation of foreign debt restructuring and the elections. The buoyancy and the resilience of the country's economy is encouraging and we are on course to consolidating the growth in 2024 with high levels of vigilance.

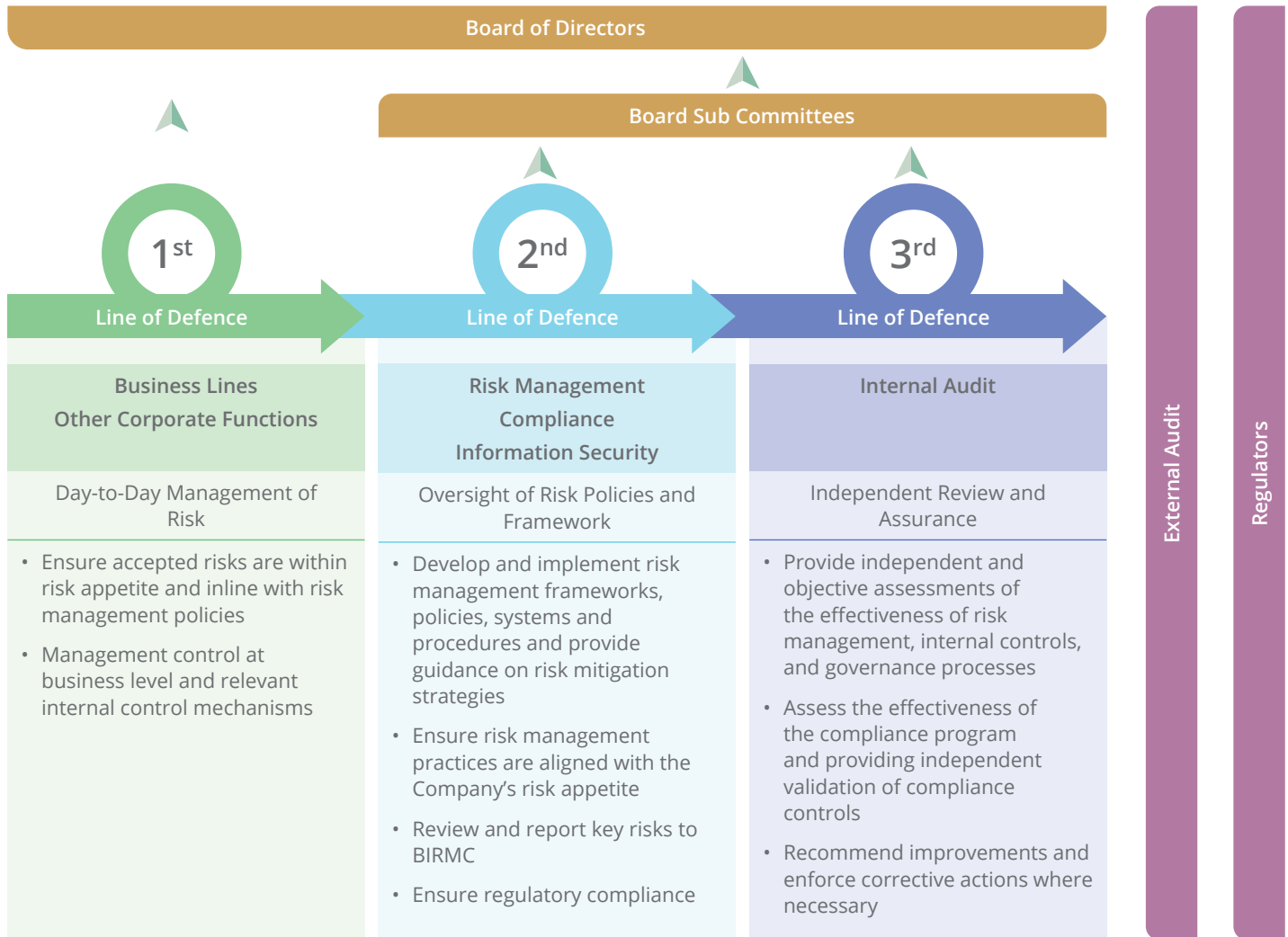
■ Medium   
 ■ Low   
 ↗ Increasing trend   
 → No significant change

# INTEGRATED RISK MANAGEMENT REPORT

## RISK GOVERNANCE

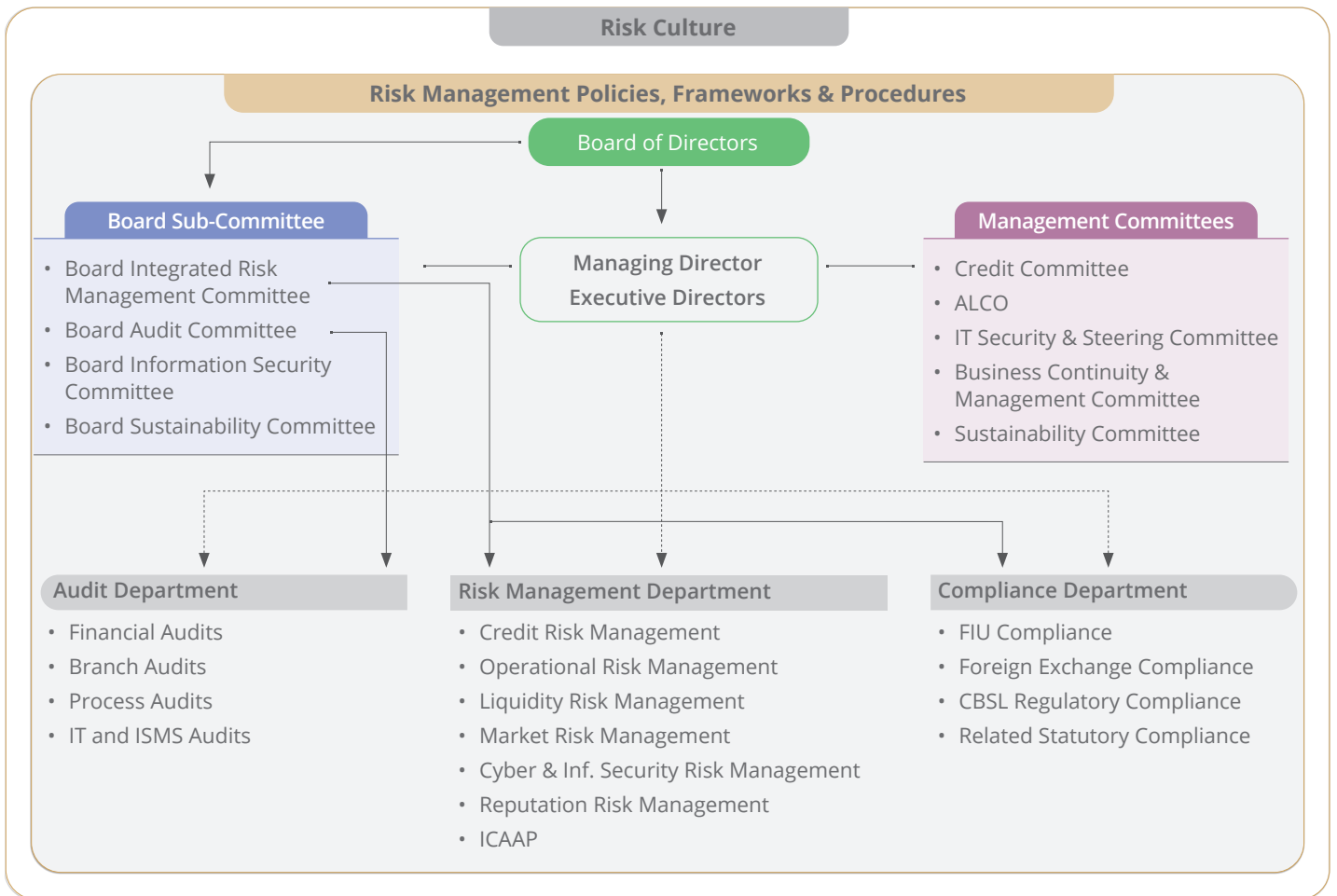
LBF's risk governance structure clarifies the roles and responsibilities for risk management and focuses on key aspects of it, enabling high levels of expertise in these areas.

The Company's risk governance structure is based on the Three Lines of Defence model in line with best practices.



The Board is ultimately responsible for managing risk and is assisted by BIRMC who have oversight responsibility for risk management. Management committees use the combined experience and knowledge of the senior management to implement measures to manage risks within the boundaries of the risk management framework. The senior management implement the risk management framework approved by the Board in conducting day to day operations.

The Head of Risk Management, Compliance Officer and Chief Information Security Officer head their respective departments which constitute the second line of defence. These key officials report directly to BIRMC to ensure the independence of these key executive functions.



The roles of Board and Management Committees related to the risk management function are summarised below. These committees functions as per the authority delegated through a Terms of Reference approved by the BOD.

	COMMITTEE	ROLES & RESPONSIBILITIES	MORE INFORMATION
BOARD AND BOARD SUB-COMMITTEES	Board of Directors (BOD)	Responsible for setting in place an effective risk management function, policies and processes and regular review of risk reports to determine the risk profile of LBF. In fulfilling its responsibilities, the Board approves risk management policies, sets the risk appetite, ensures alignment between risk and strategy and reviews reports and exposures	<ul style="list-style-type: none"> <li>• Meets monthly</li> <li>• Risk Management is a regular item on the agenda</li> </ul>
	Board Integrated Risk Management Committee (BIRMC)	<p>Oversight of risk management and makes recommendations to the BOD on developing and implementing risk management policies, setting the risk appetite and monitoring material risks</p> <p>The Head of Risk Management and Compliance Officer report directly to BIRMC and are invitees to the meeting along with the CEO and CFO</p>	<p>Meets at least every other month</p> <p> BIRMC report on page 192</p>
	Board Audit Committee (BAC)	<p>Assist the Board to fulfil its stewardship responsibilities with regard to financial reporting requirements and information requirements of the Companies Act and other relevant financial reporting regulations and requirements. It also has oversight responsibility for reviewing the effectiveness of internal control and risk management systems</p> <p>The Chief Internal Auditor directly reports to the BAC and is an invitee to the meetings along with the CEO and CFO</p>	<p>Meets at least monthly</p> <p> BAC report on page 188</p>

## INTEGRATED RISK MANAGEMENT REPORT

	COMMITTEE	ROLES & RESPONSIBILITIES	MORE INFORMATION
	Board Information Security Committee (BISC)	The primary objective is to strengthen the information security and technology risk resilience process of LBF. The Committee assist the BOD in fulfilling its responsibilities to oversee the Company's information security and technology risk management	Meets at least quarterly 📖 BISC report on page 200
	Board Sustainability Committee (BSC)	Supervise, on behalf of the Board, the procedures, criteria, and tactics formulated to handle sustainability risks while maximising potential opportunities. This is achieved through monitoring the Company's performance against selected external sustainability indexes and internal metrics	Meets at least quarterly 📖 BSC report on page 202
MANAGEMENT COMMITTEES	Assets & Liability Committee (ALCO)	Provides oversight for liquidity risk and market risk management at an operational level. It reviews cashflow forecasts to manage gaps, adequacy of contingency funding plans and stress testing results in achieving its objectives	Meets at least monthly
	Credit Committee (CC)	This committee is accountable for day-to-day management of credit risk. As part of their duties, the Credit Committee monitors LBF'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, vis-a-vis changing market conditions and industry dynamics	Meets at least quarterly
	IT Security & Steering Committee (ITSSC)	Provides strategic direction and oversight to the information technology needs of LBF by ensuring business objectives and needs are been adequately addressed. The committee is also responsible for both strategic and operational aspect of information security and technology risk management. As part of their duties, the committee addresses issues on technology adoption, information security, cyber security, outsourcing, concentration and support the BISC	Meets at least every other month
	Business Continuity Management Steering Committee (BCMSC)	BCMSC governs the Business Continuity Management System (BCMS) which ensures LBF can effectively minimise the business impact, respond and recover from disruptions, resume normal operations after any interruption. It is responsible to align BCM goals with business goals and provides strategic direction	Meets when required
	Sustainability Committee (SC)	Formulates and reviews Company's sustainability policy, ensuring that sustainability activities are integrated into the Company's operations. Committee is tasked with the responsibility of steering the Company's sustainability activities	Meets when required

### RISK CULTURE

Effective risk management starts with risk awareness across all three lines of defence and LBF seeks to create a culture of risk awareness among all employees on aspects relating to their roles and responsibilities. The Risk Management Department and Compliance Department spend time identifying training needs and work together with the HR Department to ensure that these are offered to employees. The risk culture is also reinforced by Internal Audit and post reviews of risk related incidents.

### STRENGTHENING RISK GOVERNANCE 2023/24

- Constituted new Board Sub Committee to oversee the identification and management of sustainability and climate related risks and opportunities
- Strengthened the 2nd line of defence for Information Technology and Security Risk Management with human resource capacity building



## RISK MANAGEMENT POLICY FRAMEWORK

LB Finance has a comprehensive risk management policy framework which is summarised as below. All the policies set out below are approved by the Board and provides guidance to the management on implementing processes within the Company. These policies facilitate effective identification, measuring, managing, monitoring and controlling of risks faced by the Company. The policies are reviewed annually to ensure that new developments are incorporated ensuring that frameworks are robust.

RISK MANAGEMENT POLICY FRAMEWORK				
Overall policy documents include:				
Integrated Risk Management Framework	Risk Appetite Statement	Stress Testing Policy	ICAAP Policy	
<b>Credit Risk</b>	<b>Market Risk</b>	<b>Liquidity Risk</b>	<b>Operational Risk</b>	<b>IT Risk</b>
Credit Risk Management Framework	Investment Policy	ALM and Liquidity Management Policy	Operational Risk Management Framework	Technology Risk Management Framework
Credit and Operation Manuals	ALM and Liquidity Management Policy	Contingency Funding Plan	Mandatory Leave Policy	Information Security Policy
Product Development Policy			Whistleblowing Policy	Information Security Management Procedures
Delegation of Authority			Policy on Exception Monitoring	
Recovery Manual			Process Manuals	
Impairment Policy			Business Continuity and Disaster Recovery Plan	
Loan Review Procedure				
Writeoff Policy				
Related Party Transaction Policy				

## RISK APPETITE

The Risk Appetite Statements is a key policy document, communicating to the executive function the risk boundaries within which the LBF should operate. Accordingly, the management committees, Board and Board Sub Committees initiate mitigating activities to steer key risk indicators, ensuring that the overall risk profile of LBF remains within the specified boundaries. The Risk Appetite Statement is reviewed annually by BIRMC and approved by the Board. The statement set out regulatory limits, covenant limits and internal prudential limits which are monitored on monthly basis, report to BIRMC and BOD.

	APPETITE	REGULATORY	MAR-24	MAR-23
<b>Credit Risk</b>				
Gross NPL Ratio	< 6%		3.54%	4.45%
Net NPL Ratio	< 1%		-0.79%	-0.65%
Provision Coverage Ratio	> 75%		122.42%	114.40%
<b>Credit Concentration Risk</b>				
Maximum Unsecured Exposure	< 2%		0.18%	0.21%
Maximum Exposure to Stress Industries	5%-7.5%		7.08%	5.30%
Maximum Exposure to Single Borrower - Secured - Individual	< 5%	< 15%	1.23%	1.40%
Maximum Exposure to Single Borrower - Secured - Group	< 10%	< 20%	1.23%	1.40%
Maximum Exposure to Single Borrower - Unsecured - Individual	< 0.5%	< 1%	0.06%	0.03%
Maximum Aggregate Unsecured Exposure	< 4%	< 5%	0.80%	1.04%
Maximum Exposure to Gold Loan (on net basis)	30%-50%		45.33%	45.83%
Maximum Accommodation to Related Party	< 1%		0.02%	0.03%

## INTEGRATED RISK MANAGEMENT REPORT

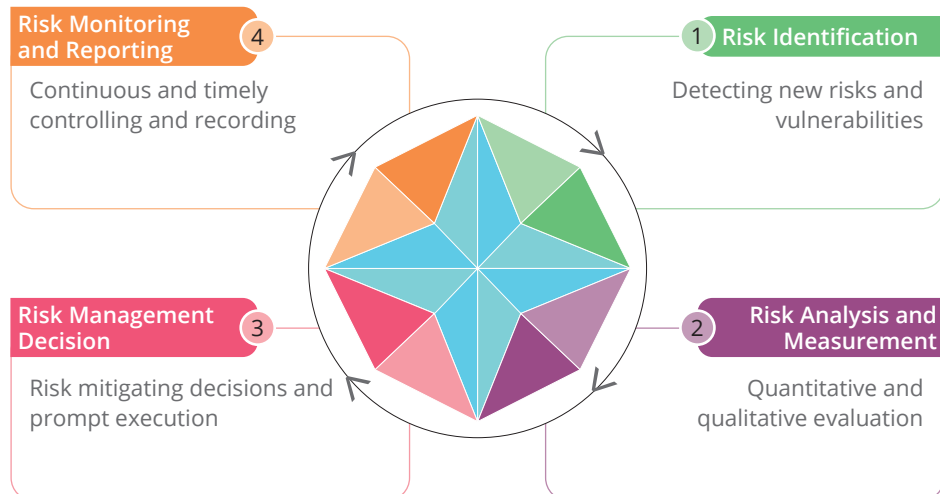
	APPETITE	REGULATORY	MAR-24	MAR-23
<b>Capital and Leverage</b>				
Core Capital Ratio	> 12%	> 10%	31.45%	30.50%
Total Risk Weighted Capital Ratio	> 16%	>14%	32.19%	31.13%
Capital Funds to Deposits Ratio	> 12%	> 10%	27.77%	33.43%
<b>Liquidity Risk</b>				
Liquid Assets to Total Savings Deposits		>15%		
Liquid Assets to Total Fixed Deposit	>12%	>10%	21.02%	19.31%
Liquid Assets to Total Outstanding Borrowings		>10%		
Largest Single Depositor to Total Fixed Deposit	< 5%		0.72%	0.61%
Maximum Exposure to Bulk Deposits (Over Rs. 50 Mn)	< 20%		12.94%	11.73%
Deposit Renewal Ratio (Overall)	>75%		81.21%	78.77%
Deposit Renewal Ratio (Non-Bulk)	> 80%		82.43%	78.49%
<b>Market Risk</b>				
Interest Rate Sensitivity of Liabilities (to every 1.00% increase)	< 0.75%		0.71%	0.61%

### STRENGTHENING RISK POLICY FRAMEWORK 2023/24

- Conducted annual review of risk policy frameworks and amended as required to align the risk strategy with LBF's overall corporate strategy
- Conducted a comprehensive review of KRIs for appropriateness
- Reviewed the Risk Appetite Statement in line with the risk management capacities, business opportunities, LBF's business strategy and regulatory requirements
- Introduced new tolerance limits for credit risk, credit concentration risk and market risk

### RISK MANAGEMENT PROCESS

LBF's risk management processes are all based on the following common process, although they vary considerably across key risks. Accordingly, all material risk types, including credit risk, liquidity risk, market risk, strategic risk, operational risk and reputational risk are managed using the risk management process set out below.



### Risk Identification

This is the process of determining current and potential risks to LBF that may stem from internal or external environment. A good understanding on the risk universe is vital for early identification of risk sources. During the year under review, LBF exposed to new risks due to volatilities in the operating environment, innovations in financial offerings, process changes, etc. Given the strong risk culture within the Company, risk identification at LBF is undertaken by employees at all levels. In the top down approach, Company leadership/BOD perceive the emerging risks that could affect the strategic goals of LBF while in the bottom up approach, the operational teams identify the risk sources while performing the day-to-day business.

### Risk Analysis and Measurement

This process focus on assessing the likelihood and severity of the identified risks. At LBF, a range of quantitative and qualitative tools are used for this purpose depending on the principal risk type. These include; the Risk Matrix, VaR models, Financial analysis, Maturity of Assets and Liabilities analysis, Sensitivity of Assets and Liabilities, cash flow analysis, HHI, etc. Stress impact analysis under stress circumstances is also performed on continuous basis. Risk analysis and measurement is a primary responsibility of the Risk Management Department of LBF.

### Risk Management Decision and Execution

Risk treatment is a dynamic process where appropriate treatment methodology is selected for each assessed risk separately, to either accept, transfer, mitigate or avoid the risk. This involves redesigning of existing controls,

introducing new controls, entering in to hedging transactions, diversifying portfolios, developing contingency plans, etc. LBF's Risk Management Department under the guidance and oversight of the Board Integrated Risk Management Committee (BIRMC) are tasked with developing appropriate risk treatment approaches.

### Risk Monitoring and Reporting

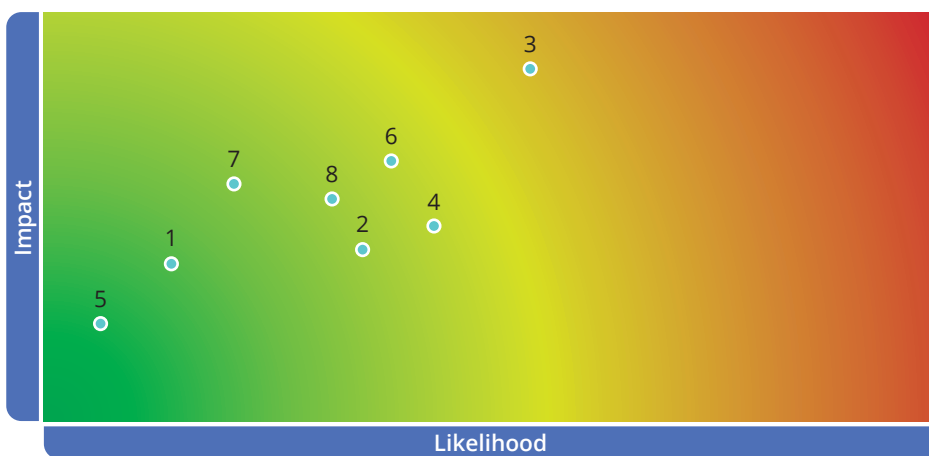
This process is vital to ensure the adherence to established risk control

protocols and to maintain ongoing awareness of the company's risk profile. At LBF, the quantifiable risks are monitored in comparison with the risk appetite limits. Risk Register serves as a primary document which comprehensively captures the progress of ongoing risk identification, evaluation and mitigation approaches. The Risk Management Department is charged with the responsibility of continuous risk monitoring and periodic risk reporting to the senior management, BIRMC and BOD.

REGULAR RISK REPORTS	FREQUENCY	REPORTED TO
Risk Appetite Statement	Monthly	BIRMC/ BOD
Key Risk Indicators	Every other month	BIRMC
Risk Register	Quarterly	BIRMC
Risk Profile	Every other month	BIRMC/ BOD
Stress Testing Results	Every other month	BIRMC















### OVERVIEW OF PRINCIPAL RISKS

A summary of LBF'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.

















- 1 Credit Risk
- 2 Interest Rate Risk
- 3 Commodity Price Risk
- 4 Operational Risk
- 5 Liquidity Risk
- 6 Information Security Risk
- 7 Model Risk
- 8 Sustainability Risk

## INTEGRATED RISK MANAGEMENT REPORT

	CREDIT RISK 	INTEREST RATE RISK 	COMMODITY PRICE RISK 	OPERATIONAL RISK 
<b>Description</b>	The risk of financial loss to LBF if a customer or a counterparty to a financial instrument fails to meet its contractual obligations	Potential losses arising from interest rate movements that affect the overall performance of the financial markets	Potential losses arising from movements in commodity prices that affect the overall performance of the financial markets. For LBF, the relevant commodity is gold	The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events
<b>Sustainability Lever Impacted</b>	 	 	 	   
<b>Capitals Impacted</b>	<b>FC</b> <b>SC</b>	<b>FC</b> <b>SC</b>	<b>FC</b> <b>SC</b>	<b>FC</b> <b>SC</b> <b>IC</b> <b>MC</b> <b>NC</b> <b>HC</b>
<b>Risk Monitoring</b>	<ul style="list-style-type: none"> <li>Continuous monitoring of key risk indicators attached to asset quality, concentration, provisioning and collaterals</li> <li>Credit portfolio analysis</li> </ul>	<ul style="list-style-type: none"> <li>Close monitoring of rate sensitive assets and liabilities</li> <li>Stress scenario impact analysis</li> </ul>	<ul style="list-style-type: none"> <li>Close monitoring of global and local market price movements</li> <li>VaR assessment</li> <li>Stress impact analysis</li> </ul>	<ul style="list-style-type: none"> <li>Risk and Control Self-Assessment (RCSA) for fraud risk</li> <li>Exception monitoring</li> <li>Monitoring actual loss incurred and number of loss events</li> <li>Branch operational risk assessment</li> </ul>
<b>Mitigation Actions</b>	<ul style="list-style-type: none"> <li>Risk based pricing</li> <li>Collateral support</li> <li>Sound credit evaluation process</li> <li>Conducting regular credit reviews</li> <li>Diversify the portfolio in terms of products, geographies, borrowers</li> <li>Ensure risk appetite limits are maintained</li> <li>Prudent provisioning approach</li> </ul>	<ul style="list-style-type: none"> <li>Timely repricing of assets and liabilities</li> <li>Minimise the gap between rate sensitive assets and liabilities in different repricing buckets</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining healthy LTV</li> <li>Prudent provisioning approach for Gold loan portfolio</li> <li>Timely auction of Gold stock</li> </ul>	<ul style="list-style-type: none"> <li>Root cause analysis of loss / near miss incidents and introduce new controls or redesign existing controls as required</li> <li>Insurance</li> <li>Staff awareness</li> <li>Implementation of Mandatory Leave Policy</li> <li>Sound internal control system and continuous strengthening</li> <li>Contingency Planning</li> <li>Implementation of Whistle Blowing Policy and review of related incidents</li> </ul>
<b>Opportunities/ Way forward</b>	<ul style="list-style-type: none"> <li>Strategically diversify the lending portfolio to other products such as CIM digital loans, personal financing, etc.</li> <li>Enhancing portfolio management enabling first line to react faster</li> </ul>	<ul style="list-style-type: none"> <li>Mobilise more savings deposits</li> <li>Secure long-term borrowings at low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen the provisioning</li> </ul>	<ul style="list-style-type: none"> <li>Continuously strengthening the internal control procedure</li> <li>Further expand the exception monitoring process</li> <li>New initiatives including career development programs to retain talented employees</li> </ul>



LIQUIDITY RISK 	INFORMATION SECURITY RISK 	MODEL RISK 	SUSTAINABILITY RISK 
Inability to meet Company's short-term contractual obligations without sustaining unacceptable losses	Risk of potential threats exploiting vulnerabilities in information systems, processes, or assets, thereby compromising the confidentiality, integrity, or availability of sensitive information	The potential loss due to decisions based on the output of internal models, which can result from errors in the development, implementation, or use of these models	Uncertain social or environmental event or condition that, if it occurs, can cause a significant negative impact on LBF. It also includes the opportunity that may be available to the Company due to changing social or environmental factors
 	 	 	   
FC SC	FC SC IC MC HC	FC IC	FC SC IC MC NC HC
<ul style="list-style-type: none"> <li>Monitoring cashflow forecast under normal and stress scenarios</li> <li>Close monitoring of mismatch in assets and liabilities in different maturity buckets</li> <li>Close monitoring of KRIs such as liquid asset ratio, deposit rollover rate, etc.</li> <li>Stress impact analysis</li> </ul>	<ul style="list-style-type: none"> <li>Conduct vulnerability assessments on regular basis</li> <li>Privilege user access monitoring</li> <li>System downtime monitoring</li> <li>Monitoring malicious network behaviours</li> </ul>	<ul style="list-style-type: none"> <li>Comparison of model output with expected results</li> </ul>	<ul style="list-style-type: none"> <li>Perform internal and external audits to assess compliance with sustainability standards and regulations</li> <li>Use frameworks like ISO 14001 (Environmental Management) and ISO 26000 (Social Responsibility)</li> <li>Regularly communicate with stakeholders to understand their concerns and expectations regarding sustainability</li> </ul>
<ul style="list-style-type: none"> <li>Maintain adequate liquidity reserves</li> <li>Diversify funding sources</li> <li>Having in place a Contingency Funding Plan</li> <li>Manage deposit concentration</li> </ul>	<ul style="list-style-type: none"> <li>Employee and customer awareness</li> <li>Capacity building (Invest in required Inf security solutions and acquiring skilled staff)</li> </ul>	<ul style="list-style-type: none"> <li>Internal and external model validation</li> </ul>	<ul style="list-style-type: none"> <li>Ensure sustainability risks are considered in strategic decision-making processes</li> <li>Ethical marketing and advertising practices</li> <li>Solar energy at branches in addition to the use of main grid electricity</li> <li>Offering digital products to minimise paper consumption, customer foot print, carbon emission and to enhance efficiency through time saving measures</li> <li>Recruiting branch staff from its locality creating job opportunities to youth all over the country including very rural areas</li> </ul>
<ul style="list-style-type: none"> <li>Further diversification of funding allowing to access a variety of funding sources</li> </ul>	<ul style="list-style-type: none"> <li>Establishing a Security Operation Center (SOC)</li> <li>Enhancement of risk monitoring</li> <li>Strengthen the existing controls to prevent data leakage</li> <li>Initiatives on personal data protection in line with the Personal Data Protection Act</li> </ul>	<ul style="list-style-type: none"> <li>Establish model risk governance framework</li> <li>Strengthening of model risk monitoring in the second line and documentation quality in the first line</li> </ul>	<ul style="list-style-type: none"> <li>Introducing green financing products</li> <li>Increase staff awareness through targeted training initiatives to strengthen sustainable risk management within LBF</li> <li>Continue the solar energy program for new branches</li> </ul>

# INTEGRATED RISK MANAGEMENT REPORT

## CREDIT RISK

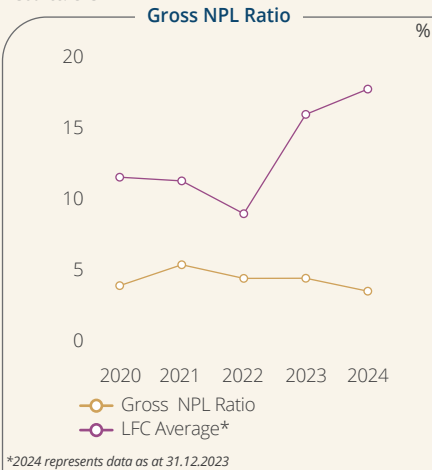
Credit risk mainly stems from lending and includes investment activities as well. It is the largest risk exposure for the Company as assets with exposure to credit risk accounted for Rs.193 Bn, equivalent to 96% of Total Assets of the Company while credit risk accounts for 81% of total risk weighted assets. This key exposure is managed in accordance with the Credit Risk Policy suite within the boundaries set by the Risk Appetite Statement as risks change in response to a dynamic risk environment.

Definition	Credit Risk Components	Objective
The risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations	<ul style="list-style-type: none"> <li>• Default Risk</li> <li>• Concentration Risk</li> <li>• Settlement Risk</li> </ul>	Safeguard the asset quality and reduce exposures to high risk segments

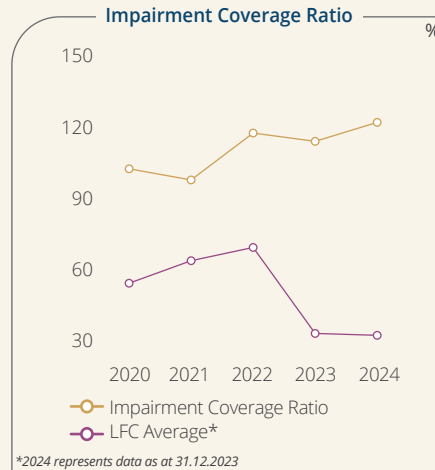
  

KEY RISK INDICATORS	31.3.2024	31.3.2023	LFC AS AT 31.12.2023*
Gross Non Performing Advances to Total Advances	3.54%	4.45%	17.76%
Net Non Performing Advances to Total Advances	-0.79%	-0.65%	11.98%
Total Net Advances to Total Assets	79.78%	79.62%	68.58%
Impairment Coverage Ratio	122.42%	114.40%	32.53%

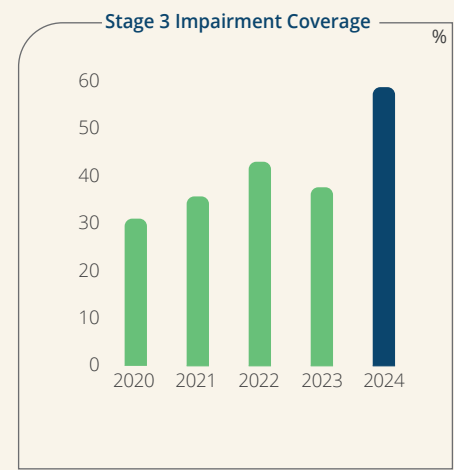
\*Source: CBSL



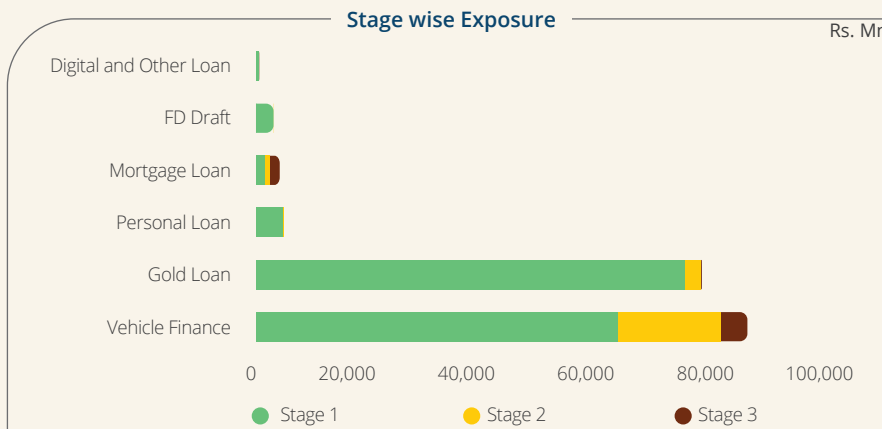
LBF has consistently maintained its NPL ratio below the industry average reflecting its focus on credit quality



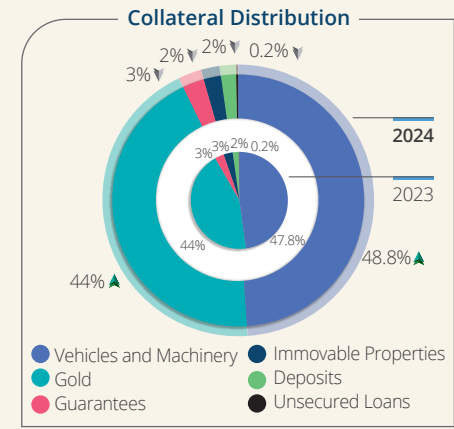
LBF continued to maintain impairment coverage ratio well above the LFC average reflecting prudent provisioning for credit risk in an uncertain environment



Stage 3 impairment coverage increased during the year reflecting LBF's prudent approach to provisioning



Stage 3 loans are concentrated in vehicle financing, and mortgage loans

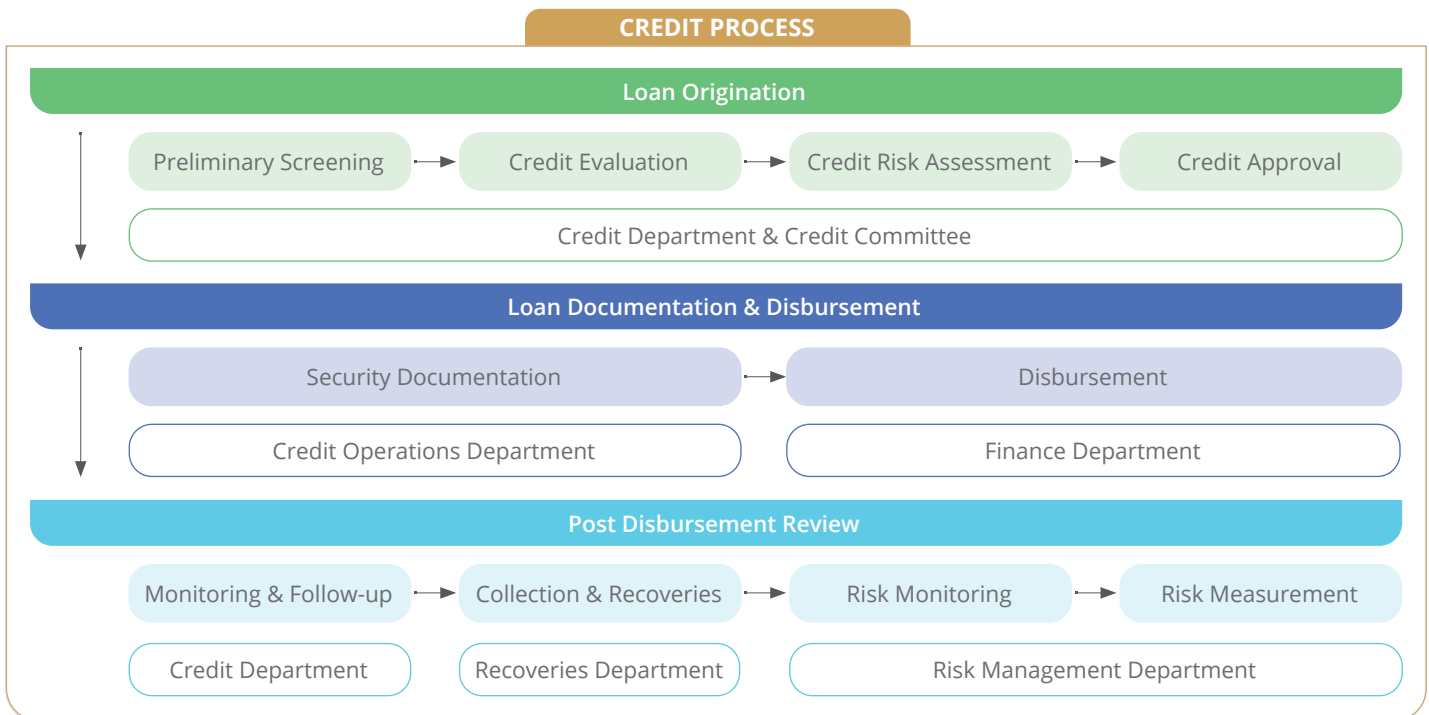


Unsecured portfolio continued to be insignificant while 95% of the portfolio is secured by physical assets

## Managing Credit Risk at LBF

The goal of credit risk management is to maximise the Company's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Credit Risk remained elevated in the first half of the financial year, easing gradually in line with economic stress.

The Company has a well-structured credit process that spells out the guidelines and parameters within which the Company's credit decision process takes place. Company's credit approval process plays the most vital role in credit risk management on a day-to-day basis. The process defines the principles about delegation of lending authority, client selection, due diligence in line with the Company's risk appetite. Company uses various credit indicators to identify the emerging credit risks and analytical tools to manage such risks.



The Credit process is summarised below:

PROCESS	OBJECTIVE	PROCEDURE	RESPONSIBLE DEPARTMENT
Loan Origination	<p>Assess borrower's ability to meet obligations and determine suitable terms and conditions including pricing and timing of repayments in line with ALCO determinations</p> <p>This is a critical control and the principal means of credit risk management</p>	<ul style="list-style-type: none"> <li>Investigation of assets and review of documentary evidence, references, income sources, and past payment history</li> <li>Assess counterparty risk with internal risk scoring models</li> <li>Loan is approved based on the Delegation of Authority and large exposures are approved by the Credit Committee</li> </ul>	Credit Department
Loan Documentation and Disbursement	Facilitate efficient disbursement process	<p>Ensure adherence to approved procedures in credit manual</p> <p>Disbursement</p>	<p>Credit Operations Department</p> <p>Finance Department</p>
Post Disbursement Review	Monitor and follow up on loan repayment	<p>Initial monitoring</p> <p>Recovery and collections</p> <p>Asset quality performance review</p>	<p>Credit Department</p> <p>Recoveries Department</p> <p>Risk Management Department</p>

## INTEGRATED RISK MANAGEMENT REPORT

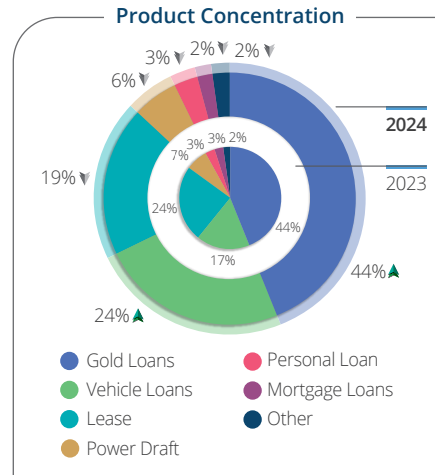
The NPL ratio increased at the start of the financial year due to a change in the definition of NPL classification. LBF improved the credit follow-up process after sanction and positively affected the repayment pattern of the customers to reduce the NPL ratio. LBF achieved 3.5% NPL ratio by the end of the financial year, which is considerably lower than the industry average. The Company has provision cover more than 100%, resulting a net NPL ratio of -0.8% as at 31st March 2024.

When introducing or undertaking any new products or activities, related risk management procedures and controls are reviewed to ensure that any risks arising from the proposed activity will be within the Company risk appetite and that processes and controls are sufficiently robust prior to approval by the Board. The company has a reliable management information system that supports credit risk monitoring across multiple dimensions.

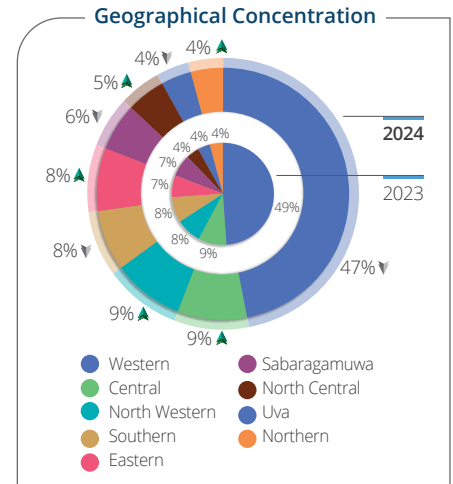
### Credit Concentration Risk

Credit concentration risk refers to the potential financial loss that arises from having a large portion of credit portfolio concentrated in a single borrower, sector, geographic region, or type of loan. If the concentrated segment experiences adverse events, such as economic downturns, industry-specific challenges, or borrower defaults, it can disproportionately impact the Company's overall financial health and stability.

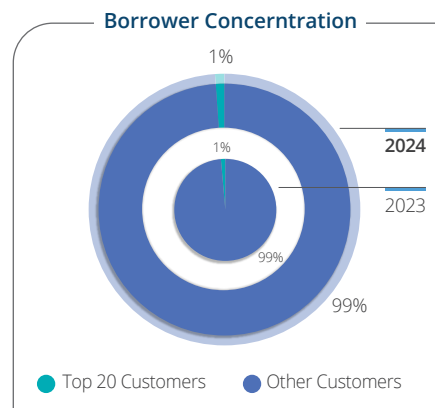
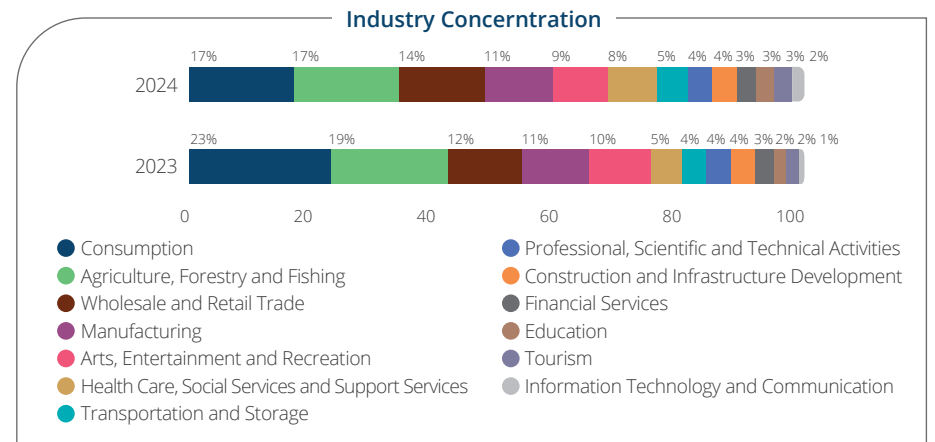
LBF has adopted an approach of diversifying its credit portfolio across multiple characteristics of borrowers varying from industry sector, geography and products. Risk appetite limits are established to control the level of exposure and perform continuous monitoring of the credit portfolio ensuring proactive risk management. Robust credit policies and procedures are implemented to govern lending practices and limit exposure to high-risk segments. Regular stress testing is conducted to evaluate the potential impact of adverse scenarios on the credit portfolio, helping to identify vulnerabilities and prepare strategies to mitigate potential losses.



Vehicle financing being the core product of LBF, the concentration continued to be weighted to lending secured by vehicles (vehicle loans, leases and power drafts), while there is a notable contribution from gold loans.



The portfolio is concentrated to Western Province due to its substantial economic activity and high population density. Nevertheless, it's evident that LBF actively operates in all provinces.



Exposure to top 20 customers is minimal at 1% reflecting diversification of the credit portfolio across borrowers.

### STRENGTHENING CREDIT RISK IN 2023/24

- Reviewed the Credit Risk Management framework and other related policies and procedures
- Conducted credit quality review of vehicle financing portfolio
- Conducted detail portfolio analysis of digital loans and strengthen the credit underwriting and recovery processes
- Reviewed Risk Appetite Statement and established new risk tolerance limits
- Strengthened the recovery efforts with more resources
- New stress testing scenarios were introduced and strengthened the process



## LIQUIDITY RISK

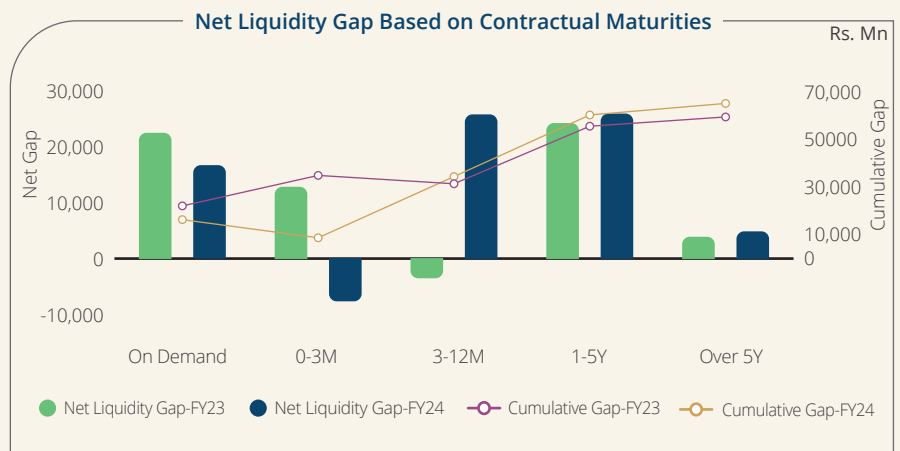
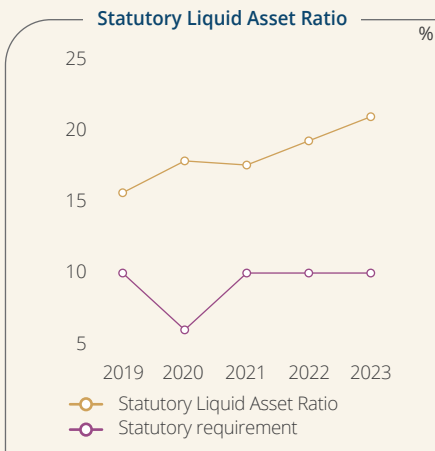
Liquidity risk has been carefully monitored to ensure that the Company had sufficient liquidity buffers, particularly due to stresses in the economy over the past few years as maintaining financial stability was paramount. As a large player in the country's NBFI sector, financial stability of LBF has a significant impact on the stability of the financial sector in the country. Consequently, there was significant focus on liquidity risk by the regulator as well.

Definition	Liquidity Risk Components	Objective
An entity's inability to meet its short term contractual obligations without sustaining unacceptable losses	<ul style="list-style-type: none"> <li>Funding Liquidity</li> <li>Market Liquidity</li> </ul>	Safeguard against funding constraints that prevent growth and meet demands of depositors/investors

KEY RISK INDICATORS	31.3.2024	31.3.2023	LFC AS AT 31.12.2023 *
Regulatory Liquid Assets to Total Assets	12.89%	12.13%	14.09%
Regulatory Liquid Assets to Deposits & Borrowings	21.02%	19.31%	21.25%

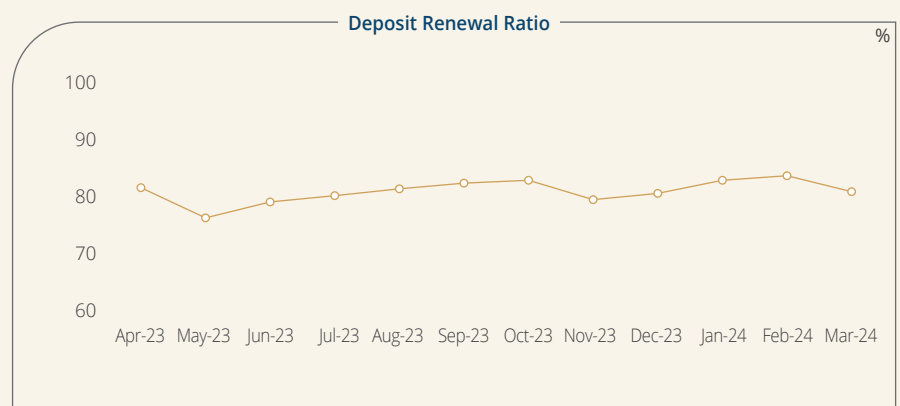
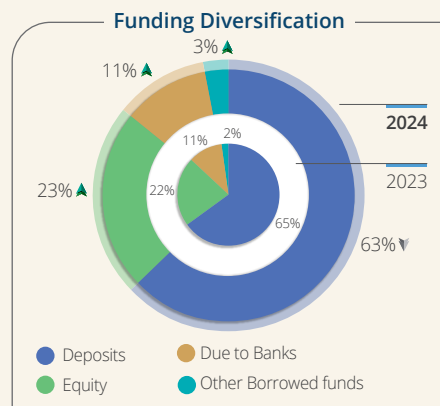
Liquidity improved during the year as affirmed by the improvement in ratios compared to the previous year. This was also partly due to the slow credit growth due to high levels of cost in the market

\*Source: CBSL



LB Finance maintained adequate liquidity, well above the regulatory requirement while optimising returns.

Even though 0 - 3 age bracket shows a negative liquidity gap the fixed deposit renewal ratio above 75% and renewals of gold loans makes the gap positive in the actual position.



Funding mix maintained largely unchanged compared to last year and 63% consists of deposits from customers.

The renewal ratio was maintained above the threshold limit of 75% throughout the year.

## INTEGRATED RISK MANAGEMENT REPORT

### Liquidity Risk Management

Managed by LBF's Treasury, the liquidity management strategy aims to ensure adequate capital and liquidity buffers are in place to comply with the regulatory minimum requirements under normal and stressed conditions. In this regard, LBF's main source of funding comes from deposit mobilisation activities. Treasury also pursues diverse funding sources both locally and internationally to supplement the funds mobilised through savings and deposits with institutional borrowings and other debt instruments. LBF's Asset and Liability Committee (ALCO) provides oversight for the proper implementation of the liquidity strategy as set out in the Board approved Asset and Liability Management and Liquidity Management Policy. The Contingency Funding Plan provides a framework for LBF to evaluate increasingly severe liquidity situation and monitor the availability of funding over these scenarios. This serves as the directive that should be followed in a stress liquidity circumstance that disrupts day today funding of LBF.

DEPARTMENT	PROCESS
ALCO	Monitoring liquidity risk, reporting and analysing, making proposals, setting limits and guidelines, formulating and implementing plans relating to liquidity risk management
Treasury Department	Preparing forecasted cash flow statement, presenting at the ALCO to evaluate future funding requirements, monitoring daily funding requirements, considering routine cash flows and one-off outflows
Risk Management Department	Using stressed behaviour modelling techniques to determine the Company's cash flow requirements, identifying signs of stress, continuous monitoring of Key Risk Indicators in liquidity risk

### STRENGTHENING LIQUIDITY RISK IN 2023/24

- Maintained the deposit renewal ratio above the internal threshold throughout the year
- Strengthened the cashflow stress testing process by enhancing the frequency
- Continuously analysed and monitored the liquidity position to ensure that an adequate buffer of liquid assets are maintained
- Managed the deposit concentration through close monitoring of risk indicators
- Conducted frequent ALCO meetings to make necessary decisions for effective implementation of liquidity risk management strategy

### MARKET RISK

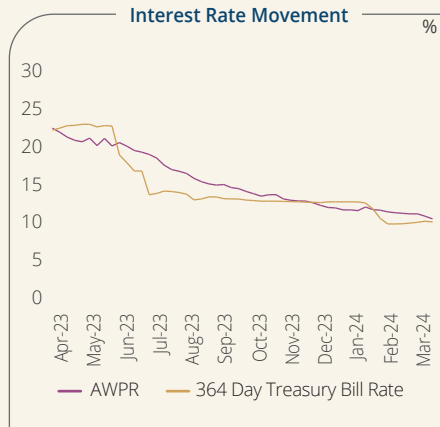
Profitability of LBF is significantly impacted by movements of market factors which are beyond the control of any single entity. These market factors impact valuations of portfolios of assets and liabilities as most transactions involve at least one element of market risk. Consequently, LBF manages these exposures, carefully balancing profitability and stability within the risk appetite set by the Board.

Definition	Components of Market Risk			Objective
Potential losses arising from factors that affect the overall performance of the financial markets which cannot be eliminated through diversification	<ul style="list-style-type: none"> <li>• Interest Rate Risk</li> <li>• Foreign Exchange Risk</li> <li>• Equity Price Risk</li> <li>• Commodity Price Risk</li> </ul>			Safeguard against adverse movement of market factors arising out of price sensitivities of funding sources, investments and commodity prices
KEY RISK INDICATORS	31.3.2024	31.3.2023	LFC AS AT 31.12.2023*	LBF is primarily expose to Interest Rate Risk and Commodity Price Risk. LBF is also exposed to Foreign exchange risk through the gold prices in international markets as well as on its foreign currency denominated borrowings
Interest Income to Interest Expense	214.53%	192.30%	167.07%	
Net Interest Margin	13.70%	11.86%	7.74%	

\*Source: CBSL

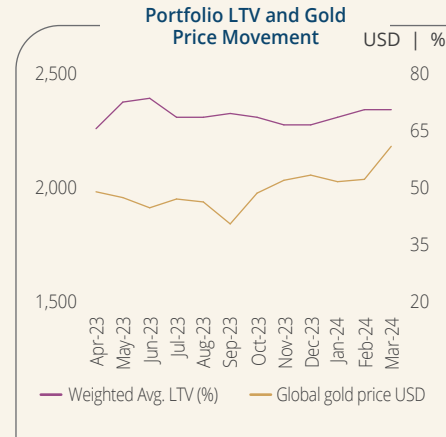
**Interest Rate Risk**

Market interest rates declined by over 1,000 bps during the year under review, considerably increasing interest rate risk.



**Commodity Price Risk (Gold)**

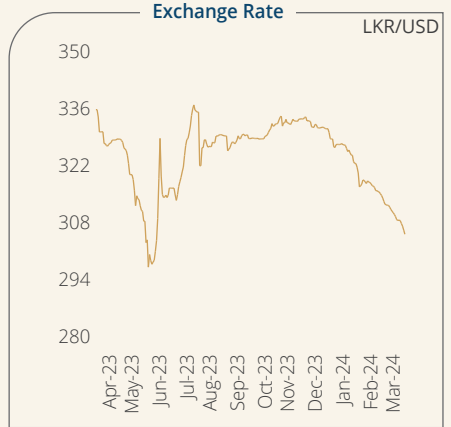
Gold prices remained volatile throughout the financial year experiencing a 20% increase during the second half



Gold loan portfolio amounts to Rs. 73 Bn which is 36% of its total assets. LBF maintained the portfolio weighted average LTV ratio around 70%, by adjusting the advance value in alignment with fluctuations in market price.

**Foreign Exchange Risk**

As the country moved towards recovery, the rupee appreciated against the US dollar, gaining 9% at the close of the year in a reversal of movements in previous years.



LBF's exposure to foreign exchange risk is minimal at present.

**Management of Interest Rate Risk**

LBF manages interest rate risk primarily through alignment of interest rate bearing assets and liabilities to protect interest rate spreads from undue volatility in interest rates. It weights the portfolio with shorter re-pricing periods to reduce interest rate gaps and while also negotiating interest rate caps on new borrowings.

DEPARTMENT	PROCESS
ALCO	Responsible for management of Interest Rate Risk and closely monitors the market movements to determine pricing of deposit and lending products. It also issues directions to lending and borrowing units on interest rate strategies
Treasury Department	Management of funds to achieve a higher yield from investments while negotiating with Banks to secure bank borrowings at lowest possible cost
Risk Management Department	Conducts regular stress testing to assess interest rate sensitivity on LBF's asset and liability portfolios and evaluates the likely financial impact under adverse scenarios

Impact on Net Interest Income due to a parallel rate shock of 1% on rate sensitive assets and liabilities

	31.03.2024		31.03.2023	
	Parallel Increase 1%	Parallel Decrease 1%	Parallel Increase 1%	Parallel Decrease 1%
Annual Impact (Rs.Mn)	176.24	(176.24)	297.07	(297.07)

**Management of Commodity Price Risk**

Gold loans are of short duration to manage commodity price risks due to high volatility and high degree of difficulty in predicting movements. The exposure to a gold loan is typically 1 to 4 months providing flexibility to reprice the portfolio inline with the movements in market prices. LBF promptly response to the market price fluctuation and revisit the maximum advance amount ensuring that Board approved safety margin is maintained at all times.

Gold items are auctioned in a timely manner to further reduce the risk.

Value at Risk (VaR) model is used as a key tool to asses the maximum estimated loss that can arise with a specified probability over a specified period of time due to adverse movement of gold price. A separate impairment provision is allocated for gold loan portfolio to absorb any unexpected losses.

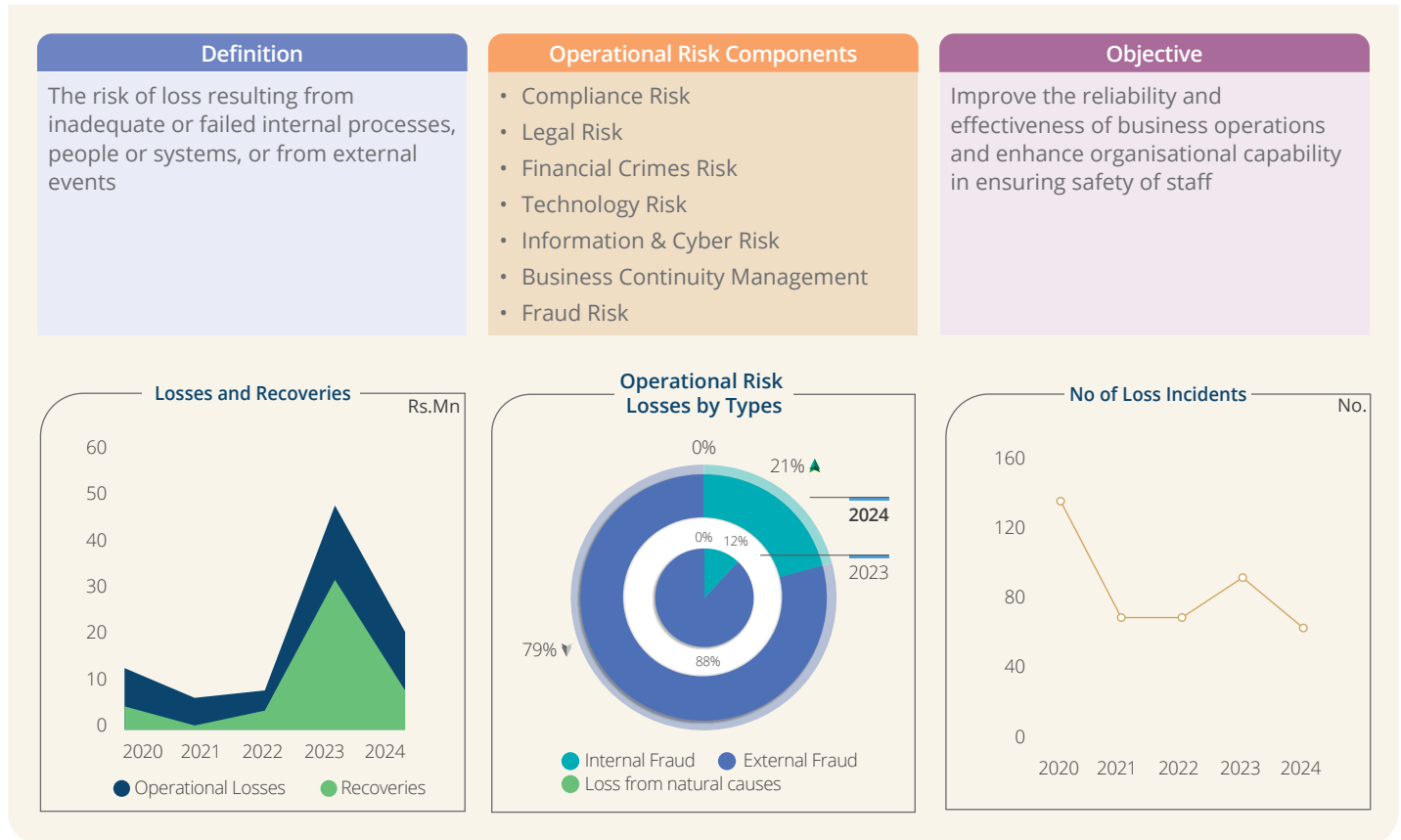
Continuous stress testing is carried out to asses the effects of declining gold prices across a range of levels.

**STRENGTHENING MARKET RISK IN 2023/24**

- Strengthened the stress testing scenario analysis process
- Implemented timely re-pricing strategies to minimise the risk during the rapid decline in interest rates
- Explored alternative investment opportunities through analysis of risk and potential returns

**OPERATIONAL RISK**

Operational risk is a key risk due to its pervasive presence across all transactions as LBF is a financial institution. Significant resources are allocated to managing this key risk and LBF notes its success in reducing the number of loss incidents in a year of significant economic stresses.



**Operational Risk Management**

Operational risk is managed proactively, scanning for exceptions, trends and anomalies. LBF has adopted a Board approved Operational Risk Management Framework that facilitates effective identification, measuring, managing, monitoring and controlling of risks faced by the company and defines the roles and responsibilities in operational risk management.

The following processes support management and mitigation of operational risks:

- The business processes, systems, controls, and external factors are reviewed to identify and record specific potential risks that could affect operations

- Having in place a robust internal control system
  - Risk and Control Self-Assessment (RCSA) is used to evaluate fraud risks at different levels within operational processes of the company
  - Gathering internal and external reports on fraud events
  - Root cause analysis of loss / near miss incidents and introduce new controls or redesign existing controls as required
  - Independent assurance from Internal Audit Department on operational processes and IT systems covering all core applications and security aspects
  - Monitoring system failures, telecommunication problems, breakdowns and hacking events
  - Exception monitoring through automated process
  - Whistleblowing Policy
  - Training for employees to enhance the awareness on possible operational loss events in their day to day operations
  - Contingency Planning
  - Insurance
- LBF employs customised approaches to manage operational risks arising in the course of the day to day operations.



### Business Continuity Management

LBF has established a Business Continuity Management System (BCMS) to facilitate resilience in its operations. BCMS encompasses business continuity, disaster recovery, crisis management, incident management, emergency management and contingency planning activities. This enables the Company to minimise the impact to its stakeholders in case of disruptive events or disasters and support a return to normalcy as fast as possible.

The BCM Steering Committee which is comprised of key staff members, plays an integral part of the BCM program. BCM Steering Committee enables the company-wide roll out of the BCM and ensures the alignment of business goals with the BCM goals. The scope of the BCM includes programme initiation and management, risk evaluation and business impact analysis, developing business continuity strategies, emergency preparedness and response, developing

and implementing business continuity plans, awareness building and training, business continuity plan exercise, audit and maintenance, crisis communications and coordination with external agencies.

During the year under review, the core and other critical systems were operated from the Disaster Recovery (DR) site.

### STRENGTHENING OPERATIONAL RISK IN 2023/24

- Expanded the scope for assessing Fraud Risk within the Risk and Control Self assessment process by including more processes for review. This strengthens the RCSA process and facilitates identification of potential weaknesses in controls that can be strengthened to further minimise fraud risk
- Established an automated exception monitoring process and revised the Policy of exception monitoring to further strengthen the process
- Strengthened the Branch Operational Risk assessment methodology by implementing a new score card enhancing the evaluation of operational risk at each branch and identifying potential areas of weaknesses effectively
- Performed AML and TF risk assessment for products and processes adopting an enhanced scoring methodology. Further analysis was conducted for products and processes categorised as medium or high risk to ensure adequacy and effectiveness of controls for mitigating these risks

### INFORMATION TECHNOLOGY AND INFORMATION SECURITY RISK

LBF is going through a rapid digitalisation to enhance operational efficiency, customer experience, and competitive advantage. However, this digital transformation increases the Information Technology (IT) risks necessitating an enhancement of its IT Risk Management Framework. LBF diligently addresses these risks through the implementation of robust security control measures to mitigate cybersecurity threats.

Information Security risk is a key risk as LBF is a retail financial institution and maintains personal data of its customers. Accordingly, LBF is required to comply with the Personal Data Protection Act No. 9 of 2022 and take steps to ensure that the information remains secure.

LBF recognises the criticality of effectively managing IT risks to safeguard its digital operations. The company has implemented a robust and proactive IT risk management approach considering the factors such as cybersecurity, data privacy, and operational resilience.

Cybersecurity measures has been achieved through multi-layered security controls, such as firewalls, intrusion detection systems, and encryption mechanisms, to protect sensitive customer data and prevent unauthorised access. Regular security assessments, vulnerability scanning are conducted to identify and mitigate potential vulnerabilities. LBF places great emphasis on data privacy to ensure compliance with applicable regulations and safeguard customer information. The company has implemented comprehensive data protection measures, including encryption, access controls, and robust data storage practices. LBF began working

on adopting mandates set out under the Personal Data Protection Act. Further operational resilience is a key aspect of LBF's IT risk management approach. The Company has implemented robust business continuity and disaster recovery plans to mitigate the impact of potential system failures, natural disasters, or other disruptions.

Risk mitigation methodology involves prioritising, evaluating and implementing the appropriate risk treatment techniques such as technical, operational and management controls to prevent identified risks exploiting the vulnerabilities. This process is strengthened by the implementation of the Company's Information Security Management System (ISMS), which was established according to the ISO/IEC 27001:2022 standard. A comprehensive Information Technology (IT) Audit framework further augments these efforts.

## INTEGRATED RISK MANAGEMENT REPORT

### Managing IT and Information Security Risk

- Conducting technical vulnerability assessment of network, web applications, databases, servers, firewall, wireless networks and web/mobile applications
- Conduct third party due diligence assessments
- Monitoring of system audit trails to identify patterns and anomalies.
- Conducting comprehensive information system audits to encompass LBF's critical infrastructure and applications
- Performing risk assessment exercises on critical technology functions, technology transformation projects, and system implementations
- Analysis of information security-related incidents to identify vulnerabilities and weaknesses in the information systems and infrastructure, thereby uncovering gaps and potential loopholes
- Inputs taken from other periodic statutory/regulatory audits and ISO 27001 surveillance audits

#### STRENGTHENING IT AND INFORMATION SECURITY RISK IN 2023/24

- Strengthened 2nd line of defence for Information Technology and Security risks with human resource capacity building
- Strengthened privilege access monitoring mechanism
- Performed a detail risk assessment on cloud solutions
- Performed pre-implementation risk assessment of new technologies
- Conducted annual review of Information Risk Management Framework
- Implemented IT Risk register to ensure action plans are in place to mitigate those identified risks
- Performed continuous training sessions to enhance employee awareness on cyber security

 Refer Intellectual Capital Report on pages 120 to 127 for more detailed information

### COMPLIANCE RISK

LBF remains firmly committed to conducting its business in accordance with the laws and regulations imposed by the regulatory authorities. Due diligence activities carried out by LBF's internal audit and compliance teams reinforce the Company's zero tolerance approach for non-compliance. Apart from this, the Board and Board Sub-Committees continue to monitor the latest regulatory developments in order to promote early adoption. Compliance Risk is assessed as low.

#### MANAGING COMPLIANCE RISK

Internal audit reviews are carried out to assess the extent of compliance at branch and departmental level.

Regular monitoring of compliance with the directions issued by the regulator.


Continuous monitoring of transactions to identify potential risks related to Financial Crimes.

Conduct Customer Due diligence on a timely manner and perform enhanced due diligence as required.

### STRATEGIC RISK

LBF has a clear strategy for business that minimises strategic risk. The Board approves a 3-year strategic plan, annual budget and business plans, which support the Company's value creation goals. The main strategic actions for the financial year under review were; to leverage on Business opportunities and grow the vehicle financing portfolio, continue the market share on Gold back lending and enhancing the digital financial solutions to customers.

We assess strategic risk by conducting reviews of pre and post implementation financial performance for every product, project and investment. Quarterly budget reviews and monthly variance analysis on key income and expense items are performed to ensure that the company is operating with the correct strategic focus and to identify early warnings of any possible strategic risk. LBF has a solid Board approved strategy that underpins the Company's progress towards achieving value creation objectives.

 Refer Strategy on pages 50 to 54 for more detailed information

### REPUTATIONAL RISK

LBF has built a strong reputation through its effective leadership, sound business strategy and solid risk management fundamentals, as well as its ethical conduct and its commitment to corporate responsibility. It is recognised as a leading financial institution in Sri Lanka. LBF remains vigilant regarding possible risks to its reputation by checking media reports, social media content, feedback from frontline staff and market survey results. Additionally, its comprehensive stakeholder engagement mechanisms provide insights in to developing areas of concern that are addressed in a timely manner.

#### MANAGING REPUTATIONAL RISK

Training employees on workplace professionalism, behaviour and educate them on business ethics.

