

ANNUAL REPORT 2025



UB FINANCE
A UNIONBANK COMPANY

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ABOUT OUR INTEGRATED REPORT

ABOUT THIS REPORT

Introduction to Our Inaugural Integrated Annual Report

It is with great pride that UB Finance PLC presents its first Integrated Annual Report for the financial year 2024/2025 a significant milestone in our journey towards transparency, accountability, and sustainable value creation. This report marks a new chapter in how we communicate our performance, governance, and strategy, providing a holistic view of how financial and non-financial factors interact to shape our long-term success. As we embrace integrated thinking, this report reflects our commitment to delivering value to our stakeholders while aligning our business model with the principles of responsible growth and resilience in an evolving economic landscape.

Scope And Boundary

This Integrated Annual Report covers the period from 1st April 2024 to 31st March 2025 and incorporates relevant post-balance sheet events and developments up to the date of Board approval on 27th August 2025. Furthermore, our report intends to update stakeholders, including shareholders, on the progress made in generating value for all throughout this time.

REPORTING FRAMEWORKS	
Financial Reporting	<ul style="list-style-type: none">Sri Lanka Financial Reporting Standards (SLFRSs) and Sri Lanka Accounting Standards (LKASs) issued by the Institute of Chartered Accountants of Sri Lanka.Companies Act No. 07 of 2007.Finance Business Act. No. 42 of 2011.Finance Leasing Act No. 56 of 2000.
Corporate Governance Reporting	<ul style="list-style-type: none">The Code of Best Practice on Corporate Governance (2023), jointly issued by the SEC and CA Sri Lanka.Finance Business Act Direction No. 05 of 2021 - Corporate Governance.Listing rules of the Colombo Stock Exchange.Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 and subsequent amendments thereto.
Narrative Reporting	<ul style="list-style-type: none">International Integrated Reporting Council's (IIRC) Integrated Reporting Framework six capitals model.
Assurance	<ul style="list-style-type: none">Sri Lanka Auditing Standards (SLAuSs).Sri Lanka Standard on Assurance Engagements (SLSAE) 3000: Assurance Engagements other than Audits or Review of Historical Financial Information, issued by CA Sri Lanka.

Materiality

In compiling the Integrated Report for FY 2024/25, UB Finance PLC meticulously applied the materiality principle to ensure that the content is relevant, clear, and meaningful. The report provides a comprehensive overview of the Company's operations, difficulties, and accomplishments, all presented in a way that represents the objectives and concerns of its stakeholders.

Information Gathering and Report Preparation

The information contained in this report has been compiled from a diverse range of credible sources and the interviews with senior management across the Company's business units. These internal inputs have been validated by data obtained from trusted external sources and third-party sources.

Forward-Looking Statements

This Integrated Annual Report may contain forward-looking statements, including but not limited to projections, forecasts, objectives, targets, and estimates pertaining to the future performance, strategies, or operational outcomes of UB Finance PLC. Such statements are based on management's current expectations, assumptions, and information available at the time of publication. However, forward-looking statements are inherently subject to a range of known and unknown risks, uncertainties, and external variables including macroeconomic conditions, regulatory developments, and market dynamics which may cause actual results or performance to differ materially from those expressed or implied.

Accordingly, these statements do not constitute guarantees of future performance, and UB Finance PLC, its Board of Directors, and other report preparers expressly disclaim any liability or obligation to update or revise such statements subsequent to publication.

On this basis, UB Finance PLC declares that there are no restatements regarding information presented in previous annual reports published by the Company.

Board Responsibility Statement

The UB Finance PLC Board of Directors acknowledges its responsibility for ensuring the integrity of this integrated report. In the Board's opinion, this Report addresses all the issues that are material to the Company's ability to create value. The Board is satisfied that the report provides a fair and accurate representation of the Company's financial and non-financial performance for the year ended 31st March 2025.

Feedback

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



Company Secretary

UB Finance Company PLC
No.10, Daisy Villa Avenue, Colombo 04.
Email: info@ubf.lk

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VISION

To be “Sri Lanka’s preferred financial solution provider”



MISSION

- To provide our **Depositors** with secure and maximized returns
- To provide our **Customers** leverage to achieve their aspirations
- To maximize **Shareholder** value
- To empower our **People** to deliver the values of the Company
- To operate within the **Regulatory** framework
- To be a responsible corporate citizen towards the betterment of **Society**



BUSINESS PRINCIPLES

- Prudent Lending Policy
- Strict Expense Discipline
- Perfected Policies and Procedures
- Effective and Efficient Operations
- State of the Art Software Solutions
- Strong Capital and Liquidity
- Good Corporate Governance



CORE VALUES

- Best People
- Team Spirit
- Achievement
- Ownership
- Integrity

UB Finance was established in 2012 through a partnership between Sri Lanka's premier financial institution, Union Bank of Colombo PLC, with its international strategic business partner, becoming the first licensed finance company to be supported by a private commercial bank. In 2023, CG Capital Partners Global Pte. Ltd, one of the leading conglomerates in the Asia, became the main stake holder of the Company with the acquisition of Culture Financial Holdings Ltd, a majority shareholder in Union Bank of Colombo PLC.

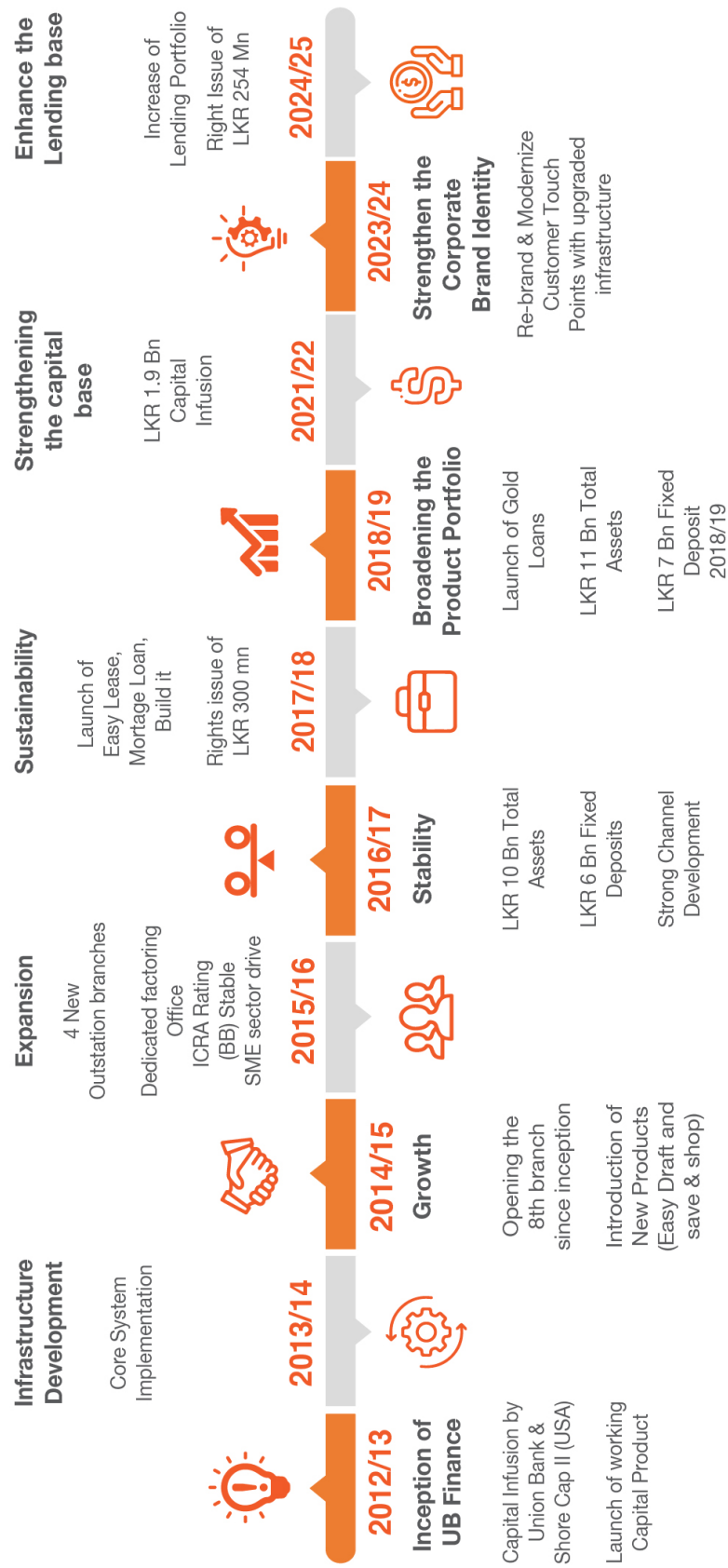
CG Corp Global established in 1935, is the holding company of CG Capital Partners Global Pte Ltd and takes pride as one of the leading conglomerates in Asia with over 160 companies, 123 brands in the global market and the strength of more than 15,000 employees. It is a key player in many diverse industries, including banking & finance, food & beverage, hospitality, real estate, education, consumer electronics, cement, hydro power, telecommunication and Infrastructure. The Company is a major player in the financial services sector in Nepal, being the largest shareholder of Nabil Bank which is listed as the largest private bank on the Nepalese Stock Exchange.

UB Finance PLC, licensed by the Central Bank of Sri Lanka and listed on the Colombo Stock Exchange, specializes in asset-backed financing for SMEs, successfully catering to its customers' diverse needs with an extensive range of financial service offerings including fixed deposits, savings, leasing, loans, mortgages, easy drafts, real estate, gold loan solutions and related services.

Drawing from the corporate governance practices and financial strength of Union Bank of Colombo PLC, and the international expertise of CG Corp Global, UB Finance PLC operates on the basis of integrity and customer empowerment, creating new opportunities and delivering unique customer experiences through its branch network and multiple customer - dealer touch points across the island.

The Company is especially focused on uplifting the unbanked Retail and SME sectors, recognizing their vital role in spurring economic recovery and sustainable growth and is geared to be a key partner in Sri Lanka's accelerated growth strategy that deliver economic and social value with a difference and be perceived as the finance company who understands the true emotions of Sri Lankans.

Historical Milestones



Our Product Portfolio

Lending Products

UBF Offers a Wide range of asset backed financing options to meet customer needs while ensuring service excellence



Short term vehicle backed credit facility, with flexible settlement options



The flagship product of UBF providing financing for commercial and personal vehicles



Assets backed credit facility that caters short term working capital requirements with flexible settlement options



Financing for brand new and registered three-wheelers



Loan against gold articles to fulfill urgent cash requirements



Facilities provided against rent receivables, for short term working capital requirements



A loan granted against an immovable property as a security under a mortgage agreement



Term loans backed by an asset

Investment Products

UBF has built a loyal deposit base offering versatile investment options on the pillars of strong corporate brand backed by a premier commercial bank



A product that offers competitive interest rates for fixed term deposits



A product that allows customers to save excess money with interest



A product that offers flexible terms for cash deposits



An investment product that allows a periodic cash build - up



An investment product with upfront interest payout

Board of Directors



Mr. Sabry Ghouse

Senior Director - Independent
Non Executive Director



Mr. Malay Mukherjee

Chairman - Non Independent
Non Executive Director



Mr. Ransith Karunaratne

Chief Executive Officer /
Executive Director



Mr. Moahan Balendra

Independent
Non Executive Director



Mr. Jayendra Setukavalar

Independent
Non Executive Director



Mr. Sanjay Pokhrel

Non Independent
Non Executive Director



Mr. Mohan J Ratnayake

Independent
Non Executive Director



Prof. Ajantha Dharmasiri

Independent
Non Executive Director



Mr. Dilshan Rodrigo

Non Independent
Non Executive Director

MR. MALAY MUKHERJEE

Chairman

Non-Independent Non-Executive Director

Mr. Malay Mukherjee is a seasoned financial sector executive and boardroom advisor with a distinguished career spanning over four decades. He is currently serving as a Non-Executive Director at Nabil Bank Ltd. Chartered Finance Management Ltd. and Union Bank of Colombo PLC. In addition, he holds directorships at Shivalik Small Finance Bank Ltd. as Independent director and others, showcasing significant involvement across financial institutions in Sri Lanka, India and Nepal.

Before his current appointments, Mr. Mukherjee held key leadership roles, most notably as Chief Executive Officer & Managing Director of IFCI Ltd. from December 2013 to December 2016, where he steered an NBFC and supervised a group of subsidiaries and educational institutions. His prior experience includes serving as Executive Director at Central Bank of India (November 2012–December 2013), overseeing critical portfolios such as Credit, HR, IT, marketing, corporate communications, and client coverage. He also chaired Cent Bank Home Finance Ltd., its subsidiary.

Mr. Mukherjee's career began at Indian Bank, where he served for 36 years, rising from probationary officer to General Manager. During his tenure, he was responsible for risk management and technology divisions at the Chennai corporate office and accumulated comprehensive grassroots and strategic experience across various regions.

Renowned for his expertise in corporate credit, risk management, technology development, HR, and marketing, his advisory roles extend to NBFCs, infrastructure firms, and major business groups in Nepal.

Academically, Mr. Mukherjee earned his Masters in Physics from Banaras Hindu University, India.

Mr. Mukherjee's expansive career reflects a unique blend of operational leadership, governance, and advisory roles across banking and financial services. His contributions to institutional leadership and development underscore his prominence in South Asia's financial sector.

"For details of the former and current appointments of Mr. Malay Mukherjee, please refer to page 83 of this Annual Report"

MR. SABRY GHOUSE

Independent Non-Executive Director

Mr. Sabry Ghouse has been appointed as a Director of UBF on 17th November 2021. His banking career spans over 27 years with leading international Banks. He counts 10 years' experience serving in overseas. He was employed by American Express Bank, Standard Chartered Bank and Al Rajhi Banking and Investment Corporation of Saudi Arabia, and was responsible for the setting up of Retail Banking, allied operations and crafting of Strategy at all of these banks to emerge a leader in their chosen mar-

ket. In 2006 he was appointed Director Retail Banking Al Rajhi Bank Malaysia by its parent Al Rajhi Banking and Investment Corporation, Saudi Arabia, to develop a retail banking model and set up operations, on their entry into the Malaysian market. Mr. Ghouse was a former Director of the Credit Information Bureau (CRIB) in Sri Lanka. He was the Deputy Chairman of Union Bank of Colombo PLC until August 2021. He was selected for executive leadership programs conducted by the London Business School, UK and Templeton, Oxford UK. He holds a Master's Degree in Business Administration (MBA) from the University of Western Sydney, Australia.

In recognition of his dedication, commitment, and contribution to creating shareholder value, he was honored to be selected for a series of prestigious leadership and development programs.

He first attended Creating the Future at the London Business School in the United Kingdom — a forward-thinking program focused on innovation and strategic growth.

Following this, he was chosen to participate in Engaging People in New York, USA — an exclusive program designed specifically for a select group of senior managerial high performers within Standard Chartered Bank.

Later, he was privileged to be selected for a global leadership program at Templeton College, Oxford. This intensive course brought together high-potential leaders from across the Standard Chartered Group worldwide, with a focus on strengthening leadership capabilities and driving organizational impact.

"For details of the former and current appointments of Mr. Sabry Ghouse, please refer to page 83 of this Annual Report"

MR. RANSITH KARUNARATNE

Chief Executive Officer /

Executive / Non-Independent Director

Mr. Ransith Karunaratne was appointed Chief Executive Officer of UB Finance PLC in November 2012 and to the Board in March 2014. Bringing with him nearly three decades of experience in the financial services sector he has developed extensive expertise in building and managing high-performing credit portfolios. Since assuming leadership, Mr. Karunaratne has been the driving force behind the transformation of UB Finance PLC, spearheading its restructuring and rebranding and leading the Company to one of its most significant milestones the successful listing on the Colombo Stock Exchange in 2023, a landmark achievement in the Company's journey.

Prior to joining UB Finance PLC he held senior management positions at LB Finance PLC, Commercial Leasing and Finance PLC and Mercantile Leasing Ltd. His career reflects a unique blend of vision, resilience and pragmatism. Widely respected for his ability to convert challenges into opportunities, he is known for aligning people, processes and strategy to deliver sustainable growth. Colleagues and peers often describe him as a leader who leads by example, inspiring trust and fostering a culture of integrity, accountability and collaboration across all levels of the organization.

Beyond his corporate role, Mr. Karunaratne has consistently demonstrated a strong commitment to social responsibility. He has served on the Board of the Lanka Evangelical Alliance Development Service (LEADS), contributing to community development and humanitarian initiatives. His passion for leadership and teamwork extends to sports as well. During his school years he captained the S. Thomas' College Senior Basketball Team and represented the College in football and athletics. Later he went on to represent Sri Lanka in the Masters Basketball Team at the Pan Pacific Masters Games in Gold Coast, Australia.

Academically, he holds a Master of Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura, and is a Fellow of the Chartered Institute of Management Accountants (FCMA, UK). His professional excellence and leadership were recognized in 2021 when he was named among the Top 50 CIMA Icons & Trailblazers in Sri Lanka.

"For details of the former appointments of Mr. Ransith Karunaratne, please refer to page 83 of this Annual Report"

MR. MOAHAN BALENDRA Independent Non-Executive Director

Mr. Moahan Balendra is a distinguished legal professional associated with the Colombo-based law firm Sinnadurai Sundaralingam & Balendra, a practice with a legacy of more than six decades in Sri Lanka's legal landscape. The firm is recognized for its specialization in corporate & commercial law, public-private partnerships, and property & construction law, and Mr. Balendra has been centrally involved in these areas throughout his career.

His practice spans both advisory and litigation work, with particular emphasis on constitutional and landmark cases that have shaped contemporary legal understanding in Sri Lanka. He has acted in matters concerning inward investment, corporate structuring, and complex property disputes, including issues relating to legislative regimes such as Thesavalamai law and restrictions on ownership by non-citizens. His reputation in property and commercial law has been reinforced through decades of experience and successful outcomes in cases of national significance.

Mr. Balendra's contributions are not confined to the courtroom. He has actively engaged in public legal discourse, sharing insights with diverse stakeholders in both Colombo and the regions. Following a successful presentation at the Jaffna Club in 2023 on property law in the Northern Province, he was invited again this year to address the Club, reflecting the continued demand for his expertise on these complex issues. His sessions have clarified misconceptions, examined sensitive questions of land ownership, and encouraged constructive dialogue with professionals, community representatives, and policy observers.

Educated and professionally trained in both Sri Lanka and the United Kingdom, and having worked abroad before returning home, Mr. Balendra brings

to his practice a perspective shaped by international exposure. His wide travel and comparative experience enhance his ability to situate local legal challenges within broader global and cross-border contexts.

In addition to his legal practice, Mr. Balendra brings board-level governance experience. He serves as an Independent Non-Executive Director of UB Finance PLC, having first joined the board in 2017, and has also held directorships in SB Corporates (Private) Limited, SB Realtors (Private) Limited, and Migrategi (Private) Limited. His dual qualification as an Attorney-at-Law and Fellow of the Association of Chartered Certified Accountants (FCCA) further strengthens the breadth of expertise he brings to these roles.

Mr. Balendra's career demonstrates a balance of high-level legal practice, strategic corporate involvement, and public engagement. This blend of courtroom achievement, governance responsibility, and thought leadership marks him out as a widely respected and authoritative figure in Sri Lanka's legal and corporate sectors.

"For details of the former and current appointments of Mr. Moahan Balendra, please refer to page 83 of this Annual Report"

MR. JAYENDRA SETUKAVALAR Independent Non-Executive Director

Mr. Jayendran Setukavalavar is an accomplished finance and corporate governance executive with over 48 years of professional experience across auditing, accounting, finance, and key board-level roles in Sri Lanka. In November 2022, he was appointed as an Independent Non Executive Director on the Board.

Mr. Setukavalavar holds multiple professional credentials: he is a Fellow of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK), Certified Management Accountants Sri Lanka, Certified Global Management Accountants (CGMA), and the Institute of Certified Professional Managers Sri Lanka (FCPMSL). His credentials reflect a blend of national and international certification with deep technical expertise.

From 1980 to 1983, Mr. Setukavalavar undertook a three year stint with PricewaterhouseCoopers in the United Arab Emirates, gaining overseas exposure in multinational audit and advisory contexts.

At UB Finance PLC, Mr. Setukavalavar contributes to strategic oversight and governance as an independent board director. He also chairs the Board Audit Committee. His tenure at the Company—alongside a breadth of board experience—adds considerable value to its governance framework.

He chairs the Finance Committee of CMS Schools in Sri Lanka and serves on its board, highlighting his passion for educational governance and institutional finance leadership.

His career reflects sustained excellence in finance, multi sector board roles, and a commitment to strong governance.

He was also an Independent Non-Executive Director for 9 years at Singer Finance PLC and Ceylinco Life Insurance (Pvt) Ltd.

“For details of the former and current appointments of Mr. Jayendra Setukavalar, please refer to page 83 of this Annual Report”

MR. SANJAY POKHREL
Non-Independent Non-Executive Director

Mr. Sanjay Pokhrel is a seasoned investment and finance executive, and his appointment to the Company reflects both his expertise and the strategic alignment with CG Capital Partners Global’s investment in our parent company.

In addition, Mr. Pokhrel holds a senior leadership role at CG Corp Global (CG), where he serves as the Head of Mergers & Acquisitions, headquartered in Dubai. In this capacity, he leads investment processes, co-heads fundraising initiatives, oversees asset management operations, directs venture capital investment activities, and manages the secondary market investment portfolio.

Mr. Pokhrel is a qualified CFA and Chartered Accountant, underscoring his strong financial foundation and analytical acumen. His career trajectory includes impactful tenure as an Investment Officer at One to Watch Nepal Ltd., an impact investment firm dedicated to supporting early-stage ventures in Nepal.

He has also contributed as a Director at Nabil Investment Banking, part of Nepal’s leading Nabil Bank group—a significant regional institution in commercial banking and investment services.

With expertise spanning investment management, mergers and acquisitions, and asset management, Mr. Pokhrel has successfully steered ventures across diverse domains, including Nepal Social Business, CG Pay, and CG’s recently launched FTTX business. His strategic guidance in fund operations, portfolio oversight, and capital deployment is well recognized in the region’s financial circles.

As a board-level executive, Mr. Pokhrel brings a blend of strategic insight, investment expertise, and governance acumen. His role at UB Finance aligns with CG Corp Global’s broader financial service objectives, while his leadership at CG enhances cross-border collaboration and expansion in M&A and capital markets.

In summary, Mr. Sanjay Pokhrel is a multifaceted finance professional rooted in investment strategy, fund management, and corporate governance—playing an influential role across Sri Lanka and the wider South Asian business landscape.

“For details of the former and current appointments of Mr. Sanjay Pokhrel, please refer to page 84 of this Annual Report”

MR. MOHAN J RATNAYAKE
Non-Independent Non-Executive Director

Mr. Mohan J. Ratnayake is a corporate leader and finance professional bringing strategic insight across multiple sectors — including finance, manufacturing, motor services, and real estate. He currently serves as an Independent Non-Executive Director on the Board of UB Finance PLC, a position that underscores his expertise in financial governance and industry leadership.

In parallel, Mr. Ratnayake holds the role of Managing Director at Colonial Motors (Ceylon) Ltd., a key enterprise under C M Holdings PLC, contributing to the company’s operational leadership and strategic direction. He also served as Chairman of Lanka Realty Investments PLC for 8 years. Further complementing his governance portfolio, he is an Independent Non-Executive Director at ACL Plastics PLC, and a Non-Executive Director at C M Holdings PLC, Swisstek Ceylon PLC, Lanka Tiles PLC, Serendib Land PLC and Union Investments (Pvt) Ltd. His broad directorships across diverse industries showcases his experience and contributions at board level. He Chairs Audit committees and other statutory board sub committees including

Mr. Ratnayake is a Fellow of the Chartered Institute of Management Accountants (CIMA, UK) and a member of the Institute of Certified Management Accountants of Sri Lanka. He also earned an MBA from the University of Washington, reflecting his strong academic foundation in business administration.

Earlier in his career, he chaired the committee responsible for issuing Sri Lanka’s first internationally listed USD corporate bond — for Sri Lanka Telecom PLC — which was listed on the Singapore Stock Exchange and played a pivotal role in financing SLT and Mobitel’s expansion, notably in a context where the sovereign had yet to receive a formal rating.

Mr. Ratnayake’s leadership also extends to the export and plantation sectors. He has served on the board of a state-owned export entity and accumulated substantial experience in tea exports, tea plantations, telecommunications, and the motor industry.

“For details of the former and current appointments of Mr. Mohan J Ratnayake, please refer to page 84 of this Annual Report”

SENIOR PROFESSOR AJANTHA S. DHARMASIRI
Independent Non-Executive Director

Senior Professor Ajantha Dharmasiri is a leading “pracademic” in Sri Lanka with solid “industry experience” and “international academic exposure.” He has a combination of being a Chartered Manager, Chartered HR Professional and a Chartered Electrical Engineer. He is acclaimed as a conference speaker, corporate trainer, strategy consultant and scholarly author. He is the first home-grown Senior Professor in Management of the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, and was a Director / Chairman of the Board of Management

of it. He is the Immediate Past President of the Chartered Management Institute (CMI) – Sri Lanka Chapter. Being a Past President of the Chartered Institute of Personnel Management (CIPM), he became the first Sri Lankan to lead both CMI and CIPM. He was also a Vice President of the Asia Pacific Federation of Human Resource Management (APFHRM). He is an Adjunct Professor at the Price College of Business, University of Oklahoma, USA. He carries three decades of private and public sector experience including Unilever and Nestle, with consultancy engagements in Asia, Africa, and the Middle East. He is a Commonwealth AMDISA Doctoral Fellow, Fulbright Postdoctoral Fellow, and Commonwealth Postdoctoral Fellow. He holds a Ph.D. and an MBA from the Postgraduate Institute of Management and a B.Sc. in Electrical Engineering from the University of Moratuwa. He is an independent non-executive director of several boards and serves in governing councils.. Being an author of ten books and former editor of the longest publishing management journal in Sri Lanka (SLJM), he has won many accolades including gold medals for best papers in two international management conferences, Emerald best paper award in 2014, and the Platinum Award by the Alumni of the Postgraduate Institute of Management (PIMA) for outstanding academic contribution, in 2010. He also won the prestigious IPM Lifetime Gold Award 2014, the highest honour for an HR professional in Sri Lanka. Prof. Dharmasiri likes to identify himself as one who transitioned from being an “Engineer of Electrical” to an “Engineer of Hearts and Minds.”

“For details of the former and current appointments of Senior Professor Ajantha S. Dharmasiri, please refer to page 84 of this Annual Report”

MR. DILSHAN RODRIGO

Non-Independent Non-Executive Director

Mr. Dilshan Rodrigo is a highly accomplished banking and finance professional with over two decades of experience across a wide spectrum of industries, including banking, insurance, investment banking, and apparel. Known for his strategic insight and leadership acumen, he has consistently contributed to governance, risk management, and corporate development at a senior level.

A respected thought leader in the financial services sector, Mr. Rodrigo has played a key role in shaping industry policy and advocacy through active involvement in regional and international forums. His leadership has been recognized through appointments to senior positions within influential industry bodies, reflecting both his expertise and his commitment to advancing corporate governance standards.

Mr. Rodrigo is also deeply engaged in professional education and talent development. He has lectured for over a decade in undergraduate and postgraduate programs, mentoring aspiring finance professionals and future business leaders. His contributions span some of the most respected professional and academic institutions, where he has helped shape curricula and elevate the quality of business education.

He holds a Master of Business Administration (MBA) from Cranfield University, United Kingdom, and is a Fellow of both the Chartered Institute of Management Accountants (FCMA) and the Association of Chartered Certified Accountants (FCCA), United Kingdom. His qualifications and breadth of experience place him among the most respected professionals in Sri Lanka’s financial and corporate landscape.

“For details of the former and current appointments of Mr. Dilshan Rodrigo, please refer to page 84 of this Annual Report”





Ms. Himali Perera
Deputy General Manager
Credit and Operations



Mr. Chaminda Weerasinghe
Assistant General Manager
Recoveries



Mr. Asanka Galbadaarachchi
Assistant General Manager
Finance



Ms. Samantha Seneviratne
Chief Manager
Operations



Mr. Piyal Weerakoon
Head of Legal

Senior Management Team



Mr. Chinthaka Gamage
Senior Manager
Marketing Communication



Ms. Dilini Paiva
Senior Manager
Executive PA - CEO's Office



Mr. Shadwell Weerasinghe
Senior Manager
Investments



Mr. Deshal Weerage
Senior Manager
Region - 02



Mr. Sugath Kumara
Senior Manager
Region - 01



Mr. Joy Fernando
Senior Manager
Credit



Mr. Sandun Anurada
Senior Manager
IT



Mr. Ruwan Fernando
Senior Manager
Legal Recovery



Mr. Indika Wettasinghe
Head of Compliance



Ms. Shamilka Fernando
Senior Manager
Internal Audit



Mr. Dinesh Solankey
Senior Manager
Recoveries

Management Team



Ms. Umanga Malmessa

Manager
Risk



Mr. Prabash Kalupahana

Manager
Administration



Ms. Lakmali Gurusinghe

Manager
Gold Loan Operations



Mr. Saman Pushpakumara

Manager
Gold Loan Marketing



Ms. Kanika Deeshani

Manager
Human Resources



Mr. Lasantha Perera

Area Manager
Western



Mr. Supun Gunathilake

Area Manager
Southern



Mr. Susantha Jayathissa

Area Manager
North Eastern



Mr. Harsha Nuganayaka

Area Manager
Central



Ms. Nishara Jayawardena

Manager Finance
Operations



Mr. Suresh De Silva

Manager
Investments



Mr. Prasanna Suresh

Manager
Operations

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Performance Highlights

	2025	2024
Financial Performance (Rs.)		
Gross Income (Total Revenue)	2,239,464,962	2,299,980,011
Net Interest Income	912,109,279	743,459,409
Total Operating Income	1,094,776,722	883,453,655
Total Taxation	(141,698,850)	(137,732,843)
Profit after Taxation	39,994,074	1,472,218
Financial Position (Rs.)		
Total Assets	12,076,223,992	10,967,168,052
Lending Portfolio (Gross Portfolio)	10,449,577,561	8,696,461,814
Total Deposit Base	7,160,617,321	7,527,533,959
Borrowings	1,252,202,664	20,741,963
Shareholder's Funds	3,099,980,144	2,804,661,861
Investor Information (Rs.)		
Earnings Per Share (EPS)	0.013	0.001
Net Assets Per Share (NAS)	0.98	1.02
Market Price per Share	0.70	0.80
Market capitalization	2,224,939,757	2,203,749,854
Key Ratios		
Return on Average Equity (PAT)	1.35%	0.05%
Return on Average Assets (PAT)	0.35%	0.01%
Cost to Income	74.04%	77.55%
Gross Stage 3 Loans Ratio	15.10%	26.10%
Net Stage 3 Loans Ratio	7.30%	16.60%
Debt-to-Equity Ratio	2.71	2.69
Growth in Total Assets	10.11%	8.52%
Statutory Ratios		
Core capital to risk weighted assets ratio (Tier I) (Minimum 8.5%)	28.72%	30.47%
Total risk weighted capital ratio (Tier I&II) (Minimum 12.5%)	28.72%	30.47%
Capital Funds to Deposit Liabilities Ratio (Minimum 10.0%)	39.60%	31.90%

Awards and Accolades

The “Best Management Practices Company Awards 2025” competition is organized by the Institute of Chartered Professional Managers of Sri Lanka (CPM Sri Lanka) recognizing public and private sector Companies / Institutions for their growth and success. The awards endorse the best practices in the Management of Companies during 2024 while recognizing their leadership, policies and strategies, people management, partnerships & resources, processes, and performances.

UBF submitted two entries for the award program representing their second line of defense (Risk Management Division) and third line of defense (Audit practices) and secured two awards at their first time submission for the award program.

This prestigious recognition highlights UBF’s unwavering commitment to excellence in corporate governance, robust internal controls, and a forward-looking approach to risk management. Through the implementation of comprehensive frameworks and best-in-class audit processes, the company has consistently demonstrated its dedication to safeguarding operations, enhancing stakeholder trust, and driving sustainable growth.



UBF won the Merit Award for the Best Management Practices in Finance & Leasing public sector for its Risk Management Practices.



UBF won the Certificate of Recognition in the Best Management Practices in Finance & Leasing public sector for its Audit practices.



Malay Mukherjee

Chairman

*“ Resilient Today,
Empowered for
Tomorrow. ”*

CHAIRMAN'S MESSAGE

Dear Shareholders,

It is with great pride and a deep sense of gratitude that I address you at the conclusion of a pivotal year for UB Finance PLC. Amidst a recovering economic landscape, UB Finance PLC returned to profitability and strengthened its foundations through disciplined execution, prudent risk management, and a clear focus on sustainable growth. Together, we have built momentum for a stronger future.

MACROECONOMIC OUTLOOK

Sri Lanka's macroeconomic environment during the financial year ended 31 March 2025 was marked by gradual stabilization following years of severe economic disruption. Inflation, which had surged in previous periods, began to moderate due to tighter monetary policy, improved fiscal discipline, and increased foreign inflows, including remittances and tourism revenue. The Central Bank maintained a cautious but accommodative stance, gradually reducing policy rates to support growth while keeping inflation in check. Foreign exchange reserves saw modest improvements, supported by better trade performance and international assistance under debt restructuring frameworks.

Economic growth remained modest but positive, led by

a rebound in the services and export sectors. Consumer confidence showed gradual recovery, although domestic demand remained somewhat restrained due to the lingering effects of inflationary pressures and tax reforms. Structural reforms, particularly in public finance and governance, continued under IMF-backed programs. Overall, while vulnerabilities persisted—especially around debt sustainability and external shocks—the macroeconomic outlook showed signs of cautious optimism, underpinned by policy consistency, improved investor sentiment, and a slow but steady return to economic normalcy.

COMPANY PERFORMANCE

The financial year under review was a pivotal one for UB Finance PLC, as the Company navigated an evolving economic landscape while delivering steady operational improvements. Against a backdrop of industry-wide volatility, we remained focused on strengthening our core business, enhancing risk management practices, and pursuing strategic growth opportunities.

We are pleased to report that the Company recorded a profit of Rs. 39.99 million for the year ended 31 March 2025, marking a notable turnaround compared to the previous financial year. This improvement is a reflection of disciplined execution, better cost management, and the strengthening of our credit evaluation and recovery processes. The gains made in profitability demonstrate the

resilience of our business model and the effectiveness of our strategic initiatives.

The Company experienced growth in its lending portfolio and operating income, underpinned by stronger customer engagement and targeted expansion of our financial services. We also took meaningful steps to diversify our income base through increased fee-based services and other ancillary revenue streams. Operational efficiency improved significantly, despite continued investments in staff, technology, and compliance systems.

Risk management remained central to our agenda, particularly in light of uncertain economic conditions. We enhanced our provisioning for credit losses in line with forward-looking impairment models, ensuring that the Company remains well-insulated against potential stress in the lending book. We also strived on upholding the highest standards of regulatory compliance and governance, reinforcing stakeholder confidence.

Further, our capital position was strengthened during the year, supported by shareholder confidence and successful capital raising activities. These actions have equipped us with the financial flexibility to pursue sustainable growth in the years ahead.

As we move forward, UB Finance PLC is committed to deepening its customer relationships, leveraging digital capabilities, and delivering consistent value to shareholders and stakeholders alike. While challenges remain, we are optimistic about the path ahead and confident in our ability to build on the momentum achieved during the past year.

FUTURE OUTLOOK

As we navigate the ever-evolving economic landscape of Sri Lanka, I remain optimistic about the trajectory of UB Finance PLC. The past financial year has demonstrated our ability to sustain operational resilience and restore profitability, underscored by a significant increase in net operating income and prudent cost management. Our strategic focus on loan book expansion, capital adequacy, and digital transformation has set a strong foundation for long-term stability.

Looking ahead, our priority is to capitalize on the recovering economic environment and the improving investor sentiment. The capital infusion through the recent rights issue not only strengthens our balance sheet but also empowers us to invest further in technology, customer experience, and innovative financial products tailored to the needs of SMEs and retail customers.

We are also committed to enhancing asset quality and managing risk prudently, particularly in the areas of credit risk and expected credit losses. As regulatory expectations evolve, UB Finance PLC will continue to ensure full compliance while driving value for all stakeholders. Our

capital adequacy ratio remains healthy, providing confidence in our ability to absorb economic shocks and pursue growth opportunities.

In the coming year, we aim to deepen our market presence, broaden our product offerings, and improve profitability through strategic partnerships, operational efficiency, and disciplined execution. We remain steadfast in our mission to be a trusted financial partner to our customers, and I am confident that with our talented team and sound governance practices, UB Finance PLC is well-positioned to achieve sustainable growth in the years to come.

APPRECIATION NOTE

As we reflect on the accomplishments of the financial year ended 31 March 2025, I am filled with gratitude and pride at the resilience, dedication, and unwavering support shown by all those who contribute to the continued success of UB Finance PLC.

First and foremost, I extend my sincere appreciation to our **valued customers**. Your trust in UB Finance has been the cornerstone of our operations and the inspiration behind our continued efforts to enhance service quality and financial accessibility. Your loyalty drives our pursuit of innovation and excellence in all that we do.

To the **Central Bank of Sri Lanka**, we convey our deepest thanks for your regulatory stewardship, prudent oversight, and continued commitment to maintaining stability within the financial services sector. Your guidance has played a vital role in helping us strengthen our governance and risk management practices.

Our gratitude also extends to the **Colombo Stock Exchange**, whose platform has enabled us to further engage with the investor community and expand our capital base. The confidence demonstrated by the market has been a motivating force in our efforts to enhance transparency, performance, and shareholder value.

I would like to acknowledge the **Board of Directors** for their strategic foresight, unwavering commitment, and invaluable contributions throughout the year. Your wisdom and collective leadership have provided steady direction amidst dynamic market conditions.

To the **Members of the Board Committees**, thank you for your diligent oversight and continued commitment to fulfilling the key aspects of compliance, governance, and accountability. Your efforts have helped safeguard the long-term sustainability of our institution.

A special word of appreciation is due to **Mr. Ransith Karunaratne, Chief Executive Officer**, whose vision and operational discipline with focus and determination have guided the Company through a pivotal year. His dedication to executing the Company's strategic agenda has strengthened the Company's operational resilience and

laid the groundwork for future growth.

To the **Senior Management Team**, your commitment to performance excellence, strategic execution, and operational improvement has translated directly into the strong results we celebrate today. Your collaborative efforts have brought stability and momentum to our growth journey.

My heartfelt thanks go to **every employee of UB Finance PLC**, whose hard work, dedication, and professionalism have been the bedrock of our achievements. Each of you has played a vital role in serving our customers with distinction and upholding our institutional values. Your efforts have not gone unnoticed and will remain the true force behind its continued success.

We are also deeply grateful to our **shareholders** for your belief in our potential and your continued support, especially during periods of transition and transformation. Your confidence has enabled us to raise capital and invest in a stronger future.

To **every stakeholder**—our depositors, partners, suppliers, and communities—we extend our sincere appreciation. Your engagement, collaboration, and constructive feedback have helped us evolve, grow, and remain responsive to the needs of the market.

Lastly, we express our profound gratitude to our **parent company, Union Bank of Colombo PLC**, for your enduring support, strategic guidance, and financial backing. Your partnership remains fundamental to our credibility and long-term aspirations.

UB Finance PLC with confidence, purpose, and a renewed sense of commitment, together, the Company will continue to build a robust, responsible, and resilient institution that creates enduring value for all.

As I pen this final note in the capacity as Chairman of UB Finance PLC for the year under review, I do so with a deep sense of pride, gratitude, and humility. In accordance with the directives of the Central Bank of Sri Lanka, I have concluded my term, marking the close of a remarkable chapter in my professional journey and in the history of this Company.

Serving as Chairman during a time of profound transformation has been both an honor and a responsibility I have carried with utmost dedication. The financial year under review stands as a testament to the resilience, adaptability, and collective strength of UB Finance PLC. The Company has demonstrated meaningful progress—recording a notable return to profitability, enhancing its risk posture, and strengthening its capital foundation—all while navigating a challenging external environment.

As I step away from this role, I am confident that UB Finance is in strong and capable hands, with a clear sense of purpose and the strength to seize the opportunities that lie ahead. It has been a privilege to work alongside a dynamic team. I leave with a heart full of appreciation and best wishes for the Company's continued progress and prosperity.

Thank you for the opportunity to serve.



Malay Mukherjee
Chairman

Ransith Karunaratne

Chief Executive Officer | Executive Director

“UBF is well positioned to pursue emerging opportunities by leveraging its strong financial foundation and operational improvements”



MACRO ECONOMIC OVERVIEW

The financial year 2024/25 marked a pivotal juncture in Sri Lanka's economy journey ushering in a new phase of stabilization and growth following several years of fiscal stress and marked macroeconomic imbalances. Real GDP expanded by a remarkable 5.0%, the highest pace in seven years reflecting broad-based momentum across manufacturing, construction, agriculture and tourism. This robust performance exceeded expectations underscoring a revitalization of domestic economic activity and renewed confidence across key sectors.

Improvements in macroeconomic fundamentals were equally decisive. Inflation which had previously remained high plummeted to an average of 1.2% in 2024 compared to 17.4% in 2023. This swift disinflation emerged from prudent monetary tightening, greater exchange rate stability, and notable supply-side improvements. The moderation in cost pressures helped restore real purchasing power fostering a more stable and predictable operating climate for both households and businesses. Reduced interest rates supported credit growth revitalizing private sector investment and economic activity.

External economic indicators further strengthened the outlook. Tourism arrivals soared above two million marking a 38.1% year-on-year rise while worker remittances increased by 10.1%. These inflows contributed to the recovery of official reserves to USD 6.1Bn and prompted a 10.7% appreciation of the Sri Lankan Rupee against the US dollar. The political backdrop characterized by peace-

ful national elections combined with ongoing reforms under the IMF-supported program further solidified investor confidence. Meaningful progress was observed in public sector reforms while fiscal consolidation and debt restructuring bolstered Sri Lanka's medium-term macroeconomic credibility. This confluence of positive developments has not only fortified the economy's resilience but has also charted a clear path toward sustained recovery and future prosperity.

FINANCIAL SERVICES SECTOR

Sri Lanka's financial services sector entered 2024/25 on a trajectory of recovery and recalibration driven by steady macroeconomic stabilization. Renewed credit demand, improved liquidity and a cautious expansion of risk appetite gave momentum to industry growth enabling financial institutions to actively support the broader economic revival.

For the Non-Bank Financial Institutions (NBFI) sector this translated into meaningful resurgence. Loan books grew led by increased demand in SME financing and gold-backed lending. While smaller in scale compared to banks the NBFI sector's small-ticket high-volume lending model continued to play a vital role in addressing credit gaps in underserved segments reinforcing its important contribution to financial inclusion.

Asset quality improved significantly across the sector with the gross nonperforming loan (NPL) ratio declining due to stronger borrower repayment capacity, stricter credit

assessments, and more effective recovery efforts. Provisioning coverage was enhanced, reflecting a more cautious and forward-looking risk management approach. Regulatory oversight intensified, with the Central Bank of Sri Lanka (CBSL) strengthening supervision under the Finance Business Act. This sharpened focus on NPL governance, capital adequacy, compliance, and digitization is helping to build resilience in the sector. Positioned well to support the broader economic recovery, the NBF sector remains a critical enabler of inclusive growth bridging financing gaps, fostering SME development, and expanding access to financial services across Sri Lanka.

THE COMPANY

Building on broad sector recovery, UB Finance PLC (UBF) delivered a notably stronger performance in 2024/25 with operating profit rising 30.5% to LKR 181.7 million. The gross lending portfolio expanded by 20.2%. Asset quality improved significantly with NPLs falling by 30.3% while the Company maintained a capital adequacy of 28.7% comfortably above regulatory requirements.

