



YOUR TRUSTED FINANCE PARTNER

# Prospectus

## High Yield Bond Issue 2025



Managers and Financial Advisor





## PROSPECTUS

FOR AN ISSUE OF FIVE MILLION (5,000,000) HIGH YIELD BONDS CONSTITUTED OF TYPE A TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE HIGH YIELD BONDS 2025-2030 AND TYPE B TIER 2 LISTED RATED UNSECURED SUBORDINATED REDEEMABLE HIGH YIELD BONDS 2025-2030 EACH OF THE PAR VALUE OF SRI LANKAN RUPEES ONE HUNDRED (LKR100/-) BY FINTREX FINANCE LIMITED WITH AN OPTION TO ISSUE UPTO A FURTHER FIVE MILLION (5,000,000) OF THE SAID HIGH YIELD BONDS AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL TRANCHE TO RAISE UPTO A MAXIMUM OF AMOUNT OF SRI LANKAN RUPEES ONE THOUSAND MILLION (LKR 1,000,000,000/-).

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE

Rated B+(lka) by Fitch Ratings Lanka Limited

**ISSUE OPENS ON**  
25<sup>TH</sup> FEBRUARY 2025

**ISSUE IS LIMITED TO "QUALIFIED INVESTORS" ONLY AS DEFINED HEREIN**

**Managers and Financial Advisor to the Issue**



This Prospectus is dated 20th February, 2025

### Responsibility for the Content of the Prospectus

This Prospectus has been prepared with available information.

The Directors of Fintrex Finance Limited (the “Company” or the “Issuer”) have seen and approved this Prospectus and collectively and individually, accept full responsibility for the accuracy of the information given and confirm that after making all reasonable inquiries and to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in its best judgment.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of pertinent information, it does not assume responsibility for any investment decisions made by the Qualified Investors based on the information contained herein. In making such investment decisions, prospective Qualified Investors are advised to read the Prospectus and rely on their own examination and assessment of the Company and the terms of the Bonds issued including the risks associated.

### FOR ENQUIRIES, PLEASE CONTACT MANAGER AND FINANCIAL ADVISOR TO THE ISSUE

The Colombo Stock Exchange (CSE) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, CSE assumes no responsibility for accuracy of the statements made, opinions expressed, or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of Bonds which is decided solely by the Issuer.

### Registration of the Prospectus

A copy of the Prospectus has been delivered to the Registrar of Companies for registration in compliance with the provisions of Section 40 of the Companies Act No.7 of 2007. The following are the documents attached to the copy of the Prospectus delivered to the Registrar of Companies for registration pursuant to Section 40(1) of the Companies Act.

- a) The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b) The written consent of the Rating Agency for the inclusion of their name in the Prospectus as Rating Agency to the Issue and to the Company.
- c) The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d) The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e) The written consent of the Company Secretary of the Company for the inclusion of the name in the Prospectus as Company Secretary to the Company.
- f) The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- g) The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- h) The written consent of the Manager and Financial Advisor to the Issue for the inclusion of their names in the Prospectus as Manager and Financial Advisor to the Issue
- i) The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue and to the Company, Trustee to the Issue, Bankers to the Issue, Company Secretary, Manager and Placement Agent to the Issue, Registrars to the Issue, Lawyers to the Issue, Rating Agency have not, before the delivery of a copy of the Prospectus for registration with the Registrar of Companies in Sri Lanka withdrawn such consent.

### Registration of the Prospectus in Jurisdictions Outside of Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-Resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

### Representation

The Bonds are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, salesperson, individual or any other outside party has been authorized to give any information or to make any representation in this connection with the Issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorized by the Company.

### Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Section 1.17 'Risks Involved in Investing in the Bonds' of this Prospectus.

### Forward Looking Statements

Any Statements included in this Prospectus that are not statements of historical fact constitute "Forward Looking Statements". These can be identified by the use of forward-looking terms such as "expect", "anticipate", "intend", "may", "plan to", "believe", "could" and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company's ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

Given the risk and uncertainties that may cause the Company's actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking statements in this Prospectus, Qualified Investors are advised not to place sole reliance on such statements.

### Presentation of Currency Information and Other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to "LKR", "Rupees" or "Rs." is the lawful currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

All numerical figures given under Section 6.0 of the Prospectus are audited figures unless otherwise stated.

**IMPORTANT****All Qualified Investors should indicate in the Application for Bonds, their Central Depository Systems (Private) Limited (CDS) account number.**

In the event the name, address or NIC number/passport number/company number of the Qualified Investor mentioned in the Application Form differs from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/ passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Qualified Investor. Therefore, Qualified Investors are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the directive of the Securities and Exchange Commission made under Circular No.08/2010 dated 22nd November 2010 and Circular No.13/2010 issued by the CDS dated 30th November 2010, all Bonds are required to be directly deposited into the CDS. To facilitate compliance with this directive, all Qualified Investors are required to indicate their CDS account number.

In line with this directive, **THE BONDS ALLOTTED TO A QUALIFIED INVESTOR WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH QUALIFIED INVESTOR**, the details of which is indicated in their Application Form. If the CDS account number indicated in the Application Form is found to be inaccurate /incorrect or there is no CDS number indicated, the Application will be rejected, and no allotments will be made. The Company may require a Qualified Investor to provide such documentation as is reasonably necessary to satisfy itself that the investor is a Qualified Investor.

**PLEASE NOTE THAT BOND CERTIFICATES WILL NOT BE ISSUED.**

Qualified Investors who wish to open a CDS account, may do so through a Trading Participant of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

## ISSUE AT A GLANCE

<b>Issuer</b>	Fintrex Finance Limited																							
<b>Instrument</b>	Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 Year High Yield Bonds																							
<b>Listing &amp; Trading</b>	The Bonds will be listed on the Colombo Stock Exchange and will be traded only on the OTC Platform of the CSE																							
<b>Number of Bonds to be Issued</b>	Initial Issue of Five Million (5,000,000) Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 Year High Yield Bonds with an option to raise up to a further Five Million (5,000,000) of the said Bonds at the discretion of the Company in the event of oversubscription of the initial Issue up to a total of Ten Million (10,000,000) Bonds.																							
<b>Amount to be Raised</b>	Initial sum of Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) with an option to issue up to a further Sri Lanka Rupees Five Hundred Million (LKR 500,000,000/-) to a total of Sri Lanka Rupees One Billion (LKR 1,000,000,000/-)																							
<b>Entity Rating</b>	BB (Ika)/Stable by Fitch Ratings Lanka Limited																							
<b>Issue Rating</b>	B+ (Ika) by Fitch Ratings Lanka Limited																							
<b>Issue Price</b>	Rupees One Hundred (LKR 100/-) per Bond																							
<b>Par Value</b>	Rupees One Hundred (LKR 100/-) per Bond																							
<b>Details of Bonds</b>	<table border="1"> <thead> <tr> <th>Type</th> <th>Type of Interest</th> <th>Tenure</th> <th>Interest Rate (per annum)</th> <th>Annual Effective Rate (AER)</th> <th>Interest Payment Frequency</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Fixed</td> <td>5 Years</td> <td>13.15%</td> <td>13.15%</td> <td>Annual</td> </tr> <tr> <td>B</td> <td>Fixed</td> <td>5 Years</td> <td>12.74%</td> <td>13.15%</td> <td>Semi Annual</td> </tr> </tbody> </table> <p>Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 Year High Yield Bonds, as described below</p>						Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency	A	Fixed	5 Years	13.15%	13.15%	Annual	B	Fixed	5 Years	12.74%	13.15%	Semi Annual
Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency																			
A	Fixed	5 Years	13.15%	13.15%	Annual																			
B	Fixed	5 Years	12.74%	13.15%	Semi Annual																			
<b>Number of Bonds to be Subscribed</b>	<p>The minimum subscription requirement applicable for a Qualified Investor applying for Bonds shall be Rupees Ten Thousand (LKR 10,000/-).</p> <p>Provided however, the minimum subscription requirement applicable for an individual Investor applying for the High Yield Debt Securities as per Rule 2.2.1 (h) and Rule 2.2.1 (r) which are to be read together with the Definition Section of the CSE Listing Rules shall be Rupees Five Million (LKR 5,000,000/-).</p> <p>Any Application in excess of the minimum subscription requirement shall be in multiples of Rupees Ten Thousand (LKR 10,000/-).</p>																							
<b>Interest Payment Date(s)</b>	<p>For Type A Bonds: The dates on which payments of interest in respect of the Bonds shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months there from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>For Type B Bonds: The dates on which payments of interest in respect of the Type B Bonds shall fall due, which shall be six (06) months from the Date of Allotment and every six (06) months there from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than three (03) Working Days from each Interest Payment Date. The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.</p>																							

<b>Interest Period</b>	<p>For Types A, the twelve (12) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p>For Types B Bonds, the six (06) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p>
<b>Mode of Payment of Principal Sum and Interest</b>	Through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS where accurate bank account details are provided by the Bondholders subject to the prevalent limitation with regard to SLIPS and RTGS or by cheque marked "Account Payee Only".
<b>Issue Opening Date</b>	25th February, 2025
<b>Date of Allotment</b>	The date on which the Bonds will be allotted by the Company to Applicants subscribing thereto.
<b>Closure Date of the Subscription List</b>	<p>Subject to the provisions contained below, the subscription list for the Bonds will open at 9.30 a.m. on 25th February, 2025 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 18th March, 2025.</p> <p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following:</p> <ul style="list-style-type: none"> <li>- The maximum of Ten Million (10,000,000) Bonds being fully subscribed; or</li> <li>- The Board of Directors of the Company decides to close the Issue upon the initial Issue of Five Million (5,000,000) Bonds becoming fully subscribed</li> </ul> <p>In the event the Board of Directors of the Company decides to exercise the option to issue further up to Five Million (5,000,000) Bonds (having subscribed the initial Issue of Five Million (5,000,000) Bonds, but subsequently decides to close the subscription list upon part of the further issue of Five Million (5,000,000) Bonds becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 pm.</p> <p>In the event the Board of Directors of the Company decides to close the Bond Issue without the full subscription of the Five Million (5,000,000) Bonds, such decision is to be notified to the CSE on the day such decision is made, and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 1.2 of this Prospectus).</p>
<b>Basis of Allotment</b>	<p>In the event of an over subscription, the Board of Directors of the Company will endeavor to decide the basis of allotment of the Bonds in a fair manner within seven (07) Market days from the closure of the Issue.</p> <p>The Board however shall reserve the right to allocate up to a maximum of 75% of the Number of Bonds to be allotted under this Prospectus on a preferential basis, to identified institutional investor/s of strategic importance with whom the Company might have mutually beneficial relationships in the future as future investors, who are Qualified Investors.</p> <p>Number of Bonds to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Bonds to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).</p>



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## CORPORATE INFORMATION

<b>Name of the Company/Issuer</b>	Fintrex Finance Limited  Formerly Known as Melsta Regal Finance Ltd. Date of name change is 3rd September 2018
<b>Legal Status</b>	Incorporated on 29th March 2007 as a Public Limited Liability Company under the Companies Act No. 07 of 2007. Registered under the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000.
<b>Company Number</b>	PB 878
<b>Date of Incorporation</b>	29th March 2007
<b>Place of Incorporation</b>	Colombo, Sri Lanka
<b>Registered Address</b>	No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14, Sri Lanka  Tel: +94 11 7977 977/ Hotline: +94 11 7200 100 Website : www.fintrexfinance.com
<b>Company Secretary</b>	<b>Mrs. Aruni Gunewardena</b> Fintrex Finance Limited No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14.  Tel: +94 11 7977986
<b>Rating Agency</b>	<b>Fitch Ratings Lanka Limited</b> No.15-04, East Tower, World Trade Centre, Colombo 01  Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
<b>Auditor to the Company</b>	<b>M/s Ernst &amp; Young</b> Chartered Accountants Rotunda Towers No. 109, Galle Road, P.O. Box 101, Colombo 03  Tel: +94 11 2463500 / Fax: +94 11 7687869
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>➤ Mr. Ajit Damon Gunewardene - Chairman, Director (Non-Executive/Non Independent)</li> <li>➤ Mr. James Ronnie Felitus Peiris - Director (Non-Executive/Non-Independent)</li> <li>➤ Mr. Shantanu Nagpal- Director (Non-Executive/Non-Independent)</li> <li>➤ Mr. Ahamed Sabry Ibrahim - Senior Director (Non-Executive/Independent)</li> <li>➤ Mr. Shrihan Blaise Perera - Director (Non-Executive/Non-Independent)</li> <li>➤ Mr. Seminda Nilam Jayasinghe - Director (Non-Executive/Independent)</li> <li>➤ Mr. Jayashantha Francis Rovindra De Fonseka - Director (Non-Executive/Independent)</li> <li>➤ Mr. Indrajit Asela Wickramasinghe - Director (Non-Executive/ Non-Independent)</li> </ul>

## RELEVANT PARTIES TO THE ISSUE

<b>Manager and Financial Advisor to the Issue</b>	<b>HNB Investment Bank (Private) Limited</b> No. 53, Dharmapala Mawatha, Colombo 03  Tel: +94 11 2 206 216/ Fax: +94 11 2 437 149
<b>Lawyers to the Issue</b>	<b>Mr. Naomal Goonewardena</b> (Attorney-at-Law) Nithya Partners No. 97 A, Galle Road, Colombo 03  Tel: +94 11 2335908 / Fax: +9411 2328817
<b>Registrars to the Issue</b>	<b>Central Depository System ( Pvt) Ltd</b> Ground Floor, M & M Center, No. 341/5, Kotte Road, Rajagiriya  Tel: + 94 11 2356456/ Fax: + 94 11 2440396
<b>Trustee to the Issue</b>	<b>Hatton National Bank PLC</b> HNB Towers, No. 479, T.B. Jayah Mawatha, Colombo 10  Tel: + 94 11 2664664
<b>Company Secretary</b>	<b>Mrs. Aruni Gunewardena</b> Fintrex Finance Limited No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14.  Tel: +94 11 7977986
<b>Rating Agency to the Issue</b>	<b>Fitch Ratings Lanka Limited</b> No.15-04, East Tower World Trade Centre, Colombo 01  Tel: +94 11 2 541 900 / Fax: +94 11 2 541 903
<b>Bankers to the Issue</b>	<b>Hatton National Bank PLC</b> No. 479 T B Jayah Mawatha, Colombo 10  Tel: +94 (011) 2 664 664, +94 (011) 2 662 772, +94 (011) 4 764 764 Fax: +94 (011) 2 662 832
<b>Auditors and Reporting Accountants to the Issue</b>	<b>M/s Ernst &amp; Young</b> Chartered Accountants Rotunda Towers No. 109, Galle Road, P.O. Box 101, Colombo 03  Tel: +94 11 2463500 / Fax: +94 11 7687869

**LIST OF ABBREVIATIONS**

<b>AER</b>	Annual Effective Rate
<b>CBSL</b>	Central Bank of Sri Lanka
<b>CDS</b>	Central Depository Systems (Private) Limited
<b>CSE</b>	Colombo Stock Exchange
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortization
<b>FYE</b>	Financial Year Ending
<b>IIA</b>	Inward Investment Account
<b>FFL/Issuer/Company</b>	Fintrex Finance Limited
<b>NIC</b>	National Identity Card
<b>POA</b>	Power of Attorney
<b>RTGS</b>	Real Time Gross Settlement
<b>SEC</b>	Securities and Exchange Commission of Sri Lanka
<b>SLIPS</b>	Sri Lanka Inter Bank Payment System
<b>CEFTS</b>	Common Electronic Fund Transfer Switch
<b>PBIT</b>	Profit Before Interest and Tax
<b>FATCA</b>	Foreign Account Tax Compliance Act

## GLOSSARY OF TERMS RELATED TO THE ISSUE

<b>Applicant</b>	Any person identified as a Qualified Investor who submits an Application Form under this Prospectus.
<b>Application Form/Application</b>	The Application Form that constitutes part of this Prospectus through which an Applicant may apply for the Bonds in Issue.
<b>Company/ Issuer</b>	Fintrex Finance Limited
<b>Closure Date</b>	<p>Subject to the provisions contained below, the subscription list for the Bonds will open at 9.30a.m. on 25th February, 2025 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 18th March, 2025.</p> <p>However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following:</p> <ul style="list-style-type: none"> <li>➤ The maximum of Ten Million (10,000,000) Bonds being fully subscribed; or</li> <li>➤ The Board of Directors of the Company decides to close the Issue upon the initial Issue of Five Million (5,000,000) Bonds becoming fully subscribed</li> </ul> <p>In the event the Board of Directors of the Company decides to close the Bond Issue without the full subscription of the initial Five Million (5,000,000) Bonds, such decision is to be notified to the CSE on the day such decision is made, and the subscription list will be closed on the following Market Day at 4.30 pm. (refer Section 1.2 of this Prospectus).</p>
<b>Bonds</b>	All of the Listed, Rated, Subordinated, Unsecured, Redeemable 5 Year High Yield Bonds in pursuant to this Prospectus.
<b>Bondholder(s)</b>	Any person who is for the time being the holder of the Bonds and includes his/her respective successors in title
<b>Date of Allotment</b>	The date on which the Bonds will be allotted by the Company to Applicants subscribing thereto.
<b>Date of Redemption</b>	The date on which Redemption of the Bonds will take place as referred to in Section 1.13 of this Prospectus.
<b>Entitlement Date</b>	The Market Day immediately preceding the respective Interest Payment Date or Date of Redemption on which a Bondholder would need to be recorded as being a Bondholder on the list of Bondholders provided by the CDS to the Company/in whose name the Bonds are registered in the Bondholders' register of the Company (where applicable), in order to qualify for the payment of any interest or any Redemption proceeds.
<b>Interest Payment Date(s)</b>	<p>For Type A, Bonds: The dates on which payments of interest in respect of the Bonds shall fall due, which shall be twelve (12) months from the Date of Allotment and every twelve (12) months therefrom from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>For Type B Bonds: The dates on which payments of interest in respect of the Type B Bonds shall fall due, which shall be six (06) months from the Date of Allotment and every six (06) months therefrom from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.</p> <p>Interest would be paid not later than three (03) Working Days from each Interest Payment Date. The final interest payment will be paid together with the Principal Sum within three (03) Working Days from the Date of Redemption.</p>

<b>Interest Period</b>	<p>For Types A, Bonds, the twelve (12) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p> <p>For Types B Bonds, the six (06) month period from the date immediately succeeding a particular Interest Payment Date and ending on the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the date immediately succeeding the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).</p>
<b>Issue</b>	The offer of Bonds to Qualified Investors pursuant to this Prospectus.
<b>Issue Price</b>	Rupees One Hundred (LKR 100/-) per Bond
<b>Market Day</b>	Any day on which trading takes place at the CSE.
<b>Non-Resident(s)</b>	Persons resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka.
<b>Par Value</b>	LKR 100/- per Bond
<b>Principal Sum</b>	The product of the number of Bonds allotted and the Par Value
<b>Prospectus</b>	This prospectus dated 20th February 2025 issued by Fintrex Finance Limited
<b>Qualified Investors</b>	<ul style="list-style-type: none"> <li>(a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).</li> <li>(b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No.30 of 1988 (as amended).</li> <li>(c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.</li> <li>(d) A venture capital fund/ company and private equity company.</li> <li>(e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act. No 42 of 2011 (as amended).</li> <li>(f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended)</li> <li>(g) A company licensed by the Insurance Board of Sri Lanka to carry on Insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended)</li> <li>(h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No.7 of 2007.</li> <li>(i) An investment trust or investment company</li> <li>(j) A Non-Resident institutional investor</li> <li>(k) An individual with an initial investment amount of LKR 5,000,000/-</li> </ul>
<b>Redemption</b>	Repayment of the Principal Sum and unpaid and accrued interest (if any) with regard to a Bond to a Bondholder by the Company
<b>Registered Address</b>	The address provided by the Bondholders to the CDS

<b>Subordinated</b>	Means the claims of the Bondholders shall in the event of winding up of the Company rank after all the claims of depositors and secured and other unsecured creditors of the Company and any preferential claims under any Statutes governing the Company, but shall rank pari passu with other subordinated creditors of the Company and shall rank in priority to and over the claims and rights of the ordinary and preference shareholder/s of the Company
<b>Tier 2</b>	Tier 2 Capital includes qualifying Tier 2 capital instruments, revaluation gains approved by CBSL and general loan loss provision of the Company
<b>Trustee</b>	Hatton National Bank PLC
<b>Trust Deed</b>	Trust Deed executed between the Company and Hatton National Bank PLC (Trustee Bank) on 18th February, 2025
<b>Unsecured</b>	Repayment of the Principal Sum and payment of interest on the Bonds are not secured by a charge on any assets of the Issuer



# 1 ■ PRINCIPAL FEATURES OF THE BONDS

### 1.1 INVITATION TO SUBSCRIBE

The Board of Directors of Fintrex Finance Limited (hereinafter referred to as the “Board”) at the Board Meeting held on 20th November 2024 resolved to raise a sum of Rupees Five Hundred Million (LKR 500,000,000/-) by an initial issue of up to Five Million (5,000,000) Bonds, each with a Par Value of LKR 100/- and to raise a further sum of Rupees Five Hundred Million (LKR 500,000,000/-) by an issue of a further Five Million (5,000,000) Bonds, in the event of an over subscription of the initial issue.