Swift and efficient process of resolving customer complaints.

Close monitoring of any events that would lead to reputational risk by adopting early warning systems including media reports, social media content, inputs from front line staff and market surveys results.

Sustainability Committee to play a key role in conceptualising and monitoring sustainability initiatives

### CAPITAL MANAGEMENT

For a financial institution capital is a buffer against insolvency, that is available to absorb unforeseen losses. LBF adopts a proactive approach to ensure a satisfactory risk capital level throughout its operations. The company's regulatory capital adequacy has been computed using standardised approach for credit risk and basic indicator approach for operational risk in line with the regulatory guidelines.

As at 31st March 2024 LBF maintain a sound risk capital position as presented in the table below.

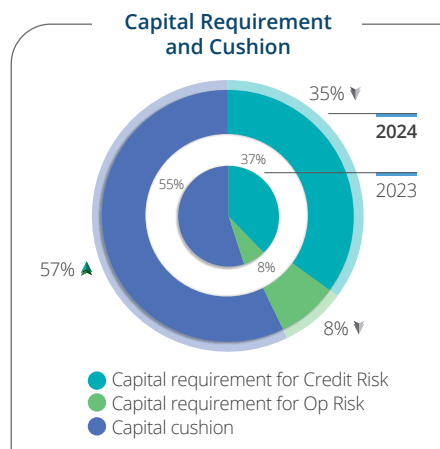
Item	FY 2023/24 Rs.000	FY 2022/23 Rs.000
Tier 1 Capital	42,319,559	36,514,610
Total Capital	43,321,826	37,261,024
Total Risk Weighted Amount	134,578,311	119,700,901
Risk Weighted Amount for Credit Risk	108,812,884	97,344,063
Risk Weighted Amount for Operational Risk	25,765,428	22,356,838
Regulatory Minimum Tier I Ratio	10.00%	10.00%
Company's Tier 1 Capital Ratio	31.45%	30.50%
Regulatory Minimum Total Capital Ratio	14.00%	14.00%
Company's Total Capital Ratio	32.19%	31.13%

### Computation of Total Capital

	FY 2023/24 Rs.000	FY 2022/23 Rs.000
<b>Tier I capital</b>	<b>43,671,619</b>	<b>37,054,375</b>
Stated capital	838,282	838,282
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	9,017,981	8,539,798
Audited retained earnings/(losses)	33,815,357	27,676,295
(less) Revaluation gains/surplus of investment property	-	-
General and other disclosed reserves	-	-
Current year's profit/(losses)	-	-
<b>Adjustments to Tier I capital</b>	<b>1,352,060</b>	<b>539,766</b>
Goodwill (net)	-	-
Other intangible assets (net)	20,701	22,629
Other Comprehensive Income losses	45,551	46,750
Deferred tax assets (net)	927,914	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	349,468	460,999
50% of investment in other banking and financial institutions	8,426	9,388
Shortfall of capital in financial subsidiaries	-	-
SLFRS 9 day one Impact Adjustment	-	-
<b>Tier I Capital (after adjustments)</b>	<b>42,319,559</b>	<b>36,514,610</b>
<b>Tier 2 Capital</b>	<b>1,360,161</b>	<b>1,216,801</b>
Instruments qualified as Tier 2 capital	-	-
Revaluation gains	-	-
General provisions /collective impairment allowances	1,360,161	1,216,801
<b>Eligible Tier 2 Capital</b>	<b>1,360,161</b>	<b>1,216,801</b>
<b>Total Adjustments to eligible Tier 2 Capital</b>	<b>357,894</b>	<b>470,387</b>
50% of investment in banking and financial subsidiary companies	349,468	460,999
50% of investment in other banking and financial institutions	8,426	9,388
<b>Eligible Tier 2 Capital after adjustments</b>	<b>1,002,267</b>	<b>746,414</b>
<b>Total Capital</b>	<b>43,321,826</b>	<b>37,261,024</b>

## INTEGRATED RISK MANAGEMENT REPORT

The graph below shows LBF capital allocation and available capital buffer as at 31st March 2024 based on the quantified risk as per the applicable regulatory guidelines.



As a systemically important NBFI, LBF enhanced its capital management approach in 2023 by voluntarily adopting the ICAAP recommended under Pillar 2 of the BASEL III framework. A formal Board approved ICAAP Policy was implemented to guide the application of the ICAAP. The Policy requires that integration of the ICAAP integrated into LBF's enterprise-wide risk management framework and processes to assess the effect on the Company's capital adequacy ratios due to changes in risk profiles of all major risk categories. Stress testing and scenario-based analysis under the ICAAP are used to assesses the capital required under stressed conditions, ensuring the alignment of the Company's strategic plan and risk management plans with the capital plan.

Inputs from Senior Management, Management Committees, Board Sub-Committees and the Board are an integral part of this iterative process.

The ICAAP working Group conducts a quarterly ICAAP assessment and report findings to the BIRMC and the Board for appropriate corrective action such as raising additional capital and/ or reduction in exposures etc. During the year, the ICAAP assessment was submitted to the CBSL for its review and comments, although there is no mandatory requirement.

## STRESS TESTING

Stress testing is an integral part of LBF's Risk management process. It assesses whether the company has sufficient capital and liquidity to withstand negative economic shocks. A comprehensive stress testing policy is in place that describes the purpose of stress testing, governance structure, methodology for formulating stress test frequencies and assumptions.

Stress testing has provided a dynamic platform to assess "What if" scenarios and to provide the company with an assessment of areas to improve.

During the year under review, stress scenarios were updated to be more relevant in the current economic landscape. Stress testing frequencies were increased and results were reported to the BIRMC.

Credit and Credit Concentration Risk	Interest Rate Risk	Liquidity Risk	Commodity Price Risk	Operational Risk
<p>Impact on Capital Adequacy Ratio due to ,</p> <ul style="list-style-type: none"> <li>Elevated NPLs</li> <li>Stress in top 5 industries</li> <li>Largest borrower default</li> <li>Expected Credit Loss stage migration</li> <li>Increase concentration in terms of name, sector, geography</li> </ul>	<p>Impact on NII due to fluctuations in market interest rate</p>	<p>Impact on Liquid Asset Ratio due to</p> <ul style="list-style-type: none"> <li>Sudden deposit runoffs</li> <li>Top FD redemptions</li> </ul> <p>Impact on forecasted net cashflow</p>	<p>Impact on earnings due to increase defaults as a result of decline in commodity (Gold) Price.</p>	<p>Impact on CAR due to increase operational losses</p>

Given the strong risk capital position of LBF, the capital adequacy ratio stands above the regulatory minimum requirement at all stress levels during the year under review.



## FINANCIAL REPORTS

# FREEDOM TO ACHIEVE

The flexibility, and agility we have developed through the years provide us with infinite possibilities and movements from which to choose, while empowering us with the freedom to expand beyond the restrictions of the past, and leap into the future.

Ballet offers the power to express varied emotions, and the opportunity to celebrate life through every eventuality. Particularly in the movement known as ballon, the dancers utilise a long-perfected lightweight and airy quality to provide viewers with the perspective of ease, and weightlessness – representing the individual's state of true freedom and unrestricted motion.

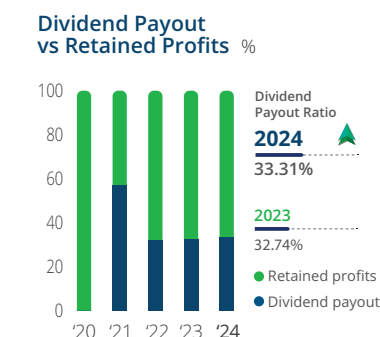
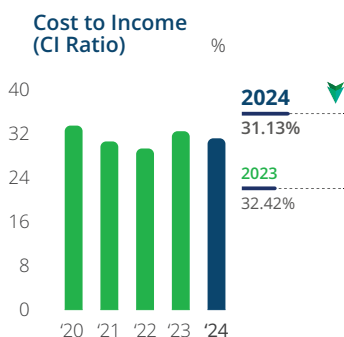
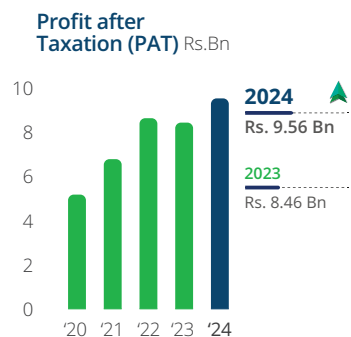
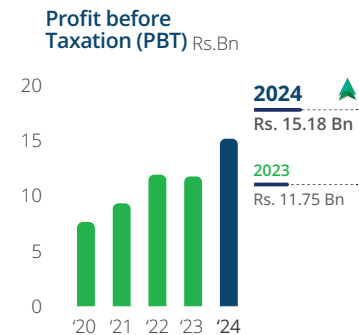
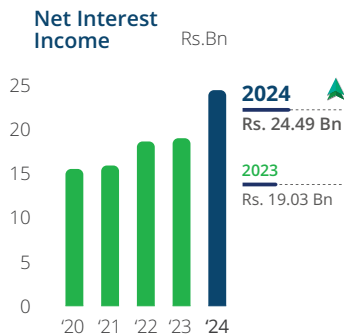
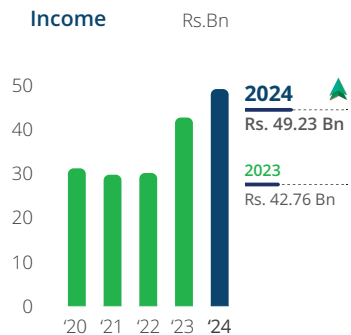


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# Financial Statement Highlights

## OPERATING RESULTS



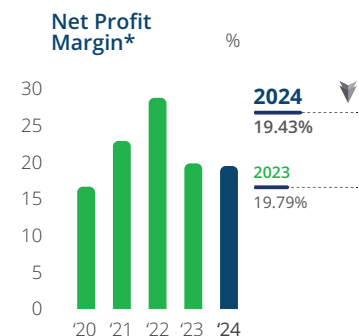
## PROFITABILITY RATIOS



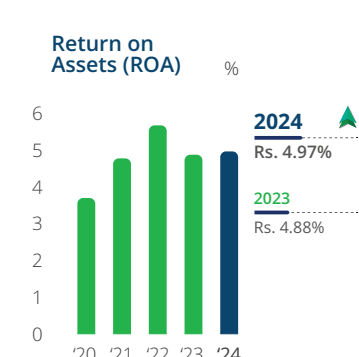
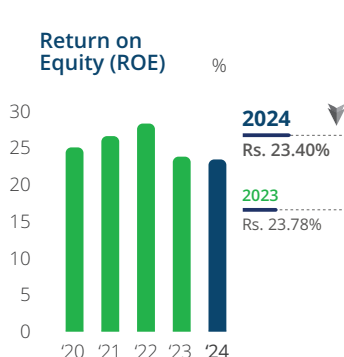
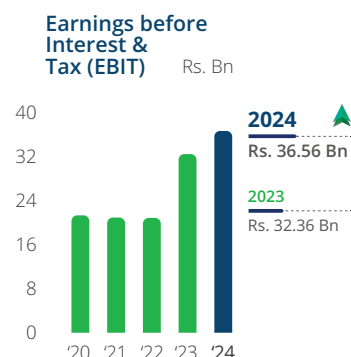
\*Net interest income as a % of income



\*Operating profit before tax as a % of Income

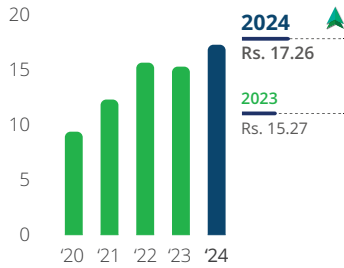


\*Profit after tax as a % of income

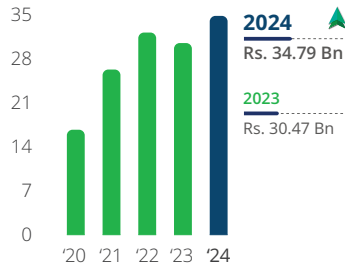


## EQUITY RATIOS

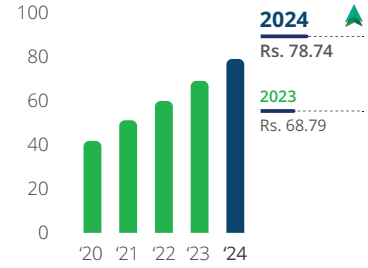
Earnings per Share (EPS) Rs.



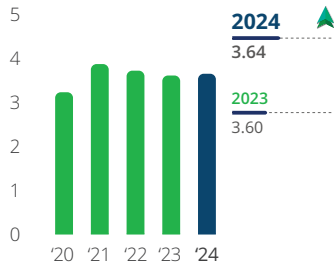
Market Capitalisation Rs. Bn



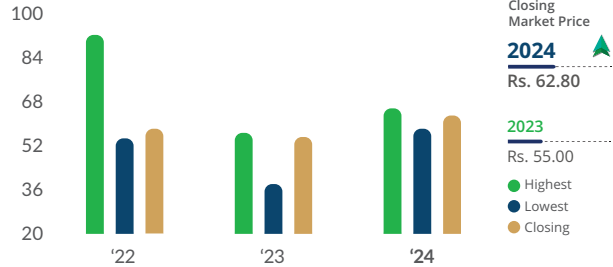
Net Asset Value per Share Rs.



Price Earnings Ratio No. of times

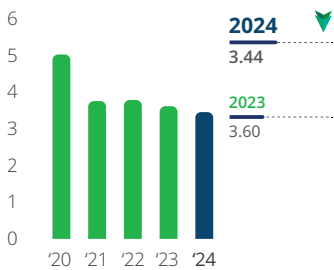


Market Price per Share Rs.



## DEBT RATIOS

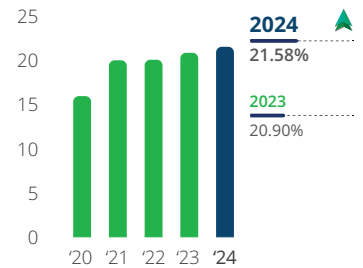
Debt to Equity Ratio No. of times



Interest Cover No. of times

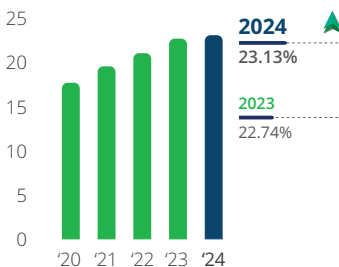


Equity Assets Ratio %

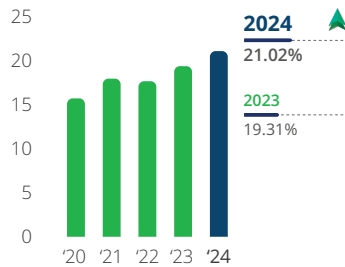


## LIQUIDITY RATIOS

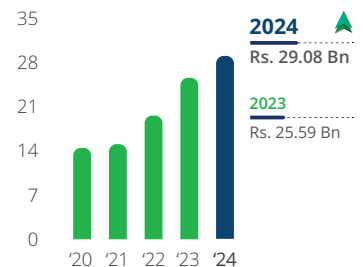
Quick Asset Ratio %



Liquidity Ratio %



Total Liquidity Reserves Rs. Bn



# Financial Calendar



## 2023

## 2024

		JANUARY	17	Publication of Interim Financial Statements Q3 FY 2023/24
Authorisation for Issue of Audited Financial Statements for FY 2022/23	31	MAY	15	Publication of Interim Financial Statements Q4 FY 2023/24
Publication of Interim Financial Statements Q4 FY 2022/23	17			
Publication of Annual Report 2022/23	07	JUNE	04	Publication of Annual Report FY 2023/24
50th Annual General Meeting	30		28	51st Annual General Meeting
Publication of Interim Financial Statements Q1 FY 2023/24	19	JULY	18	*Payment of Final Dividend of Rs.3.50 per Share for FY 2023/24
Payment of Final Dividend of Rs. 3.00 per Share for FY 2022/23	24			<i>*Subject to confirmation by Shareholders at the Annual General Meeting.</i>
Publication of Interim Financial Statements Q2 FY 2023/24	18	OCTOBER		



Submission of the Interim Financial Statements in Terms of the Rule 7.4 of the Colombo Stock Exchange (CSE)	2023/24 Submitted on	2024/25 to be Submitted on or before
For the 3 Months Ended June 30, (Unaudited)	July 19, 2023	August 15, 2024
For the 3 and 6 Months Ended September 30, (Unaudited)	October 18, 2023	November 15, 2024
For the 3 and 9 Months Ended December 31, (Unaudited)	January 17, 2024	February 15, 2025
For the 3 Months and Year Ended March 31, (Unaudited)	May 15, 2024	May 30, 2025

Publication of the Six Month Financial Statements as per Requirements of the Central Bank of Sri Lanka	2023/24 Published in News Papers on			2024/25 to be Published on or before
	English	Sinhala	Tamil	
For the Year Ended March 31, (Audited)	June 28, 2023	June 28, 2023	June 28, 2023	June 30, 2024
For the 6 Months Ended September 30, (Unaudited)	November 28, 2023	November 28, 2023	November 28, 2023	November 30, 2024





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**To the Shareholders of LB Finance PLC**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of LB Finance PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”), which comprise the statements of financial position as at 31 March 2024, income statements and the statements of comprehensive income, statements of changes in equity and statements 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 Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2024, 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 Group in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Allowances for Expected Credit Losses of Financial Assets</b></p> <p>Allowances for expected credit losses of financial assets amounting to LKR 7.3 Bn arising from loans and receivables of LKR 168.6 Bn (Note 2.17) is determined by the management based on the accounting policies described in Note 2.18.</p> <p>This was a key audit matter due to</p> <ul style="list-style-type: none"> <li>the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management’s expectation of future cash flows to recover such financial assets; and</li> <li>the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination.</li> </ul> <p>Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<p>In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>Assessed the alignment of the Company’s allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report.</li> <li>Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.</li> <li>Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company.</li> <li>Evaluated the reasonableness of credit quality assessments and related stage classifications.</li> <li>Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages.</li> <li>Assessed the adequacy of the related financial statement disclosures set out in notes 2.17 and 2.18.</li> </ul>



## Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
<p><b>Information Technology (IT) systems related internal controls over financial reporting.</b></p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>◆ Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.</li> <li>◆ Involved our internal specialized resources and;</li> <li>◆ Obtained an understanding IT Governance Structure of the Company</li> <li>◆ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management.</li> <li>◆ Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks.</li> <li>◆ Tested source data of the reports used to generate disclosures for accuracy and completeness.</li> </ul>

### Other information included in the Group's 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that

are free from material misstatement, whether due to fraud or error.

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

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

1. 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.
2. 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 internal controls of the Company and the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions

that may cast significant doubt on the 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.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. 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 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 1697.



27 May 2024  
Colombo

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

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

A member firm of Ernst & Young Global Limited

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# Income Statement

Year ended 31 March	Note	Page No.	Company			Group		
			2024 Rs. '000	2023 Rs. '000	Change %	2024 Rs. '000	2023 Rs. '000	Change %
<b>Income</b>	2.1.1	253	<b>49,230,095</b>	42,756,458	15	<b>49,635,771</b>	43,133,443	15
Interest Income	2.1.2	253	45,866,539	39,643,934	16	46,239,187	39,973,555	16
Less: Interest Expenses	2.1.5	254	21,379,499	20,615,585	4	21,460,631	20,663,956	4
<b>Net Interest Income</b>	2.1.7	254	<b>24,487,040</b>	19,028,349	29	<b>24,778,556</b>	19,309,599	28
Fee and Commission Income	2.2	254	3,186,422	2,951,065	8	3,217,460	2,986,402	8
Net Trading Income	2.3	255	4,943	(2,096)	>100	4,943	(2,096)	>100
Other Operating Income	2.4	255	172,191	163,555	5	174,181	175,582	(1)
<b>Total Operating Income</b>			<b>27,850,596</b>	22,140,873	26	<b>28,175,140</b>	22,469,487	25
Less: Impairment Charges	2.5	256	373,236	545,744	(32)	270,093	519,133	(48)
<b>Net Operating Income</b>			<b>27,477,360</b>	21,595,129	27	<b>27,905,047</b>	21,950,354	27
<b>Less: Operating Expenses</b>								
Personnel Expenses	2.6	259	4,376,475	3,545,137	23	4,503,482	3,669,537	23
Depreciation of Property, Plant and Equipment	2.7.1	260	866,348	816,734	6	882,572	834,155	6
Amortisation of Intangible Assets	2.7.2	260	8,414	8,183	3	11,189	13,284	(16)
Other Operating Expenses	2.8	261	3,418,294	2,807,948	22	3,543,136	2,912,708	22
<b>Total Operating Expenses</b>			<b>8,669,531</b>	7,178,002	21	<b>8,940,379</b>	7,429,684	20
<b>Operating Profit before Tax on Financial Services</b>			<b>18,807,829</b>	14,417,127	30	<b>18,964,668</b>	14,520,670	31
Less: Tax on Financial Services	2.9	261	3,627,622	2,670,575	36	3,630,243	2,677,606	36
<b>Profit before Taxation</b>			<b>15,180,207</b>	11,746,552	29	<b>15,334,425</b>	11,843,064	29
Less: Income Tax Expense	2.10.1(a)	262	5,616,569	3,286,221	71	5,627,414	3,290,178	71
<b>Profit for the Year</b>			<b>9,563,638</b>	8,460,331	13	<b>9,707,011</b>	8,552,886	13
<b>Profit Attributable to:</b>								
Equity Holders of the Company			9,563,638	8,460,331	13	9,713,917	8,554,543	14
Non-Controlling Interest	2.37	318	-	-	-	(6,906)	(1,657)	(>100)
<b>Profit for the Year</b>			<b>9,563,638</b>	8,460,331	13	<b>9,707,011</b>	8,552,886	13
<b>Earnings per Share:</b>								
<b>Basic/Diluted (Rs.)</b>	2.11.1	264	<b>17.26</b>	15.27	13	<b>17.53</b>	15.44	14
<b>Dividend per Share (Rs.)</b>	2.12	264						
Dividend per Share : Gross (Rs.)			5.75*	5.00	15			
Dividend per Share : Net (Rs.)			4.89*	4.25	15			

\*Dividend per share is calculated based on the interim dividend paid / payable and the proposed final dividend which is to be approved at the Annual General Meeting.

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

# Statement of Comprehensive Income

Year ended 31 March	Note	Page No.	Company			Group		
			2024 Rs. '000	2023 Rs. '000	Change %	2024 Rs. '000	2023 Rs. '000	Change %
<b>Profit for the Year</b>			<b>9,563,638</b>	8,460,331	13	<b>9,707,011</b>	8,552,886	13
<b>Other Comprehensive Income that will be Reclassified to Income Statement</b>								
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	2.35.3	317	-	-	-	(73,048)	(70,587)	3
Less: Deferred Tax Charge/(Reversal) on above Items			-	-	-	-	-	-
<b>Net Other Comprehensive Income that will be Reclassified to Income Statement</b>			<b>-</b>	-	-	<b>(73,048)</b>	(70,587)	3
<b>Other Comprehensive Income that will never be Reclassified to Income Statement</b>								
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	2.35.2	317	1,199	31,364	(96)	1,199	31,364	(96)
Actuarial Gains/(Losses) on Defined Benefit Plans	2.33.3	314	(53,706)	7,539	(>100)	(54,333)	8,166	(>100)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	2.10.1 (b)	262	(16,112)	2,262	(>100)	(16,112)	2,262	(>100)
Net Actuarial Gains/(Losses) on Defined Benefit Plans			(37,594)	5,277	(>100)	(38,221)	5,904	(>100)
<b>Net Other Comprehensive Income that will never be Reclassified to Income Statement</b>			<b>(36,395)</b>	36,641	(>100)	<b>(37,022)</b>	37,268	(>100)
<b>Other Comprehensive Income for the Year, Net of Tax</b>			<b>(36,395)</b>	36,641	(>100)	<b>(110,070)</b>	(33,319)	(>100)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			<b>9,527,243</b>	8,496,972	12	<b>9,596,941</b>	8,519,567	13
<b>Attributable to:</b>								
Equity Holders of the Company			9,527,243	8,496,972	12	9,604,068	8,521,003	13
Non-Controlling Interest			-	-	-	(7,127)	(1,436)	(<100)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			<b>9,527,243</b>	8,496,972	12	<b>9,596,941</b>	8,519,567	13

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

# Statement of Financial Position

SECTION 6

As at 31 March	Note	Page No.	Company			Group		
			2024 Rs. '000	2023 Rs. '000	Change %	2024 Rs. '000	2023 Rs. '000	Change %
<b>Assets</b>								
Cash and Cash Equivalents	2.15	276	9,314,425	4,524,032	>100	9,559,602	4,680,955	>100
Financial Assets Recognised Through Profit or Loss								
- Measured at Fair Value	2.16	277	14,674	10,653	38	14,674	10,653	38
Financial Assets at Amortised Cost								
- Loans and Receivables	2.17	278	161,291,486	145,189,174	11	162,521,733	146,371,597	11
Financial Assets Measured at Fair Value Through								
Other Comprehensive Income	2.19	289	118,587	117,388	1	118,589	117,390	1
Other Financial Assets	2.20	291	20,374,770	21,685,834	(6)	20,443,404	21,710,810	(6)
Other Non Financial Assets	2.21	292	430,651	474,347	(9)	495,796	552,469	(10)
Investment in Subsidiaries	2.22	293	698,935	921,998	(24)	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	2.23	294	8,984,363	8,633,347	4	9,034,106	8,667,202	4
Investment Properties	2.24	300	-	-	-	5,050	4,550	11
Intangible Assets	2.25	303	20,701	22,628	(9)	22,602	135,255	(83)
Deferred Tax Assets	2.26	305	927,914	767,186	21	932,330	767,186	22
<b>Total Assets</b>			<b>202,176,506</b>	<b>182,346,587</b>	<b>11</b>	<b>203,147,886</b>	<b>183,018,067</b>	<b>11</b>
<b>Liabilities</b>								
Due to Banks	2.27	307	21,702,012	19,369,784	12	21,955,857	19,392,536	13
Financial Liabilities at Amortised Cost								
- Due to Depositors	2.28	309	122,808,124	114,011,699	8	123,034,547	114,248,253	8
Debt Instruments Issued and Other Borrowed Funds	2.29	310	5,491,401	3,882,024	41	5,491,401	3,882,024	41
Other Financial Liabilities	2.30	311	3,757,776	3,255,862	15	3,815,897	3,283,059	16
Other Non Financial Liabilities	2.31	312	1,547,570	1,090,091	42	1,591,382	1,154,729	38
Current Tax Liabilities	2.32	313	2,770,496	2,255,830	23	2,775,700	2,261,996	23
Post Employment Benefit Liability	2.33	313	473,058	365,557	29	475,109	367,504	29
<b>Total Liabilities</b>			<b>158,550,437</b>	<b>144,230,847</b>	<b>10</b>	<b>159,139,893</b>	<b>144,590,101</b>	<b>10</b>
<b>Equity</b>								
Stated Capital	2.34	316	838,282	838,282	-	838,282	838,282	-
Reserves	2.35	316	8,972,430	8,493,049	6	9,097,433	8,691,100	5
Retained Earnings	2.36	317	33,815,357	28,784,409	17	33,975,540	28,794,719	18
<b>Total Equity Attributable to Equity Holders of the Company</b>			<b>43,626,069</b>	<b>38,115,740</b>	<b>14</b>	<b>43,911,255</b>	<b>38,324,101</b>	<b>15</b>
Non-Controlling Interest	2.37	318	-	-	-	96,738	103,865	(7)
<b>Total Equity</b>			<b>43,626,069</b>	<b>38,115,740</b>	<b>14</b>	<b>44,007,993</b>	<b>38,427,966</b>	<b>15</b>
<b>Total Liabilities and Equity</b>			<b>202,176,506</b>	<b>182,346,587</b>	<b>11</b>	<b>203,147,886</b>	<b>183,018,067</b>	<b>11</b>
<b>Commitments and Contingencies</b>	3.5	325	<b>2,281,890</b>	<b>2,403,948</b>	<b>(5)</b>	<b>2,030,940</b>	<b>2,403,948</b>	<b>(16)</b>
<b>Net Asset Value per Share (Rs.)</b>	3.6	326	<b>78.74</b>	<b>68.79</b>	<b>14</b>	<b>79.25</b>	<b>69.17</b>	<b>15</b>

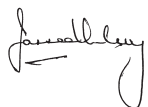
Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Malith Hewage  
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Approved and signed for and on behalf of the Board of Directors by,



J A S Sumith Adihetty  
Managing Director



Ms. Yogadinusha Bhaskaran  
Director

27 May 2024  
Colombo

# Statement of Changes in Equity - Company

	Note	Page No.	Stated Capital Rs. '000	Retained Earnings Rs. '000	Statutory Reserve Rs. '000	Fair Value Reserve Rs. '000	Total Equity Rs. '000
<b>Balance as at 31 March 2022</b>			838,282	24,170,152	8,116,782	(78,124)	33,047,092
Adjustments for Surcharge Tax Levied under the Surcharge Tax Act No. 14 of 2022			-	(2,320,210)	-	-	(2,320,210)
<b>Adjusted Balance as at 1 April 2022</b>			838,282	21,849,942	8,116,782	(78,124)	30,726,882
Net Profit for the Year			-	8,460,331	-	-	8,460,331
Other Comprehensive Income, Net of Tax			-	5,277	-	31,364	36,641
<b>Total Comprehensive Income for the Year, Net of Tax</b>			-	8,465,608	-	31,364	8,496,972
<b>Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners</b>							
Transfers During the Year	2.35.1 & 2.35.2	316 & 317	-	(423,027)	423,017	10	-
Final Dividend for 2021/22			-	(1,108,114)	-	-	(1,108,114)
<b>Total Transactions with Equity Holders</b>			-	(1,531,141)	423,017	10	(1,108,114)
<b>Balance as at 31 March 2023</b>			838,282	28,784,409	8,539,799	(46,750)	38,115,740
Net Profit for the Year			-	9,563,638	-	-	9,563,638
Other Comprehensive Income, Net of Tax			-	(37,594)	-	1,199	(36,395)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			-	9,526,044	-	1,199	9,527,243
<b>Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners</b>							
Transfers During the Year	2.35.1	316	-	(478,182)	478,182	-	-
Interim Dividend for 2022/23	2.12	264	-	(1,108,114)	-	-	(1,108,114)
Final Dividend for 2022/23	2.12	264	-	(1,662,171)	-	-	(1,662,171)
Interim Dividend for 2023/24	2.12	264	-	(1,246,629)	-	-	(1,246,629)
<b>Total Transactions with Equity Holders</b>			-	(4,495,096)	478,182	-	(4,016,914)
<b>Balance as at 31 March 2024</b>			838,282	33,815,357	9,017,981	(45,551)	43,626,069

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.



# Statement of Changes in Equity - Group

	Note	Page No.	Stated Capital	Retained Earnings	Statutory Reserve	Fair Value Reserve	Foreign Currency Translation Reserve	Total Equity Attributable to Equity Holders of the Company	Non-Controlling Interest	Total Equity
			Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 31 March 2022</b>			838,282	24,085,844	8,116,782	(78,124)	268,638	33,231,422	105,689	33,337,111
Adjustments for Surcharge Tax Levied under the Surcharge Tax Act No. 14 of 2022			-	(2,320,210)	-	-	-	(2,320,210)	-	(2,320,210)
<b>Adjusted Balance as at 1 April 2022</b>			838,282	21,765,634	8,116,782	(78,124)	268,638	30,911,212	105,689	31,016,901
Net Profit for the Year			-	8,554,543	-	-	-	8,554,543	(1,657)	8,552,886
Other Comprehensive Income, Net of Tax			-	5,683	-	31,364	(70,587)	(33,540)	221	(33,319)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			-	8,560,226	-	31,364	(70,587)	8,521,003	(1,436)	8,519,567
<b>Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners</b>										
Transfers During the Year	2.35.1 & 316 &		-	(423,027)	423,017	10	-	-	-	-
Final Dividend for 2021/22	2.35.2	317	-	(1,108,114)	-	-	-	(1,108,114)	-	(1,108,114)
<b>Total Contributions and Distributions to Owners</b>			-	(1,531,141)	423,017	10	-	(1,108,114)	-	(1,108,114)
<b>Transactions Due to Changes in Group Holding</b>										
Adjustment on changes to Non-Controlling Interest in Subsidiaries			-	-	-	-	-	-	(388)	(388)
<b>Total Transactions with Equity Holders</b>			-	(1,531,141)	423,017	10	-	(1,108,114)	(388)	(1,108,502)
<b>Balance as at 31 March 2023</b>			838,282	28,794,719	8,539,799	(46,750)	198,051	38,324,101	103,865	38,427,966
Net Profit for the Year			-	9,713,917	-	-	-	9,713,917	(6,906)	9,707,011
Other Comprehensive Income, Net of Tax			-	(38,000)	-	1,199	(73,048)	(109,849)	(221)	(110,070)
<b>Total Comprehensive Income for the Year, Net of Tax</b>			-	9,675,917	-	1,199	(73,048)	9,604,068	(7,127)	9,596,941
<b>Transactions with Owners, Recognised Directly in Equity Contributions and Distributions to Owners</b>										
Transfers During the Year	2.35.1	316	-	(478,182)	478,182	-	-	-	-	-
Interim Dividend for 2022/23	2.12	264	-	(1,108,114)	-	-	-	(1,108,114)	-	(1,108,114)
Final Dividend for 2022/23	2.12	264	-	(1,662,171)	-	-	-	(1,662,171)	-	(1,662,171)
Interim Dividend for 2023/24	2.12	264	-	(1,246,629)	-	-	-	(1,246,629)	-	(1,246,629)
<b>Total Contributions and Distributions to Owners</b>			-	(4,495,096)	478,182	-	-	(4,016,914)	-	(4,016,914)
<b>Total Transactions with Equity Holders</b>			-	(4,495,096)	478,182	-	-	(4,016,914)	-	(4,016,914)
<b>Balance as at 31 March 2024</b>			838,282	33,975,540	9,017,981	(45,551)	125,003	43,911,255	96,738	44,007,993

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

# Statement of Cash Flows

## Accounting Policy

The Cash Flow Statement has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), whereby operating activities, financing activities and investing activities have been recognised. 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 equivalents consist of cash in hand, balances with banks, placements with banks, money at call and short notice.

Year ended 31 March	Note	Page No.	Company		Group	
			2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Cash Flows From/(Used in) Operating Activities</b>						
Profit and Other Comprehensive Income before Taxation			15,127,700	11,785,455	15,208,243	11,812,007
<b>Adjustments for -</b>						
Depreciation of Property, Plant and Equipment	2.7.1	260	866,348	816,734	882,572	834,155
Amortisation of Intangible Assets	2.7.2	260	8,414	8,183	11,189	13,284
Impairment Charges	2.5	256	373,236	545,744	270,093	519,133
Diminution/(Appreciation) in Value of Investments			(5,219)	(28,732)	(5,221)	(28,732)
(Gains) from Fair Value Changes of Investment Properties			-	-	(500)	(400)
Loss/(Profit) on Disposal of Property, Plant and Equipment	2.4	255	(37,533)	(11,137)	(37,533)	(11,137)
Provision/(Reversal) for Defined Benefit Plans	2.33.1	314	171,991	95,235	173,431	96,761
Foreign Currency Exchange (Gains)/Losses			-	-	92	6,015
Dividend Received			(3,720)	(3,230)	(3,720)	(3,230)
Net Unrealised (Gains)/Losses Arising from Translating the Financial Statements of Foreign Operations			-	-	73,048	70,587
<b>Operating Profit before Changes in Operating Assets and Liabilities</b>			<b>16,501,217</b>	<b>13,208,252</b>	<b>16,571,694</b>	<b>13,308,443</b>
<b>(Increase)/Decrease in Operating Assets</b>						
(Increase)/Decrease in Financial Assets at Amortised Cost-Loans and Receivables			(16,298,738)	(11,339,314)	(16,358,677)	(11,353,328)
(Increase)/Decrease in Other Financial Assets			1,357,315	(16,087,209)	1,313,656	(16,080,881)
(Increase)/Decrease in Other Non Financial Assets			(100,923)	(786,823)	(102,545)	(823,619)
			<b>(15,042,346)</b>	<b>(28,213,346)</b>	<b>(15,147,566)</b>	<b>(28,257,828)</b>
<b>Increase/(Decrease) in Operating Liabilities</b>						
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors			8,796,425	24,867,717	8,786,294	24,769,747
Increase/(Decrease) in Other Financial Liabilities			132,472	(418,689)	77,924	(484,819)
Increase/(Decrease) in Other Non Financial Liabilities			541,736	851,070	535,875	874,084
			<b>9,470,633</b>	<b>25,300,098</b>	<b>9,400,093</b>	<b>25,159,012</b>

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

Year ended 31 March	Note	Page No.	Company		Group	
			2024	2023	2024	2023
			Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cash Generated From Operations</b>			<b>10,929,504</b>	10,295,004	<b>10,824,221</b>	10,209,627
Retirement Benefit Liabilities Paid	2.33.1	314	(64,490)	(46,651)	(65,826)	(53,090)
Income Tax Paid	2.10.4	263	(5,211,237)	(3,922,132)	(5,226,892)	(3,922,132)
Surcharge Tax Paid	2.10.4	263	-	(2,320,210)	-	(2,320,210)
<b>Net Cash From/(Used in) Operating Activities</b>			<b>5,653,777</b>	4,006,011	<b>5,531,503</b>	3,914,195
<b>Cash Flows From/(Used in) Investing Activities</b>						
Acquisition of Property, Plant and Equipment and Right-of-Use Assets	2.23.5	298	(884,570)	(675,637)	(905,130)	(689,702)
Acquisition of Intangible Assets	2.25.1	304	(6,487)	(15,936)	(6,487)	(17,558)
Proceeds from Sale of Property, Plant and Equipment			74,181	27,874	74,181	27,874
Proceeds from Sale of Investment Properties			-	-	-	68,894
Investment in Subsidiaries	2.22.2	294	-	(836)	-	-
Dividend Received			3,720	3,230	3,720	3,230
<b>Net Cash Flows From/(Used in) Investing Activities</b>			<b>(813,156)</b>	(661,305)	<b>(833,716)</b>	(607,262)
<b>Cash Flows From/(Used in) Financing Activities</b>						
Cash Flows from Debt Funding from Banks			17,149,079	15,969,854	17,419,398	15,991,450
Repayment of Debt Funding from Banks			(15,361,540)	(22,200,525)	(15,402,504)	(22,200,525)
Cash Flows from Debt Instruments Issued and Other Borrowed Funds			3,936,235	-	3,936,235	-
Repayment of Debt Instruments Issued and Other Borrowed Funds			(2,326,851)	(4,682,593)	(2,326,856)	(4,682,593)
Dividends Paid			(3,991,839)	(1,108,114)	(3,991,839)	(1,108,114)
<b>Net Cash Flows From/(Used in) Financing Activities</b>			<b>(594,916)</b>	(12,021,378)	<b>(365,566)</b>	(11,999,782)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>			<b>4,245,705</b>	(8,676,672)	<b>4,332,221</b>	(8,692,849)
<b>Cash and Cash Equivalents at the Beginning of the Year</b>			<b>4,033,170</b>	12,709,842	<b>4,188,936</b>	12,881,785
<b>Cash and Cash Equivalents at the End of the Year</b>	2.15.3	276	<b>8,278,875</b>	4,033,170	<b>8,521,157</b>	4,188,936
<b>Operational Cash Flows from Interest</b>						
Interest Received			47,550,657	37,198,259	47,923,305	37,527,880
Interest Paid			21,621,381	16,444,277	21,702,512	16,492,649

Figures in brackets indicate deductions.

Accounting Policies and Notes from pages 246 to 347 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1 MATERIAL ACCOUNTING POLICIES AND NOTES - GENERAL

Accounting policy relating to each accounting topic is given along with the relevant note to the Financial Statements. The other significant accounting policies are described below;

### Corporate Information

#### 1.1 Reporting Entity

LB Finance PLC, is a domiciled, public limited liability Company incorporated in Sri Lanka on 30 May 1971 under the Companies Act No. 51 of 1938. The Company was re-registered under the Companies Act No. 07 of 2007. It is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and amendments thereto. The registered office of the Company is located at No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Company as at 31 March 2024 was 4,132 (2023 - 3,562).

For purposes of this report, "LB Finance", the "Company", "we", "our", "us" or similar references mean LB Finance PLC.

#### 1.2 Consolidated Financial Statements

The Consolidated Financial Statements as at and for the year ended 31 March 2024, comprise the LB Finance PLC (Parent Company) and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company's parent undertaking is Vallibel One PLC. The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

#### LB Finance PLC

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Maintenance of Savings Accounts, Providing Finance Lease, Mortgage Loans, Gold Loans, Personal Loans, Other Credit Facilities, Digital Financial Services and Value Added Services.

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

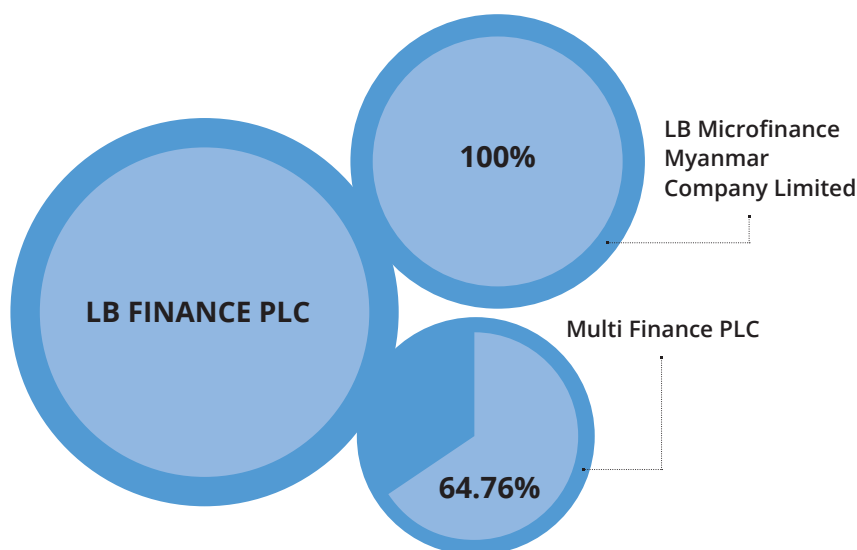
#### LB Microfinance Myanmar Company Limited

LB Microfinance Myanmar Company Limited was incorporated in Myanmar on 22 May 2017 as a 99% (31 March 2024 - 100%) owned subsidiary of LB Finance PLC. The principal business activities include engaging in microfinance lending. A license was issued by the Myanmar Microfinance Supervisory Committee to operate as a microfinance institution.

#### Multi Finance PLC

Multi Finance PLC was incorporated in Kandy on 14 October 1974 as a Limited Liability Company. It was listed in the Colombo Stock Exchange on 13 July 2011 and changed the status to a Public Quoted Company. Multi Finance PLC was acquired by L B Finance PLC on 16 March 2022 as a 64.63% (31 March 2024 - 64.76%) owned subsidiary by investing Rs. 400Mn. (31 March 2024 - Rs. 400.80 Mn) The principal business activities include engaging in diversified financing activities.

#### 1.3 Principal Business Activities, Nature of Operations of the Group and Ownership by the Company in Its Subsidiaries





#### 1.4 Approval of Financial Statements by Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2024 (including comparatives for 31 March 2023) were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 27 May 2024.

#### 1.5 Statement of Compliance

Financial Statements of the Group and the separate Financial Statements of the Company which comprise the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and Notes, 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 these Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011, Listing Rules of the Colombo Stock Exchange and the Central Bank of Sri Lanka (CBSL) guidelines.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

#### 1.6 Responsibilities for the Financial Statements

The Board of Directors of the Company is responsible for these Financial Statements of the Group and the Company as per the provisions of the Companies

Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out in the 'Directors' Responsibility for Financial Reporting, 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of the Annual Report.

#### 1.7 Application of Sri Lanka Accounting Standards

##### 1.7.1 Amendments to LKAS 08 : Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

##### 1.7.2 Amendments to LKAS 12 : Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

##### 1.7.3 Amendments to LKAS 01 : Presentation of Financial Statements - Disclosure of Accounting Policies and Amendments to IFRS Practice Statement 02 - Making Materiality Judgements

Amendments to LKAS 01 and IFRS Practice Statement to Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

#### 1.8 Basis of Measurement

The Financial Statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- ◆ Financial assets recognised through profit or loss - measured at fair value
- ◆ Financial assets measured at fair value through other comprehensive income
- ◆ Investment property measured at fair value
- ◆ Liabilities for defined benefit obligations are recognised using an actuarial technique (projected unit credit method)

### 1.9 Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Board has considered a wide range of information relating to present and future conditions. The Directors assessed the future performance of the business and satisfied that it has the resources in place that are required to meet its ongoing regulatory requirements. The assessment is based upon business plans which contain future projections of profitability as well as projections of regulatory capital requirements and business funding needs.

The business plan showed that the Group had sufficient capital in place to support its future business requirements and remained above its regulatory minimum requirements in the stress scenarios. Accordingly, the Directors concluded that there was a reasonable expectation that the Group has adequate resources to continue as a Going Concern for a period of at least 12 months from the date of approval of the Financial Statements. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a Going Concern basis.

### 1.10 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the currency of the primary economic environment in which LB Finance PLC operates.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these

entities are measured using that Functional Currency. These Financial Statements are presented in Sri Lankan Rupees, the Group's Functional and Presentation Currency.

### 1.11 Presentation of Financial Statements

Assets and Liabilities of the Group presented in their Statements of Financial Position are Grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on 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 3.3 on 'Current and Non Current Analysis of Assets and Liabilities' to these Financial Statements.

### 1.12 Use of Materiality, Aggregation, Offsetting and Rounding

#### Materiality and Aggregation

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

#### Offsetting

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

### Rounding

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

### 1.13 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.

### 1.14 Sri Lanka Accounting Standards Issued but Not yet Effective as at 31 March 2024

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### 1.14.1 SLFRS 17 : Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 04 (Insurance Contracts) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 09 and SLFRS 15 on or before the date it first applies SLFRS 17.

The Group does not expect this will result in a material impact on its Financial Statements.

#### **1.14.2 Amendments to LKAS 01 : Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**

Amendments to LKAS 01 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

#### **1.14.3 Amendments to LKAS 07 : Statement of Cash Flows - Supplier Finance Arrangements**

##### **Amendments to SLFRS 07 : Financial Instruments Disclosures - Supplier Finance Arrangements**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

#### **1.14.4 Amendments to LKAS 12 : Income Taxes - International Tax Reform : Pillar Two Model Rule**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

#### **1.14.5 Amendment to SLFRS 16 : Leases - Lease Liability in a Sale and Leaseback**

The amendments to SLFRS 16 : Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 08 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Group does not expect this will result in a material impact on its Financial Statements.

#### **1.15 Changes in Accounting Policies**

The accounting policies adopted by the Group are consistent with those used in the previous financial year. Further, the Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

#### **1.16 Significant Accounting Assumptions, Judgments and Estimation Uncertainties**

The preparation of Financial Statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make assumptions, judgments and estimates 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.

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

The most significant areas of estimation uncertainties, critical judgments and assumptions in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group are as follows;

- 1.23 Impairment of Non Financial Assets
- 1.24 Estimating the Incremental Borrowing Rate
- 2.10 Taxation
- 2.13 Classification of Financial Assets and Liabilities
- 2.14 Fair Value of Financial Instruments
- 2.18 Allowance for Impairment Losses
- 2.22 Investment in Subsidiaries
- 2.23 Useful Lifetime of the Property, Plant and Equipment
- 2.24 Fair Valuation of Investment Properties
- 2.25 Useful Lifetime of the Intangible Assets
- 2.26 Deferred Tax Assets and Liabilities
- 2.33 Post Employment Benefit Liability
- 3.5 Commitments and Contingencies
- 3.10 Events Occurring after the Reporting Date

### 1.17 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 (Consolidated Financial Statements).

#### 1.17.1 Non-Controlling Interest

Details of Non-Controlling Interest are given in Note 2.37 to these Financial Statements.

#### 1.17.2 Investment in Subsidiaries

Details of the Company's subsidiaries are set out in Note 2.22 to these Financial Statements.

#### 1.17.3 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognised in Income Statement. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an Associate or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

#### 1.17.4 Transactions Eliminated on Consolidation

Intra-group balances, transactions and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 1.18 Foreign Currency

#### 1.18.1 Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees, using the exchange rates prevailing at the dates of the transactions. In this regard, the Company's practice is to use the

middle rate of exchange ruling at the date of the transaction.

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the 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 the exchange rate as at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in Income Statement. However, foreign currency differences arising from the translation of available for sale equity instruments are recognised in Other Comprehensive Income.

#### 1.18.2 Foreign Currency Translations

The Group's Consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Company's functional currency. The Financial Statements of the foreign operations of the Company have been translated into the Group's presentation currency as explained under Note 1.18.3 below.

#### 1.18.3 Foreign Operations

The results and financial position of overseas operations that have a functional currency difference from the Company's presentation



currency are translated into the Company's presentation currency as follows;

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at the rates of exchange rates ruling as at the reporting date.

Income and expenses are translated at the average exchange rate for the period, unless this average rate is not a reasonable approximation of the rate prevailing at the transaction date, in which case income and expenses are translated at the exchange rates ruling at the transaction date.

All resulting exchange differences are recognised in the Other Comprehensive Income and accumulated in the Foreign Currency Translation Reserve, which is a separate component of Equity, except to the extent that the translation difference is allocated to the Non-Controlling Interest.

When a foreign operation is disposed of such that the control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Income Statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount of the translation reserve is reattributed to Non-Controlling Interest.

### 1.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration

required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

### 1.20 Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Group which do not relate directly to amounts of principal outstanding for loans and advances. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

### 1.21 Borrowing Costs

As per the Sri Lanka Accounting Standard – LKAS 23 (Borrowing Costs), the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other

borrowing costs are recognised in the Income Statement in the period in which they occur.

### 1.22 Financial Guarantees and Loan Commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitments at below market interest rates drawdown are initially measured at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the Statement of Financial Position.

Loan types with undrawn limits are expected to change the exposure over a period due to the available portion in the unutilised limit. The drawdowns for unutilised portions (only for Stage 01 and 02) are considered by applying the behavioral (average) use of the facility over the given period and current excess over the average (positive net exposure). Then the positive net exposure is classified as 12 month or lifetime expected credit loss.

Details of commitments and contingencies are presented in Note 3.5 to these Financial Statements.

### 1.23 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 asset's or Cash Generating Unit's (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 excluding goodwill, 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 asset's 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 Income Statement. A previously recognised impairment loss in respect of goodwill is not reversed.

### 1.24 Estimating the Incremental Borrowing Rate

Further, as the Group cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate (IBR) to measure the lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease).

The Group estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

### 1.25 Other Taxes

#### 1.25.1 Withholding Tax (WHT) on Dividends

Withholding Tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised. The prevailing WHT rate on dividends distributed by the Company to shareholders is 15%. Dividend paid by the Company will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Company from another resident Company.

As per the Inland Revenue (Amendment) Act No. 45 of 2022, WHT on dividends was introduced effective from 01 January 2023.

#### 1.25.2 Value Added Tax (VAT)

The VAT rate had been increased from 15% to 18% with effect from 01 January 2024. Further, goods and services which were previously exempt from VAT became liable at the rate of 18% with effect from 01 January 2024.

## 2 MATERIAL ACCOUNTING POLICIES AND NOTES - SPECIFIC

### 2.1 Net Interest Income

#### Accounting Policy

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.

The Group use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of financial assets and financial liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as an impairment charge or reversal to the Income Statement.

Once the recorded value of a financial asset or a Group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Recognition of interest income is ceased when one or more of the criteria set out in Note 2.18 is present for a financial asset. More information on interest cessation is discussed in Note 2.18 to these Financial Statements. Interest from overdue rentals have been accounted for on a cash received basis.

#### 2.1.1 Income

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest Income (Note 2.1.2)	45,866,539	39,643,934	46,239,187	39,973,555
Fee and Commission Income (Note 2.2)	3,186,422	2,951,065	3,217,460	2,986,402
Net Trading Income (Note 2.3)	4,943	(2,096)	4,943	(2,096)
Other Operating Income (Note 2.4)	172,191	163,555	174,181	175,582
	49,230,095	42,756,458	49,635,771	43,133,443

#### 2.1.2 Interest Income

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and Receivables (Note 2.1.3)	41,999,843	36,199,828	42,336,135	36,501,986
Other Financial Assets	3,866,696	3,444,106	3,903,052	3,471,569
	45,866,539	39,643,934	46,239,187	39,973,555

#### 2.1.3 Interest Income - Loans and Receivables

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Gold Loans	18,869,751	17,095,342	18,910,541	17,147,151
Lease Receivables	9,629,910	9,376,385	9,640,092	9,393,466
Vehicle Loans	8,265,381	4,841,443	8,265,381	4,841,443
Term Loans	1,556,653	1,404,766	1,841,973	1,638,034
Mortgage Loans	757,104	788,843	757,104	788,843
Power Drafts	2,921,044	2,693,049	2,921,044	2,693,049
	41,999,843	36,199,828	42,336,135	36,501,986

## Notes to the Financial Statements

### 2.1.4 Interest Income from Sri Lanka Government Securities

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest Income from Sri Lanka Government Securities	2,619,643	1,318,017	2,650,378	1,340,371

### 2.1.5 Interest Expenses

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Due to Banks	2,130,847	3,483,738	2,151,067	3,484,229
Financial Liabilities at Amortised Cost - Due to Depositors	18,791,874	16,286,339	18,848,984	16,331,266
Debt Issued and Other Borrowed Funds	221,469	647,980	221,469	647,980
Other Financial Liabilities	235,309	197,528	239,111	200,481
	21,379,499	20,615,585	21,460,631	20,663,956

### 2.1.6 Interest Expenses (Product-wise Breakdown)

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Bank Overdrafts	3,450	3,126	3,471	3,172
Debt Funding from Banks (Note 2.27.1)	2,127,397	3,480,612	2,147,596	3,481,057
Fixed Deposits	18,663,297	16,173,536	18,681,323	16,205,985
Savings Deposits	128,577	112,803	167,661	125,281
Debt Funding from International Financial Institutions	205,586	372,085	205,586	372,085
Securitised Borrowings	15,883	-	15,883	-
Unsecured Debentures	-	275,895	-	275,895
Interest Expense on Lease Liabilities	235,309	197,528	239,111	200,481
	21,379,499	20,615,585	21,460,631	20,663,956

### 2.1.7 Net Interest Income

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Interest Income	45,866,539	39,643,934	46,239,187	39,973,555
Interest Expenses	21,379,499	20,615,585	21,460,631	20,663,956
	24,487,040	19,028,349	24,778,556	19,309,599

## 2.2 Fee and Commission Income

### Accounting Policy

The Group earns fee and commission income from a diverse range of services it provides to its customers. These fees include credit-related fees and commission income. All fees and commissions are recognised to the Income Statement on an accrual basis. Fee and commission income that are integral to the EIR of a financial asset or financial liability are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Credit Related Fees and Commissions	1,391,352	1,032,470	1,420,217	1,061,399
Service Charge	1,795,070	1,918,595	1,797,243	1,925,003
	3,186,422	2,951,065	3,217,460	2,986,402



## 2.3 Net Trading Income

### Accounting Policy

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets 'recognised through profit or loss' other than interest income.

Dividend income received from financial assets recognised through profit or loss is recognised when the Group's right to receive the payment is established.

Year ended 31 March	Company & Group	
	2024 Rs. '000	2023 Rs. '000
Dividend Income from Financial Assets Recognised Through Profit or Loss	922	459
Appreciation/(Depreciation) in Market Value of Financial Assets Recognised Through Profit or Loss	4,021	(2,555)
	<b>4,943</b>	<b>(2,096)</b>

## 2.4 Other Operating Income

### Accounting Policy

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.

Dividend income received from financial assets measured at fair value through other comprehensive income is recognised when the Group's right to receive the payment is established.

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.

Income on operating leases are accounted for on a straight-line basis over the periods of the leases.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Dividend Income from Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,797	2,770	2,842	2,770
Profit/(Loss) on Disposal of Property, Plant and Equipment	37,533	11,137	37,533	11,137
Income on Operating Lease	5,212	103,728	5,212	103,728
Sundry Income	126,649	45,920	128,594	57,947
	<b>172,191</b>	<b>163,555</b>	<b>174,181</b>	<b>175,582</b>

## 2.5 Impairment Charges

### Accounting Policy

The Group recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). The methodology adopted by the Group is explained in the Note 2.18 to these Financial Statements. Recovery of amounts written-off as bad and doubtful debts is credited to impairment charges.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and Receivables	386,926	648,872	399,042	618,709
Other Receivables	-	-	-	3,552
Impairment on Investment in Fixed Deposits	(47,741)	(18,189)	(47,741)	(18,189)
Impairment on Investments in Subsidiaries	223,063	-	-	-
Impairment on Off-Balance Sheet Credit Exposures	1,491	3,604	1,491	3,604
Impairment on Goodwill	-	-	107,803	-
Recovery of Written-off Debts	(190,502)	(88,543)	(190,502)	(88,543)
	373,236	545,744	270,093	519,133

### 2.5.1 Impairment Charges (Detailed Breakdown) - Company

Year ended 31 March	2024			2023		
	Direct Write-offs Rs. '000	Charge/ (Reversal) for the Year Rs. '000	Net Amount Rs. '000	Direct Write-offs Rs. '000	Charge/ (Reversal) for the Year Rs. '000	Net Amount Rs. '000
Loans and Receivables	9,723	377,203	386,926	15,590	633,282	648,872
Impairment on Investment in Fixed Deposits			(47,741)			(18,189)
Impairment Investment in Subsidiaries			223,063			-
Impairment on Off-Balance Sheet Credit Exposures			1,491			3,604
Recovery of Written-off Debts			(190,502)			(88,543)
			373,236			545,744

### 2.5.2 Impairment Charges (Detailed Breakdown) - Group

Year ended 31 March	2024			2023		
	Direct Write-offs Rs. '000	Charge/ (Reversal) for the Year Rs. '000	Net Amount Rs. '000	Direct Write-offs Rs. '000	Charge/ (Reversal) for the Year Rs. '000	Net Amount Rs. '000
Loans and Receivables	9,723	389,319	399,042	15,590	603,119	618,709
Impairment on Other Receivables			-			3,552
Impairment on Investment in Fixed Deposits			(47,741)			(18,189)
Impairment on Off-Balance Sheet Credit Exposures			1,491			3,604
Impairment on Goodwill			107,803			-
Recovery of Written-off Debts			(190,502)			(88,543)
			270,093			519,133

## 2.5.3 Analysis of Impairment Charges - Company

Year ended 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	543,998	(54,804)	(656)	488,538
Lease Receivables	(49,977)	(98,207)	(106,884)	(255,068)
Vehicle Loans	227,980	15,923	17,110	261,013
Term Loans	(94,973)	(3,168)	2,775	(95,366)
Mortgage Loans	(57,305)	(17,375)	(52,759)	(127,439)
Power Drafts	48,182	(16,380)	83,446	115,248
<b>Loans and Receivables</b>	<b>617,905</b>	<b>(174,011)</b>	<b>(56,968)</b>	<b>386,926</b>
Impairment on Investment in Fixed Deposits				(47,741)
Impairment Investment in Subsidiaries				223,063
Impairment on Off-Balance Sheet Credit Exposures				1,491
Recovery of Written-off Debts				(190,502)
<b>Total Allowance for Impairment Losses</b>				<b>373,236</b>
<b>Year ended 31 March 2023</b>	<b>Stage 01 Rs. '000</b>	<b>Stage 02 Rs. '000</b>	<b>Stage 03 Rs. '000</b>	<b>Total Rs. '000</b>
Gold Loans	384,819	71,544	38,958	495,321
Lease Receivables	(26,393)	73,340	(131,801)	(84,854)
Vehicle Loans	51,358	71,467	24,759	147,584
Term Loans	91,105	7,482	18,055	116,642
Mortgage Loans	(78,578)	33,201	(64,771)	(110,148)
Power Drafts	(34,936)	24,453	94,810	84,327
<b>Loans and Receivables</b>	<b>387,375</b>	<b>281,487</b>	<b>(19,990)</b>	<b>648,872</b>
Impairment on Investment in Fixed Deposits				(18,189)
Impairment on Off-Balance Sheet Credit Exposures				3,604
Recovery of Written-off Debts				(88,543)
<b>Total Allowance for Impairment Losses</b>				<b>545,744</b>

## Notes to the Financial Statements

### 2.5.4 Analysis of Impairment Charges - Group

Year ended 31 March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gold Loans	542,748	(54,900)	(6,011)	481,837
Lease Receivables	(50,007)	(98,251)	(104,394)	(252,652)
Vehicle Loans	227,987	15,910	18,592	262,489
Term Loans	(80,853)	(3,948)	(729)	(85,530)
Mortgage Loans	(57,305)	(17,375)	(47,647)	(122,327)
Power Drafts	48,153	(16,396)	83,468	115,225
<b>Loans and Receivables</b>	<b>630,723</b>	<b>(174,960)</b>	<b>(56,721)</b>	<b>399,042</b>
Impairment on Investment in Fixed Deposits				(47,741)
Impairment on Off-Balance Sheet Credit Exposures				1,491
Impairment on Goodwill				107,803
Recovery of Written-off Debts				(190,502)
<b>Total Allowance for Impairment Losses</b>				<b>270,093</b>
<b>Year ended 31 March 2023</b>	<b>Stage 01 Rs. '000</b>	<b>Stage 02 Rs. '000</b>	<b>Stage 03 Rs. '000</b>	<b>Total Rs. '000</b>
Gold Loans	384,917	71,446	38,901	495,264
Lease Receivables	(26,434)	73,275	(125,419)	(78,578)
Vehicle Loans	51,358	71,467	24,759	147,584
Term Loans	60,721	6,911	12,628	80,260
Mortgage Loans	(78,578)	33,201	(64,771)	(110,148)
Power Drafts	(34,936)	24,453	94,810	84,327
<b>Loans and Receivables</b>	<b>357,048</b>	<b>280,753</b>	<b>(19,092)</b>	<b>618,709</b>
Impairment on Other Receivables				3,552
Impairment on Investment in Fixed Deposits				(18,189)
Impairment on Off-Balance Sheet Credit Exposures				3,604
Recovery of Written-off Debts				(88,543)
<b>Total Allowance for Impairment Losses</b>				<b>519,133</b>



## 2.6 Personnel Expenses

### Accounting Policy

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 Contribution Plans - Employees' Provident Fund and Employees' Trust Fund - LB Finance PLC and Multi Finance PLC

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into 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 Company and the employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

#### Defined Contribution Plans - Social Security Fund - LB Microfinance Myanmar Company Limited

The Company and the employees contribute 3% and 2% respectively on the salary of each employee to the Social Security Board. The maximum contribution is limited to Myanmar kyat 9,000/- by the Company and Myanmar kyat 6,000/- by the employee.

#### Defined Benefit Plans - LB Finance PLC and Multi Finance PLC

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity was considered as defined benefit plan as per Sri Lanka Accounting Standard - LKAS 19.

#### Day 01 Loss on Staff Loan

The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Salaries and Other Related Expenses	3,617,728	3,000,436	3,725,802	3,106,246
Employer's Contribution to Employees' Provident Fund	296,727	262,018	298,666	265,653
Employer's Contribution to Employees' Trust Fund	63,215	54,309	63,700	55,218
Gratuity Charge/(Reversal) for the Year (Note 2.33.2)	118,285	102,774	119,098	104,927
Staff Training	23,222	11,717	24,241	12,454
Staff Welfare Expenses	253,737	111,031	268,414	122,187
Amortisation of Staff Loan Day 01 Difference	3,561	2,852	3,561	2,852
	<b>4,376,475</b>	<b>3,545,137</b>	<b>4,503,482</b>	<b>3,669,537</b>

## 2.7 Depreciation and Amortisation

### Accounting Policy

#### Depreciation of Property, Plant and Equipment

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms as defined in Note 2.23.

#### Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use at the rates specified in Note 2.25.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Depreciation of Property, Plant and Equipment (Note 2.7.1)	576,280	526,442	582,796	534,252
Depreciation of Right-of-Use Assets (Note 2.7.1)	290,068	290,292	299,776	299,903
Amortisation of Intangible Assets (Note 2.7.2)	8,414	8,183	11,189	13,284
	<b>874,762</b>	<b>824,917</b>	<b>893,761</b>	<b>847,439</b>

#### 2.7.1 Depreciation of Property, Plant and Equipment

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Freehold Buildings and Edifices	25,685	23,746	25,685	23,746
Furniture and Fittings	39,661	40,837	42,252	43,612
Equipment	103,637	102,674	104,994	104,268
Motor Vehicles	27,202	27,891	27,403	28,070
Computer Hardware and Equipment	117,249	102,176	119,616	105,438
Improvement of Leasehold Asset	81,810	76,858	81,810	76,858
Fixtures and Fittings	181,036	152,260	181,036	152,260
	<b>576,280</b>	<b>526,442</b>	<b>582,796</b>	<b>534,252</b>
Right-of-Use Assets	290,068	290,292	299,776	299,903
	<b>866,348</b>	<b>816,734</b>	<b>882,572</b>	<b>834,155</b>

#### 2.7.2 Amortisation of Intangible Assets

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Computer Software	8,414	8,183	11,189	13,284

## 2.8 Other Operating Expenses

### Accounting Policy

Other operating expenses are recognised in the Income Statement 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.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Directors' Emoluments	25,774	18,162	25,774	18,162
Auditors' Remunerations	4,858	4,283	9,152	8,748
Audit-Related Expenses	2,250	2,575	2,250	2,575
Non-Audit Fees to Auditors	1,279	1,365	1,279	1,365
Professional and Legal Expenses	87,778	57,626	110,813	62,203
Deposit Insurance Premium	171,353	149,091	171,521	149,421
General Insurance Expenses	199,606	156,180	201,238	160,461
Office Administration and Establishment Expenses	2,309,121	1,880,322	2,380,340	1,951,933
Advertising and Business Promotional Expenses	520,001	454,002	544,495	473,498
Crop Insurance Levy Expenses	96,274	84,342	96,274	84,342
	<b>3,418,294</b>	<b>2,807,948</b>	<b>3,543,136</b>	<b>2,912,708</b>

### Crop Insurance Levy

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the Crop Insurance Levy was introduced with effect from 1 April 2013 and was payable to the National Insurance Trust Fund. Currently, the Crop Insurance Levy is payable at 1% of profit after tax.

### Directors' Emoluments

Directors' Emoluments include fees paid to Non-Executive Directors. Remunerations paid to Executive Directors are included under Salaries and Other Related Expenses in Note 2.6 to these Financial Statements.

## 2.9 Tax on Financial Services

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

### Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

### Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Value Added Tax (VAT) on Financial Services	3,185,057	2,498,862	3,187,317	2,505,367
Social Security Contribution Levy (SSCL) on Financial Services	442,565	171,713	442,926	172,239
	<b>3,627,622</b>	<b>2,670,575</b>	<b>3,630,243</b>	<b>2,677,606</b>

### 2.10 Taxation

#### Accounting Policy

As per Sri Lanka Accounting Standard - LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

#### Current Taxation

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 reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 2.10.3 to these Financial Statements.

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

#### Accounting Estimates

Significant judgment was required to determine the total provision for current and deferred taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements. The Group recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

#### Deferred Tax Assets and Liabilities

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 2.26 to these Financial Statements.

#### 2.10.1 The Major Components of Income Tax Expense are as follows;

Year ended 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>2.10.1 (a) Income Statement</b>				
<b>Current Income Tax</b>				
Income Tax for the Year	5,871,958	4,168,369	5,887,807	4,179,506
Under/(Over) Provision of Current Taxes in respect of Previous Years	(110,773)	(1,214)	(111,361)	(8,394)
<b>Deferred Tax</b>				
Deferred Taxation Charge/(Reversal) (Note 2.26)	(144,616)	(880,934)	(149,032)	(880,934)
	<b>5,616,569</b>	<b>3,286,221</b>	<b>5,627,414</b>	<b>3,290,178</b>
<b>2.10.1 (b) Statement of Other Comprehensive Income</b>				
<b>Deferred Tax</b>				
Deferred Taxation Charge/(Reversal) (Note 2.26)	(16,112)	2,262	(16,112)	2,262
	<b>(16,112)</b>	<b>2,262</b>	<b>(16,112)</b>	<b>2,262</b>
<b>2.10.1 (c) Total Tax Expense for the Financial Year</b>	<b>5,600,457</b>	<b>3,288,483</b>	<b>5,611,302</b>	<b>3,292,440</b>

### 2.10.2 Reconciliation of Accounting Profit to Taxable Profit

A reconciliation between the tax expense and the accounting profit multiplied by relevant tax rate is as follows;

Year ended 31 March	Tax Rate	Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Accounting Profit before Income Taxation</b>		15,180,207	11,746,552	15,334,425	11,843,064
<b>Income Tax Expense at the Statutory Income</b>					
LB Finance PLC	24% - 30%	4,554,062	3,172,046	4,554,062	3,172,046
Multi Finance PLC	24% - 30%	-	-	-	(1,270)
LB Microfinance Myanmar Company Limited	22%	-	-	13,909	22,852
Tax Effect of Non-Deductible Expenses		1,200,356	277,660	1,200,356	281,733
Tax Effect of Deductible Expenses		(2,892)	(123,742)	(5,368)	(130,113)
Tax Effect of Qualifying Payments		(40,296)	(36,267)	(40,296)	(44,414)
Under/(Over) Provision of Current Taxes in respect of Previous Years		(110,773)	(1,214)	(111,361)	(8,394)
		5,600,457	3,288,483	5,611,302	3,292,440
<b>Effective Tax Rate</b>		36.89%	28.00%	36.59%	27.80%
<b>Effective Tax Rate (Excluding Deferred Tax)</b>		37.85%	35.49%	37.56%	35.24%
<b>Effective Tax Rate (Excluding Tax on Financial Services)</b>		29.78%	22.81%	29.59%	22.67%
<b>Charge/(Reversal) for Deferred Tax</b>		(144,616)	(880,934)	(149,032)	(880,934)
<b>Accounting Profit before Tax on Financial Services</b>		18,807,829	14,417,127	18,964,668	14,520,670

### 2.10.3 Income Tax expense of the Company and its subsidiaries have been recorded for on the taxable income at rates shown below;

	2024	2023
LB Finance PLC	30%	24% - 30%
Multi Finance PLC	30%	24% - 30%
LB Microfinance Myanmar Company Limited	22%	22%

### 2.10.4 Summary of the Taxes Paid During the Financial Year

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Direct Taxes</b>				
Income Tax	5,211,237	3,922,132	5,226,892	3,922,132
Social Security Contribution Levy on Financial Services	436,356	134,766	436,853	135,085
Surcharge Tax	-	2,320,210	-	2,320,210
Value Added Tax on Financial Services	3,196,193	2,415,644	3,198,966	2,418,224
Crop Insurance Levy	95,410	81,495	95,410	81,495
	8,939,196	8,874,247	8,958,121	8,877,146
<b>Indirect Taxes (Collected and Paid)</b>				
Value Added Tax	472,260	371,477	472,260	371,477
Stamp Duty	150,877	179,777	150,970	180,122
Social Security Contribution Levy on Others	78,650	29,638	78,650	29,689
Withholding Tax on Dividend and Interest	1,407,535	133,361	1,410,485	133,883
Advanced Personal Income Tax	362,966	126,772	363,266	127,028
	2,472,288	841,025	2,475,631	842,199
<b>Total Taxes Paid during the Financial Year</b>	11,411,484	9,715,272	11,433,752	9,719,345



## Notes to the Financial Statements

### 2.11 Earnings Per Ordinary Share

#### Accounting Policy

The Group presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. 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 the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares, which comprise share options granted to employees. The Group does not have any potentially dilutive shares.