Net interest income (NII) strengthened during the year supported by effective repricing strategies and prudent control of interest expenses amid a declining interest rate environment. This significantly contributed to the Company's improved profitability and reinforced its resilient funding structure

UBF recorded a robust 20.2% year-on-year expansion in its gross lending portfolio the strongest growth in recent years. Following the phased easing of vehicle import restrictions in early 2025 the Company gained renewed momentum by deepening its focus on retail and SME borrowers. Simultaneously the gold loan portfolio grew substantially supported by elevated global gold prices and strong demand for short-tenor, high-liquidity credit. This balanced growth strategy enhanced both revenue diversification and risk mitigation, positioning UBF for sustainable future expansion. The Company also maintained a stable deposit base throughout FY 2024/25 reflecting sustained depositor confidence and the strength of UBF institutional framework.

UBF remained steadfast in its commitment to strengthening portfolio quality prioritizing the recovery of underperforming loans amid a gradual economic recovery. The recovery, legal recovery and legal teams executed a multi-pronged strategy involving tailored customer support, proactive restructuring, intensified rehabilitation efforts, and focused collection campaigns. Their disciplined and empathetic engagement not only guided clients toward viable repayment solutions but also re-established meaningful dialogue with distressed borrowers. As a result, UBF achieved a substantial reduction in gross non-performing loans. The Company maintained a prudent Expected Credit Loss (ECL) provisioning approach under SLFRS 9 with a stage 3 impairment coverage of 51.9%. The Management extends its sincere gratitude to the recovery, legal recovery and legal teams whose unwavering dedication and client-focused strategy were instrumental in achieving these outcomes.

Sri Lanka's financial sector has experienced a significant acceleration in digital adoption, fueled by evolving cus-

tomers expectations, regulatory reforms and the imperative for greater operational agility. Technology has become central to delivering secure, efficient and customer-centric financial services compelling institutions to modernize core systems and embrace automation, data analytics and enhanced digital infrastructure. In this context, the Board approved substantial investments during 2023/24 and 2024/25 in a new core banking system from Scier Technologies (Pvt.) Ltd. supported by state-of-the-art data center, ancillary software platforms and other advanced technologies. Complementing this a dual-layered IT governance structure aligned with the CBSL's Technology Risk Management and Resilience Framework was instituted to oversee the digital transformation. This includes IT Steering and Information Security Committees at both management and board levels comprising leadership and technical experts from our parent company Union Bank of Colombo PLC (UBC) and UBF. Additionally, a Security Operations Centre (SOC) is currently being established to enhance cybersecurity monitoring and incident response capabilities. These initiative exemplifies a holistic governance-driven commitment to digital resilience with project implementation progressing on schedule with phases one and two planned for 2025 and 2026 respectively. The transformation will empower the Company to anticipate trends, proactively meet customer needs and optimize internal processes. More importantly, it positions us to cultivate a culture of continuous innovation that embraces agility, fosters data-driven decision-making and empowers teams to drive sustainable value across all facets of the business, in alignment with UBC's vision to digitally transform lives.

Staff remain a key driver of the financial services sector. However, maintaining adequate staffing levels has been challenging with many professionals migrating abroad. To counter this UBF has doubled down on its people-centric ethos recognizing that individual contributions fuel collective success. This year too we intensified efforts to nurture and retain our talent pool internally. Our multi-faceted approach encompassed structured mentoring, pairing experienced professionals with emerging leaders to foster visible growth opportunities. Merit-based monetary and non-monetary rewards were highly instrumental in driving performance. Further initiatives included robust learning programs with support for higher education, recreational activities that enhanced job satisfaction and work-life balance, and embedded knowledge-sharing systems alongside ongoing upskilling across both frontline and support teams. By these measures UBF has fortified its operational foundation ensuring team resilience, institutional memory and sustained value creation as our business evolves in the post-crisis environment.

During the year, UBF reinforced its governance and risk management framework to ensure institutional resilience and sustainable value creation. Oversight structures remained firmly embedded across key financial and operational areas including strategic planning, treasury, credit and compliance. With the regulatory landscape evolving rapidly particular focus was placed on strengthening controls around IT security systems, anti-money laundering (AML), and countering the financing of terrorism (CFT) in line with CBSL directives. A proactive approach to risk identification and mitigation enabled the Company to navigate complex challenges, uphold regulatory standards

and maintain stakeholder confidence in a dynamic and increasingly technology-driven financial environment.

THE WAY FORWARD

Sri Lanka's economic recovery is gaining momentum despite ongoing global uncertainties including geopolitical tensions and commodity price volatility. On the domestic front steady GDP growth is projected as government-led reforms continue to strengthen fiscal discipline, boost export diversification and attract foreign investment. With inflation easing, supportive monetary policy in place and the phased easing of vehicle import restrictions credit growth is accelerating creating favorable conditions for financial institutions. While some socio-political and external challenges remain, the improving macroeconomic landscape offers fresh opportunities for sustainable growth and innovation across the sector.

UBF is well positioned to pursue emerging opportunities by leveraging its strong financial foundation and operational improvements. With a robust capital adequacy ratio of 28.7% well above the regulatory requirement of 12.5%, the company does not foresee the need for additional capital infusion in the near term. Instead, it will focus on accelerating branch expansion and modernization to enhance its reach and customer experience, alongside upgrading infrastructure to improve operational efficiency.

The Company is committed to diversifying its product offerings by developing tailored financial solutions that meet the evolving needs of its SME and retail customers. This includes introducing flexible loan schemes and enhancing value-added services to deepen customer engagement and broaden market share. Supporting this strategy, digital transformation remains a key priority, with ongoing development and deployment of advanced mobile and internet banking platforms.

As the nation prepares for renewed growth, UBF stands ready to support through financial inclusion, fostering innovation and enabling job creation strengthening Sri Lanka's SME and retail sectors for sustainable development.

APPRECIATION

I would like to sincerely thank the Management for their steadfast loyalty and invaluable contributions to the Company's continued success. I also wish to express my heartfelt appreciation to our entire team for their unwavering commitment, passion and tireless efforts in driving the Company forward through uncertain and challenging times.

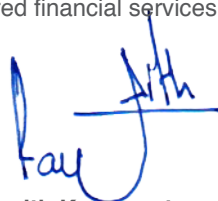
I warmly welcome Mr. Dilshan Rodrigo (Director / CEO UBC), Prof. Ajantha Dharmasiria and Mr. Mohan Ratnayake to the Board. Their diverse expertise and strategic insights will enhance Board deliberations, strengthen overall governance and provide valuable guidance in the Company's next phase of development. I also extend my gratitude towards outgoing Directress Ms. Lisa Thomas (representing a founding investment partner ShoreCap II) for her invaluable service, dedication and contribution.

I express my heartfelt gratitude to Mr. Malay Mukherjee, the Chairman and my colleagues on the Board. Their

advice, foresight and formidable experience has been a great strength to me in steering the Company through difficult times. I am also grateful for the continued support of our parent company UBC through capital investment, shared services, outstanding governance and high operational standards.

My appreciation further extends to the regulators, including the Central Bank of Sri Lanka, Colombo Stock Exchange and Colombo Securities Exchange as well as to Fitch Ratings Lanka Ltd. I would also like to acknowledge our outgoing external auditors, M/s. Ernst & Young for their dedicated service and warmly welcome M/s. KPMG as our incoming auditors whose expertise we look forward to leveraging in the year ahead.

Lastly, I wish to express my profound appreciation to our valued customers, depositors and esteemed business partners for their unwavering trust and steadfast loyalty. Your continued support has been instrumental in guiding us through another year filled with challenges demonstrating resilience, determination and courage at every step. Together we are building a strong foundation to advance UBF toward greater success and sustained growth, fulfilling the Company's vision of becoming Sri Lanka's preferred financial services provider.



Ransith Karunaratne

Director / Chief Executive Officer

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Business Review

Sri Lanka's operating environment during the financial year 2024/25 was marked by cautious optimism as the country continued its path toward macroeconomic stabilization. The financial sector, including licensed finance companies, navigated a landscape shaped by shifting monetary policy, evolving regulatory expectations, and ongoing changes in consumer behavior.

Macroeconomic Conditions

In 2024/25, Sri Lanka saw continued recovery from the economic crisis in preceding years, supported by improved foreign exchange reserves, stabilizing inflation, and structural reforms under the IMF-backed Extended Fund Facility. Despite these gains, the business environment remained subdued, with elevated interest rates, cautious credit growth, and low consumer spending affecting demand across key economic sectors.

Regulatory and Policy Developments

The Central Bank of Sri Lanka (CBSL) maintained a tight regulatory stance to reinforce stability within the financial system. Key policy actions included revised capital adequacy norms, strengthened corporate governance requirements, and enhanced oversight of Non-Banking Financial Institutions (NBFIs). The implementation of debt optimization measures under the Domestic Debt Optimization (DDO) plan also contributed to easing fiscal pressures and restoring investor confidence.

Financial Services Sector Trends

The finance sector faced low to moderate credit growth, with lending primarily focused on SMEs, trade, and essential services. Customers increasingly demanded feasible financial solutions coupled with technological improvements, and financial institutions responded by accelerating their product mix and digital transformation strategies. Competition remained intense, driving a stronger focus on innovation, efficiency, and financial inclusion.

In the financial year 2024/25, UB Finance PLC demonstrated agility, resilience, and foresight in navigating a recovering yet challenging macroeconomic landscape. The company's proactive measures across capital strengthening, digital innovation, and customer centric growth position it to capture new opportunities and create long term value for all stakeholders. Key initiatives included:

a) Strengthened Capital Base

Following the success of the company's Initial Public Offering (IPO) in 2023, UB Finance PLC maintained strong capital adequacy levels by Rs. 254.3Mn Rights issue in June 2024. The oversubscribed Rights issue was to comply with the minimum regulatory core capital requirement stipulated by CBSL and to create a buffer in the process for smooth future business operations.

b) Improved Asset Quality and Liquidity

The company continued to adopt prudent credit and risk management strategies, maintaining a strong liquidity position while actively managing non-performing loans to safeguard asset quality.

c) Focus on SMEs and Financial Inclusion

The company expanded its reach in underserved segments, with a strategic focus on retail and SME lending. This aligns with national recovery priorities and reflects the company's commitment to inclusive growth.

d) Brand and Market Confidence

The successful IPO in 2023 and the reaffirmation of the company's Fitch rating at 'BB(lka)' underscored investor and stakeholder confidence in UB Finance's governance, performance, and strategic direction.

Performance Overview

The financial year 2024/25 marked a significant turning point for UB Finance PLC. With our successful listing on the Colombo Stock Exchange in the previous year and an oversubscribed Initial Public Offering, we entered this year with renewed momentum. These milestones, coupled with enhanced governance practices and growing investor confidence, have helped set a strong foundation for the future.

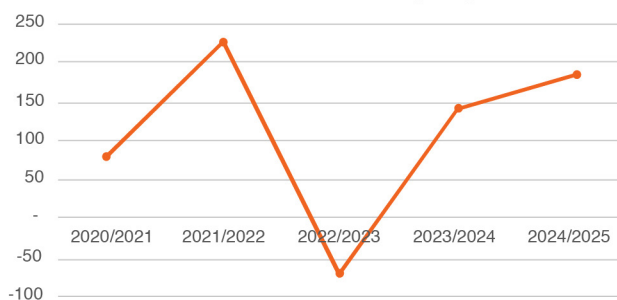
We also began to see encouraging signs of stability in Sri Lanka's broader macroeconomic landscape. After navigating several years of political and economic uncertainty, our operations are now gaining steady traction. Key financial and operational indicators across our core business lines are beginning to show measurable improvements, reflecting the early impact of our ongoing transformation.

This year has largely been one of rebuilding. We focused on refining our internal processes, strengthening our risk management frameworks, and most importantly rebuilding trust among our customers, partners, and stakeholders. These efforts have been crucial in stabilizing our operations and positioning the company for long term growth.

While we recognize that challenges remain, the resilience we've demonstrated and the strategic steps we've taken leave us well placed to move forward with confidence. The year ahead will be about building on this progress, driving sustainable growth, and continuing to create value for all our stakeholders.

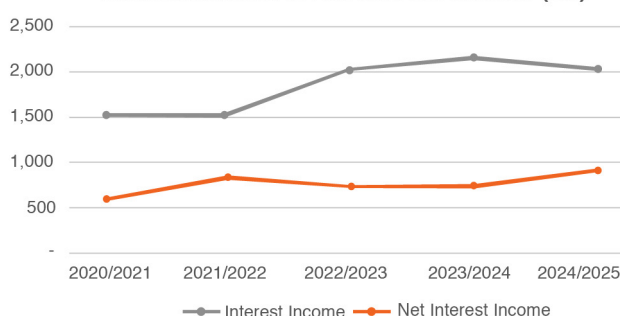
The Profit After Tax (PAT) rose sharply from Rs. 1.47Mn in FY 2023/24 to Rs. 39.9Mn in FY 2024/25, reflecting a substantial year on year increase of over 2,617%. This dramatic improvement in profitability highlights a significant turnaround in the company's financial performance.

Profit Before Tax (PBT)

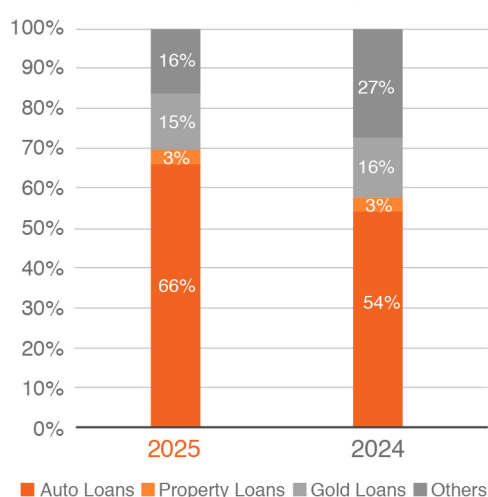


The Return on Assets (ROA) increased from 1.3% in FY 2023/24 to 1.5% in FY 2024/25, indicating a meaningful improvement in the company's ability to generate profits from its total asset base. The Return on Equity (ROE) based on Profit Before Tax (PBT) increased from 5.0% in FY 2023/24 to 5.9% in FY 2024/25, reflecting an improvement of 90 basis points.

Interest Income & Net Interest Income (NII)



Interest Income Composition



Finance successfully stabilized its Net Interest Income (NII), which recorded a significant increase of 22.7%. Notably, the composition of Gross Income from the "Net Fee and Commission" category rose from Rs. 46Mn to Rs. 61Mn, a 33.0% growth, driven by a strategic increase in portfolio. This reflects UBF's proactive and adaptive approach to op-

timizing its income streams in response to changing market conditions.

UB Finance's Net Interest Margin (NIM) saw an improvement, rising from 7.2% to 8.1%, with further gains expected as the fixed deposit portfolio is gradually repriced in line with the declining funding yield curve. Additionally, Other Operating Income increased from Rs. 94.3Mn in FY 23/24 to Rs. 121.8Mn in FY 24/25, reflecting a growth of 29.3% year on year. These were mainly sourced with the strong recovery efforts on the written off portfolio and further improvements in income diversification.

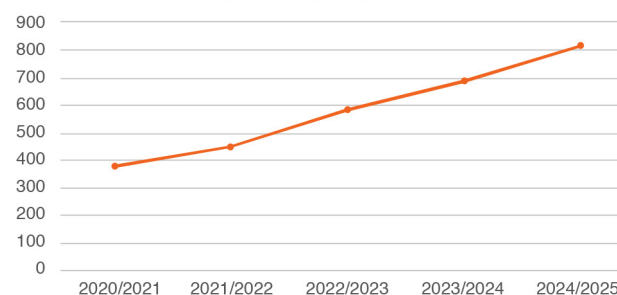
The Cost to Income Ratio reduced from 78.0% to 74.7%, indicating improved operational efficiency. The Impairment Charge recorded an increase from Rs. 59.2Mn in the previous year to Rs.102.6Mn due to the prudent provisioning policy adopted by the company.

In terms of portfolio performance, UB Finance adopted a cautious approach during the first half of the year by curtailing lending activities in response to prevailing market uncertainties. However, as economic conditions began to stabilize in the second half, the Company gradually resumed lending at normal levels. During the period of reduced lending, available funds were strategically redirected toward investments in treasury bills, optimizing returns while minimizing risk.

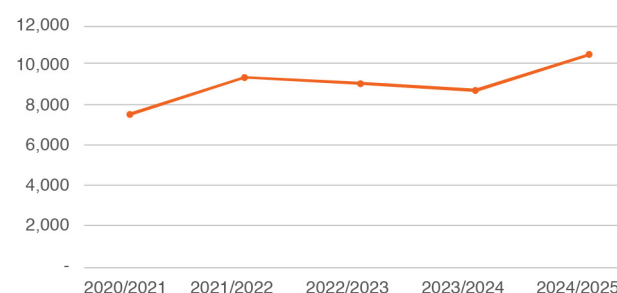
The Gross Loan Portfolio expanded from Rs. 8,696.5 Mn in FY 2023/24 to Rs. 10,449.6 Mn in FY 2024/25, reflecting a year-on-year growth of approximately 20.2%.

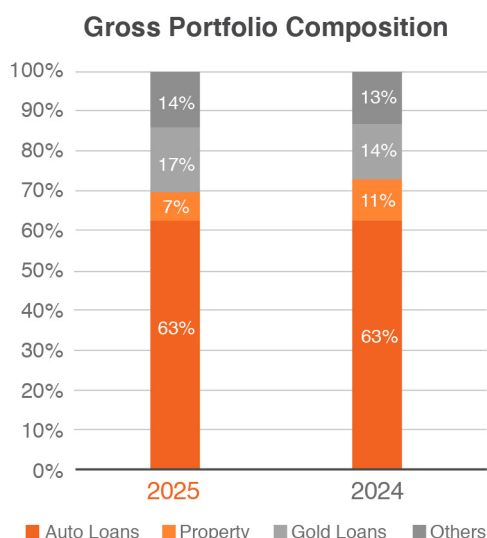
The Lease and Loan portfolio reached Rs. 8,707.4 Mn in FY 2024/25, marking a growth of 16.1%, while the Gold Loan portfolio rose significantly by 45.9%, increasing from Rs. 1,193.9 Mn to Rs. 1,742.2 Mn. These figures reflect a disciplined and flexible approach to portfolio management in a dynamic operating environment.

Operating Expenses



Gross Portfolio





UB Finance recorded a notable increase of 10.1% in total assets during the 2024/25 financial year. This growth was primarily driven by a strategic drive of business lending while simultaneously enhancing credit quality, reinforcing the Company's asset base and contributing to greater financial stability. This prudent approach reflects UBF's commitment to sound financial management and positions the Company well for sustained growth in the years ahead.

The Capital Adequacy Ratios remained strong at 28.7%, well above the required regulatory thresholds, Tier 1 ratio of 8.5% and Total Capital ratio of 12.5%. Unimpaired Core Capital stood at Rs. 2,835.3Mn in the financial year 2024/25, marking an increase from Rs. 2,404.7Mn recorded in 2023/24. This improvement reflects enhanced capital strength and a more robust financial position.

The funds raised through the recent rights issue strengthened UB Finance's capital base, enabling the Company to expand its product offerings and enhance service capabilities through branch network of 17 locations.

UBF's strategic emphasis on robust risk management, customer-focused offerings, and streamlined operations positions the company well to benefit from improving economic conditions. The Credit Department plays a key role in driving business expansion by targeting creditworthy clients and adjusting lending approaches in response to market competition. It utilizes an advanced customer evaluation system and has expanded its financing to the tourism and transport sectors, reinforced by continuous staff development initiatives.

The Credit Operations Department has optimized loan processing by implementing digital solutions, boosting efficiency and significantly reducing turnaround times, which has led to improved customer satisfaction. At the same time, the Risk Department upholds a strong risk management framework, closely monitoring all risk exposures to ensure they remain within the Board-approved risk appetite. Ongoing training ensures the team remains equipped to protect the Company's financial stability.

UBF's Marketing Communications Division enhances brand visibility through direct customer interaction and efficient in-house branding strategies, with a strong focus on customer acquisition and retention. The Recovery Department adopts a comprehensive approach, utilizing both proactive field visits and legal measures to preserve portfolio quality and uphold financial stability.

The Legal Department plays a vital role by managing legal proceedings, reviewing security documentation, and assisting in the credit approval process. It works in close coordination with the Recovery team to safeguard the Company's interests.

Advancing technology remains a key priority, with a significant core banking system upgrade in progress through collaboration with Scienter Technologies. This initiative aims to enhance operational efficiency, improve data management, and strengthen customer service, complemented by essential hardware enhancements.

UBF's Business Continuity Planning (BCP) enabled seamless operations amid internal and external challenges, supported by a capable crisis management team committed to swift response and operational resilience, while Compliance efforts upheld regulatory standards and ethical conduct, fostering transparency across all operations.

UBF recognizes human capital as a vital strength, promoting performance and adaptability through ongoing training, retention initiatives, and a diverse, engaged workforce. Its dedication to employee growth and an inclusive work environment underpins continued success in a challenging industry landscape.



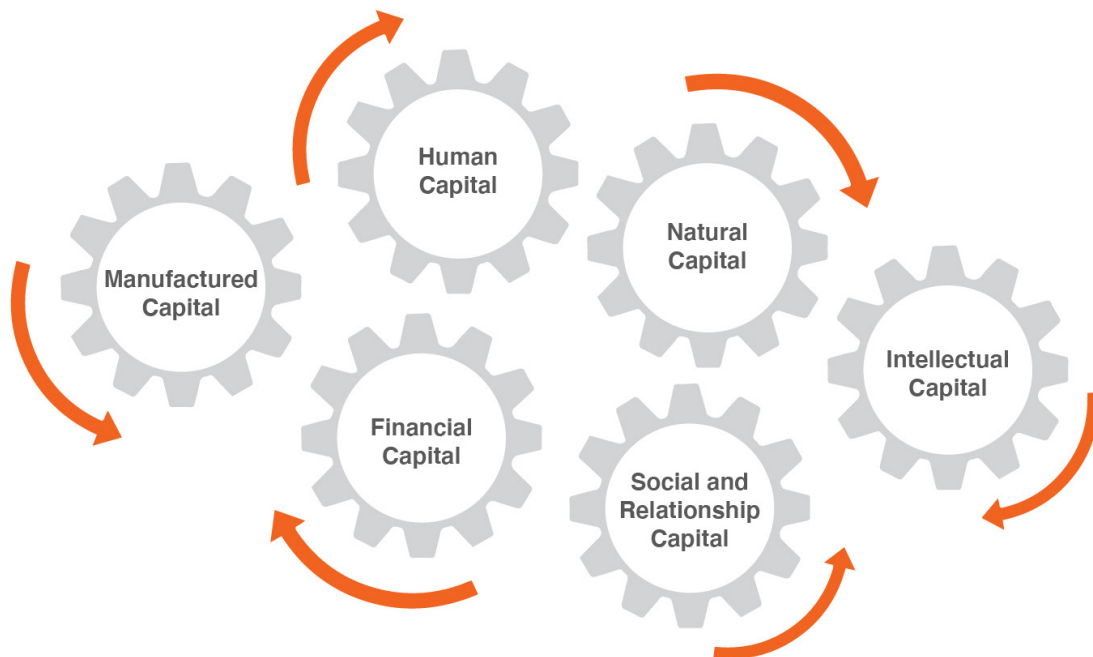
Financial Capital



Management Discussion & Analysis

Six Capitals Fundamental to Our Value Creation Approach

Our approach is guided by the Six Capitals framework, which underscores our commitment to managing the key resources and relationships essential for sustainable value creation. These capitals serve as the foundation for our strategic priorities and operational practices, aligning with our core values of responsibility, innovation, and integrity.



Financial Capital

Management Approach

The UB Finance approach to managing financial capital focuses on four fundamentals: maintaining prudent capital adequacy, optimizing risk-return balance, ensuring liquidity for operational needs, and adhering to regulatory and governance requirements.

The company demonstrates strategic financial care by diversifying its lending portfolio and focusing on secured financial products like gold-backed loans and leasing facilities. The Company controls liquidity and interest rate risk to reduce macroeconomic uncertainty and assure enough funding. The Capital adequacy is closely monitored in line with guidelines issued by the Central Bank of Sri Lanka, supported by contingency planning to maintain regulatory compliance.

Key Highlights for the Year 2024/25

- There was a significant turnaround in the company's financial performance, marked by a profit of **LKR 40 million**.
- NII increased by 23% due to the optimal level of capital funds achieved at minimum cost.
- The lending portfolio expanded by 23%, reaching **LKR 9.5 billion**, driven by focused portfolio diversification and enhanced credit delivery channels.
- Successfully completed a Rights Issue of **LKR 254.3 million** during the financial year, further strengthening the Company's equity base.



NET INTEREST INCOME
LKR. 912.1 Mn
23% ↑



NET OPERATING INCOME
LKR. 992.2 Mn
20% ↑



PROFIT AFTER TAX
LKR. 40 Mn
2617%



TOTAL LENDING PORTFOLIO
LKR. 9.5 BN
23% ↑



TOTAL ASSETS
LKR. 12.1 BN
10% ↑



TOTAL EQUITY
LKR. 3.1 BN
11% ↑

Overview

Following a remarkable turnaround amidst challenging macroeconomic conditions in 2024/25, UB Finance PLC recorded a significant increase in profit during the year under review, reflecting the success of its prudent financial management and strategic repositioning.

Financial Indicators (%)	2024/2025	2023/2024
Return on Assets (after tax)	0.35%	0.01%
Return on Equity (after tax)	1.35%	0.05%
Cost to Income	74.04%	77.55%
Growth in Total Assets	10.11%	8.52%

Financial Performance

The fiscal year 2024/25 was considered as a rebound year for finance corporations, especially following the economic turmoil of early 2021. UB Finance PLC's credit metrics and recovery rates improved due to lower inflation, interest rates, and exchange rates compared to the previous year. In 2024/25, the company achieved strong financial results driven by improving macroeconomic stability and softer monetary conditions.

The Company aimed to preserve asset quality and reduce non performing assets by focusing on high quality products such as Gold Loans and Leasing. Several strategic initiatives were undertaken to improve the recovery of Non Performing Assets (NPAs), including customer counseling, legal and recovery clinics, and ongoing task force activities to educate and motivate clients to pay their loan installments on time.

Income Statement	2024/2025		2023/2024	
	LKR Mn	%	LKR Mn	%
Income	2,239.5	100.00	2,300.0	100.00
Interest Income	2,026.1	0.90	2,142.8	0.93
Interest Expenses	(1,114.0)	(0.50)	(1,399.3)	(0.61)
Net Interest Income	912.1	0.41	743.5	0.32
Other Income (Net)	182.7	0.08	140.0	0.06
Total Operating Income	1,094.8	0.49	883.5	0.38
Impairment Charges	(102.6)	(0.05)	(59.2)	(0.03)
Net Operating Income	992.2	0.44	824.3	0.36
Total Operating Expenses	(810.5)	(0.36)	(685.1)	(0.30)
Operating Profit Before Taxes	181.7	0.08	139.2	0.06
Tax on Financial Services	(102.7)	(0.05)	(77.7)	(0.03)
Profit/(Loss) Before Income Tax	79.0	0.04	61.6	0.03
Tax Expense	(39.0)	(0.02)	(60.1)	(0.03)
Profit/(Loss) for the Year	40.0	0.02	1.5	0.001

INCOME GROWTH

Net Interest Income

In the period under review, the company's net interest income increased substantially by 23%, reaching LKR 912 million compared to LKR 743 million in the previous year. Net Interest Income accounted for 41% of Total Income, which is significantly higher than the 32% recorded in the previous year.

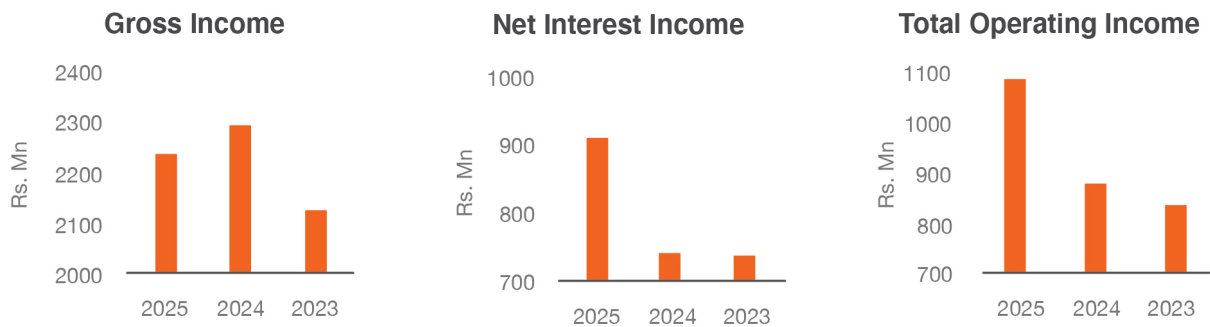
Net Interest Margin

Net Interest Income as a percentage of average interest-earning assets is 8.0%, up from 7% in the previous year.

Non Interest Income

Non-interest income primarily comprised net fee and commission income, along with other operating income. Net fee and commission income recorded a robust growth of 33%, reaching LKR 61 million, driven by the expansion of the company's business portfolio.

Other operating income for the year increased by 29%, amounting to LKR 122 million, compared to LKR 94 million in the previous period. This increase is mainly due to the recovery of written off loans and higher operating profit from real estate activities.

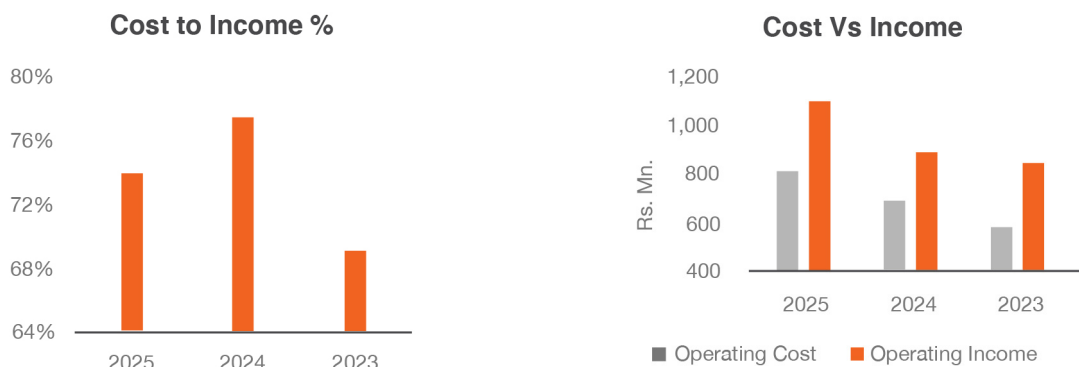


COST EFFICIENCY

Operating Expenses

Although operating expenses increased compared to the previous year, the cost to income ratio decreased to 74% from 78% last year, due to stringent cost control.

Financial Indicators (%)	2024/2025	2023/2024
Cost to Income	74.04%	77.55%



CREDIT QUALITY MANAGEMENT

Impairment Charge

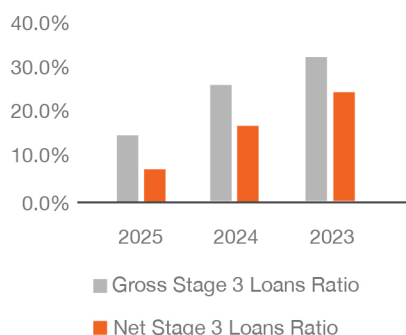
The company recognizes impairment charges on lease receivables and other loan & advances to customers in accordance with SLFRS 9: Financial Instruments and its subsequent amendments. During the year under review, total impairment on loans and advances was LKR 86 million, reflecting an 83% increase compared to LKR 47 million reported in the previous year.

This increase is primarily attributable to a 20% expansion in the loan and lease portfolio.

Despite the increase in impairment expenses during the financial year, there was a notable reduction in the Stage 3 loan ratio (Non Performing Advances) by 42%, which stood at 15% compared to 26% reported in the 2023/24 period. This outcome reflects the company's prudent and forward looking approach to credit risk management.

Financial Indicators (%)	2024/2025	2023/2024
Gross Stage 3 Loans Ratio	15.10%	26.10%
Net Stage 3 Loans Ratio	7.30%	16.60%

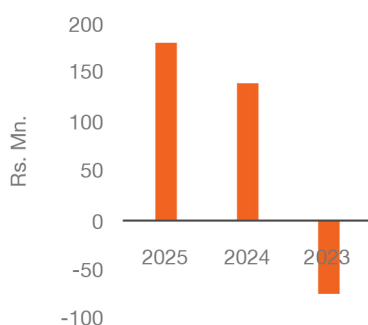
Stage 3 Loans Ratio



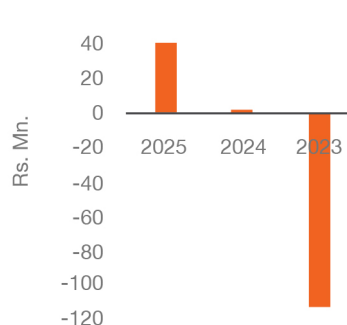
PROFITABILITY

Despite ongoing economic challenges, the incredible dedication of every staff member at UB Finance has enabled us to achieve a strong net profit after tax, with net profit surging to LKR 40 million an approximately 2,617% increase from the previous year's reported profit. This growth was fueled by a 23% rise in net interest income and a 20% reduction due to decreased cost of funds. Additionally, our improved operational efficiency, reflected in a 74% cost to income ratio for 2024/25 compared to 78% in 2023/24, has significantly contributed to this success, despite an 18% increase in total operating expenses related to business expansion.

Profit before Taxes

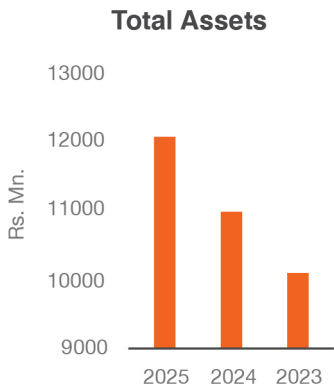


Profit after Taxes

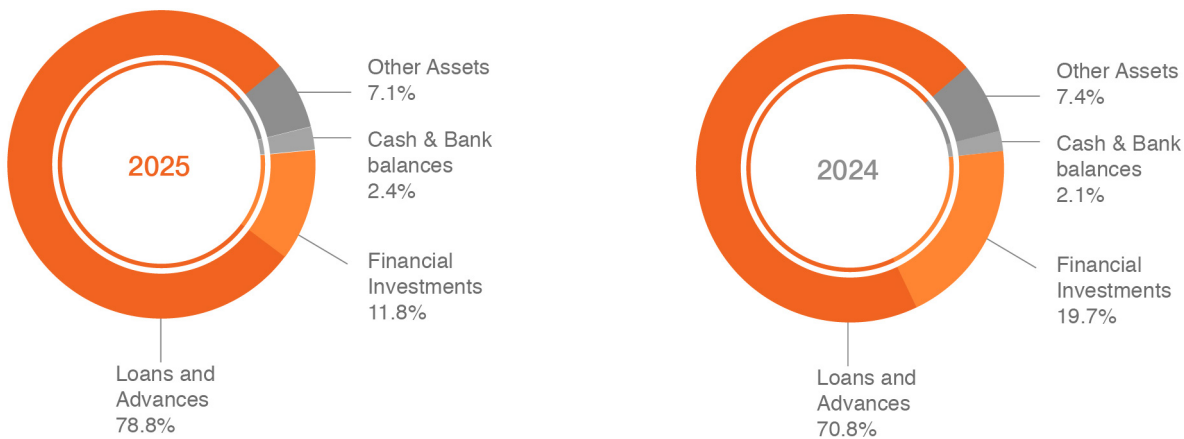


TOTAL ASSETS

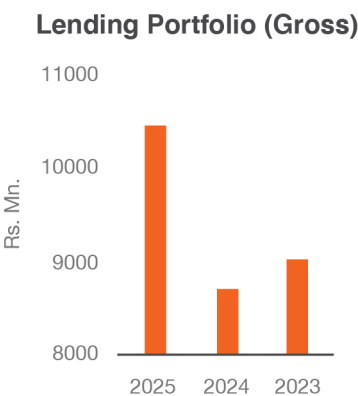
The transformative journey of UB Finance is also reflected in its robust balance sheet for the year 2024/25, with an asset base reaching the LKR 12 billion mark, representing a resilient growth of 10% over the past twelve months, amounting to LKR 1,109 million. This asset growth includes a 23% increase in the company's net lending portfolio, totaling LKR 1,757 million. The total asset base comprises 93% interest earning assets, demonstrating the company's effective deployment of funds.



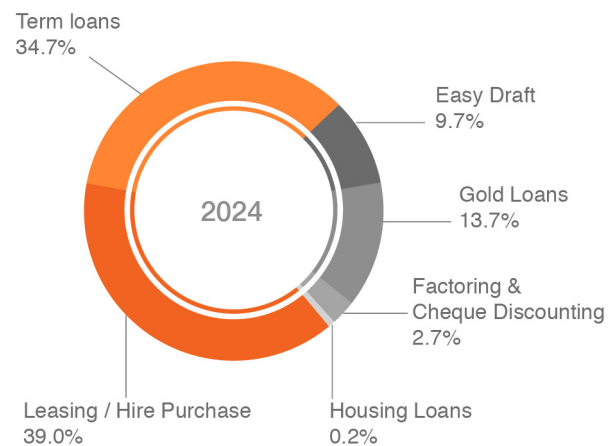
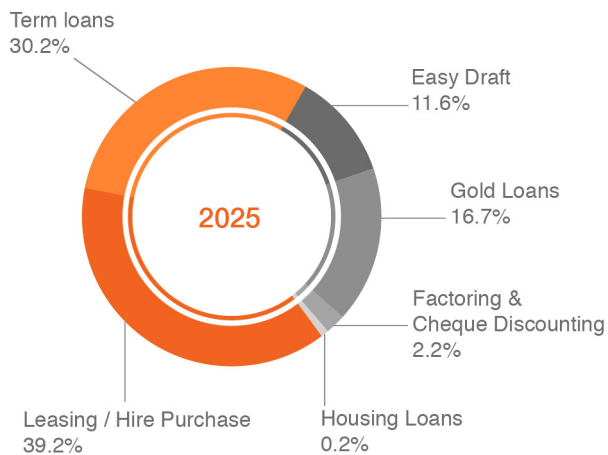
Total Assets Mix



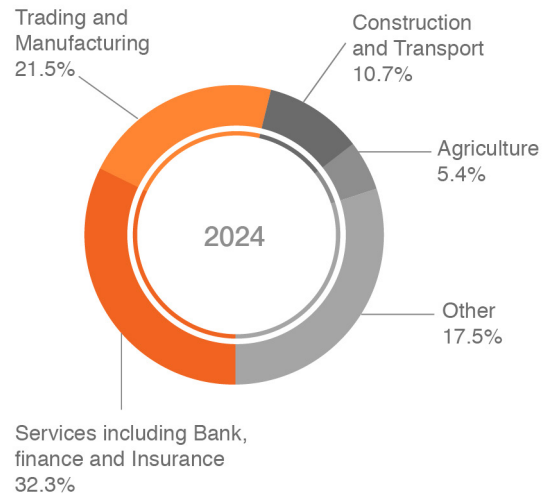
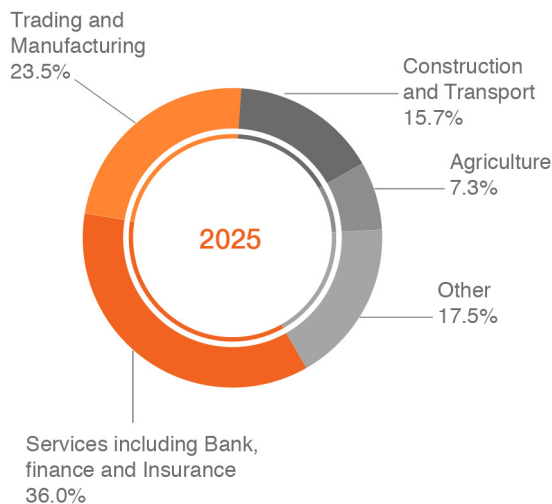
Lending Portfolio



By Products



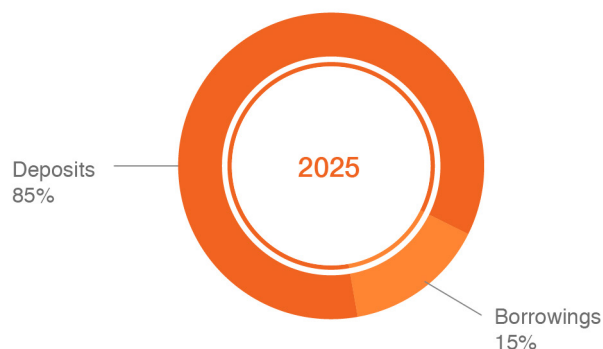
By Industry



TOTAL LIABILITIES

Total liabilities have reached LKR 8,976 million, reflecting a 10% increase over the previous year. During the year, total external funding, including public deposits, increased to LKR 8,413 million. The company successfully secured external borrowings of LKR 1,252 million and maintained a deposit base of LKR 7,161 million.

Borrowing Mix



EQUITY

As of the end of the financial year, the company reported total shareholder funds of LKR 3,100 million, reflecting a healthy growth of 11%. This growth was underpinned by profits achieved during the year and the recognition of a regulatory loss allowance reserve in retained earnings, which resulted from successful recovery initiatives. Additionally, a rights issue of LKR 254 million completed during the year increased shareholders' funds. This increase underscores the company's continued focus on delivering sustainable value to its shareholders.

CAPITAL ADEQUACY

Commencing from July 2018, CBSL introduced a new Capital Adequacy Framework (CAF), revoking the Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No. 02 of 2006. The new CAF is intended to foster a strong emphasis on risk management and to encourage improvements in LFC's risk assessment capabilities.

The existing Capital Adequacy Direction was adopted in 2006 for LFCs in line with the Capital Adequacy Accord recommended by the Basel Committee on Banking Supervision (BCBS) issued for banks in 1988. Under this direction, risks were confined to credit risk, and no capital requirements were applicable for market and operational risks. Therefore, the new CAF provides for the maintenance of Capital Adequacy Ratios (CARs) with a more risk sensitive focus, covering credit and operational risk under the basic approach available in the Basel II Accord.

LFCs with Assets less than Rs.100 billion

Components of Capital	2025	2024	Industry - March 2025	Regulatory Requirement
Tier 1 Capital ratio %	28.72	30.47	19.68	8.50
Total Capital ratio %	28.72	30.47	20.53	12.50

The Company maintains capital adequacy ratios well above both the regulatory requirements and the industry average as of the reporting date. Additionally, the Capital Funds to Deposit Liabilities Ratio stood at 40%, compared to the regulatory minimum requirement of 10%.

TAX

Tax on financial services increased by LKR 25 million during the year, driven by significant growth in operating profit before taxes. These increases are in line with the expansion of the company's revenue base across the key business segments. Income tax expenses decreased by LKR 21 million, mainly due to the deferred tax arising from temporary differences. No tax provisions have been made, as carried forward losses are available.

Impact of Financial Capital to Other Capitals

Human Capital	<ul style="list-style-type: none">Investment in training and development to ensure competent, motivated employees.Fund allocation to staff engagement activities to motivate and develop loyalty towards UBF.
Natural Capital	<ul style="list-style-type: none">Investment in resources conservation projects benefit natural capital.
Intellectual Capital	<ul style="list-style-type: none">Investments in IT infrastructure to enhance operational performance.
Manufactured Capital	<ul style="list-style-type: none">Investment in branch upgrades and system improvements.
Social and Relationship Capital	<ul style="list-style-type: none">Investment in Information systems increases the effectiveness & efficiency of processes and enables ease of access to customers and business partners.