As such a maximum amount of Rupees One Billion (LKR 1,000,000,000/-) would be raised by the issue of a maximum of Ten Million (10,000,000) Bonds each with the Par Value of LKR 100/-.

The below mentioned Bonds will be offered to the public:

Bond Type	Tenure	Interest Rate	Issue Price Per Bond	Description
A	5 Years	13.15% (AER 13.15%)	100/-	Annual Coupon payment
B	5 Years	12.74% (AER 13.15%)	100/-	Semi Annual Coupon payment

It is the intention of the Company to list the Bonds on the Colombo Stock Exchange. The Colombo Stock Exchange has given its in-principle approval for the listing of the Bonds on the Colombo Stock Exchange. Listed, Rated, Subordinated, Unsecured, Redeemable 5 Year High Yield Bonds issued under the prospectus are not subject to an early redemption or have a “convertible option”. However, Bonds shall become immediately payable at the option of the Trustee on the occurrence of event of default as specified in Clause 10 of the trust deed. This bond is not collateralized by any asset of the company. The instrument rating of these bonds (B+ (Ika)) is two notch below the entity rating (BB (Ika)) due to its subordinate nature and Tier II characteristics.

### 1.2 SUBSCRIPTION LIST

Subject to the provisions contained below, the subscription list for the Bonds will open at 9.30 a.m. on 25th February 2025 and will remain open for fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on 18th March 2025.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following.

- The maximum of Ten Million (10,000,000) Bonds being fully subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the initial Issue of Five Million (5,000,000) Bonds being fully subscribed

In the event the Board of Directors of the Company decides to exercise the option to issue further up to Five Million (5,000,000) Bonds (having subscribed the initial Issue of Five Million (5,000,000) Bonds) but subsequently decides to close the subscription list upon part of the further Issue of Five Million (5,000,000) Bonds being subscribed, such decision is to be notified to the CSE on the day such decision is made, and the subscription list will be closed on the following Market Day at 4.30 p.m.

In the event the Board of Directors of the Company decides to close the Bond Issue without the full subscription of the initial Five Million (5,000,000) Bonds, such decision is to be notified to the CSE on the day such decision is made and subscription list will be closed on the following Market Day at 4.30 p.m.

Applications can be made forthwith in the manner set out in Section 2.0 of this Prospectus and duly completed Application Forms will be accepted at any one of the Collection Points set out in Annexure IV of this Prospectus.

### 1.3 TYPES OF BONDS

The Bond Issue comprises of Bonds of Type A and Type B that will carry rates of interest as described below:

Bond Type	Type of Interest	Tenure	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
A	Fixed	5 Years	13.15%	13.15%	Annual
B	Fixed	5 Years	12.74%	13.15%	Semi Annual

Each of the Type A and Type B Bonds shall rank equal and pari passu other than with respect to the Rate of Interest and tenure with respect to the rate of interest per annum and the interest payment frequency.

### 1.4 OBJECTIVES OF THE ISSUE AND SPECIFIC RISK RELATING TO THE OBJECTIVES OF THE BOND ISSUE

Main objective of the Bond Issue is to expand the Tier II capital and strengthen the total capital base of the Company by LKR 1 Bn in keeping up with Company's envisaged growth in lending portfolio plans and also to maintain the Capital Adequacy Requirements as stipulated by the CBSL. FINTREX is licensed under the Finance Business Act No. 42 of 2011 to conduct its primary business, and this license does not have an expiration date. Further, the funds sourced from the Bond Issue will be utilized to grow the lending portfolio creating a positive impact on profitability and net asset value of the Company.

The company has complied with the CBSL minimum capital adequacy requirement as of 31st December 2024 with a Tier 1 capital adequacy ratio of 13.93% and total capital adequacy ratio of 13.93%. Immediately following the bond issuance, the total capital ratio is expected to improve to 19.21%.

The Capital Adequacy Requirements (as per the Finance Business Act. (Capital Adequacy Requirements) Direction No. 03 of 2018)	The timeline to achieve such requirements	The level of compliance by the Company as at 31st December 2024 (latest quarter)	The level of compliance by the Company, after the capital infusion
Tier 1 – 8.50%	31st March 2024	13.93%	13.93%
Total – 12.50%		13.93%	19.21%

The Company will invest the funds raised by this Bond Issue in Company's lending portfolio and such funds are disbursed for lending purposes in terms of four wheeler leasing, vehicle loans, smart draft, micro leasing, gold loans, SME loans and mobile financing within 12 months from the date of allotment. Investments in Company's lending portfolio is expected to generate a return of 20% - 21% p.a. at current rates. Hence, the proceeds of the Issue would be utilized for the above stated objective and will not be utilized to settle any outstanding borrowings of the Company.

Objectives of the issue do not constitute a "Major Transaction" as provided in Section 185 of the Companies Act No. 07 of 2007. The Company will not seek shareholder approval for the Issue as it is not applicable. The Company as at the date of this Prospectus has not recognized related parties for the lending of the proceeds of the Issue. As such, the Company will disburse the proceeds of the Issue in the ordinary course of business as stated above. FINTREX has obtained the approval from the Central Bank of Sri Lanka (CBSL) for the Issue and listing of High Yield Corporate Debt Securities for raising Tier II capital of the Company.

#### Specific Risks relating to the Objective

During the second quarter of the financial year 2024/25, the Company disbursed an average of LKR 2.1Bn per month in leasing, smart draft, vehicle loans, SME loans, Gold loans and mobile financing (based on unaudited financials). Moving forward, the Company projects achieving its targeted growth, with average monthly disbursements budgeted between LKR 2.1Bn to 2.4Bn. Given the anticipated higher demand for loans and lease receivables compared to the amount expected to be raised through this Bond Issue, the Company does not foresee any significant risk in utilizing the proceeds to grant loans and lease receivables within the specified timeline.

The Company benefits from access to multiple funding sources, including deposits and borrowings. Accordingly, proceeds from the Bond Issue represent only one component of funding for its budgeted term lending portfolio. In the event of an under-subscription of the Bond Issue, the Company will utilize alternative funding sources mentioned earlier to bridge any gaps in meeting the budgeted lending targets.

Should the Company be unable to deploy the Bond Issue funds for the intended purpose within the specified timeline, the utilization of such funds will proceed with the necessary review and approval of the Asset Liability Committee of Fintrex Finance Limited. Furthermore, if the Company opts to lend funds to Related Parties, it will ensure compliance with Section 9 of the CSE Listing Rules.

As a result, the Company does not anticipate any significant risks that could hinder the achievement of the Bond objectives within the stated timeframe.

The Company is committed to disclosing the progress of fund utilization in all future interim and annual financial statements until the proceeds are fully deployed for the objectives outlined in the Prospectus. This disclosure will follow the format provided below. Additionally, continuous updates regarding the utilization status of funds raised through the Bond Issue will be included in subsequent interim and annual financial statements.

Bond Issue Proceeds utilization as at dd-mm-yyyy

Objective number	Objective as Per Prospectus	Amount allocated as Per prospectus in LKR	Proposed date of Utilization as per prospectus	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amounts utilized in LKR (B)	% of utilization against allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g.: whether lent to related party/s etc.)
1	To improve the capital Adequacy ratio	Initial Issue of LKR 500Mn and a maximum issue of LKR 1Bn	Upon the allotment of the bond to include the amount raised via the bond under Tier 2 capital base					
2	To grow the lending portfolio		Over a period of 12 months from the Date of Allotment					

To be disclosed in the Annual Report and the interim Financial Statements

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the prospectus between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.

### 1.5 PAYMENT OF PRINCIPLE SUM AND INTEREST

The Bonds will carry a fixed rates of interest as described below, payable on the respective Interest Payment Dates:

Bond Type	Type of Interest	Tenure	Fixed Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment frequency
A	Fixed	5 Years	13.15%	13.15%	Annual
B	Fixed	5 Years	12.74%	13.15%	Semi Annual

The interest rate has been determined giving consideration to the Fintrex Finance Limited's rating as Issuer, the instrument rating, market conditions and features of the instrument.

Interest on the Bonds accruing on a daily basis will be paid annually for Type A Bonds and will be paid semi-annually for Type B Bonds as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Bonds for a particular Interest Period will be calculated based on the actual number of days in such Interest Period (actual/actual) and will be paid not later than three [03] Working Days from each Interest Payment Date.

In order to accommodate the Bond interest cycles in the CDS System of the CSE, the payment of interest on a particular Interest Payment Date will include Bondholders holding Bonds in the CDS as of the Entitlement Date.

The payment of Principal Sum and Interest will be made either through an electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as SLIPS and RTGS in the event accurate bank account details of the Bondholders are provided to the CDS to effect such transfers or by cheque/s marked "Account Payee Only" sent by ordinary mail to the addresses provided by the Bondholders to the CDS, at the risk of the Bondholders if bank account details are not provided to the CDS or the bank account details provided to the CDS are inaccurate.

RTGS transfers, however, could be effected only for amounts over and above the maximum value that can be accommodated via SLIPS transfers (i.e. LKR 5,000,000/- as of the date of this Prospectus).

The payment of Principal Sum and Interest will be made in Sri Lanka Rupees in favour of the Bondholders as of the Entitlement Date. In the case of joint Bondholders, the payment of Principal Sum and Interest will be made to the one whose name stands first in the register of Bondholders.

### 1.6 APPLICATION OF TAX ON INTEREST PAYMENTS

Interest on the Bonds will be paid after deducting any taxes and charges thereon (if any) as per the applicable laws prevalent at the time of interest payment to the Bondholders. Please refer Section 1.18 of this prospectus for the Action Plan to Honor the interest payments.

### 1.7 INSPECTION OF DOCUMENTS

The Articles of Association, Trust Deed, Accountant's Report and Five Years (05) Summary of Financial Statements for the five years ended 31 March 2020 to 31 March 2024, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Interim Financial Statements for the Quarter ended 31st December 2024, Issue Rating Report and all other documents referred to in Rule 3.2.18 (a) of the CSE Listing Rules, including material contracts and management agreements entered or in the case of contracts not reduced into writing, a Memorandum giving full particulars thereof by the Company if any, would be made available from Four (04) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Company, No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14. until the Date of Redemption of the Bonds.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE ([www.cse.lk](http://www.cse.lk)) and the website of the Company ([www.fintrexfinance.com](http://www.fintrexfinance.com)) from Four (04) Market Days prior to the date of opening of the subscription list until the Date of Redemption of the Bonds as stipulated in Rule 3.2.18 (b) of the CSE Listing Rules.

Furthermore, copies of the Application Forms are available free of charge from the Collection Points set out in Annexure II of this Prospectus from Four (04) Market Days prior to the date of opening of the subscription list.

FINTREX has requested for a waiver of Rule 2.4 (f) of the CSE Listing Rules (relating to the printing of the prospectus) via a Company's letter addressed to CSE dated 19th February 2025, as the Company was in urgent need of the funds and to ensure the funds were secured before the financial year end of the Company. The CSE, upon careful deliberation of the request has agreed to grant the waiver and reduced the lead time between publishing the prospectus and the subscription list opening day to Four (4) Days.

### 1.8 UNDERWRITING

The Issue is not conditional upon any minimum subscription amount being raised. The Company has not entered into any underwriting arrangement with regard to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilized to the extent of such amount to meet the Objectives of the Issue as stipulated in Section 1.4 of this Prospectus.

### 1.9 THE MINIMUM SUBSCRIPTION FOR INVESTORS

The minimum subscription requirement applicable for a Qualified Investor applying for High Yield Bonds shall be One Hundred (100) Bonds (LKR 10,000/-) and Applications exceeding the minimum subscription should be in multiples of 100 Bonds. However, the minimum subscription requirement applicable for an individual investor applying for High Yield Debt Securities as defined in Rule 2.2.1 (h) and Rule 2.2.1 (r) which are to be read together with the Definition Section of the CSE Listing Rules of these Rules shall be Rupees Five Million (5,000,000/-).

### 1.10 COST OF THE ISSUE

The Board estimates that the total cost of the Issue including fees to professionals, printing, advertising, brokerage and other costs connected with the Issue will be approximately LKR 7.25 Mn. Such costs will be financed by the internally generated funds of the Company.

### 1.11 BROKERAGE FEE

Brokerage of 15 cents (LKR 0.15) per Bond shall be paid in respect of the number of Bonds allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a trading participant of the CSE or Managers to the Issue or any other party identified by the Managers to the Issue as involved in the Issue.

### 1.12 TAXATION

Interest on the Bond will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent at the time the interest payment is due to the Bondholders.

### 1.13 THE INSTANCES AND CONDITIONS UPON WHICH THE ENTITY MAY REDEEM THE HIGH YIELD CORPORATE DEBT SECURITIES LISTED ON THE EXCHANGE

Fintrex Finance Limited shall redeem the said Bonds on the expiry of Five (05) years from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Bonds issued under this Prospectus, subject to the provisions contained in the Trust Deed. On the Date of Redemption of the Bonds, the Company shall in accordance with the provisions contained in the Trust Deed pay to the Bondholders the Principal Sum of the Bonds which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/ Redemption of the Bond. If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

### 1.14 RATING OF THE BONDS

Fitch Ratings Lanka Limited has assigned a rating of B+(EXP)(lka), to these Bonds. A copy of the Rating report issued by Fitch Ratings Lanka Limited is set out in Annexure II. The Board of Directors of FFL undertakes to keep the market and the Trustee to the Issue immediately informed on any change to the credit rating of the Bond when either the Company or any of the Directors are aware of any changes to the credit rating of the Bonds being issued under this Prospectus.

The Rating of FFL has not been downgraded in the recent past. Instead, the issuer rating of FFL is upgraded from BB- (lka) to BB (lka) stable outlook by Fitch Ratings with effective from 24th January 2025

### 1.15 TRUSTEE TO THE ISSUE

The Company has entered into an agreement with Hatton National Bank PLC who will act as Trustee to the Issue. Bondholders in their Application Forms for subscription will be required to authorize the Trustee to act as their agent in entering into such deeds, writings, and instruments with the Company and to act as the agent and Trustee for the Bondholders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Bonds will be subject to the terms and conditions incorporated in the said Trust Deed. The monthly fee payable to the Trustee will be LKR 40,000/- plus statutory levies until maturity of the Bonds. Further, the Trustee has no conflict of interest with the Company.

## 1.16 RIGHTS AND OBLIGATIONS OF THE BONDHOLDERS

### (a) Bondholders are entitled to the following rights.

- Receiving interest at the Rate of Interest as set out in Section 1.5 of this Prospectus and the Principal Sum on the Date of Redemption as set out in Section 1.13 of this Prospectus.
- In the event of liquidation, rank above the ordinary voting shareholders of the Company.
- To receive a copy of the Annual Report of the Company within the timeline stipulated in terms of Rule 7.5 (a) of the CSE Listing Rules.
- Calling and attending meetings of Bondholders under this Bond Issue as set out in the Trust Deed.
- The other rights of the holders of these Bonds as set out in the Trust Deed.

### (b) Bondholders do not have the following rights:

- Attending and voting at meetings of holders of Shares and other Bonds
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation
- Calling for redemption before maturity, subject to the provisions stated in the Trust Deed

### (c) Obligations of the Bondholders

Each Bondholder must ensure that the information in respect of the securities account maintained with the CDS/the Company Secretaries or Registrars (where applicable) is up to date and accurate. Each Bondholder absolves the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS/CSE/ Company.

Provided further that the Bondholders absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Bondholders.

## 1.17 RISKS INVOLVED IN INVESTING IN HIGH YIELD BONDS

Subscribers to the Bonds will be exposed to the following risks.

### Interest Rate Risk

High yield bonds, despite having higher coupons, remain sensitive to interest rate changes. When interest rates rise, bond prices fall and could be subject to significant price declines in a rising rate environment. This risk is particularly acute when rate increases are rapid or unexpected.

### Credit Risk / Default Risk

The most significant risk for high yield bonds is the elevated probability of default compared to investment-grade bonds. These bonds are issued by companies with weaker credit profiles, higher debt levels, or less stable cash flows. During economic downturns, default rates for high yield bonds typically increase substantially, potentially leading to permanent capital loss for investors.

### Liquidity Risk

The high yield bond market typically experiences lower trading volumes and wider bid-ask spreads compared to investment-grade bonds. During market stress, this liquidity can deteriorate rapidly, making it difficult to sell positions without accepting significant price concessions. This risk can be particularly severe for larger positions or during systemic market events.

### Inflation Risk

If the Sri Lankan inflation rate is to increase, this would compel the CBSL to increase policy rates which would eventually have an upward push on the interest rates of the existing Government Bonds and the Corporate Bonds at the given time period. As the price of Bond/Debenture is inversely proportional to the interest rate of the same instrument, this will have an impact on the price of the Bond as they will be pushed down.

### Investor Restriction Risk

Certain investors are not allowed to invest in fixed income instruments that are rated below investment grade rating. High Yield Bonds fall under this category and as a result the investor pool is concentrated amongst a few investors, this would mean, in the event a High Yield Bond holder wishes to trade his or her bond in the secondary market, this lack of liquidity might serve as an obstacle.

### 1.18 ACTION PLAN TO HONOUR INTEREST PAYMENTS

In order to make interest payments on time, FFL is going to reserve the cash flow requirement for the interest payments five (05) working days prior to the due date and expects to transfer them to the Trustee account one (01) day prior to the due date.

### 1.19 SPECIAL INSTANCES AND CONDITION OF REDEMPTION OF BONDS

The High Yield Bonds shall not be redeemed by the Company prior to the Date of Redemption for any reason whatsoever except:

- i) due to the occurrence of an Event of Default as contemplated in Clause 10 of the Trust Deed or
- ii) with the prior written approval from the Central Bank of Sri Lanka and the approval of the High Yield Bond holders of two third (2/3) of the par value of the High Yield Bonds outstanding.

### 1.20 ENFORCEMENT ACTION

As per CSE Listing Rule 7.12.3 E the High Yield Corporate Debt Securities of a Listed Entity shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the date of the immediate announcement to the Market in the instances set out below:

- i. Where the Entity fails to submit its Financial Statements and/or a fresh rating report in lieu of its Financial Statements as referred to in these Rules.
- ii. Where the Entity has defaulted on interest and/or principal payments in respect of loans obtained by such Entity not paid within 30 days.
- iii. Where the Entity has breached any term or condition relating to other Debt Securities issued by such Entity.
- iv. Where the Entity's rating in relation to the High Yield Corporate Debt Security referred to in Rule 7.12.2 of these Rules is downgraded to a Default rating by a rating agency licensed by the SEC.
- v. Where the Entity fails to make timely interest payments as referred to in these Rules.