#### 2.11.1 Income and Shares Details Used in the Basic Earning per Share Computation

	Company		Group	
	2024	2023	2024	2023
<b>Amounts Used as the Numerators:</b>				
Profit after Tax for the Year Attributable to Equity Holders (Rs. '000)	9,563,638	8,460,331	9,713,917	8,554,543
<b>Number of Ordinary Shares Used as Denominators for Basic Earnings per Share</b>				
Weighted Average Number of Ordinary Shares in Issue	554,057,136	554,057,136	554,057,136	554,057,136
<b>Basic/Diluted Earnings per Ordinary Share (Rs.)</b>	<b>17.26</b>	15.27	<b>17.53</b>	15.44

2.11.2 The Diluted earnings per ordinary share is equal to the basic earnings per ordinary share since the Company and the Group does not have any convertible securities as at the reporting date.

### 2.12 Dividend Paid and Proposed

#### Accounting Policy

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 07 of 2007.

Year ended 31 March	2024		2023	
	Dividend Per Share Rs.	Rs. '000	Dividend Per Share Rs.	Rs. '000
<b>Dividends on Ordinary Shares:</b>				
Interim Dividend Declared for 2023 (Paid After the Reporting Date)	-	-	2.00	1,108,114
Final Dividend Declared for 2023 (Paid After the Reporting Date)	-	-	3.00	1,662,171
Interim Dividend Declared for 2024 (Paid in 2024 and Paid After the Reporting Date)	2.25	1,246,629	-	-
Final Dividend Proposed for 2024 (to be Approved at the Annual General Meeting)	3.50	1,939,200	-	-
	<b>5.75</b>	<b>3,185,829</b>	5.00	2,770,285
<b>Dividend Per Share (Rs.)</b>				
Dividend per Share : Gross (Rs.)	5.75		5.00	
Dividend per Share : Net (Rs.)	4.89		4.25	

Dividend per share is calculated based on the interim dividend paid/payable and the proposed final dividend for the Financial year ended 31 March 2024 which is to be approved at the Annual General Meeting.

## 2.13 Financial Instruments

### Accounting Policy

#### Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to depositors, are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised on the date on which it originated. The Group recognises balances due to depositors when funds are transferred to the Group.

#### Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities at fair value through profit or loss as per Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments). Trade receivables of subsidiaries are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 01 profit or loss.

#### Day 01 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and the fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

#### Classification and Subsequent Measurement of Financial Assets

As per SLFRS 09, the Group classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- ◆ Amortised Cost
- ◆ Fair Value Through Other Comprehensive Income (FVOCI)
- ◆ Fair Value Through Profit or Loss (FVPL)

The subsequent measurement of financial assets depends on their classification.

#### Business Model Assessment

Group determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. 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;

- ◆ How the performance of the business model and the financial asset 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
- ◆ 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 flow collected)
- ◆ The expected frequency, value and timing of sales

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectation, the Group 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.

### **Contractual Cash Flow Characteristic Test (The SPPI Test)**

As the second test of the classification process, the Group assesses the contractual terms of the financial asset to identify whether those meet 'Solely the Payment of Principal and Interest' (SPPI) criteria.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition which 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 SPPI assessment, the Group applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

### **Classification and Subsequent Measurement of Financial Liabilities**

As per SLFRS 09, 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.

### **Reclassification of Financial Assets and Financial Liabilities**

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

### **Derecognition of Financial Assets and Financial Liabilities**

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 financial asset have expired.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

### **Modification of Financial Assets and Financial Liabilities**

If the terms of a financial asset are modified, an assessment needs to be performed to determine whether the modified terms are substantially different from the existing terms. This assessment considers whether the cash flows of the modified asset are substantially different. Where terms are substantially different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value. Where terms are not substantially different, then the modification does not result in derecognition of the financial asset.

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.

### 2.13.1 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and 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.

During the year Group has not offset any financial assets and financial liabilities in the Statement of Financial Position.

Offsetting of financial instruments based on the rights of set off relating to the financial instruments and cash collateral is as follows;

#### Company

As at 31 March 2024	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
<b>Financial Assets</b>						
Loans and Receivables	161,291,486	-	161,291,486	-	42,172,635	119,118,851
<b>Financial Liabilities</b>						
Due to Depositors	122,808,124	-	122,808,124	-	2,858,224	119,949,900
<b>As at 31 March 2023</b>						
	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
<b>Financial Assets</b>						
Loans and Receivables	145,189,174	-	145,189,174	-	37,150,380	108,038,794
<b>Financial Liabilities</b>						
Due to Depositors	114,011,699	-	114,011,699	-	3,211,680	110,800,019

\*The financial instruments and cash collateral amounts have been recorded at amortised cost. The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty.

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## Notes to the Financial Statements

### Group

As at 31 March 2024	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
<b>Financial Assets</b>						
Loans and Receivables	162,521,733	-	162,521,733	-	42,172,635	120,349,098
<b>Financial Liabilities</b>						
Due to Depositors	123,034,547	-	123,034,547	-	2,858,362	120,176,185
<b>As at 31 March 2023</b>						
	Gross Amounts Rs. '000	Gross Amounts Set off on the Statement of Financial Position Rs. '000	Net Amounts Presented on the Statement of Financial Position Rs. '000	Cash Collateral* Rs. '000	Financial Instrument Collateral* Rs. '000	Net Amount Rs. '000
<b>Financial Assets</b>						
Loans and Receivables	146,371,597	-	146,371,597	-	37,150,380	109,221,217
<b>Financial Liabilities</b>						
Due to Depositors	114,248,253	-	114,248,253	-	3,212,163	111,036,090

\*The financial instruments and cash collateral amounts have been recorded at amortised cost. The rights of set off relating to the financial instruments and cash collateral are conditional upon the default of the counterparty.

## 2.14 Fair Value Measurement

### Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ◆ In the principal market for the asset or liability; or
- ◆ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments.

Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3 : Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

### Valuation Framework

The Company has an established control framework for the measurement of fair values. Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the Finance Department.

We review the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.



## 2.14.1 Fair Value Measurement Hierarchy - Financial and Non Financial Assets Measured at Fair Value

## 2.14.1 (a) Financial and Non Financial Assets Measured at Fair Value - Company

As at 31 March	Note	2024				2023			
		Fair Value Measurement Using			Total Fair Value	Fair Value Measurement Using			Total Fair Value
Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets		Significant Observable Inputs	Significant Unobservable Inputs		
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial Assets Recognised Through Profit or Loss - Measured at Fair Value</b>	2.16								
Quoted Equities		14,674	-	-	14,674	10,653	-	-	10,653
<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	2.19								
Quoted Equities		118,282	-	-	118,282	117,083	-	-	117,083
Unquoted Equities		-	-	305	305	-	-	305	305
		118,282	-	305	118,587	117,083	-	305	117,388

There were no transfers into and transfers out of the hierarchy levels during 2024 and 2023.

Details of valuation methodologies and assumptions are disclosed in Note 2.16 and Note 2.19 to these Financial Statements.

## 2.14.1 (b) Financial and Non Financial Assets Measured at Fair Value - Group

As at 31 March	Note	2024				2023			
		Fair Value Measurement Using			Total Fair Value	Fair Value Measurement Using			Total Fair Value
Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets		Significant Observable Inputs	Significant Unobservable Inputs		
Level 1	Level 2	Level 3		Level 1	Level 2	Level 3			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Financial Assets Recognised Through Profit or Loss - Measured at Fair Value</b>	2.16								
Quoted Equities		14,674	-	-	14,674	10,653	-	-	10,653
<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	2.19								
Quoted Equities		118,282	-	-	118,282	117,083	-	-	117,083
Unquoted Equities		-	-	307	307	-	-	307	307
		118,282	-	307	118,589	117,083	-	307	117,390
<b>Investment Properties</b>	2.24	-	-	5,050	5,050	-	-	4,550	4,550

There were no transfers into and transfers out of the hierarchy levels during 2024 and 2023.

Details of valuation methodologies and assumptions are disclosed in Note 2.16, 2.19 and Note 2.24 to these Financial Statements.

2.14.2 Fair Value Measurement Hierarchy - Financial Assets and Liabilities Measured at Amortised Cost

2.14.2 (a) Financial Assets Measured at Amortised Cost - Company

	Note	As at 31 March												
		2024					2023							
		Fair Value Measurement Using					Fair Value Measurement Using							
		Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total Fair Value	Carrying Value at Amortised Cost	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs	Total Fair Value	Carrying Value at Amortised Cost			
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000				
<b>Cash and Cash Equivalents</b>	2.15													
Notes and Coins Held		1,965,160	-	-	1,965,160	1,965,160	-	-	1,810,836	-	-	1,810,836	1,810,836	
Balances with Banks		1,934,329	-	-	1,934,329	1,934,329	-	-	1,338,660	-	-	1,338,660	1,338,660	
Securities under Reverse Repurchase Agreements		-	3,506,594	-	3,506,594	3,506,594	830,880	-	-	830,880	-	830,880	830,880	
Investment in Unit Trust		-	1,908,342	-	1,908,342	1,908,342	543,656	-	-	543,656	-	543,656	543,656	
		3,899,489	5,414,936	-	9,314,425	9,314,425	1,374,536	-	3,149,496	1,374,536	-	4,524,032	4,524,032	
<b>Financial Assets at Amortised Cost</b>														
<b>- Loans and Receivables</b>	2.17													
Gold Loans		-	-	73,110,399	73,110,399	73,110,399	-	-	-	-	66,546,483	66,546,483	66,546,483	
Lease Receivables		-	-	30,568,203	30,568,203	29,874,912	-	-	-	-	29,977,126	29,977,126	34,095,554	
Vehicle Loans		-	-	39,690,999	39,690,999	38,564,689	-	-	-	-	21,771,227	21,771,227	24,983,481	
Term Loans		-	-	7,315,187	7,315,187	7,454,999	-	-	-	-	6,042,414	6,042,414	7,278,701	
Mortgage Loans		-	-	2,223,101	2,223,101	2,138,253	-	-	-	-	1,929,928	1,929,928	2,462,189	
Power Drafts		-	-	10,391,185	10,391,185	10,148,234	-	-	-	-	9,830,484	9,830,484	9,822,766	
		-	-	163,299,074	163,299,074	161,291,486	-	-	-	-	136,097,662	136,097,662	145,189,174	
<b>Other Financial Assets</b>	2.20													
Securities under Reverse Repurchase Agreements		-	4,568,918	-	4,568,918	4,568,918	4,651,908	-	-	4,651,908	-	4,651,908	4,651,908	
Investment in Fixed Deposits		-	4,202,401	-	4,202,401	4,202,401	8,880,297	-	-	8,880,297	-	8,880,297	8,880,297	
Investment in Treasury Bills		11,052,693	-	-	11,052,693	10,994,294	7,578,396	-	-	7,578,396	-	7,578,396	7,538,577	
Insurance Premium Receivables		-	433,725	-	433,725	433,725	501,221	-	-	501,221	-	501,221	501,221	
Due from Subsidiaries		-	1,150	-	1,150	1,150	25,839	-	-	25,839	-	25,839	25,839	
Sundry Debtors		-	174,282	-	174,282	174,282	87,992	-	-	87,992	-	87,992	87,992	
		11,052,693	9,380,476	-	20,433,169	20,374,770	14,147,257	-	7,578,396	14,147,257	-	21,725,653	21,685,834	



## Notes to the Financial Statements

### Sensitivity Analysis of Financial Assets Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Increase/(Decrease) in Interest Rate</b>				
1bp Up	(12,905)	(7,012)	(12,905)	(7,012)
1bp Down	12,911	7,013	12,911	7,013

### Unobservable Inputs Used in Measuring Fair Value under Level 3 Category

The following table sets out information about significant unobservable inputs used as at 31 March 2024 and 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company	Group	Valuation Technique	Significant Unobservable Input	Range of Estimates for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
	Fair Values as at 31 March 2024 Rs. '000	Fair Values as at 31 March 2024 Rs. '000				
Financial Assets at Amortised Cost - Loans and Receivables	163,299,074  136,097,662 (2023)	164,529,320  137,280,086 (2023)	Discounted cash flow	Spread	4.1-12.1% (2023 : 3.1-13.6%)	A significant increase in the spread would result in a lower fair values.
				Probability of default	12.4-26.9% (2023 : 13.9-30.8%)	Significant increases in probability of default would result in lower fair values.
				Loss severity	5-100% (2023 : 5-100%)	A significant reduction would result in higher fair values.
				Expected prepayment rate	0.03-15.8% (2023 : 0.03-15.8%)	Correlates with the current interest rates.

There were no transfers into and transfers out of the hierarchy levels during 2024 and 2023.

### Valuation Methodologies and Assumptions

#### Cash and Cash Equivalents

Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits and money market accounts that meet the above criteria are reported at par value on our Statement of Financial Position.

#### Loans and Receivables

We measure performing loans and receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, prepayment speed, and applicable spreads to approximate current rates. Our assumptions regarding prepayment speed and credit losses are based on historical performance. We use the fair value of collateral to determine the fair value of non-performing loans and receivables. The collateral for loans and receivables is the vehicle financed, real estate, gold or other property. The fair value of loans and receivables is categorised within Level 3 of the fair value measurement hierarchy. Loans and advances granted to customers with a variable rate are considered to be carried at fair value in the books net of credit losses.

#### Other Financial Assets

Since all the balances which are under other financial assets have short-term maturities, it is assumed that the carrying amounts of those balances approximate their fair values except for Investment in Treasury Bills.

## 2.14.2 (c) Financial Liabilities Measured at Amortised Cost - Company

As at 31 March	Note	2024										2023									
		Fair Value Measurement Using					Total Fair Value	Carrying Value at Amortised Cost	Fair Value Measurement Using					Total Fair Value	Carrying Value at Amortised Cost						
		Quoted Prices in Active Markets	Significant Observable Inputs	Level 2	Level 3	Rs. '000			Quoted Prices in Active Markets	Significant Observable Inputs	Level 2	Level 3	Rs. '000								
							Rs. '000	Rs. '000						Rs. '000	Rs. '000	Rs. '000	Rs. '000				
<b>Due to Banks</b>	2.27	-	1,035,550	-	-	1,035,550	1,035,550	-	-	-	490,862	-	-	-	490,862	490,862					
Bank Overdrafts		-	1,035,550	-	-	1,035,550	1,035,550	-	-	-	490,862	-	-	-	490,862	490,862					
Debt Funding from Banks		-	21,802,232	-	-	21,802,232	20,666,462	-	-	-	16,997,230	-	-	-	16,997,230	18,878,922					
		-	22,837,782	-	-	22,837,782	21,702,012	-	-	-	17,488,092	-	-	-	17,488,092	19,369,784					
<b>Financial Liabilities at Amortised Cost</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
- Due to Depositors	2.28	-	-	122,210,628	-	122,210,628	119,056,412	-	-	-	-	-	-	-	109,303,845	111,466,149					
Fixed Deposits		-	-	122,210,628	-	122,210,628	119,056,412	-	-	-	-	-	-	-	109,303,845	111,466,149					
Savings Deposits		-	-	3,751,712	-	3,751,712	3,751,712	-	-	-	-	-	-	-	2,545,550	2,545,550					
		-	-	125,962,340	-	125,962,340	122,808,124	-	-	-	-	-	-	-	111,849,395	114,011,699					
<b>Debt Instruments Issued and Other Borrowed Funds</b>	2.29	-	1,580,403	-	-	1,580,403	1,539,282	-	-	-	3,775,257	-	-	-	3,775,257	3,882,024					
Borrowings from International Financial Institutions		-	1,580,403	-	-	1,580,403	1,539,282	-	-	-	3,775,257	-	-	-	3,775,257	3,882,024					
Securitized Borrowings		-	4,122,786	-	-	4,122,786	3,952,119	-	-	-	-	-	-	-	-	-					
		-	5,703,189	-	-	5,703,189	5,491,401	-	-	-	3,775,257	-	-	-	3,775,257	3,882,024					
<b>Other Financial Liabilities</b>	2.30	-	595,307	-	-	595,307	595,307	-	-	-	153,069	-	-	-	153,069	153,069					
Trade Payables		-	595,307	-	-	595,307	595,307	-	-	-	153,069	-	-	-	153,069	153,069					
Insurance Premium Payables		-	288,890	-	-	288,890	288,890	-	-	-	550,235	-	-	-	550,235	550,235					
Unclaimed Balances		-	862,401	-	-	862,401	862,401	-	-	-	879,899	-	-	-	879,899	879,899					
Lease Liability		-	1,674,659	-	-	1,674,659	1,674,659	-	-	-	1,525,253	-	-	-	1,525,253	1,525,253					
Other Payables		-	336,519	-	-	336,519	336,519	-	-	-	147,406	-	-	-	147,406	147,406					
		-	3,757,776	-	-	3,757,776	3,757,776	-	-	-	3,255,862	-	-	-	3,255,862	3,255,862					





### Sensitivity Analysis of Financial Liabilities Measured at Amortised Cost under Level 3 Category

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Increase/(Decrease) in Interest Rate</b>				
1bp Up	(6,495)	(5,310)	(6,495)	(5,310)
1bp Down	6,496	5,311	6,496	5,311

### Unobservable Inputs Used in Measuring Fair Value under Level 3 Category

The following table sets out information about significant unobservable inputs used as at 31 March 2024 and 2023 in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Company	Group	Valuation Technique	Significant Unobservable Input	Range of Estimates for Unobservable Input	Fair Value Measurement Sensitivity to Unobservable Inputs
	Fair Values as at 31 March 2024 Rs. '000	Fair Values as at 31 March 2024 Rs. '000				
Financial Liabilities at Amortised Cost - Due to Depositors	125,962,340	126,339,593	Discounted cash flow	Spread	0-3.75% (2023 : 0-3.5%)	A significant increase in the spread would result in a lower fair value.
	111,849,395 (2023)	112,236,779 (2023)		Expected premature rate	0.1-4.1% (2023 : 0.1-4.1%)	Correlates with the current interest rates.

There were no financial liabilities recorded at fair value as at 31 March 2024 and 2023.

There were no transfers into and transfers out of the hierarchy levels during 2024 and 2023.

### Valuation Methodologies and Assumptions

#### Due to Depositors

We measure the fair value using internal valuation models. These models project future cash flows of fixed deposits based on scheduled maturities (including principal and interest) and pre-maturities of deposits. The projected cash flows are discounted to present value based on applicable spreads to approximate current deposit rates for each tenor. Our assumptions regarding pre-maturity speed and spreads are based on historical performance. Savings deposits without a specific maturity are assumed that the carrying amounts approximate their fair values. The fair value of Due to Depositors is categorised within Level 3 of the hierarchy.

#### Debentures, Bank Borrowings and Debt Instruments

We measure fair value for listed debentures using quoted prices for our own debentures with approximately the same remaining maturities, where possible. If the particular debenture is off the run, we estimate the fair value using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of the debenture. Comparable on the run debenture Yield to Maturity (YTM) assumed to be a good approximation for the fair value estimation of off the run debentures. We estimate the fair value of bank borrowings and debt instruments using discounted cash flows and use the most recent transacted rate and/or unexpired offered rate of a similar instrument or borrowing. Debt instrument and bank borrowing do not carry prepayment or embedded options. The fair value of debt is categorised within Level 2 of the hierarchy.

#### Other Financial Liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amounts of those liabilities approximate their fair values.

## Notes to the Financial Statements

### 2.15 Cash and Cash Equivalents

#### Accounting Policy

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Notes and Coins Held	1,965,160	1,810,836	1,996,871	1,830,304
Balances with Banks	1,934,329	1,338,660	2,006,666	1,357,186
Securities under Reverse Repurchase Agreements (Less than 03 Months)	3,506,594	830,880	3,647,723	949,809
Investment in Unit Trusts	1,908,342	543,656	1,908,342	543,656
	9,314,425	4,524,032	9,559,602	4,680,955
Fair Value	9,314,425	4,524,032	9,559,602	4,680,955

2.15.1 The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2024 for the Company was Rs. 3,875,698,078/- (2023 - Rs. 1,282,400,000/-) and for the Group was Rs. 4,066,468,750/- (2023 - Rs. 1,446,871,393/-).

### 2.15.2 Cash and Cash Equivalents Allocated for the Liquidity Requirement

#### Accounting Policy

Our cash and cash equivalents allocated for the liquidity requirement primarily include cash held to meet certain local governmental and regulatory reserve requirement and cash held under the terms of certain contractual agreements. This does not include required minimum balances or cash securing debt issued through securitisation transactions. Cash and cash equivalents allocated for the liquidity requirement were as follows;

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash and Cash Equivalents Allocated for the Liquidity Requirement	-	-	-	-

### 2.15.3 Net Cash and Cash Equivalents for the Purpose of the Cash Flow Statement

#### Accounting Policy

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

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Cash and Cash Equivalents	9,314,425	4,524,032	9,559,602	4,680,955
Bank Overdrafts (Note 2.27)	(1,035,550)	(490,862)	(1,038,445)	(492,019)
Net Cash and Cash Equivalents	8,278,875	4,033,170	8,521,157	4,188,936

## 2.16 Financial Assets Recognised Through Profit or Loss - Measured at Fair Value

### Accounting Policy

The Group classifies financial assets as financial assets recognised through profit or loss when they have been purchased primarily for short-term profit making through trading activities. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in net trading income.

Financial assets recognised through profit or loss include quoted equity securities that have been acquired principally for the purpose of selling in the near term, and are recorded at fair values. The quoted equity securities are valued using the market prices published by the Colombo Stock Exchange.

SLFRS 09 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. For financial assets that are debt instruments, held for trading is a business model objective that results in measurement at fair value through profit or loss.

	Company & Group	
	2024 Rs. '000	2023 Rs. '000
As at 31 March		
Equity Securities - Quoted (Note 2.16.1)	14,674	10,653

### 2.16.1 Equity Securities - Quoted

	Company & Group			Company & Group		
	2024			2023		
As at 31 March	Number of Shares	Cost Rs. '000	Market Value Rs. '000	Number of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Banks</b>						
Seylan Bank PLC (Non-Voting)	129,830	1,662	4,934	109,949	1,662	2,474
		1,662	4,934		1,662	2,474
<b>Food, Beverage and Tobacco</b>						
Bairaha Farms PLC	19,360	425	3,348	17,600	425	2,552
		425	3,348		425	2,552
<b>Capital Goods</b>						
Lanka Walltiles PLC*	98,700	790	5,024	98,700	790	4,747
Hayleys PLC*	16,660	207	1,368	12,220	207	880
		997	6,392		997	5,627
<b>Total</b>		3,084	14,674		3,084	10,653

Global Industry Classification Standard (GICS)

\*Investments made in related parties

### 2.16.2 Disposal of Equity Securities - Quoted

There were no any share disposals recorded in 2024 and 2023.

2.17 Financial Assets at Amortised Cost - Loans and Receivables

Accounting Policy

Loans and receivables include financial assets measured at amortised cost if both of the following conditions are met;

- ◆ Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- ◆ Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the Income Statement. The losses arising from impairment are recognised in 'impairment charges' in the Income Statement.

Lease Receivables

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Group is the lessor under finance leases the amounts due under the leases, after deduction of unearned income, are recognised on the Statement of Financial Position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, the Group includes the assets subject to operating leases in 'property, plant and equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Gold Loans	74,602,448	67,559,881	74,662,865	67,765,757
Lease Receivables (Note 2.17.1 (a))	31,847,815	36,995,231	31,907,593	37,077,883
Vehicle Loans	39,735,969	25,947,463	39,753,374	25,968,543
Term Loans	7,855,518	7,939,229	9,199,280	8,992,242
Mortgage Loans	3,894,578	4,352,304	3,987,233	4,488,982
Power Drafts	10,667,223	10,254,251	10,667,223	10,274,135
<b>Gross Loans and Receivables</b>	<b>168,603,551</b>	153,048,359	<b>170,177,568</b>	154,567,542
Rentals Received in Advance	(2,813)	(465)	(2,813)	(543)
Allowance for Impairment Losses (Note 2.18)	(7,309,252)	(7,858,720)	(7,653,022)	(8,195,402)
<b>Net Loans and Receivables Subject to Fair Value (Note 2.17.3)</b>	<b>161,291,486</b>	145,189,174	<b>162,521,733</b>	146,371,597
Fair Value	163,299,074	136,097,662	164,529,320	137,280,086



## 2.17.1 Lease Receivables

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
<b>Gross Rentals Receivable</b>				
- Within One Year	20,517,668	23,252,988	20,562,918	23,316,243
- One to Five Years	21,462,735	25,135,390	21,484,794	25,171,071
- Over Five Years	720	2,317	720	2,317
	41,981,123	48,390,695	42,048,432	48,489,631
<b>Unearned Income</b>				
- Within One Year	(5,608,484)	(6,059,162)	(5,608,730)	(6,067,524)
- One to Five Years	(4,524,780)	(5,336,166)	(4,532,065)	(5,344,088)
- Over Five Years	(44)	(136)	(44)	(136)
	(10,133,308)	(11,395,464)	(10,140,839)	(11,411,748)
<b>2.17.1 (a) Lease Receivables</b>	31,847,815	36,995,231	31,907,593	37,077,883
Rentals Received in Advance	(2,813)	(465)	(2,813)	(543)
Allowance for Impairment Losses	(1,970,090)	(2,899,212)	(2,010,824)	(2,937,532)
<b>2.17.1 (b) Net Lease Receivable</b>	29,874,912	34,095,554	29,893,956	34,139,808

## 2.17.2 Loans and Receivables Include Loans Granted to Employees, the Movement of which is as Follows;

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at the Beginning of the Year	402,425	356,120	403,485	358,159
Loans Granted During the Year	519,931	455,149	519,931	455,149
Repayments During the Year	(497,946)	(408,844)	(411,175)	(409,823)
As at the End of the Year	424,410	402,425	512,241	403,485

## 2.17.3 Contractual Maturity Analysis of Loans and Receivables

## 2.17.3 (a) Company

As at 31 March 2024	Within One Year	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	74,602,448	-	-	74,602,448
Lease Receivables	14,909,184	16,937,954	677	31,847,815
Vehicle Loans	13,793,666	25,893,549	48,754	39,735,969
Term Loans	3,232,033	1,878,814	2,744,671	7,855,518
Mortgage Loans	2,115,894	1,631,227	147,457	3,894,578
Power Drafts	2,763,870	7,903,353	-	10,667,223
<b>Gross Loans and Receivables</b>	111,417,095	54,244,897	2,941,559	168,603,551
Rentals Received in Advance				(2,813)
Allowance for Impairment Losses (Note 2.18)				(7,309,252)
<b>Net Loans and Receivables</b>				161,291,486

## Notes to the Financial Statements

As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	67,559,881	-	-	67,559,881
Lease Receivables	17,193,826	19,799,224	2,181	36,995,231
Vehicle Loans	9,826,952	16,080,622	39,889	25,947,463
Term Loans	2,229,364	3,277,859	2,432,006	7,939,229
Mortgage Loans	2,186,643	1,902,278	263,383	4,352,304
Power Drafts	6,233,159	4,021,092	-	10,254,251
<b>Gross Loans and Receivables</b>	<b>105,229,825</b>	<b>45,081,075</b>	<b>2,737,459</b>	<b>153,048,359</b>
Rentals Received in Advance				(465)
Allowance for Impairment Losses (Note 2.18)				(7,858,720)
<b>Net Loans and Receivables</b>				<b>145,189,174</b>

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

### 2.17.3 (b) Group

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	74,662,865	-	-	74,662,865
Lease Receivables	14,954,188	16,952,728	677	31,907,593
Vehicle Loans	13,801,605	25,903,015	48,754	39,753,374
Term Loans	4,515,292	1,939,317	2,744,671	9,199,280
Mortgage Loans	2,206,262	1,633,514	147,457	3,987,233
Power Drafts	2,763,870	7,903,353	-	10,667,223
<b>Gross Loans and Receivables</b>	<b>112,904,082</b>	<b>54,331,927</b>	<b>2,941,559</b>	<b>170,177,568</b>
Rentals Received in Advance				(2,813)
Allowance for Impairment Losses (Note 2.18)				(7,653,022)
<b>Net Loans and Receivables</b>				<b>162,521,733</b>

As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Gold Loans	67,765,757	-	-	67,765,757
Lease Receivables	17,248,719	19,826,983	2,181	37,077,883
Vehicle Loans	9,826,952	16,101,702	39,889	25,968,543
Term Loans	3,242,513	3,317,723	2,432,006	8,992,242
Mortgage Loans	2,323,321	1,902,278	263,383	4,488,982
Power Drafts	6,253,043	4,021,092	-	10,274,135
<b>Gross Loans and Receivables</b>	<b>106,660,305</b>	<b>45,169,778</b>	<b>2,737,459</b>	<b>154,567,542</b>
Rentals Received in Advance				(543)
Allowance for Impairment Losses (Note 2.18)				(8,195,402)
<b>Net Loans and Receivables</b>				<b>146,371,597</b>

Our loans and receivables are prepayable, so prepayments may cause actual maturities to differ from contractual maturities.

## 2.17.4 Credit Exposure Movement - ECL Stage-wise

## 2.17.4 (a) Company

Loans and Receivables	2024			
	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2023	117,353,429	22,970,641	12,723,824	153,047,894
Transfer to Stage 01	4,062,847	(3,403,940)	(658,907)	-
Transfer to Stage 02	(6,398,869)	7,462,463	(1,063,594)	-
Transfer to Stage 03	(688,570)	(1,398,034)	2,086,604	-
New Assets Originated or Purchased	124,139,360	16,502,164	1,989,927	142,631,451
Financial Assets Derecognised or Repaid	(97,037,442)	(21,427,167)	(7,677,604)	(126,142,213)
Write-offs	-	-	(936,394)	(936,394)
<b>As at 31 March 2024</b>	<b>141,430,755</b>	<b>20,706,127</b>	<b>6,463,856</b>	<b>168,600,738</b>

Loans and Receivables	2023			
	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2022	112,035,393	18,035,572	11,804,722	141,875,687
Transfer to Stage 01	10,968,921	(7,661,150)	(3,307,771)	-
Transfer to Stage 02	(9,899,202)	17,557,991	(7,658,789)	-
Transfer to Stage 03	(2,640,322)	(2,803,828)	5,444,150	-
New Assets Originated or Purchased	89,857,187	19,014,552	12,594,941	121,466,680
Financial Assets Derecognised or Repaid	(82,968,548)	(21,172,496)	(5,883,193)	(110,024,237)
Write-offs	-	-	(270,236)	(270,236)
<b>As at 31 March 2023</b>	<b>117,353,429</b>	<b>22,970,641</b>	<b>12,723,824</b>	<b>153,047,894</b>

## 2.17.4 (b) Group

Loans and Receivables	2024			
	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2023	118,243,460	22,973,387	13,350,152	154,566,999
Transfer to Stage 01	4,173,856	(3,512,039)	(661,817)	-
Transfer to Stage 02	(6,403,582)	7,467,578	(1,063,996)	-
Transfer to Stage 03	(693,879)	(1,407,274)	2,101,153	-
New Assets Originated or Purchased	125,090,412	16,648,264	2,020,723	143,759,399
Financial Assets Derecognised or Repaid	(97,908,364)	(21,458,331)	(7,772,586)	(127,139,281)
Write-offs	-	-	(936,394)	(936,394)
Exchange Rate Variance on Foreign Currency Provisions	(61,455)	(371)	(14,142)	(75,968)
<b>As at 31 March 2024</b>	<b>142,440,448</b>	<b>20,711,214</b>	<b>7,023,093</b>	<b>170,174,755</b>

Loans and Receivables	2023			
	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Carrying Amount as at 1 April 2022	112,657,164	18,036,017	12,694,216	143,387,397
Transfer to Stage 01	11,204,528	(7,675,176)	(3,529,352)	-
Transfer to Stage 02	(9,906,099)	17,564,889	(7,658,790)	-
Transfer to Stage 03	(2,643,035)	(2,816,896)	5,459,931	-
New Assets Originated or Purchased	90,699,541	19,160,111	12,863,617	122,723,269
Financial Assets Derecognised or Repaid	(83,734,002)	(21,294,827)	(6,179,282)	(111,208,111)
Write-offs	-	-	(270,236)	(270,236)
Exchange Rate Variance on Foreign Currency Provisions	(34,637)	(731)	(29,952)	(65,320)
<b>As at 31 March 2023</b>	<b>118,243,460</b>	<b>22,973,387</b>	<b>13,350,152</b>	<b>154,566,999</b>

### 2.18 Allowance for Impairment Losses

#### Accounting Policy

##### Overview of the Expected Credit Loss (ECL) Principles

The adoption of SLFRS 09 has fundamentally changed the Group's loan loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. From 1 April 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at Fair Value Through Profit or Loss (FVPL), together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 09.

The ECL allowance is based on the credit losses expected to arise over the life of the asset.

The 12 months ECL is the portion of Lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on such process Group allocates loans into Stage 01, Stage 02, Stage 03 as described below;

##### Stage 01

When loans are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

##### Stage 02

When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

##### Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Group records an allowance for the Lifetime ECLs.

##### Definition of Default and Credit Impaired Assets

The Group considers loans and advances to customers be defaulted when the borrower is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held) or the borrower becomes 90 days past due on its contractual payments.

##### Significant Increase in Credit Risk

The Group continuously monitors all assets subject to ECL, in order to determine whether there has been a significant increase in credit risk since initial recognition and whether the instrument or a portfolio of instruments is subject to 12 months ECL or Lifetime ECL. The Group considers an exposure to have a significant increase in credit risk at 30 days past due.

##### Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Group will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 03. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 01 or Stage 02, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Group will consider the following criteria;

- ◆ Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated.
- ◆ Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument.
- ◆ Other information related to the borrower, such as changes in the price of a borrower's debt/equity instrument.
- ◆ An actual/expected internal credit rating downgrade for the borrower or decrease in behavioural score used to assess credit risk internally.
- ◆ Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligation.
- ◆ An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems.
- ◆ Significant increase in credit risk on other financial instruments of the same borrower.
- ◆ An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation.

#### Grouping Financial Assets Measured on a Collective Basis

As explained above, Group calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to Stage 03. All assets which belong to Stage 01 and 02 will be assessed collectively for impairment.

The Group allocates smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, line of business, customer type, days past due etc.

#### Calculation of ECL

The expected cash shortfalls are calculated by multiplying respective loan level PDs, EADs and LGDs. The cash shortfall is discounted to the Effective Interest Rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

PDs and LGDs are adjusted to the forward looking information using statistically quantified variance.

The mechanics of the ECL calculation are outlined below and the key elements are as follows;

- ◆ Probability of Default (PD) : PD is an estimate of the likelihood of default over a given time horizon. Hence majority of our client base being retail; we use internal information to estimate the PDs. The client has two credit statuses which can be identified as default or not default. We used Cohort Method (CM) to compute the PDs.
- ◆ Exposure at Default (EAD) : EAD is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principal and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- ◆ Loss Given Default (LGD) : LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as percentage of the EAD.

For all products, Group considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

The published global financial sector credit rating migration matrix Probability of Default used for fixed income (bank deposits) securities expected loss calculation, Value at Risk Methodology (VAR) is used for gold based loan expected loss calculation. Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.



### Forward Looking Information

Company relies on broad range of qualitative/quantitative forward looking information as economic inputs in the multiple economic factor model developed to forecast the expected Non-Performing Loans (NPL).

The model predicts the forward industry NPL levels and which has been used to adjust the Company PD curve using statistically quantified variance. The economic factor model is developed by the University of Colombo, Science and Technology CELL and consent to use with an annual review. The economic factor model uses the machine learning technique to predict the NPL based on the use of some key economic factors as an input to the model. The key variables of the model is as follows;

- |                      |                  |   |                      |
|----------------------|------------------|---|----------------------|
| ◆ Industry NPL       | ◆ Per Capita GDP | ◆ Business Confidence Index             | ◆ Unemployment Rates |
| ◆ Balance of Payment | ◆ Exchange Rates | ◆ Budget Deficit as a Percentage of GDP | ◆ Fuel Prices        |
| ◆ GDP Growth Rate    | ◆ Interest Rates | ◆ Inflation Rates                       | ◆ Rainfall           |

### 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 financial asset impairment allowance account accordingly. The write-back is recognised in the Income Statement.

### Write-off of Loans and Receivables

Financial assets and the related impairment allowance accounts are generally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

### Collateral Valuation

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for the measurement of regulatory provisions for bad and doubtful debts as per Direction No. 01 of 2020 and subsequent amendments thereto issued by CBSL.

### Collateral Repossessed

Repossessed collateral will not be taken into books of accounts unless the Group has taken those collaterals into its business operations. However such additions from the repossessed collaterals to the business operations are not significant.

### Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than 90 days past due, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

## 2.18.1 Stage-wise Analysis of the Allowance for Impairment Losses - Company

	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2.18.1 (a) As at the Beginning of the Year	2,365,607	696,317	4,796,796	7,858,720	1,978,234	414,829	5,087,021	7,480,084
Charge/(Reversal) for the Year	617,905	(174,011)	(56,968)	386,926	387,373	281,488	(19,989)	648,872
Amounts Written-Off	-	-	(936,394)	(936,394)	-	-	(270,236)	(270,236)
<b>As at the End of the Year</b>	<b>2,983,512</b>	<b>522,306</b>	<b>3,803,434</b>	<b>7,309,252</b>	<b>2,365,607</b>	<b>696,317</b>	<b>4,796,796</b>	<b>7,858,720</b>
2.18.1 (b) Individual Impairment	-	-	3,803,434	3,803,434	-	-	4,796,796	4,796,796
Collective Impairment	2,983,512	522,306	-	3,505,818	2,365,607	696,317	-	3,061,924
<b>Total</b>	<b>2,983,512</b>	<b>522,306</b>	<b>3,803,434</b>	<b>7,309,252</b>	<b>2,365,607</b>	<b>696,317</b>	<b>4,796,796</b>	<b>7,858,720</b>
2.18.1 (c) Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	6,463,856	6,463,856	-	-	12,723,824	12,723,824
Gross Amount of Loans Collectively Assessed for the Impairment	141,430,755	20,706,127	-	162,136,882	117,353,429	22,970,641	-	140,324,070
<b>Gross Receivables</b>	<b>141,430,755</b>	<b>20,706,127</b>	<b>6,463,856</b>	<b>168,600,738</b>	<b>117,353,429</b>	<b>22,970,641</b>	<b>12,723,824</b>	<b>153,047,894</b>
Gross Amount of Loans Individually Determined to be Impaired				3.83%				8.31%

## 2.18.2 Stage-wise Analysis of the Allowance for Impairment Losses - Group

	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2.18.2 (a) As at the Beginning of the Year	2,384,657	697,415	5,113,330	8,195,402	2,027,394	416,702	5,405,900	7,849,996
Charge/(Reversal) for the Year	630,418	(174,936)	(56,440)	399,042	357,047	280,752	(19,089)	618,710
Amounts Written-Off	-	-	(936,394)	(936,394)	-	-	(270,236)	(270,236)
Exchange Rate Variance on Foreign Currency Provisions	(1,806)	(54)	(3,168)	(5,028)	216	(39)	(3,245)	(3,068)
<b>As at the End of the Year</b>	<b>3,013,269</b>	<b>522,425</b>	<b>4,117,328</b>	<b>7,653,022</b>	<b>2,384,657</b>	<b>697,415</b>	<b>5,113,330</b>	<b>8,195,402</b>
2.18.2 (b) Individual Impairment	-	-	4,117,328	4,117,328	-	-	5,113,330	5,113,330
Collective Impairment	3,013,269	522,425	-	3,535,694	2,384,657	697,415	-	3,082,072
<b>Total</b>	<b>3,013,269</b>	<b>522,425</b>	<b>4,117,328</b>	<b>7,653,022</b>	<b>2,384,657</b>	<b>697,415</b>	<b>5,113,330</b>	<b>8,195,402</b>
2.18.2 (c) Gross Amount of Loans Individually Determined to be Impaired, before Deducting the Individually Assessed Impairment Allowance	-	-	7,023,093	7,023,093	-	-	13,350,152	13,350,152
Gross Amount of Loans Collectively Assessed for the Impairment	142,440,448	20,711,214	-	163,151,662	118,243,460	22,973,387	-	141,216,847
<b>Gross Receivables</b>	<b>142,440,448</b>	<b>20,711,214</b>	<b>7,023,093</b>	<b>170,174,755</b>	<b>118,243,460</b>	<b>22,973,387</b>	<b>13,350,152</b>	<b>154,566,999</b>
Gross Amount of Loans Individually Determined to be Impaired				4.13%				8.64%

## Notes to the Financial Statements

### 2.18.3 Product-wise Analysis of the Allowance for Impairment Losses - Company

As at 31 March	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	1,423,708	39,297	29,044	1,492,049	879,711	94,100	39,587	1,013,398
Lease Receivables	379,251	166,850	1,423,989	1,970,090	429,229	265,057	2,204,926	2,899,212
Vehicle Loans	571,482	164,023	435,775	1,171,280	343,502	148,100	472,380	963,982
Term Loans	312,278	14,462	73,779	400,519	407,250	17,630	235,647	660,527
Mortgage Loans	141,695	92,539	1,522,091	1,756,325	199,000	109,915	1,581,202	1,890,117
Power Drafts	155,098	45,135	318,756	518,989	106,915	61,515	263,054	431,484
<b>Total Allowance for Impairment Losses</b>	<b>2,983,512</b>	<b>522,306</b>	<b>3,803,434</b>	<b>7,309,252</b>	<b>2,365,607</b>	<b>696,317</b>	<b>4,796,796</b>	<b>7,858,720</b>

### 2.18.4 Product-wise Analysis of the Allowance for Impairment Losses - Group

As at 31 March	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gold Loans	1,424,251	39,337	29,050	1,492,638	881,504	94,251	39,684	1,015,439
Lease Receivables	379,301	166,906	1,464,617	2,010,824	429,307	265,158	2,243,067	2,937,532
Vehicle Loans	571,502	164,039	449,022	1,184,563	360,631	148,563	472,387	981,581
Term Loans	341,422	14,469	245,866	601,757	407,300	18,013	513,936	939,249
Mortgage Loans	141,695	92,539	1,609,992	1,844,226	199,000	109,915	1,581,202	1,890,117
Power Drafts	155,098	45,135	318,781	519,014	106,915	61,515	263,054	431,484
<b>Total Allowance for Impairment Losses</b>	<b>3,013,269</b>	<b>522,425</b>	<b>4,117,328</b>	<b>7,653,022</b>	<b>2,384,657</b>	<b>697,415</b>	<b>5,113,330</b>	<b>8,195,402</b>

### 2.18.5 Stage Movements in Allowance for Impairment Losses - Company

	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(ECL) as at the Beginning of the Year	2,365,607	696,317	4,796,796	7,858,720	1,978,234	414,829	5,087,021	7,480,084
Transfer to Stage 01	187,436	(115,154)	(72,282)	-	1,005,600	(183,891)	(821,709)	-
Transfer to Stage 02	(170,347)	260,593	(90,246)	-	(218,736)	4,132,798	(3,914,062)	-
Transfer to Stage 03	(23,599)	(57,883)	81,482	-	(66,842)	(77,191)	144,033	-
New Assets Originated or Purchased	2,477,852	419,063	1,257,980	4,154,895	1,637,732	596,724	5,846,018	8,080,474
Financial Assets Derecognised or Repaid	(1,853,437)	(680,630)	(1,233,902)	(3,767,969)	(1,970,381)	(4,186,952)	(1,274,269)	(7,431,602)
Write-offs	-	-	(936,394)	(936,394)	-	-	(270,236)	(270,236)
<b>As at the End of the Year</b>	<b>2,983,512</b>	<b>522,306</b>	<b>3,803,434</b>	<b>7,309,252</b>	<b>2,365,607</b>	<b>696,317</b>	<b>4,796,796</b>	<b>7,858,720</b>

### 2.18.6 Stage Movements in Allowance for Impairment Losses - Group

	2024				2023			
	Stage 01	Stage 02	Stage 03	Total	Stage 01	Stage 02	Stage 03	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(ECL) as at the Beginning of the Year	2,384,657	697,415	5,113,330	8,195,402	2,027,394	416,701	5,405,901	7,849,996
Transfer to Stage 01	187,681	(115,203)	(72,478)	-	1,027,999	(184,664)	(843,335)	-
Transfer to Stage 02	(170,444)	260,879	(90,435)	-	(219,087)	4,133,149	(3,914,062)	-
Transfer to Stage 03	(24,074)	(58,637)	82,711	-	(68,652)	(77,440)	146,092	-
New Assets Originated or Purchased	2,507,229	419,471	1,289,568	4,216,268	1,650,431	598,210	5,907,178	8,155,819
Financial Assets Derecognised or Repaid	(1,869,974)	(681,446)	(1,265,806)	(3,817,226)	(2,033,644)	(4,188,502)	(1,314,963)	(7,537,109)
Write-offs	-	-	(936,394)	(936,394)	-	-	(270,236)	(270,236)
Exchange Rate Variance on Foreign Currency Provisions	(1,806)	(54)	(3,168)	(5,028)	216	(39)	(3,245)	(3,068)
<b>As at the End of the Year</b>	<b>3,013,269</b>	<b>522,425</b>	<b>4,117,328</b>	<b>7,653,022</b>	<b>2,384,657</b>	<b>697,415</b>	<b>5,113,330</b>	<b>8,195,402</b>

### 2.18.7 Sensitivity Analysis of Allowance for Impairment Losses

The Company has estimated the impairment provision as at 31 March 2024 based on various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position. The sensitivity of the impairment provision of the Company as at 31 March 2024 to a reasonably possible change in Probability of Defaults (PDs) and Loss Given Defaults (LGDs) are demonstrated in the following table. The simulated Expected Credit Loss impacts of the multiple scenarios based on forward looking macroeconomic information are presented in the Note 2.18.8 to these Financial Statements.

Changed Criteria	Changed Factor	Sensitivity Effect on Impairment Allowance Increase		Sensitivity Effect on Income Statement	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loss Given Default (LGD)	Increase by 10%	192,194	210,237	192,194	210,237
Probability of Default (PD)	Increase by 1%	10,273	12,496	10,273	12,496

### 2.18.8 Measurement Uncertainty and Sensitivity Analysis of ECL Estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation including estimation of Probabilities of Default (PD), Loss Given Default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of Exposures at Default (EAD) and assessing significant increases in credit risk. This becomes more complex, particularly in times of economic volatility and uncertainty. The Group form multiple economic scenarios based on economic forecasts to estimate future credit losses and to determine an unbiased ECL estimate. Management judgements are used to address the data and model limitations and expert credit judgements.

#### Methodology

The Group have been used three scenarios at multiple confidence levels to capture the exceptional nature of the current economic environment and to simulate management's view of the range of potential outcomes. The range of forecasts are generated through the model due to the uncertainty caused by current adverse economic conditions. These three scenarios are drawn from the model developed by the Company with Colombo Science and Technology CELL of University of Colombo. The model uses multiple economic variables like GDP, unemployment, inflation, and trained to identify the historical correlations. The impact arising from the upside, downside and base scenarios have been simulated through a machine learning technique.

Economic forecasts are subject to a high degree of uncertainty in the current environment. Limitations of forecasts and economic models require a greater reliance on management judgement in addressing both the error inherent in economic forecasts and in assessing associated ECL outcomes.

#### ECL Scenarios and Sensitivity Analysis of Allowance for Impairment Losses

As expected, the scenarios create differing impacts on ECL and the impacts are deemed reasonable. In this simulation, it is assumed that existing modelled relationships between key economic variables and loss drivers hold, but in practice other factors would also have an impact, for example, potential customer behaviour changes and policy changes by lenders that might impact on the wider availability of credit.

## Notes to the Financial Statements

The simulated ECL impacts of the multiple scenarios are presented in the table below;

### Economic Factor Adjustment - Percentage Variance

	Upto 01 Year			Beyond 01 Year		
	Base	Upside	Downside	Base	Upside	Downside
Forecast	-31.29%			-35.15%		
At 99% Confidence		-58.27%	-4.73%		-72.75%	2.96%
At 95% Confidence		-51.67%	-10.98%		-64.23%	-6.22%
At 90% Confidence		-48.50%	-14.17%		-59.63%	-11.09%
At 80% Confidence		-44.80%	-17.95%		-54.11%	-16.32%

### Economic Factor Adjustment - Value Variance

	Upto 01 Year			Beyond 01 Year		
	Base	Upside	Downside	Base	Upside	Downside
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Forecast	(321,419)			(361,077)		
At 99% Confidence		(598,543)	(48,582)		(747,343)	30,400
At 95% Confidence		(530,830)	(112,748)		(659,781)	(63,904)
At 90% Confidence		(498,204)	(145,596)		(612,594)	(113,890)
At 80% Confidence		(460,216)	(184,395)		(555,867)	(167,685)

### Scenario Analysis

#### Base Scenario

Economic Factor Adjustment (EFA) model of the Company features a decrease in non-performing advances in 2025 and 2026 according to the Base Scenario in line with the improving macroeconomic conditions. This results in a positive impact of 31.29% and positive impact of 35.15% in the year 2025 and 2026, respectively.

Despite the sharp contraction in economic activities, the measures from Government and the Central Bank of Sri Lanka including tightening the policy interest rates, debt restructuring and measures for funding markets supported the economy and the financial system. Such support ensures economic activities will improve in long term. In addition, the proposed changes to fiscal policies and government finances mark a significant step forward in strengthening the economy and will ease the pressure on budget deficit, interest rates and exchange rates. We expect proposed changes and developments to contribute positively on recovery prospects.

#### Upside Scenario

Compared with the Base Scenario, the Upside Scenario features a faster recovery in economic activities during the first two years and beyond. These include the timely implementation of proposed changes which will strengthen the overall economy, speedy recovery of all the industries that were affected by the adverse macroeconomic conditions. The Upside Scenario expects a significant decrease in the EFA 58.27% and 72.75% respectively in the first two years at confidence level of 99% which declines when the confidence level move downwards.

#### Downside Scenario

In the Downside Scenario, economic recovery is considerably weaker compared with the Base Scenario. GDP growth remains weak, unemployment rates stay highly elevated and asset and commodity prices fall before gradually recovering towards their long-run trends. The Downside Scenario expects a marginal decrease in the EFA 4.73% in year 1 and slight increase in the EFA 2.96% in year 2 and above at 99% confidence level. The slow recovery expects the EFA to be improve gradually over the next two years.



### Management Judgemental Adjustments

Management judgemental adjustments are short-term increases or decreases to the ECL at either a customer or portfolio level to account for late-breaking events, model and data limitations and deficiencies, and expert credit judgement applied following management review and challenge.

Given the degree of uncertainty surrounding the adverse economic conditions and the lack of reliable data to model the impact on portfolio, as well as the operational and timing challenges in incorporating the latest available macroeconomic inputs into the ECL models, it was necessary to place greater emphasis on judgemental adjustments to modelled outcomes than past few years. We have developed a consistent methodologies for the application of management judgemental adjustments into the calculation of ECL. These management judgemental adjustments made are described below.

The Company decided to use the downside scenario at 95% confidence level when assessing the economic factor adjustments with the objective of capturing the impact of uncertainties in the future outlook on the ECL computation as at the reporting date. Further judgement was used to take an additional stress on the economic factor adjustment as a prudential measure due to the nature and the complexity of current economic conditions.

Business conditions were continued to deteriorate during the first half of the financial year and a gradual improvement was observed towards the latter part of the financial year. Industries that were severely affected by the economic downturn followed by the pandemic is still in the phase of recovery and those industries do not automatically trigger in additional consideration of ECL through the model. The Group judged that the portfolios concentrated in tourism, transport and construction sectors require further judgement in previous financial years and continued those sectors for further judgement due to the much slower pace of improvement in economic conditions during the current financial year. Thus, credit impaired PDs were applied for the facilities where the credit risk has not significantly increased or credit impaired under the tourism, transport and construction sectors.

## 2.19 Financial Assets Measured at Fair Value Through Other Comprehensive Income

### Accounting Policy

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under Sri Lanka Accounting Standard - LKAS 32 (Financial Instruments: Presentation) and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to Income Statement. Dividends are recognised in the Income Statement as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in Other Comprehensive Income. Equity instruments at FVOCI are not subject to an impairment assessment.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Equity Securities - Quoted (Note 2.19.1)	118,282	117,083	118,282	117,083
Equity Securities - Unquoted (Note 2.19.2)	305	305	307	307
	118,587	117,388	118,589	117,390

## Notes to the Financial Statements

### 2.19.1 Equity Securities - Quoted

As at 31 March	Company & Group					
	Number of Shares	2024		Number of Shares	2023	
		Cost Rs. '000	Market Value Rs. '000		Cost Rs. '000	Market Value Rs. '000
<b>Capital Goods</b>						
Central Industries PLC	10,016	150	1,112	9,020	150	760
Royal Ceramics Lanka PLC*	313,200	843	9,741	313,200	843	8,645
Samson International PLC	5,881	927	867	5,881	927	1,492
		1,920	11,720		1,920	10,897
<b>Consumer Services</b>						
The Fortress Resorts PLC*	4,051,100	82,014	93,180	4,051,100	82,014	89,124
		82,014	93,180		82,014	89,124
<b>Food, Beverage and Tobacco</b>						
Lanka Milk Foods PLC	54,010	245	1,469	5,401	245	760
		245	1,469		245	760
<b>Diversified Financials</b>						
Softlogic Finance PLC	2,090,000	79,656	11,913	2,090,000	79,656	16,302
		79,656	11,913		79,656	16,302
<b>Total</b>		163,835	118,282		163,835	117,083

Global Industry Classification Standard (GICS)

\*Investments made in related parties

### 2.19.1 (a) Disposal of Equity Securities - Quoted

There were no any share disposals recorded in 2024.

As at 31 March	Company & Group			
	Number of Shares	2023		
		Cost Rs. '000	Sales Proceeds Rs. '000	Profit/(Loss) on Disposal of Shares Rs. '000
<b>Banks</b>				
Seylan Bank PLC	1,577	86	51	(35)
		86	51	(35)
<b>Food, Beverage and Tobacco</b>				
Convenience Foods (Lanka) PLC	22	1	26	25
		1	26	25
<b>Total</b>		87	77	(10)

### 2.19.2 Equity Securities - Unquoted - Company

As at 31 March	2024			2023		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Credit Information Bureau of Sri Lanka	1,047	105	105	1,047	105	105
Finance House Association of Sri Lanka	20,000	200	200	20,000	200	200
National Credit Guarantee Institution Ltd	25	0	0	-	-	-
<b>Total</b>		<b>305</b>	<b>305</b>		<b>305</b>	<b>305</b>

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

### Equity Securities - Unquoted - Group

As at 31 March	2024			2023		
	Number of Shares	Cost	Market Value	Number of Shares	Cost	Market Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Credit Information Bureau of Sri Lanka	1,072	107	107	1,072	107	107
Finance House Association of Sri Lanka	20,000	200	200	20,000	200	200
National Credit Guarantee Institution Ltd	25	0	0	-	-	-
<b>Total</b>		<b>307</b>	<b>307</b>		<b>307</b>	<b>307</b>

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

### 2.19.2 (a) Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at the Beginning of the Year	305	305	307	307
Remeasurement Recognised in Other Comprehensive Income	-	-	-	-
As at the End of the Year	<b>305</b>	<b>305</b>	<b>307</b>	<b>307</b>

### 2.20 Other Financial Assets

#### Accounting Policy

These include Securities under Reverse Repurchase Agreements, where we are the transferee, investment in government securities and investments in fixed deposits with banks and other financial institutions. Securities under Reverse Repurchase Agreements allow us to offset our entire gross exposure in the event of default or breach of contract. Other financial assets are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the receivable amount (including interest income) is recognised in the Income Statement over the period of the assets using effective interest method.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Securities under Reverse Repurchase Agreements (Note 2.20.1)	4,568,918	4,651,908	4,568,918	4,651,908
Investment in Fixed Deposits (Note 2.20.2 and 2.20.3)	4,202,401	8,880,297	4,222,541	8,922,882
Investment in Treasury Bills	10,994,294	7,538,577	11,042,675	7,546,614
Insurance Premium Receivables	433,725	501,221	433,725	501,221
Due from Subsidiaries	1,150	25,839	-	-
Sundry Debtors	174,282	87,992	175,545	88,185
	<b>20,374,770</b>	<b>21,685,834</b>	<b>20,443,404</b>	<b>21,710,810</b>
Fair Value	<b>20,433,169</b>	<b>21,725,653</b>	<b>20,501,803</b>	<b>21,750,629</b>

## Notes to the Financial Statements

**2.20.1** The collateral value of Securities under Reverse Repurchase Agreements as at 31 March 2024 for the Company was Rs. 5,070,493,000/- (2023 - Rs. 7,815,600,000/-) and for the Group was Rs. 5,070,493,000/- (2023 - Rs. 7,815,600,000/-).

### 2.20.2 Investment in Fixed Deposits - Counterparty External Credit Ratings

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
A	2,556,283	4,584,314	2,576,423	4,626,899
A-	1,013,401	1,862,977	1,013,401	1,862,977
BBB-	634,576	2,482,606	634,576	2,482,606
Investment in Fixed Deposits	4,204,260	8,929,897	4,224,400	8,972,482
Allowance for Impairment Losses	(1,859)	(49,600)	(1,859)	(49,600)
	4,202,401	8,880,297	4,222,541	8,922,882

Ratings are based on Fitch Ratings Lanka Ltd

### 2.20.3 Investment in Fixed Deposits - By Currency

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Sri Lankan Rupee (LKR)	4,204,260	7,615,867	4,224,400	7,636,189
United States Dollar (USD)	-	1,314,030	-	1,336,293
Investment in Fixed Deposits	4,204,260	8,929,897	4,224,400	8,972,482
Allowance for Impairment Losses	(1,859)	(49,600)	(1,859)	(49,600)
	4,202,401	8,880,297	4,222,541	8,922,882

### 2.21 Other Non Financial Assets

#### Accounting Policy

Other non financial assets include gold stock, stationary stock, deposits, advances and prepayments, etc. These assets are non-interest earning and recorded at the amounts that are expected to be received.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Deposits, Advances and Prepayments	376,158	381,182	403,166	406,809
Gold Stock	1,514	1,514	1,514	1,514
Stationery Stock	19,513	43,310	19,513	43,310
Withholding Tax Receivable	11,803	17,325	11,803	17,400
Sundry Debtors	10,041	14,479	48,178	66,899
Pre-Paid Staff Cost (Note 2.21.1)	11,622	16,537	11,622	16,537
	430,651	474,347	495,796	552,469

#### Gold Stock

The gold inventory is valued at lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

### 2.21.1 The Movement in the Pre-Paid Staff Cost

	Company & Group	
	2024 Rs. '000	2023 Rs. '000
As at 31 March		
As at the Beginning of the Year	16,537	6,094
Adjustment for New Grants and Settlements	(1,354)	13,295
Charge to Personnel Expenses	(3,561)	(2,852)
As at the End of the Year	11,622	16,537

### 2.22 Investment in Subsidiaries

#### Accounting Policy

Subsidiary is an investee controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. 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 recognise the investments in subsidiaries at cost.

The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

The Financial Statements of the Subsidiaries in the Group have a common financial year which ends on 31 March. The Financial Statements of the Company's subsidiaries are prepared using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, income and expenses are eliminated in full.

There are no significant restrictions on the ability of the Subsidiary to transfer funds to the Parent (the Company) in the form of cash dividend or repayment of loans and advances.

As at 31 March	Holding	Company			
		2024		2023	
		Cost /Carrying Value Rs. '000	Market Value Rs. '000	Cost /Carrying Value Rs. '000	Market Value Rs. '000
	%				
LB Microfinance Myanmar Company Limited (Note 2.22.1)	100.00	521,162	521,162	521,162	521,162
Multi Finance PLC (Note 2.22.2)	64.76	177,773	177,773	400,836	514,941
		698,935	698,935	921,998	1,036,103

#### 2.22.1 LB Microfinance Myanmar Company Limited

Cost is assumed to be the best approximation for the market value of the investment LB Microfinance Myanmar Company Limited due to the absence of most recent exit prices.



### 2.22.2 Multi Finance PLC

During the financial year ended 31 March 2022, LB Finance PLC acquired 64.63% of ordinary voting shares of Multi Finance PLC by investing Rs. 400 Mn. With the above acquisition LB Finance PLC became the controlling shareholder the Company.

During the previous financial year, a mandatory offer was made by LB Finance PLC to the remaining shareholders of Multi Finance PLC by the offer document dated 19 April 2022. LB Finance PLC invested Rs. 836,420/- and acquired 0.13% of ordinary voting shares (85,206 shares) of Multi Finance PLC increasing the controlling stake of the Company to 64.76%. In conjunction with the transaction, LB Finance PLC acquired Rs. 388,454/- net assets of Multi Finance PLC and recognised a goodwill of Rs. 477,966/-.

#### Investment in Multi Finance PLC

	Company	
	2024 Rs. '000	2023 Rs. '000
As at 31 March		
As at the Beginning of the Year	400,836	400,836
Impairment Loss on Investment in Subsidiary (Note 2.22.3)	(223,063)	-
As at the End of the Year	177,773	400,836

### 2.22.3 Impairment of Investment in Subsidiaries - Multi Finance PLC

	Company	
	2024 Rs. '000	2023 Rs. '000
As at 31 March		
As at the Beginning of the Year	-	-
Charge/(Reversal) for the Year	223,063	-
As at the End of the Year	223,063	-

In furtherance of the Financial Sector Consolidation Plan of the Central Bank of Sri Lanka, the Boards of Directors of LB Finance PLC and its subsidiary, Multi Finance PLC, have resolved to amalgamate Multi Finance PLC with LB Finance PLC under Section 239 of the companies Act No.07 of 2007, whereby LB Finance PLC will be the Amalgamated Company, subject however to the regulatory approvals and the approval of the shareholders of both Multi Finance PLC and LB Finance PLC, by way of Special Resolutions at Extraordinary General Meetings of the respective companies.

As per the annual impairment test performed for the investment in subsidiaries, the Group considered the progress of the amalgamation process and the net book value of the investment among other factors, when reviewing indicators of impairment as at 31 March 2024. The market price was not available since the trading of shares of Multi Finance PLC was suspended from 13 October 2022.

The recoverable amount of the investment in Multi Finance PLC as at 31 March 2024 has been determined based on a value in use calculation using cash flow projections. It was concluded that the fair value less costs to sell did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of Rs. 223 Mn in the current financial year against the investment in subsidiaries as at 31 March 2024. The amount recognised is recorded within impairment charges in the Income Statement.

### 2.23 Property, Plant and Equipment and Right-of-Use Assets

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for more than one year. The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

#### Accounting Policy

##### Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

##### Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add, replace part of, or service it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

### Cost Model

The Group applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

### Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

### Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Income Statement when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

### Right-of-Use Assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position. Right-of-use assets of the Group include land and buildings under long term rental agreements for its use as offices and branches.

The Group recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are amortised on the straight line basis over the lease term.

### Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a 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. 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 assets become idle or is retired from active use unless the asset is fully depreciated. Freehold land is not depreciated.

The estimated useful lives of the property, plant and equipment of the Company as at 31 March 2024 are as follows;

Asset Category	Period (Years)	Depreciation % per Annum
Freehold Buildings and Edifices	50	2%
Furniture and Fittings	4-6.67	15-25%
Equipment	4-5	20-25%
Motor Vehicles	5-8	12.50-20%
Computer Hardware and Equipment	4-5	20-25%
Improvement of Leasehold Asset	6.67	15%
Fixtures and Fittings	4-5	20-25%

The above rates are compatible with the rates used by all Group entities.

### Accounting Estimates

#### Useful Lifetime of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.23.1 Company - 2024

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Improvement of Leasehold Asset	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>										
Balance as at 1 April 2023	4,856,164	1,097,721	465,457	1,102,430	381,863	1,205,344	910,659	1,273,270	2,302,890	13,595,798
Additions	203	88,098	13,499	120,461	95,975	272,771	59,391	153,126	450,488	1,254,012
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(5,293)	(15,506)	(44,940)	(12,121)	(17,942)	(9,415)	(46,181)	(151,398)
<b>Balance as at 31 March 2024</b>	<b>4,856,367</b>	<b>1,185,819</b>	<b>473,663</b>	<b>1,207,385</b>	<b>432,898</b>	<b>1,465,994</b>	<b>952,108</b>	<b>1,416,981</b>	<b>2,707,197</b>	<b>14,698,412</b>
<b>Accumulated Depreciation and Impairment Losses</b>										
Balance as at 1 April 2023	-	183,609	322,309	833,993	302,362	910,026	611,895	765,751	1,032,506	4,962,451
Charge for the Year	-	25,685	39,661	103,637	27,202	117,249	81,810	181,036	290,068	866,348
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(5,259)	(15,440)	(39,692)	(8,249)	(17,526)	(8,852)	(19,732)	(114,750)
<b>Balance as at 31 March 2024</b>	<b>-</b>	<b>209,294</b>	<b>356,711</b>	<b>922,190</b>	<b>289,872</b>	<b>1,019,026</b>	<b>676,179</b>	<b>937,935</b>	<b>1,302,842</b>	<b>5,714,049</b>
<b>Net Book Value as at 31 March 2024</b>	<b>4,856,367</b>	<b>976,525</b>	<b>116,952</b>	<b>285,195</b>	<b>143,026</b>	<b>446,968</b>	<b>275,929</b>	<b>479,046</b>	<b>1,404,355</b>	<b>8,984,363</b>

2.23.2 Company - 2023

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Improvement of Leasehold Asset	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>										
Balance as at 1 April 2022	4,855,134	1,028,003	436,463	975,110	385,478	1,034,293	851,580	1,064,897	2,066,564	12,697,522
Additions	1,030	69,718	40,974	153,129	17,835	198,855	81,045	225,319	257,172	1,045,077
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(11,980)	(25,809)	(21,450)	(27,804)	(21,966)	(16,946)	(20,846)	(146,801)
<b>Balance as at 31 March 2023</b>	<b>4,856,164</b>	<b>1,097,721</b>	<b>465,457</b>	<b>1,102,430</b>	<b>381,863</b>	<b>1,205,344</b>	<b>910,659</b>	<b>1,273,270</b>	<b>2,302,890</b>	<b>13,595,798</b>
<b>Accumulated Depreciation and Impairment Losses</b>										
Balance as at 1 April 2022	-	159,863	293,193	757,106	295,921	835,063	555,298	629,834	749,503	4,275,781
Charge for the Year	-	23,746	40,837	102,674	27,891	102,176	76,858	152,260	290,292	816,734
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposals/Write-offs	-	-	(11,721)	(25,787)	(21,450)	(27,213)	(20,261)	(16,343)	(7,289)	(130,064)
<b>Balance as at 31 March 2023</b>	<b>-</b>	<b>183,609</b>	<b>322,309</b>	<b>833,993</b>	<b>302,362</b>	<b>910,026</b>	<b>611,895</b>	<b>765,751</b>	<b>1,032,506</b>	<b>4,962,451</b>
<b>Net Book Value as at 31 March 2023</b>	<b>4,856,164</b>	<b>914,112</b>	<b>143,148</b>	<b>268,437</b>	<b>79,501</b>	<b>295,318</b>	<b>298,764</b>	<b>507,519</b>	<b>1,270,384</b>	<b>8,633,347</b>

## 2.23.3 Group - 2024

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Improvement of Leasehold Asset	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>										
Balance as at 1 April 2023	4,856,164	1,097,721	496,444	1,120,730	384,690	1,240,166	910,659	1,273,270	2,377,583	13,757,427
Additions	203	88,098	23,996	123,827	95,975	276,133	59,391	153,126	466,276	1,287,025
Transfers	-	-	(97)	(20)	-	-	-	-	-	(117)
Exchange Rate Variance	-	-	(515)	(496)	(73)	(948)	-	-	-	(2,032)
Disposals/Write-offs	-	-	(5,293)	(15,506)	(44,940)	(12,120)	(17,942)	(9,415)	(46,181)	(151,397)
<b>Balance as at 31 March 2024</b>	<b>4,856,367</b>	<b>1,185,819</b>	<b>514,535</b>	<b>1,228,535</b>	<b>435,652</b>	<b>1,503,231</b>	<b>952,108</b>	<b>1,416,981</b>	<b>2,797,678</b>	<b>14,890,906</b>
<b>Accumulated Depreciation and Impairment Losses</b>										
Balance as at 1 April 2023	-	183,609	349,237	848,738	304,465	938,568	611,895	765,751	1,087,962	5,090,225
Charge for the Year	-	25,685	42,252	104,994	27,403	119,616	81,810	181,036	299,776	882,572
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	(76)	(19)	-	-	-	-	-	(95)
Exchange Rate Variance	-	-	(247)	(308)	(28)	(579)	-	-	-	(1,152)
Disposals/Write-offs	-	-	(5,259)	(15,440)	(39,692)	(8,249)	(17,526)	(8,852)	(19,732)	(114,750)
<b>Balance as at 31 March 2024</b>	<b>-</b>	<b>209,294</b>	<b>385,907</b>	<b>937,965</b>	<b>292,148</b>	<b>1,049,356</b>	<b>676,179</b>	<b>937,935</b>	<b>1,368,006</b>	<b>5,856,800</b>
<b>Net Book Value as at 31 March 2024</b>	<b>4,856,367</b>	<b>976,525</b>	<b>128,628</b>	<b>290,570</b>	<b>143,504</b>	<b>453,875</b>	<b>275,929</b>	<b>479,046</b>	<b>1,429,672</b>	<b>9,034,106</b>

## 2.23.4 Group - 2023

	Freehold Land	Freehold Buildings and Edifices	Furniture and Fittings	Equipment	Motor Vehicles	Computer Hardware and Equipment	Improvement of Leasehold Asset	Fixtures and Fittings	Right-of-Use Assets	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Cost</b>										
Balance as at 1 April 2022	4,855,134	1,028,003	465,784	991,467	388,376	1,065,527	851,580	1,064,897	2,125,423	12,836,191
Additions	1,030	69,718	42,986	155,421	17,835	203,051	81,045	225,319	273,006	1,069,411
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(346)	(349)	(71)	(608)	-	-	-	(1,374)
Disposals/Write-offs	-	-	(11,980)	(25,809)	(21,450)	(27,804)	(21,966)	(16,946)	(20,846)	(146,801)
<b>Balance as at 31 March 2023</b>	<b>4,856,164</b>	<b>1,097,721</b>	<b>496,444</b>	<b>1,120,730</b>	<b>384,690</b>	<b>1,240,166</b>	<b>910,659</b>	<b>1,273,270</b>	<b>2,377,583</b>	<b>13,757,427</b>
<b>Accumulated Depreciation and Impairment Losses</b>										
Balance as at 1 April 2022	-	159,863	317,580	770,562	297,873	860,903	555,298	629,834	795,348	4,387,261
Charge for the Year	-	23,746	43,612	104,268	28,070	105,438	76,858	152,260	299,903	834,155
Impairment Loss	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Exchange Rate Variance	-	-	(234)	(305)	(28)	(560)	-	-	-	(1,127)
Disposals/Write-offs	-	-	(11,721)	(25,787)	(21,450)	(27,213)	(20,261)	(16,343)	(7,289)	(130,064)
<b>Balance as at 31 March 2023</b>	<b>-</b>	<b>183,609</b>	<b>349,237</b>	<b>848,738</b>	<b>304,465</b>	<b>938,568</b>	<b>611,895</b>	<b>765,751</b>	<b>1,087,962</b>	<b>5,090,225</b>
<b>Net Book Value as at 31 March 2023</b>	<b>4,856,164</b>	<b>914,112</b>	<b>147,207</b>	<b>271,992</b>	<b>80,225</b>	<b>301,598</b>	<b>298,764</b>	<b>507,519</b>	<b>1,289,621</b>	<b>8,667,202</b>

## Notes to the Financial Statements

### 2.23.5 Property, Plant and Equipment and ROU Assets Acquired During the Financial Year - Company & Group

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 1,254,011,518/- (2023 - Rs. 1,045,076,677/-). Cash payments amounting to Rs. 884,569,958/- (2023 - Rs. 675,637,117/-) was paid during the year for purchases of property, plant and equipment.