Manufactured Capital



17

Service Centres



Rs. 82.9 Mn

Capital Outlay on PPE

In our commitment to sustainable growth and responsible business practices, we recognize the importance of managing and optimizing our manufactured capital. Manufactured capital refers to the physical infrastructure, facilities, equipment, and other tangible assets that enable our company to operate effectively and deliver value to our stakeholders. This includes our Head office, branches, IT infrastructure, machinery, and technology systems that support our financial services.

By investing in and maintaining our manufactured capital, we ensure operational efficiency, enhance customer experience, and foster innovation. Our ongoing efforts focus on upgrading our physical assets, implementing sustainable practices, and leveraging technological advancements to remain competitive in a dynamic financial landscape.

Sri Lanka's economic recovery during the 2024/25 financial year occurred against a backdrop of cautious business investment, gradual infrastructure rebuilding, and accelerating digital transformation. Financial institutions, particularly non-bank financial institutions (NBFIs), were required to optimize physical assets while enhancing technological readiness to serve an increasingly digital savvy population. Branch network rationalization, digital onboarding, and cost-efficient infrastructure became key drivers of operational sustainability.

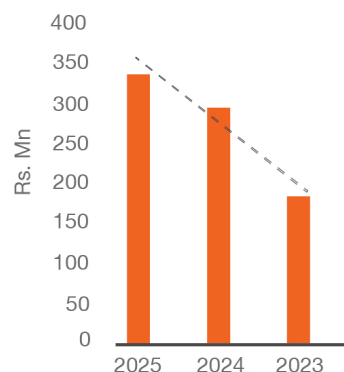
Manufactured capital represents the physical and technological infrastructure that underpins UB Finance PLC's service delivery and operational efficiency. As we strive to offer seamless financial solutions and expand our market presence, strategic investments in our branch network, technological improvements, and operational infrastructure remain fundamental to our long-term value creation. In alignment with national trends and stakeholder expectations, UB Finance PLC continued to evolve its physical and IT infrastructure in 2024/25 to deliver improved customer experiences, enhance resilience, and support sustainable growth.

Investment in Property Plant and Equipment (PPE)

Investing in Property, Plant, and Equipment (PPE) is a critical component of our manufactured capital, enabling us to maintain and enhance our operational capabilities. By strategically allocating resources towards modernizing our branch network, upgrading IT infrastructure, and expanding our physical infrastructure, we ensure that we can meet current demands and adapt to future market opportunities. This investment not only improves efficiency and productivity but also supports our commitment to sustainability and safety standards. Through continuous enhancement of our PPE, we aim to optimize our financing processes, reduce costs, and deliver high-quality products to our customers, ultimately driving long-term value creation for the company and its stakeholders.

Investment in PPE	2024/2025 Rs. Mn	2023/2024 Rs. Mn
Leasehold Improvements	44.1	21.4
Computer & Equipment	5.9	14.3
Furniture & Fittings	21.1	16.4
Motor Vehicles	11.9	23.6
Total	82.9	75.7

Carrying Value of PPE



Technology advancement and IT infrastructure

The company always recognizes the importance of technological and digital infrastructure in supporting core business activities and enhancing operational efficiency. Technology Advancement and IT Infrastructure are critical to maintaining competitive edge and operational excellence.

The company has recently invested in a new core banking system, demonstrating its commitment to leveraging cutting-edge technology to improve service delivery, enhance security, and streamline operations.

Understanding the transformative impact of technology, we upgraded hardware and network systems ensured stable and secure connectivity across the branch network, supporting real time decision making and service delivery. Automated workflows and digitized documentation significantly reduced paper usage and turnaround times, enhancing both customer satisfaction and internal efficiency. Branch level contingency plans, system backups, and failover mechanisms were tested and refined as part of our Enterprise risk management framework.

Optimizing Branch Network for Reach and Efficiency

Our branch network is strategically designed to serve our customers across 13 districts, with a total of 17 branches. In response to changing customer preferences and operational efficiency goals, UB Finance strategically relocated three key branches, Mawanella, Tissamaharama, and Panadura during the year. These relocations were designed to improve accessibility, expand customer reach, and ensure cost effective operations in high potential areas. All new premises were selected with an emphasis on modern layouts, energy efficiency, and convenient customer interfaces.

Sustainable Use of Physical Assets

Office and branch refurbishments were carried out with sustainability in mind, incorporating energy saving equipment, and optimized use of natural light. A company-wide initiative to reduce energy and resource consumption was implemented, reinforcing our commitment to responsible environmental practices.





Human Capital



The post-crisis recovery period in Sri Lanka brought a renewed focus on workforce sustainability, skill development, and employee well-being. Amid rising cost-of-living pressures, talent mobility, and digital transformation, businesses faced challenges in attracting and retaining skilled professionals. The financial services sector, in particular, experienced heightened competition for talent, especially in areas such as risk management, compliance, IT, and digital finance.

Human capital is the foundation of UB Finance PLC's long-term success. In a year marked by economic recovery and evolving workplace expectations across Sri Lanka, our people remained central to our ability to deliver value, drive innovation, and build resilience. We recognize that an empowered, skilled, and motivated workforce is critical to navigating complexity and maintaining strong stakeholder relationships. In this context, UB Finance strengthened its commitment to people-centric leadership, inclusive workplace practices, and continuous professional development. Our human capital strategy during 2024/25 focused on five core pillars:

Talent Development and Capability Building

We invested in structured training programs, workshops, and e-learning platforms to upskill our workforce in areas including credit analysis, risk management, customer service, and digital operations. Special focus was given to nurturing emerging leaders through mentorship programs and internal career mobility, ensuring leadership continuity and institutional knowledge retention.

Employee Well-being and Engagement

Recognizing the rising pressures faced by employees in a changing economic and work environment, we expanded our wellness and mental health support initiatives. Engagement activities including team building, recognition schemes, and hybrid work arrangements helped boost morale and foster a culture of belonging and collaboration.

Diversity, Equity, and Inclusion (DEI)

UB Finance PLC continued to cultivate an inclusive workplace, with a focus on gender balance, merit-based hiring, and equal development opportunities. Our branch and corporate teams reflect a healthy mix of experience levels and regional diversity, contributing to greater cultural empathy and customer understanding.

Performance and Recognition

We maintained a transparent performance management system that aligns individual KPIs with strategic objectives, encouraging ownership and accountability at all levels. High performing individuals and teams were recognized through quarterly and annual reward mechanisms that reinforce our performance culture.

Building a Future-Ready Workforce

As digital finance becomes increasingly central to customer engagement, we initiated a digital competency program aimed at equipping staff with practical tech skills and adaptability. In parallel, we realigned roles and processes across departments to promote agility and responsiveness in a rapidly changing market.

Human Capital Snapshot (2024/25)

- Total Employees: 328
- Training Hours Delivered:

Frontline Training Hours	2076.5
Backoffice Training Hours	1961.5
General Trainings	1717.0
Total	5755.0

- Training Cost: LKR 1,020,563.00
- Employee Engagement Score: Not available
- Female Representation: 46%
- Internal Promotions: 52

In the coming year, UB Finance will continue to evolve its human capital strategy to meet the dynamic demands of the financial services landscape. Our focus will be on embedding a high performance culture, deepening leadership capability, and enhancing employee experience while supporting the broader national goal of building a skilled, future ready workforce.





Intellectual Capital



Sri Lanka's financial sector continues to undergo digital transformation, regulatory evolution, and growing demand for customer-centric services. Against this backdrop, financial institutions are increasingly reliant on internal intellectual capital ranging from proprietary systems and digital platforms to data analytics capabilities, process know-how, and trusted brand recognition to remain competitive and resilient. Furthermore, knowledge sharing and institutional learning have become vital in managing risks, improving service delivery, and fostering innovation across the sector.

Intellectual capital underpins UB Finance PLC's ability to create long-term value through innovation, institutional knowledge, proprietary systems, and brand equity. As a financial institution operating in a rapidly evolving environment, we recognize that our ability to adapt, differentiate, and grow is deeply tied to the strength of our intellectual assets.

During the financial year 2024/25, UB Finance PLC made significant strides in enhancing its intellectual capital, focusing on three core pillars: systems and technology, institutional knowledge, and brand and customer intelligence.

Technology Platforms and Systems Innovation

Continued investment in core banking systems and digital applications helped strengthen operational efficiency, cybersecurity, and customer experience. System upgrades enabled better integration of credit processing, customer relationship management (CRM), and reporting functions supporting real-time data access and decision-making. Enhanced data governance practices were introduced to protect customer information, ensure compliance with regulatory frameworks, and improve data-driven insights.

Institutional Knowledge and Process Excellence

Standard operating procedures (SOPs) and workflow documentation were digitized to capture and retain institutional knowledge, ensuring consistency across branches and teams. Internal audits, risk reviews, and continuous learning programs helped institutionalize best practices and embed a culture of compliance, accountability, and continuous improvement.

Brand Equity and Market Intelligence

UB Finance PLC strengthened its market positioning through consistent brand messaging, digital marketing, and community engagement following its IPO in 2023. Customer feedback mechanisms, social listening tools, and survey platforms were used to better understand market needs and fine-tune service offerings contributing to greater customer loyalty and differentiation.

The company's reaffirmed credit rating of 'BB(lka)' by Fitch Ratings reflected external confidence in our brand strength, governance, and strategic direction.

UB Finance will continue to deepen its intellectual capital by leveraging innovation, process excellence, and brand development. Future priorities include the adoption of AI-driven analytics, improved digital self-service channels, and strengthening our knowledge management systems across all functions.





Social and Relationship Capital



Sri Lanka's financial services sector, recovering from recent macroeconomic challenges, witnessed a shift in public expectations toward greater transparency, fairness, and accessibility in financial services. Amid reduced consumer confidence and heightened financial awareness, institutions were increasingly evaluated based on their social impact, ethical conduct, and responsiveness to stakeholder needs. Customers, in particular, demanded more personalized, trustworthy, and digitally accessible financial solutions.

Social and relationship capital forms the foundation of UB Finance PLC's trust based engagement with customers, investors, communities, regulators, and business partners. In the context of Sri Lanka's ongoing economic recovery, our ability to nurture and grow these relationships has been critical to building resilience, supporting inclusive growth, and strengthening long-term stakeholder value.

Customer Engagement and Trust

The company enhanced its customer service infrastructure by investing in development of digital interfaces, frontline training, and service quality monitoring. Through financial literacy programs and targeted communication campaigns, UB Finance empowered customers to make informed financial decisions especially within underserved communities.

Community Engagement and Social Responsibility

UB Finance continued its commitment to community upliftment through targeted CSR initiatives in education, health, and rural development. Successful organization of a blood donation campaign, resulting in blood contributions that helped save over 200 lives. The initiative promoted employee engagement, fostered community partnership, and reinforced the organization's commitment to public health and social responsibility. The company supported grassroots financial inclusion, particularly among micro and small entrepreneurs, women led enterprises, and informal sector workers contributing to national development goals.

Investor and Shareholder Relations

Following its landmark IPO in 2023, UB Finance maintained transparent and timely communications with shareholders, reinforcing investor confidence and broadening its base of long term capital supporters. Regular investor updates, disclosures, and ratings reaffirmations further strengthened credibility in the market.

Regulatory and Institutional Relationships

UB Finance maintained proactive engagement with the Central Bank of Sri Lanka and other regulatory bodies to ensure compliance, contribute to policy dialogue, and align with national financial sector reforms. The company's governance standards and internal controls reflected its commitment to integrity, accountability, and ethical conduct in all stakeholder dealings.

Partnerships and Collaborations

Strategic partnerships with technology providers, business chambers, and community networks helped expand service reach and enhance product offerings particularly in SME financing and IT infrastructure development.





Natural Capital



At UB Finance, we recognize the vital importance of natural capital the world's stock of natural resources such as water, minerals, forests, and biodiversity that underpin sustainable economic growth. We understand that responsible management of natural capital is essential not only for environmental stewardship but also for long-term financial stability.

As part of our commitment to sustainable finance, we incorporate environmental considerations into our investment strategies, support projects that promote conservation, and collaborate with stakeholders to foster resilient ecosystems. By valuing and safeguarding natural capital, we aim to create enduring value for our clients, communities, and the planet.

We are committed to minimizing our environmental footprint through proactive resource management initiatives. Our electricity savings programs include adopting energy-efficient lighting, optimizing HVAC systems, and encouraging the use of renewable energy sources across our facilities.

We have also implemented water conservation measures such as promoting water recycling, and raising awareness among employees to reduce water consumption. Additionally, we have taken steps to decrease paper usage by digitizing processes, encouraging double-sided printing, and fostering a paperless culture.

These initiatives not only contribute to conserving natural resources but also reinforce our dedication to sustainable operations and responsible stewardship of natural capital.



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Corporate Governance Report

Compliance strategy on Corporate Governance:

The Company operates as a subsidiary of a prominent commercial bank within the Financial Services Industry. It dedicates significant effort to establishing a rigorous compliance framework at UBF, aiming to position it as a fully compliant financial institution. In this pursuit, the Company firmly believes that effective and cohesive corporate governance coupled with compliance are fundamental to its operations, crucial for maintaining its esteemed reputation among the public. Its dedication to high standards of governance extends beyond mere regulatory adherence.

The Company considers its compliance strategy an essential element of its overall business plan. This approach enhances risk management practices, supporting sustainable lending activities and creating better prospects for consolidation and growth, all aligned with the broader corporate objectives.

The primary compliance standards guiding the Company are established pursuant to the Finance Business Act Direction No. 05 of 2021 issued by the Central Bank of Sri Lanka.

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
01.	Board's overall responsibilities		
1.1	The Board shall have overall responsibility and accountability	The Board (Board of Directors) assumes comprehensive responsibility and accountability for the Company's operations by defining the strategic vision, establishing the governance structure, shaping the corporate culture, and ensuring adherence to regulatory standards.	Complied
1.2	Business Strategy and Governance Framework		
1.2 (a)	Approving and overseeing the Implementation of strategic objectives and overall business strategy	A strategic plan for 2023/24 to 2027/28 has been authorized by the board. These strategic goals have been conveyed to the management team and are regularly reviewed and discussed by the Board, its committees, and management.	Complied
1.2 (b)	Approving and implementing Governance framework	A governance framework approved by the Board is currently in effect.	Complied
1.2 (c)	Assessing the effectiveness of its Governance framework periodically	The Board aims to enhance the evaluation procedure for determining the efficacy of the governance framework.	Complied
1.2 (d)	Appointing the Chairman and the Chief Executive Officer and define the roles and responsibilities	<p>The Board has appointed the Chairman and the Chief Executive Officer of the Company, and their respective roles and responsibilities have been clearly outlined and sanctioned by the Board.</p> <p>The Chairman oversees the Board, ensuring it functions efficiently and fulfills its duties. The Chief Executive Officer holds the main authority and bears responsibility for the company's overall management.</p>	Complied
1.3	Corporate Culture and Values		
1.3.a	Sound corporate culture within the Company	UB Finance PLC maintains a robust and deeply rooted corporate culture centered on integrity, competence, diligence, and respect, promoting ethical, prudent, and professional conduct across all its employees.	Complied
1.3.b	Establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest	The Corporate Governance Framework contains a Board-approved Code of Conduct.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
1.3.c	Promoting sustainable finance strategies	UBF's business strategy reflects their commitment to social responsibility, functioning within an ecosystem that encourages sustainable finance. Additionally, the Company is actively working on drafting a comprehensive sustainable finance policy.	Complied
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors	The company has established a communication policy approved by the Board, which guarantees clear and efficient dissemination of corporate information both internally and externally to all stakeholders, including depositors, creditors, shareholders, and borrowers.	Complied
1.4	Risk Appetite, Risk Management, and Internal Controls		
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework	The Risk Appetite Statement (RAS), ratified by the Board, aligns with the Company's strategic objectives and governance structure.	Complied
1.4.b	Implementation of appropriate systems and controls to identify, mitigate and manage risks prudently	The Board's Integrated Risk Management Committee thoroughly reviews the identification, mitigation, and oversight of risk indicators, including credit risk, market risk, operational risk, and various other risk categories.	Complied
1.4.c	Effectiveness of the Company's internal control systems and management information systems periodically	Throughout the financial year, the Company's internal control systems and management information systems underwent regular evaluations.	Complied
1.4.d	Business Continuity and Disaster Recovery Plan	A business continuity and disaster recovery plan has been established and approved by the Board.	Complied
1.5	Board Commitment and Competency		
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company	The Company's Board of Directors dedicates ample time and effort to guarantee that the organization's strategic objectives and goals are successfully achieved.	Complied
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience	The UBF Board of Directors is made up of distinguished individuals possessing the necessary knowledge, expertise, and experience.	Complied
1.5.c	Regularly review and agree on the training and development needs of all the members	Directors are motivated to participate proactively in programs, sessions, and seminars aimed at strengthening their expertise. The Board routinely assesses the training and development requirements of its members as necessary.	Partially Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
		Additionally, Directors take part in forums hosted by the Central Bank of Sri Lanka and various other organizations. The Company plans to establish a structured process to oversee the training and development activities for the Board of Directors.	
1.5.d	Self-assessment of directors, Sub Committees and the Board	Each year, Board members conduct individual evaluations of the Board and its respective Subcommittees, a summary of which is subsequently shared with the Board of Directors for discussion.	Complied
1.5.e	External independent professional advice	The Directors have the opportunity to seek independent professional advice whenever deemed necessary, with costs borne by the Company, and the Board has secured expert guidance in suitable situations. The Code of Corporate Governance, approved by the Board of Directors, outlines the specific policy related to this matter.	Complied
1.6	Oversight of Senior Management		
1.6.a	Identifying and designating Senior Management	The Board of Directors appoints and assigns the Key Responsible Personnel, who oversee activities and maintain overall control of business operations to achieve the Company's strategic objectives.	Complied
1.6.b	Defining the areas of authority and key responsibilities for the Senior Management	The specific domains of authority and primary duties of the Senior Management are outlined within the relevant job descriptions and Delegation of Authority documentation.	Complied
1.6.c	Qualifications, skills, experience and knowledge of Senior Management	The Company's Key Responsible Personnel, are equipped with the essential qualifications, skills, knowledge, competencies, and experience necessary to achieve the Company's strategic goals.	Complied
1.6.d	Oversight of the affairs of the Company by Senior Management	The Board follows a structured process to ensure proper oversight of the Company's matters by Key Management Personnel. These affairs are brought before the Board by the Key Management Personnel for their awareness, deliberation, evaluation, and approval during Board Sub Committee meetings and the regular monthly Board meetings.	Complied
1.6.e	Succession plan for Senior Management	The Company maintains a successor plan that has received approval from the Board.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
1.6.f	Meeting regularly with the Senior Management	The Senior Management Team meets the Board of Directors Chief Executive Officer on a monthly basis for purposes such as Strategic Alignment & Planning, Cross Departmental Visibility, Decision-Making & Problem-Solving, Performance Review & Accountability, Action Planning & Follow Up and Building Trust & Culture	Complied
1.7	Adherence to the Existing Legal Framework		
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders	The Board has established comprehensive systems and controls to ensure that the Company operates in a manner that aligns with the best interests of depositors, Shareholders, and other stakeholders, fulfilling its duties responsibly.	Complied
1.7.b	Compliance with relevant laws, regulations, directions and ethical standards	The Company functions in accordance with its Governance Framework as well as the laws and directives mandated by the regulator. Each month, the Compliance Officer prepares and submits a report detailing the company's adherence to relevant laws, rules, regulations, and directives. Additionally, the internal audit department continuously oversees and evaluates compliance with the established compliance framework.	Complied
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently	The Board of Directors operates with vigilance, prudence, and integrity to steer the company towards sustainable growth.	Complied
2	Governance Framework		
2.1	Developing and implementing a governance framework	<p>The Board has crafted and put into action a governance framework aligned with these directives, encompassing, but not limited to, the following elements.</p> <ul style="list-style-type: none"> a) Role and responsibilities of the Board. b) Matters assigned for the Board. c) Delegation of Authority. d) Composition of the Board. e) The Board's independence. f) The nomination, election and appointment of directors and appointment of senior management. g) The management of conflicts of interests h) Access to information and obtaining independent advice. i) Capacity building of Board members. j) The Board's performance evaluation. k) Role and responsibilities of the chairperson and the CEO. l) Role of the company secretary. m) Board sub-committees and their role; and limits on related party transactions. n) Limits on related party transactions 	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3	Composition of the Board		
3.1	Ensuring the Board composition appropriate for the size, complexity and risk profile of the Company	UBF has guaranteed that the Boards comprise a well-rounded mix of members possessing the essential experience and skills needed to fulfill the Company's requirements.	Complied
3.2	The number of Directors on the Board	As of March 31, 2025, UB Finance maintains a total of 9 Directors, aligning with the requirements outlined in the Finance Companies (Corporate Governance) Direction No. 05 of 2021 and the Listing Rules of Colombo Stock Exchange.	Complied
3.3	Service period of Non-Executive Directors	Throughout the financial year, none of the Non-Executive Directors of the Company has served more than nine years.	Complied
3.4	Service period of Non-Executive Directors, who holds 10% direct or indirect holding of the Company	No Non-Executive Directors possess more than 10% of the voting rights in the Company while serving in their roles.	Complied
3.5	Executive Directors		
3.5.a	Criteria for Executive Directors / Senior Management	The Chief Executive Officer who is an employee of the Company is the only Executive Director of the Company appointed in terms of the applicable provisions. The said appointment does not exceed one-third (1/3rd) of the total number of Directors of the Board.	Complied
3.5.b	Shareholding of Executive Director/ Members of the Senior Management	No member of the Senior Management holds, directly or indirectly, more than 10% of the company's voting rights.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3.5.c	Appointment of an Executive Director as CEO.	Mr. Ransith Karunaratne who is the only Executive Director of UB Finance PLC is appointed as the Chief Executive Officer of the Company.	Complied
3.5.d	Availability of Functional reporting lines of Executive Directors	CEO is the only Executive Director and assigned to specific functional areas in the Company.	Complied
3.5.e	Reporting lines of Executive Directors to Board of Directors	CEO is the only Executive Director and Directly reports to the Board.	Complied
3.5.f	Holding Executive Directorships and Senior Management positions by Executive Directors in other entities.	The CEO does not hold any Executive Directorships or Senior Management Positions in any other entity.	Complied
3.6	Non-Executive Directors		
3.6.a	Skills, experience and credible track records of Non-Executive Directors	The Non-Executive Directors are distinguished individuals possessing extensive knowledge, skills, and experience across various industries. Their diverse backgrounds have contributed to enhanced oversight and sounder decision-making in areas concerning strategy, performance, and resource management. For detailed information, please refer the Board's profiles on pages 08 to 12.	Complied
3.6.b	Non-Executive Directors functioning in the CEO/Executive Director Capacity	No Non-Executive Director has been appointed or functioning the CEO/Executive Director capacity.	Complied
3.7	Independent Directors		
3.7.a	Minimum number of Independent Directors	Five (5) of the nine (9) Directors are Independent Directors, aligning with the stipulated requirement of this direction.	Complied
3.7.b	Qualifications and experience of Independent Directors	The Independent Directors are distinguished individuals possessing diverse knowledge, expertise, and experience across various industries, enriching the board with diversity and enhancing decision-making related to strategy, performance, and resources. For detailed bios of the Board members, please see pages 08 to 12.	Complied
3.7.c	Independent criteria of Independent Directors Points (i) to (viii)	All independent directors meet the independent criteria.	Complied
3.7.d	Determining any other factors affecting to the independence of the Directors	The Board assesses whether any fact or connection exists that could influence a director's independency or how their independence is perceived.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
3.7.e	Immediate disclosure of circumstances that affect the independence of the Directors	There were no occurrences during the year under review that challenged the independency of a Director.	Complied
3.8	Alternate Directors		
3.8.a	Appointment of Alternate Directors Points (i) & (ii)	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.b	The existing directors of the Company cannot be appointed as alternate directors to another existing director of the Company.	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.c	Appointing same person as an alternate Director for two Directors in the same Board	No alternate Directors were appointed during the year under review.	Not Applicable
3.8.d	An alternate Director cannot be appointed to represent an Executive Director		Not Applicable
3.8.e	Independent requirement for Alternate Director appointed for an Independent Director		Not Applicable
3.9	Cooling off Periods		
3.9.a	Cooling off period for Directors	UB Finance PLC did not encounter such requirement during the financial year in reference.	Not Applicable
3.9.b	Cooling off period for Independent Director	UB Finance PLC did not encounter such requirement during the financial year in reference.	Not Applicable
3.10	Common Directorships		
3.10	Appointment of a Director or a KRP of the Company as a Director of another LFC	No such situation has arisen in 2024/25.	Not Applicable
3.11	Limit on holding Directorships by a Director of the Company	There were no Directors who hold directorates in more than twenty (20) companies/entities/institutions	Complied
4	Assessment of Fit and Proper Criteria		
4.1	Fitness and Propriety of Directors	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	Complied
4.2 & 4.3	Maximum age of new Directors	None of the members of the Board of Directors of the Company exceeds the age of 70 years as at 31st March 2025.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
5	Appointment and Resignation of Directors and Senior Management		
5.1	The appointments, resignations or removals of Directors and Senior Management	All changes related to appointments, resignations, or removals involving the Board of Directors and Senior Management are carried out in accordance with Finance Business Act Direction No. 06 of 2021.	Complied
6	The Chairperson and the Chief Executive Officer		
6.1	Clear division of responsibilities between the Chairperson and CEO	A distinct division of responsibilities exists between the Chairman and the Chief Executive Officer, with these roles occupied by two different individuals appointed by the Board.	Complied
6.2	Independency of Chairperson	During the review period, since the Chairman was not an Independent Director, the Board appointed an Independent Non-Executive Director as the Senior Director. The details of the Senior Director are provided in the annual report.	Complied
6.3	Appointment of a Senior Director when the chairperson is not independent	Mr. Shabry Ghouse is the senior Director appointed in terms of the direction, by the Board.	Complied
6.4	Responsibilities of the Chairperson Point (a) to (j)	The Chairman offers guidance to the Board, ensuring its effective functioning in fulfilling its duties and guaranteeing that all significant matters are addressed by the Board promptly.	Complied
6.5	Responsibilities of the CEO Point (a) to (g)	According to the company's organizational framework, the CEO serves as the top executive responsible for overseeing the daily operations and business activities, supported by the senior management team.	Complied
7	Meetings of the Board		
7.1	Regular Board meetings	The board has met 12 times during the financial year in reference.	Complied
7.2	Directors to include matters and proposals in the agenda	A structured process exists allowing all Directors to submit topics and suggestions for the agenda of routine Board meetings.	Complied
7.3	A notice of scheduled Board meetings	Notifications for Board meetings are issued at least three days prior to the scheduled meetings.	Complied
7.4	Directors to devote sufficient time to prepare and attend Board meetings	Every Director participates actively in Board meetings, offering perspectives and recommendations aimed at serving the Company's best interests.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
7.5	The quorum of meetings	All Board meetings conducted within the financial year were properly convened, with at least half (1/2) of the Directors in attendance and at least a quarter (1/4) of the Directors forming the quorum being Independent Directors.	Complied
7.6	Board meetings without the presence of Executive Directors	The chairperson convened meetings exclusively with the non-executive directors on two occasions throughout the year, with the executive directors absent.	Complied
7.7	Director abstains from voting relating to matters of relating to him	Directors refrain from participating in voting on any matter where they or their close relatives hold a significant vested interest.	Complied
7.8	Attendance of Directors at Board Meetings	Throughout the 2024/25 year, Directors attended at least two-thirds of the meetings held, with no Director missing for three consecutive regular Board meetings	Complied
7.9	Scheduled Board Meetings and adhoc Board Meetings	All board meetings adopted a hybrid format, allowing attendees to participate either in person or through an online platform, thereby facilitating the involvement of overseas Directors.	Complied
8	Company Secretary		
8.1.a	Appointment of Company Secretary	The Board appointed a Company Secretary who is considered to be a Senior Manager of the Company with effect from 18th September, 2024	Complied
8.1.b	Qualifications of the Secretary	Company Secretary possess the required qualifications to perform the secretarial work of the Company.	Complied
8.2	Access to the advice and services of the company secretary	A structured protocol exists ensuring that all Directors can consult the Company Secretary for guidance and services whenever required.	Complied
8.3	Delegating responsibilities to the Company Secretary	The Chairman has entrusted the Company Secretary with the responsibility of drafting the agenda for Board meetings and distributing it among the Board members.	Complied
8.4	Maintenance of minutes of the Board	The Company Secretary keeps detailed minutes, which are accessible for review at any reasonable time to any Director.	Complied
8.5	Maintenance of Board minutes in an orderly manner	The company secretary records and maintains minutes systematically, adhering to the proper procedures outlined in the Company's Articles of Association.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
8.6 (a) to (f)	Minutes of the Board meetings shall be recorded in sufficient details	The minutes of the Board meetings are documented comprehensively enough to allow for an evaluation of whether the Board exercised appropriate caution and sound judgment in carrying out its responsibilities.	Complied
8.7	Inspection of minutes	All directors may review the minutes whenever they submit a request.	Complied
9	Delegation of functions by the Board		
9.1	Delegation of authority	A delegated authority, approved by the Board, has been established to divide responsibilities and powers, ensuring the Board maintains strong oversight.	Complied
9.2	Absence of any of the sub committees	The Board has formed the necessary sub-committees outlined in the Directions of Central Bank of Sri Lanka.	Complied
9.3	Senior Management Committees	The Board has formed suitable sub-committees at the senior management level.	Complied
9.4	Delegation of matters to Sub Committees, Executive Directors or Senior Management	The Board's ability to carry out its responsibilities remains unaffected by its delegation of authority.	Complied
9.5	Review of delegation process	The delegation of authority may be reviewed as required.	Complied
10	Board Sub Committees - Finance Companies (Corporate Governance) Direction No 03 of 2008		
10.1.a	FCs with asset base of less than Rs. 20 bn Establishment of Board Sub Committees	All sub-committees formed by the Board have been set up in accordance with the necessary requirements. The specifics of the meetings conducted are provided on page 82 of the annual report.	Complied
10.1.b	Terms of reference	The TORs for the required Sub-Committees are in place.	Complied
10.1.c	Report on the performance of duties and functions of each Board Sub committees	The performance and duties of the Sub-Committees are given on the pages 86 to 92 of the Annual Report.	Complied
10.1.d	Appointment of a Secretary to Sub Committees	The Board Secretary is assigned as the Secretary to all Board Sub-Committees apart from the Board Audit Committee, and assigned with the responsibilities of keeping meeting records and performing additional secretarial duties under the guidance of the committee's Chairperson.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.1.e	Minimum number of Directors of each Sub Committee	Every committee consists of a minimum of three Board members, each bringing skills, knowledge, and experience pertinent to the responsibilities assigned to the board Sub Committees.	Complied
10.1.f	Occasional rotation of members	Members and Chairpersons of the Board Sub Committees may be rotated periodically as deemed necessary.	Complied
10.2	Board Audit Committee (BAC)		
10.2.a	The Chairperson of the Audit Committee	The Chairperson of the Board Audit Committee serves as an Independent Non-Executive Director and holds fellowship status with the Institute of Chartered Accountants of Sri Lanka.	Complied
10.2.b	Composition of the Board Audit Committee	All three (3) members of the Committee are Non- Executive Directors out of which two (2) of them are Independent.	Complied
10.2.c	The secretary to the Board Audit Committee	The Head of Internal Audit of Union Bank of Colombo PLC is the secretary to the Board Audit Committee.	Complied
10.2.d	External Audit Function		
	i. Appointment of the External Auditor	<p>The BAC made the following recommendations to the Board regarding:</p> <ul style="list-style-type: none"> The appointment of M/S KPMG, Sri Lanka, Chartered Accountants as the External Auditor for audit services provided in compliance with the relevant statutes for the financial year 2024/25. The implementation of the Central Bank guidelines issued to Auditors from time to time. The application of the relevant accounting standards. 	Complied
	ii. Service period of the External Audit firm and audit partner	Engagement period of current audit partner is less than 5 years. External Audit firm will be rotated subject to the transitional provisions.	Complied
	iii. The External Audit Partner	Audit Partner is not a Director or employee and does not hold any Senior Management position of the Company.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	iv. External Auditor's independence and objectivity and the effectiveness of the audit processes	External Auditors are independent and report directly to the Board Audit Committee of the Company. In order to safeguard the objectivity and independence of the External Auditor, the Audit Committee reviewed the nature and scope taking into account the regulations and guidelines.	Complied
	v. Provision of non-audit services by the External Auditor	The Company has a policy on the engagement of the external auditor in the provision of non-audit services.	Complied
	vi. Determine the nature and scope of the audit	The Committee finalized the nature and scope of the audit with the Audit Partner before the commencement of the audit areas needing special attention and recommendations of the auditors were incorporated into the discussions, and were included in the audit plan.	Complied
	vii. Review of financial information of the company by the Board Audit committee	The Committee reviewed the Company's interim and annual Financial Statements prior to submission to the Board. The Committee reviewed the internal controls on the financial reporting system to ensure the reliability and integrity of information provided. The review included the extent of compliance with LKAS/ SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, going concern assumptions, major judgmental areas and material audit judgments.	Complied
	viii. Discussion of issues, problems and reservations arising from the interim and final audits	Audit Committee met with the External Auditors and provided them opportunity to discuss material issues, problems or reservations arising from audits without the presence of any other directors/senior management.	Complied
	ix. Review of external Auditor's management letter and management response	The BAC has reviewed the management letter for year 2024/25 and the management responses thereto	Complied
10.2.e	Review of effectiveness of the system of internal controls	The Board Audit Committee has reviewed the effectiveness of the prevailing internal control system.	Complied
10.2.f	KMPs taking necessary corrective actions on findings made by auditors and supervisory bodies	Based on the reports submitted by the internal/ external auditors, the BAC reviewed and considered the respective findings on internal control weaknesses, non-compliance with policies, laws and regulations and the Management's responses thereto and monitored the implementation process.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.2.g	Internal Audit function		
	i. Establishment of an independent Internal Audit function	The Company has outsourced the internal audit function to Union Bank Colombo PLC's internal audit department. However, the Company has recruited an officer to handle the Internal Audit functions with effect from 15th May 2025	Complied
	ii. Mandate, independence and reporting line of Internal Audit Function	The Head of Internal Audit directly reports to the BAC. The Internal Audit function has a clear mandate to carry out its functions within the Company as per the Board approved Internal Audit Charter.	Complied
	iii. Review of internal audit function	The Committee has reviewed the adequacy of scope of internal audit function and the internal audit program for the year ended 2024/25 The Board Audit Committee has discussed and reviewed the findings of the Internal Audit Reports prepared by the Union Bank Internal Audit team.	Complied
10.2.h	The Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL)	The statutory examination reports of CBSL have been reviewed by the Directors. At the end of each quarter the progress report is submitted to the board for its perusal.	Complied
10.2.i	Meetings of the Committee		
	i. Meetings of the Board Audit Committee	The Board Audit Committee met 7 times during the financial year under review. Please refer to page 82 for details of the Directors' Attendance at Board and Board Sub Committee meetings.	Complied
	ii. Participants of the Board Audit Committee meetings	Members of the BAC, the Head of Internal Audit attend the meeting. Chief Executive Officer and other Senior Management personnel attend the meeting by invitation.	Complied
	iii. Private Meetings with the External auditor	The Board Audit Committee met twice with the External Auditors without the presence of the Executive Directors and Senior Management.	Complied
10.3	Board Integrated Risk Management Committee (BIRMC)		
10.3.a.	Composition of Board Integrated Risk Management committee	BIRMC constitutes of two Independent Non-executive Directors and one Non-Executive Director	Complied
10.3.b	Secretary of the Board Integrated Risk Management Committee	The Company Secretary has been appointed as the Secretary to the BIRMC.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.3.c	Risk Assessment	The Board Integrated Risk Management Committee keeps the Board informed of their risk assessment of the Company by tabling the minutes and the reports at the Board meeting.	Complied
10.3.d	Development of a Risk Appetite Statement (RAS)	Board approved RAS is in place which identifies the risk tolerance limits of the Company.	Complied
10.3.e	Review of Risk policies and Risk Appetite statement	The BIRMC reviews the Company's 's risk policies, including RAS at a regular interval.	Complied
10.3.f	Review the adequacy and effectiveness of Senior Management level Committees	Effectiveness of the committees have been reviewed by reviewing meeting minutes of sub committees.	Complied
10.3.g	Assessing of all aspects of risk management including business continuity and disaster recovery plans	The committee assesses all aspects of risk management, including updated business continuity and disaster recovery plans.	Complied
10.3.h	Assessment of performance of Compliance Officer and Chief Risk Officer	The Committee assessed the performance of the Compliance Officer. Requirement of Chief Risk Officer is not applicable.	Complied
10.3.i (i)	Compliance Function	Independent Compliance function is in place to assess the compliance with laws, regulations, rules, directions, regulatory guidelines and Board approved policies on the business operations.	Complied
10.3.i.(ii)	Appointment of a dedicated Compliance Officer (LFCs with assets base more than Rs. 20 Bn)	Not applicable	Not Applicable
10.3.i (iii)	Appointment of a dedicated Compliance Officer (LFCs with assets base less than Rs. 20 Bn)	A Compliance Officer (Head of Compliance) who is in the level of Senior Management has been appointed to carry out the compliance function.	Complied
10.3.i(iv)	The responsibilities of a Compliance Officer	The BIRMC has ensured that the responsibilities of the Compliance officer encompass the requirements as per the direction.	Complied
10.3.j	Risk Management Function		
10.3.j.i	Establishment of an independent risk management function	The BIRMC has established a independent risk management function for managing risk-taking activities across the Company.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.3.j.ii	Risk Management Department and dedicated Risk officer.	The Manager Risk, manages the risk department.	Not Applicable
10.3.j.iii	Implementation of Risk management policies and processes including RAS	The risk management department is responsible for the risk management policy and to monitor the risk appetite based on Board approved RAS.	Complied
10.3.j.iv	Developing and implementing a Board approved integrated risk management framework	A Board-approved Integrated Risk Management Framework is in place.	Complied
10.3.j.v	CRO participating in decision making related to capital and liquidity planning and new product / service development	The Risk Manager participates in ALCO meetings and reviews the development of new products.	Complied
10.3.j.vi	Maintaining a Risk Register	Risk Manager maintain the risk register.	Complied
10.3.j.vii	Submission of Risk assessment report by BIRMC to the Board	The BIRMC submits the risk reports to the Board at the subsequent meeting for its perusal.	Complied
10.4	Board Nomination and Governance Committee (BNGC)		
10.4 a	Composition of the Board Nomination and Governance Committee	BNGC constitutes of three members out of which two are Independent Non-Executive Directors.	Complied
10.4.b	Secretary to the Board Nomination and Governance Committee	Company Secretary functions as the Secretary to the BNGC	Complied
10.4.c	Formal and transparent procedure to select/ appoint new Directors and senior management	The Board approved Governance Framework includes a formal and transparent procedure to select / appoint new directors and senior management.	Complied
10.4.d	Fitness and propriety of Directors and Senior Management	BNGC has ensured that the Directors and Senior Managers are fit and proper persons to perform their functions in terms of FBA Direction No 06 of 2021 (Assessment of Fitness and Propriety of Key Responsible Persons).	Complied
10.3.i(iv)	The responsibilities of a Compliance Officer	The BIRMC has ensured that the responsibilities of the Compliance officer encompass the requirements as per the direction.	Complied
10.4.e	The selection process of Directors	The selection process includes reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board (ii) have a record of integrity and good repute; (iii) have sufficient time to carry out their responsibilities fully	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.4.f	Board composition is not dominated by any individual or a small group of individuals	BNGC ensures that the composition of the Board is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interest of the stakeholders of the Company.	Complied
10.4.g	Setting of criteria on qualification. Experience and key attributes required to be appointed to the post of CEO and Senior Management	The qualifications, experience and critical attributes required for eligibility, to be considered for appointment for the CEO and Senior Management have been clearly mentioned in the Board approved Job Description.	Complied
10.4.h	Disclosure to shareholders upon the appointment of a new Director	Details of new Directors are disclosed to shareholders when appointed, with immediate notification to the Colombo Stock Exchange along with a brief resume of such Director.	Complied
10.4.i	The committee is responsible for evaluating and recommending (or not recommending) the re-election of current directors.	The Committee makes recommendations to the Board regarding the re-election of current directors, taking into account the combined knowledge of the Board, their performance in addressing the Company's strategic demands, and each Director's contribution to fulfilling the Board's overall responsibilities.	Complied
10.4.j	Additional/new expertise and the succession arrangements for retiring Directors and Senior management	The Board approved succession policy for Directors and Senior Management is in place.	Complied
10.4.k	Participating in decision making Relating to own appointment/ Re-appointment	The members will not participate in decision making relating to own appointments or re-appointments.	Complied
10.5	Board Human Resources and Remuneration Committee (BHRRRC)		
10.5.a	Composition of the Board Human Resources and Remuneration Committee (BHRRRC)	BHRRRC constitutes of three members, two of which are Independent Non-Executive Directors.	Complied
10.5.b	Secretary of the BHRRRC	The Company Secretary functions as the secretary to the BHRRRC.	Complied
10.5.c	Remuneration policy for Directors and senior management and Fees and allowance structure for Non-Executive Directors	The Committee decides the remuneration policy relating to Executive Director and Senior Management. The Company will improve the policy to capture the fees and allowance structure of Non-Executive Directors.	Complied
10.5.d	Formal and transparent procedure in developing the remuneration policy	The remuneration policy has been developed to achieve fair and equitable benefits with transparent guidelines.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
10.5.e	Remuneration policy for employees of the Company	The remuneration policy has been recommended by BHRRC and approved by the Board.	Complied
10.5.f	The remuneration structure to be in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company	The remuneration structure is aligned with the Company's business strategy, objectives, values, long-term interests and cost structure. It also includes measures to prevent conflicts of interest.	Complied
10.5.g	Review the performance of the Senior Management	The performance of the senior management excluding the Head of Audit, Head of Risk and Head of Compliance has been conducted through an effective annual evaluation process which will determine the basis for the remuneration revisions.	Complied
10.5.h	Senior Management shall abstain from attending Committee meetings when matters relating to them are being discussed	The Senior Management abstains from attending the Committee meetings when matters are being discussed relating to such personnel.	Complied
11	Internal Controls		
11.1	Adopting a well-established internal control systems	An effective internal control system is in place , encompassing a Board- approved organizational structure, segregation of duties, transparent reporting lines for management, and operational procedures and policies in all necessary areas of the Company. This comprehensive system is designed to minimize operational risks.	Complied
11.2	Expected outcomes of an internal control system	<p>The company's internal control framework ultimately directed at safeguarding stakeholder interest and most importantly involves safeguarding shareholders' investment and the company's assets and to ensure the reliability and integrity of the information handled and its privacy. The following reports provide a comprehensive overview in this regard;</p> <ul style="list-style-type: none"> • Risk Management Report on pages 98 to 101 • Board IRMC Report on pages 88 to 89 • Board Audit Committee Report on pages 86 to 87. • Directors' Statement on Internal Control on pages 94 to 95. • Auditor's Assurance Report on adequacy of internal control on financial reporting on page 96. 	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
11.3	Responsibility of employees on internal controls.	All employees are responsible for internal controls as part of their accountability for achieving objectives.	Complied
12	Board Related Party Transactions Review Committee (RPTRC)		
12.1.a	Composition of the Related Party Transactions Review Committee (RPTRC) Directors.	The Company has established a BRPTRC and constitutes three Independent non-Executive Directors	Complied
12.1.b	Prior review and approval of related party transactions	The Company has put in a place a mechanism to review and approve all the related party transactions.	Complied
12.1.c	Types of related party transactions point (i) to (iv)	The RPT policy outlined the transactions permitted for the company, ensuring adherence to compliance and preventing conflicts of interest.	Complied
12.2	Avoiding conflict of interest with list of identified related parties point (a) to (f)	<p>The Related Party Transactions Policy along with the Terms of Reference for the Related Party Transactions Review Committee (RPTRC) are established to delineate the different categories of related parties and to ensure that appropriate measures are taken to prevent potential conflicts of interest that could emerge from the Company's dealings with its related parties.</p> <p>Any transactions with related parties conducted as part of regular business operations are transparently disclosed in the Financial Statements under the section 'Related Party Transactions,' referenced as Note 40 on pages 170 to 171 of the Annual Report.</p>	Complied
12.3	Engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" point (a) to (e)	The Board sanctioned the Related Party Transaction Policy, which details the process to avert the Company from entering into dealings with related parties that could result in "more favorable treatment," as specified in the guidelines. Additionally, the policy guarantees that dealings with related parties are executed fairly and transparently, without conferring any inappropriate benefits or preferential advantages. Internal controls have been put in place to ensure adherence to these standards.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
13	Group Governance		
13.1 (a) to (e)	Responsibilities of the FC as a holding company	Not Applicable.	Not Applicable.
13.2	The company is a subsidiary of another financial institution subject to prudential regulation	The Company is a subsidiary of Union Bank of Colombo PLC, The Company fulfils its own legal and governing obligations.	Complied
14	Corporate Culture		
14.1	Code of Conduct	The Company has established a Board-approved Code of Conduct and Ethics that applies to all employees. This code addresses key areas such as conflicts of interest, bribery and corruption, accurate accounting and record-keeping, confidentiality, fair dealing, the safeguarding and proper utilization of the Company's assets, adherence to laws and regulations, and fostering an environment where reports of illegal or unethical activities are encouraged.	Complied
14.2	Records of breaches of the Code of Conduct	The Company always ensures to uphold high standards of integrity in the conduct of its business.	Complied.
14.3	Whistle-blowing Policy	A Board-approved Whistle Blowing Policy is in place which encourages all stakeholders, especially the employees of the Company, to raise genuine concerns about possible improprieties, financial malpractices and frauds in the conduct of our business at the earliest opportunity. The BAC periodically reviews the policy.	Complied.
15	Conflict of Interest		
15.1.a	Avoiding conflict of interest by Directors	The connections with directors remain amicable, and there has been no effort to exert inappropriate pressure or influence. The Board is diligent in confirming that no conflicts of interest arose concerning the proposals presented for approval.	Complied.
15.1.b	Conflict of Interest Policy in Direction point (i) to (vi)	Managing the conflict of interest is covered under the Corporate Governance Charter.	Complied.
16	Disclosures		
16.1 (a) & (b)	Preparation of annual and periodical financial statements and publishing them in Sinhala, Tamil and English	The audited financial statements alongside the quarterly financial reports were compiled in line with the formats mandated by regulatory and supervisory bodies, as well as relevant accounting standards, and have been disseminated through newspapers published in Sinhala, Tamil, and English.	Complied.