### 1.21 BENEFITS OF INVESTING IN HIGH YIELD BONDS

- Provides an opportunity to earn a regular cash flow of interest payments on a periodic basis, up to a fixed period of five (05) years.
- Opportunity to realize capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred.
- Listed Bonds provide the investor with an exit option through the CSE thereby bringing liquidity to these Bonds.
- These Bonds could be used as collateral to obtain both corporate and personal facilities from financial institutions, subject to the policies of those institutions.

### 1.22 TRANSFER OF BONDS

These Bonds shall be freely transferable and transmittable through the CDS as long as the Bonds are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.

- Subject to provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Bonds, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- In the case of the death of a Bondholder
  - The survivor where the deceased was a joint holder; and
  - The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased) where such Bondholder was the sole or only surviving holder; shall be the only persons recognized by the issuer as having any title to his/her Bonds.



- Any person becoming entitled to any Bond in consequence of bankruptcy or winding up of any Bondholder, upon producing proper evidence that such person sustains the character in respect of which such person proposes to act or such person's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Bondholder in respect of such Bonds subject to the applicable laws, rules and regulations of the Company, CDS , CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognized by the Company.

### **1.23 LISTING**

An application has been made to the CSE for permission to obtain a listing for the Bonds and the CSE has granted its approval in principle for the same. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE. It is the intention of the Company to list the Bonds on the Colombo Stock Exchange upon the allotment thereof.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed or reports included in this Prospectus. Admission to the official list is not to be taken as an indication of the merits of the Company or of its Bonds.

# 2 ■ PROCEDURE FOR APPLICATION

## 2.1 ELIGIBLE APPLICANTS

Applications are invited for the subscription of Bonds from the following categories of Qualified Investors.

- (a) A commercial bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (b) A specialized bank licensed by the Central Bank of Sri Lanka in terms of the Banking Act, No. 30 of 1988 (as amended).
- (c) A mutual fund, pension fund, Employee Provident Fund or any other similar pooled fund.
- (d) A venture capital fund/ company and private equity company.
- (e) A finance company licensed by the Central Bank of Sri Lanka in terms of the Finance Business Act, No. 42 of 2011 (as amended).
- (f) A company licensed by the Central Bank of Sri Lanka to carry on finance leasing business under the Finance Leasing Act, No. 56 of 2000 (as amended).
- (g) A company licensed by the Insurance Board of Sri Lanka to carry on insurance business in terms of the Regulation of the Insurance Industry Act, No. 43 of 2000 (as amended).
- (h) A corporate (listed or unlisted) which does not fall under the above categories and is incorporated under the Companies Act No. 7 of 2007.
- (i) An investment trust or investment company.
- (j) A Non-Resident institutional investor.
- (k) An individual with a minimum initial investment amount of LKR 5,000,000/-.

In view of the above, trading of the Bonds on the CSE will also be limited to Qualified Investors.

Applications will not be accepted from individuals and Sri Lankans residing outside Sri Lanka who are under the age of 18 years, or in the names of sole proprietorships, partnerships or unincorporated trusts, or bodies of persons. Applications will also not be entertained from any financial institution over which the Company has control.

“Persons resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act no. 12 of 2017 in Gazette No. 2045/56 dated 17th November 2017.

When permitting non-residents to invest in the Bonds, the Company will comply with the relevant Foreign Exchange Regulations including, the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Bonds of Companies incorporated in Sri Lanka to persons resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated 17th November 2017.

## 2.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows.

- (a) Applications should be made on the Application Forms, which accompany and constitute a part of this Prospectus (exact size photocopies of Application Forms will also be accepted). Care must be taken to follow the instructions given herein and in the Application Form. Applicants using photocopies are requested to inspect the Prospectus which is available for inspection from the website of CSE, [www.cse.lk](http://www.cse.lk) and the website of the Company, [www.fintrexfinance.com](http://www.fintrexfinance.com).

The Prospectus and Application Forms can also be downloaded from the website of CSE, [www.cse.lk](http://www.cse.lk), the website of the Company, [www.fintrexfinance.com](http://www.fintrexfinance.com) and the web site of the Manager and Financial Advisor to the Issue, [www.hnbib.lk](http://www.hnbib.lk) for Four (04) Market Days including the date of hosting of the Prospectus and documents on the CSE’s and other websites stated in this Prospectus to the opening of the subscription list until the Date of Redemption of the Bonds as stipulated in Rule 3.3.13 (b) of the CSE Listing Rules.

The Company has formally requested a waiver of Rule 2.4 (f) of the CSE Listing Rules, which pertains to the printing of the prospectus, through a letter addressed to the CSE dated 19th February 2025. This request was made with the short time available to open the Issue and the commitment to environmental sustainability and the green initiative of the Company. The CSE has decided to grant the waiver, allowing the Company to proceed without adhering to the standard prospectus printing requirements outlined in the aforementioned rule.

**Applications which do not strictly conform to instructions and other conditions set out herein or which are incomplete or illegible may be rejected. The Company reserves the right to ask for additional information to satisfy itself that the Applicant is a Qualified Investor.**

- (b) Applicants should apply for only one type of Bonds (i.e. either Bonds of Type A or Type B) under one Application Form.
- (c) In the event an Applicant wishes to apply for more than one type of Bonds, separate Application Forms should be used. Once an Application Form has been submitted for a particular Type of Bonds, it will not be possible for an Applicant to switch between the types of Bonds.

- (d) More than one Application submitted by an Applicant under the same type of Bonds will not be accepted. If more than one Application Forms are submitted for one type of Bonds from a single Applicant, those would be construed as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- (e) If the ownership of the Bonds is desired in the name of one Applicant, full details should be given only under the heading SOLE/ FIRST APPLICANT in the Application Form. In the case of joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (f) An Applicant of a joint Application will not be eligible to apply for the Bonds through a separate Application Form either individually or jointly. Such Applicants are also deemed to have made multiple Applications and will be rejected.

In the case of joint Applications, the refunds (if any), interest payments and the Redemption will be remitted in favour of the first Applicant as identified in the Application Form.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Bonds (except in the case of executors, administrators or heirs of a deceased member).

Joint Applicants should note that all parties should either be residents of Sri Lanka or Non-Residents.

- (g) Applications by companies, corporate bodies, incorporated societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Bonds and should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicant or as per the statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the Trustee/board of management.
- (h) All Qualified Investors should indicate in the Application for Bonds, their CDS account number.

In the event the name, address or NIC number/passport number/company number of the Qualified Investor mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/company number as per CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Qualified Investor. Therefore, Qualified Investors are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/ company number given in the CDS account as mentioned in the Application Form.

In the case of joint Applicants, a joint CDS account in the name of the joint Applicants should be indicated.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

- (i) Applicants who wish to apply through their margin trading accounts should submit the Application Forms in the name of the "Margin Provider / Applicant's name" signed by the margin provider, requesting a direct deposit of the Bonds to the Applicant's margin trading account in the CDS. The margin provider should indicate the relevant CDS account number relating to the margin trading account in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

Margin providers can, apply under their own name and such Applications will not be construed as multiple Applications.

- (j) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as "True Copy" should be attached with the Application Form. Original of the POA should not be attached.

- (k) As per the Foreign Account Tax Compliance Act (FATCA) “US Persons” must provide the duly completed declaration as per the specimen given in Annexure IV together with the Application Form. Under the provisions of FATCA, “US Persons” include;
- US Citizens (including an individual born in U.S. but resident in another country who has not renounced U.S. citizenship)
  - A lawful citizen of the U.S. (including Green card holders)
  - A person residing in the U.S.
  - A person who spends certain number of days in the U.S. each year
  - U.S. Corporations, estates and trusts
  - Any entity that has a linkage or ownership to U.S. or the U.S. territories
  - Non U.S. entities that have at least one U.S. Person as a “substantial beneficial owner”
- (l) Funds for the investments in Bonds and the payment for Bonds by Non-Residents should be made only out of funds received as inward remittances or available to the credit of “Inward Investment Account” (IIA) (formerly known as Securities Investment Accounts) of the Non-Residents opened and maintained in a licensed commercial bank in Sri Lanka in accordance with directions given by the Director of the Department of Foreign Exchange in that regard to licensed commercial banks.
- (m) An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS/Internal Direct Transfer has been made out of the funds available in the IIA.
- Applications not made in line with the instructions will be rejected.
- (n) Non-Residents should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Bonds and may be affected by the laws of the jurisdiction of their residence. If the Non-Resident Applicants wish to apply for the Bonds, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

Application Forms properly filled in accordance with the instructions thereof together with the remittance for the full amount payable on Application if not remitted through RTGS transfer should be enclosed in an envelope Marked **“FINTREX FINANCE LIMITED - BOND ISSUE 2025”** on the top left-hand corner in capital letters and dispatched by post or courier or delivered by hand to Registrars to the Issue or collection points mentioned in Annexure II of this Prospectus.

Scanned copies of duly filled Application Forms or/and digitally signed Application Forms will be accepted. Duly Filled digital Application forms should be emailed to the following e-mail address;

Manager and Financial Advisor to the issue : [bond@hnbib.lk](mailto:bond@hnbib.lk)

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus should reach the office of the Registrar to the Issue, Central Depository System (Pvt) Ltd Corporate Solution Unit, Ground Floor, M & M Center, 341/5, Kotte Road, Rajagiriya, at least by 4.30 p.m. on the following Market Day immediately upon the Closure Date. Applications received after the said period will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date or carry a postmark dated prior to the Closure Date.

Applications delivered by hand to the Registrars to the Issue after the Closure Date of the Issue will also be rejected.

**Please note that Applicant information such as full name, address, NIC number/passport number/company number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information will take precedence over information provided in the Application Form.**

**Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.**

**PLEASE NOTE THAT ALLOTMENT OF BONDS WILL ONLY BE MADE IF THE APPLICANT HAS A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION. Please note that upon the allotment of Bonds under this Issue, the allotted Bonds would be credited to the Applicant’s CDS account so indicated. Hence, BOND CERTIFICATES SHALL NOT BE ISSUED.**

### 2.3 NUMBER OF BONDS TO BE SUBSCRIBED

Applicants are allowed to invest either Bonds of Type A; and/or Bonds of Type B.

Applicants may invest in the Bonds subject to a minimum of One Hundred (100) Bonds Sri Lanka Rupees Ten Thousand (LKR 10,000/-) and in multiples of One Hundred (100) Bonds Sri Lanka Rupees Ten Thousand (LKR 10,000/-) thereafter.

Provided however, the minimum subscription requirement applicable for an individual Investor applying for High Yield Debt Securities as per Rule 2.2.1 (h) and Rule 2.2.1 (r) which are to be read together with the Definition Section of the CSE Listing Rules shall be Sri Lanka Rupees Five Million (LKR 5,000,000/-).

Any Application in excess of the minimum subscription requirement shall be in multiples of Sri Lanka Rupees Ten Thousand (LKR 10,000/-).

### 2.4 MODE OF PAYMENT OF THE INVESTMENT BY THE APPLICANTS

(a) Payment in full for the total value of Bonds applied for should be made separately in respect of each Application either by cheque/s, bank draft/s, bank guarantee drawn upon any licensed commercial bank operating in Sri Lanka or electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/ RTGS transfer/ Internal Direct Transfers directed through any licensed commercial bank operating in Sri Lanka, as the case may be, subject to the following:

(b) Payments for Applications for values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) should be supported by either a;

- Bank guarantee issued by a licensed commercial bank; or
- Multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-; or
- RTGS / Internal Direct Transfer with value on the Issue opening date.

Multiple cheques or RTGS transfers will not be accepted for Applications for values below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-). In the case of Application values above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), multiple bank drafts/cheques drawn upon any licensed commercial bank operating in Sri Lanka each of which should be for a value less than Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be accepted.

(c) Multiple electronic fund transfers will not be accepted for Applications with any value. As such, in case an Applicant wishes to use electronic fund transfer mechanism recognized by the banking system of Sri Lanka for the payment for the value of Bonds applied;

- Payments for Applications for up to and inclusive of Sri Lanka Rupees Five Million (LKR 5,000,000/-) should be supported by either a CEFTS/SLIPS/RTGS / Internal Direct transfer; and
- Payments for Applications for values above Sri Lanka Rupees (LKR 5,000,000/-) should be supported by a RTGS/ Internal Direct transfer.

(d) Cheques or bank drafts should be made payable to “FINTREX FINANCE LIMITED O/A HIGH YIELD BOND 2025” and crossed “Account Payee Only” and must be honoured on the first presentation.

(e) In case of bank guarantees, such bank guarantees should be issued by any licensed commercial bank in Sri Lanka in favour of “FINTREX FINANCE LIMITED O/A HIGH YIELD BOND 2025” in a manner acceptable to the Bank, and be valid for a minimum of one (01) month from the Issue opening date (25th February, 2025).

Applicants are advised to ensure that sufficient funds are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

- (f) In case of electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS/ Internal Direct Transfers should be made to the credit of the following Bank Account with value on the Issue opening date (i.e. the funds to be made available to the above account on the Issue opening date).

**Account Name** FINTREX FINANCE LIMITED O/A HIGH YIELD BOND 2025  
**Account Number** 003010556260  
**Bank** Hatton National Bank PLC (Bank Code: 7083)  
**Branch** Head Office Branch (Branch Code - 003)

The Applicant should obtain a confirmation from the Applicant's bank to the effect that arrangements have been made to transfer payment in full for the total value of Bonds applied for to the credit of the above bank account and should be attached with the Application Form.

In case payment for the Application is made via a CEFTS or a SLIPS transfer, the CDS Account Number of the Applicant should be mentioned as the narration of such fund transfers.

For RTGS transfers/ Internal Direct Transfers above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-), the Applicants are entitled to an interest at the rate of Two Decimal Five per centum (2.50%) per annum from the date of such transfers up to the Date of Allotment. However, no interest will be paid if the RTGS transfers/ Internal Direct Transfers are not realized before the end of the Closure Date. Furthermore, even if such RTGS transfers/Internal Direct Transfers are effected prior to the Issue opening date, no interest will be paid for the period prior to the Issue opening date.

- (g) Cash will not be accepted.
- (h) Payment for the Bonds by Non-Residents should be made only out of funds received as inward remittances or available to the credit of "Inward Investment Account" (IIA) maintained with any licensed commercial bank in Sri Lanka in accordance with directions given by the Director Department of Foreign Exchange in that regard to licensed commercial banks.
- An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS/ Internal Direct Transfer has been made out of the funds available in the IIA.
- (i) In the event that cheques are not realized within two (02) Market Days of deposit, the monies will be refunded, and no allotment of Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (j) The amount payable should be calculated by multiplying the number of Bonds applied for by the Par Value Sri Lanka Rupees One Hundred (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/CEFTS/SLIPS/ Internal Direct transfer, the Application will be rejected.
- (k) In the event that cheques are not realized prior to the date of deciding the basis of allotment, the monies will be refunded, and no allotment of Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid.
- (l) All cheques/bank drafts received in respect of the Applications for Bonds will be banked commencing from the Working Day immediately following the Closure Date.

## 2.5 REJECTION OF APPLICATIONS

- a) Application Forms and the accompanying cheques/bank drafts/bank guarantees or fund transfers through electronic fund transfer mechanism recognized by the banking system of Sri Lanka such as CEFTS/SLIPS/RTGS/ Internal Direct transfer, which are illegible or incomplete in any way and/or not in accordance with the terms, conditions and instructions, set out in this Prospectus and the Application Form will be rejected at the sole discretion of the Company.
- b) Applications from individuals and Sri Lankans residing outside Sri Lanka who are under the age of eighteen (18) years or in the names of sole proprietorships, partnerships and unincorporated trusts will also be rejected.
- c) Any Application Form, which does not state a valid CDS account number, will be rejected.
- d) More than one Application Form submitted under one type of Bonds by an Applicant will not be accepted. If more than one Application Form is submitted under one type of Bonds by a single Applicant, those would be considered as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- e) Any Application Form from a non-Qualified Investor will also be rejected.
- f) Any Application Form with more than three (03) natural persons as joint Applicants for any type of Bonds will be rejected.
- g) Applications delivered by hand or via email to the Registrars to the Issue after the 'Closure Date' will be rejected. Applications received at the Registrar's office by post or courier after 4.30 p.m. on the Market Day immediately following the Closure Date, will also be rejected even if they carry a post mark dated prior to the Closure Date.
- h) Applications delivered to any place mentioned in Annexure II should also reach the office of the Registrars to the Issue at least by 4.30 p.m. on the Market Day immediately following the Closure Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said collection points prior to the Closure Date.
- i) In the event that cheques are not realized within two (02) Market Days of deposit and realized after such date, the monies will be refunded, and no allotment of Bonds will be made. Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.

## 2.6 BANKING OF PAYMENTS

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Working Day immediately after the Closure Date as set out in Section 1.2 of this Prospectus, in terms of the CSE Listing Rules.

## 2.7 BASIS OF ALLOTMENT OF BONDS

The Bonds offered hereunder shall be allotted only to 'Qualified Investors' as defined in the Listing Rules 3.2.20 i (d), on a basis to be determined by the Company.

In the event of an over subscription, the Board of Directors of the Company will endeavor to decide the basis of allotment in a fair manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. Upon the allotments being decided, an announcement will be made to the CSE.

The Board however shall reserve the right to allocate up to a maximum of 75% of the number of Bonds to be allotted under this Issue to institutional and or identified Qualified Investor/s of strategic importance with whom the Company might have mutually beneficial relationships in the future.

Number of Bonds to be allotted to identified institutional investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Bonds to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).

The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason therefore.



A written confirmation informing successful Applicants of the allotment of Bonds will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

## 2.8 REFUNDS

- a) Monies will be refunded where;
  - an Application is rejected for reasons given in Section 6.5 of this Prospectus; or
  - the Application is accepted only in part.
- b) The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque).
- c) If the Applicant has provided accurate and complete details of his/her/its bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent in the event of refunds over Rupees Five Million (LKR 5,000,000/-). If the Applicant has provided accurate and correct details of his/her bank account refunds will be made via RTGS/ Internal Direct Transfer or if the Applicant has not provided accurate and correct details of his/her bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant.
- d) In the case of joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.
- e) It is the responsibility of Non-Residents/Foreign Investors to ensure that their IIA details are accurately provided on the Application Form to forward the refund to IIA through which the Application was made.
- f) Applicants can obtain details on bank and branch codes required for providing instructions on SLIPS transfers at the following website; <https://www.lankapay.net/downloads/bank-branch-directory/>
- g) Refunds on Applications rejected, or partly allotted Bonds would be made within eight (08) Market Days excluding the Closure Date. Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made within this period.

## 2.9 CDS ACCOUNTS AND SECONDARY MARKET TRADING

Bonds allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the Closure Date. A written confirmation of the credit will be sent to the Applicants within two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a 'Declaration' on direct upload to CDS on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the Bonds.