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 1,287,024,735/- (2023 - Rs. 1,069,410,383/-). Cash payments amounting to Rs. 905,130,442/- (2023 - Rs. 689,701,735/-) was paid during the year for purchases of property, plant and equipment.

### 2.23.6 Property, Plant and Equipment Subjected to Operating Lease - Company & Group

Included in property, plant and equipment are assets subject to operating lease where the Company is a lessor.

At 31 March 2024, there were no property, plant and equipment subjected to operating lease. At 31 March 2023, the net carrying value amount of those assets was Rs. 1,787,373/-, on which the accumulated depreciation as at 31 March 2023 was Rs. 90,162,670/-.

Summary of future operating lease receivable was as follows;

As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Future Operating Lease Receivable	2,452	-	-	2,452

### 2.23.7 Borrowing Costs - Company & Group

There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the financial year 2024 and 2023.

### 2.23.8 Fully-Depreciated Property, Plant and Equipment - Company & Group

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is Rs. 3,188,548,356/- (2023 - Rs. 2,730,647,278/-) for the Company and Rs. 3,246,895,803/- (2023 - Rs. 2,802,306,244/-) for the Group.

### 2.23.9 Information on the Freehold Land and Buildings - Company & Group

The Group applies cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. The valuations of the Freehold Land and Buildings of the Group are carried out at minimum once in every two years or more frequently if the fair values previously disclosed are substantially different from the fair values as at the reporting date.

The Group engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

Information on the freehold land and buildings as required by the Rule No 7.6 (viii) of the 'Continuing Listing Requirements' of the Colombo Stock Exchange.

As at 31 March			2024						2023
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings Square Feet	Fair Value Rs. '000	Net Book Value Rs. '000	Fair Value as a % of Net Book Value	Net Book Value Rs. '000
<b>Kollupitiya</b>	Contractor's Test Method								
No 20, Dharmapala Mawatha, Colombo 03.	Price per Perch / Price per Square Feet	Rs. 27,500,000 p.p. / Rs. 13,250 p.sq.ft.	1	52.82	57,020	2,208,065	831,678	265	844,230
<b>Kollupitiya</b>	Comparison Method								
No 676, Galle Road, Colombo 03.	Price per Perch	Rs. 27,500,000 p.p.	5	167.65	63,251	4,610,375	2,200,420	210	2,206,537
<b>Cinnamon Gardens</b>	Contractor's Test Method								
No 165, Dharmapala Mawatha, Colombo 07.	Price per Perch / Price per Square Feet	Rs. 25,500,000 p.p. / Rs. 5,750 p.sq.ft.	1	48.95	7,400	1,290,775	1,031,265	125	1,032,481



As at 31 March			2024				2023		
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings Square Feet	Fair Value Rs. '000	Net Book Value Rs. '000	Fair Value as a % of Net Book Value	Net Book Value Rs. '000
<b>Kandy</b>	Contractor's Test Method								
No 115B, Kotugodella Veediya, Kandy.	Price per Perch / Price per Square Feet	Rs. 22,750,000 p.p. / Rs. 1,900 p.sq.ft.	1	25.76	7,780	600,822	529,670	113	518,989
<b>Kandy</b>	Contractor's Test Method								
No 226, D S Senanayaka Street, Kandy.	Price per Perch / Price per Square Feet	Rs. 12,500,000 p.p. / Rs. 1,700 p.sq.ft.	1	7.05	3,674	94,370	57,751	163	10,200
<b>Kandy</b>	Contractor's Test Method								
Moragaspiyawatta Road, Balagolla, Kengalla.	Price per Perch / Price per Square Feet	Rs. 650,000 p.p. / Rs. 2,775 p.sq.ft.	2	110.00	2,400	78,160	28,892	271	29,063
<b>Kandy</b>	Comparison Method								
No 47/10 A, Luwiss Pieris Mawatha, Buwelikada, Kandy.	Price per Perch	Rs. 1,250,000 p.p.	-	42.40	-	53,000	34,085	155	34,085
<b>Maradana</b>	Contractor's Test Method								
No 104/1, Vipulasena Mawatha, Colombo 10.	Price per Perch / Price per Square Feet	Rs. 7,500,000 p.p. / Rs. 3,000 p.sq.ft.	1	50.60	5,750	396,750	73,703	538	74,383
<b>Nuwara Eliya</b>	Comparison Method								
No 35/4, Upper Lake Road, Nuwara Eliya.	Price per Perch	Rs. 1,600,000 p.p.	-	359.00	-	574,400	64,906	885	64,906
<b>Wellawatta</b>	Contractor's Test Method								
No 51A, W A Silva Mawatha, Colombo 06.	Price per Perch / Price per Square Feet	Rs. 14,500,000 p.p. / Rs. 7,250 p.sq.ft.	1	14.23	5,678	247,501	189,621	131	190,322
<b>Panadura</b>	Contractor's Test Method								
No 37, Jayathilake Mawatha, Panadura.	Price per Perch / Price per Square Feet	Rs. 4,000,000 p.p. / Rs. 2,000 p.sq.ft.	1	42.00	1,925	171,850	128,591	134	104,279
<b>Kalutara</b>	Contractor's Test Method								
No 334, Main Street, Kalutara South.	Price per Perch / Price per Square Feet	Rs. 6,750,000 p.p. / Rs. 5,750 p.sq.ft.	1	26.27	10,620	238,388	190,933	125	191,995
<b>Borella</b>	Contractor's Test Method								
No 1024, Maradana Road, Borella.	Price per Perch / Price per Square Feet	Rs. 15,500,000 p.p. / Rs. 7,500 p.sq.ft.	1	25.50	2,600	414,750	270,760	153	266,710
<b>Rajagiriya</b>	Contractor's Test Method								
No 419, Old Kotte Road, Rajagiriya.	Price per Perch / Price per Square Feet	Rs. 8,000,000 p.p. / Rs. 14,350 p.sq.ft.	1	16.30	10,867	286,341	200,618	143	202,094

## Notes to the Financial Statements

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2024 by H.B. Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer. Contractor's Test Method and Comparison Method have been used for the valuation.

Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

### 2.23.10 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Property, Plant and Equipment of the Group

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
<p><b>Comparison Method</b></p> <p>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.</p>	Price per Perch for Land / Price per Square Feet	Estimated fair value would increase/(decrease) if ; Price per Perch for Land / Price per Square Feet would increase/(decrease)
<p><b>Contractor's Test Method</b></p> <p>The contractors method of valuation involves estimating the cost of replacing the property with a similar property of the same size, quality and function. This estimate includes the cost of material, labour, and cost of equipment required to construct the property, as well as any site improvements and contingencies.</p>	Cost per Perch for Land / Cost per Square Feet	Estimated fair value would increase/(decrease) if ; Cost per Perch for Land / Cost per Square Feet would increase/(decrease)

### 2.23.11 Title Restriction on Property, Plant and Equipment - Company & Group

There were no restrictions existed on the title of the property, plant and equipment as at the reporting date.

### 2.23.12 Property, Plant and Equipment Pledged as Security for Liabilities - Company & Group

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date other than those disclosed in the Note 3.7 of these Financial Statements.

### 2.23.13 Compensation from Third Parties for Items of Property, Plant and Equipment - Company & Group

There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

### 2.23.14 Temporarily Idle Property, Plant and Equipment - Company & Group

There were no temporarily idle property, plant and equipment as at the reporting date.

### 2.23.15 Property, Plant and Equipment Retired from Active Use - Company & Group

There were no property, plant and equipment retired from active use as at the reporting date.

## 2.24 Investment Properties

### Accounting Policy

#### Basis of Recognition

Investment properties are those which are held either to earn rental or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

An investment property is 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.

#### Basis of Measurement

##### Fair Value Model

Investment properties are initially recognised at cost. Subsequent to initial recognition, the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value and the rental income from the investment property is recognised under other operating income in the Income Statement in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment).

### Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Income Statement in the year of retirement or disposal.

### Subsequent Transfers to/from Investment Properties

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment properties to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income statement. When the Group completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Income Statement.

### Determining Fair Value

External and independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, value the investment property portfolio as at each reporting date.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	-	-	4,550	71,150
Disposals during the Year	-	-	-	(67,000)
Fair Value Gains/ (Losses)	-	-	500	400
Balance as at the End of the Year	-	-	5,050	4,550

There were no capitalised borrowing cost related to the acquisition of investment properties during the year 2024 (2023 - Nil).

#### 2.24.1 Information on Investment Properties of the Group - Extents and Locations

##### Multi Finance PLC

Location	Number of Buildings	Extent	Buildings	Fair Value of the Investment Property	Fair Value of the Investment Property
				- Land	- Buildings
		Perches	Square Feet	Rs. '000	Rs. '000
Lot No - 1, Plan No 12/41, Atikelanda Road, Arangala South, Nattaranpotha, Kandy.	-	46.14	Bare Land	1,350	-
Lot No - 4, Plan No 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	-	92.50	Bare Land	3,700	-
<b>Total</b>				5,050	-

## Notes to the Financial Statements

### 2.24.2 Information on Investment Properties of the Group – Valuations

The Group engages independent professional valuers for revaluation of its Investment Properties and the valuations are carried out every financial year.

Valuation of investment properties of the Group was carried out by H.B. Manjula Basnayaka. AIV (Sri Lanka), N.C.T., QS, (COT), incorporated valuer. Comparison method of valuation has been used for the valuations.

Investment properties of the Group are considered under Level 3 of fair value hierarchy.

#### Multi Finance PLC

Name of Professional Valuer/ Location and Address	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Fair Value of the Investment Property - Land  Rs. '000	Fair Value of the Investment Property - Buildings  Rs. '000	Fair Value Gains/ (Losses) Recognised in the Income Statement - Land  Rs. '000	Fair Value Gains/ (Losses) Recognised in the Income Statement - Buildings  Rs. '000
H. B. Manjula Basnayake  Lot No - 1, Plan No 12/41, Atikelanda Road, Arangala South, Nattaranpotha, Kandy.	Comparison Method  Price per Perch	Rs. 29,000 p. p.	1,350	-	50	-
H. B. Manjula Basnayake  Lot No - 4, Plan No 1730, Mallawagolla Road, Doratiyawa, Mallawapitiya, Kurunegala.	Comparison Method  Price per Perch	Rs. 40,000 p. p.	3,700	-	450	-
<b>Total</b>			<b>5,050</b>	<b>-</b>	<b>500</b>	<b>-</b>

### 2.24.3 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Investment Properties of the Group

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
<b>Comparison Method</b>  This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per Perch for Land	Estimated fair value would increase/(decrease) if ; Price per Perch for Land would increase/(decrease)

2.24.4 There were no restrictions on the realisability of investment properties of the Group as at the reporting date.

## 2.25 Intangible Assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Group's intangible assets include the value of acquired goodwill and computer software.

### Accounting Policy

#### Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

#### Subsequent Expenditure

Expenditure incurred on intangible assets is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

#### Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

#### Useful Economic Lives, Amortisation and Impairment of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Group. Indefinite-lived intangible assets are not amortised, but are tested for impairment annually or more frequently if events or circumstances indicate the asset may be impaired. Only finite-lived intangible asset is computer software of the Group. Goodwill is the indefinite-lived intangible asset which is subject to annual impairment test. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The Group assumes that there is no residual value for its intangible assets.

#### Computer Software

Cost of all computer software licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets and carried at cost less accumulated amortisation and any accumulated impairment losses.

Useful lifetime of computer software is as follows;

Intangible Asset Category	Period (Years)	Depreciation % per Annum
Computer Software	3-5	20-33.33%

#### Goodwill

Goodwill represents the excess of the cost of acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets and liabilities acquired. Carrying amount of goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

Goodwill is initially measured at cost and subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.



## Notes to the Financial Statements

### Impairment Testing on Goodwill

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Income Statement. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to Groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets prorata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Computer Software (Note 2.25.1)	20,701	22,628	22,602	27,452
Goodwill arising on Business Combination (Note 2.25.3)	-	-	-	107,803
<b>Total Intangible Assets</b>	<b>20,701</b>	<b>22,628</b>	<b>22,602</b>	<b>135,255</b>

### 2.25.1 Computer Software

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Cost</b>				
Cost as at the Beginning of the Year	207,857	191,921	243,567	228,048
Additions and Improvements	6,487	15,936	6,487	17,107
Disposals/Write-off	-	-	-	-
Exchange Rate Variance	-	-	(1,615)	(1,588)
<b>Cost as at the End of the Year</b>	<b>214,344</b>	<b>207,857</b>	<b>248,439</b>	<b>243,567</b>
<b>Amortisation and Impairment Losses</b>				
Amortisation as at the Beginning of the Year	185,229	177,046	216,115	204,403
Charge for the Year	8,414	8,183	11,189	13,284
Impairment Loss	-	-	-	-
Disposals/Write-off	-	-	-	-
Exchange Rate Variance	-	-	(1,467)	(1,572)
Accumulated Amortisation as at the End of the Year	193,643	185,229	225,837	216,115
<b>Net Book Value as at 31 March</b>	<b>20,701</b>	<b>22,628</b>	<b>22,602</b>	<b>27,452</b>

2.25.2 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.

### 2.25.3 Goodwill arising on Business Combination

As at 31 March	Group	
	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	107,803	107,355
Additions Resulting from Mandatory Offer	-	448
Impairment Loss on Goodwill	(107,803)	-
<b>Balance as at the End of the Year</b>	<b>-</b>	<b>107,803</b>

The Group performed its annual impairment test in March 2024 on Goodwill generated from the acquisition of Multi Finance PLC. The Group considered its net book value, among other factors, when reviewing indicators of impairment as at 31 March 2024. The market price was not available since the trading of shares of Multi Finance PLC was suspended from 13 October 2022 indicating a potential impairment of goodwill.

The recoverable amount of the investment in Multi Finance PLC as at 31 March 2024 has been determined based on a value in use calculation using cash flow projections. It was concluded that the fair value less costs to sell did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of Rs 107,803,189 in the current financial year against the goodwill as at 31 March 2024. The amount recognised is recorded within impairment charges in the Income Statement.

### 2.26 Deferred Tax Assets and Liabilities

#### Accounting Policy

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses carried forward can be utilised.

Deferred tax assets / liabilities shall be recognised for temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction that:

- ◆ is not a business combination.
- ◆ at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- ◆ at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

#### Accounting Estimates

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 which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with the future tax planning strategies.

## Deferred Tax Assets and Liabilities and Income Tax Relate to the Followings:

	Reflected in				Reflected in				Reflected in			
	Statement of Financial Position				Income Statement				Statement of Comprehensive Income			
	Company		Group		Company		Group		Company		Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Deferred Tax Liabilities</b>												
Depreciation of Leased Assets	215,435	224,707	215,435	224,707	(9,272)	(107,373)	(9,272)	(107,373)				
Depreciation of Property, Plant and Equipment	195,320	190,160	191,705	190,160	5,160	45,076	1,545	45,076				
	410,755	414,867	407,140	414,867	(4,112)	(62,297)	(7,727)	(62,297)				
<b>Deferred Tax Assets</b>												
Right-of-Use Assets	(140,169)	(113,513)	(140,169)	(113,513)	(26,656)	(48,726)	(26,656)	(48,726)				
Defined Benefit Obligation - Income Statement	(135,916)	(119,778)	(135,916)	(119,778)	(16,138)	(35,855)	(16,138)	(35,855)				
Defined Benefit Obligation - Other Comprehensive Income	(6,001)	10,111	(6,001)	10,111	-	-	-	-	(16,112)	2,262	(16,112)	2,262
Carried Forward Qualifying Payment	-	(40,296)	-	(40,296)	40,296	24,177	40,296	24,177	-	-	-	-
Carried Forward Impairment Provision	(1,056,583)	(918,577)	(1,057,384)	(918,577)	(138,006)	(758,233)	(138,807)	(758,233)	-	-	-	-
	(1,338,669)	(1,182,053)	(1,339,470)	(1,182,053)	(140,504)	(818,637)	(141,305)	(818,637)	(16,112)	2,262	(16,112)	2,262
<b>Deferred Income Tax Charge/(Reversal)</b>												
<b>Net Deferred Tax Liability/(Asset)</b>	(927,914)	(767,186)	(932,330)	(767,186)	(144,616)	(880,934)	(149,032)	(880,934)	(16,112)	2,262	(16,112)	2,262

### 2.26.1 Unrecognised Deferred Tax Assets - Multi Finance PLC

Deferred tax asset has not been recognised in respect of carried forward tax losses of Multi Finance PLC amounted to Rs. 356,274,426 /- as at 31 March 2024. Accordingly the tax effect of unrecognised deferred tax asset is Rs. 106,882,328 /- as at 31 March 2024.

### 2.26.2 Expiry Dates for Unrecognised Tax Losses and Deferred Tax Assets

Year of Expiry	Unrecognised Tax Losses	Unrecognised Deferred Tax Asset
	Rs. '000	Rs. '000
2024/25	49,998	14,999
2025/26	116,819	35,046
2026/27	47,067	14,120
2027/28	34,350	10,305
2028/29	-	-
2029/30	11,449	3,435
Unlimited	96,591	28,977
	356,274	106,882

### 2.27 Due to Banks

#### Accounting Policy

These include bank overdrafts, finance leases, syndicated loans, term loans, securitisation loans and other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan using effective interest rate method.

Under finance leases, the leased assets are capitalised and included in 'property, plant and equipment' and the corresponding liability to the lessor is included in 'Due to Banks'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Interest Expense' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining period of the liability.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Bank Overdrafts	1,035,550	490,862	1,038,445	492,019
Debt Funding from Banks (Note 2.27.1)	20,666,462	18,878,922	20,917,412	18,900,517
	21,702,012	19,369,784	21,955,857	19,392,536
<b>Fair Value</b>	<b>22,837,782</b>	<b>17,488,092</b>	<b>23,342,577</b>	<b>17,532,438</b>

## Notes to the Financial Statements

### 2.27.1 Debt Funding from Banks

	As at	Loans	Interest	Repayments		As at
	1 April 2023	Obtained*	Recognised	Capital	Interest	31 March 2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Term Loans</b>						
Commercial Bank PLC	3,578,549	7,294,950	550,275	(5,122,250)	(537,354)	5,764,170
DFCC Bank PLC	870,392	-	118,195	(371,429)	(131,335)	485,823
Sampath Bank PLC	4,761,899	4,992,500	700,771	(1,750,092)	(704,059)	8,001,019
Hatton National Bank PLC	5,391,872	4,150,000	494,425	(5,441,680)	(498,055)	4,096,562
National Development Bank PLC	749,504	-	18,260	(749,300)	(18,464)	-
Seylan Bank PLC	1,208,975	-	78,539	(500,400)	(78,670)	708,444
Pan Asia Bank PLC	1,063,605	-	60,649	(425,000)	(60,924)	638,330
Peoples Bank	822,620	-	31,594	(800,000)	(54,214)	-
Habib Bank	431,506	-	57,975	(166,667)	(68,626)	254,188
MCB Bank Ltd	-	748,375	16,714	(34,722)	(12,441)	717,926
<b>Total Debt Funding from Banks - Company</b>	<b>18,878,922</b>	<b>17,185,825</b>	<b>2,127,397</b>	<b>(15,361,540)</b>	<b>(2,164,142)</b>	<b>20,666,462</b>
<b>Term Loan</b>						
UAB Bank	21,595	272,460	20,199	(40,964)	(22,340)	250,950
	21,595	272,460	20,199	(40,964)	(22,340)	250,950
<b>Total Debt Funding from Banks - Group</b>	<b>18,900,517</b>	<b>17,458,285</b>	<b>2,147,596</b>	<b>(15,402,504)</b>	<b>(2,186,482)</b>	<b>20,917,412</b>

\*Net of transaction cost

The Group has unutilised borrowing facilities of Rs. 3,028,000,000/- as at 31 March 2024 (2023 - Rs. 5,528,000,000/-). Details of the assets pledged as security for liabilities are disclosed in Note 3.7 to these Financial Statements.

### 2.27.2 Contractual Maturity Analysis of Debt Funding from Banks - Company

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	9,398,269	11,268,193	-	20,666,462
As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	8,716,397	10,162,525	-	18,878,922

### 2.27.3 Contractual Maturity Analysis of Debt Funding from Banks - Group

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	9,649,219	11,268,193	-	20,917,412
As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Term Loans	8,737,992	10,162,525	-	18,900,517



## 2.28 Financial Liabilities at Amortised Cost - Due to Depositors

### Accounting Policy

Due to depositors comprise of interest bearing savings deposits and term deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the effective interest rate method. Interest expense on these deposits is recognised to the Income Statement.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Fixed Deposits	119,056,412	111,466,149	119,146,443	111,616,979
Savings Deposits	3,751,712	2,545,550	3,888,104	2,631,274
	<b>122,808,124</b>	114,011,699	<b>123,034,547</b>	114,248,253
<b>Fair Value</b>	<b>125,962,340</b>	111,849,395	<b>126,339,593</b>	112,236,779

### 2.28.1 Sri Lanka Deposit Insurance Scheme - Company

Under the Direction No. 1 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor. The Company has paid Rs. 171,352,671/- as the premium of the said insurance scheme during the current financial year (2023 - Rs. 149,090,767/-).

### 2.28.2 Contractual Maturity Analysis of Customer Deposits - Company

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
	Fixed Deposits	99,123,112	19,933,300	-
Savings Deposits	3,751,712	-	-	3,751,712
	<b>102,874,824</b>	<b>19,933,300</b>	-	<b>122,808,124</b>
As at 31 March 2023				
Fixed Deposits	97,070,726	14,395,423	-	111,466,149
Savings Deposits	2,545,550	-	-	2,545,550
	<b>99,616,276</b>	<b>14,395,423</b>	-	<b>114,011,699</b>

We have raised fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

2.28.3 Contractual Maturity Analysis of Customer Deposits - Group

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Fixed Deposits	99,193,187	19,953,256	-	119,146,443
Savings Deposits	3,888,104	-	-	3,888,104
	103,081,291	19,953,256	-	123,034,547

As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Fixed Deposits	97,207,565	14,409,414	-	111,616,979
Savings Deposits	2,631,274	-	-	2,631,274
	99,838,839	14,409,414	-	114,248,253

We have raised fixed deposits with a pre-termination option to the customers, so fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

2.29 Debt Instruments Issued and Other Borrowed Funds

Accounting Policy

Debt instruments and other borrowings are initially recognised at fair value net of the transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the Income Statement over the period of the loan instrument using the effective interest rate method.

As at 31 March	Company & Group	
	2024 Rs. '000	2023 Rs. '000
Borrowings from International Financial Institutions (Note 2.29.1)	1,539,282	3,882,024
Securitised Borrowings	3,952,119	-
	5,491,401	3,882,024
Fair Value	5,703,189	3,775,257

2.29.1 Borrowings from International Financial Institutions

International Financial Institution	Interest Payable	Loan Granted Date	Maturity Date	Company & Group	
				2024 Rs. '000	2023 Rs. '000
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)	Biannually	3 May 2021	21 April 2025	1,539,282	2,557,117
responsAbility Global Micro and SME Finance Fund (ResponsAbility)	Biannually	20 December 2021	20 December 2023	-	1,324,907
				1,539,282	3,882,024

## 2.29.2 Contractual Maturity Analysis of Debt Instruments Issued and Other Borrowed Funds - Company &amp; Group

As at 31 March 2024	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Borrowings from International Financial Institutions	1,040,319	498,963	-	1,539,282
Securitised Borrowings	389,534	3,562,585	-	3,952,119
	<b>1,429,853</b>	<b>4,061,548</b>	<b>-</b>	<b>5,491,401</b>
As at 31 March 2023	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
Borrowings from International Financial Institutions	2,392,049	1,489,975	-	3,882,024

## 2.30 Other Financial Liabilities

## Accounting Policy

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Trade Payables	595,307	153,069	595,307	153,069
Insurance Premium Payables	288,890	550,235	288,890	550,235
Unclaimed Balances	862,401	879,899	863,909	881,333
Lease Liability (Note 2.30.1)	1,674,659	1,525,253	1,698,338	1,544,548
Other Payables	336,519	147,406	369,453	153,874
	<b>3,757,776</b>	<b>3,255,862</b>	<b>3,815,897</b>	<b>3,283,059</b>
Fair Value	<b>3,757,776</b>	<b>3,255,862</b>	<b>3,815,897</b>	<b>3,283,059</b>

## 2.30.1 Lease Liability

## Accounting Policy

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 Group's incremental borrowing rate.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	1,525,253	1,494,604	1,544,548	1,509,136
Additions	369,262	219,345	381,865	231,427
Accretion of Interest	235,309	197,528	239,111	200,481
Terminations	(28,635)	(16,783)	(28,635)	(16,783)
Payments	(426,530)	(369,441)	(438,551)	(379,713)
<b>Balance as at the End of the Year</b>	<b>1,674,659</b>	<b>1,525,253</b>	<b>1,698,338</b>	<b>1,544,548</b>

## Notes to the Financial Statements

### 2.30.2 Sensitivity Analysis of Lease Liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the Company and Group.

	Company				Group			
	2024		2023		2024		2023	
	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs. '000	Sensitivity Effect on Lease Liability Increase/(Reduction) in the Liability Rs. '000	Sensitivity Effect on Interest Expense Increase/(Reduction) in Profits for the Year Rs. '000
Increase/(Decrease) in Incremental Borrowing Rate								
1bp Up	(34,062)	10,411	(32,879)	10,343	(34,175)	10,524	(33,110)	10,574
1bp Down	35,694	(10,869)	33,518	(10,872)	35,813	(10,988)	33,756	(11,110)

### 2.30.3 Contractual Maturity Analysis of Lease Liability

As at 31 March	2024				2023			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
	<b>Company</b>							
Lease Liability	227,302	980,112	467,245	1,674,659	181,387	915,465	428,401	1,525,253
<b>Group</b>								
Lease Liability	230,619	990,346	477,373	1,698,338	188,984	927,163	428,401	1,544,548

### 2.30.4 Undiscounted Maturity Analysis of Lease Liability

As at 31 March	2024				2023			
	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000	Within One Year Rs. '000	1 - 5 Years Rs. '000	Over 5 Years Rs. '000	Total Rs. '000
	<b>Company</b>							
Lease Liability	466,714	1,602,533	622,931	2,692,178	379,672	1,440,688	556,437	2,376,797
<b>Group</b>								
Lease Liability	474,257	1,623,717	633,653	2,731,627	389,743	1,455,719	556,437	2,401,899

### 2.31 Other Non Financial Liabilities

#### Accounting Policy

Group classifies all non financial liabilities other than post employment benefit liability and current tax liabilities under other non financial liabilities. Other non financial liabilities include accruals, advances and provisions. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

#### 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 of the amount of the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Accrued Expenses	1,070,517	879,144	1,091,195	898,480
Stamp Duty Payable	56,446	34,633	56,569	34,775
EPF/ETF/APIT Payable	62,565	54,899	62,565	55,320
Crop Insurance Levy Payable	27,191	26,314	27,191	26,314
Other Payables	66,728	20,818	89,567	65,283
Withholding Tax Payable	249,854	61,505	250,026	61,779
Impairment Provision in Respect of Off-Balance Sheet Credit Exposures	14,269	12,778	14,269	12,778
	<b>1,547,570</b>	<b>1,090,091</b>	<b>1,591,382</b>	<b>1,154,729</b>

### 2.32 Current Tax Liabilities

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Income Tax	2,330,364	1,850,323	2,335,548	1,855,820
Value Added Tax (VAT)	386,425	361,720	386,425	362,233
Social Security Contribution Levy (SSCL)	53,707	43,787	53,727	43,943
	<b>2,770,496</b>	<b>2,255,830</b>	<b>2,775,700</b>	<b>2,261,996</b>

### 2.33 Post Employment Benefit Liability

#### Accounting Estimates

Our end of service benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Group covered by the plan, and other key measurement assumptions. The net periodic benefit costs associated with the Group defined benefit plans are determined using assumptions regarding the benefit obligations. Due to the long-term nature of these plans, such estimates are subjected to significant uncertainty. 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 publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Group.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefit'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

#### Recognition of Actuarial Gains and Losses

The Group recognises the total actuarial gains and losses that arise in calculating the Group obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

#### Expected Return on Assets

Expected return on assets is zero as the plan is not pre-funded.

#### Funding Arrangements

The gratuity liability is not externally funded.



## Notes to the Financial Statements

### 2.33.1 Post Employment Benefit Liability

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	365,557	316,973	367,504	323,833
Amount Charged/(Reversed) for the Year	171,991	95,235	173,431	96,761
Payments Made During the Year	(64,490)	(46,651)	(65,826)	(53,090)
<b>Balance as at the End of the Year</b>	<b>473,058</b>	<b>365,557</b>	<b>475,109</b>	<b>367,504</b>

### 2.33.2 Amounts Recognised in the Income Statement

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Current Service Cost for the Year	56,141	55,228	56,604	56,352
Interest Cost on the Net Defined Benefit Liability for the Year	62,144	47,546	62,494	48,575
	<b>118,285</b>	<b>102,774</b>	<b>119,098</b>	<b>104,927</b>

### 2.33.3 Amounts Recognised in the Other Comprehensive Income

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Liability (Gains)/Losses due to Changes in Assumptions	46,303	740	46,930	484
Liability Experience (Gains)/Losses Arising During the Year	7,403	(8,279)	7,403	(8,650)
	<b>53,706</b>	<b>(7,539)</b>	<b>54,333</b>	<b>(8,166)</b>

### 2.33.4 Defined Benefit Obligation Reconciliation

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Benefit Obligation at the End of Prior Year	365,557	316,973	367,504	323,833
Current Service Cost for the Year	56,141	55,228	56,604	56,352
Interest Cost on the Net Defined Benefit Liability for the Year	62,144	47,546	62,494	48,575
Liability (Gains)/Losses due to Changes in Assumptions	46,303	740	46,930	484
Liability Experience (Gains)/Losses Arising During the Year	7,403	(8,279)	7,403	(8,650)
Payments Made During the Year	(64,490)	(46,651)	(65,826)	(53,090)
	<b>473,058</b>	<b>365,557</b>	<b>475,109</b>	<b>367,504</b>

## 2.33.5 Assumptions

	Company		Group	
	2024	2023	2024	2023
Discount Rate	12.5%	17%	12% - 12.5%	17% - 18%
Salary Increment	10.5%	14%	10% - 10.5%	10% - 14%
Staff Turnover				
20 - 40 Years	25%	25%	25% - 83%	25% - 83%
41 - 50 Years	2%	2%	2% - 17%	2% - 15%
51 Years or Above	2%	2%	2%	2%
Retirement Age - Years	60	60	60	60
Average Duration of the Weighted Defined Benefit Obligation - Years	12.9	12.3	8.2 - 12.9	6.5 - 12.3

Mortality	- GA 1983 Mortality Table
Disability	- Long Term Disability 1987 Soc. Sec. Table
Retirement Age	- Normal Retirement Age, or Age on Valuation Date, if greater

Actuarial valuations of the gratuity of LB Finance PLC and Multi Finance PLC were carried out as at 31 March 2024 by Piyal S. Goonetilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', required by the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

## 2.33.6 Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the Statement of Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment on the profit or loss and retirement benefit obligation for the year.

Year Ended 31 March	Assumption	Rate Changed	2024		2023	
			Sensitivity Effect on Statement of Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs. '000	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs. '000	Sensitivity Effect on Statement of Comprehensive Income - Increase/ (Reduction) in Results for the Year Rs. '000	Sensitivity Effect on Retirement Benefit Obligation - Increase/ (Reduction) in the Liability Rs. '000
<b>Company</b>						
	Increase/(Decrease)	1%	47,769	(47,769)	34,341	(34,341)
	in Discount Rate	-1%	(57,497)	57,497	(40,858)	40,858
	Increase/(Decrease)	1%	(57,028)	57,028	(40,910)	40,910
	in Salary Increment	-1%	48,207	(48,207)	34,920	(34,920)
<b>Group</b>						
	Increase/(Decrease)	1%	47,906	(47,906)	38,892	(38,892)
	in Discount Rate	-1%	(57,653)	57,653	(46,172)	46,172
	Increase/(Decrease)	1%	(57,182)	57,182	(46,237)	46,237
	in Salary Increment	-1%	48,345	(48,345)	39,454	(39,454)

## Notes to the Financial Statements

### 2.33.7 The Expected Benefit Payout in the Future Years for Retirement Gratuity

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Within the Next 12 Months	15,885	15,207	16,114	15,422
Between 2 - 5 Years	172,685	156,960	173,866	160,249
Beyond 5 Years	410,906	455,856	413,570	455,856
	<b>599,476</b>	<b>628,023</b>	<b>603,550</b>	<b>631,527</b>

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

### 2.34 Stated Capital

#### 2.34.1 Issued and Fully Paid Ordinary Shares

	Company & Group 2024		Company & Group 2023	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
At the Beginning of the Year	554,057,136	838,282	554,057,136	838,282
At the End of the Year	554,057,136	838,282	554,057,136	838,282

#### 2.34.2 Rights of Shareholders

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at meetings. All shares rank equally with regard to the Company's residual assets.

### 2.35 Reserves

	Company			Group		
	As at 1 April 2023 Rs. '000	Movement/ Transfers Rs. '000	As at 31 March 2024 Rs. '000	As at 1 April 2023 Rs. '000	Movement/ Transfers Rs. '000	As at 31 March 2024 Rs. '000
Statutory Reserve	8,539,799	478,182	9,017,981	8,539,799	478,182	9,017,981
Fair Value Reserve	(46,750)	1,199	(45,551)	(46,750)	1,199	(45,551)
Foreign Currency Translation Reserve	-	-	-	198,051	(73,048)	125,003
	<b>8,493,049</b>	<b>479,381</b>	<b>8,972,430</b>	<b>8,691,100</b>	<b>406,333</b>	<b>9,097,433</b>

#### 2.35.1 Statutory Reserve

	Company & Group	
	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	8,539,799	8,116,782
Transfers Made During the Year	478,182	423,017
Balance as at the End of the Year	<b>9,017,981</b>	<b>8,539,799</b>

Statutory reserve is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

### 2.35.2 Fair Value Reserve

	Company & Group	
	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	(46,750)	(78,124)
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	1,199	31,364
Transfers to Retained Earnings	-	10
Balance as at the End of the Year	(45,551)	(46,750)

The fair value through other comprehensive income reserve comprises the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until they are derecognised or impaired.

### 2.35.3 Foreign Currency Translation Reserve

	Group	
	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	198,051	268,638
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	(73,048)	(70,587)
Balance as at the End of the Year	125,003	198,051

The foreign currency translation reserve comprises of all foreign currency differences arising from the translation of the Financial Statements of foreign operations. As at the reporting date, the assets and liabilities of LB Microfinance Myanmar Company Limited, a subsidiary of the Company were translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Income Statement and Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation are taken to foreign currency translation reserve through other comprehensive income.

### 2.36 Retained Earnings

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	28,784,409	24,170,152	28,794,719	24,085,844
Adjustments for Surcharge Tax Levied under the Surcharge Tax Act No. 14 of 2022 (Note 2.36.1)	-	(2,320,210)	-	(2,320,210)
Adjusted Balance as at 1 April	28,784,409	21,849,942	28,794,719	21,765,634
Profit for the Year	9,563,638	8,460,331	9,713,917	8,554,543
Other Comprehensive Income, Net of Tax	(37,594)	5,277	(38,000)	5,683
Transfers During the Year	(478,182)	(423,027)	(478,182)	(423,027)
Dividend Paid	(4,016,914)	(1,108,114)	(4,016,914)	(1,108,114)
Balance as at the End of the Year	33,815,357	28,784,409	33,975,540	28,794,719

Retained earnings represents the undistributed earnings held to be used in its operations. This could be used to absorb future losses or dividends payable.

#### 2.36.1 Imposition of a Tax Surcharge

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on any Company that have earned a taxable income in excess of Rs. 2,000 Mn for the year of assessment 2020/2021. The tax was imposed by the Surcharge Tax Act No. 14 of 2022.

Total surcharge tax liability of Rs. 2,320,209,912/- has been recognised as an adjustment to the retained earnings as at 1 April 2022 in the Statement of Changes in Equity.

**2.37 Non-Controlling Interest**

**Accounting Policy**

Non-Controlling Interest (NCI) is measured at its 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.

The Company owns 100% shares of LB Microfinance Myanmar Company Limited as at the reporting date. Therefore, the Company has 100% controlling interest in LB Microfinance Myanmar Company Limited. The Company has non-controlling interest of 35.24% in Multi Finance PLC as at the reporting date as follows;

	Group	
	2024 Rs. '000	2023 Rs. '000
At the Beginning of the Year	103,865	105,689
Acquisition of Subsidiaries	-	-
Profit for the Year	(6,906)	(1,657)
Other Comprehensive Income, Net of Tax	(221)	221
Disposal of Shares	-	(388)
At the End of the Year	96,738	103,865

**3 OTHER DISCLOSURES**

**3.1 Related Party Disclosures**

The Group carried out transactions with key management and their related concerns and other related entities in the ordinary course of its business on an arms length basis at commercial rates except that the key management have availed facilities under the loan schemes uniformly applicable to all the staff.

The Company's parent undertaking and The Company's ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka. The Company's ultimate controlling party is Mr. Dhammika Perera.

Details of related party transactions during the year are as follows;

**3.1.1 Transactions with Key Management Personnel (KMPs)**

Related party includes KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Such KMPs include the Board of Directors of the Company (inclusive of executive and non-executive directors) and the parent Company.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Short-Term Employment Benefits	663,118	635,077	663,118	644,933
Directors' Fees and Expenses	25,774	18,162	25,774	21,162
Post Employment Benefit Liability	97,789	80,894	97,789	80,894
	786,681	734,133	786,681	746,989

In addition to the above, the Company has also paid non-cash benefits such as vehicles and fuel to Key Management Personnel in line with the approved employment benefits of the Company.



### 3.1.2 Transactions, Arrangements and Agreements Involving KMPs and Their Close Members of the Family (CMFs)

CMFs of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

Reported Under		Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Loans against Deposits	Loans and Receivables	-	10,279	-	10,279
		-	10,279	-	10,279
<b>Liabilities</b>					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	614,459	571,462	614,488	571,491
Savings Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	36,497	12,171	36,497	12,171
		650,956	583,633	650,985	583,662
<b>Income Statement</b>					
Interest Income on Loans and Receivables	Interest Income	299	424	299	424
Interest Expense on Customer Deposits	Interest Expenses	92,973	75,416	92,973	75,416
Other Operating Expenses	Other Operating Expenses	5,054	-	5,054	-
		98,326	75,840	98,326	75,840
<b>Other Transactions</b>					
Deposits Accepted During the Year		215,879	577,384	215,879	577,384
Dividend Paid on Shareholdings		30,821	6,413	30,821	6,413
		246,700	583,797	246,700	583,797

### 3.1.3 Transactions, Arrangements and Agreements Involving Persons has Control or Joint Control and Their Close Members of the Family (CMFs)

Reported Under		Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of Financial Position</b>					
<b>Liabilities</b>					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	503,259	-	503,259	-
		503,259	-	503,259	-
<b>Income Statement</b>					
Interest Expense on Customer Deposits	Interest Expenses	72,103	-	72,103	-
		72,103	-	72,103	-

## Notes to the Financial Statements

### 3.1.4 Transaction, Arrangements and Agreements Involving Entities which are Controlled, and/or Jointly Controlled by the KMPs and Their CMFs

Reported Under		Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	1,368	880	1,368	880
Leasehold Improvements	Property, Plant and Equipment	39,537	84,808	39,537	84,808
		<b>40,905</b>	<b>85,688</b>	<b>40,905</b>	<b>85,688</b>
<b>Liabilities</b>					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	5,539	12,152	5,539	12,152
		<b>5,539</b>	<b>12,152</b>	<b>5,539</b>	<b>12,152</b>
<b>Income Statement</b>					
Dividend Income	Other Operating Income	693	353	693	353
Income on Operating Lease	Other Operating Income	2,378	8,842	2,378	8,842
Interest Expense on Customer Deposits	Interest Expenses	2,196	570	2,196	570
Administration and Establishment Expenses	Other Operating Expenses	19,316	9,298	19,316	9,298
Investment in Fair Value Adjustment	Net Trading Income	488	60	488	60
		<b>25,071</b>	<b>19,123</b>	<b>25,071</b>	<b>19,123</b>
<b>Other Transactions</b>					
Deposits Accepted During the Year		-	7,000	-	7,000
Operating Lease Facilities		-	2,271	-	2,271
		<b>-</b>	<b>9,271</b>	<b>-</b>	<b>9,271</b>

### 3.1.5 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

#### Transactions with Parent Company

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Other Transactions</b>				
Dividend Paid on Shareholdings	2,078,790	573,459	2,078,790	573,459
	<b>2,078,790</b>	<b>573,459</b>	<b>2,078,790</b>	<b>573,459</b>

#### Transactions with Subsidiaries

Reported Under		Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Investment in Equity Securities	Investment in Subsidiaries	921,998	921,998	-	-
Due from Subsidiaries	Other Financial Assets	1,150	25,839	-	-
		<b>923,148</b>	<b>947,837</b>	<b>-</b>	<b>-</b>
<b>Income Statement</b>					
Interest on Receivables	Interest Income	598	2,570	598	2,570
Other Operating Income	Other Income	11,673	-	11,673	-
Professional Fees	Professional and Legal Expenses	-	425	-	425
		<b>12,271</b>	<b>2,995</b>	<b>12,271</b>	<b>2,995</b>
<b>Other Transactions</b>					
Counter Indemnity Issued to Banks for Guarantees	Contingent Liabilities	298,370	324,000	298,370	324,000
		<b>298,370</b>	<b>324,000</b>	<b>298,370</b>	<b>324,000</b>

## Notes to the Financial Statements

### 3.1.6 Transactions with Fellow Subsidiaries and Associate Companies of the Parent

Reported Under		Company		Group	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Statement of Financial Position</b>					
<b>Assets</b>					
Leasehold Improvements	Property, Plant and Equipment	1,668	22,445	1,668	22,445
Investment in Equity Securities	Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	9,741	4,747	9,741	4,747
Investment in Equity Securities	Financial Assets Measured at Fair Value Through Other Comprehensive Income	93,175	97,769	93,175	97,769
		<b>104,584</b>	<b>124,961</b>	<b>104,584</b>	<b>124,961</b>
<b>Liabilities</b>					
Fixed Deposits	Financial Liabilities at Amortised Cost - Due to Depositors	374,480	126,357	374,480	126,357
		<b>374,480</b>	<b>126,357</b>	<b>374,480</b>	<b>126,357</b>
<b>Income Statement</b>					
Dividend Income	Other Operating Income	970	235	970	235
Interest Expense on Customer Deposits	Interest Expenses	36,000	18,998	36,000	18,998
Investment in Fair Value Adjustment	M2M adjustment (PL) on Equity Securities	276	2,132	276	2,132
Investment in Fair Value Adjustment	Other Comprehensive Income	5,147	34,383	5,147	34,383
Operating Expenses	Other Operating Expenses	807	525	807	525
		<b>43,200</b>	<b>56,273</b>	<b>43,200</b>	<b>56,273</b>
<b>Other Transactions</b>					
Deposits Accepted During the Year		250,600	119,000	250,600	119,000
Dividend Paid on Shareholdings		1,047,574	288,986	1,047,574	288,986
		<b>1,298,174</b>	<b>407,986</b>	<b>1,298,174</b>	<b>407,986</b>

### 3.2 Capital

The Company maintains capital in order 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.

Details of the regulatory capital requirements and compliance level are disclosed in Note 4.6 to these Financial Statements.

#### 3.2.1 Capital Management

##### Objective

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

### 3.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 March	Company				Group			
	2024		2023		2024		2023	
	Within 12 Months Rs. '000	After 12 Months Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000	Within 12 Months Rs. '000	After 12 Months Rs. '000
<b>Assets</b>								
Cash and Cash Equivalents	9,314,425	-	4,524,032	-	9,559,602	-	4,680,955	-
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	-	10,653	-	14,674	-	10,653	-
Financial Assets at Amortised Cost - Loans and Receivables	107,946,903	53,344,583	101,549,162	43,640,012	109,126,657	53,395,076	102,659,757	43,711,840
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	117,388	-	118,589	-	117,390	-
Other Financial Assets	20,374,770	-	21,685,834	-	20,443,404	-	21,710,810	-
Other Non Financial Assets	430,651	-	412,793	61,554	495,796	-	490,915	61,554
Investment in Subsidiaries	-	698,935	-	921,998	-	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	-	8,984,363	-	8,633,347	-	9,034,106	-	8,667,202
Investment Properties	-	-	-	-	-	5,050	-	4,550
Intangible Assets	-	20,701	-	22,628	-	22,602	-	135,255
Deferred Tax Assets	-	927,914	-	767,186	-	932,330	-	767,186
<b>Total Assets</b>	<b>138,200,010</b>	<b>63,976,496</b>	<b>128,299,862</b>	<b>54,046,725</b>	<b>139,758,722</b>	<b>63,389,164</b>	<b>129,670,480</b>	<b>53,347,587</b>
<b>Liabilities</b>								
Due to Banks	10,433,819	11,268,193	9,207,259	10,162,525	10,687,664	11,268,193	9,230,011	10,162,525
Financial Liabilities at Amortised Cost - Due to Depositors	102,874,824	19,933,300	99,616,276	14,395,423	103,081,291	19,953,256	99,838,839	14,409,414
Debt Instruments Issued and Other Borrowed Funds	1,429,853	4,061,548	2,392,049	1,489,975	1,429,853	4,061,548	2,392,049	1,489,975
Other Financial Liabilities	2,310,419	1,447,357	1,911,995	1,343,867	2,348,178	1,467,719	1,927,496	1,355,563
Other Non Financial Liabilities	1,547,570	-	1,090,091	-	1,591,382	-	1,154,729	-
Current Tax Liabilities	2,770,496	-	2,255,830	-	2,775,700	-	2,261,996	-
Post-Employment Benefit Liability	-	473,058	-	365,557	-	475,109	-	367,504
<b>Total Liabilities</b>	<b>121,366,981</b>	<b>37,183,456</b>	<b>116,473,500</b>	<b>27,757,347</b>	<b>121,914,068</b>	<b>37,225,825</b>	<b>116,805,120</b>	<b>27,784,981</b>
<b>Maturity Gap</b>	<b>16,833,029</b>	<b>26,793,040</b>	<b>11,826,362</b>	<b>26,289,378</b>	<b>17,844,654</b>	<b>26,163,339</b>	<b>12,865,360</b>	<b>25,562,606</b>
<b>Cumulative Gap</b>	<b>16,833,029</b>	<b>43,626,069</b>	<b>-</b>	<b>38,115,740</b>	<b>17,844,654</b>	<b>44,007,993</b>	<b>-</b>	<b>38,427,966</b>



**3.4 Segmental Information**  
**Accounting Policy**

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

For management purposes, the Group is organised into four operating segments based on services offered and geographical operations as presented in the table below. Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed separately for the Company and its international operation and are allocated to operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2024 or 2023. There were no transactions between reportable segments in 2024 or 2023.

	Leases			Loans and Receivables			Others			International Operation (Myanmar)			Total	
	2024	2023		2024	2023		2024	2023		2024	2023		2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	9,644,208	9,395,408		32,453,545	26,877,211		3,868,628	3,483,857		272,806	217,079		46,239,187	39,973,555
Less: Interest Expenses	3,895,742	4,569,051		14,159,720	12,786,012		3,346,124	3,296,192		59,045	12,701		21,460,631	20,663,956
Net Interest Income	5,748,466	4,826,357		18,293,825	14,091,199		522,504	187,665		213,761	204,378		24,778,556	19,309,599
Fee and Commission Income	631,778	549,700		2,555,834	2,408,464		1,157	7,078		28,691	21,160		3,217,460	2,986,402
Net Trading Income and Other Operating Income	5,522	4,782		105,645	113,040		68,063	55,288		(106)	376		179,124	173,486
Total Operating Income	6,385,766	5,380,839		20,955,304	16,612,703		591,724	250,031		242,346	225,914		28,175,140	22,469,487
Less: Impairment Charges	(390,545)	(137,134)		591,078	661,804		61,137	22,596		8,423	(28,133)		270,093	519,133
Net Operating Income	6,776,311	5,517,973		20,364,226	15,950,899		530,587	227,435		233,923	254,047		27,905,047	21,950,354
Less: Other Costs	1,751,379	1,727,877		6,082,942	4,676,015		43,424	32,541		168,873	145,812		8,046,618	6,582,245
Less: Depreciation	164,983	199,311		719,464	640,926		2,817	2,833		6,497	4,369		893,761	847,439
Operating Profits Before Taxes	4,859,949	3,590,785		13,561,820	10,633,958		484,346	192,061		58,553	103,866		18,964,668	14,520,670
Less: Taxes	2,376,957	1,485,407		6,632,965	4,398,971		236,890	79,449		10,845	3,957		9,257,657	5,967,784
Profits for the Year	2,482,992	2,105,378		6,928,855	6,234,987		247,456	112,612		47,708	99,909		9,707,011	8,552,886
Less: Non-Controlling Interest													(6,906)	(1,657)
Profit Attributable to Equity Holders of the Company													9,713,917	8,554,543
Segmental Assets	31,422,342	35,988,682		138,273,646	117,445,066		32,922,858	29,536,851		1,229,125	995,305		203,847,971	183,965,904
Elimination	-	-		-	-		(700,085)	(947,837)		-	-		(700,085)	(947,837)
Total Segmental Assets	31,422,342	35,988,682		138,273,646	117,445,066		32,222,773	28,589,014		1,229,125	995,305		203,147,886	183,018,067
Segmental Liabilities	24,811,494	28,714,164		109,164,548	93,591,570		24,741,068	22,146,583		423,933	163,623		159,141,043	144,615,940
Elimination	-	-		-	-		-	-		(1,150)	(25,839)		(1,150)	(25,839)
Total Segmental Liabilities	24,811,494	28,714,164		109,164,548	93,591,570		24,741,068	22,146,583		422,783	137,784		159,139,893	144,590,101
Cash Flows from Operating Activities	879,834	784,705		3,871,697	2,560,798		902,246	623,361		(122,274)	(54,670)		5,531,503	3,914,195
Cash Flows from Investing Activities	(126,542)	(117,471)		(556,848)	(383,353)		(129,766)	(93,317)		(20,559)	(13,121)		(833,716)	(607,262)
Cash Flows from Financing Activities	(92,580)	(2,378,841)		(407,398)	(7,763,083)		(94,938)	(1,889,725)		229,351	31,867		(365,566)	(11,999,782)
Capital Expenditure														
Property, Plant and Equipment	(137,656)	(133,706)		(605,752)	(436,336)		(141,162)	(106,215)		(20,560)	(13,445)		(905,130)	(689,702)
Intangible Assets	(1,009)	(3,382)		(4,442)	(11,037)		(1,035)	(2,687)		-	(451)		(6,487)	(17,558)

### 3.5 Commitments and Contingencies

#### Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

#### 3.5.1 Contingent Liabilities

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Guarantees Issued to Banks and Other Institutions	5,500	6,275	5,500	6,275
Counter Indemnity Issued to Banks for Guarantees*	298,370	324,000	47,420	324,000
Import LC and Ordinary Guarantees	-	51,558	-	51,558
<b>Total Contingent Liabilities</b>	<b>303,870</b>	<b>381,833</b>	<b>52,920</b>	<b>381,833</b>

\*Contingent liability as at 31 March 2024, on counter indemnity for letter of guarantee issued by Sampath Bank PLC on behalf of LB Microfinance Myanmar Company Limited favouring UAB Bank, Myanmar. Total of this sum relates to the term loan facility obtained by LB Microfinance Myanmar Company Limited.

#### 3.5.2 Commitments

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Commitment for Unutilised Facilities	1,978,020	2,022,115	1,978,020	2,022,115
<b>Total Commitments</b>	<b>1,978,020</b>	<b>2,022,115</b>	<b>1,978,020</b>	<b>2,022,115</b>

#### 3.5.3 Commitments and Contingencies

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
Contingent Liabilities	303,870	381,833	52,920	381,833
Commitments	1,978,020	2,022,115	1,978,020	2,022,115
<b>Total Commitments and Contingencies</b>	<b>2,281,890</b>	<b>2,403,948</b>	<b>2,030,940</b>	<b>2,403,948</b>
Allowance for Impairment Losses	(14,269)	(12,778)	(14,269)	(12,778)
<b>Net of Impairment</b>	<b>2,267,621</b>	<b>2,391,170</b>	<b>2,016,671</b>	<b>2,391,170</b>

#### 3.5.4 Litigation Against the Company and Group

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. Based on the information currently available, the Board of Directors is of the opinion that the ultimate resolution of the litigations would not likely to have a material impact on the Group.

	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
As at 31 March				
<b>Cases Pending Against the Company and Group (Values Claimed)</b>	<b>134,869</b>	<b>186,532</b>	<b>134,869</b>	<b>186,532</b>

## Notes to the Financial Statements

### 3.5.5 Tax Assessments against the Company

During the year an assessment to the value of Rs. 731 Mn on Surcharge tax for 2020/21 was received by the Company. The Company has appealed against the assessment and the management is of the view that the Company is not liable for the tax.

### 3.6 Net Asset Value per Share

As at 31 March	Company		Group	
	2024	2023	2024	2023
<b>Amounts Used as the Numerators:</b>				
Total Equity Attributable to Equity Holders (Rs. '000)	43,626,069	38,115,740	43,911,255	38,324,101
<b>Number of Ordinary Shares Used as Denominators:</b>				
Total Number of Ordinary Shares in Issue	554,057,136	554,057,136	554,057,136	554,057,136
Net Asset Value per Share (Rs.)	78.74	68.79	79.25	69.17

### 3.7 Assets Pledged

The following assets have been pledged as security for liabilities.

Carrying Amount Pledged			Company		Group	
Nature of Assets	Nature of Liability	Included Under	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loans and Receivables*	Debt Funding from Banks	Loans and Receivables	42,172,635	37,150,380	42,172,635	37,150,380
Securities under Reverse Repurchase Agreements	Debt Funding from Banks	Other Financial Assets	123,606	133,207	123,606	133,207
Investment in Fixed Deposits	Debt Funding from Banks	Other Financial Assets	295,382	1,603,729	315,382	1,646,315
Freehold Land and Building	Debt Funding from Banks	Property, Plant and Equipment	831,678	844,230	831,678	844,230
			43,423,301	39,731,546	43,443,301	39,774,132

\*The receivables and cash flows that have been included in bank loans, overdrafts, term loans and securitisation loans are only available for payment of the debt and other obligations issued or arising in such transactions. However, the Group hold the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of such transactions.

### 3.8 Comparative Information

Comparative information is reclassified wherever necessary to conform with the current year's classification in order to provide better presentation.

#### 3.8.1 Income Statement

There were no reclassifications during the financial year.

### 3.8.2 Statement of Financial Position

During the current financial year, the Group reclassified prior year figures of the lending portfolio in the Statement of Financial Position as reported below;

#### Company

As at 31 March 2023	Prior Classification Rs. '000	Re-classification Rs. '000	Re-classified Rs. '000
Financial Assets at Amortised Cost - Loans and Receivables	111,093,620	34,095,554	145,189,174
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	34,095,554	(34,095,554)	-
<b>Total</b>	<b>145,189,174</b>	<b>-</b>	<b>145,189,174</b>

#### Group

As at 31 March 2023	Prior Classification Rs. '000	Re-classification Rs. '000	Re-classified Rs. '000
Financial Assets at Amortised Cost - Loans and Receivables	112,231,789	34,139,808	146,371,597
Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	34,139,808	(34,139,808)	-
<b>Total</b>	<b>146,371,597</b>	<b>-</b>	<b>146,371,597</b>

The reported reclassification was made to reflect the meaningful presentation of Financial Position, where the Loans and Receivables, Lease Rentals Receivable and Stock out on Hire were shown together in the Statement of Financial Position.

### 3.8.3 Statement of Cash Flows

During the current financial year, the Group reclassified prior year figures of the cash flows from/(used in) operating activities in the Statement of Cash Flows as reported below;

#### Company

As at 31 March 2023	Prior Classification Rs. '000	Re-classification Rs. '000	Re-classified Rs. '000
<b>(Increase)/Decrease in Operating Assets</b>			
(Increase)/Decrease in Financial Assets at Amortised Cost - Loans and Receivables	(18,943,800)	7,604,485	(11,339,315)
(Increase)/Decrease in Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	7,604,485	(7,604,485)	-
<b>Total</b>	<b>(11,339,315)</b>	<b>-</b>	<b>(11,339,315)</b>

#### Group

As at 31 March 2023	Prior Classification Rs. '000	Re-classification Rs. '000	Re-classified Rs. '000
<b>(Increase)/Decrease in Operating Assets</b>			
(Increase)/Decrease in Financial Assets at Amortised Cost - Loans and Receivables	(18,995,754)	7,642,426	(11,353,328)
(Increase)/Decrease in Financial Assets at Amortised Cost - Lease Rentals Receivable and Stock out on Hire	7,642,426	(7,642,426)	-
<b>Total</b>	<b>(11,353,328)</b>	<b>-</b>	<b>(11,353,328)</b>

The reported reclassification was made to reflect the meaningful presentation of Cash Flows, where the Loans and Receivables, Lease Rentals Receivable and Stock out on Hire were shown together in the Statement of Cash Flows.

### 3.8.4 Notes to the Financial Statements

Comparative information was reclassified in note 2.1, 2.5, 2.14, 2.17, 2.18, 3.3, 4.2, 4.3 and 4.4 of these Financial Statements to conform with the current year's classification where the Loans and Receivables, Lease Rentals Receivable and Stock out on Hire were shown together in order to provide better presentation.

3.9 Changes in Liabilities Arising from Financing Activities

Accounting Policy

Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended are disclosed below.

The funds borrowed by the Company and the Group are given in Note 2.27.1 and Note 2.29.

Year ended 31 March	Company			
	Debt Funding from Banks		Debt Instruments Issued and Other Borrowed Funds	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	18,878,922	25,109,593	3,882,024	8,564,617
Net Cash Flows from Financing Activities	1,824,285	(6,266,627)	1,641,484	(4,552,221)
Non Cash Changes				
Net Accrual for Interest Expense	(36,745)	35,956	(32,107)	(130,372)
Balance as at the End of the Year	20,666,462	18,878,922	5,491,401	3,882,024
Within 12 Months	9,398,269	8,716,397	1,429,853	2,392,049
After 12 Months	11,268,193	10,162,525	4,061,548	1,489,975
<b>Total</b>	<b>20,666,462</b>	<b>18,878,922</b>	<b>5,491,401</b>	<b>3,882,024</b>

Year ended 31 March	Group			
	Debt Funding from Banks		Debt Instruments Issued and Other Borrowed Funds	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Balance as at the Beginning of the Year	18,900,517	25,109,593	3,882,024	8,564,617
Net Cash Flows from Financing Activities	2,055,781	(6,245,478)	1,641,484	(4,552,221)
Non Cash Changes				
Net Accrual for Interest Expense	(38,886)	36,402	(32,107)	(130,372)
Balance as at the End of the Year	20,917,412	18,900,517	5,491,401	3,882,024
Within 12 Months	9,649,219	8,737,992	1,429,853	2,392,049
After 12 Months	11,268,193	10,162,525	4,061,548	1,489,975
<b>Total</b>	<b>20,917,412</b>	<b>18,900,517</b>	<b>5,491,401</b>	<b>3,882,024</b>



### 3.10 Events Occurring after the Reporting Date

#### 3.10.1 Final Dividend

Subsequent to the reporting date, the Board of Directors of the Company recommended the payment of a final dividend of Rs. 3.50 per share for the year ended 31 March 2024. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors for the final dividend which is to be approved at the Annual General Meeting to be held on 28 June 2024.

In accordance with the Sri Lanka Accounting Standard – LKAS 10 (Events After the Reporting Period), this proposed final dividend has not been recognised as a liability as at 31 March 2024.

#### 3.10.2 Amalgamation of Multi Finance PLC

In furtherance of the Financial Sector Consolidation Plan of the Central Bank of Sri Lanka, the Boards of Directors of LB Finance PLC and its subsidiary, Multi Finance PLC, have resolved to amalgamate Multi Finance PLC with LB Finance PLC under Section 239 of the companies Act No. 07 of 2007, whereby LB Finance PLC will be the Amalgamated Company, subject however to the regulatory approvals and the approval of the shareholders of both Multi Finance PLC and LB Finance PLC, by way of Special Resolutions at Extraordinary General Meetings of the respective companies.

The in-principle approval of the Central Bank of Sri Lanka has been received for the amalgamation. The shares of Multi Finance PLC will not be converted to shares of LB Finance PLC. Instead, the shareholders of Multi Finance PLC except LB Finance PLC will be paid a cash consideration of Rs. 4.50 for each share held by the said shareholders in Multi Finance PLC.

The cash consideration was determined pursuant to a valuation of the shares of Multi Finance PLC carried out by its Auditors, Messrs KPMG, Chartered Accountants, based on the net book value of Multi Finance PLC as of 30 September 2023.

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the Financial Statements.

## 4 FINANCIAL RISK REVIEW

### Content for Financial Risk Review

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4.3	338	4.4.5	346
4.3.1	339	4.4.6	346
4.3.2	341	4.5	347
4.3.3	342	4.6	347

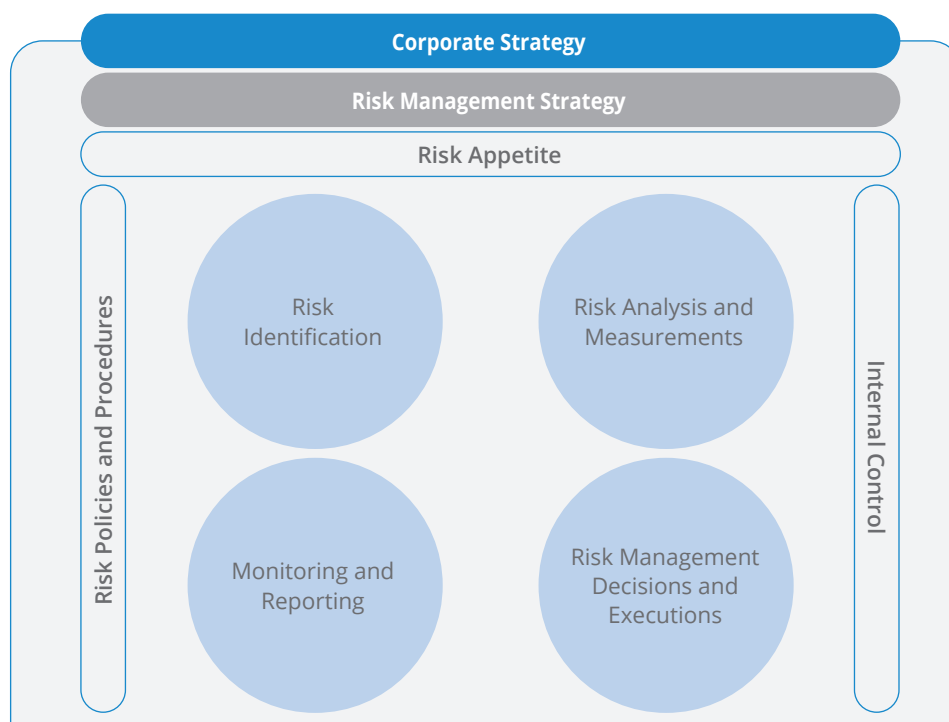
### 4.1 Introduction

As a financial institution engaged in a varied offerings of financial services, the Group is exposed to following key risks which are inherent in its operations.

- ◆ Credit Risk
- ◆ Liquidity Risk
- ◆ Market Risk
- ◆ Operational Risk

Proper management of these risks is essential for the Group's sustainability and is crucial to all of its activities. To achieve this, the risk management function aims to proactively identify potential risks, analyse them, and take preventive measures to manage the risks on continuous basis, while maximising risk-adjusted returns within the Group's risk appetite.

### Risk Management Framework



The Risk Management Framework of the Group has been optimised through the application and the embedment of the risk management process which includes risk identification, risk analysis, risk measurement, risk management decision and execution, risk monitoring and reporting.

The overall responsibility of establishment and oversight of the Risk Management Framework of the Group is vested with the Board of Directors. The Board Integrated Risk Management Committee (BIRMC), a sub committee appointed by the Board, ensures that risk management strategies, policies and processes are in place to manage events/outcomes that could potentially impact earnings, performance, reputation and capital.

The Management Committees, namely, Credit Committee, IT Steering and Security Committee, Sustainability Committee, Business Continuity Management Committee, each with a defined responsibility, facilitate the effective functioning of risk management framework by executing their respective risk management mandates. The adequacy and effectiveness of the management committees is reviewed by the BIRMC annually.

Risk management policies, procedures and risk appetite statement are reviewed regularly to be inline with the risk management capacities, business opportunities, Group's business strategy and regulatory requirements. Internal controls are a key element in the risk management framework. They ensure the integrity of financial and accounting information, promote compliance and operational efficiency, and prevent fraud. Clearly defined procurers, continuous trainings and code of conduct contribute to inculcate strong risk culture.

The Internal Audit department periodically carries out an independent review of the implementation of the risk management framework and risk policies covering different risk categories.

#### **Risk Management Department (RMD)**

Whilst the business units bear primary responsibility for risk management, the Risk Management Department (RMD) acts as the second line of defence, providing independent oversight. The Head of Risk Management leads the RMD, reporting directly to the BIRMC. The RMD works in harmony with other control functions in the Group, such as Internal Audit, Compliance, and Finance, which may uncover risk management issues. Each of these control functions has a unique focus, and overlap is minimised to ensure that their approaches are complementary and lead to consistent, effective, and timely escalation of risks.

## **4.2 Credit Risk**

Credit risk is the risk of financial loss to the Group if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers/other companies and investments in debt securities. Credit risk constitutes the Group's largest risk exposure category. This can be broadly categorised into three types; default, concentration and settlement risk.

**Default risk** is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the Group's loans and advances to customers.

**Concentration risk** is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

**Settlement risk** is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

#### **Managing Credit Risk**

Group manages credit risk by focusing on following steps;

- ◆ The credit risk management initiates at the beginning of the loan origination stage which includes the preliminary screening of the customer and credit appraisal of the particular facility. The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. Credit appraisal process is further strengthened by the credit risk scoring model which assigns each individual facility a score based on the payment history, strength of the collaterals and guarantors.
- ◆ The Group has clearly defined guidelines for credit approvals where the approval limits have been delegated taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value.
- ◆ The Group uses collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, securities, letters of guarantees, receivables, inventories and other non financial assets. The fair value of collateral is generally assessed at the inception based on the guidelines issued by the Central Bank of Sri Lanka and the Central Bank of Myanmar.