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	Minimum disclosures in the Annual Report of the Company i. Financial Statements	A statement to the effect that the 2024/25 annual audited financial statements have been prepared in line with applicable Accounting Standards and regulatory requirements has been given in the Statement on Directors' Responsibility for Financial Reporting on page 93.	Complied
	ii. Chairperson, CEO and Board-Related Disclosures	Board of Directors Profiles are given in the pages 08 to 12. Attendance of Board Meetings and Sub-Committee meetings are given on page no 82.	Complied
	iii. Appraisal of Board Performance	The detail procedure for conducting the performance evaluations of the UBF's Board and its committees have been disclosed in page 81.	Complied
	iv. Remuneration	The board approved remuneration policy is in place. The details of remuneration paid to directors and senior management is disclosed in the financial statements on page 170.	Complied.
	v. Related Party Transactions	Nature of any relationship between Chairman and MD/CEO and the relationships among the members of the Board - Refer the Annual report of the Board of Directors on the Affairs of the Company on page 78. Net Accommodations Granted to Related Parties- Refer Related Party Transaction Review Committee Report on page 78. Aggregate value of transactions with Senior Management – Refer page 170.	Complied.
	vi. Board Appointed Committees	Refer the details of Chairperson, members and the attendance of Sub-Committees in the page 82.	Complied.
	vii. Group Structure	The Company is a subsidiary of Union Bank of Colombo PLC.	Complied.
	viii. Director's Report	Disclosed in the "Annual Report of the Board of Directors on the State of Affairs of the Company" on pages 74 to 84.	Complied.
	ix. Statement of Internal Control	Disclosed in the Directors Statement and independent assurance report on Internal Controls on pages 94 to 96.	Complied.
	x. Corporate Governance Report	External Auditors KPMG, Chartered Accountants, reviewed the Company's compliance status to Central Bank of Sri Lanka Corporate Governance Directions. Accordingly, the firm has issued a factual finding report in this regard for the financial year 2024/25.	Complied

RULE REFERENCE	CORPORATE GOVERNANCE PRINCIPLE	LEVEL OF COMPLIANCE	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	xi. Code of Conduct	<p>A Board approved Code of Conduct for directors and for all employees are in place. Please refer Section 14.1 of the Corporate Governance Report in page 62 of the Annual Report.</p> <p>The Company has no material violations of any of the provisions of this code.</p>	Complied.
	xii. Management Report	Refer Chairman's Message on pages 19 to 21, the Director/ Chief Executive Officer's Review on pages 22 to 24 and the Business Review on pages 26 to 28.	Complied
	xiii. Communication with Shareholders <ul style="list-style-type: none"> The policy and methodology for communication with shareholders The contact person for such communication. 	<p>The Board approved Communication Policy is in place which covers all stakeholders including depositors, creditors, shareholders, and borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders.</p> <p>The Company Secretary communicates with the shareholders through the Annual Report, and by notices issued to the shareholders.</p>	Complied.

COMPLIANCE WITH LISTING RULES

Compliance with the Rule No. 9 of Listing Rules – issued by the Colombo Stock Exchange

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.1	Applicability of Corporate Governance Rules		
9.1.1/ 9.1.2	Applicability Compliance with the rules set out in section 9.2 to 9.16 of CSE Listing Rules	Subject to transitional provisions.	Complied.
9.1.3	Publishing a statement confirming extent of compliance with these Corporate Governance Rules	The disclosures given in this report fulfills this requirement.	Complied
9.2	Policies		
9.2.1	<p>Establish and maintain following policies and disclose on the company website,</p> <ul style="list-style-type: none"> • Policy on the matters relating to the Board of Directors • Policy on Board Committees • Policy on Corporate Governance, Nominations and Re-election • Policy on Remuneration • Policy on Internal Code of Business conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities • Policy on Risk management and Internal controls • Policy on Relations with Shareholders and Investors • Policy on Environmental, Social and Governance Sustainability • Policy on Control and Management of Company Assets and Shareholder Investments • Policy on Corporate Disclosures • Policy on Whistleblowing • Policy on Anti-Bribery and Corruption 	The Company will comply subject to transitional provisions.	Complied
9.2.2	Waivers or exemptions for Internal Code of Business Conduct and Ethics	No such waivers were granted during the year under review.	Not applicable
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>	The Company will comply subject to transitional provisions.	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.2.4	Policies available to Shareholder upon request The Shareholders can obtain all policies upon making a written request to the Company.	Adopted	Complied
9.1.3	Publishing a statement confirming extent of compliance with these Corporate Governance Rules	The disclosures given in this report fulfills this requirement.	Complied
9.3	Board Committees		
9.3.1	Establishment of following Board Committees (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	The Board Nomination and Governance Committee, Board Human Resources and Remuneration Committee, Board Audit Committee, Board Integrated Risk Management Committee and Board Related Party Transactions Review Committee are already in place.	Complied
9.2.2	Waivers or exemptions for Internal Code of Business Conduct and Ethics	No such waivers were granted during the year under review.	Not applicable
9.3.2	Compliance with the composition, responsibilities and disclosure requirements.	Complied with the composition, responsibilities and disclosure requirements for the following Board Sub Committees. (a) Board Human Resources and Remuneration Committee (b) Board Audit Committee (c) Board Related Party Transactions Review Committee	Complied
9.4	Adherence to principles of democracy in the adoption of meeting procedures and the conduct of all General Meetings with shareholders		
9.4.1	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the Listing Rules.	Complied	Complied
9.4.2	Communication and relations with shareholders and investors.	Complied	Complied
9.5	Policy on matters relating to the Board of Directors		
9.5.1 (a) and (b)	Policy on governing matters relating to the Board of Directors.	The requirements are currently captured in the Board-Approved Corporate Governance framework (charter) and the Articles of Association.	Complied
9.5.2	Conformity with the section 9.5.1	Refer the “Annual Report of the Board of Directors on the Affairs of the Company” in pages 74 to 84 in this Annual Report.	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.6	Chairperson and CEO		
9.6.1	The Chairperson of every Listed Entity shall be a Non-Executive Director and the position of the Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	Chairperson is a Non-Executive Director and the Chief Executive Officer is the only Executive Director in the composition of the Board of the Company. However, the Board has also appointed an Independent Senior Director	Complied
9.6.2	Immediate market disclosure in the case of non-compliance with section 9.6.1 of the Listing Rules.	There were no relevant disclosures required to be made during the period under review.	Not applicable
9.6.3 (a) to (e)	The requirement for Senior Independent Director (SID)	The requirement for SID does not arise as the positions of Chairperson and CEO are not held by the same person and Chairperson and CEO are not close family members or related parties. However, the Company has a SID as per the CBSL Direction.	Not Applicable
9.6.4	Annual Report disclosure of reasons for Non-Compliance with Section 9.6.1 of the Listing Rules.	The Chairperson of the Company is a Non-Executive Director. The positions of Chairperson and CEO are not held by the same person.	Not Applicable
9.7	Fitness of Directors and CEOs		
9.7.1	Maintain records of all resolutions and other information stipulated in section 9.4.1 of the Listing Rules.	An assessment in the format provided in the Listing Rules is completed by all the Directors	Complied
9.7.2	Recommendations by the Board Nominations and Governance Committee as Directors are fit and proper	An assessment is carried out annually	Complied
9.7.3 (a), (b) and (c)	Fit and Proper Assessment Criteria	An assessment is carried out annually	Complied
9.7.4	Fit and Proper Declarations from Directors and CEO	An assessment is carried out annually	Complied
9.7.5 (a) and (b)	Disclosures in the Annual Report on Fit and Proper assessment	Refer the “Annual Report of the Board of Directors on the Affairs of the Company” in page 76 in this Annual Report.	Complied
9.8	Board Composition		
9.8.1	Minimum number of Directors on the Board	Adhered as per the Rules	Complied
9.8.2 (a) and (b)	Minimum Number of Independent Directors:	Adhered as per the Rules	Complied
9.8.3 (i) to (ix) /9.8.4	Criteria for determining Independence	Adhered as per the Rules	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.8.5 (a), (b) and (c)	Annual declaration of Independence of the Directors / disclosure of Independence of the Directors	Adhered as per the Rules - Appendix 9C	Complied
9.9 (a) to (e)	Alternate Directors	None of the Directors of the Board has appointed an alternate Director during the year.	Not Applicable
9.10	Disclosures relating to Directors		
9.10.1	Maximum number of directorships	Adhered as per the Rules	Complied
9.10.2 (i), (ii) and (iii)	Appointment of a new Director to the Board	Adhered as per the Rules	Complied
9.10.3	Market Announcement on changes to the composition of the Board Sub Committees.	Adhered as per the Rules	Complied
9.10.4 (a) to (i)	Disclosure of information relating to Directors	<p>Refer the board profiles in pages 08 to 12 of this Annual Report. Refer Board and Sub-Committee attendance in page 82 of this Annual Report. Refer Sub-Committee Reports in pages 86 to 92 in this Annual Report.</p> <p>Refer Annual Report of the Board of Directors on the state of affairs of the company in pages 74 to 84 of this Annual Report.</p> <p>Refer Report of the Senior Independent director in page 85 of this Annual Report.</p>	Complied
9.11	NOMINATIONS AND GOVERNANCE COMMITTEE (BNGC)		
9.11.1	Availability of Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.2	Board appointments through Board Nomination and Governance Committee	A formal process is in place for the appointment of new Directors and re-election to the Board through the Board Nominations and Governance Committee	Complied
9.11.3	Terms of reference of Board Nominations and Governance Committee	Adhered as per Rules	Complied
9.11.4 (1), (2) and (3)	Composition of the Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.5 (i) to (x)	Functions of the Board Nomination and Governance Committee	Adhered as per Rules	Complied
9.11.6 (a) to (m)	Disclosures in Annual Report	Adhered as per Rules	Complied

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.12	BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE		
9.12.1/ 9.12.2	Availability of Board Human Resources and Remuneration Committee	The Company has a Board Human Resource and Remuneration Committee (BHRRC) that conforms the requirements set out in rule 9.12 (1) and (2) of Listing Rules. Refer Board Human Resource and Remuneration Committee Report on page 90 in this Annual Report.	Complied
9.12.3	Executive Directors' Remuneration	A Remuneration Policy is adopted	Complied.
9.12.4	Non-Executive Directors' Remuneration	A Remuneration Policy is adopted	Complied
9.12.5	Terms of Reference of Board Human Resource and Remuneration Committee	Adhered as per Rules	Complied.
9.12.6	Composition of the Remuneration Committee The members of the Remuneration Committee shall; 1 (a) comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors of the Listed Entity. (b) not comprise of Executive Directors of the Listed Entity 2. An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Adhered as per Rules Refer Report of the Board Human Resources and Remuneration Committee on page 90 of this Annual Report.	Complied.
9.12.7 (1) and (2)	Functions of Remuneration Committee	Board approved Terms of Reference of BHRRC covers the functions of BHRRC. Refer page 90 of this Annual Report.	Complied.
9.12.8	Disclosures in the Annual Report	Refer the report of BHRRC on page 90 of this Annual Report. The aggregate remuneration of the Executive and Non-Executive Directors are disclosed in page 78 of this Annual Report.	Complied.
9.13	BOARD AUDIT COMMITTEE (BAC)		
9.13.1	Availability of Committee to perform Audit and Risk functions	Company has two separate committees to assess audit and risk functions, Refer reports in pages 86 to 87 of this Annual Report	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.13.2	Terms of Reference of Board Audit Committee	Board approved Audit Committee Charter is available that define scope, authority, duties and matters pertaining to the quorum of meetings. Refer Report of the Board Audit Committee on pages 86 to 87 of this Annual Report.	Complied
9.13.3	Composition of the Board Audit Committee 1. a. comprise of a minimum of three (03) directors of the Listed Entity, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent b. not comprise of Executive Directors of the Listed Entity. 2. The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. 3. The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. 4. An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. 5. Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. 6. The Chairperson of the Audit Committee shall be a Member of a recognized professional accounting body.	Adhered as per Rules. Refer Page No 86 of this Annual Report	Complied.
9.13.4	1. The functions of the Board Audit Committee (i) to (xiii) 2. Where Listed Entities maintain two (02) separate Committees to carry out the Audit and Risk functions, the terms of reference of such Committees shall, at a minimum, include the respective functions stipulated in Rule 9.13.4 (1) above	Board approved Charter of BAC and TOR of BIRMC covers the functions of BAC and BIRMC. Refer Report of the BAC on pages 86 to 87 and Report of BIRMC on pages 88 to 89 of this Annual Report	Complied.
9.13.5 (1) and (2)	Disclosures in Annual Report	Refer Report of the BAC on pages 86 to 87 of this annual report.	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.14	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE		
9.14.1	Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	The Company has complied with the requirements set out in rule 9.14 of Listing Rules. Refer BRPTRC report on pages 92 to 93 in this Annual Report.	Complied.
9.14.2	The Related Party Transactions Review Committee shall comprise of a minimum of three (3) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Listed Entity. It may also include executive directors, at the option of the Listed Entity. An Independent Director shall be appointed as the Chairperson of the Committee.	Adhered as per Rules Refer page No 92 of this Annual Report	Complied.
9.14.3	<p>1. Listed Entities shall have a Related Party Transactions Review Committee which shall be responsible for reviewing the Related Party Transactions as set out herein.</p> <p>2. The objective of these Rules on Related Party Transactions is to ensure that the interests of shareholders as a whole are taken into account by a Listed Entity when entering into Related Party Transactions. These Rules further provide specific measures to prevent Directors, CEOs or Substantial Shareholders taking advantage of their positions.</p> <p>3. When applying these Rules on Related Party Transactions, the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality.</p> <p>4. The Related Party Transactions Review Committee shall establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.</p>	Board approved Terms of Reference of BRPTRC covers the functions of the Committee. Refer the BRPTRC Report on the pages 92 to 93 of the Annual Report.	Complied.
9.14.4	<p>General Requirements of Related Party Transactions Review Committee</p> <p>1. The Committee shall meet at least once a calendar quarter.</p>	Adhered as per Rules	Complied.

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
	<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>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>		
9.14.5 (1) to (6)	Review of Related Party Transactions by the Related Party Transactions Review Committee	Adhered as per Rules	Complied.
9.14.6 (1) to (3)	Shareholder Approval	Adhered as per Rules However, there were no such transactions occurred during the year.	Complied.
9.14.7 1(a) to 1 (b)	The Company shall make an immediate Market Announcement to the CSE	Adhered as per Rules However, there were no such transactions occurred during the year.	Complied.
9.14.8	Disclosures in the Annual Report	<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>(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 pages 92 to 93 of this Annual Report.</p> <p>(4). Refer Annual Report of the Board of Directors on the affairs of the company on pages 74 to 84 of this Annual Report.</p>	Not Applicable

SECTION	GOVERNANCE PRINCIPLE	COMPLIANCE STATUS	COMPLIED / NON COMPLIED / PARTIALLY COMPLIED
9.14.9	Acquisition and disposal of Assets from / to Related Parties	During the year there were no acquisition or disposals of substantial assets from / to related parties.	Not Applicable
9.14.10	Exempted Related Party Transaction	No transactions under exempted category were reported during the period concerned	Not Applicable
9.15	Penalties For Non-Compliance with Board Committee Composition Requirements	No penalties during the period concerned	Not Applicable

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

The Board of Directors of UB Finance PLC has pleasure in presenting their Annual Report on the State of Affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2025 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

UB Finance PLC was incorporated under the Companies Ordinance No.51 of 1938 on 12th July 1961 as a Limited Liability Company under the name of The Finance and Guarantee Company Limited. The Company was re-registered as required under the provisions of the Companies Act No. 7 of 2007 on 26th December 2007 under Company Registration No PB 113.

The name of the Company was changed to UB Finance Company Limited on 25th April 2012. The Company was listed on the Colombo Stock Exchange on 14th August 2023 and changed its name to UB Finance PLC under Company Registration No PQ 00283806.

The Company is a Finance Company Operating in terms of the Finance Business Act No.42 of 2011 and 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 Diri Savi Board of Colombo Stock Exchange.

The Company has been affirmed a national long-term rating of BB(lka) by Fitch Ratings Lanka Limited.

Both the Registered Office of the Company and its Head Office are situated at No.10, Daisy Villa Avenue Colombo 04.

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 75
Signed Financial Statements of the Company for the accounting period under review	Section 168 (1) (b)	Pages 107 to 173
Auditor's Report on Financial Statements of the Company	Section 168 (1) (c)	Pages 103 to 106
Changes in Accounting Policies during the accounting period	Section 168 (1) (d)	Page 113
Particulars of entries in the Interest Register made during the accounting period	Section 168 (1) (e)	Page 78
Remuneration and other benefits paid to the Directors during the accounting period	Section 168 (1) (f)	Page 78
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Page 80
Information on Directorate of the Company at the end of the accounting period	Section 168 (1) (h)	Page 76
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 80
Auditors' relationship or any interest with the Company	Section 168 (1) (j)	Page 80
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)	Pages 74 to 84

Vision, Mission Business Principles and Core Values

The Company's vision, mission, business principles and core values are given on page 5 of this Report.

Principal Activities

The principal activity of the Company is providing financial services namely, accepting deposits, maintaining savings accounts, lease financing, vehicle loans, gold loans, mortgage loans, and working capital solutions.

There were no significant changes in the nature of the principal activities of the Company during the year under review. The Directors do hereby declare that to the best of their knowledge, the Company has not engaged in any activity, which contravenes laws and regulations.

Review of Operations and Future Developments

A review of the Company's performance during the year under review with comments on financial results, future strategies and prospects are contained in the Chairman's Message on pages 19 to 21, the Director/ Chief Executive Officer's Review on pages 22 to 24 and the Business Review on pages 26 to 28

Financial Statements

The Financial Statements of the Company 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 05th July 2025. The Financial Statements of the Company duly signed by the Assistant General Manager- Finance 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) and 151 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 Company which reflect a true and fair view of the state of affairs of the Company as at the reporting date and the profit or loss of the Company for the accounting period ended 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 107 to 173 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. 07 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 93 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 over Financial Reporting

The Board has issued a statement on the Internal Control over Financial Reporting 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 80

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 96

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 103 to 106

The accounting policies adopted in the preparation of the Financial Statements are given on pages 112 to 131 There were no significant changes to the accounting policies used by the Company during the year under review.

Income

The income of the Company for the year ended 31st March 2025 was Rs. 2,239.46 Million (2023/24 - Rs. 2,299.98 Million)

An analysis of the Income is given in Note 4 to the Financial Statements.

Financial Results and Appropriations

The Profit Before Tax increased from Rs.61,553,762/- to Rs. 79,004,457/- whilst the Company Net Profit After Tax for the year under review increased from Rs.1,472,218/- to Rs. 39,994,074/-.

Reserves

The Reserves of the Company with the movements during the year under review are given in the Statement of Changes in Equity of the Financial Statements on pages 110

Taxation

The Income Tax rate applicable to the Company's operations during the financial year is 30% on profits for the year ended 31st March 2025 (2024 - 30%).

The Company was also liable for Value Added Tax (VAT) on Financial Services at 18% (2023/24 - 18%) and Social Security Contribution Levy at 2.5% w.e.f. 1st October 2022.

The Board of Directors

The Board of Directors of the Company as at 31st March 2025 consisted of Seven (7) 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 (As of 31st March 2025) are given below and their profiles appear on pages 8 to 12 which also includes other directorships held by Directors.

No	Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
1	Mr. M. Mukherjee (Chairman)	Non-Executive	Non-Independent	17/11/2023 (Retired with effect from 26th July, 2025)
2	Mr. S. Ghouse	Non-Executive	Independent	17/11/2021 (Appointed as the Interim Chairman with effect from 26th July, 2025)
3	Mr. R. Karunaratne	Executive	Non-Independent	12/03/2014
4	Mr. R. M. Balendra	Non-Executive	Independent	05/07/2021
5	Mr. J. Setukavalar	Non-Executive	Independent	24/11/2022
6	Mr. S. Pokhrel	Non-Executive	Non-Independent	04/12/2023
7	Prof. Ajantha Dharmasiri	Non-Executive	Independent	26/08/2024
8	Mr. Dilshan Rodrigo	Non-Executive	Non-Independent	01/10/2024
9	Mr. M Ratnayake	Non-Executive	Independent	08/07/2024

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.

New Appointments & Resignations

The appointments, resignations/cessations during the financial year are given below;

(a) Appointments of Directors

Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
Prof. Ajantha Dharmasiri	Non-Executive	Independent	26/08/2024
Mr. Dilshan Rodrigo	Non-Executive	Non-Independent	01/10/2024
Mr. M Ratnayake	Non-Executive	Independent	08/07/2024

(b) Subsequent Appointment

Name of the Director	Executive / Non-Executive	Independence / Non-Independence	Appointment Date
Mr. Shanka Y Abeywardene	Non-Executive	Non-Independent	25/07/2025

(c) Resignations of Directors

There were no resignations during the period under review. However, Mr. Malay Mukherjee (Chairman) retired in terms of Direction No. 4(4.2) of Finance Business Act (Corporate Governance) Directions No. 05 of 2021 with effect from 26th July, 2025.

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 Article 77 of the Articles of Association, and,
- (ii) proposed for re-appointment in terms of Article 85 of the Articles of Association

are as follows:

Name of the Director	Applicable Article of the Articles of Association
Mr. R. M. Balendra	Article 77 of the Articles of Association
Mr. S.Pokhrel	Article 77 of the Articles of Association
Mr. S Y Abeywardene	Article 85 of the Articles of Association

Interest Register

The Interest Register is maintained by the Company, as per the Section 168(1) (e) of the Companies Act No 7 of 2007. All Directors have made declarations as provided for in section 192(1) & (2) of the Companies Act aforesaid. There were no significant related entries made in the Interest Register during the year under review. The share ownership of Directors is disclosed on page 178 of this report, entries were made in the Interests Register on share transactions, Directors' interest in contracts, and remuneration paid to the Directors etc. The Interest Register is available for inspection by shareholders, or their authorised representatives as required by the section 119 (1) (d) of the Companies Act No 07 of 2007.

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 Chief Executive Officer and/or amongst the members of the Board.

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.

The aggregate value of transactions of related parties (as defined in LKAS 24 – "Related Parties Disclosure") with the Company are set out in Note 40 to the Financial Statements on pages 170 to 171

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.

Net Accommodation Granted to Related Parties

Category of Related Party	Net Accommodation Granted during the FY (Rs.)	Net Accommodation Outstanding as of 31-03-2024 (Rs.)	% Outstanding Against Company's Core Capital as of 31-03-2024
Senior Management including Executive Directors	3,450,000	2,365,000	0.08%
Parent Company	-	-	-
Other Related Companies	-	-	-

Directors' Remuneration

The aggregate value of Directors' Remuneration for the financial year under review was Rs. 10,370,000 (2024 – Rs. 5,901,750/-)

Director's & Officer's Liability Policy

Union Bank of Colombo PLC, the Parent Company has obtained a Directors & Officers Liability Policy covering the Directors interests of the Group.

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 2025 and 31st March 2024 are as follows;

Name of the Director	Shareholding as at 31st March 2025	Shareholding as at 31st March 2024	Shareholding as at 31st March 2025 in the Parent Company
Mr. M.Mukherjee	-	-	-
Mr. S.Ghouse	-	-	-
Mr. R.Karunaratne	62,300	62,300	-
Ms. L.Thomas	-	-	-
Mr. M.Balendra	-	-	-
Mr. J.Setukavalar	-	-	-
Mr. S.Pokhrel	-	-	-

Mr. M.Mukherjee and Mr. S.Pokhrel are Directors of Union Bank Colombo PLC, where they serve as Non- Executive Directors.

Board Sub Committees

The Board of Directors of the Company has formed nine (08) Sub-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 and Listing Rules of the Colombo Stock Exchange.

They are the Board Audit Committee, Board Integrated Risk Management Committee, Board Credit Committee, Board Human Resources and Remuneration Committee, Board Related Party Transactions Committee, Board Nominations and Governance Committee, Strategic Planning Committee, Board Information Security Committee and Board IT Steering Committee.

The composition of the said committees as at 31st March 2025 are as follows:

Board Audit Committee (BAC)

- | | | |
|---------------------|---|---|
| • Mr. J.Setukavalar | - | Independent Non-Executive Director (Chairman) |
| • Mr. M.Balendra | - | Independent Non-Executive Director |
| • Mr. S.Pokhrel | - | Non-Independent Non-Executive Director |

The Report of the said Committee appears on pages 86 to 87.

Board Integrated Risk Management Committee (BIRMC)

- | | | |
|----------------------------|---|--------------------------------------|
| • Mr. Mohan Ratnayake | - | Independent Non-Executive (Chairman) |
| • Mr. Jayendra Setukavalar | - | Independent Non-Executive |
| • Mr. Dilshan Rodrigo | - | Non-Independent Non-Executive |

The Report of the said Committee appears on pages 88 to 89.

Board Credit Committee (BCC)

- | | | |
|-----------------------|---|--------------------------------------|
| • Mr. Sabry Ghouse | - | Independent Non-Executive (Chairman) |
| • Mr. Mohan Ratnayake | - | Independent Non-Executive |
| • Mr. Dilshan Rodrigo | - | Non-Independent Non-Executive |

Board Human Resources and Remuneration Committee (BHRRC)

- | | | |
|------------------------------------|---|--------------------------------------|
| • Prof. Ajantha Sujeewa Dharmasiri | - | Independent Non-Executive (Chairman) |
| • Mr. Moahan Balendra | - | Independent Non-Executive |
| • Mr. Sanjay Pokhrel | - | Non-Independent Non-Executive |

The Report of the said Committee appears on page 90.

Board Related Party Transactions Review Committee

- | | | |
|---------------------|---|---|
| • Mr. S.Ghouse | - | Independent Non-Executive Director (Chairman) |
| • Mr. M.Balendra | - | Independent Non-Executive Director |
| • Mr. J.Setukavalar | - | Independent Non-Executive Director |

The Report of the said Committee appears on page 92.

Board Nomination and Governance Committee (BNGC)

- | | | |
|------------------------------------|---|--------------------------------------|
| • Prof. Ajantha Sujeewa Dharmasiri | - | Independent Non-Executive (Chairman) |
| • Mr. Sanjay Pokhrel | - | Non-Independent Non-Executive |
| • Mr. Mohan Ratnayake | - | Independent Non-Executive |

The Report of the said Committee appears on page 91.

Board Strategic Planning Committee (BSPC)

- | | | |
|-----------------------|---|--|
| • Mr. Dilshan Rodrigo | - | Non-Independent Non-Executive (Chairman) |
| • Mr. Sabry Ghouse | - | Independent Non-Executive |
| • Mr. Sanjay Pokhrel | - | Non-Independent Non-Executive |

Board Information Security & IT Steering Committee (BISITSC)

- | | | |
|----------------------------|---|--------------------------------------|
| • Mr. Sabry Ghouse | - | Independent Non-Executive (Chairman) |
| • Mr. Sanjay Pokhrel | - | Non-Independent Non-Executive |
| • Mr. Jayendra Setukavalar | - | Independent Non-Executive |

Stated Capital

The stated capital of the Company as at 31st March 2025 was LKR 3,325,761,076/- consisting of 3,178,485,367 ordinary shares (2024: LKR 3,071,482,247/- consisting of 2,754,687,318 ordinary shares).

Share Information and Substantial Shareholdings

There were 5,097 shareholders registered as at 31st March 2025. (2024-4,777)

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 177 to 178 under Share Information.

Property Plant & Equipment and Significant Changes in the Company's Fixed Assets/ Market Value of Land

The details of property, plant and equipment is set out in Note 20 to the Financial Statements on pages 141 to 144

The Lands and Buildings owned by the Company are recorded at revaluation and the market values as at 31st March 2025 as per valuations conducted by Mr. D Jayawardana an Independent Valuer. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

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.

Employees Share Option Schemes/Employee Share Purchase Schemes

The Company has not implemented any Share Option/Share Purchase Schemes for employees.

Donations

The Company did not make any donations during the year under review.

Auditors

Messrs. KPMG, Sri Lanka, Chartered Accountants served as the Independent Auditors during the year under review and also provided audit related services and permitted non-audit/consultancy services.

A sum of Rs. 3,400,000/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,300,000/- as Audit Fees, and Rs 2,100,000/- for non-audit services.

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)].

A Resolution to re-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 pages 98 to 101

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 over Financial Reporting is on pages 94 to 95

Material Foreseeable Risk Factors

Material Foreseeable Risk Factors as applicable to the business operations of the Company is set out in Note 36 of 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 and Listing Rules of Colombo Stock Exchange

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.

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. 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 43 to 73 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 and the Board Integrated Risk Management Committee.

As per Finance Business Act Direction No 2 of 2017, there was a lapse in minimum Core Capital. This lapse was rectified by the issue of shares by way of a rights issue subsequent to the reporting date.

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 Directors, to the best of their knowledge and belief, are satisfied that the company has not engaged in any activities, which have caused adverse effects on the environment, and it has complied with the relevant environmental regulations.

Outstanding Litigation

Pending litigation against the Company is disclosed under the Note 34.2 to the Financial Statements.

Contingent Liabilities

There were no material contingent liabilities as at the reporting date.

Events After Reporting Date

There were no significant events reported after the period under review.

Going Concern

The Board of Directors had reviewed the company's business plans and is satisfied that the company has adequate resources to continue its operation in the foreseeable future. Accordingly, the Financial Statements of the Company are prepared based on the going concern concept.

Annual General Meeting

The details of the Annual General Meeting are given in the Notice of Meeting on page 182 of this Annual Report.

Number of Meetings Held and Attendance

Names of the Director	Board Meetings		Audit Committee		Integrated Risk Management Committee		Human Resources & Remuneration Committee		Strategic Committee		Credit Committee		Related Party Transaction Committee		Nominations Committee	
	E	A	E	A	E	A	E	A	E	A	E	A	E	A	E	A
Malay Mukherjee	12	12	-	-	05	05	-	-	01	01	-	-	-	-	07	07
Sabry Ghouse	12	12	-	-	01	01	06	06	01	01	03	03	02	02	-	-
Lisa Gayle Thomas	03	03	-	-	01	01	01	-	-	-	-	-	-	-	-	-
Ransith Karunaratne	12	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jayendra Setukavalar	12	12	07	06	04	04	-	-	-	-	-	-	02	02	-	-
Sanjay Pokhrel	12	11	07	07	-	-	05	04	01	01	02	02	-	-	-	-
Mohan Rathnayake	9	9	03	03	04	04	-	-	-	-	01	01	-	-	07	07
Raj Moahan Balendra	12	9	04	03	-	-	06	06	-	-	01	01	02	02	07	06
Pro. Ajantha Dharmasiri	07	07	-	-	-	-	02	02	-	-	-	-	-	-	06	03
Dilshan Rodrigo	06	06	-	-	02	02	-	-	-	-	02	02	-	-	-	-

E - Eligibility / A - Attendance

Directorship held by the Directors in other Institutions as at 31st March 2025

As per Finance Business Act Directions No. 5 of 2021 the maximum number of directorships that can be held by Directors is limited to 20.

Name of the Director	No. of Directorates / Equivalent positions held in companies / societies / Corporate bodies
Mr. Malay Mukherjee	<p>Current</p> <ul style="list-style-type: none"> UB Finance PLC (Chairman / Non-Independent Non-Executive Director) Union Bank of Colombo PLC (Non-Independent Non-Executive Director) Nabil Bank Ltd – Nepal (Executive Director) Dilip Buildcon Ltd (Independent Director) Shivalik Small Finance Bank – India (Independent Director) National Asset Management Limited (NAMAL) <p>Former</p> <ul style="list-style-type: none"> IFCI Ltd – India (Managing Director and Chief Executive Officer) Central Bank of India (Executive Director) Cent Bank Home Finance Ltd.
Mr. Sabry Ghouse	<p>Current</p> <ul style="list-style-type: none"> UB Finance PLC (Senior Independent Director) Shah Associates (Pvt) Ltd (Non-Executive Director) <p>Former</p> <ul style="list-style-type: none"> Credit Information Bureau (Independent Director) Al Rajhi Bank (Independent Director) Union Bank of Colombo PLC (Deputy Chairman) American Express (Territory Manager) Standard Chartered Bank {Regional Head of Retail Bank (Jordan/Israel/Lebanon)} Standard Chartered Bank – Sri Lanka (Head of Retail Bank)
Mr. Ransith Nishantha Karunaratne	<p>Current</p> <ul style="list-style-type: none"> UB Finance PLC (Director / Chief Executive Officer) <p>Former</p> <ul style="list-style-type: none"> LB Finance PLC (Deputy General Manager – Corporate Lending, Factoring & Investments) Commercial Leasing Co. Ltd (Assistant General Manager - Factoring) Plenty Foods Marketing (Pvt) Ltd (Financial Services Manager) Mercantile Leasing Ltd. (Portfolio Manager - Factoring) Ceylinco Securities & Finance Services Ltd (Credit Executive)
Mr. Raj Moahan Balendra	<p>Current</p> <ul style="list-style-type: none"> UB Finance PLC (Independent Non – Executive) S B Corporates (Private) Limited (Executive Director) S B Realtors (Private) Limited (Executive Director) The Jaffna Club (Guarantee) Limited (Executive Committee Member) Migrategi (Private) Limited (Executive Director) <p>Former</p> <ul style="list-style-type: none"> Serendib Engineering Group PLC (Non-Executive Independent Director)
Mr. Jayendra Arulraj Setukavalar	<p>Current</p> <ul style="list-style-type: none"> UB Finance PLC (Independent Non – Executive) <p>Former</p> <ul style="list-style-type: none"> Singer Finance PLC (Independent Director) A Baur & Co (Pvt) Ltd (Executive Director – Finance/Compliance/Company Secretary) Al Yousef Investment Controller (Senior Investment Controller) Ferntea Limited (Director/Company Secretary) PricewaterhouseCoopers – Dubai (Assistant Audit Manager) KPMG, Sri Lanka (Audit Intern)

Name of the Director	No. of Directorates / Equivalent positions held in companies / societies / Corporate bodies
Mr. Sanjay Pokhrel	Current <ul style="list-style-type: none"> UB Finance PLC (Non – Independent Non – Executive) Nabil Investment Banking Ltd - Nepal (Independent Director) CG Cell Technologies DAC – Ireland (Independent Director) Union Bank of Colombo PLC (Non-Executive Non-Independent) National Asset Management Limited – Sri Lanka (Non-Executive Non-Independent) CG Corp Global (General Manager – Executive)
Prof. Ajantha Dharmasiri	Current <ul style="list-style-type: none"> UB Finance PLC (Independent Non – Executive) DSI Samsone Group (Independent Non – Executive Director) Softlogic Holdings PLC (Independent Non – Executive Director) Sri Lanka Institute of Biotechnology (Pvt) Ltd (Director) Post Graduate Institute of Management (Senior Professor) Former <ul style="list-style-type: none"> CDB Finance PLC (Independent Non-Executive Director) Post Graduate Institute of Management (Acting Director/Director/Senior Consultant/ Senior Lecturer-GrII/Professor)
Mr. Mohan Ratnayake	Current <ul style="list-style-type: none"> UB Finance PLC (Independent Non – Executive Director) Colonial Motors Ceylon Ltd (Managing Director) Lanka Reality Investment PLC (Independent Non-Executive Director) ACL Plastics PLC (Independent Non-Executive Director) CM Holding (Independent Non-Executive Director) Union Investment (Private) Ltd (Independent Non-Executive Director) Swisstek (Ceylon) PLC (Independent Non-Executive Director) Lanka Tiles PLC (Independent Non-Executive Director) Serandib Land PLC (Independent Non-Executive Director) Former <ul style="list-style-type: none"> Multi Finance PLC
Mr. Dilshan Rodrigo	Current <ul style="list-style-type: none"> UB Finance PLC (Non – Independent Non-Executive Director) Credit Information Bureau Ltd. (Non - Independent Non – Executive Director) Union Bank of Colombo PLC (Chief Executive Officer) Former <ul style="list-style-type: none"> Hatton National Bank (Director – Executive) HNB Finance PLC (Director – Non-Independent Non-Executive) HNB Assurance PLC (Director – Non-Independent Non-Executive) Guardian Acuity Management (Director – Non-Independent Non-Executive) Credit Information Bureau Ltd (Director – Non-Independent Non-Executive) Lanka Financial Services (Chairman – Executive) Acuity Stockbrokers (Pvt) Ltd (Director – Non-Independent Non-Executive) Acuity Securities Ltd. (Director – Non-Independent Non-Executive) HNB General Insurance Ltd. (Director – Non-Independent Non-Executive) Sithma Development (Pvt) Ltd. (Director – Non-Independent Non-Executive) Hatton National PLC (Chief Operative Officer – Other) ANZ Grindlys Bank (Asst. Manager – Finance & Administration – Other) Standard Chartered Bank (Manager – Finance – Other) Standard Chartered Bank (Head of Institutional Banking – Other) Standard Chartered Bank (Head of Credit – Other) Hatton National PLC (Chief Risk Officer – Other) Hatton National PLC (DGM – Retail Banking – Other)

Acknowledgement of the Content of the Report

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledged the contents of this Annual Report.

Signed on behalf of the Board by



Malay Mukherjee
Chairman



Ransith Karunaratne
Director / Chief Executive Officer



Tharanga Nandasena
Company Secretary

Report of the Senior Independent Director

The appointment of the Senior Independent Director (SID) has been made in accordance with the Finance Business Act Direction No. 5 of 2021 on Corporate Governance.

The requirement of appointing a Senior Independent Director to UB Finance PLC ("the Company"), has arisen in terms of Section 6 (3) of the Finance Business Act (Corporate Governance for Licensed Finance Companies) Directions No. 05 of 2021 issued by the Central Bank of Sri Lanka, which requires the Chairman of a Licensed Finance Company to be a Non-Executive and preferably an Independent Director, and in the event the Chairman is not an Independent Director, an Independent Director to be designated by the Board as the Senior Director with suitably documented Terms of Reference to ensure greater independence.

The Board of Directors ("the Board") of the Company designated Mr. Sabry Ghouse (Independent, Non-Executive Director) as the Senior Independent Director (Senior Director) of the Company. A brief profile of Mr. Sabry Ghouse is given on page 09 of this Annual Report.

Purpose and Role

The primary purpose of appointing a Senior Independent Director is to enhance the independent element in Board proceedings and deliberations, whether during Board meetings or through resolutions circulated among Board members. To support the SID's role, a Board-approved Terms of Reference has been established, detailing the SID's roles, responsibilities, and authority.

The Board benefits from a strong representation of Independent Directors, which is crucial for maintaining objectivity and ensuring sound corporate governance. The independence of each Director has been confirmed based on information and declarations provided. Consequently, the Board has determined that all Independent Directors meet the independence criteria as set out by the Finance Business Act Direction No. 5 of 2021 and CSE Listing Rule No. 9 on Corporate Governance.

This structure ensures a robust independent perspective within the Board, contributing to effective governance and oversight.

Evaluations

In compliance with the Finance Business Act Direction No. 5 of 2021, the Non-Executive Directors have conducted an assessment of the Chairperson's performance.

Sabry Ghouse
Senior Independent Director
27th August 2025

Board Audit Committee Report

The Board appointed Audit Committee presently comprises of three members - two Independent Non-Executive Directors and one Non - independent Non-Executive Director.

The Committee of the Company is chaired by Mr. Jayendra Setukavalar, a Fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants - UK who counts many years of experience in the financial services Industry. Composition of the Audit Committee as of 31st March 2025 is as follows:

Name of Director	Position
Mr. Jayendra Setukavalar (Chairman)	Independent Non - Executive Director
Mr. Moahan Balendra (until 15.08.2024)	Independent Non - Executive Director
Mr. Sanjay Pokhrel	Non - Independent Non - Executive Director
Mr. Mohan Ratnayake (w.e.f. 16.08.2024)	Independent Non - Executive Director

The other attendees of the Audit Committee meeting included CEO, DGMs and relevant business Heads as and when necessary.

Terms of Reference

The Charter of the Committee, approved by the Board, clearly defines the Terms of Reference of the Committee, and is annually reviewed to ensure that new developments relating to the Committee's functions are addressed. The Charter of the Committee was last reviewed and approved by the Board in February 2025.

Finance Business Act Direction No. 5 of 2021 on Corporate Governance and Rules on Corporate Governance under Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance, issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, further regulate the composition, roles and functions of the Committee.

The members of the Board Audit Committee (Committee) have relevant experience and bring an independent mind set to their role. Most of the Committee members serve on other committees including the Board Credit Committee. This interweaving linkage between the Board Audit Committee and other Committees has been a key driver in ensuring that gaps and unnecessary

duplications, if any, are avoided whilst ensuring that key issues having an impact on Financial Reporting are escalated to the Board Audit Committee.