Trading of Bonds on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

**Further, as per CSE Listing Rule 3.2.20 i (i) (e) and Rule 3.2.20 i (i) (f), the secondary market trading of the Bonds shall be limited to the "Qualified Investors". The High Yield Debt Securities offered hereunder shall only be traded on the OTC Platform of the CSE.**

# 3 ■ THE COMPANY

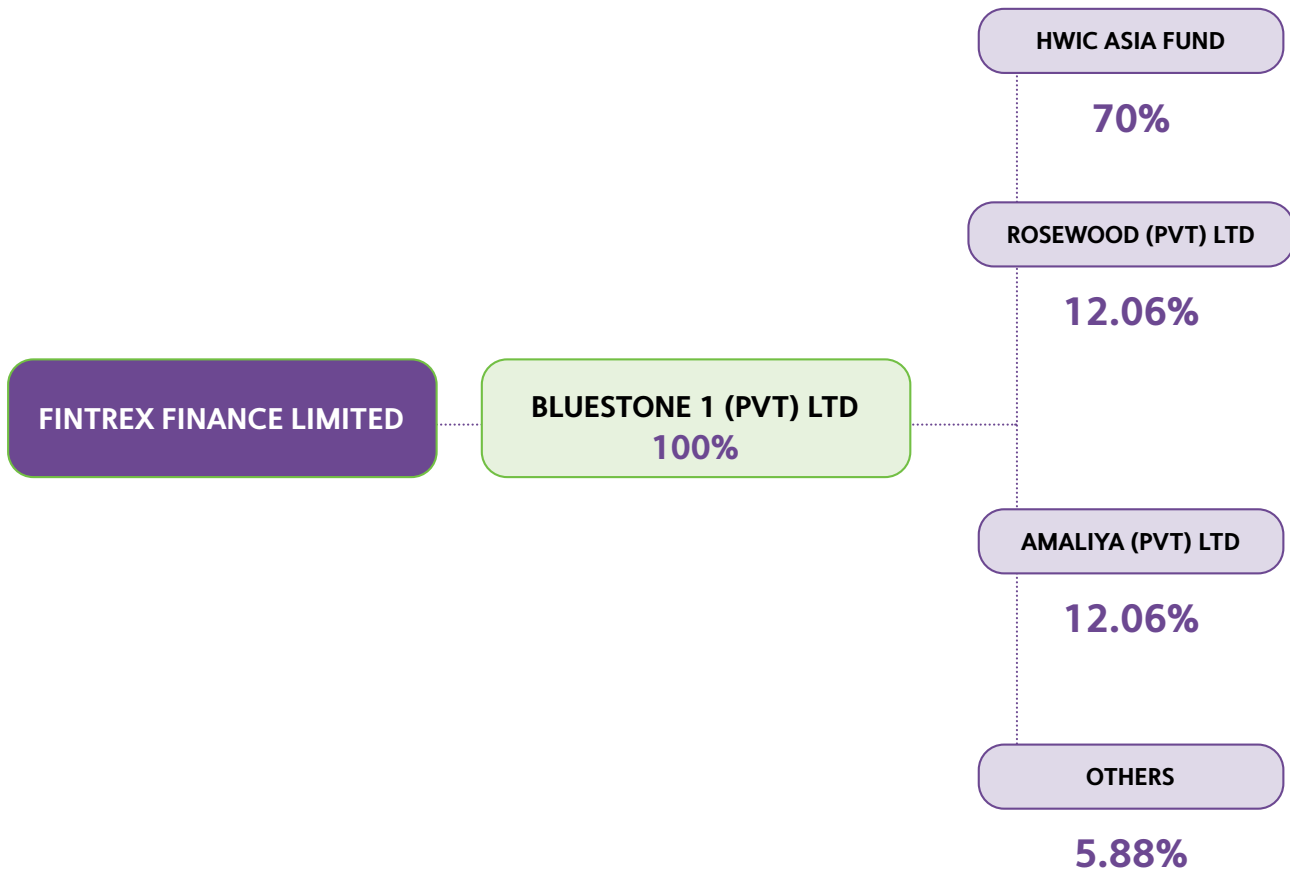
**3.1 OVERVIEW**

Fintrex Finance Limited is a licensed finance Company under the Central Bank of Sri Lanka owned by a Special Purpose Vehicle (SPV) Bluestone 1 (Pvt) Limited, which comprises of a consortium of world-class investors including Fairfax Holdings, a global insurance giant who is the largest shareholder (70%), while Amaliya (Pvt) Ltd and Rosewood (Pvt) Ltd together hold 24% of the equity shareholding. Fintrex was formerly known as Melsta Regal Finance Ltd and was a fully owned subsidiary of Melstacorp PLC. In 2018, the ownership moved from a trusted Sri Lankan conglomerate to another trusted multinational, giving FFL the continued strength to forge ahead and pursue its corporate goals.

The Company is a private limited company incorporated on 29th March, 2007 under the Laws of the Republic of Sri Lanka. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No. 56 of 2000, on 26th August 2012.

The Company's main business is providing loans and advances, lease financing, gold loans and mobilizing public deposits in forms of savings and term deposits. This license does not have an expiry date.

**3.2 GROUP STRUCTURE**



### 3.3 FINANCIAL YEAR

The financial year of the Company commences on 01st April and ends on 31st March.

### 3.4 STATED CAPITAL

The stated capital of the Company represents ordinary shares as given below.

Voting Ordinary Shares	31st March 2024	31st December 2024*
Amount (LKR)	2,369,559,710	2,369,559,710
Number of Ordinary Shares	236,955,971	236,955,971

\*Based on unaudited financials.

### 3.5 MAJOR SHAREHOLDERS AS AT 31ST DECEMBER 2024

The largest shareholders of the Company as at the date of submitting the listing application are given below:

No	Name	No. of Shares	%
01	Bluestone 1 (Pvt) Ltd	236,955,971	100

### 3.6 DETAILS OF OTHER BONDS IN ISSUE

There were no other Debentures or Bonds issued by the Company as at the date of this Prospectus.

### 3.7 PARTICULARS OF LONG-TERM LOANS AND OTHER BORROWINGS OF THE COMPANY

As at 31st March 2024 and 31st December 2024 the outstanding balances are given in the table below;

All numerical figures given under this section of the Prospectus are audited figures unless otherwise stated.

As at 31st March 2024	LKR
Balance as at 31st March 2023	2,932,375,945
New borrowings / (settlements)	1,801,073,301
Balance as at 31st March 2024	4,733,449,246

As at 31st December 2024	LKR
Balance as at 31st March 2024	4,733,449,246
New borrowings / (settlements)	1,522,333,268
Balance as at 31st December 2024*	6,255,782,514

\*Based on unaudited financials

Borrowings of the Company as at 31st March 2024 and 31st December 2024 comprise of the following;

	As at 31st March 2024 LKR	As at 31st December 2024* LKR
Short terms loans	2,350,000,000	1,710,000,000
Long term loans	2,331,556,677	4,431,437,893
Interest payables	51,892,569	114,344,621
<b>Total</b>	<b>4,733,449,246</b>	<b>6,255,782,514</b>

\*Based on unaudited financials

### 3.8 CONTINGENT LIABILITIES AND LITIGATION AGAINST THE COMPANY

There were no contingent liabilities or penalties imposed on the Company and the Company confirms that there is no case filed against the Company as at the Prospectus date.

### 3.9 CAPITAL COMMITMENTS OF THE COMPANY

The details of the Capital expenditure approved by the Board of Directors for which provision has not been made in the accounts are given below.

Capital Commitments	As at 31st March 2024 LKR	As at 31st December 2024 LKR
Approved and contracted but not provided for	-	-
Approved and not contracted for	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

### 3.10 KEY FINANCIAL RATIOS

Interest Cover and Debt to Equity Ratio

	31st Mar 2022	31st Mar 2023	31st Mar 2024	31st Dec 2024
Debt / Equity Ratio (%)	224.48%	102.97%	159.27%	203.83%
Interest Cover Ratio (Times)	2.00	0.59	1.50	1.72
Debt Service Cover Ratio (Times)	0.61	0.20	0.55	0.53
Debt/ Cash Flow Ratio	202.29%	58.00%	109.94%	115.11%

Note: Equations

- Debt/ Equity Ratio = [Long Term Borrowing including Debt Securities / Total Equity]
- Interest Cover Ratio = [PBIT / Borrowing cost]
- Debt Service Cover Ratio = [EBITDA / (Interest Exp+ Principal Repayments)]
- Debt/ Cash Flow Ratio = [Debt / Cash Flow from Operations]

### 3.11 TAXATION OF THE COMPANY

The Company's tax charges encompass various types of taxes, including direct and indirect taxes such as corporate income tax, Value Added Tax on Financial Services (VAT on FS), and Social Security Contribution Levy (SSCL).

Income tax rate applied during FYE March 2024 was 30%. VAT rate on financial services, applied during 2024 was 18%. Social Security Contribution Levy came into effect from 1st October 2022. SSCL rate applied during FYE March 2024 and 2023 was 2.5%.

For the financial year ending 31st March 2024, the effective tax rate was 70%.

The Company is not enjoying any tax exemptions as at the date of the Prospectus.

### 3.12 FINANCIAL STATEMENTS AND FINANCIAL SUMMARY

The following financial information is hosted on the Company's web site, [www.fintrexfinance.com](http://www.fintrexfinance.com)

- Audited financial statements of Fintrex Finance Limited as at 31st March 2024
- Interim financial statements of Fintrex Finance Limited as at 31st December 2024
- Summarized financial statements for the five years ended 31st March 2020 to 31st March 2024 preceding the date of the Application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

#### Disclosures related to the audited financials for the year ended 31st Mar 2024

##### ➤ Interest Income Growth

Interest income grew by 22% in FYE Mar 2024 compared to the previous year mainly due to the 42% growth in the lending. Additionally, the company capitalized on market conditions by investing excess funds in high yielding treasury bills and money market investments which further boosted earnings. Since 100% of asset products are priced at fixed rates where 40% of liability products are priced at variable terms linked to AWPLR, the impact is highly positive on Net Interest Income (NII) in a declining interest rate scenario.

##### ➤ Other Income

The fees and commission income rose by 16% reflecting the expansion in business volumes and increased customer activity. Since most of the other income sources are linked to business growth, the other income will gradually increase with book growth contributing to positive impact on both profitability and cashflows.

##### ➤ Impairment Reversal

This noteworthy achievement is attributed to the effective management of gross non-performing loans even amidst the economic crisis. Despite the challenges posed by the adverse external operating environment, the Company's efforts in mitigating risks and maintaining asset quality have played a crucial role in achieving this considerable decrease in the impairment charge. Since FFL had curtailed lending to a certain extent in the last financial year, the Company had prioritized the recoveries by shifting sales staff for recoveries which resulted in a reversal in impairment. At the same time, the Company has introduced risk-based credit for lending. This has enabled the Company to maintain its NPL ratios.

##### ➤ Declining Interest rates' impact of FFL

Since FFL maintains a minimum of 9% margin via pricing both asset and liability products, net interest income will increase with expected business growth irrespective of changes in interest rates.

### 3.13 FUTURE STRATEGIES, ASSUMPTIONS ON WHICH FUTURE STRATEGIES ARE BASED AND RISKS ASSOCIATED WITH SUCH FUTURE STRATEGIES

The transition from a leasing centric operation to a fully-fledged finance company which caters to all segments of the market has been one of the most significant and remarkable milestones in the Company's 12-year history. Leveraging on this transition, the Company intends to enter a new phase in our continuing expansion and growth by offering a more comprehensive range of financial solutions which are closely aligned to changes in the local and global economies. The Company's core values referred to as "FINTREX" (meaning – Fairness, Innovation, Nurture, Transparent, Respect, Elevate and Xenial) provides a solid platform for all employees to align to the Company's vision to be within the top 5 financial solution providers by creating value to everyone we engage with.

FFL's business plan will remain flexible to enable adaptation to significant internal and external environment developments over time. The strategic business plan stresses the importance of several key factors such as

- Productive Human Capital
- Diversified product portfolio
- Creating a multi-channels to customers
- Expansion of branch network
- Leveraging technology for growth

### **Productive Human Capital**

Human resources are a critical factor in the business operations of FFL and hence, the development and retention of high ability human resources is a key focus of the Company. As a result of the improved human resource policies and practices, FFL has been recognized by the Great Place to Work Survey for three consecutive years.

Due to migration and head hunting from peers, labor turnover is a major challenge to the NBFY industry. FFL manages to maintain the labor turnover at a lower rate via introducing performance-based incentive schemes, more allocation on training and learning, prioritizing internal candidates for new opportunities and recognizing employees' new initiatives and above-the line performance. FFL intends to implement to engage with a human resource consultant to critically evaluate the Job descriptions of existing employees and to improve efficiency of existing employees. At the same time, FFL plans to do a salary benchmark survey and to adjust current salary levels over the industry levels.

### **Diversified product portfolio**

Instead of relying on the vehicle market, FFL undertakes a gap analysis to identify gaps that can be catered to. Accordingly, leasing concentration is reduced where we have introduced a new product range starting from micro leasing, gold loans, SME loans, mobile financing, educational loans, agricultural loans, and so on.

### **Creating a multi-channel to customers**

The Company has already deployed EZ Cash and CEFTS solutions for existing customer bases to provide enhanced payment avenues. To further strengthen the product offering and be on par with the industry, the Company has started rolling out internet and mobile banking solutions. This will greatly enhance the savings product offering, making it more attractive to our customers.

### **Expansion of branch network**

FFL intends to open 3 new branches in the next financial year 2025/26 where FFL's strategy is to mark their presence in every district within the next 5 years. At the same time, FFL plans to relocate a few branches to improve customer convenience.

### **Leveraging technology for growth**

FFL intends to adopt a Digital first approach on all future initiatives for Exponential Growth to enhance Operational Efficiencies & encourage Innovation for better Customer Satisfaction. FFL is going to explore iPhone, Smart TV, Laptop financing with similar types of control for business growth while connecting available digital channels for more cash collections touch points such as MCash, Pay & Go etc. At the same time, FFL plans to explore the usage of Artificial Intelligence (AI) / Machine Learning (ML) to improve process efficiencies

### **Assumption Related to the above Future Strategies**

The above-mentioned future strategies of the FFL would be dependent on market and industry conditions prevailing at the time of execution. Furthermore, the strategies are also based on the primary assumption that there will be no material changes in the regulatory environment. Any significant changes in the economy, industry, competition or regulatory environment may require an amendment to the plans and strategies of the Company. The following assumptions were made when developing the above strategies.

- No major changes in regulatory environment of the Finance Industry
- The ban on vehicle imports will be removed before mid of the 2025
- The low interest regime will continue for at least 1 year.
- No additional taxes are charged, which will reduce the disposable income of the common public
- The Digital initiatives will be encouraged without imposing additional restrictions

Although FFL has come up with few unique strategies, the company identified below risk factors associated.

- Due to the higher competition in the finance industry, product and technology imitation risk via head hunting key people connected with new business functions.
- The volatility of gold prices will increase the NPL gold loan portfolio.
- Although the ban on vehicles is to be removed, higher tax will be imposed on vehicles which will again affect on repayments

# **4 ■ CORPORATE STRUCTURE OF THE COMPANY**



#### 4.1 DETAILS OF THE DIRECTORS

The details of the Board of Directors of Fintrex Finance Limited as at the date of this Prospectus are given below:

Name of Director	Executive / Non – Executive/ Independent/ Non- Independent
Mr. Ajit Damon Gunewardene	Chairman/Non-Executive /Non-Independent Director
Mr. James Ronnie Felitus Peiris	Non-Executive /Non-Independent Director
Mr. Shantanu Nagpal	Non-Executive /Non-Independent Director
Mr. Ahamed Sabry Ibrahim	Non-Executive / Senior Independent Director
Mr. Shrihan Blaise Perera	Non-Executive /Non-Independent Director
Mr. Seminda Nilam Jayasinghe	Non-Executive /Independent Director
Mr. Jayashantha Francis Rovindra De Fonseka	Non-Executive /Independent Director
Mr. Indrajit Asela Wickramasinghe	Non-Executive /Non-Independent Director

#### 4.2 PROFILES OF THE DIRECTORS



##### **Mr. Ajit Damon Gunewardene**

Chairman/Non-Executive /Non-Independent Director

Mr. Ajit Gunewardene is the Founder and CEO of Bluestone Capital Private Limited. He was the Deputy Chairman of John Keells Holdings PLC and was a member of the Board for over 24 years. In addition, he was the Chairman of Union Assurance PLC, a leading life insurance provider in Sri Lanka, and Nations Trust Bank. He was a member of the Council of the University of Colombo. He has also served as the Chairman of the Colombo Stock Exchange and a member of the Board of the BOI. Mr. Gunewardene has a degree in Economics and brings over 40 years of management experience.



##### **Mr. James Ronnie Felitus Peiris**

Non-Executive /Non-Independent Director

Mr. Peiris was, till end December 2017, an Executive Director on the Board of John Keells Holdings PLC (JKH) and was its Group Finance Director. He was also a Director in several Listed and Non-Listed Companies involved in Leisure/Hoteliering, Food and Beverage Manufacturing/ Retailing, Financial Services including Banks, Insurance and Brokering, Property Development/ Real Estate, Information Technology, Plantations/Plantation Services and Transportations, Logistics and Ports. Prior to JKH, he was the Managing Director, Anglo American Corporation (Central Africa) Limited, a subsidiary of Anglo American PLC, a company listed in the UK Stock Exchange. Mr. Peiris has 52 plus years of Finance and General Management experience with more than 47 of them at Senior Management level in Sri Lanka, Zambia, Zimbabwe and South Africa.

Mr. Peiris was an active member of the Ceylon Chamber of Commerce (CCC) during the period 2004 to 2017 and was the Chairman of its Taxation Sub Committee for several years. He is a Past President of the Sri Lanka Institute of Directors and was recognized by the Chartered Institute of Management Accountants, Sri Lanka, as its Business Icon of 2014.

In addition to holding a Masters in Business Administration (MBA) from the University of Cape Town, South Africa with specialisation in Marketing and Human Resource Management, Mr. Peiris is a Fellow of the Chartered Institute of Management Accountants (FCMA), UK, a Fellow of the Chartered Association of Certified Accountants (FCCA), Scotland, a Fellow Member of the Society of Certified Management Accountants (FSCMA), Sri Lanka and a Fellow of the Zambia Institute of Certified Accountants (FZICA), Zambia. Mr. Peiris is now a Coach/Mentor to many C-Suite Executives since his formal retirement from JKH. He consults on strategic issues at many prominent organisations. He has been, and is a presenter of Papers on various topics at Workshops, Seminars and other forums and is the author of “Tough Journey Great Destination” – a behavioural guide for Professionals and Leaders.



**Mr. Shantanu Nagpal**

Non-Executive /Non-Independent Director

Mr. Nagpal is a Co-Founder of Bluestone. Mr. Nagpal worked in asset management and equity research for 20 years, in Hong Kong and London before he moved to Sri Lanka. He has worked as portfolio manager for UBS Asset Management, Ellerston Asset Management and Brevan Howard Asset Management. He holds a Bachelor's degree in Philosophy, Politics and Economics from Oxford University where he was a Chevening Scholar, and an MBA with Distinction from INSEAD where he was a Misys Scholar. Mr. Nagpal started his career at the Tata Administrative Service, where he worked with several CEOs of various Tata Group companies on strategic projects.

Mr. Nagpal started working in UBS Hong Kong in 1995 in the equity research department and was responsible for three sectors where he covered the automobile, metal and shipping sectors in the region. Mr. Nagpal's move to asset management took place in London, where he moved to UBS Asset Management, O'Connor and was subsequently posted to Hong Kong where, as Portfolio Manager, he covered Japan, China, Hong Kong, India and the sub-continent. In 2011, Mr. Nagpal moved to Sri Lanka with his family and joined the Expolanka Group, specifically to restructure their holdings and find an exit for the largest shareholders, which after a two year restructure, culminated in a strategic sale of the Company to Sagawa, Japan.



**Mr. Ahamed Sabry Ibrahim**

Non-Executive / Senior Independent Director

Mr. Ahamed Sabry Ibrahim was appointed as a Director at Fintrex Finance Ltd with effect from 14th June 2021. Prior to this appointment, he was Chief Executive Officer/General Manager at Peoples Leasing and Finance PLC. Mr. Ibrahim has over 37 years of banking experience, primarily in the areas of corporate banking, treasury management and risk management and has held very senior positions both locally and internationally including Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) of People's Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking and Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004). Mr. Ibrahim is also a Director of Union Bank of Colombo and Regal Images International Ltd. He has also been a Director of HNB Securities Ltd. (2005 to 2007) and People's Merchant Bank PLC (2009 to 2011). In addition, he held the positions of Director of People's Insurance PLC, People's Micro-commerce Ltd., People's Leasing Fleet Management Limited, People's Leasing Property Development Limited and People's Leasing Havelock Properties Limited, and Lankan Alliance Finance Limited. He holds an Honours Degree (B.Sc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB).