## Notes to the Financial Statements

- ◆ A comprehensive set of credit risk indicators are monitored monthly to review the credit quality of the portfolio, to avoid undue concentration to products, regions and stress industry sectors and to ensure the compliance with regulatory and prudent exposure limits that defines the risk appetite of the Group.
- ◆ Post disbursement monitoring and review is initially performed by the the Credit Department. Early warnings system on problem loans is mainly based on the arrears position of the facilities. To address delinquencies, early and effective follow-ups and reminders are implemented. For critical exposures, swift recovery actions are taken. If a loan becomes overdue for a period that exceeds the tolerance period, responsibility for recovery and collections is transferred to the Recoveries Department.
- ◆ Impairment assessment is based on a Expected Credit Loss (ECL) approach where the assessment models are validated by independent external expertise. The methodology of the impairment assessment has been explained in the Note 2.18 to these Financial Statements.

### Management of Large Exposures

The Credit Committee is primarily responsible for implementing the overall credit policy set out by the Board of Directors. This includes setting lending guidelines in conformity with the credit risk appetite set by the Board of Directors. Sanctioning of large exposures are primarily handled by the Credit Committee. Further, it is responsible for managing credit default risk and concentration risk. The Credit Committee consists of the Managing Director, Deputy Managing Director, Executive Directors, Deputy General Manager-Credit, Chief Financial Officer and Chief Risk Officer.

### Impact Assessment of Stressed Economic Conditions

The Group's Integrated Risk Management Framework aims to proactively manage the impact of unfavourable economic and market conditions while achieving the Company's risk-return objectives. This has been demonstrated by the Group's ability to maintain a lower level of non-performing loans (NPLs) compared to the industry average (LFCs and SLCs). The Group has always acted with due diligence and taken prudent measures to ensure effective and efficient repayment behaviour from credit customers, while also safeguarding the interests of stakeholders.

#### 4.2.1 Analysis of Credit Risk Exposure

The fair value of collateral for finance receivables is calculated based on the number of contracts multiplied by the loss severity and the Probability of Default (PD) percentage or the outstanding receivable balances multiplied by the Average Recovery Value (ARV) percentage to determine the fair value adjustment.

The following tables show the maximum exposure to credit risk by class of financial asset. It further shows the net exposure to credit risk.

#### 4.2.1 (a) Company

As at 31 March	2024		2023	
	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000
Cash and Cash Equivalents	9,314,425	1,908,342	4,524,032	543,656
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	14,674	10,653	10,653
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	168,600,738	9,636,514	153,047,894	10,214,804
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	118,587	117,388	117,388
Other Financial Assets*	20,374,770	4,811,557	21,685,834	9,495,348
<b>Total Financial Assets</b>	<b>198,423,194</b>	<b>16,489,674</b>	<b>179,385,801</b>	<b>20,381,849</b>

\*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2024, the net carrying value amount of those investments was Rs. 4,202,401,264/- (2023 - Rs. 8,880,296,915/-).

## 4.2.1 (b) Group

As at 31 March	2024		2023	
	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000
Cash and Cash Equivalents	9,559,602	1,908,342	4,680,955	543,656
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	14,674	10,653	10,653
Financial Assets at Amortised Cost - Loans and Receivables (Gross)	170,174,755	11,210,531	154,566,999	11,733,911
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	118,589	117,390	117,390
Other Financial Assets*	20,443,404	4,831,810	21,710,810	9,520,324
<b>Total Financial Assets</b>	<b>200,311,024</b>	<b>18,083,946</b>	<b>181,086,807</b>	<b>21,925,934</b>

\*Net exposure of the Other Financial Assets mainly includes investment in fixed deposits in banks and other financial institutions. As at 31 March 2024, the net carrying value amount of those investments was Rs. 4,222,541,264/- (2023 - Rs.8,922,882,170/-).

## 4.2.2 Collateral and Other Credit Enhancements - Loans and Receivables

The below tables provide an analysis of the values of collateral held and credit enhancements for Stage 03 assets. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery.

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Maximum Exposure to Credit Risk	6,463,856	12,723,824	7,023,093	13,350,152
Less - Collateral				
Movable Securities	15,566,045	26,635,020	15,660,331	26,761,660
Immovable Securities	7,060,031	9,616,518	7,252,543	9,809,030
<b>Total Collateral</b>	<b>22,626,076</b>	<b>36,251,538</b>	<b>22,912,874</b>	<b>36,570,690</b>
Net Exposure	(16,162,220)	(23,527,714)	(15,889,781)	(23,220,538)
<b>Associated ECL</b>	<b>3,803,434</b>	<b>4,796,796</b>	<b>4,117,328</b>	<b>5,113,330</b>

## 4.2.3 Credit Quality By Class of Financial Assets

## 4.2.3 (a) Company

As at 31 March 2024	Not subject to ECL Rs. '000	Subject to ECL			ECL Rs. '000	Carrying Amount Rs. '000
		Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000		
<b>Assets</b>						
Cash and Cash Equivalents	9,314,425	-	-	-	-	9,314,425
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	14,674	-	-	-	-	14,674
Financial Assets at Amortised Cost - Loans and Receivables	-	141,430,755	20,706,127	6,463,856	7,309,252	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	-	-	-	118,587
Other Financial Assets	16,172,369	4,204,260	-	-	1,859	20,374,770
<b>Total Financial Assets</b>	<b>25,620,055</b>	<b>145,635,015</b>	<b>20,706,127</b>	<b>6,463,856</b>	<b>7,311,111</b>	<b>191,113,942</b>



## Notes to the Financial Statements

### Age Analysis of Loans and Receivables

As at 31 March 2024	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current	115,552,938	144,085	190,259	115,887,282	68.73%
Overdue < 30 days	25,877,817	708,169	266,063	26,852,049	15.93%
Overdue 30 to 90 days	-	19,853,873	1,184,866	21,038,739	12.48%
Overdue > 90 days	-	-	4,822,668	4,822,668	2.86%
<b>Total</b>	<b>141,430,755</b>	<b>20,706,127</b>	<b>6,463,856</b>	<b>168,600,738</b>	<b>100.00%</b>
	83.89%	12.28%	3.83%	100.00%	

As at 31 March 2023	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>						
Cash and Cash Equivalents	4,524,032	-	-	-	-	4,524,032
Financial Assets Recognised Through Profit or Loss						
- Measured at Fair Value	10,653	-	-	-	-	10,653
Financial Assets at Amortised Cost						
- Loans and Receivables	-	117,353,429	22,970,641	12,723,824	7,858,720	145,189,174
Financial Assets Measured at Fair Value Through Other Comprehensive Income	117,388	-	-	-	-	117,388
Other Financial Assets	12,805,537	8,929,897	-	-	49,600	21,685,834
<b>Total Financial Assets</b>	<b>17,457,610</b>	<b>126,283,326</b>	<b>22,970,641</b>	<b>12,723,824</b>	<b>7,908,320</b>	<b>171,527,081</b>

### Age Analysis of Loans and Receivables

As at 31 March 2023	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current	94,240,074	235,121	220,512	94,695,707	61.88%
Overdue < 30 days	23,113,355	921,141	352,775	24,387,271	15.93%
Overdue 30 to 90 days	-	21,814,379	2,291,654	24,106,033	15.75%
Overdue > 90 days	-	-	9,858,883	9,858,883	6.44%
<b>Total</b>	<b>117,353,429</b>	<b>22,970,641</b>	<b>12,723,824</b>	<b>153,047,894</b>	<b>100.00%</b>
	76.68%	15.01%	8.31%	100.00%	

#### 4.2.3 (b) Group

As at 31 March 2024	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>						
Cash and Cash Equivalents	9,559,602	-	-	-	-	9,559,602
Financial Assets Recognised Through Profit or Loss						
- Measured at Fair Value	14,674	-	-	-	-	14,674
Financial Assets at Amortised Cost						
- Loans and Receivables	-	142,440,448	20,711,214	7,023,093	7,653,022	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	-	-	-	-	118,589
Other Financial Assets	16,220,863	4,224,400	-	-	1,859	20,443,404
<b>Total Financial Assets</b>	<b>25,913,728</b>	<b>146,664,848</b>	<b>20,711,214</b>	<b>7,023,093</b>	<b>7,654,881</b>	<b>192,658,002</b>

## Age Analysis of Loans and Receivables

As at 31 March 2024	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current	116,671,286	144,085	190,538	117,005,909	68.76%
Overdue < 30 days	25,769,162	696,267	403,634	26,869,063	15.79%
Overdue 30 to 90 days	-	19,870,862	1,187,869	21,058,731	12.37%
Overdue > 90 days	-	-	5,241,052	5,241,052	3.08%
<b>Total</b>	<b>142,440,448</b>	<b>20,711,214</b>	<b>7,023,093</b>	<b>170,174,755</b>	<b>100.00%</b>
	83.70%	12.17%	4.13%	100.00%	

As at 31 March 2023	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 01	Stage 02	Stage 03		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets</b>						
Cash and Cash Equivalents	4,680,955	-	-	-	-	4,680,955
Financial Assets Recognised Through Profit or Loss						
- Measured at Fair Value	10,653	-	-	-	-	10,653
Financial Assets at Amortised Cost						
- Loans and Receivables	-	118,243,460	22,973,387	13,350,152	8,195,402	146,371,597
Financial Assets Measured at Fair Value Through Other Comprehensive Income	117,390	-	-	-	-	117,390
Other Financial Assets	12,787,928	8,972,482	-	-	49,600	21,710,810
<b>Total Financial Assets</b>	<b>17,596,926</b>	<b>127,215,942</b>	<b>22,973,387</b>	<b>13,350,152</b>	<b>8,245,002</b>	<b>172,891,405</b>

## Age Analysis of Loans and Receivables

As at 31 March 2023	Stage 01	Stage 02	Stage 03	Total	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current	95,196,654	235,121	220,789	95,652,564	61.88%
Overdue < 30 days	23,046,806	883,528	500,779	24,431,113	15.81%
Overdue 30 to 90 days	-	21,854,738	2,307,736	24,162,474	15.63%
Overdue > 90 days	-	-	10,320,848	10,320,848	6.68%
<b>Total</b>	<b>118,243,460</b>	<b>22,973,387</b>	<b>13,350,152</b>	<b>154,566,999</b>	<b>100.00%</b>
	76.50%	14.86%	8.64%	100.00%	

## 4.2.4 Concentration of Credit Risk

By setting prudential concentration limits under different criteria within the established risk appetite framework, the Group ensures that an acceptable level of risk diversification is maintained. These limits are monitored and reviewed by the Risk Management Departments, Credit Committee, and BIRMC on a regular basis to capture the developments in market, regulatory and economic environment to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

An analysis of risk concentration of financial assets based on industry sector and geographical location is given below.

## Notes to the Financial Statements

### 4.2.4 (a) Industry-wise Concentration - Company

Economic crisis and other dynamics in the operating environment has created stress circumstances for certain industries. LB Finance has set prudential limits to avoid undue concentration for such stressed industries.

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

As at 31 March 2024

Sector-wise Breakdown	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	3,348	27,949,448	-	-	27,952,796
Manufacturing	-	6,392	17,813,502	13,189	-	17,833,083
Tourism	-	-	4,034,785	93,175	-	4,127,960
Transportation and Storage	-	-	7,832,436	-	-	7,832,436
Construction and Infrastructure Development	-	-	6,886,875	-	-	6,886,875
Wholesale and Retail Trade	-	-	22,350,610	-	-	22,350,610
Information Technology and Communication	-	-	3,108,595	-	-	3,108,595
Financial Services	9,314,425	4,934	4,632,338	12,223	20,374,770	34,338,690
Professional, Scientific and Technical Activities	-	-	6,998,590	-	-	6,998,590
Arts, Entertainment and Recreation	-	-	15,184,197	-	-	15,184,197
Education	-	-	4,242,066	-	-	4,242,066
Health Care, Social Services and Support Services	-	-	12,225,717	-	-	12,225,717
Consumption	-	-	28,032,327	-	-	28,032,327
<b>Total</b>	<b>9,314,425</b>	<b>14,674</b>	<b>161,291,486</b>	<b>118,587</b>	<b>20,374,770</b>	<b>191,113,942</b>

As at 31 March 2023

Sector-wise Breakdown	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	2,550	27,648,560	-	-	27,651,110
Manufacturing	-	5,627	16,093,714	11,657	-	16,110,998
Tourism	-	-	2,525,571	89,124	-	2,614,695
Transportation and Storage	-	-	5,267,886	-	-	5,267,886
Construction and Infrastructure Development	-	-	6,452,039	-	-	6,452,039
Wholesale and Retail Trade	-	-	17,763,278	-	-	17,763,278
Information Technology And Communication	-	-	2,329,709	-	-	2,329,709
Financial Services	4,524,032	2,476	4,234,471	16,607	21,685,834	30,463,420
Professional, Scientific and Technical Activities	-	-	5,331,135	-	-	5,331,135
Arts, Entertainment and Recreation	-	-	14,001,601	-	-	14,001,601
Education	-	-	2,523,813	-	-	2,523,813
Health Care, Social Services and Support Services	-	-	7,065,158	-	-	7,065,158
Consumption	-	-	33,952,239	-	-	33,952,239
<b>Total</b>	<b>4,524,032</b>	<b>10,653</b>	<b>145,189,174</b>	<b>117,388</b>	<b>21,685,834</b>	<b>171,527,081</b>

#### 4.2.4 (b) Industry-wise Concentration - Group

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

As at 31 March 2024

Sector-wise Breakdown	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	3,348	27,951,717	-	-	27,955,065
Manufacturing	-	6,392	17,820,679	13,189	-	17,840,260
Tourism	-	-	4,034,785	93,175	-	4,127,960
Transportation and Storage	-	-	7,834,138	-	-	7,834,138
Construction and Infrastructure Development	-	-	6,888,222	-	-	6,888,222
Wholesale and Retail Trade	-	-	22,357,920	-	-	22,357,920
Information Technology and Communication	-	-	3,108,595	-	-	3,108,595
Financial Services	9,559,602	4,934	4,633,104	12,225	20,443,404	34,653,269
Professional, Scientific and Technical Activities	-	-	7,001,137	-	-	7,001,137
Arts, Entertainment and Recreation	-	-	15,184,197	-	-	15,184,197
Education	-	-	4,244,138	-	-	4,244,138
Health Care, Social Services and Support Services	-	-	12,231,182	-	-	12,231,182
Consumption	-	-	28,092,276	-	-	28,092,276
Myanmar	-	-	1,139,643	-	-	1,139,643
<b>Total</b>	<b>9,559,602</b>	<b>14,674</b>	<b>162,521,733</b>	<b>118,589</b>	<b>20,443,404</b>	<b>192,658,002</b>

As at 31 March 2023 - Group

Sector-wise Breakdown	Cash and Cash Equivalents	Financial Assets Recognised Through Profit or Loss	Financial Assets at Amortised Cost - Loans and Receivables	Financial Assets Measured at Fair Value Through OCI	Other Financial Assets	Total Financial Assets
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Agriculture, Forestry and Fishing	-	2,550	27,648,560	-	-	27,651,110
Manufacturing	-	5,627	16,096,312	11,657	-	16,113,596
Tourism	-	-	2,529,916	89,124	-	2,619,040
Transportation and Storage	-	-	5,267,886	-	-	5,267,886
Construction and Infrastructure Development	-	-	6,466,640	-	-	6,466,640
Wholesale and Retail Trade	-	-	17,768,068	-	-	17,768,068
Information Technology and Communication	-	-	2,329,709	-	-	2,329,709
Financial Services	4,680,955	2,476	4,234,471	16,609	21,710,810	30,645,321
Professional, Scientific and Technical Activities	-	-	5,332,650	-	-	5,332,650
Arts, Entertainment and Recreation	-	-	14,003,151	-	-	14,003,151
Education	-	-	2,525,161	-	-	2,525,161
Health Care, Social Services and Support Services	-	-	7,079,478	-	-	7,079,478
Consumption	-	-	34,199,174	-	-	34,199,174
Myanmar	-	-	890,421	-	-	890,421
<b>Total</b>	<b>4,680,955</b>	<b>10,653</b>	<b>146,371,597</b>	<b>117,390</b>	<b>21,710,810</b>	<b>172,891,405</b>

4.2.4 (c) Geographical Concentration - Loans and Receivables

As at 31 March	Company		Group	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Province/Country-wise Breakdown</b>				
<b>Sri Lanka</b>				
Central	14,013,131	12,069,841	14,023,319	12,089,572
Eastern	12,526,112	9,773,931	12,526,112	9,773,931
North Central	6,285,001	5,868,420	6,292,173	5,881,603
North Western	13,796,664	12,239,591	13,805,020	12,257,114
Northern	10,259,033	9,376,436	10,259,033	9,376,436
Sabaragamuwa	7,791,094	6,374,723	7,807,565	6,425,431
Southern	15,243,241	13,398,982	15,257,182	13,426,842
Uva	6,130,573	5,428,252	6,130,573	5,428,252
Western	75,246,637	70,658,998	75,281,113	70,821,995
	161,291,486	145,189,174	161,382,090	145,481,176
<b>Overseas</b>				
Myanmar	-	-	1,139,643	890,421
<b>Total</b>	<b>161,291,486</b>	<b>145,189,174</b>	<b>162,521,733</b>	<b>146,371,597</b>

4.3 Liquidity Risk and Funding Management

In the context of a financial institution, liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

**Market liquidity risk** is the inability to easily exit a position. Group's market liquidity risk is low if assets can be liquidated without moving the price too much.

**Funding liquidity risk** means the Group's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Group's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions as a whole are deteriorating.

**Managing Liquidity Risk**

The Group's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Group regularly monitors liquidity position and maintain an adequate buffer of liquid assets. Monitoring maturity mismatches of assets and liabilities and cashflow forecast under normal and stress scenarios are two key tools used in the liquidity risk management process. All statutory and prudent liquidity ratios are monitored against tolerance limits and stress testing is carried out regularly to assess the effectiveness of liquidity management. The Group has taken prudent measures to increase its liquidity buffers and maintained a strong excess liquidity position throughout the year under review. The Group is comfortable with its existing buffer of liquid assets. Contingency funding planning serves as an action plan detailing the steps to take during liquidity shortfalls. Group maintains access to diverse funding sources to meet unforeseen liquidity requirements.

ALCO is primarily responsible for the effective management of assets and liabilities to minimise the maturity mismatch, there by manage the liquidity risk of the Group. ALCO is chaired by the Managing Director and comprises of Deputy Managing Director, Executive Directors, representatives from Treasury Department, Fixed Deposits, the Chief Financial Officer and Chief Risk Officer. The Committee meets regularly and make all policy decisions with regard to funding matters, duration management of assets and liabilities and investments, to keep the liquidity at healthy levels, whilst satisfying regulatory requirements.



#### 4.3.1 Analysis of Liquidity Risk Exposure

4.3.1 (a) The table below summarises the remaining contractual maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and receivables and renewal of fixed deposits.

As at 31 March 2024 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	5,807,831	3,515,209	-	-	-	9,323,040
Financial Assets Recognised Through Profit or Loss	14,674	-	-	-	-	14,674
Financial Assets at Amortised Cost						
- Loans and Receivables	15,525,996	47,804,783	65,968,762	70,661,133	4,858,581	204,819,255
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,587	-	-	-	-	118,587
Other Financial Assets	-	10,787,026	10,138,369	-	-	20,925,395
<b>Total Financial Assets</b>	<b>21,467,088</b>	<b>62,107,018</b>	<b>76,107,131</b>	<b>70,661,133</b>	<b>4,858,581</b>	<b>235,200,951</b>
<b>Financial Liabilities</b>						
Due to Banks	1,035,550	3,836,127	7,252,918	12,690,771	-	24,815,366
Due to Depositors	3,751,712	62,538,259	41,771,384	25,356,639	-	133,417,994
Debt Instruments Issued and Other Borrowed Funds	-	554,732	994,608	5,125,368	-	6,674,708
Other Financial Liabilities	-	2,199,928	349,903	1,602,533	-	4,152,364
<b>Total Financial Liabilities</b>	<b>4,787,262</b>	<b>69,129,046</b>	<b>50,368,813</b>	<b>44,775,311</b>	<b>-</b>	<b>169,060,432</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>16,679,826</b>	<b>(7,022,028)</b>	<b>25,738,318</b>	<b>25,885,822</b>	<b>4,858,581</b>	<b>66,140,519</b>
<b>Cumulative Net Financial Assets/(Liabilities)</b>	<b>16,679,826</b>	<b>9,657,798</b>	<b>35,396,116</b>	<b>61,281,938</b>	<b>66,140,519</b>	<b>-</b>

4.3.1 (b) The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31 March 2023 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	3,693,153	858,056	-	-	-	4,551,209
Financial Assets Recognised Through Profit or Loss	10,653	-	-	-	-	10,653
Financial Assets at Amortised Cost						
- Loans and Receivables	22,573,179	64,586,312	38,803,800	59,264,293	4,452,911	189,680,495
Financial Assets Measured at Fair Value Through Other Comprehensive Income	117,388	-	-	-	-	117,388
Other Financial Assets	615,052	9,704,545	14,075,757	-	-	24,395,354
<b>Total Financial Assets</b>	<b>27,009,425</b>	<b>75,148,913</b>	<b>52,879,557</b>	<b>59,264,293</b>	<b>4,452,911</b>	<b>218,755,099</b>
<b>Financial Liabilities</b>						
Due to Banks	490,862	3,420,271	7,383,347	11,720,737	-	23,015,217
Due to Depositors	2,545,550	57,308,381	47,479,036	20,278,435	-	127,611,402
Debt Instruments Issued and Other Borrowed Funds	-	1,297,852	1,250,544	1,628,457	-	4,176,853
Other Financial Liabilities	1,520,142	304,139	286,000	1,440,688	556,437	4,107,406
<b>Total Financial Liabilities</b>	<b>4,556,554</b>	<b>62,330,643</b>	<b>56,398,927</b>	<b>35,068,317</b>	<b>556,437</b>	<b>158,910,878</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>22,452,871</b>	<b>12,818,270</b>	<b>(3,519,370)</b>	<b>24,195,976</b>	<b>3,896,474</b>	<b>59,844,221</b>
<b>Cumulative Net Financial Assets/(Liabilities)</b>	<b>22,452,871</b>	<b>35,271,141</b>	<b>31,751,771</b>	<b>55,947,747</b>	<b>59,844,221</b>	<b>-</b>

## Notes to the Financial Statements

**4.3.1 (c)** The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2024.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and receivables related events.

As at 31 March 2024 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	5,911,880	3,656,338	-	-	-	9,568,218
Financial Assets Recognised Through Profit or Loss	14,674	-	-	-	-	14,674
Financial Assets at Amortised Cost						
- Loans and Receivables	15,990,681	48,279,958	66,744,395	70,759,106	4,858,581	206,632,721
Financial Assets Measured at Fair Value Through Other Comprehensive Income	118,589	-	-	-	-	118,589
Other Financial Assets	68,634	10,787,026	10,138,369	-	-	20,994,029
<b>Total Financial Assets</b>	<b>22,104,458</b>	<b>62,723,322</b>	<b>76,882,764</b>	<b>70,759,106</b>	<b>4,858,581</b>	<b>237,328,231</b>
<b>Financial Liabilities</b>						
Due to Banks	1,038,446	3,836,127	7,503,868	12,690,771	-	25,069,212
Due to Depositors	3,978,135	62,538,259	41,771,384	25,356,639	-	133,644,417
Debt Instruments Issued and Other Borrowed Funds	-	554,732	994,608	5,125,368	-	6,674,708
Other Financial Liabilities	58,120	2,199,928	349,903	1,602,533	-	4,210,484
<b>Total Financial Liabilities</b>	<b>5,074,701</b>	<b>69,129,046</b>	<b>50,619,763</b>	<b>44,775,311</b>	<b>-</b>	<b>169,598,821</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>17,029,757</b>	<b>(6,405,724)</b>	<b>26,263,001</b>	<b>25,983,795</b>	<b>4,858,581</b>	<b>67,729,410</b>
<b>Cumulative Net Financial Assets/(Liabilities)</b>	<b>17,029,757</b>	<b>10,624,033</b>	<b>36,887,034</b>	<b>62,870,829</b>	<b>67,729,410</b>	<b>-</b>

**4.3.1 (d)** The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 March 2023.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns.

As at 31 March 2023 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Financial Assets</b>						
Cash and Cash Equivalents	3,731,146	976,985	-	-	-	4,708,131
Financial Assets Recognised Through Profit or Loss	10,653	-	-	-	-	10,653
Financial Assets at Amortised Cost						
- Loans and Receivables	22,976,697	64,643,231	38,848,453	59,314,855	4,452,911	190,236,147
Financial Assets Measured at Fair Value Through Other Comprehensive Income	117,390	-	-	-	-	117,390
Other Financial Assets	640,028	9,704,545	14,075,757	-	-	24,420,330
<b>Total Financial Assets</b>	<b>27,475,914</b>	<b>75,324,761</b>	<b>52,924,210</b>	<b>59,314,855</b>	<b>4,452,911</b>	<b>219,492,651</b>
<b>Financial Liabilities</b>						
Due to Banks	512,456	3,420,271	7,383,347	11,720,737	-	23,036,811
Due to Depositors	2,782,104	57,308,381	47,479,036	20,278,435	-	127,847,956
Debt Instruments Issued and Other Borrowed Funds	-	1,297,852	1,250,544	1,628,457	-	4,176,853
Other Financial Liabilities	1,547,339	304,139	286,000	1,440,688	556,437	4,134,603
<b>Total Financial Liabilities</b>	<b>4,841,899</b>	<b>62,330,643</b>	<b>56,398,927</b>	<b>35,068,317</b>	<b>556,437</b>	<b>159,196,223</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>22,634,015</b>	<b>12,994,118</b>	<b>(3,474,717)</b>	<b>24,246,538</b>	<b>3,896,474</b>	<b>60,296,428</b>
<b>Cumulative Net Financial Assets/(Liabilities)</b>	<b>22,634,015</b>	<b>35,628,133</b>	<b>32,153,416</b>	<b>56,399,954</b>	<b>60,296,428</b>	<b>-</b>

### 4.3.2 Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by remaining maturity of the Company/Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31 March 2024 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Contingent Liabilities</b>						
Guarantees Issued to Banks and Other Institutions	-	1,000	3,000	1,500	-	5,500
Counter Indemnity Issued to Banks for Guarantees	-	-	-	298,370	-	298,370
<b>Total Contingent Liabilities</b>	-	1,000	3,000	299,870	-	303,870
<b>Commitments</b>						
Commitment for Unutilised Facilities	1,978,020	-	-	-	-	1,978,020
<b>Total Commitments</b>	1,978,020	-	-	-	-	1,978,020
<b>Total Commitments and Contingencies</b>	1,978,020	1,000	3,000	299,870	-	2,281,890

As at 31 March 2023 - Company	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Contingent Liabilities</b>						
Guarantees Issued to Banks and Other Institutions	-	2,000	4,275	-	-	6,275
Counter Indemnity Issued to Banks for Guarantees	-	-	-	324,000	-	324,000
Import LC and Ordinary Guarantees	51,558	-	-	-	-	51,558
<b>Total Contingent Liabilities</b>	51,558	2,000	4,275	324,000	-	381,833
<b>Commitments</b>						
Commitment for Unutilised Facilities	2,022,115	-	-	-	-	2,022,115
<b>Total Commitments</b>	2,022,115	-	-	-	-	2,022,115
<b>Total Commitments and Contingencies</b>	2,073,673	2,000	4,275	324,000	-	2,403,948

As at 31 March 2024 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Contingent Liabilities</b>						
Guarantees Issued to Banks and Other Institutions	-	1,000	3,000	1,500	-	5,500
Counter Indemnity Issued to Banks for Guarantees	-	-	-	47,420	-	47,420
<b>Total Contingent Liabilities</b>	-	1,000	3,000	48,920	-	52,920
<b>Commitments</b>						
Commitment for Unutilised Facilities	1,978,020	-	-	-	-	1,978,020
<b>Total Commitments</b>	1,978,020	-	-	-	-	1,978,020
<b>Total Commitments and Contingencies</b>	1,978,020	1,000	3,000	48,920	-	2,030,940

## Notes to the Financial Statements

As at 31 March 2023 - Group	On Demand	Less than 3 Months	3 - 12 Months	1 - 5 Years	Over 5 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Contingent Liabilities</b>						
Guarantees Issued to Banks and Other Institutions	-	2,000	4,275	-	-	6,275
Counter Indemnity Issued to Banks for Guarantees	-	-	-	324,000	-	324,000
Import LC and Ordinary Guarantees	51,558	-	-	-	-	51,558
<b>Total Contingent Liabilities</b>	<b>51,558</b>	<b>2,000</b>	<b>4,275</b>	<b>324,000</b>	<b>-</b>	<b>381,833</b>
<b>Commitments</b>						
Commitment for Unutilised Facilities	2,022,115	-	-	-	-	2,022,115
<b>Total Commitments</b>	<b>2,022,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,022,115</b>
<b>Total Commitments and Contingencies</b>	<b>2,073,673</b>	<b>2,000</b>	<b>4,275</b>	<b>324,000</b>	<b>-</b>	<b>2,403,948</b>

### 4.3.3 Liquidity Reserves

The table below sets out the components of the Company's liquidity reserves;

As at 31 March	2024		2023	
	Carrying Amount Rs. '000	Fair Value Rs. '000	Carrying Amount Rs. '000	Fair Value Rs. '000
Notes and Coins Held	1,965,160	1,965,160	1,810,836	1,810,836
Balances with Banks	1,934,329	1,934,329	1,338,660	1,338,660
Securities under Reverse Repurchase Agreements (Less than 03 Months)	3,506,594	3,506,594	830,880	830,880
Investment in Unit Trust	1,908,342	1,908,342	543,656	543,656
Securities under Reverse Repurchase Agreements (More than 03 Months)	4,568,918	4,568,918	4,651,908	4,651,908
Investment in Treasury Bills	10,994,294	11,052,693	7,538,577	7,578,396
Investment in Fixed Deposits	4,202,401	4,202,401	8,880,297	8,880,297
<b>Total Liquidity Reserves</b>	<b>29,080,038</b>	<b>29,138,437</b>	<b>25,594,814</b>	<b>25,634,633</b>

### 4.3.4 Financial Assets Available for Future Funding

The total financial assets recognised in the Statement of Financial Position as at 31 March 2024 and 2023 that can be use for the future funding is shown in the following tables;

As at 31 March 2024 - Company	Encumbered		Unencumbered		Total Rs. '000
	Pledged as Collateral Rs. '000	Other Rs. '000	Available as Collateral Rs. '000	Other Rs. '000	
Cash and Cash Equivalents	-	3,506,594	5,807,831	-	9,314,425
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	14,674	-	14,674
Financial Assets at Amortised Cost - Loans and Receivables	42,172,635	-	119,118,851	-	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	118,587	-	118,587
Other Financial Assets	418,988	4,568,918	8,352,331	7,034,533	20,374,770
<b>Total</b>	<b>42,591,623</b>	<b>8,075,512</b>	<b>133,412,274</b>	<b>7,034,533</b>	<b>191,113,942</b>

As at 31 March 2023 - Company	Encumbered		Unencumbered		Total Rs. '000
	Pledged as Collateral	Other	Available as Collateral	Other	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Cash and Cash Equivalents	-	830,880	3,693,152	-	4,524,032
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	10,653	-	10,653
Financial Assets at Amortised Cost - Loans and Receivables	37,150,380	-	108,038,794	-	145,189,174
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	117,388	-	117,388
Other Financial Assets	1,736,936	4,651,908	11,795,269	3,501,721	21,685,834
<b>Total</b>	<b>38,887,316</b>	<b>5,482,788</b>	<b>123,655,256</b>	<b>3,501,721</b>	<b>171,527,081</b>

#### 4.4 Market Risk

Market risk refers to the possible losses to the Group that could arise from changes in market variables such as interest rates, exchange rates, equity prices and commodity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

##### 4.4.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Group due to adverse and unanticipated movements in future interest rate which arises from core business activities; disbursing of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Group, the impact of interest rate risk is mainly on the earnings of the Group rather than the market value of portfolios.

Excessive movements in market interest rate could result in severe volatility to Group's net interest income and net interest margin. Group's exposure to interest rate risk is primarily associated with factors such as;

- ◆ Repricing risk arising from a fixed rate borrowing portfolio, where repricing frequency is different to that of the lending portfolio.
- ◆ Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimising interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Group conducts periodic reviews and reprices its assets accordingly. During the year, under the declining interest rate environment, the Company ensured timely repricing of deposit liabilities, following the market interest rate trend and strategically managed the downward pressure on the Net Interest Income by reducing the cost of funds.

##### 4.4.2 Interest Rate Sensitivity

Impact on Net Interest Income due to a parallel rate shock of 100 basis points (bps) on rate sensitive assets and liabilities is shown below;

###### Net Interest Income (NII) Sensitivity by Interest Rate Change

As at 31 March	2024		2023	
	Parallel Increase 100 bps	Parallel Decrease 100 bps	Parallel Increase 100 bps	Parallel Decrease 100 bps
Impact on Net Interest Income (Rs. '000)				
Annual Impact	(+) 176,240	(-) 176,240	(+) 297,074	(-) 297,074



## Notes to the Financial Statements

### 4.4.3 Interest Rate Risk Exposure on Financial Assets and Liabilities

4.4.3 (a) The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2024 - Company	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
<b>Financial Assets</b>							
Cash and Cash Equivalents	7,349,265	-	-	-	-	1,965,160	9,314,425
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	14,674	14,674
Financial Assets at Amortised Cost - Loans and Receivables	80,837,245	42,927,643	29,370,568	8,127,720	28,310	-	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	118,587	118,587
Other Financial Assets	10,079,439	9,686,175	-	-	-	609,156	20,374,770
	98,265,949	52,613,818	29,370,568	8,127,720	28,310	2,707,577	191,113,942
<b>Financial Liabilities</b>							
Due to Banks	16,423,269	2,860,256	2,418,487	-	-	-	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	64,691,861	38,182,963	14,320,235	5,613,065	-	-	122,808,124
Debt Instruments Issued and Other Borrowed Funds	542,232	887,621	3,371,967	689,581	-	-	5,491,401
Other Financial Liabilities	54,988	172,314	519,941	460,171	467,245	2,083,117	3,757,776
	81,712,350	42,103,154	20,630,630	6,762,817	467,245	2,083,117	153,759,313
<b>Interest Sensitivity Gap</b>	16,553,599	10,510,664	8,739,938	1,364,903	(438,935)	624,460	37,354,629
<b>Cumulative Interest Sensitivity Gap</b>	16,553,599	27,064,263	35,804,201	37,169,104	36,730,169	37,354,629	

4.4.3 (b) The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2023 - Company	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
<b>Financial Assets</b>							
Cash and Cash Equivalents	2,713,196	-	-	-	-	1,810,836	4,524,032
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	10,653	10,653
Financial Assets at Amortised Cost - Loans and Receivables	92,352,919	19,702,630	27,652,979	5,444,494	36,152	-	145,189,174
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	117,388	117,388
Other Financial Assets	8,082,729	12,988,053	-	-	-	615,052	21,685,834
	103,148,844	32,690,683	27,652,979	5,444,494	36,152	2,553,929	171,527,081
<b>Financial Liabilities</b>							
Due to Banks	3,325,385	5,881,875	9,745,916	416,608	-	-	19,369,784
Financial Liabilities at Amortised Cost - Due to Depositors	57,736,499	41,879,777	9,679,048	4,716,375	-	-	114,011,699
Debt Instruments Issued and Other Borrowed Funds	1,901,895	490,154	1,489,975	-	-	-	3,882,024
Other Financial Liabilities	42,758	138,628	464,658	450,808	428,400	1,730,610	3,255,862
	63,006,537	48,390,434	21,379,597	5,583,791	428,400	1,730,610	140,519,369
<b>Interest Sensitivity Gap</b>	40,142,307	(15,699,751)	6,273,382	(139,297)	(392,248)	823,319	31,007,712
<b>Cumulative Interest Sensitivity Gap</b>	40,142,307	24,442,556	30,715,938	30,576,641	30,184,393	31,007,712	

**4.4.3 (c)** The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2024 - Group	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
<b>Financial Assets</b>							
Cash and Cash Equivalents	7,542,872	-	-	-	-	2,016,730	9,559,602
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	14,674	14,674
Financial Assets at Amortised Cost - Loans and Receivables	80,907,217	44,080,557	29,377,271	8,128,378	28,310	-	162,521,733
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	118,589	118,589
Other Financial Assets	10,113,217	9,721,031	-	-	-	609,156	20,443,404
	98,563,306	53,801,588	29,377,271	8,128,378	28,310	2,759,149	192,658,002
<b>Financial Liabilities</b>							
Due to Banks	16,426,164	3,111,206	2,418,487	-	-	-	21,955,857
Financial Liabilities at Amortised Cost - Due to Depositors	64,879,301	38,202,028	14,340,153	5,613,065	-	-	123,034,547
Debt Instruments Issued and Other Borrowed Funds	542,232	887,621	3,371,967	689,581	-	-	5,491,401
Other Financial Liabilities	57,053	175,233	527,180	463,166	477,373	2,115,892	3,815,897
	81,904,750	42,376,088	20,657,787	6,765,812	477,373	2,115,892	154,297,702
<b>Interest Sensitivity Gap</b>	16,658,556	11,425,500	8,719,484	1,362,566	(449,063)	643,257	38,360,300
<b>Cumulative Interest Sensitivity Gap</b>	16,658,556	28,084,056	36,803,540	38,166,106	37,717,043	38,360,300	

**4.4.3 (d)** The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. The Group's assets and liabilities are included at carrying amount and categorised by the earlier of contractual reprising or maturity dates.

As at 31 March 2023 - Group	Up to 3 Months Rs. '000	3 - 12 Months Rs. '000	1 - 3 Years Rs. '000	3 - 5 Years Rs. '000	Over 5 Years Rs. '000	Non-Interest Sensitive Rs. '000	Total Rs. '000
<b>Financial Assets</b>							
Cash and Cash Equivalents	2,850,651	-	-	-	-	1,830,304	4,680,955
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	-	-	-	-	-	10,653	10,653
Financial Assets at Amortised Cost - Loans and Receivables	92,986,637	20,181,432	27,719,412	5,447,964	36,152	-	146,371,597
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	-	-	-	117,390	117,390
Other Financial Assets	8,079,343	13,008,376	-	8,039	-	615,052	21,710,810
	103,916,631	33,189,808	27,719,412	5,456,003	36,152	2,573,399	172,891,405
<b>Financial Liabilities</b>							
Due to Banks	3,348,137	5,881,875	9,745,916	416,608	-	-	19,392,536
Financial Liabilities at Amortised Cost - Due to Depositors	57,849,525	41,989,314	9,693,039	4,716,375	-	-	114,248,253
Debt Instruments Issued and Other Borrowed Funds	1,901,895	490,154	1,489,975	-	-	-	3,882,024
Other Financial Liabilities	20,608	144,130	472,114	450,808	432,642	1,762,757	3,283,059
	63,120,165	48,505,473	21,401,044	5,583,791	432,642	1,762,757	140,805,872
<b>Interest Sensitivity Gap</b>	40,796,466	(15,315,665)	6,318,368	(127,788)	(396,490)	810,642	32,085,533
<b>Cumulative Interest Sensitivity Gap</b>	40,796,466	25,480,801	31,799,169	31,671,381	31,274,891	32,085,533	

### 4.4.4 Commodity Price Risk

Commodity price risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. Given the significance of the Gold Loans business to Group's overall loan book, sharp fluctuations to the gold prices could have an adverse impact to earnings. Gold price fluctuations lead to market risk which is the primary source of credit risk associated with this product.

Group currently manages the credit and market risks arising from adverse movements in gold prices by adopting the following strategies;

- ◆ Shorter product life: Group, as a credit risk management strategy lends for shorter periods allowing it to initiate its recovery process faster.
- ◆ Frequent revisions to Loan-to-Value (LTV) Ratio: Group practices a process of revising advance offered per gold sovereign to reflect market value fluctuations to maintain the desired healthy Loan to Value Ratio.
- ◆ Timely auction of gold stocks : The gold stock of defaulted facilities are auctioned on frequent basis, avoiding pilling up of gold stock which would lead to larger losses at a sudden drop in the gold prices.

Further, stress tests are carried out regularly to assess the impact at decline in gold prices in varied levels.

Value at Risk (VaR) model is used as a key tool to assess the maximum estimated loss that can arise with a specified probability (confidence level) over a specified period of time due to adverse movement of gold price. The VaR model used is mainly on historical simulation and the model generates a wide range of plausible future scenarios for market price movements.

As at 31 March	2024	2023
3 months VaR of Global Gold Price at 95% Confidence Level	9.64%	11.77%
3 months VaR of Exchange Rate at 95% Confidence Level	4.19%	13.02%
Expected Credit Loss (Rs. '000)	364,303	752,765

### 4.4.5 Exchange Rate Risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies.

Group is exposed to two types of risk caused by currency volatility.

**Transaction risk** – This risk arises whenever the Group has contractual cash flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates due to a contract being denominated in a foreign currency. This type of exposure is short-term to medium-term in nature.

The contractual payable in foreign currency is fully hedged through a cross currency swap and the Company is not exposed to transaction foreign currency risk as at 31 March 2024.

**Translation risk** – This exposure arises from the effect of currency fluctuations on the consolidated financial statements, particularly when it has foreign subsidiaries. This type of exposure is medium-term to long-term.

The Company's exposure to Translation foreign currency risk is at a minimal level

Further, exchange risk could materialize as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

Exchange rate movement is closely monitored and assesses the impact to local gold price. As presented in note 4.4.4 above, the historical movement of exchange rate is considered in the VaR approach of the commodity risk assessment.

### 4.4.6 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. The Equity risk exposure to the Group is at a minimal level.

#### 4.5 Operational Risk

Operational risk is inherent in all the products, activities, processes and systems of the Company, and the effective management of operational risk has always been a fundamental element of a Group's risk management program. Operational risk can arise from a wide range of different external events or internal events. A strong operational risk culture together with robust internal controls, effective monitoring and internal reporting, contingency planning, clear strategies and oversight by the Board of Directors and Senior Management are crucial elements of the effective Operational Risk Management Framework of the Company.

Following tools are utilised to identify and assess the operational risk the Group is exposed to and they may also be utilised to implement action plans and monitor their execution.

- ◆ Reporting, Collection and Analysis of Operational Risk Incidents and Loss Events
- ◆ Departmental Wise Qualitative Risk Identification
- ◆ Risk Appetite and Tolerance Levels for Operational Risk
- ◆ Exception Monitoring
- ◆ Regular Monitoring of Key Risk Indicator
- ◆ Risk and Control Self-Assessment on Fraud Risk
- ◆ Branch Operational Risk Assessment

#### 4.6 Capital Adequacy

For a financial institution, capital is a buffer against insolvency. It is available to absorb unforeseen losses which will assure the sustainability of the Group's operations so the Group can remain in business. The more capital the Group has relative to the risks it takes, the more confidence the stakeholders are that it will meet its obligations to them. Group's capital management process is steered with the aim of holding sufficient capital to support the Group's risk appetite whilst maintaining adequate capital to meet minimum regulatory capital requirements. The capital goals of the Company are related to the effective capital management. They focus on bringing a right balance between risk absorption capacity and return to shareholders.

The Company has acquired the majority stake of the Multi Finance PLC in line with the Consolidation Master Plan of Central Bank of Sri Lanka on 16 March 2022. Multi Finance PLC is yet to comply with the minimum core capital requirements as required by the Direction on 2 of 2017 - Minimum Core Capital. Currently, the Group management is in the process of completing the amalgamation process as approved by the Central Bank of Sri Lanka. Multi Finance PLC is in compliance with the Tier 1 Capital ratio and Total Capital ratio (Capital Adequacy Requirements) as of 31 March 2024.

##### Regulatory Capital - Company

As per the Finance Business Act Direction No. 3 of 2018, the Licensed Finance Companies (LFCs) with assets of Rs. 100 Bn and above required to maintain a minimum Capital Adequacy Ratio (CAR) of 14% and a Core Capital Ratio (Tier 1) of 10%.

##### Components of Capital

As at 31 March	2024		2023	
	Actual Rs. '000	Required Rs. '000	Actual Rs. '000	Required Rs. '000
Tier 1 Capital	42,319,559	13,457,831	36,514,610	11,970,090
Tier 2 Capital	43,321,826	18,840,964	37,261,024	16,758,126
Total Risk Weighted Assets	134,578,311	-	119,700,901	-
Tier 1 Capital Ratio %	31.45%	10.00%	30.50%	10.00%
Total Capital Ratio %	32.19%	14.00%	31.13%	14.00%

As of 31 March 2024, the Company has maintained Risk Weighted Capital Adequacy Ratios above the CBSL's minimum capital requirements.

In terms of Basel Framework for Risk Management, the Company currently uses the standardised approach for credit risk weighted assets quantification and basic indicator approach for operational risk weighted assets quantification for the purpose of regulatory capital adequacy assessment. Further, the Company has adopted the Internal Capital Adequacy Assessment Process (ICAAP) which is an integral part of Basel Framework. The capital consumption by pillar II risks is assessed under ICAAP and capital augmentation is considered in line with the Company's medium term corporate strategy.







SUPPLEMENTARY REPORTS

# MEASURED WITH PRECISION

We believe that in order to amplify our impact, precision and accuracy is of the utmost importance. We meticulously measure our performance to ensure our results remain consistent and engage in continuous improvement to align with the highest standards of excellence.

Ballet combines geometry, symmetry, and mathematical patterns with art and creativity to define a timeless journey of transformation and growth. Each movement constitutes precise angles and measurements that integrate value into the dance, while maintaining the right timing and coordination in line with the music is an integral aspect of creating a seamless movement that drives excellence and precision.



## SECTION 7

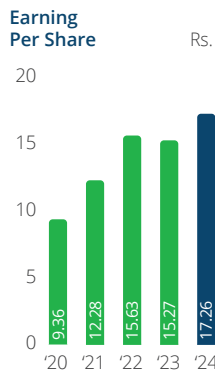
Investor Information 350 | Reporting on Anti-corruption Programmes 355 | Organization Chart 358  
Corporate Governance 359 | GRI Content Index 412 | The Ten Principles of the UN Global Impact 414  
Decade at a Glance 416 | Quarterly Financial Statements 418 | Financial Statements in USD 420  
Future Focus 423 | List of Abbreviations 424 | Glossary of Terms 425 | Supplementary Sustainability Information 429  
Corporate Information 430 | Notice of Annual General Meeting 432 | Form of Proxy 433 | Feedback Form 435

# INVESTOR INFORMATION

## KEY INVESTOR INDICATORS

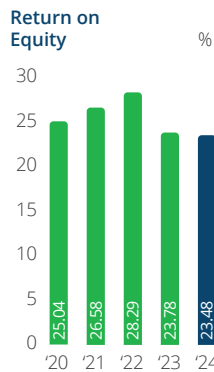
### Earnings per Share

We aim to deliver the expectation of our shareholders through execution of our strategies while serving our customers to meet their needs



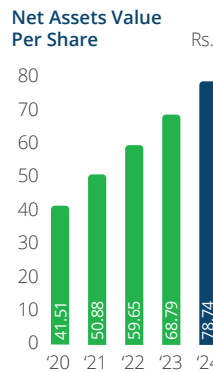
### Return on Equity

LB Finance prudently manage its earnings with a policy to provide sustainable return to shareholders while giving the management the flexibility to reinvest capital to grow the Company



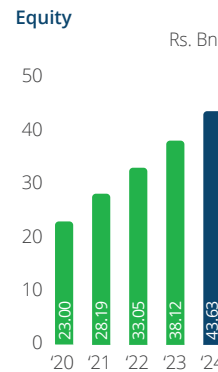
### Net Asset Value per Share

We are invested to provide long term value to our shareholders



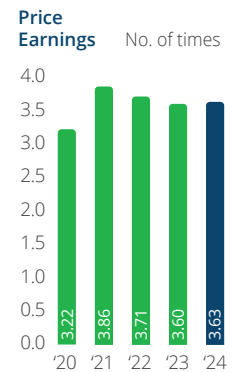
### Equity

LB Finance strive to create value for our shareholder funding in assessing the performance of a fund against the market or industry benchmarks



### Price Earnings

We ensure that the Company is operated on a foundation of strength and is well positioned to deliver sustainable returns to our shareholders



Dear Investor,

At LB Finance PLC, we understand that our investors are the lifeblood of our business, and we are unwaveringly committed to maximise your wealth through effective risk management and business strategies crafted in your best interests.

By actively engaging with our investors, we gain a deep understanding of your expectations and goals, resulting in better outcomes with a lasting and trusting relationship. Through this process of engagement, we are able to make strategic decisions that not only benefit our shareholders but also ensure the long-term success and sustainability of our Company.

We are proud to have a loyal group of investors who share our vision and we are committed to provide timely and comprehensive information which empowers our investors to make wise decisions. Despite challenging macroeconomic conditions, we have consistently met the expectations of our valued investors by providing a steady return on your investment and remain committed to fulfill our obligations in the future. Our Integrated Financial Reporting serves as a valuable resource, offering insights into our strengths and capabilities, credibility and reliability and encouraging loyalty among our investor community.

## QUARTERLY FINANCIAL STATEMENTS

We publish financial information to our investors on the CSE and the Company website on a quarterly basis. In order to serve our investors' best interests, we deliver an analysis of interim financial statements in our annual reports.

Refer page 418

## FINANCIAL STATEMENTS IN USD

Financial statements have been presented in USD for the convenience of our investors in order to facilitate comparisons of LBF's financial information.

Refer page 420



## INSIGHTS FROM SHAREHOLDERS TO LB

LBF values shareholder engagement and engages in various methods to ensure effective communication. We hold an annual general meeting (AGM) where shareholders can interact with the Board and ask questions. Our annual and quarterly financial reports provide consistent, high-quality information in accordance with market best practices. We utilise press conferences, media releases and evaluations to keep shareholders informed and seek their valuable feedback. Despite challenging circumstances, our active engagement with shareholders has made our shares an attractive investment especially reflected by the last quarter of LBF market turnover. We comply with regulatory requirements by regularly publishing disclosures on the CSE and Company websites. LBF recognises the importance of shareholders in achieving our vision and strives to establish a strong connection through meaningful engagement.

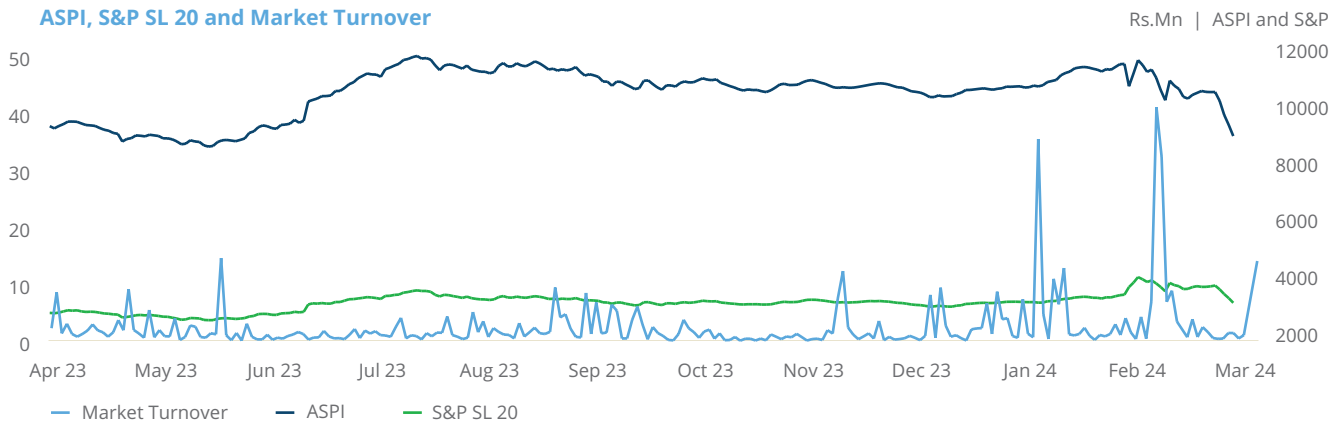
## DIVIDENDS

The dividend policy of LBF is crucial for maintaining a balance between the expectations of shareholders and the business needs of the Company. LB has been one of the best-performing companies in the industry, as it is emphasised that the optimum utilisation of capital is essential for creating value over time, pursuing sustainability and providing healthy returns to investors. It is Company's policy to pay 1/3 of its earnings as dividends with the best interest of shareholders. LBF has continuously maintained dividend payouts. The Board of Directors of LBF has given due consideration to the requirements stipulated by CBSL and declared an interim dividend of Rs. 2.25 per ordinary share of LBF for the financial year 2023/24. Further, the proposed final dividend of Rs. 3.50 per share for the financial year 2023/24 will be submitted for the approval of shareholders at the upcoming AGM to be held on 28 June 2024 to ensure a sustainable return to the shareholders of the Company. LBF remains committed to providing sustainable and healthy financial returns to its shareholders over the years.

## COLOMBO STOCK EXCHANGE (CSE)

The Colombo Stock Exchange (CSE) experienced a mixed performance during the financial year 2023/24. All Share Price Index (ASPI) demonstrated a positive trajectory, climbing from 9,301.09 points on 31 March 2023 to 11,444.38 points on 31 March 2024, reflecting a notable 23.04% increase. Additionally, the market capitalisation of the CSE grew from Rs. 3,903.54 billion to Rs. 4,534.65 billion, signifying a 16.17% rise. However, contrasting this upward trend, the S&P SL 20 index, which monitors the performance of prominent blue-chip companies, faced a decline, decreasing from 2,682.83 points on 31 March 2023, to 3,317.62 points on 31 March 2024, resulting in a substantial 23.66% up. Moreover, the number of listed companies experienced a setback, diminishing from 289 at the end of 2022/23 to 284 by the end of 2023/24. The reduction in the number of listed companies can be attributed to multiple factors, including the adverse macroeconomic conditions, political instability and the shortage of foreign exchange throughout the financial year. Nevertheless, the upward movement of the ASPI index suggest an encouraging trajectory for the economy and demonstrates businesses' optimism regarding the future.

ASPI, S&P SL 20 and Market Turnover



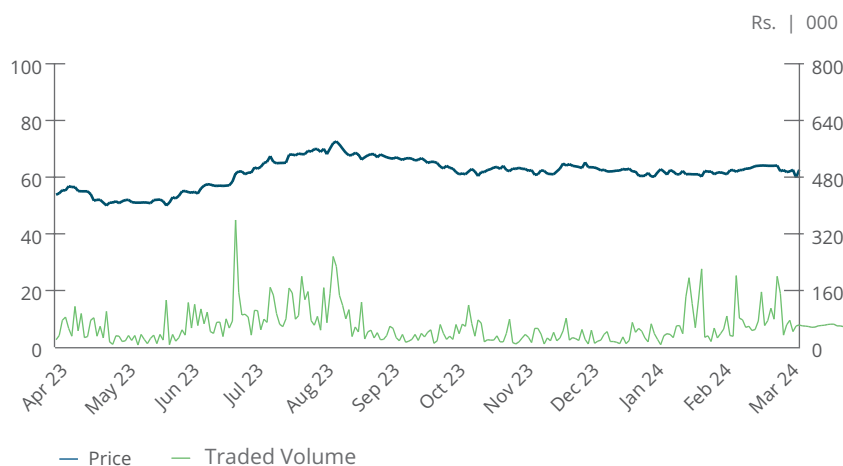
## PERFORMANCE OF DIVERSIFIED FINANCIAL SECTOR AND LBF

Along with ASPI and S&P SL 20 indices, LBF market turnover also followed the same trend during the first three quarters of the financial year. Moreover, in the last quarter, LBF market turnover was more aligned with the improvement reflected in ASPI and S&P SL 20 indices reflecting the growth of the business.

As at 31 March	2024	2023
Diversified Financial Sector -P/E Ratio	5.70	3.44
Banking Sector - P/E Ratio	4.90	4.41
Diversified Financial Sector -P/B Ratio	0.81	0.90
Banking Sector - P/B Ratio	0.51	0.41
Beta Value against ASPI of LB Finance PLC	0.42	1.09

## INVESTOR INFORMATION

### LBF SHARE PERFORMANCE



### Where to find LBF in Newswire Platforms



LFIN.N0000

Bloomberg

LFIN.SL



DOW JONES

LFINN



LFIN. CM

### SHARE TRADING INFORMATION

	Quarterly Performance				Annual Performance		
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2023/24	2022/23	2021/22
<b>Share Price</b>							
Highest (Rs.)	58.50	73.00	68.50	65.40	73.00	61.70	92.10
Lowest (Rs.)	49.90	58.10	60.00	58.00	49.90	36.30	47.50
Last Traded (Rs.)	58.40	66.70	62.30	62.80	62.80	55.00	58.00
<b>Share Trading Details</b>							
Number of Transactions	2,792	5,263	2,124	3,905	14,084	13,177	56,908
Number of Shares Traded	13,762,807	9,958,708	4,409,248	35,457,817	63,588,580	14,022,399	80,712,600
Value of Shares Traded (Rs.Mn)	743	665	273	2,170	3,852	647	5,221
Number of Days Traded	57	60	63	58	238	235	240
Average Turnover (Rs.Mn)	13.04	11.09	4.34	37.42	65.88	2.75	21.75

\*Price per share represents the share price before the share sub-division.

### MARKET CAPITALISATION

As at 31 March	2024	2023	2022
Number of Shares in Issue	554,057,136	554,057,136	554,057,136
Shareholders' Funds (Rs. Bn)	43.63	38.12	33.05
LFIN Market Capitalisation (Rs. Bn)	34.74	30.47	32.14
CSE Market Capitalisation (Rs. Bn)	4,534.65	3,903.54	3,826.50
LFIN Market Capitalisation as a Percentage of CSE Market Capitalisation (%)	0.77	0.78	0.84

### PUBLIC SHAREHOLDING

As at 31 March	2024	2023	2022
Public Shareholding Percentage (%)	21.70	21.73	21.76
Number of Shareholders Representing above Percentage	4,930	5,119	3,592

### FLOAT ADJUSTED MARKET CAPITALISATION

The Float adjusted market capitalisation as at 31 March 2024 – Rs. 7,432,197,418.80

The Float adjusted market capitalisation of the Company falls under Option 3 of Rule 7.14.1 (i) (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

## LARGEST SHAREHOLDERS OF THE COMPANY

Name	As at 31 March 2024		As at 31 March 2023		
	No. of Shares	%	No. of Shares	%	
1 Vallibel One PLC	286,729,600	51.751	286,729,600	51.751	
2 Royal Ceramics Lanka PLC	125,708,928				
Commercial Bank of Ceylon PLC/ Royal Ceramics Lanka PLC	18,784,000	144,492,928	26.079	144,492,928	26.079
3 Esna Holdings (Pvt) Ltd	21,249,600	3.835	56,249,600	10.152	
4 Mr W.G.D.C. Ranaweera	8,868,376	1.601	1,787,405	0.323	
5 K.R.E.M.D.M.B.Jayasundara	5,956,152	1.075	5,000,222	0.902	
6 Mr K.D.A. Perera	4,289,735	0.774	2,072,687	0.374	
7 Mr. G.A. Bhanuka Harischandra	3,671,052	0.663	-	-	
8 J.B. Cocoshell (Pvt) Ltd	3,340,958	0.603	-	-	
9 Seylan Bank PLC/W.G.U.I. Ranaweera	2,884,000	0.521	-	-	
10 Mr N. Udage	2,861,235	0.516	2,161,235	0.390	
11 David Pieris Holdings (Private) Limited	2,000,000	0.361	-	-	
12 Janashakthi Insurance PLC - Shareholders	1,952,700	0.352	1,952,700	0.352	
13 Rubber Investment Trust Ltd A/C No 01	1,900,000	0.343	-	-	
14 Mr F.N. Herft	1,751,100	0.316	1,481,808	0.267	
15 Hatton National Bank PLC-Senfin Growth Fund	1,400,000	0.253	-	-	
16 N P Capital Ltd	1,393,058	0.251	-	-	
17 Mr M.A.T. Raaymakers	1,267,245	0.229	1,001,787	0.181	
18 Mr A.A. Page	1,259,200	0.227	1,259,200	0.227	
19 Commercial Bank of Ceylon PLC/G.S.N.Peiris	1,027,869	0.186	-	-	
20 Asia Securities (Pvt) Ltd (Trading Account)	1,000,000	0.180	-	-	
	499,294,808	90.116	504,189,172	90.999	
Others	54,762,328	9.884	49,867,964	9.001	
Total	554,057,136	100.000	554,057,136	100.000	

## DISTRIBUTION OF SHAREHOLDINGS AS AT 31 MARCH

From	To	2024			2023		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	1,000	2,853	756,611	0.14	2,832	804,102	0.15
1,001	10,000	1,487	5,817,375	1.05	1,521	5,501,977	0.99
10,001	100,000	568	17,529,395	3.16	507	14,578,641	2.63
100,001	1,000,000	95	31,658,947	5.71	63	16,973,394	3.06
Over 1,000,000		20	498,294,808	89.94	15	516,199,022	93.17
Total		5,023	554,057,136	100.00	4,938	554,057,136	100.00

## COMPOSITION OF SHAREHOLDERS

Category	2023/24			2022/23		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local	4,988	550,325,723	99.33	4,910	541,627,882	97.76
Foreign	35	3,731,413	0.67	28	12,429,254	2.24
Total	5,023	554,057,136	100.00	4,938	554,057,136	100.00
Individuals	4,781	68,172,282	12.30	4,743	41,714,446	7.53
Institutions	242	485,884,854	87.70	195	512,342,690	92.47
Total	5,023	554,057,136	100.00	4,938	554,057,136	100.00



## INVESTOR INFORMATION

### SHARE PRICES FOR THE YEAR

	2023/24	Date	2022/23	Date
<b>Market Price per Share</b>				
Highest During the Period	73.00	21 August 2023	61.70	05 April 2022
Lowest During the Period	49.90	02 May 2023	36.30	21 November 2022
Last Traded During the Period	62.80	28 March 2024	55.00	31 March 2023

### DIRECTORS' SHAREHOLDINGS

Names of Directors	2024		2023	
	No. of Shares	As a % of Total Shares	No. of Shares	As a % of Total Shares
Mr. G A R D Prasanna	-	-	-	-
Mr. J A S S Adhihetty	424,480	0.077	424,480	0.077
Mr. N Udage	2,861,235	0.516	2,161,235	0.390
Mr. B D A Perera	-	-	-	-
Mr. R S Yatawara	8,593	0.002	8,593	0.002
Ms. Y Bhaskaran	-	-	-	-
Mr. M A J W Jayasekara	-	-	-	-
Ms. Ashwini Natesan	-	-	-	-
Mr. D Rangalle	-	-	-	-
Ms. Yanika Amarasekera	-	-	-	-

### Credit Ratings

The Company has been assigned BBB+(lka) Stable by Fitch Ratings Lanka Limited

## TRANSPARENCY IN CORPORATE REPORTING ASSESSMENT, ISSUED BY TRANSPARENCY INTERNATIONAL SRI LANKA

### 1. Does the company have a publicly stated commitment to anti-corruption?

#### Commitment to anti-corruption with Anti-bribery and corruption policy

At LBF, we committed to act ethically and with integrity in everything we do. Through our approach, we seek to build long term relationships with stakeholders based on trust. LBF Board of Directors set the tone from the top to promote a culture of ethics and transparent behaviour across the Company. This is supported by a range of policies that specify the ethical conduct expected from all employees including specific actions to deal with anti-corruption and bribery, guidelines on receiving and giving gifts and the exclusion of political party sponsorships. According to ABC policy;

- Enhanced due diligence should be carried out where any payment is made to a Politically Exposed Person (PEP) as defined in Company's Anti-Money Laundering Policy.
- No political contribution to a candidate for public office, an elected official, a political party or political action committee, can be made, on behalf of LB Finance PLC.

Frequently we communicate these policies to our employees and also continuously reiterate the importance of legal and regulatory compliance.

### 2. Does the company publicly commit to be in compliance with all relevant laws including anti-corruption laws?

Internal processes are in place to ensure that the Company comply with all laws regulations, directions and internal policies of the Company. The Board affirms that the Company complies with all relevant laws, regulations, directions and internal policies of the Company.

### 3. Does the company leadership (senior membership or board) demonstrate support for anti-corruption?

The Board approved Anti-Bribery and Corruption (ABC) Policy is in place. Operationalization and compliance of the policy is ensured through the Compliance Officer.

### 4. Does the company code of conduct/ anti-corruption policy explicitly apply to all employees and directors?

The Board approved Code of Conduct, ABC policy are in place. These policies have been duly communicated to all employees of the Company in all three languages and employee acknowledgements have been obtained. Further, periodic e-flyers related to ABC have been circulated through e-mails among all employees aiming continuous awareness and compliance.

### 5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorised to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?

The Company ABC Policy explicitly applies for all stakeholders including agents, advisors, representatives and all other intermediaries.

### 6. Does the company require external entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers) to abide by the company's anti-corruption programme or supplier code?

The Company ABC Policy explicitly applies for external entities that provide goods and services under contracts to comply with company's ABC policy requirements.

Regular AML and ABC Due diligence are conducted on all business partners including external entities that provide goods and services under contracts

### 7. Does the company have in place an anti-corruption training programme for its employees and directors?

The Board and Senior Management participated in a comprehensive training session, focusing on anti-bribery and corruption. The training addressed current and potential risks, aiming to enhance the Company's anti-bribery and corruption programs. Further, periodic e-flyers related to ABC have been circulated through e-mails among all employees aiming continuous awareness and compliance.

Total number of employees that the organisation's anti-corruption policies and procedures have been communicated to 100%

### 8. Does the company have a policy on gifts, hospitality and expenses?

These guiding principles are supported by a company ABC policy, Policy on Managing Conflicts of Interests and code of conduct dealing with anti-bribery and corruption, including conflicts of interests, gifts and hospitality, facilitation payments, hosting of customer events, marketing sponsorships, and due diligence of third party service providers. In addition, receiving or giving/ offering gifts and hospitality that is excessive, inappropriate, in breach of applicable laws and LBF policies, can be damaging to LBF's reputation, create conflicts of interests, and harm our business relationships. Suppliers shall not use third parties to perform illegal and improper activities, whether directly or indirectly on their behalf like paying bribes or making facilitation payments.

### 9. Does the policy on gift and hospitality or expenses include a definition of threshold (descriptive or quoted as amounts) as well as procedures and reporting requirements?

The ABC policy, Policy on Managing Conflicts of Interests and code of conduct set out definitions of descriptive thresholds and outline the procedures to be followed when such situation is arose. Additionally, these documents specify the obligations for reporting such incidents and the channels through which they should be reported.

**10. Is there a policy that explicitly prohibits facilitation payments?**

Refer point 8 above

**11. Does the company provides a mechanism/channel through which employees can report suspected act of corruption or breaches of anti corruption policies, and does mechanism/channel allow for confidential and/or anonymous reporting (whistle blowing) ?**

Board approved whistle blowing policy is in place. Frequent awareness campaigns are conducted through various means to encourage the reporting of suspected wrongdoings, acts of corruption or breaches of anti-corruption policies. It allows for confidential and/or anonymous reporting (whistle-blowing) and there is a two-way communication with the whistle blower for any needed follow up on the disclosure.

The compliance officer submitted a confidential report on quarterly basis to the members of the BAC on of any whistleblowing and actions taken in compliance with the policy.

Quarterly awareness programmes are carried out to build employee capacity and help them to develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise.

**12. Does the whistle blowing mechanism/channel enable employees and other to raise concerns and report suspected acts of corruption or breaches of anti corruption policies without of risk of reprisal?**

The policy on whistleblowing clearly outlines the process for reporting or raising concerns about suspected acts of corruption or violations of anti-corruption policies, ensuring that individuals can do so without fear of retaliation.

Few incidents have been reported for which necessary actions were taken without affecting those who reported the suspected acts.

The BAC remains committed to follow-up on any future complaints/incidents, should they occur. There no employee would suffer demotion, penalty or other reprisals for raising concerns or reporting violation.

**13. Does the mechanism/ channel provide for two way communication with the whistle blower for any needed follow up on the concern/s raised?**

Regular awareness campaigns are implemented using diverse methods to promote the reporting of suspected misconduct, corruption, or violations of anti-corruption policies. These campaigns enable individuals to report confidentially and/or anonymously (whistleblowing), and establish a two-way communication channel with whistleblowers for any necessary follow-up on the information disclosed.

**14. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?**

A process is in place to carry out annual review of anti-corruption programme to ensure the suitability, adequacy and effectiveness of the ABC programme.

The process of mitigating the ABC risk through three (3) lines of defense are stated below,

Assessing Bribery and Corruption Risk (BC Risk)

- Bribery and corruption risks to business operations of the company where applicable shall be identified, periodically assessed, monitored and managed effectively by the respective process owners in order to maintain a strong control system.

Role of the Risk Department: Each business unit should assess the BC risk when carrying out their respective Risk Assessment which is rolled out and reviewed by the Risk Department.

- Role of Compliance Department: Compliance being an independent function will monitor non-compliance of this policy with relevant reporting by the respective business unit or the Human Resource Department or as detected by the Internal Audit Department and with the related Risk assessment reviewed by the Risk Department and company takes appropriate action to address policy violations.

- Head of Compliance being the subject policy owner will report any Non-compliance of this policy to the Board Audit Committee (BAC) on a Quarterly basis as specified consequent to the above process monitored by Compliance department to escalate actual or potential Bribery and Corruption risks identified during the quarter under review.

- Role of Internal Audit: Internal Audit being an independent function from the business operations, will carry out the audit function in line with the Board approved Audit methodology for providing the assurance. As per board approved annual plan required verifications/tests will be included to assess the adequacy of the controls established within the entity in addressing the risks which include BC risks where applicable

**15. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?**

The Company has a policy on political contribution that prohibits political sponsorships/contributions. This aspect clearly covers in the ABC policy.

**16. Does the company disclose its ultimate beneficial owner/s?**

A process is in place to identify Ultimate Beneficial Owners of the company and is disclosed in the Annual report of the Company.

**Which of the following information does the company disclose for all of its fully consolidated subsidiaries?**

**17 full list with names**

Refer Principal Business Activity, nature of operations of the group and ownership by the company in its subsidiary on page 430.

**18 percentages owned in each of them**

Refer Principal Business Activity, nature of operations of the group and ownership by the company in its subsidiary on page 11 and 430.

### 19 Countries of incorporation (for each entity)

Refer Investment in Subsidiary on page 241 Refer Annual report of the Board of Directors on the Affairs of the Company on page 179.