A significant amount of time has been spent discussing the root causes of control weaknesses and remediation and mitigating action taken by management. The Committee

has also discussed the changing landscape of the technological developments and the IT Security aspects to ensure safeguarding of threats.

The Committee met 7 times during the period under review. The Committee meets with the senior officials of UBF and internal audit team, and the external auditor to consider, inter alia, the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control relating to financial reporting. It also assists the Board of Directors in its general oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee has the authority to investigate any matter within its terms of reference, and has full access to information, and co-operation of the management.

Key Responsibilities of the BAC

Financial Reporting:

The primary role of the Committee in relation to Financial reporting is to monitor the integrity of the Financial Statements and formal announcements, if any, relating to financial performance.

The Committee reviewed and discussed with the management, the internal auditors and the external auditors the critical accounting policies, practices, related changes thereto, alternative accounting treatments, major judgmental areas, material audit adjustment compliance with accounting standards, going concern assumptions, financial reporting controls and compliance with applicable laws and regulations that could impact the integrity of the Company's Financial Statements, its annual report and its quarterly financial statements prepared for publication.

The Audit Committee reviews the quarterly financial process and has discussions with the management. The company's financial reporting process for preparing the consolidated Annual Report and Accounts for 2024/2025 is controlled using documented accounting policies. The changes to the Accounting Policies are approved at the Committee. The Committee reviews the Financial Statements prior to submission to the Board to ensure that a reliable and true and fair view of the state of affairs of the company is presented.

The Committee obtained and reviewed assurance received from the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on the soundness in preparing company's financial statements and effectiveness of its internal control system.

Regulatory reporting:

The committee focused on the improvements required for the regulatory reporting process and placed an enhanced focus on the quality and reliability of regulatory reporting to strengthen the end-to-end process in meeting regulatory expectations.

Internal Audit and Internal Controls:

The Company has engaged the services of the Group Internal Audit division of Union Bank to carry out the internal audit function of the Company. The Head of Internal Audit of Union Bank functions as the Secretary to the Committee. During the year the Audit Committee reviewed the performance of the internal audit function, focusing on the areas of greater risk to the Company using a risk-based audit approach to gauge the effectiveness of the internal control procedures in place and to assess whether additional risks emerging do in fact have mitigating controls. The Committee discussed Internal Audit reports and the corrective action taken by the Management. It also evaluated the Company's internal control system. The deficiencies and lapses reported by both Internal Auditors and External Auditors and recommendations given by them were discussed with the Management. The Committee seeks and obtains the required assurance from the Business line on the remedial action in respect of the identified risks to maintain the effectiveness of the internal control procedures. The Committee also reviews the effectiveness of the Company's internal controls over financial reporting, operational compliance, and information technology. This process assesses the adequacy and effectiveness of internal controls and the processes for controlling business risks, and compliance with laws and regulations.

External Audit:

The Committee recommended to the Board appointment of KPMG as the external auditor of the Company for the financial year 2024/2025 as the previous auditors, EY, reached the tenor limitation set by the Finance Business Act Direction No. 5 of 2021 issued by the Central Bank of Sri Lanka. The BAC has unfettered access to the Company External Auditor. During the financial year, the BAC met the External Auditor twice without the presence of management to discuss and express their opinions on any matter and for the Committee to have assurance that the Management has fully- provided all information and explanations requested by the Auditors and even on concerns that might have to be raised privately.

The Committee reviewed the non-audit services provided by the External Auditor during the financial year and the associated fees. The Committee is satisfied that the independence and objectivity of the External Auditor has not been impaired by the provision of those services. A Board approved policy is in place on Non- Audit Services provided by the External Auditors. The Committee is satisfied with the experience and expertise of the partner, the quality of the supporting audit team as well as the support from the External Auditor's global network.

The Committee continues to exercise oversight of the work undertaken by the External Auditor during the year. The Committee has also reviewed the scope of, and the results of, the external audits and the independence and objectivity of the External Auditor.

The Committee has discussed the business and financial risks with the External Auditor and has sought and received assurance that these risks have been addressed in their audit strategy. The Committee has enquired from the External Auditor that no undue pressure has been brought to bear on the audit and the level of the audit fees paid has in no way negatively affected the audit work.

The Committee makes recommendations to the Board for the appointment, re-appointment and dismissal of the External Auditor including the remuneration and terms of engagement.

Keeping Updated on Relevant Information:

The members are regularly kept updated on changes to accounting standards, issues related to financial reporting and even on changes to regulatory guidelines through periodic meetings with the Finance Team, Internal Audit and External Auditors.

Ethics and Good Governance:

The Committee continuously emphasize upholding ethical values of the staff members. In this regard, a Code of Ethics and Whistle-blowers policy was put in place and followed for educating and encouraging all members of staff to resort to whistleblowing if they suspect wrong doings or other improprieties. Highest standards of Corporate Governance and adherence to the company's Code of Ethics were ensured. All appropriate procedures were in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistle-blowers Policy guarantees the maintenance of strict confidentiality of the identity of the whistle blowers. The policy is subject to annual review in order to further enhance effectiveness.



Jayendra Setukavalar
Committee Chairman Board Audit Committee
27th August 2025

Board Integrated Risk Management Committee Report

Purpose

This report provides a comprehensive overview of the Integrated Risk Management Committee's activities during the year, highlighting the key challenges faced, major milestones achieved, and the progress made in strengthening the risk management framework.

The core purpose of the Integrated Risk Management Committee is to provide a unified approach to identifying, assessing, and managing the various risks UBF faces. It aims to create a robust risk governance framework that aligns with the company's overall strategic objectives and ensures long-term sustainability.

Integrated Risk Management Committee focuses on ensuring a proactive, comprehensive approach to managing various risks across financial, operational, market, regulatory, and cybersecurity domains. The committee continuously evaluates and mitigates emerging threats through strategic risk controls, while ensuring strict compliance with regulatory requirements. It fosters transparent communication with key stakeholders and promotes a strong risk culture throughout the company, encouraging proactive risk management at all levels. Additionally, the committee tracks risk performance to align with business objectives and is committed to continuously improving risk management processes, adapting to evolving market conditions and emerging risks to ensure the company's long-term resilience and stability. The Committee's focus encompasses key risk categories, including Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, Operational Risk, Technology Risk, Legal and Regulatory Risk.

The Committee also functions within the Direction No.01 of 2022 on Technology Risk Management and Resilience issued for License Finance Companies of Sri Lanka by the Central Bank of Sri Lanka.

The committee identified the Key risk areas to be addressed as per the risk appetite statement during the reviewed year and corrective actions were discussed with the relevant heads. The Integrated Risk Score of UBF has improved over the year indicating successful mitigations in the key risk areas. Committee identified the required improvement in IT infrastructure and same is being addressed by the IT department.

Composition

The Board appointed Integrated Risk Management Committee comprised of the following members; as at 31st March 2025.

Name of Director	Position
Mr. Malay Mukherjee - Non-Executive Director (Up to 26th March, 2025)	Committee Former Chairman
Mr. Mohan Ratnayake – Independent Non-Executive Director (W.e.f. 30th October, 2024)	Committee Member

Mr. Jayendra Setukavalar – Independent Non-Executive Director (W.e.f. 30th October, 2024)	Committee Member
Mr. Dilshan Rodrigo - Non-Independent Non – Executive Director (W.e.f. 30th October, 2024)	Committee Member

Terms of Reference

The Board Integrated Risk Management Committee has adopted the provisions of Section 10(3) (a) of the Finance Companies (Corporate Governance) Direction No. 5 of 2021 issued by the Monetary Board of Central Bank of Sri Lanka in defining the Company's Board Integrated Risk Management Committee Charter.

Meetings

Committee Responsibilities


The Committee is mainly responsible for the following, namely:

- Establishing a risk management function responsible for assessing the risk-taking activities and implementing a board approved risk management framework that covers;
 - a) potential risks and frauds
 - b) possible sources of such risks and frauds
 - c) mechanism of identifying, assessing, monitoring and reporting of such risks.
- Establishing a Technology Risk Management Framework for Technology risk identification, assessment, treatment, monitoring and reporting.
- Establishing a strong operational risk management culture to understand the nature and the scope of the operational risk and control environment.
- Establishing the Risk Appetite Statement (RAS) in line with UBF business strategy and governance framework.
- Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risk prudently, in line with the risk management framework.
- Approving and overseeing business continuity and disaster recovery plan to ensure stability, financial strength and preserve critical operations and services under unforeseen circumstances.
- The committee shall assess all risks through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the board.
- The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee.

- The committee shall review new products/services from a risk perspective where materially different or materially greater risks are involved.
- The committee shall work with key management personnel very closely and make decisions on behalf of the board within the framework of the authority and responsibility assigned to the committee.
- The committee shall ensure with the assistance of CRO that empowered Executives are held accountable for managing each of the risks facing the Finance Company and that there is appropriate segmentation of responsibilities and clear and independent reporting lines, responsibilities for the overall business activities and risk management functions.
- The Committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of Non-Bank Supervision.
- The Committee shall review risk policies, Risk Appetite Statement, internal controls, management information systems at least annually. Moreover, the Committee shall review any other functional policy which is relevant to strengthen the internal control environment of the Company.
- The Committee shall review the adequacy and effectiveness of senior management level committees (such as credit, technology, ALCO) to address specific risk and to manage that risk within quantitative and qualitative risk limits as specified by the Committee.
- Ensure that the IRM function and other departments responsible for supervising significant risks have the resources, adequacy of tools and systems for the successful management of risk management functions within the Finance Company.
- Review and approve the report on the Financial Company's Internal Capital Adequacy Assessment Process (ICAAP) each year.
- The Committee shall submit a risk assessment report within a week of each meeting to the board seeking the board's views, concurrence and/or specific directions.
- The Committee shall establish a compliance function to assess the UBF's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.
- Cultivate a proactive risk management culture within the Finance Company.

Activities of the Committee

- The Board has undertaken its duties to oversee risk management in credit, market, liquidity, operational & strategic risks. These were monitored by divisional heads and reported to the Manager Risk.
- The risks were then reviewed and assessed monthly by the Manager Risk. Summarized reports were submitted quarterly to the Committee for concurrence and/or specific direction in order to ensure that the risks are managed appropriately.
- Proceedings of meetings are tabled at subsequent meetings of the Board.



Mohan Ratnayake
Committee Chairman
Integrated Risk Management Committee
27th August 2025

Board Human Resources & Remuneration Committee Report

Financial Year 2024/2025

Introduction

The Board Human Resources and Remuneration Committee (BHRRC) plays a crucial role in ensuring that the framework and policies governing the engagement and remuneration of key personnel align with the strategic goals and governance standards of UB Finance PLC and the Financial Sector. This report highlights the activities and achievements of BHRRC for the financial year 2024/2025.

Composition of the Committee as at 31st March 2025

Name of Director	Position
Prof. Ajantha Dharmasiri Independent Non-Executive Director (From 26th March, 2025 to date)	Chairman of the Committee
Mr. Moahan Balendra Independent Non-Executive Director (From 16th August, 2024 to 26th March, 2025)	
Mr. Moahan Balendra Independent Non-Executive Director (26th March, 2025 to date)	Committee Member
Mr. Sabry Ghouse Independent Non-Executive Director (From 16th August, 2024 to 26th March, 2025)	Committee Member
Mr. Sanjay Pokhrel (From 16th August, 2024 to date)	Committee Member

Committee Meetings

In accordance with regulatory obligations, the Committee convened four times in the year under review. Details regarding the attendance of Committee members are stated on page 82 Director/CEO, DGM-Credit and Operations, DGM-Finance attended the meeting by invitation. The Manager of Human Resources served as the Committee Secretary. The Board was informed of the Committee's proceedings. The Board duly approved the recommendations presented by the Committee during the year that was under consideration.

The composition of the committee meets the requirement set out in the listing rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 8 to 12

Guiding Principles

The BHRRC operated based on the following guiding principles for:

- Setting criteria such as qualifications, experience, skills, and competencies required for appointments or promotions to key management positions, including the Director/ Chief Executive Officer.
- Ensuring adherence to legal provisions, particularly those of the Finance Business Act Directions No.05 of 2021.

- Providing guidance and policy direction on general human resources management matters within UB Finance PLC.
- Aligning performance-related remuneration to support sustainable growth and aligning employee interests with those of UB Finance PLC and its main stakeholders.
- Promoting a pay-for-performance culture by linking a significant portion of remuneration to performance.
- Encouraging a culture of regular performance reviews to provide staff with feedback to achieve their objectives and development goals.
- Developing a robust pipeline of talent capable of filling key positions within UB Finance PLC.

Key Objectives

The HR&R Sub-Committee focuses on the following key objectives:

- Determining the framework and policy for the engagement and remuneration of the, Executive Directors, Non-Executive Directors, and the Chief Executive Officer.
- Reviewing the terms and conditions of employment, along with the compensation of the, Executive Directors, Non-Executive Directors, and the Chief Executive Officer.
- Establishing and maintaining performance and market-oriented remuneration policies for the Executive Directors, members of the Management Board, Chief Executive Officer and employees.
- Addressing any corporate governance matters related to the Human Resources and Remuneration activities of UB Finance PLC.

Remuneration Policy

The Remuneration Policy is designed to attract and retain top talent by offering a competitive and fair compensation structure. It aligns remuneration with employee performance, fostering a culture of continuous improvement and commitment to the company's strategic goals. The policy aims to motivate employees to excel, uphold company values, and contribute to the company's long-term success.

Director's Remuneration

The total amount paid as Directors' remuneration during the year under review is set out in page 78 of the Annual Reports.



Prof. Ajantha Dharmasiri
Committee Chairman
Human Resources and Remuneration Sub-Committee
27th August 2025

Board Nomination and Governance Committee Report

Financial Year 2024/2025

Introduction

Under its Board approved Charter—and aligned with the guidelines of Central Bank of Sri Lanka (CBSL) Board Nomination & Governance Committee (BNGC) of UB Finance PLC comprises exclusively of non executive directors, and is chaired by an Independent Director. The Committee applies regulated fit and proper, independence, and diversity standards to recommend appointments of the Board and Chief Executive Officer (CEO); leads annual director performance/self evaluations and succession planning; tracks tenure to ensure no non executive exceeds nine years as of 31st March 2025. The Committee also ensures the formal separation of Chair and CEO roles as per CBSL Direction

Composition of the Committee as at 31st March 2025

Name of Director	Position
Prof. Ajantha Dharmasiri Independent Non-Executive Director (From 30th October, 2024 to date)	Chairman of the Committee
Mr. Mohan Ratnayake Independent Non-Executive Director (From 16th August, 2024 to 30th October, 2024)	
Mr. Malay Mukherjee Non-Independent Non-Executive Director (From 16th August, 2024 to 26th March, 2025)	Committee Member
Mr. Moahan Balendra Independent Non-Executive Director (16th August, 2024 to 26th March, 2025)	Committee Member
Mr. Sanjay Pokhrel (From 26th March, 2025 to date)	Committee Member
Mr. Mohan Ratnayake (From 30th October, 2024 to date)	Committee Member

Committee Meetings

In accordance with regulatory obligations and when a necessity arose, the Committee convened four times in the year under review. Details regarding the attendance of Committee members are stated on page 82 Director/Chief Executive Officer, Deputy General Manager (DGM) – Credit and Operations, Manager – Human Resources attended the meeting by invitation. The Company Secretary served as the Committee Secretary. The Board duly approved the recommendations presented by the Committee during the year under review.

The composition of the committee meets the requirement set out in the listing rules of the Colombo Stock Exchange. The profiles of the members are set out on pages 8 to 12

Guiding Principles

- BNGC's mandate is grounded in the Board approved Charter and CBSL Direction No 05/2024, establishing its formal authority and regulatory alignment

- Fully composed of non executive directors and chaired by an independent director to preserve impartial oversight over nominations and governance
- All candidates for the Board, CEO/DGM and key management must meet robust criteria on integrity, competence, independence, and compliance with regulatory provisions
- BNGC applies a formal, transparent procedure to identify, vet, recommend and reevaluate candidates (including re elections), standards led by Board Charter and the Directions of Central Bank of Sri Lanka, and ensures structured short, medium and long term succession plans are reviewed annually
- Enforces the regulatory limits of a maximum nine year service term and mandatory retirement by age 70, as per Directions of Central Bank of Sri Lanka

Key Objectives

The BNGC focuses on the following key objectives:

- Conduct a formal and transparent nomination and appointment process for new Board directors and senior management in accordance with the Governance Framework.
- Assess fitness, propriety, integrity and diversity of all candidates for Board and Key Responsible Person roles, as per Directions of the Central Bank of Sri Lanka
- Ensure optimal Board composition skill balance, diversity, independence and tenure limits to prevent dominance by any individual or group.
- Oversee succession planning for retiring/exiting directors and executives to maintain leadership continuity.
- Uphold compliance with statutory thresholds independent director quota, female representation and rigid separation between Chair and CEO roles.
- Provide transparent shareholder and market disclosure of Board and senior appointments and changes in line with CSE Listing Rules.
- Escalate material governance gaps (e.g. non compliance with tenure or independence criteria) to the Board for remediation.

Prof. Ajantha Dharmasiri
Committee Chairman
Board Nomination and Governance Committee
27th August 2025

Board Related Party Transaction Review Committee Report

UB Finance PLC (UBF) Board Related Party Transactions Review Committee (BRPTRC) was established in terms of Finance Business Act Direction No. 05 of 2021 on Corporate Governance and the Listing Rules of Colombo Stock Exchange (CSE). The main objective of the Committee, as set out in the Terms of Reference (TOR) of the Committee is to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties and the interest of shareholders as a whole are taken into account by the Company when entering into transactions with Related Parties.

COMPOSITION OF THE COMMITTEE

The BRPTRC is chaired by an Independent Non-Executive Director and all members of the Committee are also Independent Non-Executives Directors, which is in compliance with the respective regulations of the Central Bank of Sri Lanka (CBSL) and CSE Rules.

As of 31st March 2025, the members of the Committee were

Name of Director	Directorship	Membership in Committee
Mr. Sabry Ghouse	Independent Non-Executive Director	Chairman
Mr. Moahan Balendra	Independent Non-Executive Director	Member
Mr. Jayendra Sethukavalal	Independent Non-Executive Director	Member

The profiles of the Directors are given in pages 8 to 12

INVITEES

Director / Chief Executive Officer, Deputy General Managers, Head of Compliance, Risk Officer and other KRPs of the Company attend meetings by invitation.

SUMMARY OF THE “TERMS OF REFERENCE” (TOR) OF THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The TOR outlines the constitution and the composition of the Committee and the Committee ensures that the applicable regulations of the CBSL and CSE are adhered to.

In terms of the TOR of the RPTRC, the TOR is approved by the Board of Directors annually and if so required by the regulatory requirements and industry best practices, the TOR may be amended and approved by the Board prior to completion of one year from the date of last approval by the Board.

SCOPE OF THE OPERATIONS

The terms of reference serves as a guide for the RPTRC, with the understanding that the RPTRC may carry out additional functions and adopt such other policies and procedures as may be appropriate in light of changing regulatory requirements. The RPTRC will also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

Main Responsibilities of the Committee

(a) Identification of Potential Related Parties – The Committee will identify and define the Related Parties by considering the requirements of Listing Rules of Colombo Stock Exchange, Sri Lanka Financial Reporting Standards and the Directions issued by Central Bank of Sri Lanka.

(b) Review of the Related Party Transactions prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction, provided however, related party transactions as set out in rule No 9.14.10 in the CSE listing rule are exempted from the review of the Committee,

(c) Where necessary, the Committee shall request 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 should be obtained prior to entering into the relevant Related Party Transaction.

(d) The Committee shall recommend to the Board of Directors to obtain shareholder approval by way of a Special Resolution for Related Party Transactions as set out in rule No.9.14.6

(e) Monitor the timely disclosures made as required by different legislations with special reference to the Listing Rules of the Colombo Stock Exchange and CBSL regulations

ACTIVITIES DURING THE FY 2024/25

- Established a mechanism to obtain prior approval by the RPTRC of all related party transactions in compliance with the listing rules of the CSE & CBSL regulations
- Reviewed the Related Party Transactions reported to the Committee.



Sabry Ghouse
Committee Chairman
Board Related Party Transactions Review Committee
27th August 2025

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the Financial Statements of the Company in accordance with the provisions of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, Finance Business Act No. 42 of 2011 and the Rules of the Colombo Stock Exchange is set out in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditor's Report" given on pages 103 to 106 of the Annual Report.

The Directors confirm that the Financial Statements of the Company gives a true and fair view of the financial position as at 31 March 2025 and the financial performance for the financial year then ended and place the same before the Annual General Meeting. These Financial Statements comprises of Statement of Financial Position, Income Statement, Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash flows and Notes to the Financial Statements.

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

- The 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.

The Directors of the Company have responsibility for ensuring that the Company keeps proper books of accounts of all the transactions as per sections 150 (1) and 151 of the Companies Act No. 07 of 2007.

The Directors also ensured that the Company has 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 Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company has been certified by the Company's Assistant General Manager - Finance, the officer responsible for their preparation as required by section 150(1) (b) of the Companies Act No. 07 of 2007.

Financial Statements prepared and presented in this Annual 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, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Directors have taken appropriate steps to ensure that the Company maintains 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 (BAC). Interim Financial Statements published by the Company is also approved by the Board following a review by Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company in this regard give proper consideration to the establishment of an appropriate system of internal control for managing significant risks in the Company. The "Directors' Statement on Internal Control over Financial Reporting" is given on pages 94 to 95.

The Board of Directors also wish to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, it has prepared this Annual Report in time and ensured that it is released to the shareholders within the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

Messrs. KPMG, Chartered Accountants, the External Auditors of the Company, have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion in the "Independent Auditor's Report" which appears as reported by them on pages 103 to 106.

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 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

UB Finance PLC



Tharanga Nandasena
Company Secretary

DIRECTORS STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

RESPONSIBILITY

The Board of Directors ("Board") of UB Finance PLC ("Company") presents this report on internal control over financial reporting 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 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 process 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 ON 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 includes the following key features:

- The Board has established specialized 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.

- Key functional areas of the company are governed by policies/ charters that are approved by the Board. The board appointed committees review and recommend such policies/ charters before seeking the approval of the Board. Such policies/ charters are periodically reviewed, updated, and approved by the Board.
- Internal audits of the Company are conducted by the Group Internal Audit Department of Union Bank of Colombo PLC. The internal audit checks for compliance with policies and procedures and assesses the effectiveness of the internal control systems on an ongoing basis and highlights significant findings in respect to instances of non-compliance. Audits are carried out to ensure coverage of departments and branches in accordance with the annual audit plan approved by the Board Audit Committee (BAC). The frequency of audits and coverage is determined by the level of risk assessed. The annual audit plan is reviewed periodically by the BAC and the plan is aligned to suit the changes in the risk profile of the Company. Findings from the Internal Audit are submitted to the BAC for review at their periodic meetings.
- Information systems which support financial reporting are independently assessed by specialized information systems audit team of Group Internal Audit department to ensure confidentiality, integrity and availability triads are preserved to reinforce the confidence level of the data processing facilities.
- The Board Audit Committee reviews internal control issues identified by the Internal Audit Department, regulatory authorities, External Auditors and Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the "Board Audit Committee Report".
- A process has been set up to continuously monitor the internal control system over financial reporting to mitigate the risk of 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 internal audit department verifies the suitability of design and effectiveness of these procedures and controls on an ongoing basis.
- 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.

- The observations made by the External Auditors in connection with the internal control system during the financial year 2024/2025 will be taken into consideration and appropriate steps will be taken to address them as appropriate during the ensuing year.

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. KPMG , has reviewed the above Directors' Statement on Internal Control Over Financial Reporting for the year ended 31 March 2025 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal control over financial reporting of the Company.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

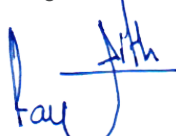
The Board of UB Finance PLC presents this report on compliance with prudential requirements, regulations, and laws, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

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.

There was no supervisory concern on lapses in the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the Monetary Board to give directions that they be disclosed to the public.



Jayendra Setukavalar
Chairman
Board Audit Committee
07th August 2025



Ransith Karunaratne
Director / Chief Executive Officer
07th August 2025

Independent Assurance Report on the Directors' Statement on Internal Controls



KPMG
(Chartered Accountants)
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THE BOARD OF DIRECTORS OF UB FINANCE PLC

Report on the Directors' Statement on Internal Control

We were engaged by the Board of Directors of UB Finance PLC ("the Company") to provide assurance on the Director's Statement on Internal Control Over Financial Reporting ("the Statement") included in the Annual Report for the year ended 31 March 2025.

Management's responsibility for the Statement on Internal Control

Management is responsible for the preparation and presentation of the Statement in accordance with the paragraph 16.1 (ix) of Finance Business Act Directions No. 05 of 2021 – Corporate Governance issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

Scope of the engagement in compliance with SLSAE 3051

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

Summary of work performed

Our engagement has been conducted to assess whether the Statement is both supported by the documentation prepared by or for Directors and appropriately reflects the process the Directors have adopted in reviewing the system of internal control for the Company.

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

- (a) Inquired the Directors to obtain an understanding of the process defined by the Board of Directors for their review of the design and effectiveness of internal control and compared their understanding to the Statement made by the Directors in the Annual Report.
- (b) Reviewed the documentation prepared by the Directors to support their Statement made.
- (c) Related the Statement made by the Directors to our knowledge of the Company obtained during the audit of the Financial Statements.

(d) Reviewed the minutes of the meetings of the Board of Directors and of relevant Board Committees.

(e) Attended meetings of the Audit Committee at which the Annual Report, including the Statement on Internal Control is considered and approved for submission to the Board of Directors.

(f) Considered whether the Director's Statement on Internal Control covers the year under review and that adequate processes are in place to identify any significant matters arising.

(g) Obtained written representations from Directors on matters material to the Statement on Internal Control where other sufficient appropriate audit evidence cannot reasonably be expected to exist.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the 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 judgment, having regard to our understanding of the nature of the Licensed Finance Company, the event or transaction in respect of which the Statement has been prepared.

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

Our conclusion

Based on the procedures performed, (which did not cover the "Statement On Prudential Requirements, Regulations and Law") nothing has come to our attention that causes us to believe that the Statement included on pages 94 to 95 of this Annual Report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control system over the financial reporting of the Company.

CHARTERED ACCOUNTANTS

Colombo

25th August 2025

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Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
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Principals : S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D. Corea Dharmaratne

Responsibility Statement of Chief Executive Officer and Chief Financial Officer

The Financial Statements of UB Finance PLC as of 31st March 2025 are prepared and presented in compliance with the following regulatory requirements:

- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
- Companies Act No. 7 of 2007 and amendments thereto.
- Finance Business Act No. 42 of 2011.
- Finance Leasing Act No. 56 of 2000.
- Directions, circulars and guidelines issued to licensed Finance Companies by the Central Bank of Sri Lanka.
- Listing Rules of the Colombo Stock Exchange (as amended).
- 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 and Accounting Policies adopted in the preparation of the Financial Statements are appropriate and have been consistently applied during the financial year under review. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have been disclosed and explained. Material Accounting Policies and estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Board Audit Committee.

There were no changes to the Accounting Policies and methods of computation since the publication of the Annual Report for the year ended 31st March 2024 except for certain improvements made to the Company's Expected Credit Loss models as part of the model validation process.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements to the best of our knowledge. Material estimates and judgment relating to the Financial Statements were made on a prudent and reasonable basis, in order to ensure that the Financial Statements reflected a true and fair view. The form and substance of transactions reasonably represent the Company's state of affairs. To ensure this, the Company has taken sufficient care in installing a system of Internal Controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated

on an ongoing basis. As we believe, the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly continued to adopt the Going Concern basis in preparing the financial statements.

The Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting. Further, the Board assessed the effectiveness of the Company's internal controls over financial reporting during the year ended 31st March 2025, as required by the Corporate Governance Direction on No. 5 of 2021, results of which is given on pages 94 to 95 of this Report, in the 'Directors Statement on Internal Controls'.

The Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants. The Report issued by them is available on pages 103 to 106 of the Annual Report. The audit and non-audit services provided by Messrs. KPMG are approved by the Board Audit Committee to ensure that the provision of such services does not impair the Auditor's independence and objectivity. 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 has complied with all applicable laws, rules, regulations and guidelines;
- There is no material litigation against the Company other than disclosed in Note 34.2 on pages 151 to 152 of the Financial Statements section of Annual Report;

- All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.



Asanka Melroy Galbadaarachchi
Assistant General Manager – Finance



Ransith Karunaratne
Director / Chief Executive Officer

Risk Management Report

Integrated Risk Management Report

UB Finance PLC (UBF) recognizes that a strong integrated risk management approach is essential to underpin the Company's sustainable growth strategy and its path to long-term success. The integrated risk management strategy aims to achieve an optimal balance between risk and return, ensuring that UBF maintains strong liquidity and capital positions while upholding high asset quality. The Company's focus encompasses key risk categories, including Strategic risk, Credit risk, Market risk, Liquidity risk, Operational risk, Technology Risk, Legal and Regulatory risk

Integrated Risk Management Framework

An organization - wide risk management framework facilitates to streamline the accountability for risks at all levels of the organization. Integrated Risk Management (IRM) often involves developing a common risk management framework that standardizes risk assessment methodologies, risk reporting, and risk mitigation strategies across the organization. This promotes consistency and transparency in how risks are identified, assessed, and managed. Key elements of the UBF Risk Management framework are as follows.

- Risk Governance and Management Structure
- Risk Appetite and Risk Tolerance
- Risk Management Methodology
- A Culture of Risk Awareness

UBF encourages collaboration and communication among different departments and levels of the organization. This ensures that risks are identified and addressed proactively, and that risk information flows effectively to decision-makers and stakeholders. Risk management enhances the understanding of the potential upside as well as the downside of the factors that can affect UBF. It increases the probability of success and reduces both the probability of failure and the level of uncertainty associated with achieving the objectives of the Company.

Risk Governance and Management Structure

The Board of directors (BOD) of UBF has ultimate responsibility for the level of risk taken by the Company. The BOD, either directly or through its committees ensure that decision- making is aligned with the Company's strategies, risk tolerance and risk appetite. The Board Integrated Risk Management Committee (BIRMC) oversees the risk management at UBF and approves key risk policies, limits, strategies, risk tolerance and risk appetite.

The Company's risk governance is based on three lines of defense calling for accountability, transparency and independent reporting. These three lines of defense operate under the guidelines issued by the Board of Directors defending the company against unacceptable risk exposures.

UBF has a comprehensive risk management framework, a designated risk management department and a risk manager, responsible for the implementation of the risk governance. The business units work closely with the Risk management department and are primarily responsible for managing the processes by implementing adequate internal controls in order to manage risks within set limits.

The Chief Risk Officer of the parent company; Union Bank of Colombo PLC (UBC), provides consultation in risk management where necessary. Furthermore, the Internal Audit function of the Company is also carried out by the Internal Audit Department of the Union Bank Group. The Internal Audit team reports independently to the Board (through the Board Audit Committee) on the effectiveness of the risk governance structure and risk management framework.



Chart 1: Risk Governance Structure of UBF

Risk Appetite and Risk Tolerance:

Risk Appetite of UBF defines its willingness to assume aggregate quantum of risk in different areas of the business in achieving its strategic objectives. Regulatory requirements, Strategic goals, Capital Adequacy and other prudential factors have been considered by the board in drawing up the risk appetite statement. Risk Tolerance of UBF specifies the acceptable level of risk exposure in quantitative or qualitative terms. It defines the maximum amount of risk UBF is willing to bear.

Risk appetites relating to quantifiable risks are generally communicated as limits or sub-limits to those who accept risks on behalf of the Company. Qualitative risk measures are communicated as guidelines and inferred from management business decisions. These risk appetite limits are monitored monthly and risk appetite limits are reviewed at least annually in line with risk management capacities, business opportunities, business strategy of UBF and regulatory specifications.

Risk Management Methodology:

Overall responsibility of the risk management of the Company rests with the Board of Directors. It is the duty of the senior management to transform strategic direction set by the Board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement the policies. Senior management of UBF ensures that policies are properly communicated down the line and embedded in the culture of organization.

Risk Management Methodology facilitates identification, measurement, monitoring and controlling of risk, which is the prime responsibility of the risk management function. Regular and ad-hoc reports are provided to the management committees and to the Board to take strategic decisions. Stress Testing is used to estimate the potential impact on earnings, capital and liquidity that can occur due to changes in different market conditions and other risk factors.

These findings assist in the decisions regarding credit risk appetite, market risk limits, capital and funding requirements. Risk Control Self-Assessment, Risk Registers, Key Risk Indicators, Branch audits are used to identify, measure and control operational risks. Risk Based Credit Scoring and Loan Review facilitate to monitor the Credit Risk.

Strategic Risk Management

Strategic risk is the possibility of negative impact on earnings arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. A comprehensive three-year strategic plan is in place with quantitative targets which is deliberated in detail at the Board Strategic planning committee which is then submitted to the BOD for final approval.

All strategic decisions taken by the Board and the corporate management have given due consideration to applicable laws and regulations, corporate governance requirements, ethics and industry best practices to improve the standards of decisions to mitigate risk.

The Board receives monthly updates on the variances against the budgets and the key risks of the Company. Further, management meetings are held at different management levels to review performance against the budgets and to decide on any corrective action if variances are identified.

Capital adequacy is a vital component of Strategic risk in the Banking and Finance industry. Capital adequacy measures the adequacy of the company's aggregate capital in relation to the risk it assumes. UBF has managed its Capital Adequacy Ratio above the regulatory requirements stipulated by the Central Bank of Sri Lanka. Internal Capital Adequacy Assessment Process is used to assess the adequacy of the economic capital to face the pillar I and pillar II risks identified by the company, from the normal to stress scenarios. Augmentation plan is developed thereafter to identify the means of raising capital if any capital shortfall happens.

Particulars	CBSL Requirement	FY 23/24	Jun -24	Sep - 24	Dec - 24	Mar - 25
Unimpaired Core Capital (Mn)	2,500	2,404	2,647	2,638	2,638	2,835
Tier 1 Capital Ratio, %	8.50%	30.47%	32.92%	30.45%	29.82%	28.72%
Total Capital Ratio, %	12.50%	30.47%	32.92%	30.45%	29.82%	28.72%

Table 1: Capital Adequacy Ratio

Credit Risk

Credit risk is the potential risk of suffering a financial loss as a result of a borrower or counterparty failing to meet its obligations in accordance with agreed terms. Credit risk takes the form of default risk and concentration risk and arises primarily from the lending portfolio. Risk management function of UBF is focused on setting acceptable credit standards for borrowers, sound portfolio risk management and continuous attention to changes in the economy or other circumstances that can lead to a deterioration in the credit standing of UBF's counterparties.

The highest authority in credit approval is vested with the Board of Directors. The Board Credit Committee has been delegated to regularly review the exposure limits of the Company to maintain credit quality and recommend appropriate measures to the Board.

UBF has formulated a comprehensive credit policy which plays a vital role in managing their daily lending activities. The policy defines the principles encompassing client selection, due diligence, and portfolio monitoring, in line with the Company's risk appetite. The credit policy has been reviewed regularly by the Board of Directors to ensure that it resonates with the overall Company strategy.

A structured and standardized credit approval process and a borrowers evaluation model is used to assess risk associated with credit proposals. UBF uses a comprehensive Internal risk rating module to rate the clients based on various evaluation criteria such as collateral, repayment capacity, CRIB history, debt service ratio etc. The rating model is used to assist the credit decision process and as a tool for risk-based pricing. Risk Department carries out the Loan Review Mechanism process to review the compliance with the lending criteria and communicate the findings to the respective approving authorities.

Credit risk is mitigated by obtaining collateral and guarantees as security and the accepted criteria is set by the policy. 97% of UBF's loan portfolio is asset backed. Periodic valuation and assessment of realizable value of collateral is carried out as per the regulatory requirement and when required, especially as a part of the recovery action.

UBF focuses on portfolio, sector and geographical concentration by setting internal tolerance limits. Moreover, UBF monitors the overall and collateral wise NPL ratios and the recovery process.

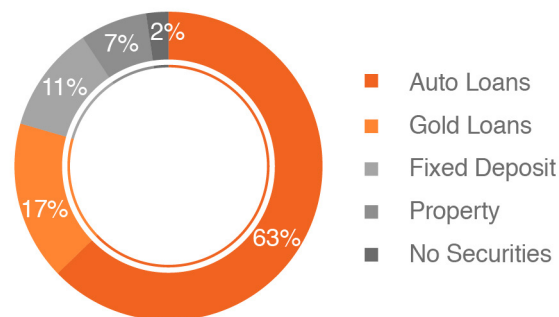


Chart 2: Collateral wise Exposure

Liquidity Risk

The liquidity risk arises when the Company is unable to honor its obligations when they fall due under normal or stressed circumstances. Liquidity risk cannot be seen in isolation, because it is often triggered as a consequence of other financial risks such as credit risk and market risk.

Managing liquidity risk is crucial to any finance institution given the inherent maturity mismatch between its assets and liabilities. UBF attempts to maintain a sustainable Liquid Assets Ratio (exceeding the CBSL requirement), Institutional deposit Ratio and Depositor concentration Ratio to control the liquidity risk at all instances.

Senior management of UBF follows sound procedures to mitigate liquidity risk while keeping the Board's strategic direction and risk appetite in consideration. The ALCO is in charge of overseeing the Company's total liquidity position and future cash flow requirements. A Board approved contingency funding plan is in place where contingency funding lines are kept available to face any unforeseen cashflow requirement.

Description	Jun-24	Sep-24	Dec-24	Mar-25	Regulatory Limit
Liquid Assets Ratio	28.88%	18.00%	17.71%	16.14%	10.00%

Table 2 : Liquid Asset Ratio

Market Risk

Market risk is the potential risk of losses in the Company's balance sheet positions arising from movements in market variables. Interest rate risk is key source of market risk at UBF. The lending, funding and investment activities give rise to the interest rate risk. UBF's primary source of funding is deposits which tend to be short to medium-term in nature, whereas the Company's main business, leasing, generally involves 5 to 6 years of lending. UBF operates in a predominantly fixed-rate lending environment while the majority of its liabilities are subject to frequent re-pricing due to short tenors. UBF continuously monitors the gap between interest bearing assets and interest-bearing liabilities to manage this risk efficiently.

Operational Risk

Operational risk is the direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is associated with human error, system failures and inadequate procedures and controls.

The Board IRMC oversees the implementation of the operational risk management framework. UBF operates with strong internal control mechanisms to minimize the operational risk. Contingency planning has been devised through a comprehensive Business Continuity Plan (BCP). Risk Department assesses the operational risk using operational loss events, Risk Control Self Assessments and Risk Based Branch visits. Key risk indicator reports and quarterly risk reports are submitted to the Board in a timely manner.

The Internal Audit Department of UBF conducts independent periodical reviews on all UBF branches and department operations to ensure that the control mechanisms are in place and reports are submitted on deviations with recommended improvements to the board audit committee. Additionally, UBF has an internal operational audit unit that reviews all the branches independently.

Technology Risk

Technology risk specifically refers to the potential for financial losses, operational disruptions, and damage to an organization's reputation due to failures or security breaches within its technology systems. Technology Risk is a part of the operational risk of UBF.

UBF is in the process of upgrading the Core Banking system and the IT infrastructure to strengthen the internal control system, to provide efficient service.

Regulatory & Legal risk

Regulatory risk is the loss that UBF may suffer due to non-compliance with the applicable laws, regulations, codes of conduct and standards of good practices. UBF has established an independent compliance function which is governed by the Board approved Compliance Charter. The compliance function works closely with business and operational units to ensure the consistent management of compliance risk. The Compliance officer directly reports to the BIRMC. In order to mitigate the regulatory risk, the Company's compliance with laws and regulations is regularly monitored and reported by the compliance officer to the Board on a monthly basis and to the IRMC on a quarterly basis. UBF regularly monitors the suspicious transactions and escalate the findings to CBSL when required.

Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against UBF. UBF's internal legal team takes necessary precautions in such events and takes immediate action to address and mitigate these risks. If required UBF obtains external legal advice to manage this risk.

A Culture of Risk Awareness:

UBF emphasizes creating a strong risk-awareness culture throughout the organization, where all employees understand their role in managing risks and are empowered to report potential risks or issues. Effective governance structures, including clear roles and responsibilities for risk management, are also critical components of creating the culture. Senior management of UBF ensures that policies incorporated in Integrated Risk Management Framework are properly communicated down the line and are embedded in the culture of organization.

Business line managers monitor that risk taking remains within limits set by senior management/ BOD. Any material exception to the risk management policies and tolerances are reported to the senior management/ BOD that in turn triggers appropriate corrective measures. These exceptions also serve as an input to judge the appropriateness of systems and procedures relating to risk management. Regular training sessions are conducted to branch managers and employees as a part of the risk awareness culture.

Continuous Improvement and Adaptation:

UBF embraces that risk management is agile and responsive to emerging risks and opportunities. Risk Management is not static; it requires continuous monitoring, evaluation, and adaptation to changing internal and external risk factors. Having embraced the fact, UBF is continuously improving and adapting the risk management practices.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UB Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2025, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

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.

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INDEPENDENT AUDITOR'S REPORT



Allowances for Expected Credit losses - loans and advances and finance lease receivable

Refer to note 2.3.6.1 (Accounting Policies) and note 15 to these Financial Statements.

Risk Description	Our response
<p>As at 31 March 2025, 79% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 9.5 Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 931Mn as at the reporting date.</p> <p>Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).</p> <p>SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward- looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. The Management exercises significant judgement when evaluating the economic scenarios used and the adequacy of post model adjustments. The Company's criteria selected to identify SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance be recorded.</p> <p>Additional subjectivity and judgement have been introduced in the Company's measurement of ECL due to the uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon.</p> <p>The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> Understanding and assessing the design and implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment. Assessing the reliability and appropriateness of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default exposure at default, discount rate, adjustments for forward looking information and other management adjustments and assessing the reasonableness of key management judgement. Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs to the models and assessed the appropriateness of other assumptions. We tested the completeness and accuracy of key inputs to the models and assessed the appropriateness of assumptions, particularly relating to the economic scenarios. Recalculating the amount of credit loss allowance for loans and advances and finance lease receivables to verify the accuracy of the calculation of credit loss allowance. We have involved our FRM specialist to: <ul style="list-style-type: none"> Assess the reasonability of the adjustments made by the Company to the forward looking macro- economic factors and assumptions used in the ECL model. Assess the logic and compilation of the overdue information of loans and advances, finance lease receivables. Assessing the adequacy of the appropriateness of related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards.