**Mr. Shrihan Blaise Perera**

Non-Executive /Non-Independent Director

Mr. Perera holds B.Sc. Mechanical Engineering (Honors) degree from University of Moratuwa and is also a Fellow Member of the Chartered Institute of Management Accountants/ CGMA, UK. Mr. Perera was named CEO of Teejay Group in May 2018. With a decade of experience in the apparel industry, Mr. Shrihan started his career as a Management trainee at Dankotuwa Porcelain. He has served in Al Mulla Group in Kuwait followed by a 13-year tenure at Unilever Sri Lanka, before joining Brandix Apparel Solutions as CEO of its Intimate Apparel Division in 2010. He serves as an Independent Director and Chairman of the Audit Committee of Teejay Lanka PLC. Mr. Perera has counted many years of experience as CEO and senior management level in diverse sectors encompassing Apparel, Fast Moving Consumer Goods, Porcelain and Service Industry in the corporate sector.

**Mr. Seminda Nilam Jayasinghe**

Non-Executive /Independent Director

Mr. Nilam Jayasinghe was appointed as a Director of Fintrex Finance Ltd with effect from 01st October 2021. He was the Group Director Finance of the CBL Group (Ceylon Biscuits) and an Executive Director of CBL Investments Limited, the Holding Company, and until his retirement in July 2021. Prior to joining CBL, he was Vice President, NDB Bank for sixteen years and also served on the Boards of subsidiary companies of the NDB Group. He was the Group Treasurer of the Aitken Spence Group and a Director of Aitken Spence Corporate Finance Ltd and was responsible in introducing the Corporate Treasury concept in Sri Lanka and certain financial instruments including derivatives. Prior to this, he was Finance and Commercial Manager of Lanka Tiles PLC, when the company was originally set up in 1984. He is an alumnus of KPMG.

Mr. Jayasinghe is a Fellow of the Chartered Institute of Management Accountants UK, a Past President of CIMA Sri Lanka Division and served on the Global Board of CIMA UK and was the Vice Chair of the Global Markets Committee. He was a past Chairman of the Industrial Association of Sri Lanka affiliated to the Ceylon Chamber of Commerce and has served on the Main Committee of the Ceylon Chamber of Commerce, the Company Law Reforms Commission, and on the Board of the Sri Lanka Accounting and Auditing Standards Monitoring Board. In 2019, he also served as an Independent Director, Bank of Ceylon and chaired its Audit Committee. Mr Jayasinghe possesses over 35 years of experience in the areas of General Management, Finance & Planning, Corporate Finance, Banking, Treasury, Risk, Audit and Compliance

**Mr. J. F. Rovindra De Fonseka**

Non- Executive / Independent Director

Mr. Fonseka has over 30 years of professional experience in the field of Information Technology. He held the positions of Director, John Keells Software Technologies, and was Assistant Vice President of the Group IT Division prior to moving to MAS Holdings to head the IT function of the swimwear cluster.

Mr. Fonseka has broad experience in Information Technology, Cyber Security, Enterprise Resource Planning, Manufacturing and Retail Systems, Project Management, and Process Improvement.

Mr. Fonseka has an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura and is a Certified SAP Consultant.



### Mr. Indrajit Wickramasinghe

Non- Executive / Non- Independent Director

Mr. Indrajit Wickramasinghe is a veteran in the banking and finance sectors, Mr. Wickramasinghe brings over 35 years of extensive management experience, having worked with leading local and multinational organizations in the financial and FMCG sectors.

Prior to joining the Board of Fintrex Finance Limited, Mr. Wickramasinghe served as the Director/Chief Executive Officer of Union Bank of Colombo PLC for over nine years, steering the bank towards remarkable growth and innovation until his retirement in August 2024. His career also includes serving as the Chief Operating Officer at National Development Bank PLC, where he led multiple business verticals, including Retail Banking, Corporate Banking, SME Banking and Project Finance, driving strategic and operational excellence.

Before entering the financial sector, Mr. Wickramasinghe gained valuable experience in the FMCG industry at Reckitt and Colman of Ceylon Ltd, a leading multinational corporation, where he held several senior management roles.

In addition to his corporate leadership roles, Mr. Wickramasinghe has served on various boards as a Non-Executive Director, contributing his expertise to organizations such as Eagle Insurance/Aviva Insurance, NDB Capital Holdings Limited, NDB Securities (Pvt) Ltd, Development Holdings (Pvt) Ltd, The Credit Information Bureau of Sri Lanka, UB Finance PLC and National Asset Management Ltd. He has also held the position of Chairman of Financial Ombudsman Sri Lanka (Guarantee) and served as an Executive Director at Union Bank of Colombo PLC.

Mr. Wickramasinghe holds an MBA from the University of Sri Jayewardenepura and is a Fellow of the Chartered Institute of Marketing (UK). He has further enriched his expertise through executive education programs at renowned institutions, including the National University of Singapore, the Said Business School at the University of Oxford (UK) and INSEAD (France). As a member of the Oxford Business Alumni, Mr. Wickramasinghe's global exposure and insights contribute significantly to his leadership acumen.

### 4.3 OTHER DIRECTORSHIPS OF THE DIRECTORS OF THE COMPANY

Name of the Director	Other directorships
Mr. Ajit Damon Gunewardene	<ul style="list-style-type: none"> <li>- Founder Chairman of Digital Mobility Solutions Lanka PLC</li> <li>- Founder/Chairman of Bluestone Group of Companies</li> <li>- Chairman of Teejay Lanka PLC</li> <li>- Giga Foods (Pvt) Ltd</li> <li>- Ingame Entertainment (Pvt) Ltd</li> <li>- Agility Innovation (Pvt) Ltd</li> </ul>
Mr. Shantanu Nagpal	<ul style="list-style-type: none"> <li>- Co-Founder of Bluestone Group of Companies</li> <li>- Giga Foods (Pvt) Ltd</li> <li>- Ingame Entertainment (Pvt) Ltd</li> <li>- Agility Innovation (Pvt) Ltd</li> </ul>
Mr. James Ronnie Felitus Peiris	<ul style="list-style-type: none"> <li>- Bluestone 1 (Pvt) Ltd</li> </ul>

Name of the Director	Other directorships
Mr. Shrihan Blaise Perera	<ul style="list-style-type: none"> <li>- Teejay Lanka PLC</li> <li>- Teejay Lanka Prints Pvt Limited</li> <li>- Teejay India Pvt Limited.</li> <li>- Teejay Mauritius Private Ltd</li> <li>- C.W. Mackie PLC</li> <li>- Kotagala Plantations PLC</li> <li>- Agarapatana Plantations PLC</li> <li>- Lankem Developments PLC</li> <li>- Lankem Ceylon PLC</li> <li>- E.B. Creasy &amp; Company PLC</li> <li>- Muller &amp; Phillips (Ceylon) PLC</li> <li>- Laxapana PLC</li> <li>- Sigiriya Village Hotels PLC</li> <li>- Marawila Resort PLC</li> <li>- Beruwala Resort PLC</li> </ul>
Mr. Ahamed Sabry Ibrahim	<ul style="list-style-type: none"> <li>- Union Bank of Colombo PLC</li> <li>- Regal Images International</li> <li>- Chairman of Asset Trust Management Ltd</li> </ul>
Mr. Indrajit Asela Wickramasinghe	<ul style="list-style-type: none"> <li>- C.W. Mackie PLC</li> <li>- Overseas Realty (Ceylon) PLC</li> <li>- Ceylon Grain Elevators PLC</li> <li>- Three Acre Farms PLC</li> <li>- NDB Securities Pvt. Ltd</li> <li>- AIA Insurance Lanka Limited</li> </ul>

#### 4.4 DIRECTORS' INTEREST IN ANY ASSETS ACQUIRED, DISPOSED OR LEASED BY THE ENTITY

Directors have no a significant or substantial interest in any assets acquired, disposed or leased by the Company.

#### 4.5 DIRECTORS' INTEREST IN ANY MATERIAL CONTRACTS

Directors have no a significant or substantial interest in any material contracts of the company.

#### 4.6 STATEMENT BY THE BOARD OF DIRECTORS

No Director or a person nominated to become a Director of the Company is or was involved in any of the following events:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

#### 4.7 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The primary objective of the Committee is to assess and consider all transactions with related parties of the Company in line with Section 9 of the Listing Rules and Finance Business Act Direction No. 05 of 2021. Although the permanent committee members are three Non-Executive Directors of FFL, CEO attends to the meeting on invitation.

#### The Committee carries out the following duties and responsibilities:

1. Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.14.10 of the Listing Rules, that require consideration by the Committee under the Related Party Policy of the Company.
2. Approving or rejecting Related Party Transactions upon the required internal approvals being obtained.
3. Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the Company and its stakeholders; and
4. Recommending to the full Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.

Recommending to the full Board where necessary that the approval of the shareholders of the Company be obtained by way of a Special Resolution prior to the concerned transaction being entered into as specified in Section 9.14.6 and 9.14.9 of the Listing Rules, where necessary.

The Board appointed Related Party Transaction Review Committee comprises of Three (3) Non-Executive Directors inclusive of the Chairman who is an Independent Director. Composition of the Related Party Transactions Review Committee is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. S N Jayasinghe	Chairman	Non-Executive /Independent Director
Mr. S B Perera	Member	Non-Executive /Non-Independent Director
Mr. J F R De Fonseka	Member	Non-Executive /Independent Director

#### 4.8 BOARD NOMINATIONS AND GOVERNANCE COMMITTEE

The primary objective of the Committee is to establish and maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board of the Company in line with Section 9 of the Listing Rules.

##### The Committee carries out the following duties and responsibilities:

- i) Evaluate the appointment of Directors to the Board of Directors and Board Committees of the Listed Entity. However, a member of the Nominations Committee shall not participate in decisions relating to his/her own appointment.
- ii) Consider and recommend (or not recommend) the re-appointment/re-election of current Directors taking into account;
  - the combined knowledge, experience, performance and contribution made by the Director to meet the strategic demands of the Entity and the discharge of the Board's overall responsibilities; and,
  - the number of directorships held by the Director in other listed and unlisted companies and other principal commitments.
- iii) Establish and maintain a formal and transparent procedure to evaluate, select and appoint/re-appoint Directors of the Entity.
- iv) Establish and maintain a set of criteria for selection of Directors such as the academic/professional qualifications, skills, experience and key attributes required for eligibility, taking into consideration the nature of the business of the Entity and industry specific requirements.
- v) Establish and maintain a suitable process for the periodic evaluation of the performance of Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged.
- vi) Develop succession plan for Board of Directors and Key Management Personnel of the Entity.
- vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities.
- viii) Review and recommend the overall corporate governance framework of the Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements (Finance Business Act Direction) and industry/international best practices.
- ix) Periodically review and update the corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice.
- x) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws (Finance Business Act Direction), together with any deviations/non-compliances and the rational for same.

The Board appointed Nominations Committee comprises of Three (3) Non-Executive Directors inclusive of the Chairman who is an Independent Director. Composition of the Nominations Committee is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. S N Jayasinghe	Chairman	Non-Executive /Independent Director
Mr. A D Gunewardene	Member	Non-Executive /Non-Independent Director
Mr. J. F. Rovindra De Fonseka	Member	Non-Executive /Independent Director

#### 4.9 BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

The primary objective of the Committee is to establish and maintain a formal and transparent procedure for developing policy on employees' and Executive Directors' remuneration of the Company in line with Section 9 of the Listing Rules.

**The Committee carries out the following duties and responsibilities: -**

- i) The Remuneration Committee shall recommend the remuneration payable to the employees and Executive Directors and CEO of the Entity and/or equivalent position thereof to the Board of the Entity which will make the final determination upon consideration of such recommendations.
- ii) The Remuneration Committee may engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.

The Board appointed Human Resource and Remuneration Committee comprises of Three (3) Non-Executive Directors inclusive of the Chairman. Composition of the Remuneration Committee is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. J F R De Fonseka	Chairman	Non-Executive /Independent Director
Mr. J R F Peiris	Member	Non-Executive /Non-Independent Director
Mr. Sabry Ibrahim	Member	Non-Executive /Independent Director

#### 4.10 BOARD AUDIT COMMITTEE

The primary objective of the Committee is to perform the Audit and Risk functions of the Company in line with Section 9 of the Listing Rules.

**The Committee carries out the following duties and responsibilities:**

- ▶ The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter.
- ▶ It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

The Board appointed Audit Committee comprises of Three (3) Non-Executive Directors inclusive of the Chairman who is an-Independent Director. Composition of the Audit Committee is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. S N Jayasinghe	Chairman	Non-Executive /Independent Director
Mr. Sabry Ibrahim	Member	Non-Executive /Independent Director
Mr. S B Perera	Member	Non-Executive /Non-Independent Director

#### 4.11 BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

The purpose of the Board Integrated Risk Management Committee (IRMC) is to assist the Board of Directors (BOD) of Fintrex Finance Limited (FFL), as the Board oversees the risk profile and approves the risk management framework of FFL within the context of the risk-reward strategy determined by the Board.

**The Committee carries out the following duties and responsibilities:**

- ▶ The Committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the Company at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- ▶ Developing Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a Company will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the Company is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the Company.

- The Committee shall review the Company's risk policies including RAS, at least annually (if required).
- The Committee shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.
- The committee shall annually assess the performance of the Compliance Officer and the Risk Officer.

The Board appointed IRMC Committee comprises of Three (4) Non-Executive Directors inclusive of the Chairman who is an-Independent Director. Composition of the BIRMC is as follows.

Name of the Board Subcommittee Member	Membership Status	Directorship Status
Mr. S B Perera	Chairman	Non-Executive /Non Independent Director
Mr. J R F Peiris	Chairman	Non-Executive /Non-Independent Director
Mr. J. F. Rovindra De Fonseka	Member	Non-Executive /Independent Director
Mr. Indrajit Wickramasinghe	Member	Non-Executive /Non-Independent Director

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Risk Officer and Compliance Officer, other members of Corporate Management, Senior Leadership Team, any other staff member/s and external advisors may be invited to attend for all or part of any meeting, as and when appropriate and necessary or if required to do so.

#### 4.12 PROFILES OF THE SENIOR MANAGEMENT

##### Mr. Jayathilake Bandara

General Manager/ Chief Executive Officer

Mr. Jayathilake Bandara is one of the most respected professionals in the Banking and Finance industry. He possesses over 35 years' worth of extensive experience in SME Banking, Corporate/Wholesale Banking, Factoring, Leasing and Hire Purchase and other areas of banking. He commenced his banking career at Seylan Bank PLC in 1989. He later joined Emirates Bank International PJSC, Dubai, UAE in 1998, as Officer Credit Administration. Working his way up the legendary ladder in his banking career, he joined Nations Trust Bank (NTB) as the Branch Manager – Kurunegala and progressed to the position of Deputy General Manager - SME Banking. At the time of leaving NTB he was designated as Senior Executive Vice President Commercial Banking, Member of the Corporate Management and several other Management and Board committees. He is a results-oriented professional with a strong analytical capability to understand business drivers and implement appropriate business and marketing strategies to create unparalleled value delivery to ensure sustainable stakeholder value. Mr. Bandara's valued contribution is considered noteworthy in the progressive journey of Nations Trust Bank.

Mr. Bandara holds an MBA from American City University, Wyoming, USA. He is a diploma holder in Financial Management from Wigan and Leigh College, UK and holds Banking qualifications from Institute of Bankers of Sri Lanka. A strong believer of Training and Development he was exposed to some of the renowned leadership and strategic management training programs both locally and internationally. Mr Bandara also holds directorships of the Finance House Association (FHA) and Leasing Association of Sri Lanka (LASL).

##### Mr. Nishantha Hettiarachchi

Chief Information Officer

Mr. Hettiarachchi has been a part of Fintrex since 2018, bringing with him over 25 years of rich experience in the Information Technology domain. Within this period, he has dedicated 19 years to the banking sector and 5 years to the non-banking financial sector. His professional journey encompasses 13 years in Corporate Management, with 9 years in Banking and 5 years in non-banking financial sector. Prior to joining Fintrex Mr. Hettiarachchi served as the Assistant Vice President (AVP) of Information Technology department at the National Development Bank. He has demonstrated proficiency in managing IT environments by providing value addition to the business operation. He has provided leadership for many technical and software projects and implemented them successfully. A specialist in Core Banking Transformation, Mr. Hettiarachchi has spearheaded numerous successful implementation projects in this area. His expertise extends to international setting, having served as a core banking implementation consultant for an overseas bank in Nigeria.



He has been instrumental in driving digital transformation initiatives within business environments. His contributions include the re-engineering business processes, the implementation of efficient software solutions, the adoption of data driven business models, and setting up IT governance, formulation of necessary policies and procedures. Mr. Hettiarachchi holds an MSc in IT from the University of Colombo, BSc (Hons) in Industrial Management from the University of Kelaniya, and a Diploma in Business Administration from ICFAI University in India. He is a member of the British Computer Society (BCS).

**Mr. Manjula Tennakoon**

Chief Financial Officer

Mr. Tennakoon is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka. He holds a Bachelor of Business Administration Special Degree from the University of Colombo and an MBA Degree from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura. He also holds a Diploma in Taxation from the Sri Lanka Institute of Taxation while being a Certified Information System Auditor. He commenced his career as a Management Trainee at George Steuart & Co. Ltd and has over 15 years of experience in non-bank financial institutions including both managerial and senior managerial positions in The Finance Company PLC, Prime Finance PLC, HNB Finance PLC and Orient Finance PLC.

**Mr. Nimal Luxshman**

Chief Internal Auditor

Mr. Nimal Luxshman counts over 49 years of experience in the banking and finance industry in Sri Lanka. He began his banking career at Commercial Bank of Ceylon PLC, a reputed Banking institution in Sri Lanka and served that institution for a total period of over 40 years. As a member of the Senior Management of the Bank, he successfully managed the Bank's Travel and NRFC and Off Shore Banking Divisions and subsequently served as the Chief Manager – Human Resources as well as a Regional Manager. Upon being elevated to the Corporate Management team of the Bank, he performed the role of Deputy General Manager (Personal Banking), which division consisted of over 200 branches. Prior to retirement from the services, he also functioned as the Deputy General Manager (Management Audit) of the Bank, providing overall leadership to a team of Officers who conducted audit assignments of Branches and Departments both in Sri Lanka and overseas.

During his tenure of employment in the Bank, he participated in several overseas training programs in Human Resources, General Management, Risk Based Internal Auditing as well as Corporate Management. After retirement from the bank, Mr. Luxshman rendered his extensive overall experience in the Banking industry for the benefit of two finance Companies, namely, Siyapatha Finance PLC and Richard Pieris Finance Limited. At both these institutions, he played the role of Head of Internal Audit and completed a total period of over 5 years. Mr. Luxshman has successfully completed the Diploma in Bank Management from the Institute of Bankers Sri Lanka and hold a Bachelor's Degree in Social Sciences as well as the Commonwealth Executive Master of Business Administration from the Open University of Sri Lanka.

**Mr. Sanjeewa Buwanakabahu**

Head of Human Resources and Administration

Mr. Sanjeewa Buwanakabahu boasts over 18 years of hands-on experience across banking and finance, manufacturing, and service sector industries. Throughout his career, he has served as a strategic HR Business Partner for esteemed organizations including People's Bank, Modern Pack Lanka (Pvt) Ltd, CBL Foods International (Pvt) Ltd, Siyapatha Finance PLC, and Renuka Group of Companies. His contributions have been instrumental in the planning and execution of projects aimed at securing the right talent, fostering a work environment conducive to employee happiness and safety, and cultivating a performance-driven culture with an engaged and productive workforce.