### 20 countries of operations

Refer Investment in Subsidiary on page 241 Refer Annual report of the Board of Directors on the Affairs of the Company on page 179.

**Which of the following information does the company disclose for all of its non fully consolidated holdings, such as associates, joint-ventures?**

#### 21 full list with names

N/A

#### 22 percentages owned in each of them

N/A

#### 23 country of incorporation

N/A

#### 24 country of operations

N/A

### 25. Does the company disclose its revenue/ sales in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 273 Mn. ( Refer segmental information in Notes to the financial statements on page 324)

### 26. Does the company disclose its capital expenditure in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 20.5 Mn. ( Refer segmental information in Notes to the financial statements on page 324)

### 27. Does the company disclose its pre-tax income in Sri Lanka?

LB Microfinance Myanmar Limited - Rs. 58.5 Mn. (Refer segmental information in Notes to the financial statements on page 324)

### 28 Does the company disclose its income tax in Sri Lanka?

LB Microfinance Myanmar limited has not paid any taxes during the financial year owing to a carried forward tax over payment made in the previous financial year. Total tax payable for current financial year Rs. 10.8 Mn. Tax paid Rs. 13.2 Mn.

### 29. Does the Company disclose its community contribution in Sri Lanka?

Refer social and relationship capital on page 128.

### 30 Does the Company have a publicly stated policy against sexual harassment?

Board approved HR policy of the company include the zero tolerance against sexual harassments or equivalent. The company is committed to fight any form of harassment at the work place.

### 31 Does the company have an explicit, publicly stated commitment to non-discrimination based on gender?

Board approved HR policy of the company include the company's commitment to non discrimination based on the gender.

### 32. Does the Company adopt a gender inclusive/equal opportunity recruitment policy?

An explicit commitment to non-discrimination on the basis of gender is in place when recruiting new employees to the company. 46% (2022/23 - 45%) of the workforce is females which shows a continuous improvement. Refer Human Capital in the Annual report on page 106.

### 33. Does the Company adopt a gender inclusive/equal opportunity promotion policy?

There is an explicit commitment in the HR policy on non-discrimination on the basis of gender when promoting employees. 50% of the employees promoted during 2023/24 are female employees.

### 34. Does the company have a policy for bidding on government contracts/ tenders?

Not Applicable.

The company does not engage for bidding on government contracts/tenders

### 35. Does the company disclose its current contracts with local and/or foreign governments?

Not Applicable.

The company does not engage in any contract with local and/ or any foreign government

### 36. Does the company publish tendering and post award documents for government contracts and awarded tenders?

Not Applicable.

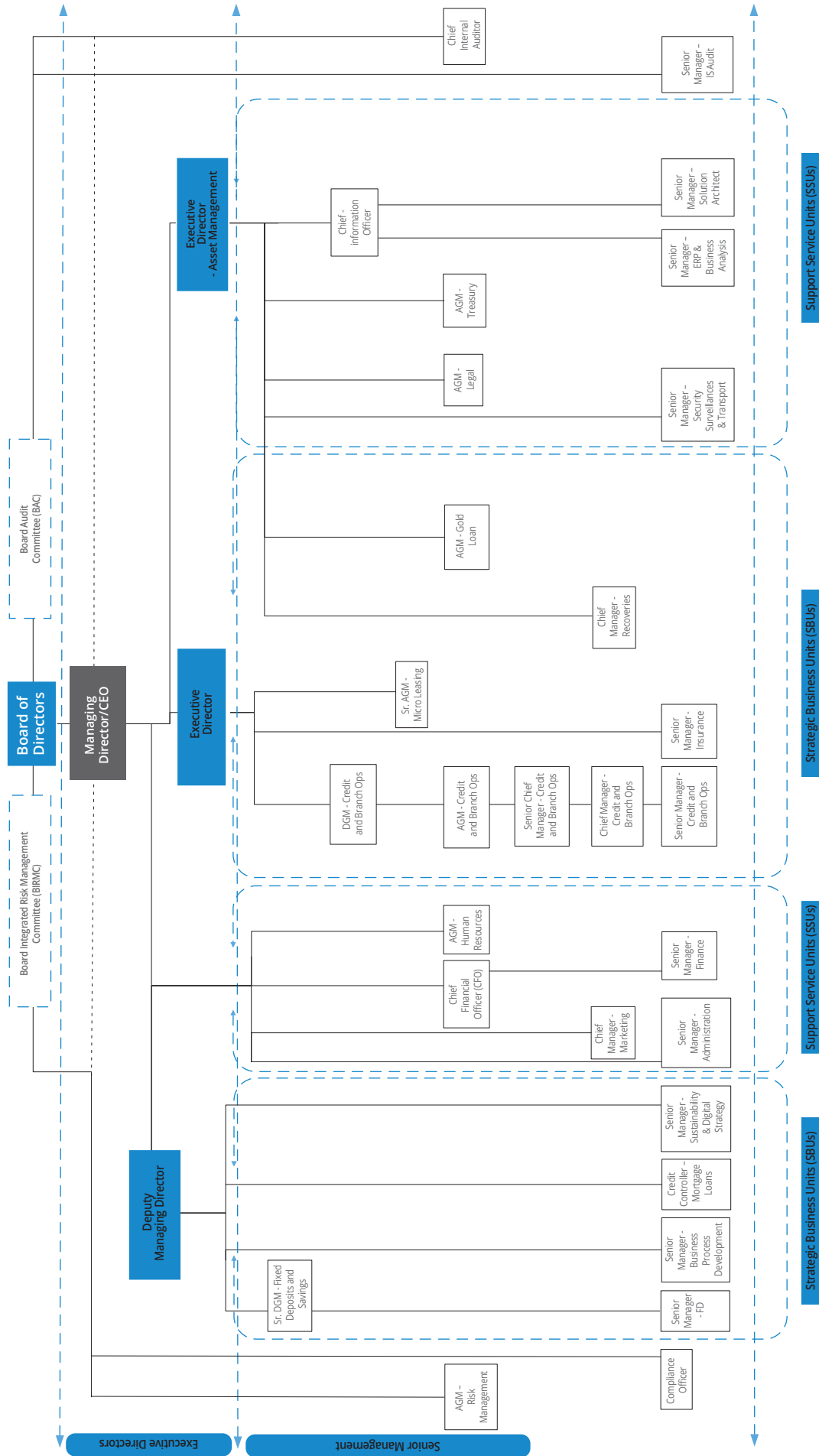
The company does not engage in any business transactions with the Government

### 37.Does the company disclose audited financial accounts for government contracts and awarded tenders?

Not Applicable.

The company does not engage in any business transactions with the Government

# ORGANISATION CHART





## COMPLIANCE WITH THE FINANCE BUSINESS ACT DIRECTION

Compliance with the Finance Business Act Direction No. 5 of 2021 Corporate Governance issued by Central Bank of Sri Lanka

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>1</b>	<b>BOARD'S OVERALL RESPONSIBILITIES</b>	
<b>1.1</b>	<p><b>Overall responsibility and accountability</b></p> <p>The Board assumed overall responsibility and accountability for the operations of the Company by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with all regulatory requirements to maintain and improve the sound governance culture.</p> <p>The Board functions are listed in direction 1.2 to 1.7 on pages 359 to 363.</p>	Complied
<b>1.2</b>	<b>Business Strategy and Governance Framework</b>	
<b>a)</b>	<p><b>Approving and overseeing the implementation of strategic objectives and overall business strategy</b></p> <p>The Board provides leadership, in approving and overseeing the implementation of strategic objectives and overall business strategy of the Company. The Board also ensures that the necessary financial and human resources are in place for the Company to meet its objectives.</p> <p>The Company's Vision and Mission have served as the foundation for developing Board-approved strategic objectives and corporate values, which have been effectively communicated across the organization. The Board is committed to ensuring that the Company fulfills its responsibilities to shareholders and other stakeholders by ensuring their expectations are comprehended and fulfilled.</p> <p>The Company has established strategic plan from 2023/24 to 2025/26 and approved by the Board. Amid rapidly evolving market conditions and new developments in the business environment, the Board annually reviews the overall business strategy with measurable goals. Strategic plan has been communicated to all Directors and Senior Management personnel related to different operations of the Company.</p>	Complied
<b>b)</b>	<p><b>Approving and implementing Governance Framework</b></p> <p>The governance framework of the company has been reviewed and approved by Board during the year.</p> <p>The Company implemented the Board approved governance framework which is in line with the Company's size, complexity, business strategy and regulatory requirements.</p>	Complied
<b>c)</b>	<p><b>Periodic assessment of the effectiveness of Governance Framework</b></p> <p>A process is in place to periodically assess the effectiveness of the Governance Framework by the Board.</p> <p>Effectiveness of the governance process has been reviewed during the year and the results will be presented to the Board meeting held on June 2024 for improvements.</p>	Complied
<b>d)</b>	<p><b>Appointing the Chairperson and the CEO and define the roles and responsibilities</b></p> <p>The Board has appointed the Chairman on 01 December 2021 and MD/CEO on 10 December 2003.</p> <p>Board approved roles and responsibilities are available for Chairman and MD/CEO of the Company.</p> <p>A brief description of the roles and responsibilities of the Chairman and MD/CEO are given on page 169.</p>	Complied
<b>1.3</b>	<b>Corporate Culture and Values</b>	
<b>a)</b>	<p><b>Sound corporate culture</b></p> <p>The Company has a sound corporate culture which encourage ethical, prudent and professional behavior of employees of the Company.</p> <p>Various policies, procedures and processes such as HR Policy, Policy of Code of Conduct, Anti-Bribery and Anti-Corruption Policy, Whistleblowing Policy, Corporate Communication Policy, Share Trading Policy are in place by the Board to strengthen the corporate culture which encourage ethical, prudent and professional behaviors.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
b)	<p><b>Establishing the corporate culture and values, code of conduct and managing conflicts of interest</b></p> <p>Board approved policy on Code of Conduct and Conflict of Interest Policy are in place to establish the corporate culture and values of the company.</p> <p>The Board believes that the establishment of a strong corporate culture, built on core values, is facilitated through the implementation of a comprehensive code of conduct. The Board approved Code of Conduct serves as a guiding framework for employees, outlining the expected behaviors and ethical standards that shape the Company's culture. The Company's Code of Conduct is reviewed and approved by the Board.</p> <p>Article 97 of Articles of Association on 'Restrictions on Voting' evidences the procedure for a Director to abstain from voting on any Board resolution when there is conflict of interest and he/she is not to be counted in the quorum. The Company's Corporate Governance Framework and Board approved Policy on Conflict of Interest also clearly provide guidance on avoiding, managing and disclosing conflicts of interests. The Directors' interests are disclosed to the Board at the start of every meeting. If a Director has an interest in a particular matter, he/she abstains from voting at such meeting and he/she is not counted in the quorum.</p>	Complied
c)	<p><b>Promoting sustainable finance</b></p> <p>Environmental, Social and Governance (ESG) factors are integrated into the Company's overall strategy, decision-making processes, and risk management. By considering ESG factors in decision-making processes, the Board ensures that the Company's actions contribute to sustainable growth and long-term value creation.</p> <p>Identifying the importance of promoting sustainable finance through appropriate ESG considerations, LBF has established a Board Sub-committee, Board Sustainability Committee to formulate a policy on sustainability and oversight the management committee functions.</p> <p>Refer Board Sustainability Committee report on page 202 and sustainability at LBF on page 56 for ESG initiatives executed by the Company during the period.</p>	Complied
d)	<p><b>Approving the policy of communication</b></p> <p>A Board approved Corporate Communication Policy with all stakeholders including depositors, shareholders, borrowers and other creditors is in place.</p> <p>A balanced view of Company's performance, position, and prospects is important for transparency, risk management, trust, regulatory compliance, strategic planning, and investor relations.</p> <p>The Board approved Corporate Communication Policy, covering all stakeholders including depositors, shareholders, borrowers and other creditors, has enabled effective communication with the public and regulators, contributing to the stability, growth and success of the Company. This policy is reviewed regularly in order to reflect the best practices in communications.</p>	Complied
<b>1.4</b>	<b>Risk Appetite, Risk Management and Internal Controls</b>	
a)	<p><b>Establishing and reviewing the Risk Appetite Statement (RAS)</b></p> <p>The Board is responsible for overseeing a strong risk management framework. The Board takes an active role in defining the risk appetite and ensuring its alignment with the Company's business strategy, Governance Framework and capital.</p> <p>A Board approved RAS is in place and regularly monitored through the Board Integrated Risk Management Committee (BIRMC).</p> <p>The risk management department submits a monthly report to the Board comparing the actual position against the risk appetites, highlighting breaches and near breaches along with respective justifications and action plans.</p> <p>The RAS last reviewed and approved by the Board in December 2023.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
b)	<p><b>Implementation of systems and controls to identify, mitigate and manage risks</b></p> <p>The Board of LBF oversees the company's overall risk management process. The Board has appointed the BIRMC to review and recommend the company's risk policies and procedures defining the risk appetites, identifying principal risks, setting governance structures and implementing policies and systems in line with the Integrated Risk Management Framework to identify, manage and mitigate the principal risks of the company.</p> <p>Risk management policies, procedures and frameworks are reviewed and recommended by the BIRMC to the Board based on the internal and external regulations and industry best practices.</p> <p>The BIRMC submits a Risk Assessment Report to the Board within seven days of each meeting.</p> <p>The Integrated Risk Management Report on pages 208 provides further insight in this regard.</p>	Complied
c)	<p><b>Adequacy and Effectiveness of the internal control systems and Management Information Systems (MIS)</b></p> <p>The Board ensures that the management maintains a sound system of internal controls to safeguard shareholders' investments and the Company's assets.</p> <p>Internal Controls are designed, among other things to ensure that, each key operations have a policy, process or other measures as well as a control to ensure that such policy, process or other measure is being applied and works as intended. A Board approved Information System Security Policy is in place. The Board Audit Committee (BAC) has been delegated to regularly review the Company's internal control systems and Management Information Systems (MIS). The BAC has adopted a process to periodically ensure the implementation of sound internal control systems and MIS.</p> <p>The Internal Audit team provided independent assurance to the BAC on the integrity of the Internal Control Systems and the MIS through their annual review of Control Assessment Forms and routine internal audit engagements. Related reports were tabled at the monthly BAC meetings.</p> <p>System and observations were monitored by the Board through BAC, which confirmed that the internal control system and the Management Information System provide a reasonable assurance.</p>	Complied
d)	<p><b>Approving and overseeing Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP)</b></p> <p>The Board approved Business Continuity management policies are in place for business continuity planning and disaster recovery planning. The Business Continuity Management Committee (BCMC) is appointed to provide strategic direction and support in establishing, implementing, operating, monitoring, reviewing and improving the business continuity management systems of the Company. A frequent BCM drills are conducted covering core business units of the organization to ensure the effectiveness of the Company's business continuity and disaster recovery planning.</p> <p>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.</p>	Complied
1.5	<p><b>Board Commitment and Competency</b></p>	
a)	<p><b>Devoting sufficient time on matters relating to affairs of the Company</b></p> <p>The Board of Directors devote sufficient time on dealing with the matters relating to affairs of the Company. The Board meets on monthly intervals and Board Sub Committees meet monthly, every other month or quarterly intervals as stipulated in the respective Terms of Reference of each Sub Committee.</p>	Complied
b)	<p><b>Qualifications, skills, knowledge, and experience of Board of Directors</b></p> <p>Appointments to the Board are recommended by the Board Nomination and Governance Committee. The Directors including Non-Executive Directors possess necessary qualifications, adequate skills, knowledge and experience to discharge their duties.</p> <p>Refer the detailed profiles of the Board of Directors on pages 156 to 160.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
c)	<p><b>Training and development needs of the Board of Directors</b></p> <p>A process is in place to provide an appropriate induction and ongoing training to every Director of the Board. The Board reviews the training and development needs through Board's annual performance evaluation.</p> <p>The details of the training provided to Board members are stated in the corporate governance report on page 175.</p>	Complied
d)	<p><b>Self-assessment of the Directors, Sub Committees and the Board</b></p> <p>Annual self-assessments are performed at the end of each financial year which cover individual performance of each Director and performance of Board as a whole and of Board Sub Committees.</p> <p>The self-evaluation of the Board and Sub-Committees are minuted by respective Secretaries and such records are maintained for effective usage of self-assessment process.</p> <p>The process followed to perform the self-evaluation of the Board members are detailed in the corporate governance report on page 177.</p>	Complied
e)	<p><b>External independent professional advice</b></p> <p>A Board approved procedure is in place for this regard.</p> <p>Governance Framework of the Company includes provisions in obtaining independent professional advice to the Board of Directors as and when necessary at Company's expenses to discharge their duties.</p> <p>However, no such instances have occurred during the year when discharging their duties effectively.</p>	Complied
<b>1.6</b>	<b>Oversight of Senior Management</b>	
a)	<p><b>Identifying and designating Senior Management</b></p> <p>The positions that can be significantly influenced the Company's policies, direct activities, exercise control over business operations and risk management, have been identified by the Board and designated as Senior Management of the Company.</p> <p>Refer company's organization chart on page 358.</p>	Complied
b)	<p><b>Areas of authority and key responsibilities for the Senior Management</b></p> <p>Accountability and responsibility are delegated to Senior Management officers through the implementation of various policies, procedures, and Job Descriptions (JD).</p> <p>Board approved areas of authority and key responsibilities are available for Senior Management.</p>	Complied
c)	<p><b>Qualifications, skills, experience and knowledge of Senior Management</b></p> <p>The Company adopts a stringent procedure in recruiting all Senior Management positions as described in the HR Policy. Predefined qualifications, skills, knowledge and experience are stated in the respective JDs. Independent functions related recruitments are referred to the respective Sub-Committee for their inputs. The approval for Key Responsible Persons (KRPs) are obtained from CBSL.</p> <p>All the Senior Management personnel possess necessary qualifications, skill, experience and knowledge to perform their assigned functions. Refer the profiles of Senior Management on corporate website.</p>	Complied
d)	<p><b>Oversight of the affairs of the Company by Senior Management</b></p> <p>Oversight of the affairs of the Company by its Senior Management takes place at the regular Board meetings and Sub-Committee meetings. Senior Management personnel make regular presentations to the Board on matters under their purview.</p>	Complied
e)	<p><b>Succession plan for Senior Management</b></p> <p>A Board approved one to one succession plan is available for Senior Management personnel including MD and Executive Directors. A process is in place to regularly review and update the plan with Board approval.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
f)	<p><b>Regular meetings with Senior Management</b></p> <p>The Senior Management are regularly invited to make presentations and participate in discussions on their areas of responsibility at the Board and its Sub Committee meetings and progress towards corporate strategic objectives is a regular agenda item for the Board where Senior Management Personnel are involved regularly.</p>	Complied
1.7	<p><b>Adherence to the Existing Legal Framework</b></p>	
a)	<p><b>Ensuring that the Company does not act in a manner that is detrimental or prejudicial to the interests and obligations to stakeholders</b></p> <p>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</p> <p>The Board affirms that the Company has not acted in a manner that is detrimental to the interest of and obligations to any stakeholder.</p>	Complied
b)	<p><b>Compliance with relevant laws, regulations, directions and ethical standards</b></p> <p>Fully fledged Compliance department is established to ensure whether company carries out its activities in adherence to the relevant laws, regulations, directions and ethical standards. The Board Audit Committee obtains periodic independent assurance from the internal audit department when discharging their duties.</p> <p>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.</p>	Complied
c)	<p><b>Acting with due care and prudence, and with integrity and avoid potential civil and criminal liabilities that may arise from Board's failure to discharge the duties diligently</b></p> <p>The Board of Directors act with due care, prudence and with integrity to drive the company for a sustainable growth.</p>	Complied
2	<p><b>GOVERNANCE FRAMEWORK</b></p>	
2.1	<p><b>Development of a Governance Framework</b></p> <p>The Board has developed and implemented comprehensive Governance Framework including, but not limited, to the following key aspects of good governance. The governance framework was last reviewed and approved by the Board in March 2024</p> <ul style="list-style-type: none"> <li>a. Roles and responsibilities of the Board – on page 384</li> <li>b. Matters assigned for the Board – on page 173</li> <li>c. Delegation of authority – on page 369</li> <li>d. Board Composition – on page 168</li> <li>e. Board independence – on page 168</li> <li>f. Nomination, election, appointment of Directors and Senior Management – on pages 170 and 362</li> <li>g. Management of conflict of interest – on page 175</li> <li>h. Access to information and obtaining independent advice – on pages 174 and 362</li> <li>i. Capacity building of Board members – on page 175</li> <li>j. Board's performance evaluation – on page 177</li> <li>k. Role and responsibilities of Chairman and CEO/MD – on page 169</li> <li>l. Role of Company Secretary – on page 170</li> <li>m. Board's Sub-Committees, their role and performance evaluation – on page 177</li> <li>n. Limits on related party transactions – on pages 183, 198 and 378</li> </ul>	Complied



## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>3</b>	<b>COMPOSITION OF THE BOARD</b>	
<b>3.1</b>	<p><b>Ensuring the Board composition appropriate for the size, complexity and risk profile of the company</b></p> <p>Appointments to the Board are recommended by the BNGC. Before recommending to the Board, the nominations to the Board are evaluated by the BNGC providing due reference to the size, complexity and current risk profile of the Company.</p> <p>The Directors including Non-Executive Directors are eminent persons with necessary qualifications, adequate skills and knowledge, expertise and experience to bring an independent judgment and their detailed profiles are on pages 156 to 160</p>	Complied
<b>3.2</b>	<p><b>Number of Directors on the Board</b></p> <p>As at 31 March 2024, the Board of Directors comprised ten (10) members which is within the statutory limit required by the direction.</p> <p>The objective of the Company is to maintain a healthy balance between Executive, Non-Executive and Independent Directors.</p>	Complied
<b>3.3</b>	<p><b>Service Period of Non-Executive Directors</b></p> <p>The Service period of Non-Executive Directors does not exceed 9 years which is within the requirement of this direction.</p> <p>Service period of the Non-Executive Directors are disclosed on page 174.</p>	Complied
<b>3.4</b>	<p><b>Service period of Non-Executive Directors who holds 10% direct or indirect holding of the Company</b></p> <p>The service period of all Non-Executive Directors is below 9 years and hence, no such requirement has arisen during the year.</p>	Complied
<b>3.5</b>	<b>Executive Directors</b>	
<b>a)</b>	<p><b>Criteria for Executive Directors/Senior Management</b></p> <p>Four (4) out of the ten (10) Directors are Executive Directors. Transitional provisions are applicable until 1 July 2024. The BNGC is in the process of fulfilling this requirement.</p>	Requirement will be fulfilled before the deadline
<b>b)</b>	<p><b>Shareholding of Executive Directors and Senior Management</b></p> <p>Executive Directors or Senior Management does not hold more than 10% of the voting rights of the Company.</p>	Complied
<b>c)</b>	<p><b>Appointment of an Executive Director as MD/CEO</b></p> <p>Mr. Sumith Adhihetty is an Executive Director and is designated as MD/CEO of the Company.</p>	Complied
<b>d)</b>	<p><b>Availability of Functional reporting lines of Executive Directors</b></p> <p>All four (4) Executive Directors are assigned to specific functional areas in the Company where there are clear functional reporting lines.</p> <p>Refer the organization chart on page 358 for more details.</p>	Complied
<b>e)</b>	<p><b>Reporting lines of Executive Directors to Board of Directors</b></p> <p>The Deputy Managing Director and two (2) Executive Directors are reported to the Board of Directors through the MD/CEO of the Company.</p> <p>Refer the organization chart on page 358 for more details</p>	Complied
<b>f)</b>	<p><b>Holding Executive Directorships and Senior Management positions by Executive Directors</b></p> <p>All the Executive Directors including MD has declared that they do not hold any Executive Directorships or Senior Management positions in any other entity.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
3.6	<b>Non-Executive Directors</b>	
a)	<p><b>Skills, experience and credible track records of Non- Executive Directors</b></p> <p>All appointments to the Board are recommended by the BNGC. Directors including Non-Executive Directors are eminent persons who possess credible track records and have necessary knowledge, skills, expertise and experience to bring an independent judgment on the issues of strategy, performance, resources and standards of business conducts. All Non-Executive Directors are actively engaged in providing their independent judgment on various matters under discussion through Board Sub-committees.</p> <p>Refer detailed profiles of the Board on pages 156 to 160.</p>	Complied
b)	<p><b>Non-Executive Directors cannot function in the capacity of CEO/Executive Director</b></p> <p>An Executive Director functions as the MD/CEO of the Company.</p> <p>No Non-Executive Director has been appointed or functioned as MD/ CEO or Executive Director of the Company.</p>	Complied
3.7	<b>Independent Directors</b>	
a)	<p><b>Minimum number of Independent Directors</b></p> <p>Three (3) out of ten (10) Directors are Independent Directors. The BNGC is in the process of fulfilling this requirement before the deadline. Transitional provisions are applicable until 1 July 2024.</p>	Requirement will be fulfilled before the deadline
b)	<p><b>Qualifications and experience of Independent Directors</b></p> <p>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.</p> <p>The Independent Non-Executive Directors' extensive professional backgrounds and experience in different sectors strengthen the Board's ability to navigate complex challenges, anticipate emerging trends, and drive the Company's long-term success while upholding the highest standards of Corporate Governance.</p> <p>The Board's detailed profiles are on pages 156 to 160.</p>	Complied
c)	<p><b>Independent criteria of Independent Directors</b></p> <p>Three (3) out of six (6) Non-Executive Directors are independent.</p> <p>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.</p>	Complied
d)	<p><b>Determining any other factors affecting to the independence of the Directors</b></p> <p>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.</p> <p>However, no such incidents were occurred during the year.</p>	Complied
e)	<p><b>Immediate disclosure of circumstances that affect the independence of the Directors</b></p> <p>A process is in place to disclose immediately to the Board on any change in circumstance that may affect the independence of an Independent Non-Executive Director. No such changes in the status of the independence were reported to the Board during the year.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>3.8</b>	<b>Alternate Directors</b>	
a) b) c) d)	<p><b>Appointment of Alternate Directors</b></p> <p>No Alternate Directors were appointed by the Directors during the year.</p> <p>No Director on the Board was unable to perform their duties as a result of illness, nor did any Director miss three consecutive Board meetings due to being overseas.</p>	Complied
e)	<p><b>Independent requirement for Alternate Director appointed for an Independent Director</b></p> <p>When Alternate Director is appointed for Independent Non-Executive Director, the Board ensures that the person so appointed shall meet the criteria that apply to an Independent Director. However, there were no Alternate Directors appointed during the year 2023/24.</p>	Complied
<b>3.9</b>	<b>Cooling off Periods</b>	
a)	<p><b>Cooling off period for Directors</b></p> <p>BNGC monitors the requirement of cooling off period as per this direction. However, no such appointments were made during the year 2023/24.</p>	Complied
b)	<p><b>Cooling off period for Independent Directors</b></p> <p>BNGC and the Board monitor the requirement of cooling off period as per this direction. However, no such appointments were made during the year 2023/24.</p>	Complied
<b>3.10</b>	<p><b>Appointment of a Director or a Senior Management of the Company as a Director of another LFC</b></p> <p>All the Directors of the Board except Independent Directors are appointed as the Directors of Multi Finance PLC which is a Subsidiary of the Company upon the approval of CBSL.</p>	Complied
<b>3.11</b>	<p><b>Limit on holding Directorships by a Director of the Company</b></p> <p>No Director hold Directorships or any equivalent positions in more than 20 companies/societies, bodies including Subsidiaries of the Company.</p>	Complied
<b>4</b>	<b>ASSESSMENT OF FIT AND PROPER CRITERIA</b>	
<b>4.1</b>	<p><b>Fitness and Propriety of Directors</b></p> <p>Fitness and Propriety of Directors are assessed annually in terms of the requirements of the Finance Business Act Direction no. 6 of 2021 – Assessment of Fitness and Propriety of Key Responsible Persons.</p>	Complied
<b>4.2</b>	<p><b>Maximum age of new Directors</b></p> <p>The Age of the MD/CEO has exceeded 70 years and necessary approvals were obtained from Central Bank of Sri Lanka for such appointment in compliance with section no. 4.3 of this direction.</p>	Complied
<b>4.3</b>	<p><b>Maximum age of existing Directors</b></p> <p>The Age of the MD/CEO has exceeded 70 years and necessary approvals were obtained from Central Bank of Sri Lanka for such appointment as per this direction.</p>	Complied
<b>5</b>	<b>APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT</b>	
<b>5.1</b>	<p><b>The appointments, resignations or removals of Directors and Senior Management</b></p> <p>All the appointments and resignations to the Board and Senior Management positions were made in accordance with the Finance Business Act direction no. 6 of 2021 – Assessment of Fitness and Propriety of Key Responsible Person.</p> <p>All Board members and senior management team have completed their fitness and propriety assessments during the year.</p>	Complied
<b>6</b>	<b>THE CHAIRPERSON AND THE CHIEF EXECUTIVE OFFICER</b>	
<b>6.1</b>	<p><b>Clear division of responsibilities between the Chairperson and CEO</b></p> <p>Board approved Governance Framework provide clear division of responsibilities between the Chairperson and the MD.</p> <p>Refer corporate governance report on pages 164 to 179 for more details.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
6.2	<p><b>Independence of Chairperson</b></p> <p>The Chairman is a Non-Independent Non-Executive Director. The Board has appointed Independent Non-Executive Director, Mr. Ashane Jayasekara as a Senior Director.</p>	Complied
6.3	<p><b>Appointment of a Senior Director when the chairperson is not independent</b></p> <p>The Chairman is a Non-Independent Non-Executive Director. Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as a Senior Director with the Board approved TOR to ensure a greater independent element in the Board.</p> <p>Non-executive Directors and Senior Director assess the Chairman's performance annually.</p>	Complied
6.4	<p><b>Responsibilities of the Chairperson</b></p> <p><b>a) j) Responsibilities of the Chairperson</b></p> <p>The Chairman is responsible to provide leadership, guidance, and oversight to the Board, ensuring that it operates effectively, fulfills its responsibilities, and acts in the best interests of the organization and its stakeholders.</p> <p>Board approved Governance Framework includes the comprehensive set of responsibilities of the Chairman including the responsibilities set out in this direction.</p> <p>Refer page 169 for more details on the Chairman's responsibilities.</p>	Complied
6.5	<p><b>Responsibilities of the MD/ CEO</b></p> <p><b>a) g) Responsibilities of the MD/CEO</b></p> <p>In terms of duties and responsibilities of the MD/CEO, he is the apex executive who is responsible for day-to-day operations of the Company with the assistance of Deputy Managing Director, Executive Directors and members of the Senior Management and is accountable to the Board to recommend the Company's strategy implementation and ensure appropriate internal controls are in place to assess and manage risks.</p> <p>Board approved Governance Framework includes a comprehensive set of responsibilities of the MD / CEO including the responsibilities stated in this direction.</p> <p>Refer page 170 for more details on the MD/ CEO's responsibilities.</p>	Complied
7	<p><b>MEETINGS OF THE BOARD</b></p>	
7.1	<p><b>Regular Board meetings</b></p> <p>The Board meets regularly approximately at monthly intervals and special Board meetings are convened whenever necessary.</p> <p>The Board met on thirteen (13) occasions during the year 2023/24. The consent of the Board is usually obtained at meetings with due notice given with Board papers.</p> <p>Consent obtained by circulation has been kept at minimal and it was only in eighteen (18) instances.</p>	Complied
7.2	<p><b>Directors to include matters and proposals in the agenda</b></p> <p>The Board approved process is in place which enable equal opportunities for all the Directors to include matters and proposals in the agenda for regular Board meetings. Monthly meetings are scheduled and informed to the Board at the beginning of each calendar year to enable submission of proposals to the agenda.</p>	Complied
7.3	<p><b>A notice of Board Meetings</b></p> <p>Board meeting dates were agreed by the Board members in advance for the calendar year. Agenda and all Board papers are uploaded through a secured link to iPad for Directors to remotely access seven (7) days prior to the Board meetings.</p>	Complied
7.4	<p><b>Directors to devote sufficient time to prepare and attend to Board meetings</b></p> <p>The agenda and Board papers are uploaded in advance and Directors have sufficient time to prepare for the meetings.</p> <p>All the Directors actively contribute at the Board meetings by providing views and suggestions to the best interest of the Company.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
7.5	<p><b>Quorum of the Board meetings</b></p> <p>All Board meetings held during the financial year were duly constituted with one half (1/2) of the number of Directors present and one fourth (1/4) of the number of Directors constituting the quorum being Independent Directors.</p>	Complied
7.6	<p><b>Board meetings without the presence of Executive Directors</b></p> <p>Two (2) meetings were held by the Chairperson without the presence of the Executive Directors to facilitate effective communication, engagement, and collaboration within the Board. This process supports the smooth functioning of the Board and enhance the overall Governance and decision-making processes.</p>	Complied
7.7	<p><b>Director abstain from voting relating to matters of relating to him</b></p> <p>Board approved conflict of interest Policy is in place where a Director is required to abstain from voting in relation to a matter in which such Director or his/her relatives or a concern in which he/she has substantial interest.</p>	Complied
7.8	<p><b>Attendance of Directors at Board meetings</b></p> <p>All Directors have attended at least two-third (2/3) of the meetings held during the year and no Director has been absent from three consecutive regular Board meetings during the year financial year 2023/24.</p> <p>Refer page 174 for details of individual Directors' attendance at Board meetings</p>	Complied
7.9	<p><b>Scheduled Board Meetings and Ad Hoc Board Meetings</b></p> <p>Participation in person is encouraged for all scheduled Board Meetings.</p> <p>All thirteen (13) Board meetings were held physically and no meeting was held through electronic means.</p> <p>Directors attendance details of the Board meetings are disclosed on page 174.</p>	Complied
<b>8</b>	<b>COMPANY SECRETARY</b>	
8.1 a)	<p><b>Appointment of a Company Secretary</b></p> <p>M/s. PW Corporate Secretarial (Pvt) Ltd functions as the Company Secretary of the Company. The recruitment of an in-house Company Secretary is complete, and formal approval as a KRP from the CBSL is currently in progress. Both the CBSL approval and the work transfer process to be finalized before the deadline on 01/07/2024.</p>	Requirement will be fulfilled before the deadline
8.1 b)	<p><b>Qualifications of Company Secretary</b></p> <p>M/s. PW Corporates Secretarial (Pvt) Ltd functions as the Company Secretary of the Company. The recruitment of an in-house Company Secretary with required qualifications is complete, and formal approval as KRP from the CBSL is currently in progress. Both the CBSL approval and the work transfer process to be finalized before the deadline on 01/07/2024.</p>	Requirement will be fulfilled before the deadline
8.2	<p><b>Access to advice and services of the Company Secretary</b></p> <p>A Board-approved Governance Framework is in place enabling all Directors to access the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed. Directors have separate and independent access to the Company Secretary.</p>	Complied
8.3	<p><b>Delegating responsibilities to the Company Secretary</b></p> <p>Preparation of the agenda is delegated to the Company Secretary and is approved by the Chairman.</p>	Complied
8.4	<p><b>Maintaining minutes of the Board</b></p> <p>The Company Secretary maintains meeting minutes and circulates them to all Board members which shall be open for inspection at any reasonable time to any Director. Additionally, the Directors have access to past Board papers and minutes through a secure electronic link. The Company Secretary maintains minutes with all submissions for a minimum period of six (6) years.</p>	Complied



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
8.5	<p><b>Maintenance of Board minutes in an orderly manner</b></p> <p>The Company maintains meeting minutes in an orderly manner and follows the proper procedures laid down in the Articles of Association of the Company.</p>	Complied
8.6	<p><b>Recording minutes of Board meetings with sufficient details</b></p> <p>The Company Secretary maintains Board minutes with sufficient details.</p> <p>The Board meeting minutes included the minimum of the following to assess whether the Board has acted with due care and prudence in performing its duties;</p> <ul style="list-style-type: none"> <li>a) Data and information used by the Board in its deliberations,</li> <li>b) Matters considered by the Board,</li> <li>c) Fact-finding discussions and issue of contentions or dissent,</li> <li>d) Explanations and confirmations from relevant parties on compliance of strategies, policies, laws, regulations and directions,</li> <li>e) Board's understanding and knowledge on company related risks and risk management measures adopted,</li> <li>f) Decisions and resolutions.</li> </ul>	Complied
8.7	<p><b>Inspection of minutes</b></p> <p>Board approved Governance Framework includes provisions to inspect Board minutes by Directors.</p>	Complied
9	<p><b>DELEGATION OF FUNCTIONS BY THE BOARD</b></p>	
9.1	<p><b>Delegation of Authority</b></p> <p>Board approved delegation of authority is in place to give clear directions to the Senior Management, as to the matters that can be approved by the Board before decisions are made by the Senior Management, on behalf of the Company.</p> <p>The policy on delegated authority was last reviewed and approved by Board in January 2024.</p>	Complied
9.2	<p><b>Absence of Board Sub Committees</b></p> <p>All the required Sub Committees are in place with Board approved TOR as required by the direction.</p>	Complied
9.3	<p><b>Senior Management Committees</b></p> <p>The Board has established management level committees such as ALCO, Credit Committee, ITSSC, Sustainability Committee, Business Continuity Management Steering Committee to assist Board in effective decision making.</p> <p>Refer Management Committees, related tasks and composition on page 172.</p>	Complied
9.4	<p><b>Delegation of matters to Sub Committees, Executive Directors or Senior Management</b></p> <p>Board approved Governance Framework includes key areas assigned for the Board which cannot be delegated to Board Sub Committees, Executive Directors or Senior Management.</p> <p>Refer the governance report on pages 164 to 178 for details.</p>	Complied
9.5	<p><b>Periodic review of authority delegation process</b></p> <p>Delegation arrangements are reviewed periodically to ensure that they remain relevant to the needs of the Company.</p> <p>The delegated authority was last reviewed and approved by Board in January 2024.</p>	Complied

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SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>10</b>	<b>BOARD SUB-COMMITTEES</b>	
<b>10.1</b>	<b>Board Sub-Committees on asset base</b>	
	FCs with asset base of more than Rs. 20 bn	
<b>a)</b>	<b>Establishment of Board Sub Committees</b>	Complied
	<p><b>Sub-committees</b></p> <p>The Following Committees have been appointed by the Board and each such committee is required to report to the Board.</p> <ol style="list-style-type: none"> <li>1. Board Audit Committee on page 188</li> <li>2. Board Integrated Risk Management Committee on page 192</li> <li>3. Board Nomination and Governance Committee on page 194</li> <li>4. Board Human Resource and Remuneration Committee on page 196</li> <li>5. Board Related Party Transactions Review Committee on page 198</li> </ol> <p>Recommendations of these committees are addressed directly to the Board and minutes of meetings are tabled and discussed at the Board meeting.</p> <p><b>Meetings</b></p> <p>Meetings are held as defined in the direction or more frequently as per the respective TOR of the Sub-Committee. BAC meetings are held on monthly basis and BIRMC meetings are held on every other month. All other committees met more frequently than mandated in this direction.</p>	
<b>b)</b>	<b>Terms of reference</b>	Complied
	Board Approved TOR is available for each Board Sub Committee which clearly specified its authorities and duties.	
<b>c)</b>	<b>Report on performance of duties and functions of Sub Committees</b>	Complied
	The Company has presented report on the performance, duties and functions of each Committee in the Annual report for the financial year 2023/24	
	Refer respective Board Sub-Committee reports for more details on pages 188 to 202	
<b>d)</b>	<b>Appointment of a Secretary to Sub Committees</b>	Complied
	Company Secretary functions as the Secretary for the Board Sub Committees. Meetings for each committee are scheduled and informed to the committee members at the beginning of each calendar year. The minutes and submissions are maintained by the secretary under the supervision of the chairperson of each committee.	
<b>e)</b>	<b>Minimum number of Directors of each Sub Committee</b>	Complied
	Each Committee comprises at least three (3) Board members who possess skills, knowledge and experience relevant to the responsibilities of the Board Sub Committees. Composition of the Board Sub Committees are disclosed in the page 171 of the annual report.	
<b>f)</b>	<b>Occasional rotation of members</b>	Complied
	Occasional rotation of members and Chairpersons of the Board Sub Committees are considered as and when required.	
<b>10.2</b>	<b>Board Audit Committee</b>	
<b>a)</b>	<b>The Chairperson of the Board Audit Committee</b>	Requirement will be fulfilled before the deadline
	Chairperson of the Committee is a Non-Executive Director who possesses necessary qualifications and experience in accountancy and auditing. Refer Profiles of the Board of Directors on pages 156 to 160.	
	The BNGC is in the process of fulfilling the requirement of appointing an independent Non-Executive Director as the Chairperson of the BAC subject to transitional provisions applied till 01/07/2024 of this direction.	

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
b)	<p><b>Composition of BAC</b></p> <p>All three (3) members of the Committee are Non-Executive Directors out of which two (2) of them are Independent. All committee members carry necessary qualifications and experience relevant to the scope of BAC.</p> <p>Refer profiles of the Board of Directors on pages 156 to 160.</p>	Complied
c)	<p><b>Secretary of the Board Audit Committee</b></p> <p>Chief Internal Auditor will be appointed as the Secretary to the Committee subject to transitional provisions applicable till 01/07/2024.</p>	Requirement will be fulfilled before the deadline
d)	<p><b>External Audit Function</b></p>	
i)	<p><b>Appointment of the External Auditor</b></p> <p>The BAC has recommended the reappointment of M/s Ernst &amp; Young, Chartered Accountants as External Auditor for audit services for the period of 2023/24 subject to the provisions stipulated in this direction.</p> <p>The application of accounting standards in consultation with the Chief Financial Officer and External Auditors, the service period, audit fees, resignation or dismissal of an auditor, re-engaging the audit partner in line with the regulatory requirements.</p>	Complied
ii)	<p><b>Service period of the External Audit Firm and Audit Partner</b></p> <p>Engagement period of current audit partner is 1 year. The BAC, after evaluating several proposals of leading audit firms, has selected a leading audit firm to perform the external audit function for the period of 2024/25. Engagement with new External Audit firm will be completed before the transitional provisions expire on 01/07/2024.</p>	Requirement will be fulfilled before the deadline
iii)	<p><b>The External Audit Partner</b></p> <p>Audit Partner is not a Director or employee and does not hold any Senior Management position of the Company. A declaration has been obtained confirming that the audit partner does not hold any shares of the Company.</p>	Complied
iv)	<p><b>Independence and objectivity of External Auditor and effectiveness of the audit process</b></p> <p>The External Auditor has provided an independent confirmation in compliance with the guidelines for appointment of auditors of listed companies. Also, self-declaration was provided by the auditor on their independence at before commencement and after completion of the audit.</p> <p>In order to safeguard the objectivity and independence of the External Auditor, the BAC reviewed the nature and scope taking in to account of the regulations and guidelines.</p>	Complied
v)	<p><b>Provision of non-audit services by the External Auditor</b></p> <p>The BAC with the approval of the Board of Directors developed and implemented a policy for engagement of auditors to provide non-audit services in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditor. The said policy addresses the skills and experience of the auditor, treatments to independence, objectivity and fee for the non-audit services was last reviewed and approved by the Board in June 2023.</p>	Complied
vi)	<p><b>Determine the nature and scope of the audit</b></p> <p>The Auditors make a presentation at the BAC meeting with details of the proposed audit plan and the scope including assessment of company's compliance with regulatory requirements and internal controls over financial reporting, preparation of financial statements in conformity with relevant accounting principles and reporting obligations, and co-ordination between the other Auditor of the Group.</p> <p>Members of the BAC obtain clarifications in respect of the contents of the presentation, if deemed necessary.</p>	Complied

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SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
vii)	<p><b>Review of financial information of the Company by the Board Audit Committee</b></p> <p>Annual and quarterly financial statements are circulated well in advance to the BAC. A detailed discussion focused on major judgement areas, changes in accounting policies and practices, significant audit judgements in the financial statements, going concern assumptions and compliance with accounting standards and other legal requirements takes place and required clarifications are obtained in respect of all areas before being recommended for Board approval.</p>	Complied
viii)	<p><b>Discussion of issues, problems and reservations arising from the interim and final audits</b></p> <p>The BAC met the External Auditors without the presence of the Executive Directors and Senior Management in two (2) times during the financial year 2023/24 to discuss issues, problems and reservations arose during the audit.</p>	Complied
ix)	<p><b>Review of External Auditor's management letter and management response</b></p> <p>The BAC has reviewed the management letter for year 2022/23 and Senior management responses thereto at very next BAC monthly meeting, but not later than three months of its submission, and reported to the Board.</p>	Complied
e)	<p><b>Review of effectiveness of the system of internal controls</b></p> <p>A process is in place to obtain self-declaration from the respective process owners on the internal controls put in place to mitigate the potential risks.</p> <p>Risk management department reviews the control assessment forms prepared by each process owner, and the BAC, through Internal Audit Department, validates the compliance and effectiveness of the Internal control system of the Company. A report of such review is included in the pages 204 to 205 in the annual report of the Company.</p>	Complied
f)	<p><b>Senior Management taking necessary corrective actions on findings made by auditors and supervisory bodies</b></p> <p>Internal control weaknesses, non-compliance with policies, laws and regulations, and other discrepancies identified by the External Auditor, supervisory bodies and the Internal Audit function.</p> <p>The Committee continuously follows up the Management letter and other reports issued by the regulatory bodies, internal and external auditors to ensure that necessary corrective actions are taken to address any internal control weaknesses, non-compliance with policies, laws and regulations.</p>	Complied
g)	<p><b>Internal Audit function</b></p>	
i)	<p><b>Establishment of an independent Internal Audit Function</b></p> <p>A fully-fledged Internal Audit Department (IAD) is in place to provide independent assurance to the committee on the quality and effectiveness of the existing internal control systems of the Company, risk management, governance practices and processes.</p>	Complied
ii)	<p><b>Mandate, independence and reporting line of Internal Audit Function</b></p> <p>The Chief Internal Auditor directly reports to the BAC. Internal Audit function have a clear mandate to carry out its functions within the Company.</p> <p>The BAC reviews and ensures that Internal Audit function has sufficient expertise and authority to carry out its work independently, effectively and objectively.</p> <p>A Board approved Internal Audit procedure manual is in place for effective discharging of its duties. The Internal Audit procedure manual was last reviewed and approved by the Board in August 2023.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
iii)	<p><b>Review of internal audit function</b></p> <p>The BAC has reviewed the information provided in the risk- based audit plan and concluded that scope, functions, skills and resources of the Internal Audit Department (IAD) are sufficient to carry out its functions. The Committee ensured that the internal audit function is independent of the activities it audits and provided necessary authority to perform its duties effectively and objectively. The BAC has reviewed and approved the Internal Audit Plan for the Financial Year.</p> <p>The Committee meets at monthly intervals to effectively discharge its duties. The Committee reviewed and discussed the Internal Audit programs and reports tabled by the Chief Internal Auditor and ensured that appropriate action is taken by the management on the Internal Audit recommendations. Relevant Senior Management personnel are invited for such discussions. The Committee follows up through the IAD until the matters are being remediated as per the action plan.</p> <p>BAC has evaluated the performance of Chief Internal Auditor and senior staff members who are one level below Chief Internal Auditor during the year.</p> <p>The BAC ensured the independence of the Internal Audit function from the activities it audits and ensured that audits are conducted with impartiality, proficiency, and due professional care and confidentiality was maintained throughout the audit process. The Internal Audit Department staff reports directly to the Chief Internal Auditor, who in turn reports directly to the BAC. All these aspects are clearly covered in the Internal Audit Procedure manual to establish uniformity in all engagements.</p> <p>Periodic reviews are conducted by the IAD on regulatory reporting to regulatory bodies such as CBSL, FIU, IRD. Annual Audit plan included the reviewing of Compliance function during the year.</p> <p>Whenever a need arises, the BAC and Senior Management assign special internal investigations on certain matters to the Internal Audit Department and reviews major findings with the management responses thereto and ensures that the recommendations are implemented.</p>	Complied
h)	<p><b>Review of statutory examination reports of CBSL</b></p> <p>The progress of implementing the time-bound action plan on statutory investigation report issued by CBSL (on-site investigation report) has been reviewed at its monthly meetings by BAC and ensured whether corrective actions are taken in a timely and effective manner.</p>	Complied
i)	<p><b>Meetings of the Committee</b></p>	
i)	<p><b>Meetings of the Board Audit Committee</b></p> <p>The BAC meeting dates were agreed to by Committee members in advance for the calendar year. The Committee meets regularly, at least monthly, and the agenda, minutes and all other Committee papers are uploaded through a secure link to iPad for Committee members to access seven days prior to the BAC meetings.</p> <p>The minutes of the meetings are recorded and maintained by the Company Secretary. All matters discussed are duly recorded in detail including the conclusions made in discharging Committees duties and responsibilities.</p> <p>The Committee has met thirteen (13) times during the year and the attendance at those meetings is set out on Attendance Matrix of the Board and Board Sub Committees page 174.</p>	Complied
ii)	<p><b>Participants of the Board Audit Committee meetings</b></p> <p>In addition to the Members of the BAC, MD/ CEO, Executive Directors, Chief Internal Auditor and Chief Financial Officer attended to the meetings by invitation. Other Senior Management personnel attended the meetings by invitation, when a related matter is taken up for discussion.</p>	Complied
iii)	<p><b>Private Meetings with the External Auditor</b></p> <p>Two (2) meetings were held with the External Auditors during the year without the presence of any other Directors, Senior Management or employees.</p>	Complied



## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>10.3</b>	<b>Board Integrated Risk Management Committee (BIRMC)</b>	
<b>a)</b>	<p><b>Composition of Board Integrated Risk Management Committee</b></p> <p>The Chairman of the Committee is an Independent Non-Executive Director.</p> <p>The Committee consists of three (3) Non-Executive Directors with sufficient knowledge and experience in banking, finance, risk management and practices. Majority of the Committee members are Independent Non-Executive Directors.</p> <p>The CEO/MD, Executive Directors, Assistant General Manager – Risk Management (AGM-RM) and relevant Senior Management personnel attend by invitation.</p> <p>The Committee closely work with Senior Management personnel and makes decisions on behalf of the Board within the Board approved Terms of Reference of the Committee.</p>	Complied
<b>b)</b>	<p><b>Secretary of the Board Integrated Risk Management Committee</b></p> <p>AGM-RM functions as the Secretary to the Committee.</p>	Complied
<b>c)</b>	<p><b>Risk Assessment</b></p> <p>The Committee has Board approved policies on credit risk management, operational risk management and overall enterprise risk management which provide a framework for management and assessment of risk.</p> <p>Reports on quantitative as well as qualitative risks are presented on every other month to the Board through BIRMC incorporating appropriate risk indicators, management information and make recommendations on risk strategies and risk appetites.</p> <p>Refer the BIRMC report on page 192 for more details.</p>	Complied
<b>d)</b>	<p><b>Development of a Risk Appetite Statement (RAS)</b></p> <p>Board approved RAS is in place which identifies the risk tolerance limits of the Company. RAS includes quantitative measures in relation to earnings, capital, liquidity etc. The RAS defined the boundaries and business considerations which the Company expected to operate.</p> <p>Risk appetite is monitored by the AGM-RM regularly and reports to the BIRMC any identified risks.</p> <p>A dedicated Compliance Officer is in place at Senior Management level to provide assurance to the Board through BIRMC on statutory, regulatory and other compliance related matters. The risks relating to compliance, money laundering and unethical practices are also considered and discussed at the meetings.</p>	Complied
<b>e)</b>	<p><b>Review of Risk policies and Risk Appetite Statement</b></p> <p>Risk policies and RAS are reviewed by the BIRMC on an annual basis. All risk related policies including RAS recommended by BIRMC have been reviewed and approved by the Board during the year.</p>	Complied
<b>f)</b>	<p><b>Review the adequacy and effectiveness of Senior Management level Committees</b></p> <p>The Committee reviews the adequacy and effectiveness of Senior Management level committees to address specific risks and manage those risks within quantitative and qualitative risk limits as specified by the committee.</p> <p>Refer Senior Management level committees and its' tasks and composition on page 172.</p>	Complied
<b>g)</b>	<p><b>Assessing of all aspects of risk management including Business Continuity and Disaster Recovery Plans</b></p> <p>The Committee has reviewed all risk management aspects of the Business Continuity Plan and Disaster Recovery Plan during the year.</p> <p>Refer BIRMC Report on page 192 for more details.</p>	Complied
<b>h)</b>	<p><b>Assessment of performance of Compliance Officer and Chief Risk Officer</b></p> <p>The Committee assessed the performance of the Compliance Officer and AGM - RM during the year.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
i)	<b>Compliance function</b>	
ii)	<p><b>Independent Compliance function</b></p> <p>Independent Compliance function is in place with adequate resources to assess the Compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the Business operations.</p>	Complied
ii)	<p><b>Appointment of a dedicated Compliance Officer (LFCs with asset base more than Rs. 20 Bn)</b></p> <p>A Senior Management Officer with appropriate seniority has been designated as the Company's Compliance Officer. This Compliance Officer reports directly to the BIRMC and does not engage in any management, operational activities, or income-generating functions while fulfilling his role as the Compliance Officer.</p> <p>The Board approved Compliance Policy is in place to govern the Compliance function of the Company.</p>	Complied
iii)	<p><b>Appointment of a dedicated Compliance Officer (LFCs with asset base less than Rs. 20 Bn)</b></p> <p>Not applicable</p>	Not applicable
iv)	<p><b>Responsibilities of the Compliance Officer</b></p> <p>The Job Description (JD) of the Compliance Officer has been reviewed by the BIRMC in Compliance with in this direction and best practices. The Compliance Officer's JD and Compliance Policy cover mainly the following;</p> <ul style="list-style-type: none"> <li>• Minimizing the regulatory risk by developing and implementing policies and procedures.</li> <li>• Establishing Compliance culture through proper communication</li> <li>• Regular reviews on regulatory rules and internal Compliance standards</li> <li>• Applying new legal and regulatory developments applicable to the Company</li> <li>• Early involvement in ensuring conformity with regulatory, internal Compliance and ethical standard requirements when designing new products or systems.</li> <li>• Addressing serious or persistent compliance issues within acceptable timeline, in concurrence with the management</li> <li>• Maintaining good working relationship with the regulators.</li> </ul>	Complied
j)	<b>Risk Management Function</b>	
i)	<p><b>Establishment of an independent risk management function</b></p> <p>The BIRMC has established an independent risk management function for managing risk-taking activities across the Company.</p>	Complied
ii)	<p><b>Risk Management department and dedicated Chief Risk Officer</b></p> <p>Separate risk management department is established with a dedicated AGM – RM to carry out risk management function and report to the BIRMC periodically.</p>	Complied
iii)	<p><b>Implementing the risk management policies and processes including RAS</b></p> <p>The AGM – RM of the Company has taken measures to implement the Risk management policies and monitor the Risk Appetite based on the Board approved RAS.</p> <p>The AGM – RM ensures that Company's risk management function is robust and effective to support the strategic objectives to fulfill stakeholder objectives.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
iv)	<p><b>Developing and implementing a Board approved integrated risk management framework</b></p> <p>The Committee has Board approved policies on credit risk management, operational risk management and overall enterprise risk management which provide a framework for management and assessment of risks. Accordingly, regular reports on quantitative as well as qualitative risks are being reviewed by the Committee in discharging its responsibilities as per the terms of reference.</p> <p>The risk management framework covers: potential risks and frauds, possible sources of such risks and frauds, process of identifying, assessing, monitoring and reporting risks, controls and mitigating factors and accountabilities.</p> <p>The BIRMC reviews and updates the framework at least on annual basis.</p>	Complied
v)	<p><b>AGM – RM participating in decision making related to capital and liquidity planning and new product/ service development</b></p> <p>AGM – RM participates for ALCO meetings where capital and liquidity is planned. Further, new products and services are reviewed by AGM – RM in order to identify and mitigate the risks.</p>	Complied
vi)	<p><b>Maintaining a Risk Register</b></p> <p>The updated risk register is submitted to the BIRMC on each BIRMC meeting which will be held on every other month.</p>	Complied
vii)	<p><b>Submission of risk assessment report by BIRMC to the Board meeting</b></p> <p>The Committee had kept the Board informed of their risk assessment of the Company by forwarding a risk report for upcoming Board meeting seeking Board's views and directions.</p>	Complied
<b>10.4</b>	<b>Board Nomination Committee (BNC)</b>	
a)	<p><b>Composition of the BNC</b></p> <p>The Board has established Board Nomination and Governance Committee (BNGC) which comprised three (3) Non-Executive Directors out of whom majority are independent. Independent Non-Executive Director was appointed as the Chairman of the Committee. The CEO/MD attended the meeting by invitation.</p>	Complied
b)	<p><b>Secretary of the BNC</b></p> <p>The Company Secretary functions as the Secretary to the BNGC.</p>	Complied
c)	<p><b>Formal and transparent procedure to select/appoint new Directors and Senior Management</b></p> <p>A formal and transparent procedure to select/appoint new Directors and Senior Management to be developed subject to transitional provisions.</p> <p>The Senior Management are appointed with the recommendation of relevant Executive Directors and the CEO/MD, except CIA, AGM – RM and Compliance Officer.</p>	Requirement will be fulfilled before the deadline
d)	<p><b>Fitness and Propriety of Directors and Senior Management</b></p> <p>Fitness and propriety for Board of Directors are evaluated on an annual basis and for Senior Management fitness and propriety is evaluated at the time of appointment, promotion, renewal of contracts or on lateral moves.</p> <p>Process of reviewing fit and propriety of Directors and Senior Management are closely monitored by the BNGC.</p>	Complied
e)	<p><b>The selection process of Directors</b></p> <p>The criteria set out in this direction are considered at the selection and recommendation process of Directors by the BNGC and the Board.</p>	Complied
f)	<p><b>Board composition is not dominated by any individual or a small group of individuals</b></p> <p>The Committee regularly reviewed and ensured that the composition of the Board does not dominate by any individual or a group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
g)	<p><b>Setting off of criteria on qualification, experience and key attributes required to be appointed to the post of MD/CEO, Executive Directors and Senior Management</b></p> <p>Qualifications, experience and key attributes required for eligibility for the appointment to the post of MD/CEO, Executive Directors and Senior Management positions to be developed subject to transitional provisions.</p> <p>However, when recommending to the Board, the Committee ensured the availability of adequate qualifications, experience, skills and key attributes required for eligibility to discharge duties as MD/CEO, Directors and Senior Management personnel.</p>	Requirement will be fulfilled before the deadline
h)	<p><b>Disclosures to shareholder upon the appointment of a new Director</b></p> <p>Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the Colombo Stock Exchange (CSE) as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka.</p> <p>All new appointments are reviewed and recommended to the Board by the Committee. However, no new appointments were made to the Board during the year.</p>	Complied
i)	<p><b>Re-election of current Directors</b></p> <p>The Committee makes recommendations to the Board considering that the combined knowledge of the Board existed, performance towards strategic demand faced by the Company and contribution made by each Director towards discharge of Board's overall responsibilities.</p>	Complied
j)	<p><b>Additional/new expertise and the succession arrangements for retiring Directors and Senior Management</b></p> <p>Board approved succession plan for MD/CEO, Executive Directors and Senior Management is in place. The committee periodically reviews and updates the plan where necessary.</p>	Complied
k)	<p><b>Participating in decision making relating to own appointment/reappointment</b></p> <p>The members of the BNGC do not participate in decision making relating to own appointments or reappointments. Further, Chairman of the Board abstains from the meeting when matters related to his successor is discussed.</p>	Complied
<b>10.5</b>	<b>Board Human Resource and Remuneration Committee</b>	
a)	<p><b>Composition of the Board Human Resource and Remuneration Committee (BHRRC)</b></p> <p>The Board has established BHRRC of which all the three (3) members are Non-Executive Directors and two (2) out of three committee members are Independent Directors.</p> <p>The Committee is chaired by Independent Non-Executive Director.</p>	Complied
b)	<p><b>Secretary of the BHRRC</b></p> <p>The Company Secretary functions as the Secretary to the Committee.</p>	Complied
c)	<p><b>Remuneration Policy for MD/CEO, Directors and Senior Management</b></p> <p>The Committee determines the remuneration policy relating to MD/CEO, Executive Directors and Senior Management.</p> <p>Fees and allowances of Non-Executive Directors are decided by the Board of Directors as a whole.</p> <p>Refer BHRRC Report on page 196 for more details on the remuneration policy of the Company</p>	Complied
d)	<p><b>Formal and transparent procedure in developing the remuneration policy.</b></p> <p>The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines. The policy was recommended by the Human Resource and Remuneration Committee and approved by the Board of Directors.</p> <p>Refer Board Human Resource and Remuneration Committee Report on page 196 for more details.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
e)	<p><b>Remuneration policy for employees of the Company</b></p> <p>The Remuneration Policy is reviewed periodically and recommended by the Committee for the approval of the Board on paying salaries, allowances and other financial incentives for employees of the Company.</p>	Complied
f)	<p><b>Remuneration structure to be in line with the business strategy, objectives, values, long-term interests and cost structure of the Company</b></p> <p>The remuneration structure is in line with the business strategy, objectives, values, long-term interests and cost structure of the Company and it also incorporated measures to avoid conflict of interest. The Committee is mindful to abstain from incentivising employees for taking excessive risks or act in self-interests.</p>	Complied
g)	<p><b>Review of performance of Senior Management by BHRRC</b></p> <p>The performance of the Senior Management (excluding CIA, Compliance Officer and AGM - RM) against the set targets and goals will be reviewed by the Executive Directors subject to transitional provisions. However, effective annual evaluation process is in place to determine the basis for revising remuneration and other performance-based benefits for the Senior Management.</p>	Requirement will be fulfilled before the deadline
h)	<p><b>Senior Management abstain from attending meetings when matters related to them are being discussed</b></p> <p>Respective Senior Management Personnel shall abstain from attending meetings, when matters related to them are discussed. The Committee reviewed and ensured the Compliance of such requirement.</p>	Complied
<b>11</b>	<b>INTERNAL CONTROLS</b>	
11.1	<p><b>Adopting a well-established internal control system</b></p> <p>Well established internal control system is in place which includes Board approved organization structure and segregation of duties, clear reporting lines for management and operational procedures and policies for all the required areas of the Company in order to mitigate the operational risks.</p> <p>A process is in place to ensure the effectiveness of the company's internal control system. Refer the Directors' Statement on Internal Control on page 204.</p> <p>Refer the organization structure on page 358 for further details.</p>	Complied
11.2	<p><b>Expected outcomes of an internal control system</b></p> <p>The Board has established a comprehensive internal control system which ensured the promoting effective and efficient operation, providing reliable financial information, safeguarding the company's assets, minimizing the operational risks, ensuring effective risk management system and ensuring compliance with laws, regulations, directions and internal policies and procedures.</p> <p>The Board ensured the effectiveness and compliance of the internal control mechanism through various processes as discussed in Directors' Statement on Internal Control on page 204 and the External Auditor has provided an independent assurance on the Directors' Statement on Internal Control over Financial Reporting on page 204 in the Annual Report.</p>	Complied
11.3	<p><b>Responsibilities of employees on internal control</b></p> <p>All employees were made accountable and responsible for internal controls as part of their routine functions through the various policies and procedures of the Company. Adherence to the Board established internal controls are monitored by the Board through IAD.</p>	Complied
<b>12</b>	<b>RELATED PARTY TRANSACTIONS</b>	
12.1	<p><b>Policy and procedures for Related Party Transactions</b></p> <p>A Board approved policy for Related Party Transactions is available to govern the related party transactions.</p>	Complied



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
a)	<p><b>Composition of the Board Related Party Transactions Review Committee (BRPTRC)</b></p> <p>The Board has appointed a BRPTRC in conformity with the direction. The Committee comprised of three (3) Non-Executive Directors of which majority are Independent. The Committee is also chaired by an Independent Non-Executive Director.</p>	Complied
b)	<p><b>Prior review and approval of Related Party Transactions (RPT)</b></p> <p>The Board approved policy is in place to govern the Related Party Transactions. As defined in the Policy, all Related Party Transactions are prior reviewed and recommended by BRPTRC.</p>	Complied
c)	<p><b>Types of Related Party Transactions</b></p> <p>Board approved RPT Policy outlines the transactions that can be carried out by the Company to avoid any non-compliance and conflicts of interest. The RPT policy includes a comprehensive list of transaction types including the type of transactions listed in this direction.</p>	Complied
12. 2	<p><b>Avoiding conflicts of interest with list of identified Related Parties</b></p> <p>The BRPTRC ensures that the transactions with Related Parties are in accordance with best practices. The RPT Policy is in place which describes the related parties, types of related party transactions and stipulates that no Director shall participate in any discussion of a proposed related party transaction for which he or she is a related party, provided however he or she may participate in discussion to express, propose and providing information concerning to Related Party Transaction to the committee.</p> <p>A system for monitoring and reporting of data pertaining to such transactions has been established and through that system, the Company ensures that no favourable transaction has been entered in to with such parties. All transactions carried out with Related Parties are reviewed by the committee and ensured that they are in the ordinary course of business (Recurrent transactions). Such transactions are disclosed in the financial statements on 'Related Party Disclosures' under Note 3.1 on page 318.</p> <p>The BRPTRC has identified a list of related parties in compliance with this direction and periodic reviews are conducted as and when need arises.</p>	Complied
12.3	<p><b>Engage in business transactions with related parties with more favorable treatments</b></p> <p>The Board-approved Related Party Transactions Review Policy contains provisions to ensure compliance and the BRPTRC ensures that all the transactions with related parties are on arm's length basis.</p> <p>The Company has developed a separate system to monitor related party transactions to ensure that related party transactions are not entered into on more favorable terms than those offered to others, and approvals of the BRPTRC/Board are obtained for all transactions before entering in to the transactions.</p>	Complied
13	<p><b>GROUP GOVERNANCE</b></p>	
13.1	<p><b>Responsibilities of the FC as a Holding Company</b></p>	
a)	<p><b>Exercising adequate oversight over Subsidiaries and Associates</b></p> <p>The Group consists of 2 subsidiary companies, Multi Finance PLC and LB Microfinance Myanmar Company Limited.</p> <p>The Board approved governance framework provide guidelines on the responsibilities of the company to oversight the affairs of subsidiary companies.</p> <p>Adequate oversight in place to ensure the compliance with independent legal, regulatory and governance responsibilities applicable to them.</p>	Complied
b)	<p><b>Responsibility of Board of the LBF as Parent Company</b></p>	
i)	<p><b>Group Governance Framework</b></p> <p>The Board approved Governance Framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
ii)	<p><b>Content of the Group Governance Framework</b></p> <p>The differences in the operating environment including legal and regulatory requirements for each Company are properly understood by the Board and included in the group governance framework.</p>	Complied
iii)	<p><b>Reporting arrangements that promote the understanding and management of material risks and developments</b></p> <p>The reporting arrangement that promote the understanding and management of material risks and developments are included in the group governance framework.</p>	Complied
iv)	<p><b>Group internal control framework</b></p> <p>The Board assessed whether the internal control framework of the group has adequately addressed the risks across the group including intra-group transactions. Group IAD ensures the compliance of policies and procedures established across the group.</p>	Complied
v)	<p><b>Adequate resources are allocated to effectively monitor compliance at the group</b></p> <p>The compliance team of the parent company overlook the effectiveness and the compliance of legal and regulatory requirements in both parent and subsidiary companies.</p>	Complied
c)	<p><b>Group structure does not undermine its ability to exercise effective oversight/clearly defined process of approving the creation of new legal entities</b></p> <p>As apex entity, LBF ensured that group structure does not undermine the ability to exercise effective oversight. The Board has established clearly defined process through group governance framework to effectively discharge this direction.</p>	Complied
d)	<p><b>Board and Senior Management validate that the objectives, strategies, policies and Governance Framework set at the group level are fully consistent with the regulatory obligations of the company</b></p> <p>The Board approved objectives, strategies, policies and governance framework are fully consistent with the regulatory obligations of the company. Further, through the BIRMC, the Board ensure that company specific risks are identified and addressed adequately.</p>	Complied
e)	<p><b>Avoiding setting up complicated structures</b></p> <p>The Company has not set up complicated group structure that lack economic substance or business purpose that can considerably increase the complexity of the operations.</p>	Complied
13.2	<p><b>The company is a subsidiary of another financial institution subject to prudential regulation</b></p> <p>Company is not a subsidiary of another financial institution</p>	Not applicable
14	<b>CORPORATE CULTURE</b>	
14.1	<p><b>Code of Conduct</b></p> <p>Board approved Code of Conduct and Conflict of Interest Policies are in place issuing guidelines on appropriate conduct on confidentiality, conflict of interest, integrity of reporting, protection and proper use of Company assets and fair treatment of customers.</p>	Complied
14.2	<p><b>Records of breaches of Code of Conduct</b></p> <p>If a breach of the Code of Conduct is reported, the Company maintains records on such breaches of Code of Conduct.</p>	Complied
14.3	<p><b>Whistleblowing Policy</b></p> <p>The Company has a Board-approved Whistleblowing Policy whereby employees of the Company are entitled to raise concerns in confidence about the malpractices in the Company. The BAC ensures that a proper process is in place in line with the Board approved policy for a fair and independent investigation and appropriate follow-up action on such matters. The compliance officer reports confidentially on quarterly basis to the BAC on incidents reported together with action taken.</p> <p>The Whistleblowing Policy has been reviewed and revised by the Board on March 2023 and communicated to the staff in all three languages.</p>	Complied