INDEPENDENT AUDITOR'S REPORT



Other matter

The financial statements of the Company as at and for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 26 June 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT



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

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

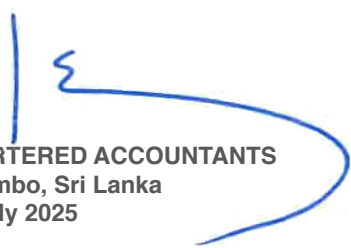
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

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 3707.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
05 July 2025

UB FINANCE PLC
INCOME STATEMENT
For the year ended 31 March

	Notes	2025 Rs.	2024 Rs.
Income	4	2,239,464,962	2,299,980,011
Interest Income	4.1	2,026,092,229	2,142,755,010
Interest Expenses	4.2	(1,113,982,950)	(1,399,295,601)
Net Interest Income		912,109,279	743,459,409
Fee and Commission Income	4.3	91,525,363	62,975,628
Fee and Commission Expenses	4.3	(30,705,290)	(17,230,755)
Net Fee and Commission Income		60,820,073	45,744,873
Other Operating Income (Net)	5	121,847,370	94,249,373
Total Operating Income		1,094,776,722	883,453,655
Impairment Charges on Loans and Advances	6	(85,885,638)	(46,871,789)
Impairment Charge on Non Financial Assets	6.2	(16,666,000)	(12,299,074)
Net Operating Income		992,225,084	824,282,792
Staff Costs	7	(348,756,757)	(291,447,248)
Depreciation of Property, Plant and Equipment	20.1	(41,940,366)	(29,679,070)
Amortization of Right of Use Assets	21	(35,894,133)	(29,722,231)
Amortization of Intangible Assets	19	(1,502,017)	(1,825,472)
Other Expenses	8	(382,438,887)	(332,403,710)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)		181,692,924	139,205,061
Value Added Tax on Financial Services (VAT on FS)		(90,165,483)	(68,181,629)
Social Security Contribution Levy (SSCL)		(12,522,984)	(9,469,670)
Profit/(Loss) Before Taxation		79,004,457	61,553,762
Tax Expense	9	(39,010,383)	(60,081,544)
Profit/(Loss) for the Year		39,994,074	1,472,218
Earnings per Share: Basic	10	0.013	0.001

The Accounting Policies and Notes on pages 112 through 173 form an integral part of these financial statements.

	Notes	2025 Rs.	2024 Rs.
Profit for the Year		39,994,074	1,472,218
Other Comprehensive Income not to be reclassified to Income Statement			
Gains on revaluation of land and buildings	20.1	-	66,657,500
Deferred Tax Charge impact on revaluation reserve	22	-	(19,997,250)
Fair value changes on financial assets measured at FVOCI	16.1.1	4,786,903	9,654,490
Deferred Tax Charge on Fair value changes on financial assets measured at FVOCI	22	(1,436,071)	(2,896,347)
Actuarial gains / (losses) on Post Employment Liability	29.1	(3,293,503)	136,631
Deferred Tax (Charge) /Reversal impact on above	22	988,051	(40,989)
Other Comprehensive Income for the Year, net of taxes		1,045,380	53,514,035
Total Comprehensive Income for the Year		41,039,454	54,986,253

The Accounting Policies and Notes on pages 112 through 173 form an integral part of these financial statements.

UB FINANCE PLC
STATEMENT OF FINANCIAL POSITION
As at 31 March


	Notes	2025 Rs.	2024 Rs.
Assets			
Cash in Hand and Balances with Banks	12	286,462,350	229,038,463
Financial Investments at Amortised Cost	13	877,702,548	2,130,830,049
Financial Investments at Fair Value through Profit or Loss	14	505,099,380	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	15	9,518,137,145	7,760,662,165
Financial Assets measured at Fair Value through Other Comprehensive	16	36,299,617	31,512,714
Investment in Real Estate	17	39,270,759	60,055,591
Other Assets	18	221,156,023	153,255,782
Intangible Assets	19	8,412,690	9,197,031
Property, Plant and Equipment	20	337,292,100	297,473,588
Right of Use Asset	21	222,485,950	231,778,836
Deferred Tax Assets	22	23,905,430	63,363,833
Total Assets		12,076,223,992	10,967,168,052
Liabilities			
Financial Liabilities at amortized cost			
Due to Banks	23	235,150,655	20,741,963
Due to Other Customers	24	7,160,617,321	7,527,533,959
Other Borrowed Funds	25	1,017,052,009	-
Financial Liabilities	26	210,457,745	269,741,764
Lease Liabilities	27	254,857,493	244,998,755
Other Non Financial Liabilities	28	58,703,474	66,129,537
Post Employment Liability	29	39,405,151	33,360,213
Total Liabilities		8,976,243,848	8,162,506,191
Equity			
Stated Capital	30	3,325,761,076	3,071,482,247
Statutory Reserve Fund	31	74,061,066	72,061,362
Fair Value Reserve		26,561,057	23,210,225
Revaluation Reserves		95,689,476	95,689,476
Regulatory Loss Allowance Reserve	32	142,438,631	281,020,661
Accumulated Loss	33	(564,531,162)	(738,802,110)
Total Shareholders' Equity		3,099,980,144	2,804,661,861
Total Equity and Liabilities		12,076,223,992	10,967,168,052

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Asanka Melroy Galbadaarachchi
Assistant General Manager - Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board;



Moahan Balendra
Director



Ransith Karunaratne
Director | Chief Executive Officer

The Accounting Policies and Notes on pages 112 through 173 form an integral part of these financial statements.

05 July 2025
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March

	Notes	Stated Capital	Statutory Reserve Fund	Fair Value Reserve	Revaluation Reserves	Regulatory Loss Allowance Reserves	Accumulated Profit/(Loss)	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2023		3,016,482,247	71,987,751	16,452,082	49,029,226	92,549,026	(551,824,724)	2,694,675,608
Issue of ordinary shares through the Initial Public Offering (IPO)		55,000,000	-	-	-	-	-	55,000,000
Profit for the year		-	-	-	-	-	1,472,218	1,472,218
Other Comprehensive Income (Net of deferred tax)		-	-	6,758,143	46,660,250	-	95,642	53,514,035
Transfer to regulatory loss allowance reserve	32	-	-	-	-	188,471,635	(188,471,635)	-
Transfer to Statutory Reserve	31	-	73,611	-	-	-	(73,611)	-
Balance as at 31 March 2024		3,071,482,247	72,061,362	23,210,225	95,689,476	281,020,661	(738,802,110)	2,804,661,861
Right Issue		254,278,829	-	-	-	-	-	254,278,829
Profit for the year		-	-	-	-	-	39,994,074	39,994,074
Other Comprehensive Income (Net of deferred tax)		-	-	3,350,832	-	-	(2,305,452)	1,045,380
Transfer to regulatory loss allowance reserve	32	-	-	-	-	(138,582,030)	138,582,030	-
Transfer to Statutory Reserve	31	-	1,999,704	-	-	-	(1,999,704)	-
Balance as at 31 March 2025		3,325,761,076	74,061,066	26,561,057	95,689,476	142,438,631	(564,531,162)	3,099,980,144

The Accounting Policies and Notes on pages 112 through 173 form an integral part of these financial statements.

UB FINANCE PLC
STATEMENT OF CASH FLOWS
For the year ended 31 March

	Notes	2025 Rs.	2024 Rs.
Cash Flow from Operating Activities			
Profit before Income Tax Expense		79,004,457	61,553,762
Adjustments For			
Depreciation of Property, Plant and Equipment	20	41,940,366	29,679,070
Amortization of Right of Use Assets	21	35,894,133	29,722,231
Amortization of Intangible Assets	19	1,502,017	1,825,472
Interest Expense on Borrowings	4.2	37,550,845	17,268,463
Interest Expense on Lease Liability	4.2	34,628,017	26,419,856
Impairment Charges on Loans and Advances	6.1	85,885,638	46,871,789
Impairment Charges on Non Financial Assets	6.2	16,666,000	12,299,074
Provision for Retirement Benefit Obligation	29.2	8,813,935	9,235,904
Profit on disposal of Property, Plant and Equipment	5	(2,814,999)	(1,495,779)
Fair Value Gain on Financial Investments at Fair Value through Profit or Loss		(5,099,380)	-
Gain on Modification of ROU Asset	21	-	(2,591,611)
Provision for Bonus		12,000,000	7,660,000
Dividend Received	5	(691,157)	(697,500)
Operating Profit Before Changes in Operating Assets and Liabilities		345,279,872	237,750,731
(Increase)/Decrease in Operating Assets			
(Increase)/Decrease in Financial Assets at Amortised Cost-Loans and Receivables		(1,843,360,619)	259,659,550
(Increase)/Decrease in Other Financial Assets		1,693,271	(3,670,627)
(Increase)/Decrease in Investment in Real Estate		4,118,831	3,162,406
(Increase)/Decrease in Other Non Financial Assets		(69,593,511)	(73,991,940)
		(1,907,142,028)	185,159,389
Increase/(Decrease) in Operating Liabilities			
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors		(366,916,638)	1,062,922,276
Increase/(Decrease) in Other Financial Liabilities		(71,186,755)	89,396,401
Increase/(Decrease) in Other Non Financial Liabilities		(7,426,063)	(33,956,054)
Cash generated from Operations		(445,529,456)	1,118,362,623
Interest Expense Paid		(54,341,767)	(43,688,319)
Retirement Benefit Liabilities Paid	29	(6,062,500)	(2,373,250)
Income Tax Paid		-	-
Net Cash Generated from/ (used in) Operating Activities		(2,067,795,879)	1,495,211,174
Cash Flow from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	20	(82,898,683)	(75,726,255)
Acquisition of Intangible Assets	19	(717,676)	(4,541,540)
Proceeds from Sale of Property, Plant and Equipment		3,857,542	2,380,000
Dividend Received	5	691,157	697,500
Net Cash from/(Used in) Investing Activities		(79,067,660)	(77,190,295)
Cash Flow from/(Used in) Financing Activities			
Loans Obtained during the year	23, 25	1,825,000,000	400,000,000
Loans Settled during the year	23	(631,250,000)	(855,041,855)
Lease Rentals Paid	21	(16,742,510)	(21,858,362)
Issues of Shares	30	254,278,829	55,000,000
Net Cash from/(Used in) Financing Activities		1,431,286,319	(421,900,217)
Net (Decrease) / increase in Cash and Cash Equivalents		(715,577,220)	996,120,662
Cash and Cash Equivalents at Beginning of the Year		2,339,126,549	1,343,005,887
Cash and Cash Equivalents at End of the Year		1,623,549,329	2,339,126,549
Reconciliation of Cash and Cash Equivalents			
Cash in Hand		43,461,230	38,720,578
Balances with Banks (Net of Overdraft)		202,385,551	169,575,922
Financial Investments at Fair Value Through Profit or Loss		500,000,000	-
Financial Investments at Amortised Cost		877,702,548	2,130,830,049
		1,623,549,329	2,339,126,549

The Accounting Policies and Notes on pages 112 through 173 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

UB Finance PLC (UBF) is a public limited liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No.51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007 on 26th December 2007. The Company being a Finance Company is also registered with the Central Bank of Sri Lanka under the Finance Business Companies' Act No. 42 of 2011 and Finance Leasing Act No.56 of 2000 of Sri Lanka.

Union Bank of Colombo PLC (Parent company) together with its US based strategic investment partner ShoreCap II acquired The Finance & Guarantee Co. Ltd. on 1st November 2011. The Company was restructured, rebranded & launched as UB Finance Co. Ltd. on 25 April 2012. On August 14, 2023, UBF was listed on the Colombo Stock Exchange and changed its name to UB Finance PLC. The Company's Registered Office / Head Office is currently located at No.10, Daisy Villa Avenue Colombo 04.

1.2 Parent Entity and the Ultimate Controlling Parties

The Company's immediate parent is Union Bank of Colombo PLC and ultimate controlling party is CG Corp Panama which is registered in Panama.

1.3 Principal Activities and Nature of Operations

As a Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka, the principle business activities of the Company include mobilizing fixed deposits and savings accounts, providing financial services such as lease, hire purchase and loan facilities, Gold Loan facilities, working capital activities such as factoring. The Company also deals in real estate and other investment and credit activities. Being the first finance company to be backed by a commercial bank in the private sector, UB Finance PLC is uniquely positioned to offer its customers "The versatility of a finance company backed by the strength of a bank".

1.4 Date of Authorization for Issue

The Financial Statements of UB Finance PLC for the year ended 31 March 2025 was authorized for issue in accordance with a resolution of the Board of Directors on 05 July 2025.

1.5 Director's Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of UB Finance PLC as per the requirements of the Sri Lanka Accounting Standards (LKAS/SLFRS) and the provision requirements of the Company Act No. 07 of 2007.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with Accounting Policies and notes (Financial Statements), as at 31 March 2025 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred as LKASs and SLFRSs) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Company Act No. 7 of 2007. In addition, the presentation of the financial statements complies with the requirements of the Finance Business Act No 42 of 2011, the Listing Rules of the Colombo Stock Exchange, and the guidelines issued by the Central Bank of the Sri Lanka (CBSL).

2.1.2 Basis of Measurement

The Financial Statements of the Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Financial assets measured at fair value through profit or loss (FVTPL).
- Financial assets measured at fair value through other comprehensive income (FVOCI).
- Lands and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts.
- Liabilities for defined benefit obligations are recognized using an actuarial technique (projected unit credit method).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.1 Basis of Preparation (Cont'd...)

2.1.3 Functional and presentation currency

The financial statements are presented in Sri Lankan rupees which is the currency of the primary economic environment in which the Company operates.

2.1.4 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 and operational requirements. The assessment is based on the business plan which contains future projections of profitability, regulatory capital requirements and funding needs.

The business plan showed that the Company has sufficient capital in place to support its future business requirements. Accordingly, the Directors concluded that there is reasonable expectation that the Company 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. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a Going Concern basis.

2.1.5 Presentation of financial statements

The Company presents their Statement of Financial Position by grouping assets and liabilities by nature and listing in order that reflects relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 36.20.3 to the financial statement.

2.1.6 Materiality and Aggregation

In compliance with 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, if they are material.

2.1.7 Offsetting

Financial Assets and Financial Liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard and as specifically disclosed in the accounting policies. During the year Company has not offset any financial assets and financial liabilities.

2.1.8 Comparative Information

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

During the year cashflows relating to real estate was reclassified from investing activities to operating activities (2024- Rs. 10,078,781/-).

2.1.9 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of Financial Statements'.

2.1.10 Changes in Material Accounting Policies

The Company has consistently applied the accounting policies set out in Notes 1 to 3 to all periods presented in these Financial Statements, except for the following which have been adopted during the reporting period:

- (i) **Presentation of the Statement of Cash Flows** – Change in presentation method from the Direct Method to the Indirect Method for the fair presentation.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company is in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised on and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows,

- Impairment of non-financial assets
- Estimating incremental borrowing rate
- Classification of financial assets and liabilities
- Fair value of financial instruments
- Allowance of impairment losses
- Useful life time of property, plant and equipment
- Useful life time of intangible assets
- Current taxation
- Deferred tax assets and liabilities
- Post employment benefits liability

2.3 MATERIAL ACCOUNTING POLICIES

2.3.1 Financial Instruments

Recognition and Initial Measurement

The Company initially recognizes lease receivable, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Day 01 Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a Day 01 Profit or Loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Profit or Loss when the inputs become observable, or when the instrument is de-recognised. The Day 01 Loss is arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

Classification and Subsequent Measurement of Financial Assets

As per SLFRS 09, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

2.3.1.1 Business model assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.1 Financial Instruments (Cont'd...)

2.3.1.1 Business model assessment (Cont'd...)

The Company'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 assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

2.3.1.2 The Solely Payment of Principal and Interest (SPPI) Test

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2.3.1.3 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 company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line. During the year Company has not reclassified any financial assets.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

2.3.1.4 Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a company 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.

2.3.1.5 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 different from the existing terms. This assessment considers whether the cash flows of the modified asset are different. Where terms are different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value.

Where an existing financial liability is replaced by another from the same lender on different terms or the terms of an existing liabilities are modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value.

The Contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

2.3.2 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 Company.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.2 Fair Value Measurement (Cont'd...)

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 Company 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. Management reviews 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.

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.

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.

Due to Customers

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 Customers is categorised within Level 3 of the hierarchy.

Due to Banks and Other Borrowed Funds

We estimate the fair value of bank borrowings and debt instruments using discounted cash flows and use the most recent

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.2 Fair Value Measurement (Cont'd...)

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 3 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.

2.3.3 Cash and Cash Equivalents

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.

2.3.4 Reverse Repurchased Agreements

Securities purchased under agreements to resell at a specified future date are not recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position net of impairment allowance, within "reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the Effective Interest Rate (EIR).

2.3.5 Financial Investments at Fair Value Through Profit or Loss

The Company classifies financial assets recognize 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.

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.

The Company classifies the Unit Trust Investments under this category.

2.3.6 Financial Assets at Amortized Cost

The Company only measures Loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

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

The company classified Reverse Repurchase, Treasury Bills, Loans and Advances to customers and other assets under this category (Refer Note 11).

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. The amortization is included in 'Interest income' and the losses arising from impairment are recognized in 'Impairment for loans and other losses' in the income statement.

2.3.6.1 Allowance for Impairment Losses

The measurement of impairment losses under SLFRS 09 across all categories of financial assets require judgement. These estimates are driven by number of factors and the changes of these factors can result in different levels of adjustments.

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles

The adoption of SLFRS 09 has fundamentally changed the Company'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 company has

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortized Cost (Cont'd...)

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles (Cont'd...)

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 (FVTPL), 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 company 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 company allocates loans into Stage 01, Stage 02, Stage 03 as described below;

Stage 01

When loans are first recognised, the company 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. Facilities which are within 30 days are in Stage 01.

Stage 02

When a loan has shown a significant increase in credit risk since origination, the company 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. Facilities which are within 31 to 90 days due are in Stage 02.

Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the Lifetime ECLs. Facilities which are more than 90 days due are in Stage 03.

Definition of Default and Credit Impaired Assets

The company considers loans and advances to customers be defaulted when the borrower is unlikely to pay its obligations to the company in full, without recourse by the company to actions such as realising security (if any is held) or the borrower becomes 90 days past due on its contractual payments.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Company's historical experience and expert credit assessment and including forward looking information.

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due.

The Company continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

While establishing significant credit deterioration, Company will consider the following criteria:

- Significant increase in credit risk on other financial instruments of the same borrower.
- Borrowers in sectors affected by the adverse macroeconomic environment, provided that it cannot be compensated by the underlying asset.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortized Cost (Cont'd...)

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles (Cont'd...)

- 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 financial difficulty of the borrower or issuer.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased and there are no assets.

2.3.6.3 Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Company 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.

2.3.6.4 Collective Impairment Assessment

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

The calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Company has used the LGD rates published by the Central Bank of Sri Lanka for retail loans as the related products have inadequate credit history to compute their own LGDs.

Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.

Forward looking information

The Company incorporates forward looking information (through economic factor adjustment) into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECL, the Company considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and when such information is not available, forecasts published by International Monetary Fund and World Bank have been used. In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs, such as:

Quantitative factors	Qualitative factors
GDP growth rate	Status of industry/business
Inflation	Government policies
Interest rate	Management Outlook
Unemployment Rate	Regulatory impact

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortized Cost (Cont'd...)

2.3.6.4 Collective Impairment Assessment (Cont'd...)

Scenario Probability Weightage applied in measuring Expected Credit Loss. The assigned probability weightage when measuring ECL for Best case, Base case and Worst cases are 10%, 10% and 80% (2024- 5%,20% and 75%).

Macro-economic factors information which was used in the ECL computation for the current year are 5 years average GDP: -1.1%, 5 years average of inflation: 14.9%, 5 years average of interest rate :12.7% and 5 years average of unemployment 5% (2024- -1.8%, 17.4%, 13.4% and 4.8% respectively).

Company has built the management overlay as follows;

Criteria	Impairment Calculated
Contracts in arrears over 6 years except property backed loans for the working Capital Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 4 years except property backed loans for the Auto Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 3 years and less than or equal to 4 years except property backed loans for the Auto Loans	Company has provided based on 1- recovery % of last 2 years which has been considered as management overlay.

The Company recognised Rs. 109,993,887/- as a management overlay during the year.

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-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Other Income' in the Income Statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Collateral Valuation

To the extent possible, the Company uses market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral such as real estate is valued based on data provided by third parties such as independent valuers, audited financial statements and other independent sources.

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.

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.6 Financial Assets at Amortized Cost (Cont'd...)

2.3.6.4 Collective Impairment Assessment (Cont'd...)

are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received.

2.3.7 Financial Investments at Fair Value Through Other Comprehensive Income

The Company classifies financial instruments under SLRS 09 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, and foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity Instruments

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the definition of Equity under 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 profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

The Company classifies Unquoted equity securities under this category (Refer Note 16). No strategic investments were disposed during the year, and there were no transfers of any cumulative gains or losses within equity relating to these investments.

2.3.8 Real Estate Property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate property and is measured at the lower of cost and net realizable value.

Cost includes:

- Freehold rights for land
- Amounts paid to contractors for developments
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs,

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of real estate property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.3.9 Other Assets

The Company classify all their other assets as 'Other financial assets' and 'Other non-financial assets'.

Refundable deposits are carried at the fair value. Advances and pre-payments are amortized during the period in which they are utilized and are carried at cost less provision for impairment.

The Day 1 difference is classified as 'Pre-paid staff cost' and is amortized over the loan period by using the EIR. The staff loans are subsequently measured at amortized costs.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.10 Property, Plant and Equipment

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 period. The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Measurement

Property, plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses if any. Initially property, plant and equipment are measured at its cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their 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 capitalized as part of that computer equipment.

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

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Other operating income" in the income statement in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized at each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation charges are determined separately for each significant part of an item of Property, plant and equipment and commence to depreciate when it is available for use. 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 de-recognized. Depreciation doesn't cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates of the assets by equal annual instalments are as follows.

Building	2.5%
Leasehold Improvements	10%
Computer and Equipment	25%
Furniture and Fittings	7.5%
Motor Vehicles	15%
Office equipment (Included under furniture & fittings)	15%

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.10 Property, Plant and Equipment (Cont'd...)

The asset's residual value, useful life and method of depreciation are reviewed at each statement of financial position date and adjusted prospectively, as changes in accounting estimates.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation Model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the income statement. A decrease in value is recognized in the income statement where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

The company revalues its land and buildings once every three years.

Useful lives of Property, Plant and Equipment

The Company reviews the assets' residual values, useful lives and methods of depreciation of Property, Plant and Equipment and intangible assets at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.3.11 Right of Use Assets

At the inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company use the definition of a lease as per SLFRS 16.

Company acting as a lessee

At commencement or modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its stand-alone price. However, for lease of branches the Company has elected not to separate non-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.11 Right of Use Assets (Cont'd...)

Lease payments included in the measurement of lease liability includes;

- Fixed payments.
- Variable lease payments that depend on an index or rate.
- Amount expected to be payable under residual value guarantee.
- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents the right-of-use asset and lease liabilities in the Statement of Financial Position as separate line item.

2.3.12 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 Company's intangible assets include the value of acquired computer software.

Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Software

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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, amortization and impairment

The company does not possess intangible assets with indefinite useful lives. Useful economic lives, amortization and impairment of finite intangible assets are described below:

Intangible assets with finite lives and amortization

Intangible assets with finite lives are amortized over the useful economic lives. The amortization period and the amortization method for an intangible asset with finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement as an expense.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.12 Intangible Assets (Cont'd...)

Estimated Useful Life of Intangible Assets with Finite Lives

Intangible	Amortization Period
Computer Software	Over 10 years from the date of Available to use

2.3.13 Impairment of non-Financial Assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the income statement. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

2.3.14 Deferred Tax Assets and Liabilities

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 assets are recognised for all taxable temporary differences.

Deferred tax assets are recognized 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 these deductible temporary differences, unused tax credits, and unused tax losses can be utilized, based on the probable future taxable income as per the Company's budget.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 relating to items recognized directly in equity are also recognized in equity and not in the income statement. 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.

Deferred tax assets are recognized 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 utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits as per the Company's budget, together with future tax planning strategies.

2.3.15 Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 09, the company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.15 Classification and Subsequent Measurement of Financial Liabilities (Cont'd...)

- 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.

2.3.15.1 Classification and Subsequent Measurement of Financial Liabilities at amortized cost

Financial liabilities issued by the Company that are not designated as fair value through profit or loss are classified as liabilities under 'due to banks', 'due to customers' and 'other borrowed funds' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments. The details of financial liabilities measured at amortized cost are given in Note 23-25 to the financial statements.

Due to Banks

Due to Banks include overdraft facilities, term loans, 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 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

Due to Customers

Due to depositors comprise of interest bearing savings deposits and fixed 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.

Other Borrowed Funds

Other borrowed funds include borrowings from banking and non-banking institutions. Other borrowed funds 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 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

2.3.16 Other Liabilities

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

2.3.17 Provisions

A provision is recognized if, as a result of a past event, the Company 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.3.18 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "Employee Benefits". The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Company, and other key measurement assumptions. Due to the long-term

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.18 Defined Benefit Plan (Cont'd...)

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 Company.

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 Benefits'. 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.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Actuarial gains and losses in the period in which they occur have been recognised in the Other Comprehensive Income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

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.

2.3.19 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 34 for more details on Commitments and Contingencies.

2.3.20 Gross Income

Gross Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria for each type of gross income are given under the specific income classifications.

2.3.21 Net interest Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company 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 Company recognizes interest income and interest expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.21 Net interest Income (Cont'd...)

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than non-performing assets (NPA). When a financial asset becomes non performing the Company suspends the accrual of interest. If the financial assets cures and is no longer non performing, the Company reverts to calculating interest income on a gross basis.

2.3.22 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

2.3.23 Fee and Commission Income

The Company earns fee and commission income from a diverse range of services provided to customers, including credit-related fees, service charges, and other transaction-based fees.

Fee and commission income is recognised in the Income Statement when the related service is performed. Income related to ongoing services is recognised over time, while income from one-time services is recognised at a point in time when the performance obligation is satisfied.

All fees and commissions are recognized in the Income Statement on a cash basis, except for yard fee income, which is recognized on an accrual basis.

2.3.24 Fee and commission expenses

All the fee and commission expenses are expensed as the services are received. Fee and commission expenses are recognized on an accrual basis.

2.3.25 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company is recognized as other operating income on accrual basis, such as profit on disposal of property, plant and equipment, gain from investments in real estate.

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 performance obligations are satisfied.

Revenue from the sale of real estate is recognized when the entity satisfies a performance obligation by transferring a promised good or service to the customer.

Dividend income is recognized when the Company's right to receive the payment is established.

Recovery of amounts written off as bad and doubtful debts is recognized on a cash basis.

2.3.26 Impairment Charge

The Company 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).

2.3.27 Personnel Expenses

Personnel expenses include salaries and bonus, terminal benefit charges, and other staff related expenses.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provisions for bonus is recognized if the Company has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.27 Personnel Expenses (Cont'd...)

Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Company's Employees' Provident Fund and the Employees' Trust Fund respectively.

Defined Benefit Plans

Contributions to defined benefit plans are recognized in the Income Statement based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 - 'Employee Benefits'.

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.

2.3.28 Depreciation and Amortisation

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 Company 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 2.3.10 and 2.3.11.

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 2.3.12.

2.3.29 Other Expenses

Other expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of 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. Provisions in respect of other expenses are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

2.3.30 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 (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provision related 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.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.31 Tax Expense

Income Tax

As per the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense / income is the aggregate amount included in determination of profits or loss for the year in respect of income tax and deferred tax. The tax expense/income is recorded in the Income Statement except to the extent it relates to items recognized directly in Equity or Statement of Profit or Loss and Other Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

Provision for the taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto and any adjustments to tax payable in respect to the previous years.

Note 09 represent the major components of income tax expense to the financial statements.

Other Taxes

Withholding Tax (WHT) on Deposit Interest Payments

In accordance with the Inland Revenue Act effective from 1 January 2024, the Company deducts a 5% Withholding Tax (WHT) at source on interest payments made to eligible deposit holders. The WHT is remitted to the Inland Revenue Department as required by law. Interest expenses reported in these financial statements are presented gross of WHT.

2.3.32 Earnings per Share (EPS)

The Company presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the net profit/(loss) 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. The Company does not have any potentially dilutive shares. Details of earnings per share are given in Note 10.

2.3.33 Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, 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 Company has identified four operating segments based on products and services, as follows:

- Auto Loan :
- Property Loan
- Gold Loans
- Others

Other segments include treasury instruments and fixed deposit-backed collateral securities etc.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements.

There were no transactions between reportable segments in 2024/25 or 2023/24.

Income taxes are accounted for at the Company level and are not allocated to the three primary operating segments. Expenses that cannot be directly attributed to a specific business segment are grouped under 'Other Segments'.

No revenue from transactions with a single external customer or counter party amounted to 10% or more of Company's total revenue in 2023/24 and 2024/25 financial years.

Details of segment reporting are given in Note 41.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3 MATERIAL ACCOUNTING POLICIES (Cont'd...)

2.3.34 Cash Flow Statement

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 and short-term liquid investments.

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE & NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective from 1 April 2025. No financial impact is expected on the Company except for additional disclosures.

- **SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures**
- SLFRS S1 General requirements for disclosure of sustainability related financial information

SLFRS S1 General Requirements for disclosure of sustainability related financial information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- SLFRS S2 Climate-related disclosures

SLFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

UB FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March

4. INCOME	2025 Rs.	2024 Rs.
Interest Income (Note 4.1)	2,026,092,229	2,142,755,010
Fee and Commission Income (Note 4.3)	91,525,363	62,975,628
Other Operating Income (Note 5)	121,847,370	94,249,373
	2,239,464,962	2,299,980,011

4.1 Interest income	2025 Rs.	2024 Rs.
Reverse Repurchased Agreements	17,564,515	5,986,100
Treasury Bills	111,467,435	378,095,697
Balances with banks	4,743,489	8,963,556
Unit Trusts	9,190,616	-
Loans and receivables to other customers	1,883,126,174	1,749,709,657
	2,026,092,229	2,142,755,010

4.2 Interest Expense	2025 Rs.	2024 Rs.
Due to banks	37,550,845	17,268,463
Due to customers	1,041,804,088	1,355,607,282
Interest Expenses to Lease Liabilities - SLFRS-16 (Note 27)	34,628,017	26,419,856
	1,113,982,950	1,399,295,601
Net interest income	912,109,279	743,459,409

4.3 Net Fee and Commission Income	2025 Rs.	2024 Rs.
Fee and Commission Income	91,525,363	62,975,628
Fee and Commission Expenses	(30,705,290)	(17,230,755)
Net fee and commission income	60,820,073	45,744,873

4.3.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major types of services.

	2025 Rs.	2024 Rs.
Fee income	56,571,413	46,506,653
Credit Related Fee & Commission	34,953,950	16,468,975
Service Charge	91,525,363	62,975,628

5. OTHER OPERATING INCOME	2025 Rs.	2024 Rs.
Dividend Income	691,157	697,500
Gain on Disposal of Property, Plant and Equipment	2,814,999	1,495,779
Operating Profit on Real Estate (Note 17.1)	14,608,519	6,916,375
Income on Write off Recoveries	34,006,729	24,263,407
Others	69,725,966	60,876,312
	121,847,370	94,249,373

6. IMPAIRMENT CHARGE ON LOANS AND ADVANCES	2025 Rs.	2024 Rs.
Impairment on Balance Sheet Exposure	85,885,638	68,620,105
Impairment on off Balance Sheet Exposure	-	(21,748,316)
	85,885,638	46,871,789

6. IMPAIRMENT CHARGE ON LOANS AND ADVANCES (Cont'd...)

6.1 Financials assets at amortized cost loans and advances to customers

	2025 Rs.	2024 Rs.
Stage 1	(5,420,007)	983,622
Stage 2	1,489,396	(91,399,715)
Stage 3	89,816,249	137,287,882
	85,885,638	46,871,789

6.2 Impairment charge on non financial assets

	2025 Rs.	2024 Rs.
Impairment charge on real estate	16,666,000	12,299,074
	16,666,000	12,299,074

7. STAFF COSTS

	2025 Rs.	2024 Rs.
Salaries	252,309,456	214,746,495
Employee benefit - defined contribution plans (EPF/ETF)	34,902,571	28,758,548
Employee benefit - defined benefit plans	8,813,935	9,235,904
Staff related expenses	33,727,072	36,312,158
Amortisation of Staff Loan Day 01 Difference	17,127,235	1,172,986
Others	1,876,488	1,221,157
	348,756,757	291,447,248

Provision for the defined benefit plans have been made based on the actuarial valuation carried out as at 31 March 2025. Refer note 29 for detailed disclosure and assumptions on the Post Employment Liability.

8. OTHER EXPENSES

	2025 Rs.	2024 Rs.
Directors' emoluments	10,370,000	5,901,750
Auditors' remuneration	3,450,000	2,400,000
Professional and legal expenses	12,467,862	19,231,775
Advertising & Marketing expenses	64,610,622	44,464,474
Deposit Insurance Premium	10,691,612	10,837,955
Office administration and establishment expenses	277,824,783	247,046,832
Others	3,024,008	2,520,924
	382,438,887	332,403,710

Sri Lanka Deposit Insurance Scheme

Under the Regulation No. 02 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 and Liquidity Support 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. 10,691,612/- as the premium of the said insurance scheme during the current financial year (2024 - Rs.10,837,955/-).

9. TAXATION

The components of income tax expense for the years ended 31 March 2025 are;

	2025 Rs.	2024 Rs.
Current Tax (Note 9.1)	-	-
Deferred tax charge to the Income Statement (Note 22)	39,010,383	60,081,544
Deferred tax charge on other comprehensive income (Note 22)	448,020	22,934,586
	39,458,403	83,016,130

9.1 Reconciliation of current income tax expense

	2025 Rs.	2024 Rs.
Profit Before Tax	79,004,457	61,553,762
Add: Disallowable Expenses	339,685,333	232,716,727
Less: Tax Deductible Expenses	(174,801,982)	(180,104,921)
Statutory Income	243,887,808	114,165,568
Less: Deductions under Section 32		
: Tax Losses claimed	(243,887,808)	(114,165,568)
Taxable Income/ Loss	-	-

9. TAXATION (Cont'd...)

9.1 Reconciliation of current income tax expense (Cont'd...)

	2025 Rs.	2024 Rs.
Tax expense for the year		
Tax provision	-	-
Deferred tax charge/ (reversal) of temporary differences	39,010,383	60,081,544
	39,010,383	60,081,544
Effective Tax Rate	49.38%	97.61%
Effective Tax Rate (Excluding Deferred tax)	0.00%	0.00%

Current year income tax expense has been recorded for on the taxable income at the rate of 30% (2024 - 30%).

9.2 Tax losses carried forward

	2025 Rs.	2024 Rs.
Tax losses brought forward	396,936,448	511,102,016
(Under)/Over utilization of tax losses for previous year	(61,273,105)	-
Tax losses utilized during the year	(243,887,808)	(114,165,568)
Tax losses carried forward	91,775,535	396,936,448

10. EARNINGS PER SHARE

10.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

10.2 The following reflects the income and share details used in the computation of the Basic Earning per Share.

Earnings per Share: Basic	2025 Rs.	2024 Rs.
Amount used as the numerator		
Profit after tax for the year attributable to equity holders (Rs)	39,994,074	1,472,218
No. of ordinary shares used as the denominator		
Weighted average number of ordinary shares (Note 10.2.1)	3,072,535,855	2,734,062,318
Basic earnings (loss) per share	0.013	0.001
Diluted earnings (loss) per share	0.013	0.001

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

	Outstanding No. of Shares		Weighted Average No. of Shares	
10.2.1 Weighted Average Number of Ordinary Shares for Basic EPS	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Number of shares in issue as at 1st April	2,754,687,318	2,699,687,318	2,754,687,318	2,699,687,318
Add : Number of shares issued through the Initial Public Offering (IPO)	-	55,000,000	-	34,375,000
Add : Number of shares issued under rights issue	423,798,049	-	317,848,537	-
Add : Bonus element of Bonus element on number of outstanding options under the rights issue	-	-	-	-
Number of shares in issue / weighted average number of shares as at 31st March	3,178,485,367	2,754,687,318	3,072,535,855	2,734,062,318

10. EARNINGS PER SHARE (Cont'd...)

10.2.2 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.

10.2.3 There were no potentially dilutive shares as at 31 March 2025, and there were no bonus elements involved in the rights issues as at the reporting date that would require a restatement of EPS.

11. MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of material accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

As at 31 March 2025	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
ASSETS				
Cash in Hand and Balances with Banks	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	-	-	877,702,548	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at amortised cost-loans and advances to customers	-	-	9,518,137,145	9,518,137,145
Financial Assets at fair value through other comprehensive income	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	5,702,715	5,702,715
Total Financial Assets	505,099,380	36,299,617	10,688,004,758	11,229,403,755

	Fair value through P&L Rs.	Amortised cost Rs.	Total Rs.
LIABILITIES			
Due to Banks	-	235,150,655	235,150,655
Due to other Customers	-	7,160,617,321	7,160,617,321
Other Borrowed Funds	-	1,017,052,009	1,017,052,009
Financial Liabilities	-	210,457,745	210,457,745
Lease Liabilities	-	254,857,493	254,857,493
Total Financial Liabilities	-	8,878,135,223	8,878,135,223

As at 31 March 2024	Fair value through P&L Rs.	Fair value through OCI Rs.	Amortised cost Rs.	Total Rs.
ASSETS				
Cash in Hand and Balances with Banks	-	-	229,038,463	229,038,463
Financial Investments at amortised cost	-	-	2,130,830,049	2,130,830,049
Financial investments at fair value through profit or loss - measured at fair value	-	-	-	-
Financial Assets at amortised cost-loans and advances to customers	-	-	7,760,662,165	7,760,662,165
Financial Assets at fair value through other comprehensive income	-	31,512,714	-	31,512,714
Investments in Fixed Deposits	-	-	-	-
Other Financial Assets	-	-	7,395,986	7,395,986
Total Financial Assets	-	31,512,714	10,127,926,663	10,159,439,377

11. MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd...)

LIABILITIES	Fair value through P&L Rs	Amortised cost Rs.	Total Rs.
Due to Banks	-	20,741,963	20,741,963
Due to other Customers	-	7,527,533,959	7,527,533,959
Other Borrowed Funds	-	-	-
Financial Liabilities	-	269,741,764	269,741,764
Lease Liabilities	-	244,998,755	244,998,755
Total Financial Liabilities	-	8,063,016,441	8,063,016,441

12. CASH IN HAND AND BALANCES WITH BANKS

	2025 Rs.	2024 Rs.
Cash in hand	43,461,230	38,720,578
Cash at Banks	243,001,120	190,317,885
	286,462,350	229,038,463

13. FINANCIAL INVESTMENTS AT AMORTIZATION COST

	2025 Rs.	2024 Rs.
Securities under Reverse Repurchase Agreements	203,451,307	100,789,761
Investment in Treasury Bills	674,251,241	2,030,040,288
	877,702,548	2,130,830,049

14. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 Rs.	2024 Rs.
Investment in Units		
Balance as at 1 April	-	-
Purchased during the year	1,275,000,000	-
Withdrawn during year	(775,000,000)	-
Fair value gain/(loss)	5,099,380	-
Balance as at 31 March	505,099,380	-

15. FINANCIAL ASSETS AT AMORTIZATION COST - LOANS AND ADVANCES TO CUSTOMERS

	2025 Rs.	2024 Rs.
Gross loans and receivables (Note 15.1)	10,449,577,561	8,696,461,814
Add/ (Less): Impairment for Loans and Advances - Individual (Note 15.4)	(369,742,970)	(397,238,687)
Add/ (Less): Impairment for Loans and Advances - Collective (Note 15.4)	(561,697,446)	(538,560,962)
Net loans and receivables	9,518,137,145	7,760,662,165

The net loans and receivables includes the modified contracts of Rs 724.08 Mn (Gross Loans- Rs 744Mn; Impairment- Rs 19.92Mn)

15.1 Stage wise classification of gross loans and receivables

	2025 Rs.	2024 Rs.
Stage 1	7,722,744,080	5,039,668,782
Stage 2	1,144,601,778	1,387,625,874
Stage 3	1,582,231,703	2,269,167,158
	10,449,577,561	8,696,461,814

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.2 Gross Loans and Receivables from customers - By Product

	2025 Rs.	2024 Rs.
Leasing / Hire Purchase	4,095,938,264	3,388,028,253
Term loans	3,151,648,222	3,021,006,597
Easy Draft	1,209,827,058	839,916,428
Gold Loans	1,742,156,410	1,193,860,868
Factoring & Cheque Discounting	229,584,622	233,623,524
Housing Loans	20,422,985	20,026,144
	10,449,577,561	8,696,461,814

15.2.1 Maturities of Loans and Receivables from customers

	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
As at 31st March 2025				
Loans and Receivables	5,457,507,349	4,960,215,900	31,854,312	10,449,577,561
As at 31st March 2024				
Loans and Receivables	4,774,236,262	3,868,201,263	54,024,289	8,696,461,814

15.3 Gross Loans and Receivables to other customers - By Industry

	2025 Rs.	2024 Rs.
Services including Bank, finance and Insurance	3,760,852,501	2,807,097,779
Trading and Manufacturing	2,450,440,799	1,873,464,378
Construction and Transport	1,639,850,822	930,827,880
Agriculture	766,196,383	473,902,282
Other	1,832,237,056	2,611,169,495
	10,449,577,561	8,696,461,814

15.4 Movements in Impairment for Loans and Advances

	2025 Rs.	2024 Rs.
Individual impairment charges		
Balance as at 01 April	397,238,687	277,556,472
Charge to income statement	62,749,154	190,196,784
Impairment charge/(reversals) on loan write off *	(90,244,871)	(70,514,569)
Balance as at 31 March	369,742,970	397,238,687
Collective impairment charges		
Balance as at 01 April	538,560,962	660,137,640
Charge/(Reversal) to income statement	23,136,484	(121,576,678)
Balance as at 31 March	561,697,446	538,560,962

Loans & Advances with the contractual amount of Rs. 85,611,793/- written off during the year ended 31 March 2025 are being considered for enforcement activities.

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.5 Stagewise Movement of Gross Loans and Receivables

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	5,039,668,782	1,387,625,874	2,269,167,158	8,696,461,814
Transfers from Stage 1	(343,408,296)	289,213,751	54,194,545	-
Transfers from Stage 2	173,730,091	(246,666,657)	72,936,566	-
Transfers from Stage 3	17,865,962	28,748,933	(46,614,895)	-
Originated during the year	5,543,983,531	597,384,177	74,930,788	6,216,298,496
Settled during the year	(2,709,095,990)	(911,704,300)	(752,137,587)	(4,372,937,877)
Amounts written off	-	-	(90,244,872)	(90,244,872)
Balance as at 31 March	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	4,020,468,178	2,071,320,906	2,934,846,849	9,026,635,933
Transfers to Stage 1	229,769,657	(184,440,697)	(45,328,960)	-
Transfers to Stage 2	(316,442,365)	400,379,211	(83,936,846)	-
Transfers to Stage 3	(62,985,549)	(224,847,482)	287,833,031	-
Originated during the year	4,215,794,013	420,184,901	191,174,649	4,827,153,563
Settled during the year	(3,046,935,152)	(1,094,970,964)	(944,906,996)	(5,086,813,113)
Amounts written off	-	-	(70,514,569)	(70,514,569)
Balance as at 31 March	5,039,668,782	1,387,625,874	2,269,167,158	8,696,461,814

15.6 Stagewise Movement of Impairment

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	64,808,965	48,661,006	822,329,678	935,799,649
Transfers from Stage 1	(7,371,813)	5,470,043	1,901,770	-
Transfers from Stage 2	2,384,662	(5,051,217)	2,666,554	-
Transfers from Stage 3	398,381	1,100,675	(1,499,056)	-
Additions/(recovered) during the year	(831,237)	(30,105)	86,746,981	85,885,639
Amounts written off	-	-	(90,244,872)	(90,244,872)
Balance as at 31 March	59,388,959	50,150,402	821,901,055	931,440,416

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	369,742,970	369,742,970
Collective Impairment	59,388,958	50,150,402	452,158,086	561,697,446
Total	59,388,958	50,150,402	821,901,056	931,440,416

As at 31 March 2024	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	62,437,399	134,407,985	740,848,728	937,694,112
Transfers to Stage 1	4,925,834	(4,064,686)	(861,149)	-
Transfers to Stage 2	(8,010,806)	10,329,948	(2,319,142)	-
Transfers to Stage 3	(3,353,221)	(20,929,769)	24,282,990	-
Additions/(recovered) during the year	8,809,760	(71,082,472)	130,892,819	68,620,106
Amounts written off	-	-	(70,514,569)	(70,514,569)
Balance as at 31 March	64,808,965	48,661,006	822,329,678	935,799,649

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	397,238,687	397,238,687
Collective Impairment	64,808,965	48,661,006	425,090,991	538,560,962
Total	64,808,965	48,661,006	822,329,678	935,799,649

15. LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.7 Loans and Receivables Include Loans Granted to Employees, Day 1 Prepaid Amortization Movement as Follows;

	2025 Rs.	2024 Rs.
Balance as at 01 April	20,066,103	18,893,118
Loans granted during the year	5,810,400	21,080,641
Amortization during the year	(17,127,235)	(19,907,656)
Balance as at 31 March	8,749,268	20,066,103

15.8 Sensitivity analysis of allowance for impairment losses

The Company has estimated the impairment provision as at 31 March 2025 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 2025 to a reasonably possible change in Probability of Defaults (PDs) and Loss Given Defaults (LGDs) are demonstrated in the following table.