Mr. Buwanakabahu holds an MBA from the University of Colombo, where he earned recognition as a Human Resources Management Gold Medalist. Additionally, he obtained a BSc. in Business Administration (Special) degree from the University of Sri Jayewardenepura. He is also certified as a TPM/Kaizen and Lean Practitioner, Advanced 5S Lead Auditor/ Instructor, and OHS/SAHS 18001/Health & Safety Lead Auditor from IRCA/UK. Furthermore, he is a certified Corporate Trainer. Driven by a passion for training and development, continuous improvement, and various disciplines in HR/General Management, Mr. Buwanakabahu has made significant contributions as a visiting lecturer and trainer at esteemed institutions such as the University of Sri Jayewardenepura, University of Kelaniya, and Vocational Training Authority Sri Lanka.

**Mr. Kamal Kumarasinghe**

Assistant General Manager - Recoveries & Portfolio Management

Mr. Kamal Kumarasingha counts over 22 years of diverse work experience in the Finance and Leasing industry including Branch operations, deposit mobilization, leasing business, and recoveries. He has specialized experience in business and sales development during his tenure. Further, he has provided leadership and mentoring for the successful implementation of core recovery strategies while developing and executing targeted recovery objectives to enhance bottom line profits. An effective communicator and team leader with a proven track record to build long-standing affiliations with internal and external customers by creating a high level of assurance and conviction, Mr. Kumarasingha has been working with the Fintrex family for nearly 10 years. He also had a progressive career at Asia Finance Ltd and served there for more than 12 years in different capacities. Mr. Kumarasingha holds an MBA from London Metropolitan University.

**Mr. Namal Sumanaratne**

Head of Credit

Mr. Namal Sumanaratne carries with him over 30 years of experience in the Banking & Finance Sectors. His banking and financial sector career spans over 21 years' experience in credit management and 9 years' experience in operations, portfolio management and branch banking. Mr. Namal gained hands on experience in credit management for specialized products such as Leasing and Factoring over a considerable period and has gained experience in SME/MME credit management. He started his career at Seylan Bank PLC as a Banking Assistant and held different positions in Mercantile Leasing Ltd and Nations Trust Bank as Operations Executive, Portfolio Manager and Manager Credit for Leasing, Factoring and SME/ MME. Prior to joining Fintrex Finance Ltd, he was attached to Softlogic Finance PLC and held Positions as a Head of Factoring & Business Loans and later promoted to the position of Head of Credit.

**Mr. Dinesh Gunasekara**

Assistant General Manager - Business Channels Development

Mr. Dinesh Gunasekara's career exemplifies a commitment to excellence and a depth of expertise in the finance and banking industry, particularly in the specialized field of leasing. Over his 23 years of experience, he has consistently demonstrated his ability to drive market share, enhance brand positioning, and increase revenue.

With a diverse background in leasing, Mr. Gunasekara has refined his skills in developing and executing targeted business initiatives that foster customer growth, achieve sales objectives, and boost profitability. His leadership qualities shine through as he effectively communicates and leads teams, building long-term relationships both internally and externally. During his tenure at Nations Trust Bank, spanning 17 years, Mr. Gunasekara held various positions, showcasing his upward trajectory within the organization. Starting as an Assistant Manager in Corporate Leasing, he ascended to the role of Assistant Vice President in Leasing. His contributions to strategic teams highlight his ability to streamline processes and enhance service quality and efficiency. Mr. Gunasekara holds an MBA from Cardiff Metropolitan University, complemented by certification as a Management Accountant from CMA Australia. His active involvement in the Colombo Toastmasters Club underscores his commitment to personal and professional development, particularly in communication and leadership skills.

**4.13 STATEMENT BY THE CEO**

The Chief Executive Officer of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

**4.14 DETAILS OF ANY CONFLICT OF INTEREST**

The Directors and the Corporate Management Members of the company confirm that neither they nor any of their relatives nor any business with which they are associated have any personal or business interest in or potential for personal gain from any of the organizations or projects linked to Fintrex Finance Ltd.

**4.15 DISCLOSURE OF POLICIES**

The Company has established and maintains the policies and discloses the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website [www.fintrexfinance.com](http://www.fintrexfinance.com) as stipulated under Section 9.2.1 of the CSE listing rules.

# 5 ■ STATUTORY DECLARATIONS

## 5.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named herein as Directors of Fintrex Finance Limited hereby declare and confirm that we have read the provisions of Colombo Stock Exchange (CSE) Listing Rules and of the Companies Act No.7 of 2007 and any amendments thereto relating to the issue of the Prospectus and those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in our best judgment.

The parties to the Bond Issue including Lawyers, Auditors, Rating Company and Manager and Financial Advisor have submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to such parties, and that such parties have no conflict of interest with the Company. Nevertheless, HNB Investment Bank (Pvt) Limited, the Manager and Financial Advisor to the Issue is a wholly owned subsidiary of Hatton National Bank PLC. Further, the Company Secretaries to the said Issue has also submitted declarations to the Company declaring that they have complied with all regulatory requirements applicable to them.

An application has been made to the CSE for permission to deal in and for a listing of Bonds issued by the Company and those Bonds which are the subject of this Issue. Such permission will be granted when Bonds are listed on the CSE. The CSE assumes no responsibility for the correctness of any of the statements made or opinions expressed, or reports included in this Prospectus. Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Bonds issued.

Name of Directors	Designation	Signature
Mr. Ajit Damon Gunewardene	Chairman/Non-Executive / Non-Independent Director	Sgd.
Mr. James Ronnie Felitus Peiris	Non-Executive / Non-Independent Director	Sgd.
Mr. Shantanu Nagpal	Non-Executive / Non-Independent Director	Sgd.
Mr. Ahamed Sabry Ibrahim	Non-Executive / Senior Independent Director	Sgd.
Mr. Shrihan Blaise Perera	Non-Executive / Non-Independent Director	Sgd.
Mr. Seminda Nilam Jayasinghe	Non-Executive / Independent Director	Sgd.
Mr. J. F. Rovindra De Fonseka	Non-Executive / Independent Director	Sgd.
Mr. Indrajit Wickramasinghe	Non-Executive /Non-Independent Director	Sgd.

## 5.2 STATUTORY DECLARATION BY THE MANAGER AND FINANCIAL ADVISOR TO THE ISSUE

We, HNB Investment Bank (Private) Limited of No. 53, Dharmapala Mawatha, Colombo 03, who are named in the Prospectus as the Manager and Financial Advisor to the Issue hereby declare and confirm that to the best of our knowledge and belief based on the information provided to us by Fintrex Finance Limited, the Prospectus constitutes full and true disclosure of all material facts about the Issue and Fintrex Finance Limited, whose Bonds are being listed.

Signed by the Managing Director of HNB Investment Bank (Private) Limited, being duly authorized thereto, at Colombo on this 20th February 2025.

Sgd.

**Managing Director/Chief Executive Officer**

# 6 ■ FINANCIAL INFORMATION

## 6.1 ACCOUNTANTS' REPORT AND FIVE-YEAR SUMMARY



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysl@key.com  
ey.com

WDPL/LL

The Board of Directors  
Fintrex Finance Ltd  
No. 851, Dr Danister De Silva Mawatha (Baseline),  
Colombo 14

02 January 2025

## Accountants' Report Fintrex Finance Ltd

Dear Sirs/Mesdames

### Introduction

This report has been prepared for the purpose of the prospectus issued in connection with the issue of up to Five Million (5,000,000) Listed Rated Unsecured Subordinated, Redeemable High Yield Bonds of Rupees One Hundred (Rs 100/-) each with an option to issue a further Five Million (5,000,000) High Yield Bonds at the discretion of the Company in the event of an oversubscription of the initial issue in order to raise a maximum amount of Sri Lankan Rupees One Billion (Rs.1,000,000,000/-) subject to obtaining all necessary regulatory and other approvals and that the said High Yield Bonds be listed on the Colombo Stock Exchange (CSE).

We have examined the Financial Statements of the Fintrex Finance Ltd (the "Company") and the Financial Statements of the Company for the years ended 31 March 2020 to 31 March 2024, and report as follows.

### 1. Incorporation

#### Company

The Company was incorporated in Sri Lanka on 29<sup>th</sup> March 2007 as a Limited Liability Company under the Companies Act No. 07 of 2007. Registered under the Finance Business Act No. 42 of 2011 and the Finance Leasing Act No. 56 of 2000.

The registered office of the Company is located at No 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14. The principal activities of the Company involve providing financial services encompassing leasing, loans, fixed deposit, Saving Accounts, Money Market gold loan.

EY20251122HLS4

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

Principals: P. P. M. Rubana FCMA FCCA MBA (USJ/SJ), G. B. Goudek ACMA, Ms. P. S. Paranavitane ACA ACMA LLB (Colombo), D. L. B. Kanurathilaka ACMA, W. S. J. De Silva BSc (Hons) - MSc MSc - IT, V. Shanthiwal B.Com (Dip)

A member firm of Ernst & Young Global Limited



## 2. Financial Information

### 2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss, Statement of Comprehensive Income, Statements of Financial Position, Statement of Changes in Equity and Statement of Cash Flow of the Company for the financial years ended 31 March 2020 to 31 March 2024, based on the audited financial statements, for the financial years ended 31 March 2020 to 31 March 2023 which have been audited by another auditor ("Messrs. KPMG") while the financial statements for the year ended 31 March 2024 were audited by us, are set out on Annexure 01 of the Accountants' Report.

### 2.2 Audited Financial Statements for the Year Ended 31 March 2024.

Our audit report on the Financial Statements of the Company for the year ended 31 March 2024 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is available on the websites of Company, [www.fintrexfinance.com](http://www.fintrexfinance.com), where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

### 2.3 Audit Reports

The Financial Statements of the Company for the years ended 31 March 2020 to 31 March 2023, have been audited by Messrs. KPMG, while the financial statements for the year ended 31 March 2024 were audited by us. Unmodified audit opinions have been issued for the said financial years by such auditors' reports dated 02<sup>nd</sup> June 2020, 18<sup>th</sup> June 2021, 28<sup>th</sup> June 2022, 28<sup>th</sup> June 2023 and 03<sup>rd</sup> June 2024 respectively.

### 2.4 Accounting Policies

The Financial Statements of the Company for the years ended 31 March 2020 to 31 March 2024 comply with Sri Lanka Accounting Standards.

The accounting policies of the Company are stated in detail in the audited Financial Statements of Fintrex Finance Ltd for the year ended 31 March 2024.

### 2.5 Dividends

2.5.1 Company has not paid dividend for the years ended 31 March 2020 to 31 March 2024.

### 2.6 Events after Reporting Date

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.



Fintrex Finance Ltd

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### 3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Fintrex Finance Ltd for usage in the application for the purpose of issue of up to Five Million (5,000,000) Listed Rated Unsecured Subordinated, Redeemable High Yield Bonds of Rupees One Hundred (Rs 100/-) each with an option to issue a further Five Million (5,000,000) High Yield Bonds at the discretion of the Company in the event of an over subscription of the initial issue in order to raise a maximum amount of Sri Lankan Rupees One Billion (Rs.1,000,000,000/-) subject to obtaining all necessary regulatory and other approvals and that the said High Yield bonds be listed on the Colombo Stock Exchange (CSE). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for the report, or for the opinion we have formed. This report should not be used, circulated, quoted or otherwise referred to any other purpose.

Yours faithfully,

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive script.





Fintrex Finance Ltd,  
No.851, Dr. Danister De Silva  
Mawatha (Baseline Road),  
Colombo 14.  
[www.fintrexfinance.com](http://www.fintrexfinance.com)  
Company Registration No. PB-878

**12** YEARS  
OF FINANCIAL EXCELLENCE

**FINTREX FINANCE LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<i>For the Year Ended 31 March,</i>	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Gross income</b>	<b>2,882,333,920</b>	<b>2,368,381,832</b>	<b>2,106,328,894</b>	<b>1,625,409,339</b>	<b>1,970,881,431</b>
Interest income	2,761,979,227	2,264,367,417	1,955,826,892	1,549,447,524	1,892,153,447
Interest expenses	(1,739,682,789)	(1,811,035,574)	(660,298,984)	(510,690,580)	(772,622,806)
<b>Net interest income</b>	<b>1,022,296,438</b>	<b>453,331,843</b>	<b>1,295,527,908</b>	<b>1,038,756,944</b>	<b>1,119,530,641</b>
Other operating income	120,354,693	104,014,415	150,502,002	75,961,815	78,727,984
<b>Total operating income</b>	<b>1,142,651,131</b>	<b>557,346,258</b>	<b>1,446,029,910</b>	<b>1,114,718,759</b>	<b>1,198,258,625</b>
Impairment (charge)/ reversal on loans and receivables	168,833,143	(182,570,809)	(117,544,055)	(236,407,010)	(612,165,907)
<b>Net operating income</b>	<b>1,311,484,274</b>	<b>374,775,449</b>	<b>1,328,485,855</b>	<b>878,311,749</b>	<b>586,092,718</b>
<b>Operating expenses</b>					
Personnel expenses	(571,157,294)	(505,104,246)	(366,029,399)	(267,021,107)	(196,260,408)
Premises, equipment and establishment expenses	(171,737,264)	(141,774,244)	(82,971,204)	(69,473,593)	(62,407,312)
Depreciation and amortisation charges	(39,557,368)	(37,262,200)	(59,499,603)	(63,090,451)	(56,155,485)
Other operating expenses	(159,267,303)	(135,370,660)	(244,979,265)	(142,406,667)	(178,796,020)
<b>Operating profit/(loss) before Taxes on financial services</b>	<b>369,765,045</b>	<b>(444,735,901)</b>	<b>575,006,384</b>	<b>336,320,031</b>	<b>92,473,493</b>
VAT on financial services	(135,544,067)	-	(134,987,994)	(85,524,988)	(36,676,447)
NBT on financial services	-	-	-	-	(4,465,984)
Debt repayment levy	-	-	-	-	(21,295,784)
Social Security Contribution Levy (SSCL)	(18,815,504)	-	-	-	-
<b>Profit/(loss) before income tax expense</b>	<b>215,405,474</b>	<b>(444,735,901)</b>	<b>440,018,390</b>	<b>250,795,043</b>	<b>30,035,278</b>
Income tax (expense) / benefit	(105,293,599)	225,646,849	(112,520,838)	(56,480,001)	2,036,642
<b>Profit/(loss) for the year</b>	<b>110,111,875</b>	<b>(219,089,052)</b>	<b>327,497,552</b>	<b>194,315,042</b>	<b>32,071,920</b>
<b>Other comprehensive income / (expense)</b>					
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain / (loss) on employee benefits	(3,559,614)	852,133	(1,234,059)	(297,272)	665,475
Deferred tax effect on employee benefits	1,067,884	(255,640)	296,174	71,345	(186,333)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Fair value gain/ (loss) on treasury bonds during the year	7,151,884	-	(8,586,929)	1,728,331	4,916,124
<b>Other comprehensive income for the year, net of tax</b>	<b>4,660,154</b>	<b>596,493</b>	<b>(9,524,814)</b>	<b>1,502,404</b>	<b>5,395,266</b>
<b>Total comprehensive (expense)/ income for the year</b>	<b>114,772,029</b>	<b>(218,492,559)</b>	<b>317,972,738</b>	<b>195,817,446</b>	<b>37,467,186</b>
<b>Earnings/ (loss) per share</b>					
Basic / diluted earnings/ (loss) per share	0.46	(0.92)	1.80	1.10	0.21

**T. M. Manjula Tennakoon**  
Chief Financial Officer  
Fintrex Finance Limited  
No. 851, Dr. Danister De Silva Mawatha  
Colombo 14.

**FINTREX FINANCE LTD.**  
No. 851,  
Dr. Danister De Silva Mawatha  
Colombo 14.



**FINTREX FINANCE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

<i>As at 31 March,</i>	2024	2023	2022	2021	2020
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
Cash and cash equivalents	333,164,117	341,258,906	312,049,491	166,532,603	15,054,441
Financial investments at amortised cost	1,018,267,562	721,424,223	647,135,954	181,659,066	277,395,179
Financial assets measured at fair value through other comprehensive income	50,402,825	41,604,427	46,916,224	56,919,879	55,191,548
Financial assets at amortised cost- Lease receivables	7,260,199,861	5,030,690,492	6,248,571,009	5,019,491,970	6,231,819,620
Financial assets at amortised cost- Hire purchase receivables	-	109,474	109,474	109,474	636,639
Financial assets at amortised cost- Loans and advances	5,915,589,930	4,235,736,672	5,036,919,372	3,346,999,886	965,251,690
Financial assets at amortised cost- Factoring receivables	-	2,757,271	1,920,499	2,822,431	4,019,274
Other receivables	84,759,994	76,352,865	79,816,137	45,502,425	34,010,908
Tax receivables	338,167	35,354	6,500	6,500	36,164,060
Deferred tax asset	159,344,494	263,570,209	33,633,497	-	-
Investment property	18,600,000	18,600,000	6,800,000	6,800,000	6,800,000
Right of use assets	180,713,243	130,272,954	107,833,060	61,904,892	67,054,856
Intangible assets	9,820,894	14,499,083	15,863,209	17,952,514	22,395,741
Property, plant and equipment	89,690,615	101,314,850	82,857,845	38,710,269	56,634,295
<b>Total assets</b>	<b>15,120,891,702</b>	<b>10,978,226,780</b>	<b>12,620,432,271</b>	<b>8,945,411,909</b>	<b>7,772,428,251</b>
<b>LIABILITIES</b>					
Bank overdrafts	123,234,272	89,071,888	81,082	125,464,284	515,678,118
Financial liabilities at amortised cost- due to customers	6,295,627,408	4,743,530,348	1,858,224,777	455,374,458	187,011,537
Interest bearing loans and borrowings	4,733,449,246	2,932,375,945	7,077,780,596	5,705,517,080	4,756,931,105
Lease liabilities	186,359,741	135,005,713	110,379,848	64,897,900	69,865,284
Liabilities of FBIL customers	-	-	-	962,059	962,059
Current tax liabilities	-	-	94,407,088	48,389,541	-
Trade and other payables	707,130,169	126,097,738	314,108,459	278,916,108	146,645,603
Employee benefits	26,210,777	18,037,088	12,849,802	11,904,906	9,027,972
Deferred tax liabilities	-	-	-	19,357,692	47,496,138
<b>Total liabilities</b>	<b>12,072,011,613</b>	<b>8,044,118,720</b>	<b>9,467,831,652</b>	<b>6,710,784,028</b>	<b>5,733,617,816</b>
<b>EQUITY</b>					
Stated capital	2,369,559,710	2,369,559,710	2,369,559,710	1,769,559,710	1,769,559,710
Statutory reserve fund	59,423,264	53,917,670	53,917,670	37,589,687	27,885,231
Other reserves	319,521,842	-	-	6,586,929	6,858,598
Retained earnings	300,375,273	510,630,680	729,123,239	418,891,555	234,506,896
<b>Total equity</b>	<b>3,048,880,089</b>	<b>2,934,108,060</b>	<b>3,152,600,619</b>	<b>2,234,627,881</b>	<b>2,038,810,435</b>
<b>Total liabilities and equity</b>	<b>15,120,891,702</b>	<b>10,978,226,780</b>	<b>12,620,432,271</b>	<b>8,945,411,909</b>	<b>7,772,428,251</b>
<b>Contingent liabilities and commitments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,792,512</b>	<b>25,147,620</b>
<b>Net assets per share (Rs.)</b>	<b>12.87</b>	<b>12.38</b>	<b>13.30</b>	<b>12.63</b>	<b>13.42</b>

  
**T. M. Manjula Tennakoon**  
 Chief Financial Officer  
 Fintrex Finance Limited  
 No. 851, Dr. Danister De Silva Mawatha  
 Colombo 14.