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS																																					
v)	<p><b>Related Party Transaction</b></p> <p><b>Nature of any relationship between Chairman and MD/CEO and the relationships among the members of the Board</b></p> <p>Refer the Annual report of the Board of Directors on the Affairs of the Company on pages 179 to 187.</p> <p><b>Net Accommodations Granted to Related Parties</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Category of related party transactions</th> <th colspan="3">2023/24 (Rs.'000)</th> </tr> <tr> <th>Net Accommodation granted</th> <th>Net Accommodation outstanding as at 31 March 2024</th> <th>Percentage of the core capital</th> </tr> </thead> <tbody> <tr> <td>1 Directors and Senior Management</td> <td>46,646</td> <td>8,620</td> <td>0.02%</td> </tr> <tr> <td>2 Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>3 Subsidiaries, Associates, Affiliates, Holding Company, Ultimate parent Company and any other party that Company exert control over or vice versa</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>4 Directors and Senior Management of legal persons above 2 &amp; 3</td> <td>500</td> <td>-</td> <td>-</td> </tr> <tr> <td>5 Relatives of a natural person described in 1, 2 and 4</td> <td>3,160</td> <td>3,549</td> <td>0.008%</td> </tr> <tr> <td>6 Any concern in which any of the Director, Senior Management or a relative of any of the Company's Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <p><b>Aggregate value of transactions with Senior Management</b></p> <table border="1"> <thead> <tr> <th>For the year ended</th> <th style="background-color: #0070c0; color: white;">2023/24 Rs. '000</th> </tr> </thead> <tbody> <tr> <td>Accommodations granted</td> <td>12,146</td> </tr> <tr> <td>Deposits/investments made</td> <td>55,607</td> </tr> </tbody> </table>	Category of related party transactions	2023/24 (Rs.'000)			Net Accommodation granted	Net Accommodation outstanding as at 31 March 2024	Percentage of the core capital	1 Directors and Senior Management	46,646	8,620	0.02%	2 Shareholders who directly or indirectly holds more than 10% of the voting rights of the Company	-	-	-	3 Subsidiaries, Associates, Affiliates, Holding Company, Ultimate parent Company and any other party that Company exert control over or vice versa	-	-	-	4 Directors and Senior Management of legal persons above 2 & 3	500	-	-	5 Relatives of a natural person described in 1, 2 and 4	3,160	3,549	0.008%	6 Any concern in which any of the Director, Senior Management or a relative of any of the Company's Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest	-	-	-	For the year ended	2023/24 Rs. '000	Accommodations granted	12,146	Deposits/investments made	55,607	Complied
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4 Directors and Senior Management of legal persons above 2 & 3	500	-	-																																				
5 Relatives of a natural person described in 1, 2 and 4	3,160	3,549	0.008%																																				
6 Any concern in which any of the Director, Senior Management or a relative of any of the Company's Director or Senior Management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest	-	-	-																																				
For the year ended	2023/24 Rs. '000																																						
Accommodations granted	12,146																																						
Deposits/investments made	55,607																																						
vi)	<p><b>Board appointed Committees</b></p> <p>Details of Chairperson, members and the attendance of the below mentioned Sub-Committees are stated in Attendance Matrix of the Board and Board Sub Committees on page 174</p> <p>For more details refer respective Sub-Committee reports as follows.</p> <p>Board Audit Committee Report – page 188</p> <p>Board Integrated Risk Management Committee Report – page 192</p> <p>Board Nomination and Governance Committee Report – page 194</p> <p>Board Human Resource and Remuneration Committee Report – page 196</p> <p>Board Related Party Transaction Review Committee Report – page 198</p> <p>Board Information Security Committee Report – page 200</p> <p>Board Sustainability Committee Report – page 202</p>	Complied																																					

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
vii)	<p><b>Group structure</b></p> <p>The Group Structure of the Company is stated on page 11.</p> <p>The Group Governance Framework is disclosed in Corporate Governance report on page 167 of the annual report.</p>	Complied
viii)	<p><b>Director's report</b></p> <p>Refer Annual Report of the Board of Directors on the Affairs of the Company on pages 179 to 187 for the following disclosures;</p> <ul style="list-style-type: none"> <li>• Declaration on not engaging in any activity, which contravenes laws and regulations</li> <li>• Director's declaration on all RPT with the Company and abstained voting</li> <li>• Fair treatments to all stakeholders, in particular the depositors</li> <li>• Going concern supporting assumptions</li> <li>• Review of internal controls covering material risks to the Company and have obtained reasonable assurance</li> </ul>	Complied
ix)	<p><b>Statement on Internal Control</b></p> <p>Report by the Board on internal control mechanism of the Company that confirms the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting – Directors' Statement on Internal Control on page 204.</p> <p>External Auditor's Assurance statement on effectiveness of the internal control mechanism – Independent Assurance Report to the Board of Directors on page 206.</p> <p>Report on compliance with prudential requirements, regulations, laws and internal controls – Directors' Statement on Internal Control on page 204.</p> <p>A penalty of Rs. 700,000/- was imposed by the Financial Intelligence Unit of CBSL for not reporting certain transactions under Financial Transactions Reporting Act.</p>	Complied
x)	<p><b>Corporate Governance Report</b></p> <p>The Corporate Governance Report is set out on pages 164 to 178 of the Annual Report of the Company.</p> <p>The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance</p>	Complied
xi)	<p><b>Code of Conduct</b></p> <p>A Board approved Code of Conduct for Directors and for all employees are in place. Refer Corporate Governance Report on page 176 for more details.</p> <p>There was no violations of any of the provisions of this code by the company. Refer page 398 for details.</p>	Complied
xii)	<p><b>Management report</b></p> <p>Refer "Management Discussion and analysis" on page 32 of this annual report.</p>	Complied
xiii)	<p><b>Communication with Shareholders</b></p> <p><b>The policy and methodology for communication with shareholders / the contact person for such communication.</b></p> <p>A Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders</p> <p>The Company Secretary communicates with the shareholders through the Annual Report, Quarterly Reports, and by notices issued to the shareholders.</p> <p>More details on communications with shareholders are stated Corporate Governance Report on page 166.</p>	Complied



## CORPORATE GOVERNANCE

### COMPLIANCE WITH CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Compliance with the Code of Best Practice on Corporate Governance 2023 (Code) issued by The Institute of Chartered Accountants of Sri Lanka

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>SECTION I</b>	<b>THE COMPANY</b>	
<b>A</b>	<b>DIRECTORS</b>	
<b>A.1</b>	<p><b>The Board</b></p> <p>The Board comprised ten (10) Directors as at 31st March 2024, six (6) of whom functioned in Non-Executive capacity, having the required professional competence, skills and experience in the fields of entrepreneurship, banking, finance, legal, IT, economics and marketing to lead and control the Company.</p> <p>The Board gives leadership in setting the strategic direction and implement sound control environment for the successful functioning of the Company. Directors are elected by shareholders at the AGMs with the exception of the Executive Directors who are appointed by the Board and remain as Executive Directors until retirement, resignation or termination of such appointment. The Board has appointed several Sub Committees to assist in discharging Board's collective responsibilities.</p>	Complied
<b>A.1.1</b>	<p><b>Board Meetings</b></p> <p>The Board meets at monthly intervals and special Board meetings are convened whenever necessary. The Board met 13 times during the year. Attendance at meetings is summarized on page 174.</p>	Complied
<b>A.1.2</b>	<p><b>Roles &amp; Responsibilities of the Board</b></p> <p>The Board engages in providing direction in formulating a sound business strategy and closely monitors the implementation of the strategy effectively. Well-defined strategy of the company provides a clear vision and direction for the business and enables to align the efforts and work towards common goals. A strategic plan has been developed covering three years from 2023/24 to 2025/26 and was approved by the Board.</p> <p>Mr. Ashane Jayasekara, Independent Non-Executive Director functions as the Senior Independent Director and provides strong leadership to the independent element of the Board.</p> <p>Board Human Resource and Remuneration Committee ensures that the MD/CEO and the Key Management Personnel (KMP) have the required skills, experience and knowledge to implement and sustain the strategy.</p> <p>An effective succession strategy has been reviewed and approved by the Board during the year.</p> <p>To enable the effective discharge of its stewardship, the Board has delegated its authorities to Sub Committees to overlook the specific responsibilities under the pre-agreed terms of references and operational responsibilities have been delegated to Senior Management led by CEO/MD within preapproved limits.</p> <p>The Board ensures the availability of effective systems to secure integrity of information, internal controls, business continuity planning, risk management, cybersecurity and compliance with laws, regulations and ethical standards.</p> <p>The Board is mindful about the all stakeholder interests and corporate values of LBF when corporate decisions are made. The corporate strategy, decisions and activities are aligned recognising the sustainable business development and ESG related risks and opportunities.</p> <p>Refer following reports for further insights in this regard.</p> <p>The Directors Statement on Internal Controls over Financial Reporting - page 204</p> <p>The Corporate Governance report - page 164</p> <p>The Integrated Risk Management report - page 208</p> <p>The Board Audit Committee report - page 188</p> <p>The Board Sustainability Committee report - page 202</p> <p>Sustainability at LBF - page 56</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
A.1.3	<p><b>Act in accordance with laws and seek professional advice</b></p> <p>The Board collectively and Directors individually, recognize their duty to comply with laws of the country. The Board of Directors ensures that procedures and processes are in place to ensure that LBF complies with all applicable laws and regulations. In order to preserve the independence of the Board and to strengthen the decision-making, the Board seeks independent professional advice when deemed necessary.</p> <p>The Governance Framework outline the procedure to be followed in obtaining independent professional advice.</p>	Complied
A.1.4	<p><b>Access to advice and services of Company Secretary</b></p> <p>All Directors have access to the Company Secretary, a company registered as a qualified Secretary, namely PW Corporate Secretarial (Pvt) Ltd. Their services are available to all Directors and they advise the Board on corporate governance matters, Board procedures and applicable rules and regulations.</p> <p>The Company Secretary is not employed in another capacity that may conflict with the same.</p>	Complied
A.1.5	<p><b>Independent Judgement</b></p> <p>All Directors are responsible for bringing independent judgment on issues of strategy, performance, resource allocation, risk management, statutory and regulatory compliance and standard of business conduct. Non-Executive Directors also provide independent judgment on the proposals made by the Managing Director and Executive Directors.</p>	Complied
A.1.6	<p><b>Dedicate adequate time and effort</b></p> <p>Every Director has dedicated adequate time and effort to the meetings of the Board and Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged and all the Board papers are uploaded through a secure link to the iPad at least seven days prior to the Board meetings for the Directors to access prior to the Board Meeting. Additional information and clarification requirements are made through the company Secretary and all matters that require follow up are discussed at the immediately succeeding Board meeting.</p> <p>The current process facilitates adequate time to familiarize with business operations, risks and controls</p>	Complied
A.1.7	<p><b>Calling of a resolution by 1/3 (one third) of the Directors</b></p> <p>If necessary, in the best interest of the Company, one-third of the Directors can call for a resolution to be presented to the Board. However, necessity did not arise during the year.</p>	Complied
A.1.8	<p><b>Board induction and training</b></p> <p>Every Director was given appropriate induction when first appointed to the Board with regard to the affairs of the Company and laws and regulations applicable to the Company. The Corporate Management and external experts make presentations with regard to the business environment to update the knowledge. Further strengthening the knowledge on Anti-money laundering and countering of Terrorist financing a comprehensive knowledge sharing session has been conducted by Financial Intelligence Unit of CBSL to LBF Board. The Board regularly reviews and agrees on the training and development needs of the Directors, to effectively discharge their duties.</p> <p>Due consideration is given by the newly appointed Directors on responsibilities of the role, ability to commit time, any existing or potential conflict of interest and required competencies.</p>	Complied
A.2/A.2.1	<p><b>Chairman and Chief Executive Officer</b></p> <p>The positions of Chairman and MD/CEO have been separated in line with the best practices and there is a clear division of responsibilities between two designations to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.</p> <p>Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as Senior Independent Director with documented TOR to ensure a greater independent element in the Board.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
A.3/ A.3.1	<p><b>Chairman's Role in preserving Good Corporate Governance</b></p> <p>The Chairman provides leadership to the Board, ensures that the Board works effectively and discharges its responsibilities and ensures that all key and appropriate issues are discussed by the Board in a timely and effective manner.</p> <p>The Chairman approved the detailed agenda for each meeting in consultation with MD/CEO, Directors and Company Secretary and ensures effective participation and balance of power between Executive and Non-Executive Directors to make their fullest contribution for the benefit of the Company. All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of the meetings. The views of the Directors on issues under consideration are ascertained and a record of such deliberations reflected in the minutes. Further, the Board is in complete control of LBF's affairs and mindful of their obligations towards all stakeholders including shareholders.</p>	Complied
A.4	<p><b>Availability of Financial Acumen</b></p> <p>The Chairperson of the Board Audit Committee is a fellow member of The Chartered Institute of Management Accountants of UK (CIMA-UK) and the Chairman of the Board Integrated Risk Management Committee is a fellow member of The Institute of Chartered Accountants of Sri Lanka and also a fellow member of the CIMA-UK. Further, an Executive Director is also a qualified finance professional with experience in finance and management. The remaining members of the Board also possess experience in finance and banking. Thus, there is sufficient financial acumen and knowledge within the Board to offer guidance on matters of finance.</p> <p>The profiles of the Board of Directors are given on page 156 to 160.</p>	Complied
A.5	<p><b>Board Balance</b></p> <p>LBF set up a Board which has a balance of Executive and Non-Executive Directors that no individual or small group of individuals can dominate its decision making.</p>	Complied
A.5.1	<p><b>Balance of Executive and Non-Executive Directors in the Board</b></p> <p>The Board includes a strong presence of Non-Executive Directors of sufficient calibre. During the financial year under review, the Board comprised six (6) Non-Executive Directors and four (4) Executive Directors facilitating the required balance within the Board.</p>	Complied
A.5.2	<p><b>Strong independent element in the Board</b></p> <p>The Board has determined three (3) out of six (6) Non-Executive Directors are independent as at 31.03.2024 as per this Code. The BNGC is in the process of fulfilling this requirement before 01/07/2024.</p>	Requirement to be complied
A.5.3	<p><b>Evaluating independence of Directors</b></p> <p>The Board evaluates the independence yearly using annual declarations submitted by the Directors according to the Code criteria. This process ensures whether such Directors are independent of the management and free of any business or other relationship that could interfere with the exercise of their unfettered and independent judgment.</p>	Complied
A.5.4	<p><b>Signed declaration of independence by the Non-Executive Directors</b></p> <p>All Non-Executive Directors provided the signed declarations of independence for 2023/24 as per Schedule C of the Code.</p> <p>Based on the annual declarations submitted by the Directors, there are six (6) Non-Executive Directors and out of them, three (3) are independent.</p>	Complied
A.5.5	<p><b>Determination of the Independence and Non-Independence of each Non-Executive Director annually</b></p> <p>Independence of each Non-Executive Director has been reviewed by the Board during the year 2023/24 and has determined that the submission of the declaration by the Non-Executive Directors, as to their independence is a fair representation. The process of evaluating the independence of Non-Executive Directors has considered all criteria set out in the code and this will continue as an annual event.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
A.5.6	<p><b>Appointing an Alternate Director</b></p> <p>No Alternate Directors were appointed during the year.</p>	Not applicable
A.5.7	<p><b>Appointing Senior Independent Director (SID) and confidential discussion with other Directors by the SID</b></p> <p>The roles of the Chairman and the CEO being held by two different individuals. Independent Non-Executive Director, Mr. Ashane Jayasekara was appointed as a Senior Independent Director since Chairman of the Board is a Non-Independent Non-Executive Director. Board approved TOR is available for the Senior Independent Director.</p> <p>SID met Non-Executive and Executive Directors at the Sub-Committee meetings and discussed matters related to Governance Framework of the company and updated the Chairman on the outcome of the discussions.</p>	Complied
A.5.8	<p><b>Availability of SID for confidential discussion with other Directors</b></p> <p>The SID makes himself available for confidential discussions with other Directors who may have concerns which they believed have not been properly considered by the Board as a whole. Also, the SID participates in all meetings with majority, significant and minority shareholders as and when necessary.</p> <p>However, no such incidents were occurred during the year.</p> <p>Refer the Report of Senior Director's (Senior Independent Director as per the definition of this code) on page 165 of this annual report.</p>	Not applicable
A.5.9	<p><b>Meetings held by the Chairman with Non-Executive Directors, without the Executive Directors being present</b></p> <p>The Chairman held two (2) meetings with Non-Executive Directors, without the Executive Directors being present.</p>	Complied
A.5.10	<p><b>Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved</b></p> <p>There were no instances where the Directors could not unanimously resolve matters and accordingly no such matters were recorded in the minutes.</p>	Not applicable
A.6	<p><b>Provision of appropriate and timely information</b></p> <p>The Company provides timely and appropriate information to the Board enabling them in discharging their duties.</p>	Complied
A.6.1	<p><b>Management should provide timely information to the Board. The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings</b></p> <p>Timely and accurate information is provided by the Management to the Board generally seven days prior to the Board meetings. The members of Senior Management make presentations to the Directors on important issues relating to the financial performance, strategy, risk, systems and procedures, corporate governance matters, information technology developments, cybersecurity measures, legal and regulatory compliance.</p> <p>The Directors make further inquiries from management team, where necessary, to obtain further clarity on matters scheduled for discussions. Requested clarifications are obtained prior to the Board meetings to make effective decision making.</p> <p>The Chairman ensures that all Directors are properly briefed on matters arising at the Board meeting.</p>	Complied
A.6.2	<p><b>The minutes, agenda and papers required for a Board meetings should be provided before seven (7) days</b></p> <p>The minutes of the previous meeting, agenda and Board papers are uploaded through a secure link to the iPad for the Directors to access seven (7) days prior to the Board meeting.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
A.7	<p><b>Appointments to the Board</b></p> <p>The Board has established a formal and transparent procedure for the appointment of new Directors to the Board.</p> <p>There were no new appointments to the Board during the year.</p>	Complied
A.7.1	<p><b>Nomination Committee</b></p> <p>The Board Nomination and Governance Committee makes recommendations to the Board on all new appointments to the Board. The Committee was set up in compliance with the requirements set out in this code and TOR of the committee is reviewed and approved by the Board.</p> <p>The committee comprised 3 Non-Executive Directors of whom majority are independent. The Chairperson of the committee is an Independent Non-Executive Director.</p> <p>The BNGC composition and the activities performed during the year are discussed in the report of the Board Nomination and Governance Committee is given on page 194 of the Annual Report.</p>	Complied
A.7.2	<p><b>Assessment of Board composition by the Nomination Committee</b></p> <p>A process is in place to assess the existing Board composition against pre-defined criteria of skills, diversity and knowledge to ensure that Board appointees are fit and proper. The Committee has actively prioritised diversity in Board composition, taking into account gender, age and any other factors that are relevant to the finance Industry.</p> <p>The Committee reviews the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications and to ensure that Board appointees are fit and proper. The Committee complied with all the requirements stipulated in the section A.7.2 of this code.</p>	Complied
A.7.3	<p><b>Succession Plan</b></p> <p>Board approved succession plan is in place for CEO/MD and all Key Management Personnel. Necessary training and development requirements are identified for successors.</p>	Complied
A.7.4	<p><b>Disclosure requirements when appointing of new Directors to the Board</b></p> <p>Details of new Directors are disclosed to the shareholders at the time of their appointment by way of announcements made to the CSE as well as in the Annual Report. Prior approval for appointment of new Directors is obtained from the Director of Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka. All new appointments are reviewed by the committee.</p>	Complied
A.7.5	<p><b>Report of the Nomination Committee in the Annual report</b></p> <p>Requirements stipulated in this code are disclosed in the "Report of the Board Nomination and Governance Committee in page 194 of this annual report.</p>	Complied
A.7.6	<p><b>Terms of Reference of Nomination Committee</b></p> <p>Board approved Terms of Reference is in place for BNGC to oversee the nomination and governance functions of the Company.</p>	Complied
A.8	<p><b>Re-election of Directors</b></p> <p>All NEDs are required to submit themselves for re-election at regular intervals in line with Articles of Association of the Company.</p>	Complied
A.8.1	<p><b>Appointment and re-election of Non-Executive Directors</b></p> <p>Non-Executive Directors are appointed for a specified term subject to re-election and to the provisions in the Companies act in relation to the removal of the director and their re-appointment is not automatic. At each Annual General Meeting one-third of the Non-Executive Directors for the time being who are subject to retirement are re-elected by the shareholders.</p>	Complied



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>A.8.2</b>	<p><b>Re-election of Chairman and other Directors</b></p> <p>The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next AGM and seek appointment by the shareholders at that meeting.</p> <p>When the Chairman and other Directors submit themselves for re-election or reappointment, minimal disclosures as defined in this code are made to all shareholders to make informed decisions on their election. The fitness and propriety of each Director are reviewed by the BNGC and make recommendations for re-election.</p>	Complied
<b>A.8.3</b>	<p><b>Resignation</b></p> <p>A process is in place, if a Director who wish to resign prior to completion of appointed term. However, there were no such resignations during the year.</p>	Complied
<b>A.9</b>	<p><b>Appraisal of Board &amp; Sub Committees' Performance</b></p> <p>The Board has appraised their own performance through annual self-evaluation process in order to ensure that Board responsibilities are satisfactorily discharged.</p>	Complied
<b>A.9.1</b>	<p><b>Appraisal of Board performance</b></p> <p>The Board and Board appointed Sub-Committees annually appraise their own performance to ensure that they are discharging their responsibilities satisfactorily. This process requires each Director to fill Board Performance Evaluation Forms in line with this section of the Code.</p> <p>The responses are reviewed by the Company Secretary who collates them and submits it to the Chairman for necessary action as appropriate as decided by the Board.</p>	Complied
<b>A.9.2</b>	<p><b>Annual self-evaluation by the Board of its Sub Committees</b></p> <p>A formal process is in place for the Board and its Sub Committee to carry out self-evaluations to determine the effectiveness of their performance.</p> <p>The Board as a whole performed an annual self-assessment to evaluate the overall effectiveness of LBF Board according to the criteria set out alongside. The feedback from Directors is collated and reviewed by the Board and BNGC and conveyed to the Chairman of the Board for discussion at the Board meeting. All Sub Committees have performed self-evaluations of their performance during 2023/24 and areas identified for improvements are also discussed at their respective meetings and updated the Board by respective Chairperson.</p>	Complied
<b>A.9.3</b>	<p><b>Review of each Director at the time of re-election</b></p> <p>The Board has a process to review the participation, contribution and engagement of each Director at the time of re-election.</p>	Complied
<b>A.9.4</b>	<p><b>Disclosure in the Annual Report about the Board's performance evaluation methodology</b></p> <p>Board approved procedure is in place to evaluate the performance of Chairman, CEO/MD and other members of the Board and its sub-committees. The process adopted by LBF is detailed on page 177 of this report.</p>	Complied
<b>A.10</b>	<p><b>Annual Report to Disclose Specified Information Regarding Directors</b></p> <p>Shareholders are kept informed about the relevant details in respect of Directors.</p>	Complied
<b>A.10.1</b>	<p><b>Annual Report disclosure in respect of Directors</b></p> <p>Profiles of the Board of Directors are given on pages 156 to 160 including other Directorships held by the Directors and memberships of Board Committees. Directors' attendance is disclosed on page 174.</p>	Complied
<b>A.11</b>	<p><b>Appraisal of CEO/MD</b></p> <p>As required in this code, the Board assess the performance of CEO/MD at least annually.</p>	Complied
<b>A.11.1 / A.11.2</b>	<p><b>Targets for CEO at the commencement of each financial year and performance evaluation</b></p> <p>CEO/MD's performance targets are aligned with business strategies of the Company. Financial and non-financial targets are set at the beginning of every financial year by the Board which is in line with the short- medium- and long-term objectives of the Company. At the end of each financial year the Board evaluates the set targets and the actual performance.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>B</b>	<b>DIRECTORS' REMUNERATION</b>	
<b>B.1</b>	<p><b>Remuneration Procedure</b></p> <p>The Company established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Directors involved in deciding his/her own remuneration</p>	Complied
<b>B.2</b>	<p><b>Remuneration Committee</b></p> <p>The remuneration levels for both Executive and Non-Executive Directors are adequate to attract and retain the necessary talent to run the company successfully. Proportion of the Executive Director's remuneration is designed to link rewards to corporate and individual performance, ensuring a balanced consideration of short, medium, and long-term performance outcomes.</p>	Complied
<b>B.2.1</b>	<p><b>Setting up of Remuneration Committee</b></p> <p>The Board has established Human Resource and Remuneration Committee within the agreed terms of reference to overlook the company's framework of remunerating the Executive Directors and Non-Executive Directors.</p> <p>The functions of the Committee include determination of compensation and benefits of the CEO/MD and Executive and Non-Executive Directors while ensuring that no Director is involved in setting his/her own remuneration.</p>	Complied
<b>B.2.2</b>	<p><b>Composition of Remuneration Committee</b></p> <p>Composition of Board Human Resource and Remuneration Committee is in line with the code. This committee consists of 3 Non-Executive Directors of whom 2 are independent in accordance with the code. Independent Non-Executive Director has been appointed as Chairman of the Board Human Resource and Remuneration Committee, by the Board.</p>	Complied
<b>B.2.3</b>	<p><b>BHRC consults the Chairman and MD/CEO on matters relating to the remuneration of Executive Directors/ Senior Management and access to the professional advice</b></p> <p>The Committee consults the Chairman and MD/CEO when recommending the remuneration of other Executive Directors and Senior Management. Further, the committee has the access to professional advice when deemed necessary.</p>	Complied
<b>B.2.4</b>	<p><b>Remuneration packages to attract, retain and motivate MD/CEO, Executive Directors (EDs) and Senior Management</b></p> <p>A process is in place to offer packages that attract, retain and motivate MD/CEO, EDs and Senior Management.</p> <p>The BHRC reviews the information relating to competitors of the Company and due care is taken to ensure that remuneration is on par with industry standards and the relative performance.</p>	Complied
<b>B.2.5</b>	<p><b>Linking EDs remuneration to Short, Medium and Long term performance of the Company</b></p> <p>MD/CEO and ED's remunerations are designed to link rewards to corporate and individual performance, ensuring a balanced consideration of short, medium, and long-term performance of the company.</p>	Complied
<b>B.2.6</b>	<p><b>Remuneration packages in line with industry practices</b></p> <p>The BHRC reviews the information relating to comparable competitors of the Company and due care is taken to ensure that remuneration is on par with industry standards and the relative performance. The committee is mindful of the risk that they can result in an increase of remuneration with no corresponding improvements in performance.</p>	Complied
<b>B.2.7</b>	<p><b>Remuneration packages in line with other companies in the Group</b></p> <p>Size and scale of the Company's operations are not comparable with other Companies of the Group and therefore guidance could not be drawn from them.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>B.2.8</b>	<p><b>Performance-related payments to MD/CEO and EDs</b></p> <p>A transparent, stretching and rigorously applied performance-related elements of remuneration is available for MD/CEO and EDs with the objective of providing appropriate incentives to those Directors to perform at the highest level.</p> <p>The Committee annually reviews the performance of MD/CEO and EDs against the set targets approved by the Board.</p> <p>Further, the Committee ensures that the fair and transparent procedure recommended by the Board are followed when evaluating the performance of Senior Management.</p>	Complied
<b>B.2.9</b>	<p><b>Executive Share Option</b></p> <p>There are no Share Option schemes offered by the Company.</p>	Not applicable
<b>B.2.10</b>	<p><b>Designing schemes of performance related remuneration</b></p> <p>In deciding the remuneration of the MD/CEO, EDs and Senior Management, the Company takes note of the provisions set out in Schedule G of this code.</p>	Complied
<b>B.2.11 / B.2.12</b>	<p><b>Early termination of service of Directors</b></p> <p>Consideration of termination of service of the MD/CEO and EDs will be in accordance with their contract of service.</p> <p>Further, the committee take in to consideration the provisions stipulated in section B.2.11 and B.2.12 of this code.</p>	Complied
<b>B.2.13 / B.2.14</b>	<p><b>Remuneration of Non-Executive Directors</b></p> <p>The Board as a whole determines the remuneration of Non-Executive Directors including the members of BHRRC considering the time commitment, responsibilities of the role and the market practices which are reviewed periodically.</p> <p>The Company has not offered any Share Option plans to either Executive Directors or Non-Executive Directors.</p>	Complied
<b>B.2.15</b>	<p><b>Chairman and Members of the BHRRC</b></p> <p>Details of the Chairman and members of the Committee are disclosed in the report of the Board Human Resource and Remuneration Committee on page 196 of this Annual Report.</p>	Complied
<b>B.2.16</b>	<p><b>TOR of the BHRRC</b></p> <p>A Board approved TOR is in place to govern the BHRRC. Refer the report of the Board Human Resource and Remuneration Committee on page 196 of this Annual Report</p>	Complied
<b>B.3</b>	<p><b>Disclosure of Remuneration</b></p> <p>Annual Report of the Company contains a statement of Remuneration Policy and details of remuneration of the Board as a whole.</p>	Complied
<b>B.3.1</b>	<p><b>Disclosure about the BHRRC, Remuneration Policy and aggregate remuneration paid</b></p> <p>Report of the Board Human Resource and Remuneration Committee is given on page 196 which sets out the details on the composition, scope, number of meetings held by the committee and the remuneration policy.</p> <p>The aggregate remuneration paid to the Executive and Non-Executive Directors are disclosed in Section 16.1. (iv) on page 381.</p>	Complied
<b>B.3.2</b>	<p><b>Aggregate remuneration paid to Senior Management</b></p> <p>The aggregate remuneration paid to the Senior Management who directly reporting to MD/CEO and EDs disclosed in Section 16.1. (iv) on page 381.</p>	Complied
<b>C.</b>	<p><b>RELATIONS WITH SHAREHOLDERS</b></p>	
<b>C.1</b>	<p><b>Constructive use of the AGM &amp; Other General Meetings</b></p> <p>The Company uses AGM to communicate with Shareholders and encourages their participation</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
C.1.1	<p><b>Notice for the AGM to the Shareholders</b></p> <p>The Annual Report including Financial Statements and the Notice of the Meeting are sent to shareholders 15 working days prior to the date of the AGM as stipulated by the Companies Act No. 7 of 2007</p>	Complied
C.1.2	<p><b>Separate resolutions for substantially separate issues</b></p> <p>Separate resolutions are placed before shareholders for each substantial matters that require approval of shareholders at the Annual General Meetings (AGM).</p> <p>LBF propose a separate resolution for the adoption of company's Annual Report and Accounts during the AGM. It is treated as a distinct agenda item, giving the shareholders a dedicated opportunity to review and evaluate the contents of the report.</p> <p>Proxy appointment forms are provided to shareholders with the option to direct their proxy to vote either "for" or "against" any resolution or to withhold their vote.</p>	Complied
C.1.3	<p><b>Use of proxy votes</b></p> <p>The Company has recorded and counted all proxy votes for each resolution prior to the general meeting. For each resolution where a vote has been taken on a show hands, the company ensures the requirements stipulated in section C.1.3 of this code are complied with.</p>	Complied
C.1.4	<p><b>Availability of all Board Sub-Committee Chairmen and SID at the AGM</b></p> <p>The Chairman of the Board ensures the presence of the Chairpersons of all Sub Committees, including the Board Audit Committee, Board Human Resource and Remuneration Committee, Board Nomination and Governance Committee, Board Integrated Risk Management Committee, Board Related Party Transactions Review Committee, Board Information Security Committee, Board Sustainability Committee and Senior Independent Director, during the AGM.</p> <p>This arrangement allows the Chairpersons to be available and ready to address any inquiries or concerns raised by the shareholders.</p>	Complied
C.1.5	<p><b>Procedures of voting at general meetings</b></p> <p>Company circulate along with every notice of AGM and a summary of procedures governing voting at general meetings to all shareholders prior to 15 working days as stipulated in the Companies Act No. 7 of 2007.</p> <p>Shareholders right to appoint a proxy for voting at AGM appears on Notice of Meeting and on the Form of Proxy. Voting procedures at general meetings appear on the Form of Proxy.</p>	Complied
C.2	<p><b>Communication with shareholders</b></p> <p>The Board has implemented processes for effective communication with shareholders.</p>	Complied
C.2.1	<p><b>Channel to reach all shareholders to disseminate timely information</b></p> <p>There are many channels of communication for engaging with shareholders. These include press releases and notices and required disclosures to the CSE which are published on the CSE website. The quarterly financial statements are disseminated to the CSE within 45 days, the exception being for the last quarter of the financial year where the Company has 60 days to publish those interim financial statements.</p> <p>Half yearly Financial Statements are published in daily newspapers in all three languages as per the Finance Companies Guidelines No. 2 of 2006. Notice of Annual General Meeting is circulated together with the Annual Report and Accounts which includes any other special business (if any) to be transacted at the AGM. Where necessary, Extra Ordinary General Meetings are convened after giving statutory notice to all shareholders. Annual General Meeting provides a platform for shareholders to discuss and seek clarification on the activities of the Company.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
C.2.2	<p><b>Policy and methodology of communicating</b></p> <p>The Company provides fair disclosure with emphasis on the integrity, accuracy, timeliness and relevance of the information provided. The Company has implemented a Corporate Communication Policy that outlines various communication channels aimed at reaching all shareholders of LBF effectively.</p> <p>This policy ensures the timely dissemination of important information to shareholders, utilizing multiple channels of communication.</p> <p>Refer Stakeholder engagement on pages 40 to 44 in the Annual Report for further details.</p>	Complied
C.2.3	<p><b>Implementation of the communication policy and methodology</b></p> <p>Shareholders receive the Annual Report from the Company either by way of digital means or in hard copy form. Shareholders may at any time elect to receive the Annual Report from the Company in printed form without any charge.</p> <p>Refer Stakeholder engagement on pages 40 to 44 in the Annual Report for further details.</p>	Complied
C.2.4	<p><b>Disclosure of the contact person as per communication policy</b></p> <p>Shareholders have the freedom to raise questions, request publicly available information, and provide comments and suggestions to the Directors or Senior Management of the Company at any time. To facilitate this, they are encouraged to direct their inquiries, requests, and comments to the Company Secretary, who will ensure that they are appropriately addressed.</p> <p>Key spokespersons are discussed in details in the corporate communication policy which was reviewed and approved by the Board.</p>	Complied
C.2.5	<p><b>Awareness of Directors on major issues and concerns of shareholders</b></p> <p>Process to make all Directors aware on major issues and concerns of shareholders has been established through the Corporate Communication Policy.</p> <p>The Company Secretary maintains a record of all correspondence received and will deliver as soon as practicable such correspondence, which require Board attention to the Board or individual Director/s as applicable.</p>	Complied
C.2.6	<p><b>Contact person for shareholders in relation to shareholders' matters</b></p> <p>Company Secretary can be contacted for any queries of shareholders.</p>	Complied
C.2.7	<p><b>Process for responding to shareholders</b></p> <p>Process has been formulated through a Board approved Policy in responding shareholder matters. The Corporate Communication Policy was reviewed and approved regularly by the Board.</p>	Complied
C.3	<p><b>Major and material transactions</b></p> <p>Directors disclose all proposed corporate transactions which would materially alter/vary the net asset base of the Company or the Group.</p>	Complied
C.3.1	<p><b>Disclosure of major and material related party transactions</b></p> <p>During the year, the Company did not engage in or commit any major related party transactions which materially affected the Company's/Group's net asset base.</p>	Complied
C.3.2	<p><b>Disclosure of major transactions in terms of Companies act No. 7 of 2007</b></p> <p>During the year, the Company did not engage in or commit any major transactions as stipulated in section 185 (1), (2), and (3) of the Companies Act.</p>	Complied
C.3.3	<p><b>Disclosure to Securities and Exchange Commission (SEC) and Colombo Stock Exchange (CSE)</b></p> <p>The Company did not engage in or commit any major and material related party transaction during the year which materially affected the company's/group's net asset base to make a disclosure to SEC and CSE.</p>	Complied



## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>D</b>	<b>ACCOUNTABILITY &amp; AUDIT</b>	
<b>D.1</b>	<p><b>Financial and Business Reporting (The Annual Report)</b></p> <p>The Board presents a balanced and an understandable assessment of the Company's financial position and prospects.</p>	Complied
<b>D.1.1/ D.1.2/D.1.3</b>	<p><b>Presenting true, fair, balanced and understandable Annual Report with financial statements in conformity with relevant laws and regulations</b></p> <p>The Company has reported a true and fair view of its financial position and performance for the year ended on 31st March 2024 and at the end of each quarter, the financial year and all price sensitive information has been disclosed in a timely manner.</p> <p>The Board obtained declarations from CEO and CFO that Company's interim and annual financial statements are prepared in conformity with applicable accounting standards, relevant laws and regulations and gives true and fair view of the financial position and performance, risk management and effectiveness of the internal controls.</p>	Complied
<b>D.1.4</b>	<p><b>Directors' Report in the Annual Report</b></p> <p>Annual Report of the Board of Directors on the affairs of the Company is given on page 179 covering all areas of this section.</p>	Complied
<b>D.1.5</b>	<p><b>Annual Report disclosure stating Board's and Auditors' responsibility</b></p> <p>Statement of Directors' Responsibility for Financial Reporting is given on page 203 and Auditors reporting responsibility is given in the Independent Auditor's Report on page 206.</p>	Complied
<b>D.1.6</b>	<p><b>Management Discussion and Analysis</b></p> <p>Management discussion and analysis is given on page 32</p> <p>Business model on page 38</p> <p>Industry structure and developments on page 32</p> <p>Opportunities and threats on pages 68 to 79</p> <p>Risks and concerns - Integrated Risk Management report on page 208</p> <p>Internal control systems and their adequacy on page 204</p> <p>Corporate and enterprise governance on page 164</p> <p>Stakeholder relationships on page 40</p> <p>Social and environmental protection activities carried out by the Company on page 56</p> <p>Financial performance on page 84</p> <p>Investment in physical and intellectual capital on page 120</p> <p>Material developments in Human Resource management on page 106</p> <p>Prospects for the future on page 423</p>	Complied
<b>D.1.7</b>	<p><b>Serious loss of Net Assets</b></p> <p>The probability of such an event occurring is highly unlikely. Nonetheless, in the event that such a situation does arise, an Extraordinary General Meeting (EGM) will be promptly scheduled, and shareholders will receive timely notifications regarding the meeting.</p>	Not applicable
<b>D.1.8</b>	<p><b>Disclosure of Related Party Transactions</b></p> <p>A detailed Board-approved documented process is available in the Company for monitoring and reporting of Related Party Transactions. The Company Secretary makes necessary disclosures of any Related Party Transactions which require disclosure as per the rules. All related party transactions as defined in Sri Lanka Accounting Standard -24 (LKAS 24) on 'Related Party Transactions' are disclosed in Note 3.1 to the Financial Statements on pages 318.</p> <p>The Company maintains a comprehensive record of related parties and related party transactions. This record is designed to capture the necessary information to ensure compliance with the related party disclosure requirements mandated by regulatory bodies such as Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC), Sri Lanka Accounting Standards, Sri Lanka Auditing Standards, and other relevant regulations.</p> <p>Refer the CBSL CG table on page 378 for more details on the process adopted.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>D.2</b>	<p><b>Risk Management and Internal Control</b></p> <p>The Board is responsible for formulating and implementing appropriate processes for risk management and internal control systems to safeguard shareholder investments and assets of the Company.</p>	Complied
<b>D.2.1</b>	<p><b>Risk Management Framework</b></p> <p>Board approved risk management framework is in place to identify, assess, monitor and managing the risks with clear accountabilities to ensure the achievement of strategic, operational and financial objectives of the Company.</p>	Complied
<b>D.2.1.1</b>	<p><b>Robust assessment of principal risks</b></p> <p>A fully fledged risk management department which reports to the Board through BIRMC is established by the company. AGM-RM periodically carries out robust risk assessment of the principal risks facing by the company which may impact company's business model, future performance, solvency and liquidity.</p>	Complied
<b>D.2.1.2</b>	<p><b>Disclosure of Risk Management Framework in Annual report</b></p> <p>The risk management framework, processes and responsibilities are disclosed in the Report of the Board Integrated Risk Management Committee Report on page 192 of this annual report.</p>	Complied
<b>D.2.1.3/ D.2.1.4</b>	<p><b>Establishment of Risk Management Committee</b></p> <p>The Board has established Board Integrated Risk Management Committee to oversee the risk management function and a Board approved TOR is in place to govern the committee functions.</p> <p>Refer the Report of the Board Integrated Risk Management Committee on page 192 of this annual report.</p>	Complied
<b>D.2.1.5</b>	<p><b>Composition of the BIRMC</b></p> <p>The committee comprised 3 Non-Executive Directors of whom majority are independent.</p> <p>The Chairman of the committee is an Independent Non-Executive Director.</p>	Complied
<b>D.2.1.6</b>	<p><b>TOR of the BIRMC</b></p> <p>A Board approved TOR is in place which govern the functions of the BIRMC. TOR was last reviewed and approved by the Board on August 2023.</p>	Complied
<b>D.2.1.7/ D.2.1.8</b>	<p><b>Report of the BIRMC</b></p> <p>The composition, scope, roles and responsibilities of the BIRMC determined in conformity with relevant laws and regulations applicable to LBF and detail report of the committee is disclosed in the annual report.</p> <p>Refer the Report of the Board Integrated Risk Management Committee on page 192 of this annual report.</p>	Complied
<b>D.2.2</b>	<p><b>Design of the internal control system</b></p> <p>The board has set up a process to ensure that the internal controls are designed, implemented and monitored, to provide reasonable assurance on reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations.</p>	Complied
<b>D.2.2.1/ D.2.2.2/ D.2.2.3</b>	<p><b>Effectiveness of the internal control system</b></p> <p>A process has been setup to provide reasonable assurance on reliability of internal controls over financial reporting, operational and compliance system, processes and practices.</p> <p>A fully fledged internal audit department is in place to ensure the effectiveness of governance, internal control and risk management practices of the company.</p> <p>The Board Audit Committee annually reviews the effectiveness of internal controls and risk management process through internal audit department to ensure effective discharge of their duties.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
D.2.2.4	<p><b>Sound system of internal control</b></p> <p>Processes are in place to maintain the sound and effective system of internal control to achieve the corporate objectives of the company.</p> <p>Refer the “Directors Statement on Internal Control” on page 204 of this annual report for more details.</p>	Complied
D.3	<p><b>Audit Committee</b></p> <p>The Board has established a formal and transparent arrangements for considering how they should select and apply accounting policies for financial reporting, determining structures and content of corporate reporting, internal control principles and maintaining an appropriate relationship with the company's Auditors.</p>	Complied
D.3.1	<p><b>Composition of the Audit Committee</b></p> <p>The Board Audit Committee comprises with three Non-Executive Directors of whom majority are independent. The composition and scope of the Board Audit Committee members are stated in Board Audit Committee report on page 188 and Profiles of the Board of Directors are on page 156. The Board is satisfied that the members of the committee has recent and relevant experience in financial reporting and internal controls.</p> <p>Non-Executive Director who is a member of a professional accounting body functions as a Chairperson of the committee. An independent Director will be appointed as the chairperson of the Committee on or before 1 July 2024.</p>	Complied except the independence of the Chairperson
D.3.2	<p><b>The Terms of Reference of the Committee</b></p> <p>The Board approved TOR is in place which covered the minimum requirements stipulated in this code. The committee acts according to the TOR and assists Board in discharging its duties.</p> <p>The Committee responsibilities and activities performed during the period are given in Board Audit Committee report on page 188.</p>	Complied
D.3.3	<p><b>Disclosures made in the Annual Report about Board Audit Committee</b></p> <p>Refer the Board Audit Committee Report given on page 188 of the Annual Report</p>	Complied
D.4	<p><b>Risk Committee</b></p> <p>The Board has established a procedure for risk management including how they determine, risk culture, risk appetite, risk identification and classification, rating and management of risk</p>	Complied
D.4.1	<p><b>Composition of BIRMC</b></p> <p>Board has established BIRMC which comprised 3 Non-Executive Directors of whom majority are independent. The Chairperson of the committee is an Independent Non-Executive Director. MD/ CEO, EDs, CFO, CIO and heads of strategic business units are invited to attend BIRMC meetings where necessary.</p>	Complied
D.4.2	<p><b>The terms of reference of the Committee</b></p> <p>The Board approved TOR is in place which covered the minimum requirements stipulated in this code. The committee acts according to the TOR and assists Board in discharging its duties.</p> <p>The Committee responsibilities and activities performed during the period are given in BIRMC report on page 192</p>	Complied
D.4.3	<p><b>BIRMC Meetings</b></p> <p>The committee met 6 times during the financial year as stipulated in the TOR. The Company Secretary functions as the secretary to the BIRMC. AGM - Risk Management to be appointed as the secretary to committee on or before 1 July 2024</p>	To be complied on or before 1 July 2024
D.4.4	<p><b>Seeking External Professional Advice</b></p> <p>The committee sought external professional advice as and when required.</p>	Complied
D.4.5	<p><b>Disclosures made in the Annual Report about BIRMC</b></p> <p>Refer the Board Integrated Risk Management Committee report given on page 192 of the Annual Report.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
D.5	<p><b>Related Party Transactions Review Committee</b></p> <p>A Board approved policy and procedure are in place to ensure that the company does not engage in transactions with related parties in a manner that would grant “more favourable treatment” to such parties</p>	Complied
D.5.1	<p><b>Related Parties and Related Party Transactions</b></p> <p>All related party transactions as defined in Sri Lanka Accounting Standard –24 (LKAS 24) on ‘Related Party Transactions’ are disclosed in Note 3.1 to the Financial Statements on page 318.</p> <p>Refer D.1.8 on page 394 of this code for more details.</p>	Complied
D.5.2	<p><b>Composition of BRPTRC</b></p> <p>Board has established BRPTRC which comprised 3 Non-Executive Directors of whom majority are independent. The Chairperson of the committee is an Independent Non-Executive Director. MD/CEO,EDs and heads of strategic business units are invited to attend BRPTRC meetings where necessary.</p> <p>The committee met 5 times during the financial year.</p>	Complied
D.5.3	<p><b>The TOR of the Committee</b></p> <p>The Board approved TOR is in place which covered the minimum requirements stipulated in this code. The committee acts according to the TOR and assists Board in discharging its duties.</p> <p>The Committee responsibilities and activities performed during the period are given in BRPTRC report on page 198</p>	Complied
D.6	<p><b>Code of Business Conduct and Ethics</b></p> <p>The Board has adopted a Code of Business Conduct and Ethics for Directors, KMPs and other Employees including but not limited to dealing with shares of the company, compliance with listing rules, bribery and corruption, confidentiality, reporting of any illegal, fraudulent and unethical behaviors.</p>	Complied
D.6.1	<p><b>Code of Business Conducts/Whistleblowing policy/Anti-bribery and corruption policy (ABC)</b></p> <p>The Board approved policies on Code of Conduct, Whistleblowing and ABC for Directors, KRPs and all staff members are in place covering the major areas of; conflict of interest, bribery and corruption, entertainments and gifts, accurate accounting and record keeping, fair and transparent procurement practices, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, sexual harassment, discrimination and abuse, compliance with laws, rules and regulations and encouraged to report of any illegal, fraudulent and unethical behaviour.</p>	Complied
D.6.2	<p><b>Reporting of material and price sensitive information</b></p> <p>A process in place to ensure that material and price sensitive information is promptly identified and reported to CSE.</p>	Complied
D.6.3	<p><b>Policy on trading of shares by Directors, KRPs and Employees</b></p> <p>A Board approved Share Trading Policy is in place to govern the process for monitoring and disclosure of shares by Directors, KRPs or any other employee involved in financial reporting. The said policy is regularly reviewed and approved by the Board.</p>	Complied
D.6.4	<p><b>Whistle-blowing arrangements</b></p> <p>A Board approved whistle-blowing policy is in place to establish a procedure to deal with complaints received from employees, customers, suppliers or any other parties in relation to non-compliance with company’s code of business conduct and ethics.</p> <p>The BAC follows up the incidents reported in quarterly basis through the compliance officer.</p>	Complied
D.6.5	<p><b>Training on Code of Conducts</b></p> <p>All new employees are provided with a comprehensive training on the Code of conduct of the company. Periodic confirmations on awareness and compliance on company’s code of conduct are obtained from all employees.</p>	Complied

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SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>D.6.6</b>	<p><b>Dissemination of the policy</b></p> <p>A process is in place to report to the Board on regular basis about the dissemination of the policy among the staff in all 3 languages, training arrangements, violation/ non-compliances with respective action taken.</p> <p>No any waivers or exceptions are allowed in deviating code of business conduct and ethics.</p>	Complied
<b>D.6.7</b>	<p><b>Chairman's confirmation on implementing Code of Conduct and Ethics</b></p> <p>The Chairman and the Board affirm that all Directors and KRPs have declared compliance with this Code and the Chairman is not aware of any violation of any of the provisions in these Codes.</p>	Complied
<b>D.7</b>	<p><b>Corporate Governance Disclosures</b></p> <p>The Board has disclosed the extent of compliance with good corporate governance principles and practices.</p>	Complied
<b>D.7.1</b>	<p><b>Disclosure of Corporate Governance Compliance</b></p> <p>The requirement is met with the presentation of this Corporate Governance Report from pages 164 to 178 of the Annual Report.</p>	Complied
<b>SECTION II</b>	<b>SHAREHOLDERS</b>	
<b>E</b>	<b>INSTITUTIONAL INVESTORS</b>	
<b>E.1</b>	<p><b>Shareholder voting</b></p> <p>Institutional shareholders who invested directly in shares of LBF are encouraged to perform adequate analysis on governance arrangements, Board structure, composition in addition to the other financial factors. All investors are encouraged to ensure their voting intentions are translated into practice.</p>	Complied
<b>E.1.1</b>	<p><b>Regular and structured dialogues with shareholders</b></p> <p>The Company has 5,023 ordinary voting shareholders of which above 87.7% are institutional shareholders.</p> <p>The Company conducts regular structured dialogue with the large institutional shareholders and any concerns of these institutional shareholders expressed at the meetings is communicated to the Board as a whole.</p>	Complied
<b>E.2</b>	<p><b>Evaluation of Governance Disclosure</b></p> <p>The company encourages all institutional investors to give due weight on the LBF's governance arrangements and practices particularly relating Board structure and composition when evaluating the company.</p>	Complied
<b>F</b>	<b>OTHER INVESTORS</b>	
<b>F.1</b>	<p><b>Investing/Divesting Decisions</b></p> <p>Individual shareholders are encouraged to carry out comprehensive analysis or seek independent advice in investing or divesting decisions.</p>	Complied
<b>F.2</b>	<p><b>Shareholder voting</b></p> <p>Individual shareholders are encouraged to participate in general meetings of the company and exercise their voting rights.</p> <p>Company circulate along with every notice of AGM and a summary of procedures governing voting at general meetings to all shareholders prior to 15 working days to make informed decisions.</p>	Complied



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
<b>SECTION III</b>	<b>OTHER MATTERS</b>	
<b>G</b>	<b>INTERNET OF THINGS &amp; CYBERSECURITY</b>	
<b>G.1</b>	<p><b>Identify connectivity and related cyber risks</b></p> <p>A process is in place to identify how in the LBFs business model, IT devices within and outside the organisation can connect to the organisation's network to send and receive information and the consequent cyber security risks that may affect the business.</p> <p>The risk management department and Chief Information Security Officer (CISO) continuously monitors the potential risks and the mitigation factors to minimize the cyber security risks.</p> <p>Refer intellectual capital in page 120 of this annual report for more details.</p>	Complied
<b>G.2</b>	<p><b>Appoint a CISO and allocate budget to implement a cybersecurity policy</b></p> <p>A dedicated CISO with sufficient skills and authority is appointed to oversee the implementation of information security policy which was approved by the Board.</p> <p>Information Security policy which was reviewed and approved in August 2023 included all aspects stipulated in this code.</p> <p>Refer page - 177 - IT Governance</p>	Complied
<b>G.3</b>	<p><b>Include cyber risk management on Board agenda</b></p> <p>A Board appointed Board Information Security Committee (BISC) oversee the Information and cybersecurity risk management process to mitigate any potential risks.</p> <p>At the BISC meetings extensive discussions are carried out on matters relating to potential cybersecurity risk to the business model, CISOs security strategies and status of current projects, compliance with regulations. A comprehensive update is given to the Board by the Chairperson.</p> <p>Refer the report of Board Information Security Committee on page 200 of this annual report.</p>	Complied
<b>G.4</b>	<p><b>Obtain periodic assurance to review effectiveness of Cybersecurity Risk Management</b></p> <p>Effectiveness of the cybersecurity risk management process is reviewed in regular intervals through independent expertise to identify and address potential threats. Outcomes of the reviews together with the action plans are updated to the board through BISC.</p> <p>Refer page - 120 - Information security governance.</p>	Complied
<b>G.5</b>	<p><b>Disclosures in Annual Report</b></p> <p>The process followed to identify and manage the information and cybersecurity risk are disclosed in report of the Board Information Security Committee on page 200 of this annual report.</p>	Complied
<b>H</b>	<b>SUSTAINABILITY : ESG RISK AND OPPORTUNITIES</b>	
<b>H.1</b>	<p><b>ESG risk and opportunities</b></p> <p>The Board has considered the ESG risks and opportunities within LBF's business model, operations, short- and medium-term planning, and long-term strategy to ensure LBF's resilience and ability to deliver sustainable value over the short, medium, and long term. This approach is aimed at maintaining the confidence and continued engagement of shareholders and all significant stakeholders.</p> <p>Refer sustainability related risks and opportunities on page 60 of this annual report.</p>	Complied
<b>H.1.1</b>	<p><b>Impact of ESG risks and opportunities</b></p> <p>The Board appointed sub-committee, Board Sustainability Committee (BSC) oversees the impact of sustainability related risks and opportunities.</p> <p>The impact of ESG risks and opportunities of the company's business plans and strategic plans are submitted to the Board through BSC.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
H.2	<p><b>Views of Stakeholders</b></p> <p>The Board and Key Management Personnel have engaged with stakeholders and considered their views to understand and manage LBF's ESG risks and opportunities, given the increasing expectations regarding environmental protection and other ESG issues.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied
H.2.1	<p><b>Process to recognise significant stakeholders</b></p> <p>The Company has a process in place to recognise significant stakeholders and material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied
H.3	<p><b>Governance Framework</b></p> <p>The Board has established a governance framework and structure through BSC which includes conformance, performance and ESG factors.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied
H.3.1	<p><b>Sustainability Factors</b></p> <p>The Board has addressed sustainability factors through an environmental, social and governance framework.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied
H.3.1.1	<p><b>Environmental Governance</b></p> <p>The Company has adopted an integrated approach in relation to Environmental Governance which takes into account the direct and indirect economic, social, health and environmental implications on business strategies, plans, decisions and operations.</p> <p>Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.</p>	Complied
H.3.1.2	<p><b>Social Governance</b></p> <p>The Company has implemented an integrated approach to Social Governance to engage with community representatives, customers, employees, suppliers, outsourced providers, and other parties that could influence the business model in areas crucial to the company's sustainable growth.</p> <p><b>Relationship with Community</b></p> <p>The Company has adopted an integrated strategy for building community relationships to promote sustainable development.</p> <p><b>Relationship with Customers</b></p> <p>The Company has adopted an integrated approach in building relations with the customers. The Company has a process in place for customer feedback through engagement, efficient service deliver, standards for product responsibility and product recall and other matters that are material and relevant to the Company's business model and customer experience.</p> <p><b>Labour Practice Governance</b></p> <p>The Company's labour practice related governance encompasses all policies and practices in relation to work performed by or on behalf of the Company. The governance also contains policies and practices such as health and safety, equal opportunity, gender balance, career development and training, reward and recognition, conditions of work, worklife balance and industrial relations.</p> <p><b>Suppliers and Outsourced Providers</b></p> <p>The Company has procedures in place to ensure that suppliers and outsourced providers comply with social and governance norms of the Company.</p>	Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	COMPLIANCE STATUS
H.4	<b>Establishment of a governance structure to support ESG factors</b> The Board has established a governance structure to support ESG factors.	Complied
H.4.1	<b>Recognition of Key resources/Capital</b> The Board has recognised its key resources/capital deployed in its business and stakeholders.	Complied
H.4.2	<b>Process in ascertaining, assessing and managing ESG factors</b> The Board has implemented a process to ascertain, assess and manage ESG factors which has an impact on the sustainability of the Company.	Complied
H.4.3	<b>Establishment of financial and non-financial measures</b> The Board has established financial and non-financial measures in respect of all material matters relating to significant stakeholders, environmental and social factors.	Complied
H.5	<b>Disclose ESG risks and opportunities</b> The Board has disclosed how all its ESG risks and opportunities are recognised, managed, measured and reported in the annual report.  Refer Integrated Risk Management report on page 208 of this annual report.	Complied
H.5.1 - H.5.4	<b>ESG Reporting</b> The Board has implemented ESG policies and practices into the Company's strategy, business model, governance and risk management and reports on its likely impacts and implications.  The Board has disclosed on how the Company has complied with the mandatory and voluntary codes of corporate governance. The Company's leadership structure, organizational culture, code of conduct and business model supports the sustainability of the Company in the short, medium and long term.  Refer the report of BSC on page 202 of this annual report and our commitments to sustainability on page 56 of this annual report.	Complied
I	<b>SPECIAL CONSIDERATIONS FOR LISTED ENTITIES</b>	
I.1	<b>Establishment and maintenance of policies and other requirements</b> Company establishes and maintains policies relating to its governance and discloses the details relating to the implementation of such policies.	Complied
I.1.1 - I.1.4	<b>Establishment of policies</b> Being a listed entity, the Company is cognizant of the requirement to establish and maintain the 12 mandatory policies and disclosing its existence in the Company's website.  As such, the company has implemented 10 policies out of 12 as of 31 March 2024, as required by the listing rules.	Remaining 2 policies to be completed by 1st October 2024
I.2	<b>Policy on Matters Relating to the Board of Directors</b> The Board has established and maintained of formal policy governing matters relating to Board of Directors.	Complied
I.2.1 - I.2.2	<b>Establishing policies relating to the Board of Directors</b> The Company's existing Corporate Governance Code enshrines good governance principles in relation to the Board and is supported by the Articles of Association and several other governance related policies adopted by the Board of Directors.  Noting that this requirement arises under the Listing Rules as well, a review and revision of the existing policies will be carried out to ensure compliance with the Listing Rules within the timelines stipulated therein.	Remaining 2 policies to be completed by 1st October 2024

## CORPORATE GOVERNANCE

### COMPLIANCE WITH LISTING RULES

Compliance with the Rule 7.6 of Listing Rule – Section 7 (Continuing Listing Requirements) issued by the Colombo Stock Exchange.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	PAGE REFERENCE
<b>7.6</b>	<b>CONTENTS OF ANNUAL REPORT</b>		
7.6 (i)	Names of persons who were Directors of the Company during the financial year	Complied	174
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	Complied	179
7.6 (iii)	Information on 20 largest shareholders at the end of the year	Complied	353
7.6 (iv)	The public holding percentage	Complied	352
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	Complied	184
7.6 (vi)	Information pertaining to material foreseeable risk factors	Complied	186
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	Complied	185
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	Complied	294
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	Complied	185
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	Complied	353
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	Complied	20 and 22
7.6 (xii)	Significant changes in the Company's or Subsidiaries' fixed assets	Complied	185
7.6 (xiii)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year There were no share issues, rights issues or private placements during the year	Complied	N/A
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option schemes The Company does not have any 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	403
7.6 (xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity - The Company did not have any Related Party Transactions exceeding this threshold during the year.	Complied	N/A

## COMPLIANCE WITH LISTING RULES

Compliance with the Rule No. 9 of Listing Rules – issued by the Colombo Stock Exchange.

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.1	<b>Applicability of Corporate Governance Rules</b>	
9.1.1/ 9.1.2	<p><b>Applicability</b></p> <p>The company is complied with the rules set out in section 9.2 to 9.16 on continuous basis subject to transitional provisions.</p>	01/10/2023 / Complied subject to transitional provisions
9.1.3	<p><b>Publishing a statement confirming extent of compliance with these Corporate Governance Rules</b></p> <p>The disclosures given in this annexure fulfill this requirement. Refer the extent of compliance with CSE listing rules No. 9 on page 164 in the Annual report.</p>	01/10/2023 / Complied
9.2	<b>Policies</b>	
9.2.1	<p><b>Establish and maintain following policies and disclose on the company website,</b></p> <ul style="list-style-type: none"> <li>• Policy on the matters relating to the Board of Directors</li> <li>• Policy on Board Committees</li> <li>• Policy on Corporate Governance, Nominations and Re-election</li> <li>• Policy on Remuneration</li> <li>• Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</li> <li>• Policy on Risk management and Internal controls</li> <li>• Policy on Relations with Shareholders and Investors</li> <li>• Policy on Environmental, Social and Governance Sustainability</li> <li>• Policy on Control and Management of Company Assets and Shareholder Investments</li> <li>• Policy on Corporate Disclosures</li> <li>• Policy on Whistleblowing</li> <li>• Policy on Anti-Bribery and Corruption</li> </ul> <p>Following board approved policies are implemented and published in the official website of the Company,</p> <ul style="list-style-type: none"> <li>• Policy on the matters relating to the Board of Directors</li> <li>• Policy on Board Committees</li> <li>• Policy on Corporate Governance, Nominations and Re-election</li> <li>• Policy on Remuneration</li> <li>• Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities</li> <li>• Policy on Risk management and Internal controls</li> <li>• Policy on Corporate Disclosures</li> <li>• Policy on Whistleblowing</li> <li>• Policy on Anti-Bribery and Corruption</li> <li>• Policy on Relations with Shareholders and Investors</li> </ul> <p>Following policies will be developed and implemented on or before effective date</p> <ul style="list-style-type: none"> <li>• Policy on Environmental, Social and Governance Sustainability</li> <li>• Policy on Control and Management of Company Assets and Shareholder Investments</li> </ul>	01/10/2024 / 10 out of 12 policies are in place and balance 2 policies to be completed on or before the effective date.



## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.2.2	<p><b>Waivers or exemptions for Internal Code of Business Conduct and Ethics</b></p> <p>The Company has fully complied with the Internal Code of Business Conduct and Ethics and no waivers/ exemptions were granted</p>	01/10/2024 / Complied Early adopted
9.2.3	<p>(i) List of policies that are in place with the reference to its website</p> <p>(ii) Any changes to policies adopted</p> <p>As specified in rule no. 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.</p>	01/10/2024 / Complied Early adopted
9.2.4	<p><b>Policies available to shareholder upon request</b></p> <p>The Shareholders can obtain all policies upon making a written request to the Company.</p>	01/10/2024 / Complied Early adopted
9.3	<p><b>Board Committees</b></p>	
9.3.1	<p><b>Establishment of following Board committees</b></p> <p><b>(a) Nominations and Governance Committee</b></p> <p><b>(b) Remuneration Committee</b></p> <p><b>(c) Audit Committee</b></p> <p><b>(d) Related Party Transactions Review Committee</b></p> <p>The Board has established seven (7) board sub-committees including above four (4) Committees and Board Integrated Risk Management Committee (BIRMC), Board Information Security committee (BISC) and Board Sustainability Committee (BSC) to overlook risk function, information security and sustainability function respectively.</p> <p>Refer Governance Structure in page 169 of this Annual Report.</p>	01/10/2023 / Complied
9.3.2	<p><b>Compliance with the composition, responsibilities and disclosure requirements</b></p> <p>The composition, responsibilities, and disclosures required in respect of the above-board committees have been disclosed in Section 9.11, 9.12,9.13,9.14 of this report on pages 407, 408 and 409.</p> <p>Refer respective committee reports on pages 188, 194, 196 and 198 of this annual report.</p>	01/10/2023 / Complied
9.3.3	<p><b>The Chairperson of the Board cannot serve as the Chairperson of Board Committees.</b></p> <p>The Chairperson of the Board of Directors does not hold the position of Chairperson for any Board Committees mentioned in Rule 9.3.1 above.</p> <p>Refer respective committee reports on pages 188, 194, 196 and 198 of this annual report.</p>	01/10/2024 / Complied Early adopted
9.4	<p><b>Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders</b></p>	
9.4.1	<p><b>Maintain records of all resolutions and other information stipulated in section 9.4.1 of the listing rules.</b></p> <p>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.</p> <p>A process in place to provide copies of above information to SEC or CSE upon request.</p>	01/10/2023 / Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.4.2	<p><b>Communication and relations with shareholders and investors</b></p> <p>The company has established a corporate communication policy to effectively communicate and maintain relationships with shareholders and investors, which is outlined in both the annual report and on the website.</p> <p>The company secretary is designated as the contact person for communication purposes. The policy ensures that all Directors are informed of any significant concerns or issues raised by shareholders and these concerns are transparently addressed and communicated where necessary.</p> <p>Furthermore, this process has been disclosed in financial capital of this annual report on page 84 and on the company website.</p> <p>The company has not conducted any shareholder meetings through virtual or hybrid means.</p>	01/10/2023 / Complied
9.5	<p><b>Policy on matters relating to the Board of Directors</b></p>	
9.5.1	<p><b>Policy on governing matters relating to the Board of Directors</b></p> <p>Board approved Governance Framework includes the requirements stipulated in section 9.5.1 of the listing rules.</p>	01/10/2024 / Complied Early adopted
9.5.2	<p><b>Conformity with the section 9.5.1</b></p> <p>Company is in compliance with the requirements stipulated in section 9.5.1 of the listing rules.</p>	01/10/2024 / Complied Early adopted
9.6	<p><b>Chairperson and CEO</b></p>	
9.6.1	<p><b>The Chairperson of the Company shall be a Non-Executive Director. Consequently, the position of Chairperson and CEO shall not be held by the same individual.</b></p> <p>Chairperson of the company is Non-Executive Director. The roles of Chairperson and CEO/MD are occupied by different individuals. Also, there is a clear separation of duties between the roles of Chairperson and MD/CEO. Refer the Page 169 of this annual report.</p>	01/10/2023 / Complied
9.6.2	<p><b>Immediate market disclosure in the case of non-compliance with section 9.6.1 of the listing rules</b></p> <p>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.</p>	01/10/2023 / Complied
9.6.3	<p><b>The requirement for Senior Independent Director (SID)</b></p> <p>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.</p>	01/10/2023 / Complied
9.6.4	<p><b>Annual report disclosure of reasons for non-Compliance with Section 9.6.1 of the Listing rules</b></p> <p>Not applicable. The Chairperson of the company is Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.</p>	01/10/2023 / Complied
9.7	<p><b>Fitness of Directors and CEOs</b></p>	
9.7.1	<p><b>Fit and proper assessments of Directors and MD/CEO</b></p> <p>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.</p>	01/10/2023 / Complied
9.7.2	<p><b>Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper</b></p> <p>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.</p>	01/10/2023 / Complied
9.7.3	<p><b>Fit and proper assessment criteria</b></p> <p>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.</p>	01/04/2024 / Complied Early adopted

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.7.4	<p><b>Fit and proper declarations from directors and MD/CEO</b></p> <p>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.</p>	01/10/2023 / Complied
9.7.5	<p><b>Disclosures in the annual report on Fit and proper</b></p> <p>Refer the “annual report of the Board of Directors on the Affairs of the Company” in page 179 in this annual report.</p>	01/10/2023 / Complied
9.8	<b>Board Composition</b>	
9.8.1	<p><b>Minimum number of Directors on the Board</b></p> <p>The Board of Directors of the company consist of 10 Directors.</p>	01/10/2024 / Complied Early adopted
9.8.2	<p><b>Minimum Number of Independent Directors:</b></p> <p>The Board of Directors comprise 3 Independent Directors. Minimum requirement of 4 Independent Directors will be complied on or before the effective date (1 October 2024)</p>	01/10/2024 / In progress
9.8.3/ 9.8.4	<p><b>Criteria for determining independence</b></p> <p>All the Independent Directors of the company fulfill the independent criteria stipulated under the section 9.8.3 of the listing rules.</p>	01/10/2023 / Complied
9.8.5.	<p><b>Annual declaration of independence of the directors / disclosure of independence of the directors</b></p> <p>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</p> <p>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.</p>	01/10/2023 / Complied
9.9	<p><b>Alternate Directors</b></p> <p>None of the Directors of the Board has appointed alternate director during the year.</p>	01/10/2024 / Not applicable
9.10	<b>Disclosures relating to Directors</b>	
9.10.1	<p><b>Maximum number of directorships</b></p> <p>As per the governance framework of the company, the maximum number of directorships a Director can hold is twenty (20).</p>	01/10/2023 / Complied
9.10.2	<p><b>Appointment of a new director to the board</b></p> <p>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.</p> <ul style="list-style-type: none"> <li>i. a brief resume</li> <li>ii. capacity of directorship; and</li> <li>iii. Statement of review by the BNGC</li> </ul>	01/10/2023 / Complied
9.10.3	<p><b>Market Announcement on changes to the composition of the board sub committees.</b></p> <p>No such changes were occurred during the year.</p>	01/10/2023 / Complied
9.10.4	<p><b>Disclosure of information relating to directors</b></p> <p>Refer the board profiles in page 156 of this annual report.</p> <p>Refer Board and sub-committee attendance in page 174 of this annual report</p> <p>Refer sub-committee reports in pages 188 to 202 in this annual report.</p>	01/10/2023 / Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
<b>9.11</b>	<b>NOMINATIONS AND GOVERNANCE COMMITTEE (BNGC)</b>	
<b>9.11.1</b>	<b>Availability of Nomination and Governance committee</b> 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 194 in this annual report.	01/10/2024 / Complied Early adopted
<b>9.11.2</b>	<b>Board appointments through Nomination and Governance Committee</b> A formal process is in place for the appointment of new Directors and re-election to the Board through the BNGC.	01/10/2024 / Complied Early adopted
<b>9.11.3</b>	<b>Terms of reference of Nominations and Governance Committee</b> 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 194 of this annual report.	01/10/2024 / Complied Early adopted
<b>9.11.4</b>	<b>Composition of the Board Nomination and Governance Committee</b> 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.	01/10/2024 / Complied Early adopted
<b>9.11.5</b>	<b>Functions of the Board Nomination and Governance Committee</b> Refer the report of Board Nomination and Governance Committee report in the page 194 of this annual report.	01/10/2024 / Complied Early adopted
<b>9.11.6</b>	<b>Disclosures in Annual Report</b> Refer the Report of Board Nomination and Governance Committee report in the page 194 of this annual report.	01/10/2024 / Complied Early adopted
<b>9.12</b>	<b>REMUNERATION COMMITTEE</b>	
<b>9.12.1/ 9.12.2</b>	<b>Availability of Remuneration Committee</b> 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 196 in this annual report.	01/10/2023 / Complied
<b>9.12.3</b>	<b>Executive Directors' Remuneration</b> 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 196 of this annual report.	01/10/2023 / Complied
<b>9.12.4</b>	<b>Non-Executive Directors' Remuneration</b> 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 Report of the Board Human Resource and Remuneration Policy in page 196 of this annual report.	01/10/2023 / Complied
<b>9.12.5</b>	<b>Terms of Reference of Remuneration Committee</b> Board approved Terms of Reference for BHRRC is available that define scope, authority, duties and matters pertaining to the quorum of meetings.  Refer Report of the Board Human Resources and Remuneration Committee on page 196 of this annual report.	01/10/2023 / Complied

## CORPORATE GOVERNANCE

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.12.6	<p><b>Composition of the Remuneration Committee</b></p> <p>The committee consist of 3 Non-Executive Directors out of which 2 of them are independent.</p> <p>The Chairperson of the committee is an Independent Non-Executive Director.</p> <p>Refer Report of the Board Human Resources and Remuneration Committee on page 196 of this annual report</p>	01/10/2023 / Complied
9.12.7	<p><b>Functions of Remuneration Committee</b></p> <p>Board approved Terms of Reference of BHRRC covers the functions highlighted in section 9.12.7 of the listing rules.</p> <p>Refer Report of BHRRC on page 196 of this annual report.</p>	01/10/2023 / Complied
9.12.8	<p><b>Disclosures in the Annual report.</b></p> <p>Refer the report of BHRRC on page 196 of this annual report.</p> <p>The aggregate remuneration of the Executive and Non-Executive Directors are disclosed in page 318 of this annual report.</p>	01/10/2023 / Complied
9.13	<p><b>BOARD AUDIT COMMITTEE (BAC)</b></p>	
9.13.1	<p><b>Availability of Committee to perform audit and risk function</b></p> <p>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.</p> <p>Refer Report of the BAC on page 188 and report of BIRMC on page 192 of this annual report.</p>	01/10/2023 / Complied
9.13.2	<p><b>Terms of Reference of Board Audit Committee</b></p> <p>Board approved Terms of Reference for Board Audit Committee is available that define scope, authority, duties and matters pertaining to the quorum of meetings.</p> <p>Refer Report of the Board Audit Committee on page 188 of this annual report.</p>	01/10/2023 / Complied
9.13.3	<p><b>Composition of the Board Audit Committee</b></p> <p>(1) The Committee comprise 3 Non-Executive Directors out of which 2 of them are independent. Further, the committee does not comprise Executive Directors.</p> <p>(2) As per the TOR of the Board Audit Committee, Quorum for a meeting require that the majority of attendees shall be Independent Directors.</p> <p>(3) The Board Audit Committee meets at least on monthly intervals. Which is in compliance with the requirements.</p> <p>(4) A separate Board committee has been established for the Listed subsidiary entity (Multi Finance PLC)</p> <p>(5) 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.</p> <p>(6) The MD/CEO and CFO of the company attend the audit committee meetings by invitation.</p> <p>(7) 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 and banking industry.</p> <p>Refer the BAC report on page 188 of this annual report.</p>	01/10/2024 / Early adopted except item No. 5 which will be complied on or before 1 July 2024.



SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.13.4	<p><b>The functions of the Audit Committee</b></p> <p>A Board approved Terms of reference of BAC includes the audit related functions specified in section 9.13.4 of the listing rules.</p> <p>The risk related functions specified in section 9.13.4 are included in the Terms of Reference of BIRMC.</p> <p>Refer Report of the BAC on page 188 and Report of BIRMC on page 192 of this annual report</p>	01/10/2024 / Complied Early adopted
9.13.5	<p><b>Disclosures in Annual Report</b></p> <p>Refer Report of the BAC on page 188 of this annual report.</p>	01/10/2024 / Complied Early adopted
9.14	<p><b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE</b></p>	
9.14.1	<p><b>Availability of Related Party Transactions Review Committee</b></p> <p>The company has a Board Related Party Transactions Review Committee (BRPTRC) that conforms the requirements set out in rule 9.14 of listing rules.</p> <p>Refer BRPTRC report on page 198 in this annual report.</p>	01/10/2023 / Complied
9.14.2	<p><b>Composition of Related Party Transactions Review Committee</b></p> <p>1. The committee comprise of Three (3) Non-Executive Directors of which 2 of them are independent.</p> <p>Executive Directors are invited to the meetings as and when required.</p> <p>The Chairperson of the committee is an Independent Director.</p> <p>Refer the report of BRPTRC on page 198 of this annual report.</p> <p>2. A Separate BRPTRC committee is established to overlook the RPT function of the listed subsidiary entity of the company.</p>	01/10/2023 / Complied
9.14.3	<p><b>Functions of the Related Party Transactions Review Committee</b></p> <p>Board approved Terms of Reference of BRPTRC covers the functions highlighted in section 9.14.3 of the listing rules.</p> <p>Refer the BRPTRC report on the page 198 of the annual report.</p>	01/10/2023 / Complied
9.14.4	<p><b>General Requirements or Related Party Transactions Review Committee</b></p> <p>(1) The committee met 5 times during the year. Refer the report of BRPTRC on page 198 of this annual report.</p> <p>(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.</p> <p>(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.</p> <p>No such instances occurred during the year.</p> <p>Refer the report of the BRPTRC on page 198 of this annual report.</p> <p>(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.</p> <p>Refer the report of the BRPTRC on page 198 of this annual report.</p>	01/10/2023 / Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
<b>9.14.5</b>	<p><b>Review of Related Party Transactions by the Related Party Transactions Review Committee</b></p> <p>(1) All proposed related Party transactions are reviewed and recommended prior to entering in to transactions by BRPTRC.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	01/10/2023 / Complied
<b>9.14.6</b>	<p><b>Shareholder Approval</b></p> <p>(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.</p> <p>However, there were no such transactions occurred during the year.</p>	01/10/2023 / Complied
<b>9.14.7</b>	<p><b>The Company shall make an immediate Market Announcement to the CSE for Related Party Transactions listed in Section 9.14.7 (a) and (b)</b></p> <p>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.</p> <p>There were no transactions which required immediate market announcements as set out in section 9.14.7 of the listing rules.</p>	01/10/2023 / Complied
<b>9.14.8</b>	<p><b>Disclosures in the Annual Report</b></p> <p>(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.</p> <p>Refer the RPT Note No. 3.1 to the Financial Statements in page 318 of this annual report.</p> <p>(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.</p> <p>(3) Refer the BRPTRC on page 198 of this annual report.</p> <p>(4) Refer annual report of the Board of Directors on the affairs of the company on page 179 of this annual report.</p>	01/10/2023 / Complied

SECTION	GOVERNANCE PRINCIPLE AND IMPLEMENTATION	EFFECTIVE DATE/ COMPLIANCE STATUS
9.14.9	<p><b>Acquisition and disposal of Assets from / to Related Parties</b></p> <p>During the year there were no acquisition or disposals of substantial assets from / to related parties.</p>	01/10/2023 / Complied
9.14.10	<p><b>Exempted Related Party Transactions</b></p> <p>Exemptions mentioned in this section has not been considered as all the related party transactions are reviewed and recommended by the BRPTRC.</p>	01/10/2023 / Complied
9.16	<p><b>Additional Disclosures</b></p> <p>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.</p> <p>Refer Annual report of the Board of Directors on the Affairs of the Company on page 179 of this annual report.</p>	01/10/2023 / Complied

# GRI CONTENT INDEX

Statement of use - LB Finance PLC has reported in accordance with the GRI Standards for the period 01st of April 2023 to 31st of March 2024.

GRI 1 used - GRI 1: Foundation 2021

GRI STANDARD/OTHER SOURCE	DISCLOSURE	LOCATION (PAGE)	EXPLANATION	
<b>GENERAL DISCLOSURES</b>				
GRI 2: General Disclosures 202-1	2-1	Organizational details	10, 11, 430	
	2-2	Entities included in the organization's sustainability reporting	7	
	2-3	Reporting period, frequency and contact point	7, 8	
	2-4	Restatements of information	8	
	2-5	External assurance	8	
	2-6	Activities, value chain and other business relationships	18	
	2-7	Employees	118, 119	
	2-8	Workers who are not employees	118, 119	
	2-9	Governance structure and composition	158, 168, 169, 172	
	2-10	Nomination and selection of the highest governance body	168	
	2-11	Chair of the highest governance body	170	
	2-12	Role of the highest governance body in overseeing the management of impacts	169, 170, 171, 172	
	2-13	Delegation of responsibility for managing impacts	171, 172	
	2-14	Role of the highest governance body in sustainability reporting	171, 172	
	2-15	Conflicts of interest	175	
	2-16	Communication of critical concerns	429	
	2-17	Collective knowledge of the highest governance body	177	
	2-18	Evaluation of the performance of the highest governance body	178	
	2-19	Remuneration policies	114	
	2-20	Process to determine remuneration	118, 119, 144	
	2-21	Annual total compensation ratio		Does not disclose due to confidential reasons
	2-22	Statement on sustainable development strategy	115	
	2-23	Policy commitments	50, 68, 77, 117	
	2-24	Embedding policy commitments	50, 117, 77, 71, 68	
	2-25	Processes to remediate negative impacts	50, 117	
	2-26	Mechanisms for seeking advice and raising concerns	136, 356	
	2-27	Compliance with laws and regulations	6	
	2-28	Membership associations	431	
	2-29	Approach to stakeholder engagement	40	
	2-30	Collective bargaining agreements	N/A	
<b>MATERIAL TOPICS</b>				
GRI 3: Material Topics 202-1	3-1	Process to determine material topics	45	
	3-2	List of material topics	45	
<b>Economic performance</b>				
GRI 3: Material Topics 202-1	3-3	Management of material topics	13	
GRI 201: Economic Performance 201-6	201-1	Direct economic value generated and distributed	13	
	201-2	Financial implications and other risks and opportunities due to climate change	35	
	201-3	Defined benefit plan obligations and other retirement plans	114	
	201-4	Financial assistance received from government	None	
<b>Market presence</b>				
GRI 3: Material Topics 202-1	3-3	Management of material topics	114	

GRI STANDARD/OTHER SOURCE		DISCLOSURE		LOCATION (PAGE)	EXPLANATION
GRI 202: Market Presence 201-6	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		114	Locally hired
		LBF pays above minimum wages as stipulated by law or applicable collective agreements (There is no gender differences). According to legislation to be presented in Parliament of Sri Lanka, the national minimum monthly wage for all workers in any industry or service will be Rs. 10,000/- while the national minimum daily wage of a worker will be Rs. 400/-.			
	202-2	Proportion of senior management hired from the local community			
<b>Indirect economic impacts</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		13	
<b>Anti-corruption</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		355	
GRI 205: Anti-corruption 201-6	205-1	Operations assessed for risks related to corruption		355	
	205-2	Communication and training about anti-corruption policies and procedures		355	
	205-3	Confirmed incidents of corruption and actions taken			No incident was reported
<b>Anti-competitive behavior</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		131	
GRI 206: Anti-competitive Behavior 201-6	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			No incident was reported
<b>Emissions</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		152	
GRI 305: Emissions 201-6	305-1	Direct (Scope 1) GHG emissions		152	
	305-2	Energy indirect (Scope 2) GHG emissions		152	
	305-3	Other indirect (Scope 3) GHG emissions		152	
	305-4	GHG emissions intensity		151	
	305-5	Reduction of GHG emissions		151	
	305-6	Emissions of ozone-depleting substances (ODS)			N/A
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		152, 429	
<b>Employment</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		108	
GRI 401: Employment 201-6	401-1	New employee hires and employee turnover		118	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		114, 118	
	401-3	Parental leave		116	
	401-4	Average hours of training per year per employee		119	
GRI 3: Material Topics 202-1	3-3	Management of material topics		119	
GRI 404: Training and Education 201-6	404-1	Average hours of training per year per employee		119	
	404-2	Programs for upgrading employee skills and transition assistance programs		117, 119	
	404-3	Percentage of employees receiving regular performance and career development reviews		116	
<b>Diversity and equal opportunity</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		115	
GRI 405: Diversity and Equal Opportunity 201-6	405-1	Diversity of governance bodies and employees		115, 118, 119, 168, 389	
	405-2	Ratio of basic salary and remuneration of women to men		114, 118, 119	
<b>Local communities</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		130	
GRI 413: Local Communities 201-6	413-1	Operations with local community engagement, impact assessments, and development programs		41, 139, 152	
	413-2	Operations with significant actual and potential negative impacts on local communities		139	
<b>Customer privacy</b>					
GRI 3: Material Topics 202-1	3-3	Management of material topics		131	
GRI 418: Customer Privacy 201-6	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		135	



# THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

PRINCIPLE	DESCRIPTION	PAGE NO
<b>HUMAN RIGHTS</b>		
Principle 1 :	Businesses should support and respect the protection of internationally proclaimed human rights	115
Principle 2 :	Businesses should make sure that they are not complicit in human rights abuses	115
<b>LABOUR</b>		
Principle 3 :	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining  Declarations of the International Labor Organisation (ILO), including the employee right to the freedom of association and the right to engage in collective bargaining, LBF's strong relationships with employees has meant there is no need for any collective agreement. During the year under review, the Company has not faced any type of industrial disputes.	
Principle 4 :	Businesses should uphold the elimination of all forms of forced and compulsory labour	No such incidents were reported
Principle 5 :	Businesses should uphold the effective abolition of child labour	No such incidents were reported
Principle 6 :	Businesses should uphold the elimination of discrimination in respect of employment and occupation	No such incidents were reported
<b>ENVIRONMENT</b>		
Principle 7 :	Businesses should support a precautionary approach to environmental challenges	33, 60
Principle 8 :	Businesses should undertake initiatives to promote greater environmental responsibility	33, 60
Principle 9 :	Businesses should encourage the development and diffusion of environmentally friendly technologies	150
<b>ANTI-CORRUPTION</b>		
Principle 10 :	Businesses should work against corruption in all its forms, including extortion and bribery	355

## SASB STANDARD - CONSUMER FINANCE

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE	DISCLOSURE/ PAGE REFERENCE
Customer Privacy	Number of account holders whose information is used for secondary purposes 1	Quantitative	Number	FN-CF-220a.1	No such incidents were reported
	Total amount of monetary losses as a result of legal proceedings associated with customer privacy 2	Quantitative	Presentation currency	FN-CF-220a.2	No such incidents were reported
Data Security	Number of data breaches, percentage that are personal data breaches, (3) number of account holders affected 3	Quantitative	Number, Percentage (%)	FN-CF-230a.1	No such incidents were reported
	Card-related fraud losses from (1) card- not-present fraud and (2) card-present and other fraud	Quantitative	Presentation currency	FN-CF-230a.2	No such incidents were reported
	Description of approach to identifying and addressing data security risks	Discussion and Analysis	n/a	FN-CF-230a.3	Intellectual Capital Page 125
Selling Practices	Percentage of total remuneration for covered employees that is variable and linked to the amount of products and services sold 4	Quantitative	Percentage (%)	FN-CF-270a.1	
	In the dynamic world of LBF, a vibrant performance-based culture fuels the drive for excellence. Here, marketing officers navigate their roles with clear, ambitious targets, both individually tailored and collectively embraced by their teams. Each goal set is a beacon guiding their efforts, promising lucrative incentives for those who reach the summit. This system transforms targets into motivational milestones, sparking a competitive yet collaborative spirit. However, the stakes are high—missing a target means the incentive remains an unclaimed reward, a constant reminder of the relentless pursuit of success that defines LBF's ethos.				
	Approval rate for (1) credit and (2) pre- paid products for applicants 5	Quantitative	Percentage (%)	FN-CF-270a.2	N/A
	Average fees from add-on products, average APR of credit products, average age of credit products, average number of credit accounts, and (5) average annual fees for pre-paid products	Quantitative	Presentation currency, Percentage (%), Months, Number	FN-CF-270a.3	N/A
	Number of customer complaints filed, percentage with monetary or non- monetary relief	Quantitative	Number, Percentage (%)	FN-CF-270a.4	No such incidents were reported
	Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products 6	Quantitative	Presentation currency	FN-CF-270a.5	No such incidents were reported

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# DECADE AT A GLANCE

Key Indicators		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
<b>Operating Results</b>											
Net Interest Margin (NIM)	%	12.67	12.17	10.91	11.15	11.87	11.96	12.15	13.28	11.86	13.70
Interest Spread	%	11.55	11.09	9.59	9.65	10.32	10.46	10.62	11.98	9.15	10.95
Cost to Income	%	35.88	35.89	39.01	37.37	34.22	33.44	30.56	29.28	32.42	31.13
<b>Financial Position</b>											
Total Assets to Equity	No. of times	8.52	8.07	8.21	7.87	7.40	6.26	4.99	4.97	4.78	4.63
Debt to Equity	No. of times	7.15	6.73	6.89	6.58	6.02	5.01	3.74	3.77	3.60	3.44
Equity to Deposits	%	17.45	19.63	20.71	21.04	22.14	25.77	32.83	37.07	33.43	35.52
<b>Investor Information</b>											
Return on Equity (ROE)	%	30.88	40.40	34.09	30.52	29.93	25.04	26.58	28.29	23.78	23.40
Return on Assets (ROA)	%	3.40	4.89	4.18	3.80	3.93	3.70	4.78	5.68	4.88	4.97
Equity to Assets	%	11.74	12.40	12.17	12.70	13.51	15.98	20.05	20.11	20.90	21.58
Net Assets Value per Share	Rs.	14.31	18.91	22.58	27.70	33.26	41.51	50.88	59.65	68.79	78.74
Earnings per Share (EPS)	Rs.	3.94	6.71	7.07	7.67	9.12	9.36	12.28	15.63	15.27	17.26
Dividend per Share (DPS)	Rs.	10.00	7.50	9.00	11.00	12.00	-	7.00	5.00	5.00	5.75
Dividend Cover	No. of times	3.15	3.58	3.14	2.79	3.04	-	1.75	3.13	3.05	3.00
Dividend Yield	%	6.66	7.07	7.60	9.25	9.99	-	14.77	8.62	9.09	9.16
Dividend Payout	%	31.74	27.94	31.82	35.84	32.88	-	57.01	31.98	32.74	33.31
Price Earning Ratio (PE)	No. of times	4.77	3.95	4.19	3.87	3.29	3.22	3.86	3.71	3.60	3.64
Price to Book Value (PBV)	No. of times	1.31	1.40	1.31	1.07	0.90	0.73	0.93	0.97	0.80	0.80
Market Price per Share	Rs.	150.20	106.10	118.40	118.90	120.10	120.50	47.40	58.00	55.00	62.80
Market Capitalisation	Rs. Million	10,402	14,696	16,400	16,469	16,636	16,691	26,262	32,135	30,473	34,795
Interest Cover	No. of times	1.56	1.92	1.72	1.56	1.60	1.56	1.81	2.35	1.57	1.71
<b>Growth</b>											
Income	%	8.51	5.81	23.76	29.35	16.90	6.64	(4.67)	1.32	41.77	15.14
Interest Income	%	7.65	5.42	24.13	30.62	16.97	6.57	(5.84)	0.19	44.10	15.70
Interest Expense	%	(16.65)	(2.96)	40.52	41.74	12.64	5.13	(15.37)	(23.23)	133.03	3.71
Net Interest Income	%	38.76	11.86	13.20	21.41	21.16	7.86	2.51	17.13	1.95	28.69
Profit before Taxation	%	78.33	59.81	10.33	10.26	19.50	(1.68)	22.29	27.98	(1.38)	29.23
Profit after Taxation	%	62.84	70.37	5.39	8.49	18.91	2.62	31.15	27.33	(2.33)	13.04
Total Assets	%	11.06	25.13	21.59	17.57	12.89	5.55	(2.35)	16.92	10.94	10.87
Lending Portfolio	%	13.75	27.87	24.59	14.80	10.85	4.78	(3.98)	17.75	8.03	11.09
Customer Deposits	%	(1.44)	17.50	13.16	20.76	14.08	7.26	(3.81)	3.82	27.90	7.72
Equity	%	27.72	32.20	19.37	22.70	20.06	24.81	22.56	17.23	15.34	14.46
<b>Employee</b>											
Profit before Tax per Employee	Rs. '000	1,387	1,940	1,823	1,883	2,139	2,110	2,631	3,116	3,298	3,674
Profit after Tax per Employee	Rs. '000	908	1,354	1,216	1,235	1,397	1,438	1,923	2,266	2,375	2,315
Total Assets per Employee	Rs. '000	28,131	30,800	31,904	35,112	37,697	39,923	39,755	43,005	51,192	48,929
No. of Branches		135	146	154	159	163	165	169	181	192	200
No. of Employees		2,401	2,744	3,221	3,441	3,618	3,606	3,536	3,822	3,562	4,132
Employees per Branch		18	19	21	22	22	22	21	21	19	21

## Financial Statements - Company

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Income Statement</b>										
Income	14,787,757	15,646,467	19,363,429	25,046,202	29,278,024	31,222,860	29,766,124	30,159,476	42,756,458	49,230,095
Interest Income	13,687,070	14,428,729	17,909,935	23,394,115	27,363,768	29,160,292	27,457,741	27,510,530	39,643,934	45,866,539
Interest Expenses	5,949,496	5,773,255	8,112,337	11,498,408	12,951,323	13,615,391	11,522,802	8,846,608	20,615,585	21,379,499
Net Interest Income	7,737,574	8,655,474	9,797,599	11,895,707	14,412,445	15,544,901	15,934,939	18,663,922	19,028,349	24,487,040
Other Operating Income	1,100,686	1,217,737	1,453,493	1,652,087	1,914,256	2,062,567	2,308,383	2,648,946	3,112,524	3,363,556
Total Operating Income	8,838,260	9,873,212	11,251,092	13,547,795	16,326,701	17,607,469	18,243,322	21,312,868	22,140,873	27,850,596
Impairment Charges	2,019,766	411,793	(40,064)	670,623	983,154	1,831,057	1,691,734	1,025,981	545,744	373,236
Total Operating Expenses	3,171,408	3,543,352	4,389,212	5,062,788	5,587,279	5,887,565	5,575,890	6,239,874	7,178,002	8,669,531
Tax on Financial Services	315,232	593,452	1,027,101	1,336,693	2,015,619	2,278,560	1,669,323	2,136,551	2,670,575	3,627,622
Profit before Taxation	3,331,853	5,324,615	5,874,843	6,477,691	7,740,649	7,610,287	9,306,375	11,910,462	11,746,552	15,180,207
Income Tax Expense	1,149,727	1,606,822	1,956,639	2,226,969	2,685,989	2,423,234	2,503,778	3,248,604	3,286,221	5,616,569
Profit for the Year	2,182,126	3,717,792	3,918,204	4,250,721	5,054,660	5,187,053	6,802,597	8,661,858	8,460,331	9,563,638
<b>Statement of Financial Position</b>										
<b>Assets</b>										
Cash and Cash Equivalents	6,067,670	6,051,898	2,895,085	5,874,375	4,040,586	6,162,637	6,187,300	14,458,986	4,524,032	9,314,425
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	10,063	10,645	10,068	9,683	6,866	4,648	10,862	13,208	10,653	14,674
Financial Assets at Amortised Cost - Loans and Receivables	55,958,277	71,554,005	89,149,742	102,345,084	113,445,454	118,865,924	114,137,823	134,395,603	145,189,174	161,291,486
Financial Assets Measured at Fair Value Through Other Comprehensive Income	140,587	138,411	118,021	121,624	89,710	59,141	77,789	86,102	117,388	118,587
Other Financial Assets	2,140,178	4,142,716	6,721,526	6,772,554	10,804,517	9,119,681	10,453,903	5,598,624	21,685,834	20,374,770
Other Non Financial Assets	1,206,275	538,898	305,047	815,808	1,067,360	967,469	920,406	454,711	474,347	430,651
Investment in Subsidiaries	-	-	-	152,915	318,999	521,162	521,162	921,162	921,998	698,935
Property, Plant and Equipment	1,984,160	2,045,295	3,514,356	4,680,619	6,577,379	8,221,248	8,241,259	8,421,741	8,633,347	8,984,363
Intangible Assets	35,305	34,765	49,189	48,119	39,847	41,809	26,021	14,875	22,628	20,701
Deferred Tax Assets	-	-	-	-	-	-	-	-	767,186	927,914
<b>Total Assets</b>	<b>67,542,519</b>	<b>84,516,636</b>	<b>102,763,035</b>	<b>120,820,780</b>	<b>136,390,718</b>	<b>143,963,719</b>	<b>140,576,525</b>	<b>164,365,012</b>	<b>182,346,587</b>	<b>202,176,506</b>
<b>Liabilities</b>										
Due to Banks	7,703,265	14,577,233	23,778,147	22,838,038	24,633,508	22,771,085	16,467,179	26,858,737	19,369,784	21,702,012
Financial Liabilities at Amortised Cost - Due to Depositors	45,430,551	53,379,801	60,401,955	72,943,833	83,214,949	89,256,435	85,860,070	89,143,982	114,011,699	122,808,124
Debt Instruments Issued and Other Borrowed Funds	3,529,575	2,601,282	2,044,216	5,152,832	3,107,783	3,111,186	3,113,916	8,564,617	3,882,024	5,491,401
Other Financial Liabilities	1,776,066	1,869,940	2,007,402	1,761,418	1,974,490	2,766,410	3,043,526	3,305,112	3,255,862	3,757,776
Other Non Financial Liabilities	516,719	597,806	673,436	852,715	2,070,632	909,266	1,028,054	1,134,771	1,090,091	1,547,570
Current Tax Liabilities	534,744	741,251	691,091	633,058	1,395,971	766,752	1,872,154	1,882,242	2,255,830	2,770,496
Deferred Tax Liabilities	11,930	143,142	503,488	1,058,750	1,309,722	1,037,580	637,073	111,486	-	-
Post Employment Benefit Liability	112,574	126,858	153,621	231,240	256,512	345,456	365,265	316,973	365,557	473,058
<b>Total Liabilities</b>	<b>59,615,427</b>	<b>74,037,317</b>	<b>90,253,356</b>	<b>105,471,884</b>	<b>117,963,567</b>	<b>120,964,170</b>	<b>112,387,237</b>	<b>131,317,920</b>	<b>144,230,847</b>	<b>158,550,437</b>
<b>Equity</b>										
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	1,908,324	2,670,537	3,412,318	4,270,522	5,210,097	6,216,939	7,596,106	8,038,658	8,493,049	8,972,430
Retained Earnings	5,180,485	6,970,499	8,259,079	10,240,092	12,378,772	15,944,328	19,754,900	24,170,152	28,784,409	33,815,357
<b>Total Equity</b>	<b>7,927,091</b>	<b>10,479,319</b>	<b>12,509,680</b>	<b>15,348,896</b>	<b>18,427,151</b>	<b>22,999,549</b>	<b>28,189,288</b>	<b>33,047,092</b>	<b>38,115,740</b>	<b>43,626,069</b>
<b>Total Liabilities and Equity</b>	<b>67,542,519</b>	<b>84,516,636</b>	<b>102,763,035</b>	<b>120,820,780</b>	<b>136,390,718</b>	<b>143,963,719</b>	<b>140,576,525</b>	<b>164,365,012</b>	<b>182,346,587</b>	<b>202,176,506</b>

# QUARTERLY FINANCIAL STATEMENTS

## Income Statement - Company

For the 03 Months Ended	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2023 Rs. '000	30.06.2022 Rs. '000	30.09.2023 Rs. '000	30.09.2022 Rs. '000	31.12.2023 Rs. '000	31.12.2022 Rs. '000	31.03.2024 Rs. '000	31.03.2023 Rs. '000
<b>Income</b>	12,437,998	8,524,817	12,410,733	10,387,022	12,516,224	11,496,971	11,865,140	12,347,648
Interest Income	11,820,531	7,738,975	11,630,768	9,539,093	11,637,426	10,805,229	10,777,814	11,560,637
Less: Interest Expenses	6,112,844	3,082,431	5,543,510	5,046,984	5,061,174	6,107,231	4,661,971	6,378,939
<b>Net Interest Income</b>	5,707,687	4,656,544	6,087,258	4,492,109	6,576,252	4,697,998	6,115,843	5,181,698
Fee and Commission Income	606,080	755,941	754,800	747,088	853,231	672,177	972,311	775,859
Net Trading Income	732	(3,759)	4,839	6,304	(1,748)	(5,285)	1,120	644
Other Operating Income	10,655	33,660	20,326	94,537	27,315	24,850	113,895	10,508
<b>Total Operating Income</b>	6,325,154	5,442,386	6,867,223	5,340,038	7,455,050	5,389,740	7,203,169	5,968,709
Less : Impairment Charges	99,483	190,998	157,521	247,717	277,736	88,543	(161,504)	18,487
<b>Net Operating Income</b>	6,225,671	5,251,388	6,709,702	5,092,321	7,177,314	5,301,197	7,364,673	5,950,222
<b>Less: Operating Expenses</b>								
Personnel Expenses	1,009,917	869,309	1,112,020	880,132	1,144,864	867,700	1,109,673	927,996
Depreciation of Property, Plant and Equipment	210,050	207,538	215,441	199,705	217,344	204,049	223,513	205,441
Amortisation of Intangible Assets	2,157	2,258	2,032	2,035	2,037	1,639	2,189	2,251
Other Operating Expenses	793,842	630,520	790,551	630,659	926,534	751,406	907,368	795,363
<b>Operating Profit before Tax on Financial Services</b>	4,209,705	3,541,763	4,589,658	3,379,790	4,886,535	3,476,403	5,121,930	4,019,171
Less: Tax on Financial Services	840,810	614,079	902,531	598,294	946,149	692,881	938,131	765,321
<b>Profit before Taxation</b>	3,368,895	2,927,684	3,687,127	2,781,496	3,940,386	2,783,522	4,183,799	3,253,850
Less: Income Tax Expense	1,269,211	856,002	1,385,506	815,940	1,478,500	1,038,205	1,483,352	576,074
<b>Profit for the Year</b>	2,099,684	2,071,682	2,301,621	1,965,556	2,461,886	1,745,317	2,700,447	2,677,776
<b>Quarterly Key Performance Indicators</b>								
<b>Asset Quality</b>								
NPL Ratio - Gross	6.69%	5.07%	6.39%	4.81%	4.53%	4.81%	3.54%	4.45%
NPL Ratio - Net	1.37%	-0.18%	1.56%	-0.33%	-0.38%	-0.33%	-0.79%	-0.65%
<b>Profitability</b>								
Return on Equity	22.23%	25.61%	22.61%	24.20%	22.79%	22.52%	23.40%	23.78%
Return on Assets	4.66%	5.01%	4.87%	4.76%	4.98%	4.52%	4.97%	4.88%



## Statement of Financial Position - Company

As at	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	30.06.2023 Rs. '000	30.06.2022 Rs. '000	30.09.2023 Rs. '000	30.09.2022 Rs. '000	31.12.2023 Rs. '000	31.12.2022 Rs. '000	31.03.2024 Rs. '000	31.03.2023 Rs. '000
<b>Assets</b>								
Cash and Cash Equivalents	7,817,028	9,366,958	5,124,972	6,313,830	9,019,358	5,843,040	9,314,425	4,524,032
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	11,385	9,448	15,366	15,752	13,555	10,467	14,674	10,653
Financial Assets at Amortised Cost - Loans and Receivables	143,481,784	138,633,126	146,654,223	144,576,412	152,284,625	147,581,821	161,291,486	145,189,174
Financial Assets Measured at Fair Value Through Other Comprehensive Income	112,496	71,368	109,282	109,940	98,767	99,968	118,587	117,388
Other Financial Assets	15,653,272	8,231,082	16,468,650	13,999,273	12,700,562	13,057,631	20,374,770	21,685,834
Other Non Financial Assets	574,524	512,327	653,132	603,070	582,118	587,502	430,651	474,347
Investment in Subsidiaries	921,998	921,997	921,998	921,998	921,998	921,998	698,935	921,998
Property, Plant and Equipment and Right-of-Use Assets	8,613,839	8,488,014	8,714,842	8,499,623	8,833,190	8,590,201	8,984,363	8,633,347
Intangible Assets	20,472	12,618	18,424	10,583	22,859	17,581	20,701	22,628
Deferred Tax Assets	767,186	-	767,186	-	767,186	-	927,914	767,186
<b>Total Assets</b>	<b>177,973,984</b>	<b>166,246,938</b>	<b>179,448,075</b>	<b>175,050,481</b>	<b>185,244,218</b>	<b>176,710,209</b>	<b>202,176,506</b>	<b>182,346,587</b>
<b>Liabilities</b>								
Due to Banks	17,015,091	23,442,194	14,864,031	26,527,662	18,280,111	23,700,712	21,702,012	19,369,784
Financial Liabilities at Amortised Cost - Due to Depositors	111,999,687	94,049,620	114,836,202	100,541,867	115,404,940	107,635,568	122,808,124	114,011,699
Debt Instruments Issued and Other Borrowed Funds	2,616,962	8,201,488	2,704,739	8,402,045	1,509,076	3,968,260	5,491,401	3,882,024
Other Financial Liabilities	3,047,509	3,042,460	3,753,231	3,220,951	4,003,826	3,224,748	3,757,776	3,255,862
Other Non Financial Liabilities	3,255,709	3,638,864	1,554,352	1,270,104	1,546,557	1,022,903	1,547,570	1,090,091
Current Tax Liabilities	2,229,929	1,757,335	1,615,755	962,460	1,931,773	1,289,975	2,770,496	2,255,830
Deferred Tax Liabilities	-	111,486	-	111,486	-	111,486	-	-
Post Employment Benefit Liability	368,852	327,698	381,113	333,986	377,910	341,292	473,058	365,557
<b>Total Liabilities</b>	<b>140,533,739</b>	<b>134,571,145</b>	<b>139,709,423</b>	<b>141,370,561</b>	<b>143,054,193</b>	<b>141,294,944</b>	<b>158,550,437</b>	<b>144,230,847</b>
<b>Equity</b>								
Stated Capital	838,282	838,282	838,282	838,282	838,282	838,282	838,282	838,282
Reserves	8,593,141	8,127,585	8,705,008	8,264,434	8,817,588	8,341,729	8,972,430	8,493,049
Retained Earnings	28,008,822	22,709,926	30,195,362	24,577,204	32,534,155	26,235,254	33,815,357	28,784,409
<b>Total Equity</b>	<b>37,440,245</b>	<b>31,675,793</b>	<b>39,738,652</b>	<b>33,679,920</b>	<b>42,190,025</b>	<b>35,415,265</b>	<b>43,626,069</b>	<b>38,115,740</b>
<b>Total Liabilities and Equity</b>	<b>177,973,984</b>	<b>166,246,938</b>	<b>179,448,075</b>	<b>175,050,481</b>	<b>185,244,218</b>	<b>176,710,209</b>	<b>202,176,506</b>	<b>182,346,587</b>

# FINANCIAL STATEMENTS IN USD

Following Income Statement, Statement of Comprehensive Income and Statement of Financial Position have been presented in USD purely for the information purpose of stakeholders.

## Income Statement (USD)

Year ended 31 March	Company			Group		
	2024 USD '000	2023 USD '000	Change %	2024 USD '000	2023 USD '000	Change %
<b>Income</b>	<b>164,101</b>	142,522	15	<b>165,453</b>	143,779	15
Interest Income	152,889	132,146	16	154,131	133,245	16
Less: Interest Expenses	71,265	68,719	4	71,535	68,880	4
<b>Net Interest Income</b>	<b>81,624</b>	63,427	29	<b>82,596</b>	64,365	28
Fee and Commission Income	10,621	9,837	8	10,725	9,955	8
Net Trading Income	16	(7)	>100	16	(7)	>100
Other Operating Income	574	545	5	581	585	(1)
<b>Total Operating Income</b>	<b>92,835</b>	73,802	26	<b>93,918</b>	74,898	25
Less: Impairment Charges	1,244	1,819	(32)	900	1,730	(48)
<b>Net Operating Income</b>	<b>91,591</b>	71,983	27	<b>93,018</b>	73,168	27
<b>Less: Operating Expenses</b>						
Personnel Expenses	14,588	11,817	23	15,012	12,232	23
Depreciation of Property, Plant and Equipment	2,888	2,722	6	2,942	2,781	6
Amortisation of Intangible Assets	28	27	3	37	44	(16)
Other Operating Expenses	11,394	9,360	22	11,811	9,709	22
<b>Total Operating Expenses</b>	<b>28,898</b>	23,926	21	<b>29,802</b>	24,766	20
<b>Operating Profit before Tax on Financial Services</b>	<b>62,693</b>	48,057	30	<b>63,217</b>	48,402	31
Less: Tax on Financial Services	12,092	8,902	36	12,101	8,925	36
<b>Profit before Taxation</b>	<b>50,601</b>	39,155	29	<b>51,116</b>	39,477	29
Less: Income Tax Expense	18,722	10,954	71	18,758	10,967	71
<b>Profit for the Year</b>	<b>31,879</b>	28,201	13	<b>32,358</b>	28,510	13
<b>Profit Attributable to:</b>						
Equity Holders of the Company	31,879	28,201	13	32,380	28,516	14
Non-Controlling Interest	-	-	-	(23)	(6)	(>100)
<b>Profit for the Year</b>	<b>31,879</b>	28,201	13	<b>32,357</b>	28,510	13
<b>Earnings per Share: Basic/Diluted (USD)</b>	<b>0.06</b>	0.05	13	<b>0.06</b>	0.05	14
<b>Dividend per Share (USD)</b>						
Dividend per Share : Gross (USD)	0.02*	0.02	15			
Dividend per Share : Net (USD)	0.02*	0.01	15			

\*Dividend per share is calculated based on the interim dividend paid / payable and the proposed final dividend which is to be approved at the Annual General Meeting.

A common exchange rate LKR 300 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

## Statement of Comprehensive Income (USD)

Year ended 31 March	Company			Group		
	2024 Rs. '000	2023 Rs. '000	Change %	2024 Rs. '000	2023 Rs. '000	Change %
<b>Profit for the Year</b>	<b>31,879</b>	28,201	13	<b>32,357</b>	28,510	13
<b>Other Comprehensive Income that will be Reclassified to Income Statement</b>						
Net Gains/(Losses) from Translating the Financial Statements of the Foreign Operations	-	-	-	(243)	(235)	3
Less: Deferred Tax Charge/(Reversal) on above Items	-	-	-	-	-	-
<b>Net Other Comprehensive Income that will be Reclassified to Income Statement</b>	<b>-</b>	-	-	<b>(243)</b>	(235)	3
<b>Other Comprehensive Income that will never be Reclassified to Income Statement</b>						
Net Gains/(Losses) on Investment in Equity Instruments - Fair Value Through Other Comprehensive Income	4	105	(96)	4	105	(96)
Actuarial Gains/(Losses) on Defined Benefit Plans	(179)	25	(>100)	(181)	27	(>100)
Less: Deferred Tax Charge/(Reversal) on Actuarial Gains and Losses	(54)	8	(>100)	(54)	8	(>100)
Net Actuarial Gains/(Losses) on Defined Benefit Plans	(125)	17	(>100)	(127)	19	(>100)
<b>Net Other Comprehensive Income that will never be Reclassified to Income Statement</b>	<b>(121)</b>	122	(>100)	<b>(123)</b>	124	(>100)
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>(121)</b>	122	(>100)	<b>(367)</b>	(111)	(>100)
<b>Total Comprehensive Income for the Year, Net of Tax</b>	<b>31,758</b>	28,323	12	<b>31,990</b>	28,398	13
<b>Attributable to:</b>						
Equity Holders of the Company	31,758	28,323	12	32,014	28,403	13
Non-Controlling Interest	-	-	-	(24)	(5)	(<100)
<b>Total Comprehensive Income for the Year, Net of Tax</b>	<b>31,758</b>	28,323	12	<b>31,990</b>	28,398	13

A common exchange rate LKR 300 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.

## FINANCIAL STATEMENTS IN USD

### Statement of Financial Position (USD)

As at 31 March	Company			Group		
	2024 USD '000	2023 USD '000	Change %	2024 USD '000	2023 USD '000	Change %
<b>Assets</b>						
Cash and Cash Equivalents	31,048	15,080	>100	31,865	15,604	>100
Financial Assets Recognised Through Profit or Loss - Measured at Fair Value	49	36	38	49	36	38
Financial Assets at Amortised Cost - Loans and Receivables	537,638	483,964	11	541,739	487,905	11
Financial Assets Measured at Fair Value Through Other Comprehensive Income	395	391	1	395	391	1
Other Financial Assets	67,916	72,286	(6)	68,145	72,369	(6)
Other Non Financial Assets	1,436	1,582	(9)	1,653	1,841	(10)
Investment in Subsidiaries	2,330	3,073	(24)	-	-	-
Property, Plant and Equipment and Right-of-Use Assets	29,948	28,778	4	30,114	28,891	4
Investment Properties	-	-	-	17	15	11
Intangible Assets	69	75	(9)	75	451	(83)
Deferred Tax Assets	3,093	2,557	21	3,108	2,557	22
<b>Total Assets</b>	<b>673,922</b>	<b>607,822</b>	<b>11</b>	<b>677,160</b>	<b>610,060</b>	<b>11</b>
<b>Liabilities</b>						
Due to Banks	72,340	64,566	12	73,186	64,642	13
Financial Liabilities at Amortised Cost - Due to Depositors	409,360	380,039	8	410,115	380,828	8
Debt Instruments Issued and Other Borrowed Funds	18,305	12,940	41	18,305	12,940	41
Other Financial Liabilities	12,526	10,853	15	12,720	10,944	16
Other Non Financial Liabilities	5,159	3,634	42	5,305	3,849	38
Current Tax Liabilities	9,235	7,519	23	9,252	7,540	23
Post Employment Benefit Liability	1,577	1,219	29	1,584	1,225	29
<b>Total Liabilities</b>	<b>528,502</b>	<b>480,770</b>	<b>10</b>	<b>530,467</b>	<b>481,968</b>	<b>10</b>
<b>Equity</b>						
Stated Capital	2,794	2,794	-	2,794	2,794	-
Reserves	29,908	28,310	6	30,325	28,970	5
Retained Earnings	112,718	95,948	17	113,252	95,982	18
<b>Total Equity Attributable to Equity Holders of the Company</b>	<b>145,420</b>	<b>127,052</b>	<b>14</b>	<b>146,371</b>	<b>127,746</b>	<b>15</b>
Non-Controlling Interest	-	-	-	322	346	(7)
<b>Total Equity</b>	<b>145,420</b>	<b>127,052</b>	<b>14</b>	<b>146,693</b>	<b>128,092</b>	<b>15</b>
<b>Total Liabilities and Equity</b>	<b>673,922</b>	<b>607,822</b>	<b>11</b>	<b>677,160</b>	<b>610,060</b>	<b>11</b>
<b>Commitments and Contingencies</b>	<b>7,606</b>	<b>8,013</b>	<b>(5)</b>	<b>6,770</b>	<b>8,013</b>	<b>(16)</b>
<b>Net Asset Value per Share (USD)</b>	<b>0.26</b>	<b>0.23</b>	<b>14</b>	<b>0.26</b>	<b>0.23</b>	<b>15</b>

A common exchange rate LKR 300 to 1 USD has been used on both current financial year and the previous financial year for the ease of comparison.



**OUR BLUE PRINT**

Our way outlines our aspirational culture and the transformative shifts needed to realize our strategic goals. It seamlessly integrates with our purpose, values, People Promise, and leadership framework, serving as a compelling employee value proposition (EVP). It articulates the innovative workforce experience we aim to foster and provides actionable steps for all our employees to engage with

**OUR PURPOSE IS THE UNIFYING FORCE PROPELLING US FORWARD**

Our purpose is the unifying force propelling us forward, the constant in an era of ceaseless transformation. we champion the future of purpose-driven enterprise. Our strategic decisions are guided by the balance between short-term gains and long-term value. As the trailblazing 'green financing,' our unwavering commitment to purpose, people, and planet distinguishes us. We are dedicated to a green economy, envisioning a dynamic, sustainable, and vibrant Sri Lankan future

**DO THE RIGHT THINGS AND THE RIGHT TIME**

We've engineered a culture founded on trust, ethics, and unwavering integrity. Committed to the highest standards, we ensure our actions mirror our intent to be experts who drive positive impact. We execute with precision and integrity. As we navigate complex business dynamics, we safeguard the trust bestowed upon us, consistently doing the right thing for our people, clients, stakeholders, and society at large

**EMBRACE GROWTH THROUGH LEARNING**

We are attuned to a world in flux and a future brimming with potential. To stay ahead, actively shape our destiny, and thrive, we perpetually learn, adapt, evolve, and grow both as individuals and as Company. We challenge the status quo for the greater good, questioning our actions, motives, and methods with a solution-driven mindset. The future belongs to those who push beyond their comfort zones, embracing continuous learning, unlearning, and relearning. This is how we grow, remain relevant, and excel as LBF.

**EXECUTE WITH SPEED AND AGILITY**

We possess an insatiable drive for success, setting ambitious goals and taking calculated risks to achieve them. Embracing the potential for failure, we learn and evolve from our missteps. We act proactively, respond swiftly, and execute with speed and agility. We cultivate resilience and practice human-centered leadership, investing in our people and fostering an environment that empowers them to excel. This is our edge, propelling us towards commercial success and sustainability.

In our diverse roles, across varied clusters and nations, we stand united as premier financial service providers. Backed by an enticing capacity of financial and non financial growth over the years, we recognize the potency of teamwork. Together, our collective efforts surpass individual endeavors. Collaboration and cooperation pulse through our core, driving our every action. We dismantle silos within and across teams, clusters, and borders, enriching the organization holistically. Ultimately, we are architects of the future, weaving tomorrow's tapestry together.



## LIST OF ABBREVIATIONS

AFS	Available for Sale
AGM	Annual General Meeting
ALCO	Assets and Liabilities Management Committee
APSP	Average Petroleum Spot Price
ASPI	All Share Price Index
ATM	Automated Teller Machine
AWDR	Average-Weighted Deposit Rate
AWFDR	Average-Weighted Fixed Deposit Rate
AWPLR	Average Weighted Prime Lending Rate
BFI	Banking Finance Insurance
BN	Billion
BOD	Board of Directors
BPO	Business Process Outsource
BPS	Basis Points
CAR	Capital Adequacy Ratio
CBSL	Central Bank of Sri Lanka
CDS	Central Depository System
CDM	Cash Deposit Machine
CMU	Customer Management Unit
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CRO	Chief Risk Officer
CRM	Customer Relationship Management
CSE	Colombo Stock Exchange
CSR	Corporate Social Responsibility
DR	Disaster Recovery
EIR	Effective Interest Rate
EPF	Employees' Provident Fund
EPS	Earnings per Share
ERP	Enterprise Resource Planning System
ESC	Economic Service Charge
ETF	Employees' Trust Fund
FVPL	Fair Value through Profit or Loss
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HFT	Held for Trading
HODs	Head of Departments
HP	Hire Purchase
HTM	Held to Maturity
ICASL	The Institute of Chartered Accountants of Sri Lanka
IFA	Investment Fund Account
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
BIRMC	Board Integrated Risk Management Committee
IRMU	Integrated Risk Management Unit
ISO	International Standard Organisation
IT	Information Technology
KMP	Key Management Personnel
KPIs	Key Performance Indicators
KRIs	Key Risk Indicators

L&R	Loans and Receivables
LRA	Lanka Rating Agency
LBF	L B Finance PLC
LBMF	LB Microfinance Myanmar Company Limited
LCB	Licensed Commercial Bank
LFC	Licensed Finance Company
LKAS	Lanka Accounting Standards
LKR	Sri Lankan Rupees
LTV	Loan to Value
MN	Million
M3	Cubic Meter
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MRMR	Monthly Risk Management and Reporting
NBFI	Non-Bank Financial Institutions
NBT	Nation Building Tax
NCRE	Non-Conventional Renewable Energy
NPA	Non-Performing Advances
NII	Net Interest Income
NIM	Net Interest Margin
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAT	Profit after Tax
PAYE	Pay As You Earn
PDC	Product Development Committee
PER	Price Earnings Ratio
PLC	Public Limited Company
RMD	Risk Management Department
ROA	Return on Assets
ROCE	Return on Capital Employed
ROE	Return on Equity
RWA	Risk-Weighted Assets
SBU	Strategic Business Units
SEC	Securities and Exchange Commission
SLC	Specialised Leasing Company
SLA	Statutory Liquid Assets
SLAR	Statutory Liquid Asset Ratio
SLAS	Sri Lanka Accounting Standard
SLCF	Sri Lanka Carbon Fund
SLFRS	Sri Lanka Financial Reporting Standard
SLIPS	Sri Lanka Inter-Bank Payment System
SME	Small and Medium Enterprises
UOM	Unit of Measurement
USD	US Dollar
VAR	Value at Risk
VAT	Value Added Tax
WHT	Withholding Tax

## A

### ACCOUNTING POLICIES

Accounting policies The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

### ACCURAL BASIS

The system of accounting wherein revenue is recognised at the time it is earned and expenses at the time they are incurred, regardless of whether cash has actually been received or paid out.

### ALLOWANCE FOR IMPAIRMENT

A provision held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss.

### AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life. Amortised cost Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any deduction for impairment or uncollectability.

### ASSET AND LIABILITY COMMITTEE (ALCO)

The committee that is responsible for managing assets and liabilities of the Company.

### AVERAGE WEIGHTED DEPOSIT RATE (AWDR)

AWDR is calculated by the Central Bank monthly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates. Average weighted prime lending rate (AWPLR) AWPLR is calculated by the Central Bank weekly based on commercial bank's lending rates offered to their prime customers during the week

## B

### BASIS POINT (BP)

One hundred of a percentage point (0.01 per cent); 100 basis points is 1 percentage points: Used in quoting movements in interest rates or yields on securities.

## C

### CAPITAL ADEQUACY RATIO

The relationship between capital and risk weighted assets as prescribed by the Central Bank of Sri Lanka.

### CASH EQUIVALENTS

Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### CASH FLOWS

Cash equivalents are short-term, highly liquid investment that are readily convertible to know amount of cash and which are subject to an insignificant risk of changes in value.

### COLLECTIVE IMPAIRMENT

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant and to cover losses that have been incurred but has not yet been identified at the reporting date.

### COMMERCIAL PAPER (CP)

An unsecured, debt instrument issued by a company, to finance short-term funding requirements. The debt is usually issued at a discount, reflecting prevailing market interest rate.

### COMMITMENTS

Credit facilities approved but not yet utilised by the clients as at the reporting date. Compounded annual growth rate (CAGR) The rate at which it would have grown if it grew at an even rate compounded annually.

## CONTINGENCIES

A condition or situation existing at reporting date where the ultimate outcome of which, gain or loss, will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

### COST METHOD

A method of accounting where by the investment is recorded at cost. The Income Statement reflects income from the investment only to the extent that the investor receives distributions from accumulated net profiles of the investee rising subsequent to the date of acquisition.

### CORPORATE GOVERNANCE

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

### CORPORATE SUSTAINABILITY

Business approach that creates long-term consumer and employee value by creating a 'green' strategy aimed toward the natural environment and taking into consideration every dimension of how a business operates in the social, cultural and economic environment.

### COHORT METHOD

A study design where one or more samples (called Cohorts) are followed prospectively and subsequent status evaluation with or outcome are conducted to determine which initial participants exposure characteristics (risk factors) are associated with it.

### COST TO INCOME RATIO

Operating expenses excluding impairment charge/gold loan auction losses as a percentage of total operating income (net of interest expenses).

### CREDIT RATING

An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

## GLOSSARY OF TERMS

### CREDIT RISK

Risk of financial loss, if a customer or counterparty fails to meet an obligation under a contract.

### CREDIT RISK MITIGATION

A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.

### CUSTOMER DEPOSITS

Money deposited by account holders. Such funds are recorded as liabilities.

## D

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### DEFERRED TAXATION

Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

### DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

### DERECOGNITION

Removal of a previously recognised financial asset or liability from an entity's Statement of Financial Position.

### DISCOUNT RATE

A rate used to place a current value on future cash flows. It is needed to reflect the fact that money has a time value.

### DIVIDEND COVER

Profit attributable to ordinary shareholders as a percentage of gross dividends; indicates number of times dividend is covered by current year's distributable profits.

### DIVIDEND PAY-OUT RATIO

Dividend by profit after tax; indicates the percentage of earnings paid out to shareholders as dividends.

### DIVIDEND PER SHARE (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's dividend attributable to an ordinary share in issue.

### DIVIDEND YIELD

Dividend expressed as a percentage of market value of a share. In absence of any capital gains, this shows the return on investing on a share relative to its market price.

## E

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### EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue; indicates the proportion of current year's earnings attributable to an ordinary share in issue.

### ECONOMIC VALUE ADDED (EVA)

A measure of performance considering cost of total invested equity.

### EFFECTIVE INTEREST RATE (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

### EFFECTIVE TAX RATE

Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

### EQUITY METHOD

This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee

### EVENTS AFTER THE REPORTING PERIOD

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, but which give rise to the contingencies and commitments.

### EXPOSURE

A claim, contingent claim or position which carries a risk of financial loss.

## F

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### FAIR VALUE

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### FAIR VALUE THROUGH PROFIT OR LOSS

A financial asset or financial liability that is held-for trading or upon initial recognition designated by the entity as fair value through profit or loss.

### FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all risks and rewards of ownership to the lessee.

### FINANCIAL ASSETS

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

### FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

## FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

## FINANCIAL LIABILITIES

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

## G

### GLOBAL REPORTING INITIATIVE (GRI)

GRI is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisation to become more sustainable and contribute to sustainable development.

### GOING CONCERN

The Financial Statements are normally prepared on the assumption that an entity is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

### GROSS DIVIDEND

The proportion of profit distributed to shareholders including the tax withheld.

### GUARANTEES

An assurance made by a third party (Guarantor) who is not a party to contract between two others, that the guarantor will be liable if the Guarantee fails to fulfil the contractual obligation

## H

### HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

## I

### IMPAIRED LOANS

Impaired loans are loans where the company does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

### IMPAIRMENT

This occurs when the recoverable amount of an asset is less than its carrying amount.

### IMPAIRMENT CHARGE/(REVERSAL)

An increase/(decrease) of the difference between the carrying value of an asset and the sum of discounted future cash flows generating from the same asset compared to the previous reporting date.

### INDIVIDUAL IMPAIRMENT

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

### INDIVIDUAL SIGNIFICANT LOANS

Exposures which are above a certain threshold decided by the management which should be assessed for objective evidence, measurement and recognition of impairment on an individual basis.

### INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance.

### INTEGRATED REPORTING

A methodology of reporting an organisation's strategy, governance, financial performance and prospects in relation to the creation of value over the short, medium and long-term in its economic, social and environmental context.

## INTEREST COVER

Earnings before interest and taxes divided by interest cost. This indicates the number of times interest expenses is covered by earnings before interest and tax; ability to cover interest expenses.

## INTEREST SPREAD

Represents the difference between the average interest rate earned on average interest earning assets and the average interest rate paid on average interest bearing liabilities.

## K

### KEY MANAGEMENT PERSONNEL (KMP)

People those who are having authority and responsibility for planning, directing and controlling the activities of the entity.

## L

### LENDING PORTFOLIO

Total value of lending products net of unearned income, amounts received in advance and allowance for impairment.

### LETTER OF CREDIT (LC)

Written undertakings by a Bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

### LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily.

### LOSS GIVEN DEFAULT (LGD)

The percentage of an exposure that a lender expects to lose in the event of obligor default.

### LOAN TO VALUE RATIO (LTV)

The LTV ratio is a mathematical calculation which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

## GLOSSARY OF TERMS

### M

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#### MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

#### MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of financial statement.

### N

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#### NET ASSETS VALUE PER SHARE (NAV)

Shareholders' funds excluding preference shares, if any, divided by the number of ordinary shares in issue.

#### NET INTEREST INCOME

The difference between interest income earned from interest earning assets and interest expenses incurred on interest-bearing liabilities.

#### NET INTEREST MARGIN (NIM)

Net interest income expressed as a percentage of average interest earning assets.

#### NON-PERFORMING LOANS/ ADVANCES (NPL)

The aggregate value of the advances portfolio that has been delinquent for a period of more than six months.

#### NON-PERFORMING LOANS COVER

Cumulative loan provision as a percentage of total non-performing loans (net of interest in suspense)

#### NPL RATIO

Total non-performing loans as a percentage of the total lending portfolio.

#### NON-RECURRING PROFIT

A one time or highly infrequent profit.

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### O

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#### OFF-BALANCE SHEET TRANSACTIONS

Transactions that are not recognised as assets or liabilities in the Statement of Financial Position, which give rise to the commitment and contingencies in future.

#### OPERATIONAL RISK

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

### P

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#### PRICE EARNINGS RATIO (P/E RATIO)

Market price of a share divided by earnings per share; reflects number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

#### PROBABILITY OF DEFAULT (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

### R

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#### RELATED PARTY

Parties have the ability to control or exert a significant influence over the company's financial and operating decisions.

#### RETURN ON ASSETS (ROA)

Net profit for the year expressed as a percentage of average total assets; indicates overall effectiveness in generating profits with available assets.

#### RETURN ON EQUITY (ROE)

Net profit for the year, less dividends on preference shares, if any, expressed as a percentage of average shareholders' funds/equity.

#### REPURCHASE AGREEMENT (REPO)

Contract to sell and subsequently repurchase government securities at a specified date and price.

#### RISK-WEIGHTED ASSETS

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

### S

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#### SHAREHOLDERS' FUNDS

Total of issued and fully paid share capital and revenue reserves.

### T

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#### TIER I CAPITAL

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

#### TIER II CAPITAL

Supplementary capital representing revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments which combine certain characteristics of equity and debt.

#### TOTAL SHAREHOLDER RETURN

Combines share price appreciation and dividends paid to show the total return to the shareholder expressed as an annualised percentage.

### U

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#### USEFUL LIFE

The period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by an entity.

### V

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#### VALUE ADDED

Wealth created by providing banking and other services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.


### Y

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#### YIELD TO MATURITY

Discount rate at which the present value of future cash flows would equals the security's current price.



GRI: 2-16, 305-6, 305-7 

## EMISSION TYPES AND SOURCES

Emission source	tCO <sub>2</sub>	tCH <sub>4</sub>	tN <sub>2</sub> <sub>o</sub>	tHFCs	tCO <sub>2</sub> e
Onsite diesel generators	16.56749	0.000671	0.000134		16.7
Company-owned vehicles, fuel paid by LB Finance PLC	167.2859	0.029897	0.008483		170.4
Refrigerant leakage				91.1	91.1
CO <sub>2</sub> fire extinguisher	0.09				0.1
Grid-connected electricity	2188.403	0.041019	0.034873		2198.9
Transmission & Distribution loss	213.2685	0.003997	0.003399		214.3
Municipal water	6.752379	0.000127	0.000108		6.8
Waste Disposal	0.425871	7.98E-06	6.79E-06		0.4
Employee commuting, not paid by the LB Finance PLC	1251.402	0.595906	0.057785		1283.4
Business air travel	0.793831	5.67E-06	2.27E-05		0.8

### Communication of critical concerns

If there is/are critical concern/s, management will communicate the same to the Board of Directors for their discussion and Board will provide narrations and direction to solve or mitigate the concern/s.

## NAME OF COMPANY

L B Finance PLC

## LEGAL FORM

Public Limited Liability Company Incorporated in Sri Lanka under the provisions of the Companies Ordinance No.51 of 1938 (Cap 145) and re-registered as per the Companies Act No. 07 of 2007 on 06th June, 2008.

A Licensed Finance Company under the Finance Business Act No. 42 of 2011.

A Registered Financed Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.

## STOCK EXCHANGE LISTING

The Company was admitted to the official list of the Colombo Stock Exchange on 30th December, 1997, in which the Company's Ordinary Shares are listed currently.

## DATE OF INCORPORATION

30th May 1971

## COMPANY REGISTRATION NUMBER

PQ 156

## TAX PAYER IDENTIFICATION NUMBER

104033431

## VAT REGISTRATION NUMBER

104033431 7000

## CENTRAL BANK REGISTRATION NUMBER

RFC 1003

## PRINCIPAL ACTIVITIES

The Company provides a comprehensive range of financial services encompassing acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases and Vehicle Loan Facilities, Mortgage Loans, Gold Loans, Personal Loans, other Credit Facilities, Digital Financial Services and Value Added Services.

### Principal Activities of the Company's Subsidiaries

**L B Microfinance Myanmar Company Limited** - carries on Microfinance lending in Myanmar.

**Multi Finance PLC** – carries on business as a Licensed Finance Company and its business activities include acceptance of Fixed Deposits, maintenance of Savings Accounts, providing Finance Leases and Vehicle Loan Facilities, Mortgage Loans, Gold Loans, Personal Loans, other Credit Facilities.

## REGISTERED OFFICE

No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

Tel: 011- 2 200 000 Fax: 011-5 345 327

## CORPORATE OFFICE

No. 20, Dharmapala Mawatha, Colombo 03.

Tel: 011-2 155 000 Fax: 011-2 575 098

## OUTLETS

Two Hundred (200) Branches

## WEBSITE

www.lbfinance.com

## FINANCIAL YEAR END

31 March

## CREDIT RATING

The Company has been assigned a national long-term rating of BBB+ (Ika) with a Stable Outlook by Fitch Ratings Lanka Limited.

## BOARD OF DIRECTORS AND BOARD APPOINTED COMMITTEES

### Board of Directors

Mr. G A R D Prasanna (Chairman)

Mr. Ashane Jayasekara (Independent Non-Executive Director/ Senior Director)

Mr. Sumith Adhihetty (Managing Director)

Mr. Nirosan Udage (Deputy Managing Director)

Mr. B D A Perera (Executive Director)

Mr. Ravindra Yatawara (Executive Director)

Ms. Yogadinusha Bhaskaran (Non-Executive Director)

Ms. Ashwini Natesan (Independent Non-Executive Director)

Mr. Dharmadasa Rangalle (Non-Executive Director)

Ms. Yanika Amarasekera (Independent Non-Executive Director)

### Board Audit Committee

Ms. Yogadinusha Bhaskaran (Chairperson)

Mr. Ashane Jayasekara

Ms. Ashwini Natesan

### Board Human Resource and Remuneration Committee

Mr. Ashane Jayasekara (Chairman)

Mr. G A R D Prasanna

Ms. Yanika Amarasekera

### Board Nomination Committee

Mr. Ashane Jayasekara (Chairman)

Mr. G A R D Prasanna

Ms. Ashwini Natesan

### Board Related Party Transactions Review Committee

Ms. Ashwini Natesan  
(Chairperson)

Mr. Ashane Jayasekara

Mr. Dharmadasa Rangalle

### Board Integrated Risk Management Committee

Mr. Ashane Jayasekara  
(Chairman)

Ms. Ashwini Natesan

Ms. Yogadinusha Bhaskaran

### Board Information Security Committee

Ms. Ashwini Natesan  
(Chairperson)

Mr. Ashane Jayasekara

Mr. B D A Perera

### Board Sustainability Committee

Ms. Yanika Amarasekera  
(Chairperson)

Mr. G A R D Prasanna

Ms. Ashwini Natesan

Mr. Niroshan Udage

### SECRETARIES

P W Corporate Secretarial (Pvt) Ltd.  
No. 3/17, Kynsey Road,  
Colombo 08  
Tel: 011- 4640360-3  
Fax: 011- 4740588  
Email: pwcs@pwcs.lk

### EXTERNAL AUDITORS

Ernst & Young,  
Chartered Accountants

### INTERNAL AUDITORS

Internal Audit Department of the  
Company under the scrutiny of the Chief  
Internal Auditor.

### BANKERS

Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Hatton National Bank PLC  
National Development Bank PLC  
Nations Trust Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
Sampath Bank PLC  
Seylan Bank PLC  
Standard Chartered Bank  
Union Bank of Colombo PLC  
Habib Bank Limited  
Public Bank Berhad

### SUBSIDIARY COMPANY

#### L B Microfinance Myanmar Company Limited

(Company incorporated in the Union of  
the Republic of Myanmar)

#### Company Registration Number of Subsidiary

844FC of 2016 - 2017 (YGN)

#### Registered Office of Subsidiary

Myawaddy Bank Luxury Complex,  
4th Floor  
Apt 401 Bo Gyoke Road Cnr,  
W A Dan Street  
Lanmadaw Township  
Yangon, Myanmar.

#### Board of Directors of Subsidiary

Mr. Sumith Adhietty  
Mr. Niroshan Udage  
Mr. B D A Perera  
Mr. Ravindra Yatawara

### CORPORATE MEMBERSHIPS AND ASSOCIATIONS

The Finance Houses Association  
of Sri Lanka

Leasing Association of Sri Lanka

The Ombudsman Sri Lanka  
(Guarantee) Limited

Mercantile Cricket Association

Mercantile Football Association

#### Multi Finance PLC

#### Company Registration Number of Subsidiary

PB 891 PQ

#### Registered Office of Subsidiary

No. 275/75  
Prof. Stanley Wijesundara Mawatha  
Colombo 07  
Telephone: 011-2200000  
Fax: 011-5345327

#### Board of Directors of Subsidiary

Mr. G A R D Prasanna  
Mr. Sumith Adhietty  
Mr. Niroshan Udage  
Mr. B D A Perera  
Mr. Ravindra Yatawara  
Ms. Yogadinusha Bhaskaran  
Mr. Dharmadasa Rangalle

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty First (51st) Annual General Meeting of LB Finance PLC will be held at the Auditorium of the Corporate Office of the Company, No. 20, Dharmapala Mawatha, Colombo 3 on Friday, 28th June 2024 at 8.30 a.m.to conduct the following business:

1. To receive the Annual Report of the Board of Directors on the affairs of the Company and its subsidiaries and the Financial Statements for the year ended 31st March 2024 and the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs.3.50 per Ordinary Share as recommended by the Board of Directors.
3. To re-elect Ms. Ashwini Natesan as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.
4. To pass the Ordinary Resolution set out below to re-appoint Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 73 years on 4th July 2023, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 73 years on 4th July 2023 and that he, be and is hereby re-appointed as a Director of the Company."

5. To appoint Messrs KPMG, Chartered Accountants, as recommended by the Board of Directors, as the Company's Auditors and to authorise the Directors to determine their remuneration.
6. To authorise the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

By Order of the Board  
LB Finance PLC



P W Corporate Secretarial (Pvt) Ltd  
Secretaries

June 3, 2024

**Note:**

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.

# FORM OF PROXY

I/We\* .....  
 (holder of NIC/ Passport/Company Registration No. ....) of .....  
 ..... shareholder/s of LB FINANCE PLC hereby appoint  
 ..... (holder of NIC No. ....) of  
 .....  
 or failing him/her\*

- |   |                  |
|---|------------------|
| Mr. Godewatta Arachchige Rasika Dimuth Prasanna | or failing him * |
| Mr. Moderage Ashane Joseph Waas Jayasekara      | or failing him*  |
| Mr. John Anthony Sunil Sumith Adhihetty         | or failing him*  |
| Mr. Niroschan Udage                             | or failing him*  |
| Mr. Biyanwilage Dudley Auburn Perera            | or failing him*  |
| Mr. Ravindra Shanaka Yatawara                   | or failing him*  |
| Ms. Yogadinusha Bhaskaran                       | or failing her*  |
| Ms. Ashwini Natesan                             | or failing her*  |
| Mr. Dharmadasa Rangalle                         | or failing him*  |
| Ms. Yanika Amarasekera                          |                  |

as my/our\* proxy to represent me/us\* to speak and to vote as indicated hereunder for me/us\* and on my/our\* behalf at the Fifty First (51st) Annual General Meeting of the Company to be held on 28th June 2024 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

	For	Against
1. To re-elect Ms. Ashwini Natesan as a Director in terms of Articles 85 and 86 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To pass the ordinary resolution set out below to re-appoint Mr. John Anthony Sunil Sumith Adhihetty who is 73 years of age, as a Director of the Company;  "IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. John Anthony Sunil Sumith Adhihetty who attained the age of 73 years on 4th July 2023 and that he be and is hereby re-appointed a Director of the Company."	<input type="checkbox"/>	<input type="checkbox"/>
3. To appoint Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine donations for the Financial Year ending 31st March 2025 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our\* hands this ..... day of ..... Two Thousand and Twenty Four.

.....  
 Signature of Shareholder/s

\*Please delete what is inapplicable.



## Form of Proxy

### Instructions for completion

1. The Full name, National Identity Card / Passport / Company Registration number (as applicable) and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy [Full name, National Identity Card / Passport No. and the address] should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be deposited at the Registered Office of the Company, No.275/75, Professor Stanley Wijesundera Mawatha, Colombo 07, by 8.30 a.m. on 26th June 2024.
3. The Proxy shall –
  - (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
  - (b) In the case of a company or corporate/statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).
4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
5. Articles 59 to 62 of the Articles of Association of the Company dealing with voting are quoted below for information of the shareholders.

### 59 METHOD OF VOTING

At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by-

- i. the Chairman of the meeting; or
- ii. not less than three persons present in person or by Attorney or representative or by proxy and entitled to vote; or
- iii. a Member or Members present in person or by Attorney or representative or by proxy and representing not less than one tenth of the total voting rights of all the Members having the right to vote at the meeting; or
- iv. a Member or Members present in person or by attorney or representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

A demand for a poll may be withdrawn, unless a poll be demanded (and the demand be not withdrawn) a declaration by the Chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

### 60 HOW A POLL IS TO BE TAKEN

If a poll is duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman of the meeting may direct, and the results of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may (and if so requested shall) appoint scrutinisers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

- 61 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.
- 62 A poll demanded on the election of a Chairman of the meeting or on a question of an adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately."

# FEEDBACK FORM

We would like to hear thoughts, concerns or problems about this report so that we may take measures for improvement.

Please mention your relationship with L B Finance – Please tick (✓) the appropriate box.

Shareholder	<input type="checkbox"/>	Employee	<input type="checkbox"/>	Customer	<input type="checkbox"/>
Business Partner	<input type="checkbox"/>	Regulators/Government	<input type="checkbox"/>	Society	<input type="checkbox"/>

Select the preferred communication method to contact you – Please tick (✓) the appropriate box.

Phone	<input type="checkbox"/>	Website	<input type="checkbox"/>	Letter	<input type="checkbox"/>
Email	<input type="checkbox"/>	Other	<input type="checkbox"/>		<input type="checkbox"/>

Your views on Annual Report 2023/24 - Please tick (✓) the appropriate box.

Indicator	Excellent	Good	Bad	Poor
Design and layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Content and Disclosures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Theme and focus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please write details of your feedback here:

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Comments/Suggestions

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Please provide your contact details

Name :  
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Thanking you for taking your time. You can post or Email your feedback to:

Manager – Integrated Reporting and Sustainability  
 LB Finance PLC  
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 No. 20, Dharmapala Mawatha, Colombo 3.  
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