Changed Criteria	Changed Factor	Sensitivity Effect on Statement of Financial Position [Increase/(Decrease)] in Impairment Provision				Sensitivity Effect on Income Statement
		Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Stage 4 Rs.	Rs.
As of 31 March 2025						
Loss Given Default (LGD)	Increase by 1%	6,770,144	5,570,539	5,597,424	17,938,107	17,938,107
Probability of Default (PD)	Increase by 1%	4,116,378	1,245,873	-	5,362,251	5,362,251
Economic Factor Adjustment (EFA)	Increase by 1%	3,382,419	610,412	-	3,992,831	3,992,831
As of 31 March 2024						
Loss Given Default (LGD)	Increase by 1%	6,276,834	4,103,669	14,376,966	24,757,469	24,757,469
Probability of Default (PD)	Increase by 1%	1,145,518	290,693	-	1,436,211	1,436,211
Economic Factor Adjustment (EFA)	Increase by 1%	539,257	357,214	-	896,471	896,471

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 Rs.	2024 Rs.
Equity securities		
Unquoted (Note16.1)	36,299,617	31,512,714
	36,299,617	31,512,714

	2025			2024		
	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
16.1 Unquoted Investments						
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings (Pvt) Ltd	22,500	15,425,321	36,098,717	22,500	15,425,321	31,311,814
		15,626,221	36,299,617		15,626,221	31,512,714

16.1.1 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

	2025 Rs.	2024 Rs.
Balance as at 1 April	31,311,814	21,657,324
Remeasurement Recognised in Other Comprehensive Income	4,786,903	9,654,490
Balance as at 31 March	36,098,717	31,311,814

The Company received dividend income of Rs. 691,157/- from during the year (2024: Rs. 697,500/-).

16.1.1 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy (Cont'd...)

	2025 Rs.	2024 Rs.
CEG Education Holdings (Pvt) Ltd	675,000	697,500
Credit Information Bureau	16,157	-
	691,157	697,500

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.

16.1.2 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Unquoted Investments

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value
Net Assets Method	Net asset per share	Estimated fair value would increase/(decrease) if ; Net Assets per share value would increase/(decrease) as a result of changes in profit.

17. INVESTMENT IN REAL ESTATE

	2025 Rs.	2024 Rs.
Land		
Balance as at 01 April	21,297,909	23,460,315
Disposals	(4,118,831)	(2,162,406)
Total Cost	17,179,078	21,297,909
Less : Allowance for impairment	(3,300,410)	(3,300,410)
Balance as at 31 March	13,878,668	17,997,499
Housing Projects		
Balance as at 01 April	4,875,190	4,875,190
Disposals	-	-
Total Cost	4,875,190	4,875,190
Less : Allowance for impairment	(2,899,969)	(2,899,969)
Balance as at 31 March	1,975,221	1,975,221
Other Projects		
Balance as at 01 April	170,492,900	170,492,900
Disposals	-	-
Total Cost	170,492,900	170,492,900
Less : Allowance for impairment	(147,076,030)	(130,410,029)
Balance as at 31 March	23,416,870	40,082,871
Balance as at 31 March	39,270,759	60,055,591

17.1 Operating profit on Real Estate

	2025 Rs.	2024 Rs.
Sales proceeds during the year	18,727,350	10,078,781
Carrying amount of disposal	(4,118,831)	(2,162,406)
Proceeds transferred to JV provision	-	(1,000,000)
Operating Profit	14,608,519	6,916,375

18. OTHER ASSETS

	2025 Rs.	2024 Rs.
Other Financial Assets		
Other Financial Assets	5,702,715	7,395,986
Other Non Financial Assets		
Advances	137,949,363	91,033,453
Deposits and Prepayments	61,086,006	38,625,195
Other Tax Receivable	16,417,939	16,201,148
Other financial assets include refundable deposits.	221,156,023	153,255,782

19. INTANGIBLE ASSETS

	2025 Rs.	2024 Rs.
Cost		
Balance as at 01 April	36,686,621	32,145,081
Additions	717,676	4,541,540
Balance as at 31 March	37,404,297	36,686,621
(Less): Amortisation of Intangible Assets		
Balance as at 01 April	27,489,590	25,664,118
Amortisation for the year	1,502,017	1,825,472
Balance as at 31 March	28,991,607	27,489,590
Net book value at 31 March	8,412,690	9,197,031

19.1 Fully amortized Intangible assets

Company continues to use Intangible asset which are fully amortized amounting to Rs. 23,297,766/- as at 31 March 2025. (2024-Rs.20,526,877/-).

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.

20. PROPERTY, PLANT AND EQUIPMENT

20.1 Property, Plant and Equipment

As at 31 March 2025	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024	178,400,000	84,676,868	64,372,471	113,135,038	83,663,397	524,247,774
Additions	-	44,095,157	5,851,922	21,051,604	11,900,000	82,898,683
Disposals	-	-	-	(144,190)	(14,500,000)	(14,644,190)
Write off	-	(80,000)	-	(246,400)	-	(326,400)
Balance as at 31 March 2025	178,400,000	128,692,025	70,224,393	133,796,052	81,063,397	592,175,867
(Less): Accumulated depreciation	4,665,753	56,345,727	47,435,623	73,021,036	45,306,047	226,774,186
Balance as at 01 April 2024	1,099,530	10,129,302	6,530,601	11,702,282	12,478,651	41,940,366
Charge for the year	-	(4,137)	-	(70,277)	(13,756,371)	(13,830,785)
Disposals	5,765,283	66,470,892	53,966,224	84,653,041	44,028,327	254,883,767
Balance as at 31 March 2025	172,634,717	62,221,133	16,258,169	49,143,011	37,035,070	337,292,100
Net book value as at 31 March 2025						
As at 31 March 2024						
Cost or Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2023	111,742,500	63,263,770	54,718,140	97,889,413	64,943,397	392,557,220
Additions	-	21,413,098	14,304,491	16,388,666	23,620,000	75,726,255
Revaluation*	66,657,500	-	-	-	-	66,657,500
Disposals	-	-	(4,709,860)	(971,341)	(4,900,000)	(10,581,201)
Write off	-	-	59,700	(171,700)	-	(112,000)
Balance as at 31 March 2024	178,400,000	84,676,868	64,372,471	113,135,038	83,663,397	524,247,774
(Less): Accumulated depreciation	3,997,914	51,884,478	47,411,363	64,866,480	38,631,861	206,792,096
Balance as at 01 April	667,839	4,461,249	4,732,177	9,095,197	10,722,608	29,679,070
Charge for the year	-	-	(4,707,917)	(940,641)	(4,048,422)	(9,696,980)
Balance as at 31 March	4,665,753	56,345,727	47,435,623	73,021,036	45,306,047	226,774,186
Net book value as at 31 March 2024	173,734,247	28,331,141	16,936,848	40,114,002	38,357,350	297,473,588

* : The land and buildings were revalued during the financial year 2023/2024 by a professionally qualified independent valuer. The revaluation gain of Rs 66,657,500/- was recorded in the land and building value.

20. PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.2 Net Book Values - At Cost Model

Carrying value of revalued assets if measured at historical cost net of depreciation as follows;

	2025 Rs.	2024 Rs.
Land and Buildings	46,157,643	47,257,173
	46,157,643	47,257,173

20.3 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 82,898,683/- (2024- Rs.192,226,026/-)

20.4 Fair Valuation Process and Key Valuation Assumptions

The company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. The Company 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.

20. PROPERTY, PLANT AND EQUIPMENT (Contd...)**20.4 Fair Valuation Process and Key Valuation Assumptions (Contd....)**

As at 31 March		2025					2024	
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.)	Net Book Value (Rs.)	Fair Value as a % of Net Book Value
Negombo	Contractor's Method							
No 539, Colombo Road, Kurana, Negombo	Price per Perch Price per Square Feet	Rs 4,000,000 p.p Rs 6,000 p.sq.ft	1	10.00	5,030	70,000,000	64,234,717	109
Battaramulla	Contractor's Method							
No 919/1D, Electricity Board Road, Battaramulla	Price per Perch	Rs 2,500,000 p.p	-	11.75	-	18,400,000	18,400,000	100
Piliyandala	Contractor's Method							
No 226, J. D. Salaman Mawatha, Bokundara	Price per Perch	Rs 750,000 p.p	-	120.00	-	90,000,000	90,000,000	100
						178,400,000	172,634,717	103

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2025 by Vlr. D Jayawardana. AIV (Sri Lanka), B.Sc. Estate Mgt & Valuation (Special) Incorporated Valuer. Contractor's Test Method and Valuation on Investment Method have been used for the valuation.

Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

20. PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.4 Fair Valuation Process and Key Valuation Assumptions (Contd...)

20.4.1 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Property, Plant and Equipment of the Company

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value
Contractor's Test Method		
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.	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)
Investment method		
This method involves the capitalisation of the expected rental income over a specific period of time which is derived from the real estate market.	Gross Annual Rentals	Estimated fair value would increase (decrease) if; Gross Annual Rentals would be higher/lower

20.5 There were no restrictions on the title of the property, plant and equipment as at the reporting date.

20.6 There were no significant temporarily idling assets as at 31 March 2025.

20.7 Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 131,938,213/- as at 31 March 2025 (2024 - Rs. 104,933,392/-).

20.8 There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

20.9 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.

21. Right-of-Use Assets

	Statement of Financial Position	
	2025 Rs.	2024 Rs.
Cost		
Balance as at 01 April	317,002,844	220,343,024
Additions during the Year	26,601,247	116,499,771
Terminations during the Year	-	(19,839,951)
Balance as at 31 March	343,604,091	317,002,844
(Less): Accumulated Depreciation		
Balance as at 01 April	85,224,008	72,750,117
Charge for the year	35,894,133	29,722,231
Termination during the Year	-	(17,248,340)
Balance as at 31 March	121,118,141	85,224,008
Net Book Value	222,485,950	231,778,836
Amounts Recognised in Income Statement		
Depreciation expense on Lease Assets	35,894,133	29,722,231
Interest Expense on Lease Liabilities	34,628,017	26,419,856
Amounts Recognised in Statement of Cash Flows		
Lease Rentals Paid -Capital	16,742,510	21,858,362
Lease Rentals Paid -Interest	34,628,017	26,419,856

22. DEFERRED TAXATION

22.1 Movement of Deferred Tax Assets/(Liabilities)

	2025 Rs.	2024 Rs.
Balance as at beginning of the year	63,363,833	146,379,963
Deferred tax (charged)/reversed recognised in Income Statement	(39,010,383)	(60,081,544)
Deferred Tax charged to the Other Comprehensive Income (Note 22.1.1)	(448,020)	(22,934,586)
Balance as at the year end	23,905,430	63,363,833

22.1.1 Deferred Tax charged to the Other Comprehensive Income

	2025 Rs.	2024 Rs.
Deferred tax (charge)/reversal on actuarial gains/(losses) on Defined Benefit Plans	988,051	(40,989)
Deferred tax charge on fair value changes on financial assets measured at FVOCI	(1,436,071)	(2,896,347)
Deferred Tax Charge impact on revaluation reserve	-	(19,997,250)
	(448,020)	(22,934,586)

22.2 Composition of Deferred Tax Assets and Liabilities

	As at 31 March 2025		As at 31 March 2024	
Statement of Financial Position	Temporary Difference Rs.	Deferred Tax Effect Rs.	Temporary Difference Rs.	Deferred Tax Effect Rs.
Deferred Tax Assets				
Carried forward retained loss	91,735,532	27,520,660	247,267,456	74,180,237
Impairment allowance	96,989,580	29,096,874	102,714,684	30,814,405
Defined Benefit Plans	39,405,151	11,821,545	33,360,213	10,008,064
Right of use assets	36,198,824	10,859,647	19,889,201	5,966,760
Bonus Provision	13,763,370	4,129,011	-	-
	278,092,457	83,427,737	403,231,554	120,969,466
Deferred Tax Liability				
Property Plant and Equipment	(34,285,868)	(10,285,760)	(31,862,516)	(9,558,755)
Intangible Assets	(1,031,056)	(309,318)	(877,966)	(263,390)
Revaluation Reserve	(126,791,147)	(38,037,344)	(126,791,147)	(38,037,343)
Fair Value Reserve	(36,299,618)	(10,889,885)	(31,311,814)	(9,393,544)
Capital Allowance on Lease Assets	-	-	(1,175,335)	(352,601)
	(198,407,689)	(59,522,307)	(192,018,778)	(57,605,633)
Net Deferred Tax Assets	79,684,768	23,905,430	211,212,776	63,363,833

22.2 Composition of Deferred Tax Assets and Liabilities (Contd..)

Deferred tax assets and liabilities are measured at the tax rate of 30% (2024-30%).

Tax losses for which no deferred tax asset was recognised expire as follows.

	2025	Expiry date	2024	Expiry date
Expire	-	-	149,668,992	2023-2024
Never expire	-	-	-	-

23. DUE TO BANKS

	2025 Rs.	2024 Rs.
Bank Overdraft	40,615,569	20,741,963
Bank Borrowings (Note 23.1)	194,535,086	-
	235,150,655	20,741,963

23.1 Movement

	As at 01 April 2024	Loan Obtained	Interest Recognised	Repayment Capital	Interest	As at 31 March 2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
DUE TO BANKS						
Commercial Bank of Ceylon PLC	-	225,000,000	10,003,281	31,250,000	9,218,195	194,535,086
Union Bank of Colombo PLC	-	600,000,000	2,728,026	600,000,000	2,728,026	-
	-	825,000,000	12,731,307	631,250,000	11,946,221	194,535,086

23.2 Maturity

	2025			2024		
	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.
Bank Borrowings	75,785,086	118,750,000	194,535,086	-	-	-
	75,785,086	118,750,000	194,535,086	-	-	-

24. DUE TO OTHER CUSTOMERS

	2025 Rs.	2024 Rs.
At amortised cost (Note 24.1)	7,160,617,321	7,527,533,959
	7,160,617,321	7,527,533,959

24.1 Due to Other Customers - By Product

	2025 Rs.	2024 Rs.
Savings deposits	9,808,866	6,888,372
Fixed deposits	7,150,808,455	7,520,645,587
	7,160,617,321	7,527,533,959

25. OTHER BORROWED FUNDS

	2025 Rs.	2024 Rs.
Borrowings from Financial Institutions (Note 25.1)	1,017,052,009	-
	1,017,052,009	-

25. OTHER BORROWED FUNDS (Cont'd...)

25.1 Movement

	As at 01 April 2024	Loan Obtained	Interest Recognised	Repayment Capital	Interest	As at 31 March 2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitised Borrowings						
M Power Capital Securities Ltd	-	500,000,000	13,668,475	-	1,565,507	512,102,968
Think Capital Partners (Pvt) Ltd	-	500,000,000	4,949,041	-	-	504,949,041
	-	1,000,000,000	18,617,516	-	1,565,507	1,017,052,009

	2025			2024		
	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.
Securitised Borrowings	338,052,009	679,000,000	1,017,052,009	-	-	-

26. FINANCIAL LIABILITIES

	2025 Rs.	2024 Rs.
Vendor Payables	77,711,720	131,475,710
Fees Payable	3,608,228	2,753,001
Sundry Creditors	37,741,542	47,216,634
Insurance Premium Payable	45,575,446	47,136,910
Other Financial Liabilities	45,820,809	41,159,509
	210,457,745	269,741,764

27. LEASE LIABILITIES

	2025 Rs.	2024 Rs.
Balance as at 01 April	244,998,755	166,771,506
Additions during the Year	26,601,248	106,989,707
Interest Charge for the Year	34,628,017	26,419,856
Lease Rental Payments for the Year	(51,370,527)	(48,278,218)
Disposals / Terminations	-	(6,904,096)
Balance as at 31 March	254,857,493	244,998,755

27.1 Contractual Maturity analysis of Lease Liability

	2025 Rs.	2024 Rs.
Lease Liability within one year	17,470,659	16,047,861
Lease Liability within one to five year	80,772,481	63,079,532
Lease Liability more than five year	156,614,353	165,871,362
	254,857,493	244,998,755

27.2 Undiscounted Maturity analysis of Lease Liability

	2025 Rs.	2024 Rs.
Lease Liability within one year	51,219,079	39,530,356
Lease Liability within one to five year	192,768,082	136,298,061
Lease Liability more than five year	197,983,299	206,435,389
	441,970,460	382,263,806

28. NON FINANCIAL LIABILITIES

	2025 Rs.	2024 Rs.
Provisions & Accrued Expenses	40,270,909	45,170,427
Other Payables	18,432,565	20,959,110
	58,703,474	66,129,537

29. POST EMPLOYMENT LIABILITY

29.1 The movement of the Post Employment Liability of the Company is given below;

	2025 Rs.	2024 Rs.
Post Employment Liability as at 01 April	33,360,213	26,634,190
Amount recognised in Income Statement (Note 29.2)	8,813,935	9,235,904
Amount recognised in Other Comprehensive Income (Note 29.3)	3,293,503	(136,631)
Payments Made During the year	(6,062,500)	(2,373,250)
Post Employment Liability as at 31 March	39,405,151	33,360,213

29.2 Amount recognised in Income Statement

	2025 Rs.	2024 Rs.
Service cost	4,810,709	3,909,066
Net interest on the net Post Employment Liability	4,003,226	5,326,838
	8,813,935	9,235,904

29.3 Amount recognised in Other Comprehensive Income

	2025 Rs.	2024 Rs.
Actuarial (Gain)/Loss resulting from changes in assumptions	(1,096,796)	2,050,692
Actuarial (Gain)/Loss resulting from experience adjustments	4,390,299	(2,187,323)
	3,293,503	(136,631)

29.4 The principal assumptions used in determining Post Employment Liability are shown below;

Discount rate	10.00%	12.00%
Salary increment rate	7.0%	11.0%
Retirement age	60 Years	60 Years
Mortality	Mortality Table	Mortality Table
Weighted Average Future Working Life Time (Years)	2.78	2.26

29.5 Mr M.Poopalanathan of Messers Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries has carried out an independent actuarial valuation of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of the retirement benefits.

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service.

29. POST EMPLOYMENT LIABILITY (Cont'd...)

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

	2025			
	+1%	-1%	+1%	-1%
Increase/(Decrease) in discount rate - %				
Increase/(Decrease) in salary increment rate - %				
Sensitivity effect on Income Statement and Other Comprehensive Income	1,003,287	(1,064,520)	(972,195)	931,964
Sensitivity effect on Post Employment Liability	(1,003,287)	1,064,520	972,195	(931,964)

29.7 The Expected Benefit payout in the future years of retirement gratuity

	2025 Rs.	2024 Rs.
Within Next 12 months	12,357,270	10,172,880
Between 1 and 5 years	20,779,990	16,439,799
Beyond 5 years	6,267,891	6,747,534
Total	39,405,151	33,360,213

30. STATED 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.

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

	2025 Rs.	2024 Rs.
Issued and fully paid ordinary share capital	3,071,482,247	3,016,482,247
Issue of ordinary shares through the Initial Public Offering (IPO)	-	55,000,000
Rights Issue	254,278,829	-
	3,325,761,076	3,071,482,247
Number of ordinary shares issued as at 31 March	3,178,485,367	2,754,687,318

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of Company.

The Company raised Rs.254,278,829.40 via a rights issue in June 2024. The quantum of funds raised through the above rights issue was utilised to achieve the objectives as stated in the Circular to the Shareholders. The following table indicates the details of utilisation of funds raised through the above rights issue.

Objective Number	Objective as per Circular	"Amount Allocated as per Circular (LKR Mn)"	"Proposed Date of Utilisation as per Circular"	Amount Allocated from Proceed (LKR Mn) (A)	% of Total Proceeds	"Amounts Utilised (LKR Mn) (B)"	"% of Utilisation against Allocation (B/A)"	Clarification if not Fully Utilised including where the funds are invested*
1	To expand the Company's loan book in the ordinary course of business	254.28	26th September 2024	254.28	100%	254.28	100%	Not applicable

31. STATUTORY RESERVE FUND

Statutory reserve is a capital reserve which contains five percent of the profits after tax transferred as required by Section 3(b)(i) of Central Bank Direction No. 1 of 2003.

	2025 Rs.	2024 Rs.
Balance as at 1 April	72,061,362	71,987,751
Transfer during the year	1,999,704	73,611
Balance as at 31 March	74,061,066	72,061,362

32. REGULATORY LOSS ALLOWANCE RESERVE

	2025 Rs.	2024 Rs.
Balance as at 1 April	281,020,661	92,549,026
Transfer to retained earnings	(138,582,030)	-
Transfer from retained earnings	-	188,471,635
Balance as at 31 March	142,438,631	281,020,661

In accordance with Section 7.1 of the Finance Business Act Directions (Classification and Measurement of Credit Facilities) No. 01 of 2020, a non-distributable regulatory loss allowance reserve must be established through an appropriation of retained earnings whenever the loss allowance for expected credit loss (impairment) is less than the regulatory provision. Consequently, the company has transferred Rs.138.58 Mn from regulatory loss allowance reserve to retained earnings during the year.

33. ACCUMULATED LOSS

	2025 Rs.	2024 Rs.
Balance as at 1 April	(738,802,110)	(551,824,724)
Profit for the year	39,994,074	1,472,218
Other Comprehensive Income for the year	(2,305,452)	95,642
Transfer to Statutory Reserve Fund	(1,999,704)	(73,611)
Transfer to regulatory loss allowance reserve	138,582,030	(188,471,635)
Balance as at 31 March	(564,531,162)	(738,802,110)

34. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

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.

34.1 Capital commitments

	2025 Rs.	2024 Rs.
Undrawn loan commitments	-	-
Lease Commitments	441,970,460	382,263,806

34. COMMITMENTS AND CONTINGENCIES (Cont'd...)

34.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of it's outcome.

Litigations against UB Finance PLC

Legal Status	Case No.
a. Cases filed against the Company over the repossession of vehicles and loan facilities (In relation to movable assets)	
- District Court - Colombo	DSP/222/10 , DMR 925/17, DMR 3085/22
- District Court - Kandy	DMR/830/20
- District Court - Homagama	21096 MR
- District Court - Elpitiya	1966-M
- District Court- Gampaha	SPL 120/2022
- District Court- Galle	SP 4034
- District Court- Mathugama	SPL 19/2023
- Civil Appellate High Court - Western Province	WP/HCCA/COL/101/19(F)(Appeal Case of DSP 222/10)
- District Court- Warakapola	1053 M DSP/566/2024 (AMLELE2200013700)
b. Actions filed against the Company regarding construction matters, advance payments, possession of project properties and unpaid bills.	
- Commercial High Court- Colombo	HC/Civil/177/10
- District Court - Colombo	DMR/1615/17, DLM 148/2017
- District Court - Negombo	8164/L, SPL 3579/17
- District Court - Kurunegala	9369/23 L
- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019 (Appeal Case of HC/Civil/177/10)
c. Cases filed against the Company over the Fixed Deposit matters and matters relating to shares of Company	
- District Court - Colombo	DTS/279/08
- Commercial High Court - Colombo	CHC/503/15MR, CHC/533/15MR, CHC/535/15MR, CHC/536/15MR
- Supreme Court - Colombo	SC/ Appeal/53/23 (Appeal of DC Case no.DTS 279/08)

34. COMMITMENTS AND CONTINGENCIES (Cont'd...)

34.2 Litigation (Cont'd...)

d. Actions filed against the Company with respect to mortgaged property, court orders, title of property

- | | |
|--------------------------------|-------------------|
| - District Court - Panadura | 2121/P |
| - District Court - Attanagalla | 1547/L, 1558/20/L |

e. Cases Filed Against the Company by the employees

- | | |
|------------------------------|------------------|
| - Magistrate Court - Fort | LB 76305 |
| - Before Labour Commissioner | CE/D6/04/61/2016 |

f. Cases Filed by Company on title / possession of project properties

- | | |
|-----------------------------|----------|
| - District Court - Kaduwela | L/533/15 |
|-----------------------------|----------|

34.3 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments to the ordinary course of Business.

35. FAIR VALUE OF ASSETS AND LIABILITIES

35.1 Assets and liabilities measured at fair value - fair value hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the value recognised in the statement of financial position in the financial statements.

31 March 2025				
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Assets measured at fair value				
Financial Investments at fair value through Profit or Loss				
Investments in Units Trust	505,099,380	-	-	505,099,380
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	36,299,617	36,299,617
Non Financial Assets				
Land and buildings	-	-	172,634,717	172,634,717
	505,099,380	-	208,934,334	714,033,714

The methods used to determine fair value of the financial instruments categorised under level 3 are stated in Note 16.1.2

The methods used to determine fair value of Non financial assets - land and buildings categorized under level 3 are stated in Note 20.4

31 March 2024				
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Assets measured at fair value				
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	31,512,714	31,512,714
Non Financial Assets				
Land and buildings	-	-	173,734,247	173,734,247
	-	-	205,246,961	205,246,961

35.2 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies & assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts which do not have a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

35. FAIR VALUE OF ASSETS AND LIABILITIES (Contd...)

Fixed rate financial instruments (contd...)

Set out below is a comparison of the carrying amounts & fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets & non-financial liabilities.

31 March 2025					
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying amount Rs.
Financial Assets					
Financial Investments at amortized cost	884,451,307	-	-	884,451,307	877,702,548
Financial Assets at amortized Cost - Loans and Advances to Customers	-	-	10,064,599,253	10,064,599,253	10,449,577,561
	884,451,307	-	10,064,599,253	10,949,050,560	11,327,280,109
Financial Liabilities					
Due to Banks- Bank Borrowings	-	-	170,428,568	170,428,568	194,535,086
Due to Other Customers	-	-	7,428,729,702	7,428,729,702	7,160,617,321
Other Borrowed Funds	-	-	1,003,770,346	1,003,770,346	1,017,052,009
Lease Liabilities	-	-	254,857,493	254,857,493	254,857,493
	-	-	8,857,786,109	8,857,786,109	8,627,061,909

31 March 2024					
	Level 1 Rs.	Fair Value Level 2 Rs.	Level 3 Rs.	Fair Value Rs.	Carrying Amount Rs.
Financial Assets					
Financial Investments at amortized cost	2,172,816,158	-	-	2,172,816,158	2,130,830,049
Financial Assets at amortized cost - Loans and Advances to Customers	-	-	8,629,135,671	8,629,135,671	8,696,461,814
	2,172,816,158	-	8,629,135,671	10,801,951,829	10,827,291,863
Financial Liabilities					
Due to Banks- Bank Borrowings	-	-	-	-	-
Due to other customers	-	-	7,990,399,165	7,990,399,165	7,527,533,959
Other Borrowed funds	-	-	-	-	-
Lease Liabilities	-	-	244,998,755	244,998,755	244,998,755
	-	-	8,235,397,920	8,235,397,920	7,772,532,714

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

Carrying amount		
	2025 Rs.	2024 Rs.
Assets :		
Cash in Hand and Balances with Banks	286,462,350	229,038,463
Financial Assets	5,702,715	7,395,986
Liabilities :		
Due to Banks- Bank Overdraft	40,615,569	20,741,963
Financial Liabilities	210,457,745	269,741,764

36. RISK MANAGEMENT

36.1 Introduction

"Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the companies continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks."

The business risks such as changes in the environment, technology and industry are primarily addressed through the company's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the Management and are tabled at the Board Integrated Risk Management Committee (BIRMC).

36.2 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a Board Sub Committee called "Board Integrated Risk Management Committee (BIRMC)" which has the responsibility to monitor the overall risk process within the company.

The BIRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. BIRMC is also responsible for managing risks and monitoring risk levels and reports on monthly/quarterly basis to the Board.

Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

Asset Liability Committee (ALCO) are responsible for managing the company's assets and liabilities and the overall financial structure.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

36.3 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Integrated Risk Committee. These reports include aggregate credit exposures, credit concentration, operational risk, market risk and liquidity ratios. Management assess the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Company.

Risk related policies are documented and made available to all staff at all levels for a comprehensive understanding of the Company's risk appetite and the overall risk management of the Company. Workshops are held to share knowledge of potential risk events and keep the staff abreast with the latest changes. Briefings are also given to other relevant members of the company on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

36.4 Risk mitigation

As part of its overall risk management, the company uses various instruments to manage exposures resulting from credit risks, changes in interest rates, equity risks, and exposures arising from transactions.

The company actively uses collateral to reduce its credit risks.

36.5 Excessive risk concentration

In order to avoid excessive concentrations of risk, the company monitors concentration levels to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36. RISK MANAGEMENT (Cont'd...)

36.6 Credit Risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Company uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardized credit appraisal and approval process is in place. Credit Authority lies with the Board of Directors, Board Credit Committee and members of the management as per the assigned limits on delegated credit authority. Company's systems for credit evaluation and decision making are independent from collateralization albeit collateral helps to mitigate credit risk.

Credit Operation Department reviews credit facilities before and after sanctioning of facilities. A Credit Policy approved by the Board of Directors is in place.

In the post sanctioning review of credit facilities, the Board Credit Committee reviews among other things, the disbursements, perfection of collaterals and repayments are in accordance with the terms of approval.

36.7 Impairment Assessment

The methodology of the impairment assessment is explained in the note 2.2.6.1 under summary of material accounting policies.

36.8 Significant Changes in the Gross Carrying amount of financial assets

Following table provides an explanation of how significant changes in gross carrying amount of financial instruments contributed to changes in Expected Credit Loss,

	31 March 2025 Impact: Increase / (Decrease)	31 March 2024 Impact: Increase / (Decrease)
Financial Assets at Amortised Cost - Loans and Advances Receivables		
Increase in Lending Portfolio	72,595,236	76,184,463
Loans and Advances Recoveries	(214,535,123)	(281,427,312)
Write-off	(90,244,871)	(70,514,569)

36.9 Credit Quality by Class of Financial Assets

The company manages the credit quality of financial assets by categorising its credit exposure by class of financial asset, line of business and geographic region. It is the company's policy to maintain accurate and consistent risk profile across the credit portfolio. The table below shows the credit quality for all financial assets exposed to credit risk, based on the company's internal credit rating system.

As at 31 March 2025	Neither Past Due Nor Impaired Rs.	Past Due but Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Cash in hand and balances with Banks	286,462,350	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	6,257,192,272	3,548,897,753	643,487,536	10,449,577,561
Financial Assets measured at Fair Value through Other Comprehensive Income	36,299,617	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	5,702,715
Total Financial Assets	7,968,458,882	3,548,897,753	643,487,536	12,160,844,171

36. RISK MANAGEMENT (Cont'd...)

36.10 Credit Quality by Class of Financial Assets (Cont'd...)

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Individually Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Loans and receivables from customers	2,611,216,532	109,401,500	49,541,609	778,738,112	3,548,897,753

As at 31 March 2024

	Neither Past Due Nor Individually Impaired Rs.	Past Due But Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash in hand and balances with Banks	229,038,463	-	-	229,038,463
Financial investments at fair value through profit or loss - measured at fair value	-	-	-	-
Financial Investments at amortised cost	2,130,830,049	-	-	2,130,830,049
Financial Assets at amortized cost - Loans and Receivables to Customers	4,172,017,533	3,692,267,524	832,176,757	8,696,461,814
Financial assets measured at fair value through Other Comprehensive Income	31,512,714	-	-	31,512,714
Other Financial Assets	7,395,986	-	-	7,395,986
Total Financial Assets	6,570,794,745	3,692,267,524	832,176,757	11,095,239,026

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets.

	Past Due But Not Individually Impaired *				Total
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	
Loans and receivables from customers	2,270,799,947	224,741,545	150,278,957	1,046,447,075	3,692,267,524

* Past due but not Individually Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

36.11 Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, letters of guarantees, properties. The fair value of collateral is generally assessed, at a minimum, at inception.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

The table below represents Company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31 March 2025, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

36. RISK MANAGEMENT (Cont'd...)

36.11 Analysis of Credit Risk Exposure (Cont'd...)

As at 31 March	2025		2024	
	Maximum Exposure to Credit Risk	Net Exposure Credit Risk	Maximum Exposure to Credit Risk	Net Exposure Credit Risk
	Rs.	Rs.	Rs.	Rs.
Cash in Hand and Balances with Banks	286,462,350	286,462,350	229,038,463	229,038,463
Financial Investments at amortised cost	877,702,548	877,702,548	2,130,830,049	2,130,830,049
Financial Investments at fair value through profit or loss	505,099,380	505,099,380	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	10,449,577,561	318,015,109	8,696,461,814	321,819,381
Financial Assets measured at Fair Value through Other Comprehensive Income	36,299,617	36,299,617	31,512,714	31,512,714
Other Financial Assets	5,702,715	5,702,715	7,395,986	7,395,986
Total Financial Assets	12,160,844,172	2,029,281,719	11,095,239,026	2,720,596,593

36.12 Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment / expected credit losses held by the Company against those assets

Credit Quality Analysis

	2025			2024	
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Total Rs.
Financial Assets at Amortised Cost :					
Loans and Advances					
Gross Loans and Advances	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561	8,696,461,814
Expected Credit Loss Allowance	(59,388,959)	(50,150,402)	(821,901,055)	(931,440,415)	(935,799,649)
Total Net Loans and Advances	7,663,355,121	1,094,451,376	760,330,648	9,518,137,146	7,760,662,165
Financial Investments at amortised cost					
Securities under Reverse Repurchase Agreements	203,451,307	-	-	203,451,307	100,789,761
Investment in Treasury Bills	674,251,241	-	-	674,251,241	2,030,040,288
Total Financial Investments Measured at Amortised Cost	877,702,548	-	-	877,702,548	2,130,830,049
Expected Credit Loss Allowance	-	-	-	-	-
Net Financial Investments Measured at Amortised Cost	877,702,548	-	-	877,702,548	2,130,830,049
Financial investments at fair value through profit or loss					
Investment in Units	505,099,380	-	-	505,099,380	-
Expected Credit Loss Allowance	-	-	-	-	-
Net Financial investments at fair value through profit or loss	505,099,380	-	-	505,099,380	-
Financial assets measured at fair value through Other Comprehensive Income					
Equity securities	36,299,617	-	-	36,299,617	31,512,714
Expected Credit Loss Allowance	-	-	-	-	-
Net financial assets measured at fair value through other comprehensive Income	36,299,617	-	-	36,299,617	31,512,714
Other Financial Assets					
Other Financial Assets	5,702,715	-	-	5,702,715	7,395,986
Expected Credit Loss Allowance	-	-	-	-	-
Net Other Financial Assets	5,702,715	-	-	5,702,715	7,395,986
Cash and Cash Equivalents					
Cash in hand	43,461,230	-	-	43,461,230	38,720,578
Cash at Banks	243,001,120	-	-	243,001,120	190,317,885
Total Balances with Banks	286,462,350	-	-	286,462,350	229,038,463
Expected Credit Loss Allowance	-	-	-	-	-
Net Balances with Banks	286,462,350	-	-	286,462,350	229,038,463
Total Financial Assets	9,434,010,690	1,144,601,778	1,582,231,703	12,160,844,171	11,095,239,026
Total Expected Credit Loss Allowance	(59,388,959)	(50,150,402)	(821,901,055)	(931,440,415)	(935,799,649)
Net Financial Assets	9,374,621,732	1,094,451,376	760,330,648	11,229,403,756	10,159,439,377

36.13 Credit-related commitment risks

Such commitment risks are mitigated by regular review of unfunded limits and exposures similar to review of funded limits and exposures.

36.14 Credit Risk by Ratings

Financial asset at amortised cost - Loan and advances to other customers	12 Month ECL (Stage 1)	Lifetime ECL- Not Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)
Rating 0-4 : Investment grade	7,722,744,080	1,144,601,778	130,886,798
Rating 5-6 : Moderate risk	-	-	70,655,553
Rating 7-8 : High risk	-	-	643,450,273
Rating 9 : Extreme risk	-	-	737,239,079
Gross Carrying amount	7,722,744,080	1,144,601,778	1,582,231,703
Provision for impairment	59,388,958	50,150,402	821,901,056
Net Carrying amount	7,663,355,122	1,094,451,376	760,330,647

36.15 Collateral and other credit enhancements:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables etc
- For retail lending, mortgages over residential properties, absolute ownership of vehicles etc
- Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.
- It is the company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.
- The company also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken.

Although on the balance sheet netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realized
- The documentation are legally enforceable.

36.16 Fair Value of Collateral and Credit Enhancements held

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitor the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral. In general, Company has obtained cash deposits, machinery, equipment and vehicles as collateral. The Company uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such vehicles, letters of guarantees and fixed deposit certificates. The fair value of collateral is generally assessed at the inception based on the guidelines issued by the Central Bank of Sri Lanka. To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Repossession of collaterals is resorted to in extreme situations where the action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and transparent manner through public auctions, and the proceeds are used to reduce or recover the outstanding claims. The amount recovered in excess of the dues is refunded to the customer. The following table shows the fair value of collateral and credit enhancements held by the Company as at 31st March 2025.

36.16 Fair Value of Collateral and Credit Enhancements held (Cont'd...)

Fair value of collateral held and Net exposure of credit impaired assets as at 31 March 2025	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Net Exposure to Credit Risk (Rs.)	19,972,058,170	318,015,109
Credit impaired assets	3,409,630,004	215,385,405

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs. 3.4Bn and therefore, net exposure of those credit impaired assets as at 31 March 2025 is Rs.215.4Mn.

36.17 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	2025 Rs.	2024 Rs.
Maximum Exposure to Credit Risk	10,449,577,561	8,696,461,814
Less - Collateral	6,574,795,253	5,376,141,659
Movable Securities	737,550,925	914,036,473
Immovable Securities	2,909,209,370	2,154,862,028
Gold Loan & FD	10,221,555,547	8,445,040,160
Total Collateral	228,022,013	251,421,654
Net Exposure	125,597,726	124,200,568
Associated ECL		

The table below sets out principal types of collateral that are held against different types of financial assets.

Product Type	Principal Type of Collateral Held for Secured Lending
Leasing / Hire Purchase	Motor vehicles
Term loans	Motor vehicles / Property / FD
Easy Draft	Motor vehicles / Property / FD
Gold Loans	Gold Articles
Factoring & Cheque Discounting	Motor vehicles / Property / Cheques / Invoices
Housing Loans	Property

Repossessed Collateral Details;	Quality of the Collateral	Loss Allowance
Movable Security (Repossessed vehicles.)	Good in condition	Impairment allowance made based on the CBSL direction for collateral.

There are no changes to Company's policy on collaterals

There are no significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period;

36.17 Collateral and Other Credit Enhancements - Loans and Receivables (Cont'd...)

Credit Quality By Class of Financial Assets

As at 31 March 2025	Not Subject to ECL (Rs)	Subject to ECL				Carrying Amount (Rs)
		Stage 01 (Rs)	Stage 02 (Rs)	Stage 03 (Rs)	ECL (Rs)	
Cash and Cash Equivalents	286,462,350	-	-	-	-	286,462,350
Financial Assets Recognised Through Profit or Loss	505,099,380	-	-	-	-	505,099,380
Financial Investments at amortised cost	877,702,548	-	-	-	-	877,702,548
Financial Assets at Amortised Cost-Loans and Advances	-	7,722,744,080	1,144,601,778	1,582,231,703	(931,440,416)	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	36,299,617	-	-	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	-	-	5,702,715
Total Financial Assets	1,711,266,610	7,722,744,080	1,144,601,778	1,582,231,703	(931,440,416)	11,229,403,755

As at 31 March 2024	Not Subject to ECL (Rs)	Subject to ECL				Carrying Amount (Rs)
		Stage 01 (Rs)	Stage 02 (Rs)	Stage 03 (Rs)	ECL (Rs)	
Cash and Cash Equivalents	229,038,463	-	-	-	-	229,038,463
Financial Assets Recognised Through Profit or Loss	-	-	-	-	-	-
Financial Investments at amortised cost	2,130,830,049	-	-	-	-	2,130,830,049
Financial Assets at Amortised Cost-Loans and Advances	-	5,039,668,782	1,387,625,874	2,269,167,158	(935,799,649)	7,760,662,165
Financial assets measured at fair value through Other Comprehensive Income	31,512,714	-	-	-	-	31,512,714
Other Financial Assets	7,395,986	-	-	-	-	7,395,986
Total Financial Assets	2,398,777,212	5,039,668,782	1,387,625,874	2,269,167,158	(935,799,649)	10,159,439,377

Age Analysis of Loans and Receivables

As at 31 March 2025	Stage 01 (Rs)	Stage 02 (Rs)	Stage 03 (Rs)	Total (Rs)
Current	6,257,192,271	-	-	6,257,192,271
Overdue < 30 days	1,465,551,809	-	-	1,465,551,809
Overdue 30 to 90 days	-	1,144,601,778	-	1,144,601,778
Overdue > 90 days	-	-	1,582,231,703	1,582,231,703
Total	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561

As at 31 March 2024	Stage 01 (Rs)	Stage 02 (Rs)	Stage 03 (Rs)	Total (Rs)
Current	4,212,184,522	-	-	4,212,184,522
Overdue < 30 days	827,484,260	-	-	827,484,260
Overdue 30 to 90 days	-	1,387,625,874	-	1,387,625,874
Overdue > 90 days	-	-	2,269,167,158	2,269,167,158
Total	5,039,668,782	1,387,625,874	2,269,167,158	8,696,461,814

The following table summarizes the Credit quality of the cash at bank balances

Credit rating of the Bank/ Financial institutions	2025 (Rs)	2024 (Rs)
A,A-	144,637,863	140,636,674
BBB, BBB-	98,363,257	49,681,211
	243,001,120	190,317,885

36. RISK MANAGEMENT (Cont'd...)

36.18 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of the financial assets.

As at 31 March 2025

	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash in hand and balances with Banks	-	-	-	286,462,350	-	286,462,350
Financial Investments at amortised cost	-	-	-	877,702,548	-	877,702,548
Financial investments at fair value through profit or loss	-	-	-	505,099,380	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	699,455,034	1,433,131,236	1,978,583,930	3,667,014,513	1,739,952,432	9,518,137,145
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	-	-	5,702,715	5,702,715
Total Financial Assets	699,455,034	1,433,131,236	1,978,583,930	5,372,578,408	1,745,655,147	11,229,403,755

As at 31 March 2024

	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash in Hand and Balances with Banks	-	-	-	229,038,463	-	229,038,463
Financial Investments at amortised cost	-	-	-	2,130,830,049	-	2,130,830,049
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at amortized cost - Loans and Receivables to other Customers	423,082,805	807,066,193	1,425,023,123	2,627,947,924	2,477,542,120	7,760,662,165
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	31,512,714	-	31,512,714
Other Financial Assets	-	-	-	-	7,395,986	7,395,986
Total Financial Assets	423,082,805	807,066,193	1,425,023,123	5,019,329,150	2,484,938,106	10,159,439,377

36. RISK MANAGEMENT (Cont'd...)

36.19 Liquidity risk and funding management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through a Management Committee. The company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The company also has lines of credit that it can access to meet urgent liquidity needs. In addition, the company maintains Treasury bill investments with the Central Bank of Sri Lanka greater than 10% of customer deposits. Net liquid assets consist of cash, short-term company deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses to the Company.