**FINTREX FINANCE LTD.**  
 No. 851,  
 Dr. Danister De Silva Mawatha  
**COLOMBO 14.**



**FINTREX FINANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**

	Stated Capital	Statutory Reserve Fund	Fair Value Through Other Comprehensive Income Reserve	Regulatory Loss Allowance Reserve (RLAR)	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2019	1,340,294,510	26,257,678	1,942,474	-	203,583,387	1,572,078,049
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	32,071,920	32,071,920
<b>Other comprehensive income</b>						
Actuarial loss on employee benefits	-	-	-	-	665,475	665,475
Deferred tax effect on employee benefits	-	-	-	-	(186,333)	(186,333)
Changes in fair value through other comprehensive income investments	-	-	4,916,124	-	-	4,916,124
<b>Other movements in equity</b>						
Share issue	429,265,200	-	-	-	-	429,265,200
Transferred to statutory reserve fund	-	1,627,553	-	-	(1,627,553)	-
<b>Balance as at 31 March 2020</b>	<b>1,769,559,710</b>	<b>27,885,231</b>	<b>6,858,598</b>	<b>-</b>	<b>234,806,896</b>	<b>2,038,810,435</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	194,315,042	194,315,042
<b>Other comprehensive income</b>						
Actuarial loss on employee benefits	-	-	-	-	(297,272)	(297,272)
Deferred tax effect on employee benefits	-	-	-	-	71,345	71,345
Changes in fair value through other comprehensive income investments	-	-	1,728,331	-	-	1,728,331
<b>Other movements in equity</b>						
Transferred to statutory reserve fund	-	9,704,456	-	-	(9,704,456)	-
<b>Balance as at 31 March 2021</b>	<b>1,769,559,710</b>	<b>37,589,687</b>	<b>8,586,929</b>	<b>-</b>	<b>418,891,555</b>	<b>2,234,627,881</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	327,497,552	327,497,552
<b>Other comprehensive income</b>						
Actuarial loss on employee benefits	-	-	-	-	(1,234,059)	(1,234,059)
Deferred tax effect on employee benefits	-	-	-	-	296,174	296,174
Changes in fair value through other comprehensive income investments	-	-	(8,586,929)	-	-	(8,586,929)
<b>Other movements in equity</b>						
Share issue	600,000,000	-	-	-	-	600,000,000
Transferred to statutory reserve fund	-	16,327,983	-	-	(16,327,983)	-
<b>Balance as at 31 March 2022</b>	<b>2,369,559,710</b>	<b>53,917,670</b>	<b>-</b>	<b>-</b>	<b>729,123,239</b>	<b>3,152,600,619</b>
<b>Total comprehensive income for the year</b>						
Profit/ (loss) for the year	-	-	-	-	(219,089,052)	(219,089,052)
<b>Other comprehensive income</b>						
Other comprehensive income net of taxes	-	-	-	-	596,493	596,493
<b>Other movements in equity</b>						
Transferred to statutory reserve fund	-	-	-	-	-	-
<b>Balance as at 31 March 2023</b>	<b>2,369,559,710</b>	<b>53,917,670</b>	<b>-</b>	<b>-</b>	<b>510,630,680</b>	<b>2,934,108,060</b>
<b>Total comprehensive income for the year</b>						
Profit/ (loss) for the year	-	-	-	-	110,111,875	110,111,875
<b>Other comprehensive income</b>						
Other comprehensive income net of taxes	-	-	-	-	4,660,154	4,660,154
<b>Other movements in equity</b>						
Transferred to statutory reserve fund	-	5,505,594	-	-	(5,505,594)	-
Transferred to RLAR	-	-	-	319,521,842	(319,521,842)	-
<b>Balance as at 31 March 2024</b>	<b>2,369,559,710</b>	<b>59,423,264</b>	<b>-</b>	<b>319,521,842</b>	<b>300,375,273</b>	<b>3,048,880,089</b>

  
**T. M. Manjula Tennakoon**  
 Chief Financial Officer  
 Fintrex Finance Limited  
 No. 851, Dr. Danister De Silva Mawatha  
 Colombo 14.

**FINTREX FINANCE LTD.**  
 No. 851,  
 Dr. Danister De Silva Mawatha  
**COLOMBO 14.**



**FINTREX FINANCE LIMITED**  
**STATEMENT OF CASH FLOWS**

<i>For the Year Ended 31 March,</i>					
	2024	2023	2022	2021	2020
	Rs	Rs	Rs	Rs	Rs
<b>Cash flows from/(used in) operating activities</b>					
Interest received	2,500,818,410	2,053,243,970	1,921,403,186	1,519,157,498	1,834,411,146
Interest payments	(1,739,682,789)	(1,811,035,574)	(660,298,984)	(510,690,580)	(772,622,806)
Hiring rental received	-	147,760	3,655,967	7,608,801	17,987,306
Receipts from financial investments	251,880,642	184,650,599	27,326,884	21,260,258	31,890,388
Receipts from other operating activities	113,307,079	87,793,477	146,602,435	72,838,746	75,855,675
Cash payments to employees and suppliers	(1,803,857,880)	(730,515,766)	(824,741,560)	(559,042,936)	(497,074,092)
<b>Operating profit/(loss) before changes in operating assets and operating liabilities (Note (a))</b>	<b>122,465,462</b>	<b>(215,715,534)</b>	<b>613,947,928</b>	<b>550,231,787</b>	<b>690,447,617</b>
<b>(Increase) / decrease in operating assets</b>					
Net investment in loans and advances	(3,737,662,739)	1,835,655,636	(3,035,640,648)	(1,404,103,548)	54,474,372
Net investment in fixed deposits	-	250,605,473	(250,565,069)	87,591,452	(85,000,000)
Net investment in repos	(100,093,497)	204,041,917	(118,979,040)	(85,000,000)	-
Net Investment in treasury bills	281,607,253	(464,845,230)	(95,932,779)	-	-
Net Investment in money market funds	(478,357,185)	(37,724,937)	-	96,545,898	72,021,389
Net increase in other operating assets	(7,908,694)	3,434,421	(30,706,782)	(14,060,958)	(17,347,700)
<b>Increase / (decrease) in operating liabilities</b>					
Other financial liabilities due to customers	1,552,097,060	2,885,305,571	1,402,850,319	268,362,921	(346,078,918)
Increase in liability to FBIL customers	-	-	(962,059)	-	-
Net increase / (decrease) in other liabilities	<b>587,113,066</b>	<b>(178,318,390)</b>	<b>35,290,975</b>	<b>132,270,505</b>	<b>(172,343,811)</b>
<b>Gratuity paid</b>	<b>(1,780,739,094)</b>	<b>4,282,438,927</b>	<b>(1,480,697,156)</b>	<b>(368,161,943)</b>	<b>196,172,949</b>
<b>Income tax paid</b>	<b>(4,113,746)</b>	<b>(1,425,745)</b>	<b>(4,515,465)</b>	<b>(1,903,657)</b>	<b>(671,386)</b>
<b>Net cash flows generated from / (used in) operating activities</b>	<b>(1,784,852,841)</b>	<b>4,182,060,590</b>	<b>(1,604,410,927)</b>	<b>(370,065,600)</b>	<b>139,059,943</b>
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	(1,782,000)	(2,430,001)	(4,334,248)	(5,542,410)	(8,167,316)
Purchase of property, plant and equipment	(21,572,647)	(51,925,080)	(68,092,180)	(12,387,266)	(20,584,022)
Proceeds from disposal of property, plant and equipment	-	-	1,776,254	2,590,060	3,234,813
<b>Net cash flows used in investing activities</b>	<b>(23,354,647)</b>	<b>(54,355,081)</b>	<b>(70,650,174)</b>	<b>(15,339,616)</b>	<b>(25,516,525)</b>
<b>Cash flows from financing activities</b>					
Net proceeds from loans and borrowings	1,801,073,301	(4,145,404,651)	1,372,263,516	948,585,975	(712,570,846)
Proceeds from right-issue	-	-	600,000,000	-	429,265,200
Payment of lease liabilities	(35,122,987)	(42,082,269)	(26,302,325)	(21,488,762)	(18,267,943)
<b>Net cash flows (used in) / generated from financing activities</b>	<b>1,765,950,314</b>	<b>(4,187,486,900)</b>	<b>1,945,961,191</b>	<b>927,097,213</b>	<b>(301,573,586)</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(42,257,174)</b>	<b>(59,781,391)</b>	<b>270,900,090</b>	<b>541,691,996</b>	<b>(188,030,169)</b>
Cash and cash equivalents at the beginning of the year	252,187,018	311,968,409	41,068,319	(500,623,677)	(312,593,508)
<b>Cash and cash equivalents at the end of the year (Note (b))</b>	<b>209,929,845</b>	<b>252,187,018</b>	<b>311,968,409</b>	<b>41,068,319</b>	<b>(500,623,677)</b>
<b>Note (a) : Reconciliation of (loss)/ profit before tax with cash flows from operating activities</b>					
Profit / (loss) before income tax expense	215,405,474	(444,735,901)	440,018,390	250,795,043	30,035,278
Depreciation of property, plant and equipment	33,097,179	33,468,073	22,239,945	27,478,092	25,964,203
Depreciation of right-to-use asset (RTU)	43,935,732	44,268,220	30,836,105	25,626,722	21,078,370
Amortization of intangible assets	6,460,189	3,794,127	6,423,553	9,985,637	9,112,912
Provision for gratuity	8,727,820	7,465,164	4,226,302	4,483,319	2,827,863
Impairment charge on loans and advances	(168,833,143)	182,570,809	117,544,055	236,407,010	612,165,907
Fair value gain/(loss) on treasury bond during the year	-	5,311,797	1,416,725	-	-
Exchange gain/(loss)	32,027	(40,404)	(124,146)	(64,840)	-
Sundry income	(6,080,635)	(9,692,331)	(5,120,553)	(3,058,229)	(2,872,309)
Change in interest income receivables	(9,280,175)	(26,325,088)	(3,440,854)	(1,420,967)	(7,864,607)
Profit on disposal of RTU assets	(999,006)	-	-	-	-
Net gain from investment property	-	(11,800,000)	(71,593)	-	-
	<b>122,465,462</b>	<b>(215,715,534)</b>	<b>613,947,928</b>	<b>550,231,787</b>	<b>690,447,617</b>
<b>Note (b) : Reconciliation of cash &amp; cash equivalents</b>					
Cash in hand and cash at banks	333,164,117	341,258,906	312,049,491	166,532,603	15,054,441
Bank overdrafts	(123,234,272)	(89,071,888)	(81,082)	(125,464,284)	(515,678,118)
	<b>209,929,845</b>	<b>252,187,018</b>	<b>311,968,409</b>	<b>41,068,319</b>	<b>(500,623,677)</b>

*hmk*  
**T. M. Manjula Tennakoon**  
 Chief Financial Officer  
 Fintrex Finance Limited  
 No. 851, Dr. Danister De Silva Mawatha  
 Colombo 14.

**FINTREX FINANCE LTD.**  
 No. 851,  
 Dr. Danister De Silva Mawatha  
 COLOMBO 14.



## ANNEXURE I - COPY OF THE RATING CERTIFICATE



February 19, 2025

Mr. Jayathilake Bandara  
Chief Executive Officer  
Fintrex Finance Limited  
No. 851  
Dr. Danister De Silva Mawatha  
Colombo, 14  
Sri Lanka

Dear Mr. Bandara:

Re: Fitch rating assignment regarding Fintrex Finance Limited

Fitch (see definition below) assigns the following ratings.

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**Fintrex Finance Limited**

Debt	Issue	Rating Type	Rating	Rating Action
subordinated	LKR bond/note	Natl LT	B+(lka)	New Rating

RATINGS KEY	OUTLOOK	WATCH
Positive		
Negative		
Evolving		
Stable		

**Fitch Assigns Fintrex Finance's Subordinated Debt 'B+(lka)'**

Fitch Ratings has assigned a final National Long-Term Rating of 'B+(lka)' to Fintrex Finance Limited's (Fintrex; BB(lka)/Stable) Sri Lankan rupee-denominated subordinated debentures.

The notes are for an amount up to LKR1 billion and are expected to mature in five years and carry fixed coupons. Fintrex plans to use

# Fitch Ratings

the proceeds to strengthen its Tier 2 capital base and support loan growth. The debentures will be listed on the Colombo Stock Exchange.

## Key Rating Drivers

Fintrex's Sri Lankan rupee subordinated debentures are rated two notches below its National Long-Term Rating. This reflects Fitch's baseline notching for loss severity for this debt class and out expectations of poor recoveries in the event of default. There is no additional notching for non-performance risk, as the notes do not contain going concern loss-absorption and coupon deferral features.

Fintrex's National Long-Term Rating was upgraded to BB(lka) from BB-(lka) on 24 January 2025 after Sri Lankan national rating recalibration. Please refer to our commentary *Fitch Upgrades 10 Sri Lankan NBFIs' Ratings, Affirms 8 Following National Scale Recalibration*, dated 24 January 2025 for more details. The rating reflects Fintrex's modest business and funding franchises and higher-than-peer leverage appetite, balanced by decent asset quality and its focus on less risky four-wheeler lending. Please refer to our commentary *Fitch Upgrades Fintrex Finance to 'BB-(lka)'; Outlook Stable*, dated 14 August 2024 for more details.

## Rating Sensitivities

### Factors that could, individually or collectively, lead to negative rating action/downgrade

- A downgrade of Fintrex's National Long-Term Rating would lead to a downgrade of the subordinated debt rating.

### Factors that could, individually or collectively, lead to positive rating action/upgrade

- An upgrade of Fintrex's National Long-Term Rating would lead to an upgrade of the subordinated debt rating.

## Disclaimer and Limitations

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or issuer or obligor in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and

# Fitch Ratings

attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken.

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RATINGS ARE NOT A RECOMMENDATION OR SUGGESTION, DIRECTLY OR INDIRECTLY, TO YOU OR ANY OTHER PERSON, TO BUY, SELL, MAKE OR HOLD ANY INVESTMENT, LOAN OR SECURITY OR TO UNDERTAKE ANY INVESTMENT STRATEGY WITH RESPECT TO ANY INVESTMENT, LOAN, SECURITY OR ISSUER. RATINGS DO NOT COMMENT ON THE ADEQUACY OF MARKET PRICE, THE SUITABILITY OF ANY INVESTMENT, LOAN OR SECURITY FOR A PARTICULAR INVESTOR (INCLUDING WITHOUT LIMITATION, ANY ACCOUNTING AND/OR REGULATORY TREATMENT), OR THE TAX-EXEMPT NATURE OR TAXABILITY OF PAYMENTS MADE IN RESPECT OF ANY INVESTMENT, LOAN OR SECURITY. FITCH IS NOT YOUR ADVISOR, NOR IS FITCH PROVIDING TO YOU OR ANY OTHER PARTY ANY FINANCIAL ADVICE, OR ANY LEGAL, AUDITING, ACCOUNTING, APPRAISAL, VALUATION OR ACTUARIAL SERVICES. A RATING SHOULD NOT BE VIEWED AS A REPLACEMENT FOR SUCH ADVICE OR SERVICES.

SUBJECT TO THE LIMITATIONS SET FORTH IN THE PARAGRAPH IMMEDIATELY BELOW, NOTHING IN THIS LETTER SHALL LIMIT OUR RIGHT TO PUBLISH, DISSEMINATE OR LICENSE OTHERS TO PUBLISH OR OTHERWISE DISSEMINATE THE RATINGS OR THE RATIONALE FOR THE RATINGS. SHOULD YOU CONSIDER OUR OPINION IN UNDERTAKING ANY ACTION, YOU ACKNOWLEDGE THAT OUR OPINION IS SUBJECT TO BOTH (i) THE ANALYTICAL PROCESS AND LIMITATIONS DESCRIBED IN THIS LETTER AND (ii) THE PROVISIONS OF "UNDERSTANDING RATINGS - LIMITATIONS AND USAGE" ON THE FITCH RATINGS DEFINITIONS PAGE LOCATED AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/DEFINITIONS](https://www.fitchratings.com/site/definitions). IN ADDITION, DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS AS THEY MAY RELATE TO THE RATINGS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory).

A record has been made of this rating in our permanent files, but it is our current intention that the rating will not be released publicly as the issue has been placed privately with institutional investors. Investors may find Fitch's ratings to be important information, and if you have shared the rating with investors or any other party per the terms of the fee agreement, please note that you are responsible for communicating the contents of this letter, and any changes with respect to the rating, to any such party as well.

Fitch hereby consents to the submission of this letter by investors to the Securities Valuation Office of the National Association of Insurance Commissioners in the United States of America, or to any regulatory authority having jurisdiction over such investors.

The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws. Fitch does not consent to the inclusion of its

# Fitch Ratings

ratings in any offering document in any instance in which US, UK or any other relevant securities laws require such consent. Fitch does not consent to the inclusion of any written letter communicating its rating action in any offering document. You understand that Fitch has not consented to, and will not consent to, being named as an "expert" in connection with any registration statement or other filings under US, UK or any other relevant securities laws, including but not limited to Section 7 of the U.S. Securities Act of 1933. Fitch is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933, nor has Fitch performed the roles or tasks associated with an "underwriter" or "seller" under this engagement.

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Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between Fitch and you or between Fitch and any user of the ratings.

In this letter, "Fitch" means Fitch Ratings Lanka Ltd. together with any successor in interest.

Private ratings assigned herein shall be valid and effective only if this rating letter contains a "Fitch Ratings" digital watermark and, if available, an Agreement ID number is included in this letter which matches the Agreement ID number set forth in your fee agreement.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact Wen Jun Poh, Associate Director at +65 6796 2717.

Sincerely,

Fitch Ratings Lanka Ltd.

Agreement ID# 163554



## ANNEXURE II - COLLECTION POINTS

Copies of the Application Form can be obtained free of charge from the following collection points.