Company Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Company Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to company to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company.

The Company relies on deposits from customers, and other debt securities and subordinated liabilities as its primary sources of funding.

The liquidity ratios during the year were, as follows:

Liquid Asset Ratios

	2025	2024
Year End	16%	30%
Maximum	29%	36%
Minimum	14%	20%
Average	20%	31%

Advances to Deposit Ratios

The company stresses the importance of fixed deposit and savings accounts as sources of funds to finance lending to customers. (Advance to Deposit Ratio)

	2025	2024
Year End	1.5	1.1
Maximum	1.5	1.3
Minimum	1.1	1.1
Average	1.3	1.2

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows, including estimated interest payments of the company's financial assets and liabilities as at 31 March 2025. Contractual maturities of undiscounted cash flows of financial assets and liabilities are shown in the table below;

The table does not reflect the expected cash flow indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to roll over of loans and advances and renewal of fixed deposits.

36. RISK MANAGEMENT (Cont'd...)
36.19 Liquidity risk and funding management (Cont'd...)

As at 31 March 2025

Assets

Cash in hand and balances with Banks
Financial Investments at amortised cost
Financial investments at fair value through profit or loss
Financial Assets at Amortized Cost - Loans and Advances to Customers
Financial Assets measured at Fair Value through Other Comprehensive Income
Other Financial Assets

Liabilities

Due to banks
Due to other customers
Other Borrowed funds
Financial Liabilities
Lease Liability

On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances	Carrying Amount
286,462,350	-	-	-	-	286,462,350	286,462,350
-	884,451,307	-	-	-	884,451,307	877,702,548
-	509,432,164	-	-	-	509,432,164	505,099,380
-	3,972,638,311	2,549,153,286	6,430,349,384	35,989,315	12,988,130,296	9,518,137,145
-	-	-	-	36,299,617	36,299,617	36,299,617
-	568,675	1,121,311	610,584	3,402,145	5,702,715	5,702,715
286,462,350	5,367,090,457	2,550,274,597	6,430,959,968	75,691,077	14,710,478,449	11,229,403,755
41,400,655	23,281,548	67,129,767	127,509,192	-	259,321,162	235,150,655
-	2,780,772,669	2,190,128,064	3,141,500,290	-	8,112,401,023	7,160,617,321
-	2,817,342	360,495,784	790,952,740	-	1,154,265,866	1,017,052,009
-	185,040,131	25,417,614	-	-	210,457,745	210,457,745
-	13,160,649	38,058,431	192,768,082	197,983,298	441,970,460	254,857,493
41,400,655	3,005,072,339	2,681,229,660	4,252,730,304	197,983,298	10,178,416,256	8,878,135,223

As at 31 March 2024

Assets

Cash in hand and balances with Banks
Financial Investments at amortised cost
Financial investments at fair value through profit or loss
Financial Assets at Amortized Cost - Loans and Advances to Customers
Financial Assets measured at Fair Value through Other Comprehensive Income
Other Financial Assets

Liabilities

Due to Banks
Due to Other Customers
Financial Liabilities
Lease Liability

On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Balances	Carrying Amount
229,038,463	-	-	-	-	229,038,463	229,038,463
-	300,816,158	1,872,000,000	-	-	2,172,816,158	2,130,830,049
-	-	-	-	-	-	-
-	3,617,696,172	2,009,406,647	5,219,945,223	72,363,144	10,919,411,186	7,760,662,165
-	-	-	-	31,512,714	31,512,714	31,512,714
-	48,972	694,962	563,007	6,089,045	7,395,986	7,395,986
229,038,463	3,918,561,302	3,882,101,608	5,220,508,230	109,964,903	13,360,174,507	10,159,439,377
20,741,963	-	-	-	-	20,741,963	20,741,963
-	2,476,870,235	2,170,827,778	4,463,990,395	-	9,111,688,408	7,527,533,959
-	235,427,926	34,313,839	-	-	269,741,765	269,741,764
-	10,570,123	28,960,233	136,298,061	206,435,389	382,263,806	244,998,755
20,741,963	2,722,868,284	2,234,101,850	4,600,288,456	206,435,389	9,784,435,942	8,063,016,441

36.20 Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As such interest rate risk is a key risk exposure of the company due to unanticipated movements in the future interest rates which arises from the core business activities, granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk is mitigated principally through minimizing the interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the company conducts periodic reviews and re-prices its assets particularly by the means of following.

- Effective policies and procedures designed to control the nature and amount of IRR, including clearly defined IRR limits and lines of responsibility and authority.
- Appropriate risk-measurement, monitoring, and reporting systems.
- Systematic internal controls that include the internal or external review and audit of key elements of the risk-management process.

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

As at 31 March 2025	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2025 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	852,957,100	-	-	-	24,745,448	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	-	9,518,137,145
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	-	36,299,617	36,299,617
Financial Assets	-	-	-	-	5,702,715	5,702,715
	4,536,533,275	1,677,515,344	4,632,958,995	29,186,011	353,210,130	11,229,403,755
Financial Liabilities						
Due to Banks	39,726,610	67,129,767	127,509,192	-	785,086	235,150,655
Due to Customers	2,636,651,876	1,976,318,972	2,547,646,473	-	-	7,160,617,321
Other Borrowed funds	-	321,000,000	679,000,000	-	17,052,009	1,017,052,009
Financial Liabilities	-	-	-	-	210,457,745	210,457,745
Lease Liability	13,160,649	38,058,431	192,768,082	197,983,298	-	441,970,460
	2,689,539,135	2,402,507,170	3,546,923,747	197,983,298	228,294,840	9,065,248,190
Interest Sensitivity Gap	1,846,994,140	(724,991,826)	1,086,035,248	(168,797,287)	124,915,290	2,164,155,565

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.1 Interest Rate Risk Exposure on Financial Assets and Liabilities

As at 31 March 2024	Up to 3 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2024 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	229,038,463	229,038,463
Financial Investments at amortised cost	293,891,161	1,747,895,875	-	-	89,043,013	2,130,830,049
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at amortized cost - Loans and						
Receivables to other Customers	2,838,785,504	1,288,875,896	3,578,444,388	54,556,377	-	7,760,662,165
Financial assets measured at fair value through Other	-	-	-	-	31,512,714	31,512,714
Comprehensive Income	-	-	-	-	7,395,986	7,395,986
Financial Assets	3,132,676,665	3,036,771,771	3,578,444,388	54,556,377	356,990,176	10,159,439,377
Financial Liabilities						
Due to Banks	20,741,963	-	-	-	-	20,741,963
Due to Customers	2,298,549,819	1,911,904,240	3,317,079,899	-	-	7,527,533,959
Other Borrowed funds	-	-	-	-	-	-
Financial Liabilities	-	-	-	-	269,741,764	269,741,764
Lease Liability	10,570,123	28,960,233	136,298,061	206,435,389	-	382,263,806
	2,329,861,905	1,940,864,473	3,453,377,960	206,435,389	269,741,764	8,200,281,491
Interest Sensitivity Gap	802,814,760	1,095,907,298	125,066,428	(151,879,012)	87,248,412	1,959,157,886

36. RISK MANAGEMENT (Cont'd...)

36.20 Interest Rate Risk (Cont'd...)

36.20.2 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's Net Interest Income.

Net Interest Income (NII) Sensitivity by Interest Rate Change

	2025		2024	
Parallel Increase/Decrease of Rate	(+/-) 1%	(+/-) 2%	(+/-) 1%	(+/-) 2%
Annual Impact on NII (Rs.)	(+/-) 2,097,319	(+/-) 4,194,639	(+/-) 8,653,656	(+/-) 17,307,312

36.20.3 Current and Non Current Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 March 2025	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Balances Rs.
Assets					
Cash in hand and balances with Banks	286,462,350	-	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	-	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	9,518,137,145
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	36,299,617	36,299,617
Investment in Real Estate	5,000,000	15,000,000	19,270,759	-	39,270,759
Other Assets	33,101,243	172,147,513	12,505,112	3,402,154	221,156,023
Intangible assets	-	-	-	8,412,690	8,412,690
Property, plant and equipment	229,251	5,581,004	45,449,193	286,032,652	337,292,100
Right of Use Asset	49,184	1,878,935	7,195,589	213,362,243	222,485,950
Deferred tax assets	-	23,905,430	-	-	23,905,430
	4,886,120,752	1,896,028,226	4,717,379,648	576,695,367	12,076,223,992
Liabilities					
Due to banks	60,150,655	56,250,000	118,750,000	-	235,150,655
Due to other customers	2,636,651,876	1,976,318,972	2,547,646,473	-	7,160,617,321
Other Borrowed funds	17,052,009	321,000,000	679,000,000	-	1,017,052,009
Financial Liabilities	185,040,131	25,417,614	-	-	210,457,745
Lease liability	4,488,722	12,981,938	80,772,481	156,614,352	254,857,493
Other Non Financial Liabilities	23,443,124	35,260,350	-	-	58,703,474
Post Employment Liability	-	12,357,270	20,779,990	6,267,891	39,405,151
	2,926,826,517	2,439,586,144	3,446,948,944	162,882,243	8,976,243,848
Equity	-	-	-	3,099,980,144	3,099,980,144
Total Equity & Liabilities	2,926,826,517	2,439,586,144	3,446,948,944	3,262,862,387	12,076,223,992

36. RISK MANAGEMENT (Cont'd...)

36.20.3 Current and Non Current Analysis of Assets and Liabilities (Contd..)

As at 31 March 2024	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Balances Rs.
Assets					
Cash in hand and balances with Banks	229,038,463	-	-	-	229,038,463
Financial Investments at amortised cost	299,880,056	1,830,949,993	-	-	2,130,830,049
Financial investments at fair value through profit or loss	-	-	-	-	-
Financial Assets at amortized cost - Loans and Receivables to other Customers	2,838,785,504	1,288,875,896	3,578,444,388	54,556,377	7,760,662,165
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	31,512,714	31,512,714
Investment in Real Estate	5,000,000	15,000,000	40,055,591	-	60,055,591
Other Assets	67,358,672	26,878,533	52,929,532	6,089,045	153,255,782
Intangible assets	-	-	-	9,197,031	9,197,031
Property, Plant and Equipment	8,307,435	23,961,352	88,056,564	177,148,237	297,473,588
Right of Use Asset	-	640,635	16,794,542	214,343,659	231,778,836
Deferred tax assets	-	-	63,363,833	-	63,363,833
	3,448,370,130	3,186,306,409	3,839,644,450	492,847,063	10,967,168,052
Liabilities					
Due to banks	20,741,963	-	-	-	20,741,963
Due to other customers	2,298,549,820	1,911,904,240	3,317,079,899	-	7,527,533,959
Other Borrowed funds	-	-	-	-	-
Financial Liabilities	235,427,926	34,313,838	-	-	269,741,764
Lease Liability	3,818,855	12,229,006	63,079,532	165,871,362	244,998,755
Other Non Financial Liabilities	26,506,668	39,622,869	-	-	66,129,537
Post Employment Liability	-	10,172,880	16,439,799	6,747,534	33,360,213
	2,585,045,232	2,008,242,833	3,396,599,230	172,618,896	8,162,506,191
Equity	-	-	-	2,804,661,861	2,804,661,861
Total Equity & Liabilities	2,585,045,232	2,008,242,833	3,396,599,230	2,977,280,757	10,967,168,052

37. EVENTS AFTER THE REPORTING PERIOD

There were no material events that took place since 31 March 2025, that require adjustment to, or disclosure in the Financial Statements.

38. ASSETS PLEDGED

The following assets have been pledged as security for banking and loan facilities

Name of the bank/Institution	Nature of the facility	Facility Amount (Rs.)	Facility outstanding as at 31.03.2025 (Rs.)	Securities / mortgages	Exposure Requirement
Commercial Bank of Ceylon PLC	Term Loan	225,000,000	193,750,000	Lease Receivables	1.50
M Power Capital Securities Limited	Securitization	500,000,000	500,000,000	Lease Receivables	1.30
Think Capital Partners (Pvt) Ltd	Securitization	500,000,000	500,000,000	Lease Receivables	1.30

39. CAPITAL ADEQUACY

Capital adequacy is a measure of financial institution's financial strength and stability. This is a widely accepted concept, tries to specify the limit up to which a business can expand in terms of its risk-weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on company's exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

Capital Adequacy ratio

As at 31 March 2025

	2025 %	2024 %
Tier 1 Capital ratio	28.72%	30.50%
Total Capital ratio	28.72%	30.50%

40. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of business at commercial rates with related parties. Details of significant related party disclosures are as follows.

40.1 Transactions with Key Management Personnel

Related party include Key Management Personal defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

40.2 Key Management Personnel Compensation

	2025 Rs.	2024 Rs.
Short-term employment benefits	37,655,556	37,655,556
Post Employment Benefit	1,186,560	1,186,560
Directors' emoluments	10,370,000	5,901,750
	49,212,116	44,743,866

Contribution to defined contribution plan in 31 March 2025 is Rs. 12,253,653/- (in 2024 - Rs.4,085,616/-).

In addition to the above, the Company has also provided non cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Company.

40. RELATED PARTY DISCLOSURES (Cont'd..)

40.3 Transactions, arrangements and agreements with Key Management Personnel and their close members of the family of the company

The company enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

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

Statement of Financial Position	Reported Under	2025 Rs.	2024 Rs.
Assets			
Loans and Receivables	Financial Assets at amortised cost - Loans and Advances to Customers	2,365,000	5,684,165
Liabilities			
Fixed Deposits	Due to Customers	28,259,108	15,687,048
Statement of Comprehensive Income			
Interest Income	Interest Income	541,083	1,421,448
Interest Expense on Customer Deposits	Interest Expenses	4,199,056	3,377,142

40.4 Transactions with Other Related Parties

40.4.1 Transactions with parent company - Union Bank of Colombo PLC

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with Parent Company

Statement of Financial Position	Reported Under	2025 Rs.	2024 Rs.
Liabilities			
Borrowings *	Other Borrowed Funds	-	-
Statement of Comprehensive Income			
Interest Expense on Borrowings	Interest Expense	2,728,026	11,442,354
Interest Income	Interest Income	2,905,701	7,031,084
Other Income	Other Operating Income	-	468,456
Borrowings from Parent Company			
Borrowings Obtained during the Year		600,000,000	400,000,000
Borrowings settled during the Year		(600,000,000)	(700,000,000)

41. SEGMENT INFORMATION

For the Management purposes, the company is organised in to five operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2025

	Auto Loans	Property Loans	Gold Loans	Others	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	1,338,361,840	67,045,629	300,690,539	319,994,221	2,026,092,229
Interest Expenses	(698,247,136)	(96,528,673)	(170,817,204)	(148,389,937)	(1,113,982,950)
Net Interest Income	640,114,704	(29,483,044)	129,873,335	171,604,284	912,109,279
Fee and Commission Income	53,941,981	6,828,387	30,341,950	413,045	91,525,363
Fee and Commission Expenses	(30,705,290)	-	-	-	(30,705,290)
Net Fee and Commission Income	23,236,691	6,828,387	30,341,950	413,045	60,820,073
Other Operating Income (Net)	12,367,941	27,533,312	4,760,230	77,185,887	121,847,370
Total Operating Income	675,719,336	4,878,655	164,975,515	249,203,216	1,094,776,722
Impairment Charges on Loans and Advances	(106,383,769)	22,615,949	(600,643)	(1,517,175)	(85,885,638)
Impairment Charge on Non Financial Assets	-	-	-	(16,666,000)	(16,666,000)
Net Operating Income	569,335,567	27,494,604	164,374,872	231,020,041	992,225,084
Staff Costs	(218,614,944)	(30,222,266)	(53,481,341)	(46,438,206)	(348,756,757)
Depreciation of Property, Plant and Equipment	(26,289,930)	(3,634,432)	(6,431,494)	(5,584,510)	(41,940,366)
Amortization of Right of Use Assets	(22,499,905)	(3,110,483)	(5,504,313)	(4,779,432)	(35,894,133)
Amortization of Intangible Assets	(941,524)	(130,161)	(230,332)	(200,000)	(1,502,017)
Other Expenses	(239,739,608)	(27,244,247)	(63,760,315)	(51,694,717)	(382,438,887)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	61,249,656	(36,846,985)	34,967,077	122,323,176	181,692,924
Value Added Tax on Financial Services (VAT on FS)	-	-	-	(90,165,483)	(90,165,483)
Social Security Contribution Levy (SSCL)	-	-	-	(12,522,984)	(12,522,984)
Profit / (Loss) Before Taxation	61,249,656	(36,846,985)	34,967,077	19,634,709	79,004,457
Tax Expense	-	-	-	(39,010,383)	(39,010,383)
Profit/(Loss) for the Year	61,249,656	(36,846,985)	34,967,077	(19,375,673)	39,994,074
Segment Assets	6,640,715,025	580,226,989	1,943,197,820	2,912,084,158	12,076,223,992
Segment Liabilities	5,584,011,883	621,081,410	1,458,063,206	1,313,087,349	8,976,243,848

41. SEGMENT INFORMATION

For the Management purposes, the company is organised in to five operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2024	Auto Loans		Property Loans		Gold Loans		Others		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.	
Interest Income	1,158,788,638		69,939,032		333,323,641		580,703,699		2,142,755,010	
Interest Expenses	(867,131,395)		(149,329,628)		(190,224,969)		(192,609,609)		(1,399,295,601)	
Net Interest Income	291,657,243		(79,390,596)		143,098,672		388,094,090		743,459,409	
Fee and Commission Income	35,961,349		10,396,636		13,461,147		3,156,496		62,975,628	
Fee and Commission Expenses	(17,230,755)		-		-		-		(17,230,755)	
Net Fee and Commission Income	18,730,594		10,396,636		13,461,147		3,156,496		45,744,873	
Other Operating Income (Net)	15,120,601		16,521,181		10,280,805		52,326,786		94,249,373	
Total Operating Income	325,508,438		(52,472,781)		166,840,624		443,577,372		883,453,655	
Impairment Charges on Loans and Advances	(35,899,632)		(16,027,326)		3,332,133		1,723,036		(46,871,789)	
Impairment Charge on Non Financial Assets	-		-		-		(12,299,074)		(12,299,074)	
Net Operating Income	289,608,806		(68,500,107)		170,172,757		433,001,334		824,282,792	
Staff Costs	(180,619,290)		(31,104,642)		(39,622,944)		(40,100,372)		(291,447,248)	
Depreciation of Property, Plant and Equipment	(18,393,080)		(3,167,492)		(4,034,940)		(4,083,558)		(29,679,070)	
Amortization of Right of Use Assets	(18,419,828)		(3,172,098)		(4,040,808)		(4,089,497)		(29,722,231)	
Amortization of Intangible Assets	(1,131,304)		(194,823)		(248,177)		(251,168)		(1,825,472)	
Other Expenses	(208,352,354)		(34,963,693)		(45,632,786)		(43,454,877)		(332,403,710)	
Operating Profit before Value Added Tax (VAT) on Financial Services	(137,307,050)		(141,102,855)		76,593,102		341,021,862		139,205,061	
Value Added Tax (VAT) on Financial Services	-		-		-		(68,181,629)		(68,181,629)	
Social Security Contribution Levy (SSCL)	-		-		-		(9,469,670)		(9,469,670)	
Profit / (Loss) Before Taxation	(137,307,050)		(141,102,855)		76,593,102		263,370,563		61,553,762	
Tax Expense	-		-		-		(60,081,544)		(60,081,544)	
Profit for the Year	(137,307,050)		(141,102,855)		76,593,102		203,289,019		1,472,218	
Segment Assets	5,463,270,758		753,682,467		1,340,001,389		3,410,213,438		10,967,168,052	
Segment Liabilities	5,088,858,518		824,408,173		1,078,410,276		1,170,829,224		8,162,506,191	

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Ten Year Statistical Summary

	2024 / 2025	2023 / 2024	2022 / 2023	2021 / 2022	2020 / 2021	2019 / 2020	2018 / 2019	2017 / 2018	2016 / 2017	2015 / 2016
Rs. Mn										
Operating Result										
Gross income	2,239	2,300	2,127	1,648	1,608	1,944	2,153	2,011	1,579	1,055
Interest income	2,026	2,143	2,013	1,522	1,521	1,822	2,067	1,905	1,403	906
Interest expenses	(1,114)	(1,399)	(1,274)	(679)	(929)	(1,228)	(1,345)	(1,292)	(926)	(529)
Net interest income	912	743	739	843	592	593	721	613	478	377
Non interest income	183	140	101	94	75	112	65	73	146	131
Impairment and other losses	(103)	(59)	(333)	(264)	(213)	(173)	(214)	(132)	(91)	(63)
Other operating expenses	(811)	(685)	(582)	(448)	(377)	(432)	(473)	(414)	(406)	(341)
Profit/(Loss) before tax (PBT)	182	139	(74)	225	77	101	99	140	126	104
Income tax expenses	(142)	(138)	(40)	(143)	(119)	(96)	(79)	(68)	(59)	(27)
Profit/(Loss) after tax (PAT)	40	1	(113)	81	(41)	5	20	72	68	77
Earning per share (Rs.)	0.013	0.001	(0.042)	0.067	(0.058)	0.002	0.009	0.040	0.040	0.050
Financial Position										
Assets										
Cash, balances with banks	286	229	510	232	250	222	474	455	516	583
Investments in government treasury bills and bonds	1,383	2,131	848	647	349	594	547	456	453	492
Loans & receivables	9,518	7,761	8,089	8,633	6,901	7,739	8,785	9,453	8,502	6,480
Property, plant and equipment	337	297	333	240	276	298	245	189	204	159
Deferred tax assets	24	63	146	150	232	297	330	188	199	199
Other assets	528	486	179	180	179	200	746	411	221	310
Total	12,076	10,967	10,107	10,083	8,187	9,350	11,127	11,151	10,096	8,223
Liabilities and Shareholder's Funds										
Borrowings	1,252	21	497	2,022	2,699	2,148	2,882	2,378	2,877	2,915
Deposits from customers	7,161	7,528	6,509	4,892	4,441	6,160	7,220	7,237	6,063	4,236
Other liabilities	563	614	406	357	309	274	255	355	339	347
Total equity	3,100	2,805	2,695	2,811	738	768	770	1,181	816	725
Total	12,076	10,967	10,107	10,083	8,187	9,350	11,127	11,151	10,096	8,223

Share Information

The Ordinary Shares of the Company was listed on the Diri Savi Board of the Colombo Stock Exchange on 14th August 2023.

Number of Ordinary Shares as at 31 March 2025: 3,178,485,367 (2024- 2,754,687,318)

(Stated Capital of the Company solely represents voting ordinary shares)

Share Trading Information

Share Price	2024/25	2023/24
Highest (Rs.)	0.80	0.80
Lowest (Rs.)	0.60	0.60
Last Traded (Rs.)	0.70	0.80
Number of Transactions during the year	1,693	7,524
Number of Shares traded during the year	30,598,816	191,185,834
Value of shares traded during the year (Rs.)	22,316,473.30	171,276,636.60

Market Capitalisation

	2024/25	2023/24
Float adjusted market capitalization (Rs .)	191,741,854.20	221,547,073.60

Public Holding

	2024/25	2023/24
No of shareholders	5094	4,773
Public Holding %	10.0542%	10.053%

Composition of Ordinary Shareholders

As at 31st March 2025	No of Shares	As a %	No of Shareholders	As a %
Local Individuals	247,934,541	7.8004	4,929	96.704
Local Institutions	2,913,795,642	91.6725	121	2.374
Foreign Individuals	15,864,468	0.4991	45	0.883
Foreign Institutions	890,716	0.0280	2	0.039
Total	3,178,485,367	100.00	5097	100.00

Distribution of Shareholders

Distribution of Shareholders	As at 31st March 2025				As at 31st March 2024			
	No. of Shareholders	%	No. of Shares	%	No. of Shareholders	%	No. of Shares	%
1-1,000	1,530	30.01	478,338	0.0150	1,284	26.88	411,314	0.01
1,001-10,000	1,654	32.45	7,318,478	0.2303	1,561	32.68	7,068,206	0.26
10,001-100,000	1,594	31.27	54,255,565	1.7070	1,628	34.08	56,197,952	2.04
100,001-1,000,000	289	5.67	79,672,277	2.5066	276	5.78	70,672,631	2.57
Over 1,000,000 shares	30	0.6	3,036,760,709	95.5411	28	0.59	2,620,337,215	95.12
Total	5,097	100.00	3,178,485,367	100.00	3,352	100.00	2,699,687,318	100.00

Top 20 Shareholders of the Company

No	Name	As at 31st March 2025	
		No. of Shares	%
1	Union Bank of Colombo PLC	2,858,791,010	89.9420
2	Mr. D.A.J. Warnakulasuriya	51,400,345	1.6170
3	Mr O.I. Sheunn	14,605,884	0.4600
4	Mr. S. Ramanathan	13,811,004	0.4350
5	Mr. A.N. Handunpathirana	12,108,672	0.3810
6	People's Leasing and Finance PLC / Suhada Gas Distributors (Pvt) Ltd	11,466,099	0.3610
7	Ms. H.T.S. Soysa	7,800,000	0.2450
8	Associated Electrical Corporation Ltd	7,551,017	0.2380
9	Est.of Lat K.C. Vignarajah	7,495,990	0.2360
10	Senkadagala Finance PLC / C.B.R.Fernando	6,923,423	0.2180
11	Mr. A.M. Irfan	5,878,992	0.1850
12	Assetline Finance Limited / Suhada Gas Distributors (Pvt) Ltd	5,090,354	0.1600
13	Sampath Bank PLC / Ceylon Capital One Investment Private Limited	4,248,102	0.1340
14	People S Leasing And Finance PLC / N.Anoshan	3,900,000	0.1230
15	Seylan Bank PLC / Mr. Manikkavasagar Thiyagaraja	3,436,441	0.1080
16	Mr. V.R.A. Perera	3,400,000	0.1070
17	Mr. N.W.V. Ruwan Kumara	1,985,300	0.0620
18	Mr. M.G.Y.A. Udawatte	1,752,569	0.0550
19	Mr C.P.A. Wijesekera	1,547,262	0.0490
20	Mr. R.P. Kaluarachchi	1,500,000	0.0470
Others		153,792,903	4.8370
Total		3,178,485,367	100.000

No	Name	As at 31st March 2024	
		No. of Shares	%
1	Union Bank of Colombo PLC	2,477,618,876.00	89.94%
2	Mr. D.A.J. Warnakulasuriya	39,368,347.00	1.43%
3	Mr. O.I. Sheunn	14,605,884.00	0.53%
4	Mr. S. Ramanathan	13,920,963.00	0.51%
5	Dr. T. Senthilverl	8,858,213.00	0.32%
6	Mr. A.N. Handunpathirana	8,113,136.00	0.29%
7	Associated Electrical Corporation Ltd	6,544,215.00	0.24%
8	LOLC Finance PLC / C.B.R. Fernando	5,465,678.00	0.20%
9	DFCC Bank PLC / S.M.D.N.P. Banda	4,850,100.00	0.18%
10	Mr. A.P. Arumugampillai	4,081,206.00	0.15%
11	Assetline Finance Limited / Suhada Gas Distributors (Pvt) Ltd	4,052,189.00	0.15%
12	Mr. K.C. Vignarajah	3,870,000.00	0.14%
13	Seylan Bank PLC / Mr. Manikkavasagar Thiyagaraja	3,336,440.00	0.12%
14	Mr. V.R.A. Perera	3,255,500.00	0.12%
15	Sampath Bank PLC / Ceylon Capital One Investment Private Limited	2,369,836.00	0.09%
16	Citizens Development Business Finance PLC / N.Anoshan	2,015,000.00	0.07%
17	Mr. A.M. Irfan	2,000,000.00	0.07%
18	Mr. N.W.V. Ruwan Kumara	1,985,300.00	0.07%
19	Bansei Securities Capital (Pvt) Ltd / M.A.U. Gnanatilake	1,860,500.00	0.07%
20	Mr. M.A.M. Azlam	1,738,820.00	0.06%
Others		144,777,115	5.25%
Total		2,754,687,318	100.00%

Directors' and CEO's Share Holdings

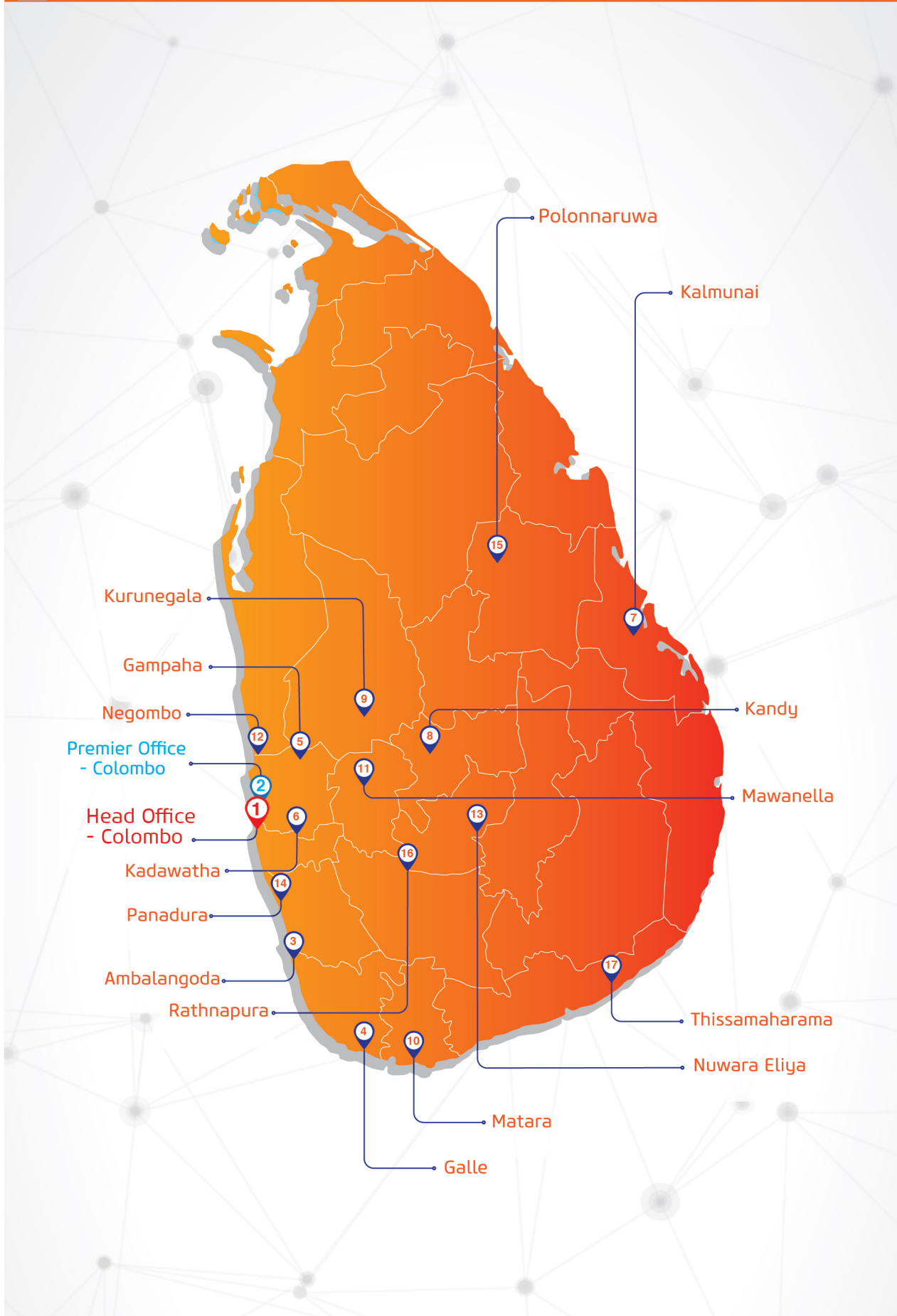
Name	Position	No of Shares as at 31-03-2025	No of Shares as at 31-03-2024
Mr. Malay Mukherjee	Chairman	-	-
Mr. Sanjay Pokhrel	Director	-	-
Mr. Sabry Ghouse	Director	-	-
Ms. Lisa Gayle Thomas	Director	-	-
Mr. Raj Moahan Balendra	Director	-	-
Mr. Jayendra Setukavalalar	Director	-	-
Mr. Ransith Karunaratne	Director/CEO	62,300	62,300

Key Ratios

Ratio	31-03-2025	31-03-2024
Dividend per share	-	-
Dividend Payout Ratio	-	-
Net Asset Value Per Share (Rs.)	0.98	1.026

Branch Information

LOCATION	ADDRESS	TELEPHONE	FAX
Head Office	No. 10, Daisy Villa Avenue, Colombo 04.	+94 (0) 114 - 468 888	+94 (0) 112 - 508 517
Premier Business Center	No. 33, Lauris Road, Colombo 04.	+94 (0) 114 - 745 100	+94 (0) 112 - 508 517
Ambalangoda	No. 27, Wickramasooriya Road, Ambalangoda.	+94 (0) 917 - 634 600 +94 (0) 917 - 634 601	+94 (0) 917 - 634 602
Galle	No. 30, Sri Dewamiththa Mawatha, Cheena Koratuwa, Galle.	+94 (0) 917 - 634 577 +94 (0) 917 - 634 576	+94 (0) 917 - 634 575
Gampaha	No. 56, Bauddhaloka Mawatha, Gampaha.	+94 (0) 334 - 501 520 +94 (0) 334 - 501 521	+94 (0) 334 - 501 522
Kadawatha	No. 143/B. Kandy Road, Kadawatha.	+94 (0) 117 - 634 577 +94 (0) 117 - 634 576	+94 (0) 117 - 634 575
Kalmunai	No. 114/B, Main Street, Kalmunai.	+94 (0) 674 - 501 011 +94 (0) 674 - 501 012	+94 (0) 674 - 501 013
Kandy	No. 75, Yatinuwara Veediya, Kandy.	+94 (0) 817 - 634 577 +94 (0) 817 - 634 576	+94 (0) 817 - 634 575
Kurunegala	No. 60, Colombo Road, Kurunegala.	+94 (0) 377 - 634 577 +94 (0) 377 - 634 576	+94 (0) 377 - 634 575
Matara	No. 268, Dharmapala Mawatha, Matara.	+94 (0) 417 - 634 577 +94 (0) 417 - 634 576	+94 (0) 417 - 634 575
Mawanella	No. 150, Colombo - Kandy New Road, Gunarathna Building, Mawanella.	+94 (0) 357 - 634 577 +94 (0) 357 - 634 576	+94 (0) 357 - 634 575
Negombo	No. 539, Colombo Road, Kurana, Negombo	+94 (0) 317 - 634 577 +94 (0) 317 - 634 576	+94 (0) 317 - 634 575
Nuwara Eliya	No. 32/1, Park Road, Nuwaraeliya.	+94 (0) 524 - 650 300 +94 (0) 524 - 650 301	+94 (0) 524 - 650 302
Panadura	No. 297, Galle Road, Panadura.	+94 (0) 387 - 634 577 +94 (0) 387 - 634 576	+94 (0) 387 - 634 575
Polonnaruwa	No. 05, Batticaloa Road, Polonnaruwa.	+94 (0) 277 - 634 577 +94 (0) 277 - 634 576	+94 (0) 277 - 634 575
Rathnapura	No. 105/1, Colombo Road, Rathnapura.	+94 (0) 454 - 650 300 +94 (0) 454 - 650 301	+94 (0) 454 - 650 302
Thissamaharama	No. 116, Main Street, Tissamaharama.	+94 (0) 477 - 634 577 +94 (0) 477 - 634 576	+94 (0) 477 - 634 575



Corporate Information

Company Name	:	UB Finance PLC
Statutory Status	:	Public Limited Liability Company
Incorporated On	:	12-07-1961
Company Reg.No	:	PQ 00283806 (Previously PB 113)
Credit Rating	:	The company has been assigned a National Long-term rating of BB(lka)  with a Negative Outlook by Fitch Rating Lanka Limited
Financial Year End	:	31 st March
Governed By	:	The Companies Act No.07 of 2007, The Finance Business Act No.42 of 2011, The Finance Leasing Act No. 56 of 2000 & CSE Listing Rules
Registered Office	:	No. 10, Daisy Villa Avenue, Colombo 04
Head Office	:	No. 10, Daisy Villa Avenue, Colombo 04
Telephone	:	+94 (0) 11 4 468 888
Fax	:	+94 (0) 11 2 508 517
E-mail	:	info@ubf.lk
Website	:	www.ubf.lk
External Auditors	:	M/S KPMG, Chartered Accountants
Company Secretary	:	Ms. Tharanga Nandasena
Company Registrars	:	Central Depository Systems (Pvt) Ltd
Bankers	:	<div>Union Bank of Colombo PLC</div> <div>Commercial Bank of Ceylon PLC</div> <div>DFCC Bank PLC</div> <div>Hatton National Bank PLC</div> <div>Nations Trust Bank PLC</div> <div>Pan Asia Banking Corporation PLC</div> <div>People's Bank</div> <div>Sampath Bank PLC</div> <div>Seylan Bank PLC</div>
Tax Payer Identification No	:	104019404

BOARD OF DIRECTORS (As at 31st March, 2025)

Mr. Malay Mukherjee – Chairman | Non-Independent Non-Executive Director
(Retired with effect from 26th July, 2025)

Mr. Sabry Ghouse – Interim – Chairman | Senior Independent Director
(Appointed as the Interim Chairman with effect from 26th July, 2025)

Mr. Ransith Karunaratne – Director | Chief Executive Officer

Mr. Raj Moahan Balendra – Independent Non-Executive Director

Mr. R. M. Mohan J Ratnayake – Independent Non-Executive Director
(Appointed with effect from 8th July, 2024)

Mr. Jayendra A. Setukavalar – Independent Non-Executive Director

Mr. Sanjay Pokhrel – Non-Independent Non-Executive Director

Ms. Lisa Gayle Thomas – Non-Independent Non-Executive Director
(Resigned with effect from 8th July, 2024)

Prof. Ajantha Sujeewa Dharmasiri – Independent Non-Executive Director
(Appointed with effect from 26th August, 2024)

Mr. Dilshan Peter Rodrigo – Non-Independent Non-Executive Director
(Appointed with effect from 1st October, 2024)

UB FINANCE PLC

[Company Registration No. PQ 00283806]
No.10, Daisy Villa Avenue, Colombo 04

NOTICE OF MEETING

NOTICE is hereby given that the Annual General Meeting of UB Finance PLC will be held at the Auditorium of the Hector Kobbekaduwa Agrarian Research and Training Institute, No.114, Wijerama Mawatha, Colombo 07 on 26th September, 2025 at 10.30a.m. for the following purposes;

1. To receive and consider the Audited Financial Statements for the year ended 31st March 2025 together with the Reports of the Directors and Auditors thereon.
2. To re-elect Mr. R M Balendra who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.
3. To re-elect Mr. S Pokhrel who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.
4. To re-elect Mr. Dilshan Rodrigo who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.
5. To re-elect Mr. S Y Abeywardene who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.
6. To appoint Messrs. KPMG, Sri Lanka, Chartered Accountants, as recommended by the Board of Directors, as the Company's Auditors and to authorize the Board of Directors to determine their remuneration therefor.
7. To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.

By order of the Board of
UB Finance PLC



Tharanga Nandasena
Company Secretary
At Colombo
29th August 2025

Notes:

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. A Shareholder wishing to vote by proxy at the meeting may use the Form of Proxy enclosed.
4. In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company, No.10, Daisy Villa Avenue, Colombo 04 by 10.30 a.m. on 24th September, 2025.

UB FINANCE PLC

[Company Registration No. PQ 00283806]
No.10, Daisy Villa Avenue, Colombo 04

FORM OF PROXY

I/We*,(NIC No.....)
of.....being a Shareholder/Shareholders* of the above named
Company, hereby appoint (NIC No.....) of
.....or failing him

Mr. Mohamed Hisham Sabry Ghouse	or failing him*
Mr. Ransith Nishantha Karunaratne	or failing him*
Mr. Raj Moahan Balendra	or failing him*
Mr. Jayendra Arulraj Setukavalar	or failing him*
Mr. Sanjay Pokhrel	or failing him*
Mr. Ratnayake Mudiyansele Mohan Joseph Ratnayake	or failing him*
Mr. Dilshan Peter Rodrigo	or failing him*
Prof. Ajantha Dharmasiri	or failing him*
Mr. S Y Abeywardene	

as my/our* proxy to represent me/us*, to speak and vote whether on a show of hands or on a poll for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on the 26th day of September 2025 and at any adjournment thereof.

	For	Against
1. To re-elect Mr. R M Balendra who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. S Pokhrel who retires by rotation in terms of Article 77 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Dilshan Rodrigo who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. S Y Abeywardene who retires in terms of Article 85 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Messrs. KPMG, Sri Lanka, Chartered Accountants, as recommended by the Board of Directors, as the Company's Auditors and to authorize the Board of Directors to determine their remuneration therefor.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine donations for the year ending 31st March 2026 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of.....Two Thousand and Twenty Five (2025)

.....
Signature of Shareholder / s

Notes:

1. * Please delete as appropriate
2. A Proxy need not be a shareholder of the Company
3. Instructions as to completion appear overleaf

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number by signing in the space provided and filling in the date of signature.
2. The completed Proxy should be forwarded to the Registered Office of the Company, No.10, Daisy Villa Avenue, Colombo 04 by 10.30 a.m. on 24th September 2025.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your proxy, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
4. The Proxy shall
 - (a) In the case of an individual be signed by the shareholder or by his 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)
5. Please indicate with an 'X' in the space provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy will vote as he thinks fit.

Shareholder Feedback Form

We welcome your valuable feedback on this Annual Report, on our commitments and our performance. Please complete the following and return this page to:

UB Finance PLC

No. 10, Daisy Villa Avenue,
Colombo 04,
Sri Lanka.

Name :

Permanent Mailing Address :

Contact Number – (Tel) :

(Fax) :

E-mail :

Queries / Comments

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Recommendations

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Form of Request

To:
Company Secretary
No. 10, Daisy Villa Avenue, Colombo 04, Sri Lanka.
Email : info@ubf.lk
Fax : +94 112 508 517

Dear Sir/Madam,

Request for a printed copy of the Annual Report – 2024/2025 of UB Finance PLC

With reference to the Circular to Shareholders dated, I/we hereby request you to please forward to me/us a printed copy of the Annual Report of UB Finance PLC for the financial year 2024/2025.

Our/My details are as follows:

Full Name of the Shareholder/s	
Jointly with	
Address of the Shareholder/s	
National Identity Card No/s. Passport	
No/s of the shareholder/s	
Company Registration No.	
CDS Account No.	
Contact Telephone No.	

.....
Signature of the Shareholder/s

.....
Date

Notes:

1. Kindly perfect the Form of Request by filling in legibly your full name, address and the National Identity Card Number/Passport Number and by signing in the space provided and filling in the date of signature.
2. Please email or deliver the completed Form of Request to the Company Secretary at the address given above or forward via facsimile to +94 112 508 517
3. If the Form of Request is signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Form of Request.
4. If the request is made by a Company/Corporation this Form must be executed as per the Articles of Association of the Company/ Corporation either under the Common Seal or by a duly authorised officer of that Company/ Corporation.
5. In the case of a joint shareholding, the request should be signed by the joint holder whose name appears first in the Register of Members.



UB Finance PLC

No.10, Daisy Villa Avenue, Colombo 04.

T +94 114 468 888 F +94 112 508 517 E info@ubf.lk W ubf.lk

Reach us