### **Issuer**

Fintrex Finance Limited  
No 851  
Dr. Danister De Silva Mawatha (Baseline Road)  
Colombo 14

Tel: +94 117 977 97  
Hotline : +94 117 200 10

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### **Registrars to the Issue**

Central Depository Systems (Pvt) Ltd,  
Ground Floor,  
M&M Center,  
No. 341/5, Kotte Road,  
Rajagiriya,

Tel: +94 11 2356444 / Fax: +94 11 2440396

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### **Manager and Financial Advisor to the Issue**

HNB Investment Bank (Private) Limited  
No. 53, Dharmapala Mawatha  
Colombo 03

Tel: +94 11 2 206 206  
Fax: +94 11 2 437 149

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### **Bankers to the Issue**

Hatton National Bank PLC No. 479 T B Jayah Mawatha Colombo 10

Tel: +94 (011) 266 4664, +94 (011) 266 2772, +94  
(011) 476 4764  
Fax: +94 (011) 266 2832

**BRANCH NETWORK OF FINTREX FINANCE LIMITED**

Copies of the Application Form can be obtained free of charge from all branches of Fintrex Finance Limited

Branch	Contact No.	Address	Email
Signature Branch	0117977737	No. 50, Ananda Coomaraswamy mawatha, Colombo 03	headofficebranch@fintrexfinance.com
Kurunegala	0667977979	No. 15, Rajapihilla Road, Kurunegala	kurunegala@fintrexfinance.com
Matara	0417977979	No 469A,Anagarika Dharmapala Mawatha,Pamburana, Matara	matara@fintrexfinance.com
Kandy	0817977979	No 206,Katugastota Road,Kandy	kandy@fintrexfinance.com
Negombo	0377977901	No 79,Colombo Road, Negombo	negombo@fintrexfinance.com
Kiribathgoda	0117977415	No 67/3/A, Kandy Road, Kiribathgoda	kiribathgoda@fintrexfinance.com
Kalutara	0347 973477	No. 398/A, Galle Main Road, Kalutara North, Kalutara	kalutara@fintrexfinance.com
Kegalle	0357977980	No 440 B,Kandy road, Meepitiya, Kegalle	kegalle@fintrexfinance.com
Kuliyapitiya	0377977979	No. 89, Kurunegala Road, Kuliyapitiya	kuliyapitiya@fintrexfinance.com
Gampaha	0337977977	No. 140,Colombo road,Gampaha	gampaha@fintrexfinance.com
Dambulla	0667977979	No. 318, Sangeetha Building,Kandy road, Dambulla	dambulla@fintrexfinance.com
Galle	0917977988	No 93,Old Matra road,Pettigalawatta, Galle	galle@fintrexfinance.com
Nugegoda	0117460977	No. 87 Dutugemunu St, Kohuwala, Nugegoda	nugegoda@fintrexfinance.com
Malabe	117977450	No 867/2, Kandy road, Malabe	malabe@fintrexfinance.com
Maharagama	117977440	No. 249,Wattegedara Junction,High level road, Maharagama	maharagama@fintrexfinance.com
Pettah	117977465	No. 345 Main Street, Gaspaha Junction, Pettah	pettah@fintrexfinance.com

## TRADING PARTICIPANTS OF THE CSE

<p><b>HNB Stockbrokers (Private) Limited</b> No. 53, Dharmapala Mawatha, Colombo 03.</p> <p>Tel: +94 11 2 206 206 Fax: +94 11 2 206 298-9 E-mail: sales@hnbstockbrokers.com</p>	<p><b>Asha Securities Limited</b> No.60, 5th Lane, Colombo 03.</p> <p>Tel: +94 11 2 429 100 Fax: +94 11 2 429 199 E-mail: asl@ashasecurities.net</p>
<p><b>Asia Securities (Private) Limited</b> 4th Floor, Lee Hedges Tower, No.349, Galle Road, Colombo 03.</p> <p>Tel: +94 11 7 722 000 Fax: +94 11 258 4864 E-mail: inquiries@asiasecurities.lk</p>	<p><b>Almas Equities (Private) Limited</b> Westin Tower, 5th Level, No 2 - 4/1, Lake Drive, Colombo 8.</p> <p>Tel: +94 11 707 1445 51 Fax: +94 11 2 673 908 E-mail: info@almasequities.com</p>
<p><b>ACAP Stock Brokers (Private) Limited</b> No. 46/46, 7th Floor, Greenlanka Towers, Nawam Mawatha, Colombo 02.</p> <p>Tel: +94 117 564 000 Fax: +94 112 331 756 E-mail: info@acapstockbrokers.lk</p>	<p><b>Ambeon Securities (Private) Limited</b> No.100/1,2nd Floor, Elvitigala Mawatha, Colombo 8.</p> <p>Tel: +94 11 5 328 100 Fax: +94 11 5 328 177 E-mail: info@ambeonsecurities.lk</p>
<p><b>ACS Capital (Pvt) Ltd</b> No.44, Guildford Crescent, Colombo 07</p> <p>Tel: +94 117 898 302 Fax: - E-mail: info@acscapital.lk</p>	<p><b>Bartleet Religare Securities (Private) Limited</b> Level “G”, “Bartleet House” 65, Braybrooke Place, Colombo 02.</p> <p>Tel: +94 11 4 221 000 Fax: +94 11 2 434 985 E-mail: info@bartleetstock.com</p>
<p><b>Capital Alliance Securities (Pvt) Ltd</b> Level 5, “Millenium House” 46/58, Nawam Mawatha, Colombo 02.</p> <p>Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-Mail: info@cal.lk</p>	<p><b>Capital Trust Securities (Private) Limited</b> 42, Mohamed Macan Markar Mawatha, Colombo 03.</p> <p>Tel: +94 11 2 174 174/ +94 11 2 174 175 Fax: +94 11 2 174 173 E-mail: inquiries@capitaltrust.lk</p>
<p><b>Capital Alliance PLC</b> Level 5, “Millenium House” 46/58, Nawam Mawatha, Colombo 02.</p> <p>Tel: +94 11 2 317 777 Fax: +94 11 2 317 788 E-Mail: info@cal.lk</p>	<p><b>CT CLSA Securities (Private) Limited</b> 4-14, Majestic City, 10, Station Road, Colombo 04.</p> <p>Tel: +94 11 2 552 290-4 Fax: +94 11 2 552 289 E-mail: info@ctclsa.lk</p>

<p><b>Enterprise Ceylon Capital (Private) Limited</b> 2nd Floor-4B, Liberty Plaza, 250, R. A. De Mel Mawatha, Colombo 3</p> <p>Tel: +94 11 2 445 644/ +94 112 301 861 Fax: - E-mail: info@ecc.lk</p>	<p><b>First Capital Equities (Pvt) Limited</b> Level 12, Vallible Property Building, No. 480, Galle Road, Colombo 03</p> <p>Tel: +94 11 2 123 901 Fax: - E-mail: equity@firstcapital.lk</p>
<p><b>First Guardian Equities (Private) Limited</b> 32nd Floor, East Tower, World Trade Centre, Colombo 01.</p> <p>Tel: +94 11 446 4400 Fax: E-mail: info@fge.lk</p>	<p><b>John Keells Stockbrokers (Private) Limited</b> 186, Vauxhall Street, Colombo 02.</p> <p>Tel: +94 11 2 306 250 Fax: +94 11 2 342 068 E-mail: jkstock@keells.com</p>
<p><b>J B Securities (Private) Limited</b> No. 150, St. Joseph Street, Colombo 14.</p> <p>Tel: +94 11 2 490 900 Fax: +94 11 2 430 070 E-mail: jbs@jb.lk</p>	<p><b>Lanka Securities (Private) Limited</b> 3rd Floor, "M2M Veranda Offices", No34, W.A.D. Ramanayeke Mawatha, Colombo 2.</p> <p>Tel: +94 11 4 706 757, +94 11 2 554 942 Fax: +94 11 4 706 767 E-mail: info@lankasec.com</p>
<p><b>LOLC Securities (Private) Limited</b> No.481, T.B. Jayah Mawatha, Colombo 10.</p> <p>Tel: +94 11 5 889 889 Fax: +94 11 2 662 883 E-mail: info@lolcsecurities.com</p>	<p><b>NDB Securities (Private) Limited</b> Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 04.</p> <p>Tel: +94 11 2 131 000 Fax: +94 11 2 314 181 E-mail: mail@ndbs.lk</p>
<p><b>Nestor Stock Brokers (Private) Limited</b> No. 428, 2/1, R.A. De Mel Mawatha, Colombo 3.</p> <p>Tel: +94 11 475 8813 Fax: +94 11 2 550 100 E-mail: info@nestorstockbrokers.lk</p>	<p><b>Richard Pieris Securities (Pvt) Limited</b> No 310, Highlevel Road, Nawinna, Maharagama.</p> <p>Tel: +94 11 4 310 500 Fax: +94 11 2 802 385 E-mail: communication@rpsecurities.com</p>
<p><b>Senfin Securities Limited</b> 4th Floor, No.180, Bauddhaloka Mawatha, Colombo 04.</p> <p>Tel: +94 11 2 359 100 Fax: +94 11 2 305 522 E-mail: info@senfinsecurities.com</p>	<p><b>SEYLAN BANK PLC</b> Level 3, Seylan Towers, 90, Galle Road, Colombo 03.</p> <p>Tel: +94 11 245 6300 Fax: +94 11 245 2215 E-Mail: info@seylan.lk</p>

<b>SC Securities (Private) Limited</b> 5th Floor, No. 26B, Alwis Place, Colombo 03.  Tel: +94 11 4 711 000/ / +94 11 4 711 001 Fax: +94 11 2 394 405 E-mail: itdivision@sampathsecurities.lk	<b>Softlogic Stockbrokers (Private) Limited</b> Level 16, One Galle Face Tower, Colombo 02.  Tel: +94 11 7 277 000 Fax: +94 11 7 277 099 Email: info@softlogicstockbrokers.lk
<b>Somerville Stockbrokers (Private) Limited</b> No. 410/95,1/1, Bauddhaloka Mawatha, Colombo 7 Tel: +94 112 502 858 / +94 112 502 862 Fax: +94 11 2 502 852 E-mail: contact@somerville.lk	<b>Wealthtrust Securities Limited</b> No. 102/1, Dr. N.M. Perera Mawatha, Colombo 8.  Tel: +94 11 2 675 091 – 4 Fax: +94 11 2 689 605 E-Mail: info@wealthtrust.lk

## ANNEXURE III - CUSTODIAN BANKS

<b>Bank of Ceylon1 (Head Office)</b> 11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01 T: +94 11 2 204 064	<b>Citi Bank, N A</b> 65 C, Dharmapala Mawatha, Colombo 07 T: +94 11 4 794 733
<b>Commercial Bank of Ceylon PLC</b> Commercial House, 21, Sir Razik Fareed Mawatha, Colombo 01 T: +94 11 2 486 000/ +94 11 4 486 000/ +94 11 7 486 000/ +94 11 5 486 000	<b>Deutsche Bank AG</b> 86, Galle Road, Colombo 03 T: +94 11 2 447 062, 2 438 057
<b>Hatton National Bank PLC</b> HNB Towers, 479, T. B. Jayah Mawatha, Colombo 10 T: +94 77 7 712 406	<b>The Hong Kong and Shanghai Banking Corporation Limited</b> 24, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 2325435, 2446591, 2446303
<b>People's Bank (Head Office)</b> Treasury, 5th Floor, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T: +94 11 2 206 782	<b>Standard Chartered Bank</b> 37, York Street, Colombo 01 T: +94 11 2 480 450
<b>Sampath Bank PLC</b> 110, Sir James Peiris Mawatha, Colombo 02 T: +94 11 5 331 458, +94 11 4 730 662	<b>State Bank of India</b> 16, Sir Baron Jayathilake Mawatha, Colombo 01 T: +94 11 4 622 350
<b>Seylan Bank PLC</b> Level 8, Ceylinco Seylan Towers, 90, Galle Road,Colombo 03 T: +94 11 4 701 812, +94 11 4 701 819	<b>Union Bank of Colombo PLC</b> 64, Galle Road, Colombo 03 T: +94 11 2 374 205
<b>Nations Trust Bank PLC</b> 256, Sri Ramanathan Mawatha, Colombo 15 T: +94 11 4 313 131	<b>Pan Asia Banking Corporation PLC (Head Office)</b> 450, Galle Road, Colombo 03 T: +94 11 2 565 565
<b>National Development Bank PLC</b> No.40, Navam Mawatha, Colombo 02 T: +94 (0) 11 2 448 448	<b>DFCC Bank PLC</b> No.73/5, Galle Road, Colombo 03. T: +94 112 442 031

**ANNEXURE IV - AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2024**

**FINTREX FINANCE LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2024**







### *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 scepticism 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.
- 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.

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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.

#### 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.

03 June 2024  
Colombo

## Fintrex Finance Limited

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024

	Note	2024 Rs.	2023 Rs.
Gross income	6	2,882,333,920	2,368,381,832
Interest income	7	2,761,979,227	2,264,367,417
Interest expenses	8	(1,739,682,789)	(1,811,035,574)
Net interest income		1,022,296,438	453,331,843
Other operating income	9	120,354,693	104,014,415
Total operating income		1,142,651,131	557,346,258
Impairment (charge)/ reversal on loans and receivables	21.1	168,833,143	(182,570,809)
Net operating income		1,311,484,274	374,775,449
Operating expenses			
Personnel expenses	10	(571,157,294)	(505,104,246)
Premises, equipment and establishment expenses		(171,737,264)	(141,774,244)
Depreciation and amortisation charges		(39,557,368)	(37,262,200)
Other operating expenses		(159,267,303)	(135,370,660)
Operating profit/(loss) before Taxes on financial services		369,765,045	(444,735,901)
VAT on financial services		(135,544,067)	-
Social Security Contribution Levy (SSCL)		(18,815,504)	-
Profit/(loss) before income tax expense	11	215,405,474	(444,735,901)
Income tax (expense) / benefit	12	(105,293,599)	225,646,849
Profit/(loss) for the year		110,111,875	(219,089,052)
Other comprehensive income / (expense)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Actuarial gain / (loss) on employee benefits	31.1	(3,559,614)	852,133
Deferred tax effect on employee benefits	32.1	1,067,884	(255,640)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Fair value gain/ (loss) on treasury bonds during the year		7,151,884	-
Other comprehensive income for the year, net of tax		4,660,154	596,493
Total comprehensive (expense)/ income for the year		114,772,029	(218,492,559)
Earnings/ (loss) per share			
Basic / diluted earnings/ (loss) per share	13.1	0.46	(0.92)

Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 08 to 63 form an integral part of these Financial Statements.



Fintrex Finance Limited  
STATEMENT OF FINANCIAL POSITION  
As at 31 March 2024


	Note	2024 Rs.	2023 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	14.	333,164,117	341,258,906
Financial investments at amortised cost	15.	1,018,267,562	721,424,223
Financial assets measured at fair value through other comprehensive income	16.	50,402,825	41,604,427
Financial assets at amortised cost- Lease receivables	17.	7,260,199,861	5,030,690,492
Financial assets at amortised cost- Hire purchase receivables	18.	-	109,474
Financial assets at amortised cost- Loans and advances	19.	5,915,589,930	4,235,736,672
Financial assets at amortised cost- Factoring receivables	20.	-	2,757,271
Other receivables	22.	84,759,994	76,352,865
Tax receivables	23.	338,167	35,354
Deferred tax asset	32	159,344,494	263,570,209
Investment property	24.	18,600,000	18,600,000
Right of use assets	25.1	180,713,243	130,272,954
Intangible assets	26.	9,820,894	14,499,083
Property, plant and equipment	27.	89,690,615	101,314,850
<b>Total assets</b>		<b>15,120,891,702</b>	<b>10,978,226,780</b>
<b>LIABILITIES</b>			
Bank overdrafts		123,234,272	89,071,888
Financial liabilities at amortised cost- due to customers	28.	6,295,627,408	4,743,530,348
Interest bearing loans and borrowings	29.	4,733,449,246	2,932,375,945
Lease liabilities	25.2	186,359,741	135,005,713
Trade and other payables	30.	707,130,169	126,097,738
Employee benefits	31.	26,210,777	18,037,088
<b>Total liabilities</b>		<b>12,072,011,613</b>	<b>8,044,118,720</b>
<b>EQUITY</b>			
Stated capital	33.	2,369,559,710	2,369,559,710
Statutory reserve fund	34.	59,423,264	53,917,670
Other reserves	35.	319,521,842	-
Retained earnings	36.	300,375,273	510,630,680
<b>Total equity</b>		<b>3,048,880,089</b>	<b>2,934,108,060</b>
<b>Total liabilities and equity</b>		<b>15,120,891,702</b>	<b>10,978,226,780</b>
<b>Contingent liabilities and commitments</b>	39.	-	-
<b>Net assets per share (Rs.)</b>		<b>12.87</b>	<b>12.38</b>

We certify that the Financial Statements are prepared and presented in Compliance with the requirements of the Companies Act No.7 of 2007.

  
.....  
Manjula Tennakoon  
Chief Financial Officer

  
.....  
Jayathilake Bandara  
Chief Executive Officer

The Board of directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and Signed for and on behalf of the Board of Directors:

  
.....  
A.D. Gunewardene  
Chairman

  
.....  
J.R.F. Peiris  
Director

The Accounting policies and Notes to the Financial Statements from pages 08 to 63 form an integral part of these Financial Statements.



Fintrex Finance Limited  
STATEMENT OF CHANGES IN EQUITY  
Year ended 31 March 2024

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Regulatory Loss Allowance Reserve (RLAR) Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 31 March 2022</b>	2,369,559,710	53,917,670	-	729,123,239	3,152,600,619
<b>Total comprehensive income for the year</b>					
Profit/ (loss) for the year	-	-	-	(219,089,052)	(219,089,052)
Other comprehensive income net of taxes	-	-	-	596,493	596,493
Transferred to statutory reserve fund	-	-	-	-	-
<b>Balance as at 31 March 2023</b>	<u>2,369,559,710</u>	<u>53,917,670</u>	<u>-</u>	<u>510,630,680</u>	<u>2,934,108,060</u>
<b>Balance as at 1 April 2023</b>	2,369,559,710	53,917,670	-	510,630,680	2,934,108,060
Profit/ (loss) for the year	-	-	-	110,111,875	110,111,875
Other comprehensive income net of taxes	-	-	-	4,660,154	4,660,154
Transferred to statutory reserve fund	-	5,505,594	-	(5,505,594)	-
Transferred to RLAR	-	-	319,521,842	(319,521,842)	-
<b>Balance as at 31 March 2024</b>	<u>2,369,559,710</u>	<u>59,423,264</u>	<u>319,521,842</u>	<u>300,375,273</u>	<u>3,048,880,089</u>

Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 08 to 63 form an integral part of these Financial Statements.



Fintrex Finance Limited  
STATEMENT OF CASH FLOWS  
Year ended 31 March 2024

	Note	2024 Rs.	2023 Rs.
<b>Cash flows from/(used in) operating activities</b>			
Interest received		2,500,818,410	2,053,243,970
Interest payments		(1,739,682,789)	(1,811,035,574)
Hiring rental received		-	147,760
Receipts from financial investments		251,880,642	184,650,599
Receipts from other operating activities		113,307,079	87,793,477
Cash payments to employees and suppliers		(1,003,857,880)	(730,515,766)
<b>Operating profit(loss) before changes in operating assets and operating liabilities (Note (a))</b>		<b>122,465,462</b>	<b>(215,715,534)</b>
<b>(Increase) / decrease in operating assets</b>			
Net investment in loans and advances		(3,737,662,739)	1,835,655,636
Net investment in fixed deposits		-	250,605,473
Net investment in repos		(100,093,407)	204,041,917
Net investment in treasury bills		281,607,253	(464,845,230)
Net investment in money market funds		(478,357,185)	(37,724,937)
Net increase in other operating assets		(7,908,604)	3,434,421
<b>Increase / (decrease) in operating liabilities</b>			
Other financial liabilities due to customers		1,552,097,060	2,885,305,571
Net increase / (decrease) in other liabilities		587,113,066	(178,318,396)
		(1,780,739,094)	4,282,438,927
Gratuity paid		(4,113,746)	(1,425,745)
Income tax paid		-	(98,952,591)
<b>Net cash flows generated from / (used in) operating activities</b>		<b>(1,784,852,841)</b>	<b>4,182,060,590</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(1,782,000)	(2,430,001)
Purchase of property, plant and equipment		(21,572,647)	(51,925,080)
Proceeds from disposal of property, plant and equipment		-	-
<b>Net cash flows used in investing activities</b>		<b>(23,354,647)</b>	<b>(54,355,081)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from loans and borrowings		1,801,073,301	(4,145,404,651)
Proceeds from right-issue		-	-
Payment of lease liabilities		(35,122,987)	(42,082,249)
<b>Net cash flows (used in) / generated from financing activities</b>		<b>1,765,950,314</b>	<b>(4,187,486,900)</b>
Net (decrease) / increase in cash and cash equivalents during the year		(42,257,174)	(59,781,391)
Cash and cash equivalents at the beginning of the year		252,187,018	311,968,409
<b>Cash and cash equivalents at the end of the year (Note (b))</b>		<b>209,929,845</b>	<b>252,187,018</b>
<b>Note (a) : Reconciliation of (loss)/ profit before tax with cash flows from operating activities</b>			
Profit/ (loss) before income tax expense		215,405,474	(444,735,901)
Depreciation of property, plant and equipment		33,097,179	33,468,073
Depreciation of right-to-use asset (RTU)		43,935,732	44,268,220
Amortization of intangible assets		6,460,189	3,794,127
Provision for gratuity		8,727,820	7,465,164
Impairment charge on loans and advances		(168,833,143)	182,570,809
Fair value gain/(loss) on treasury bond during the year		-	5,311,797
Exchange gain/(loss)		32,027	(40,404)
Sundry income		(6,080,635)	(9,692,331)
Change in interest income receivables		(9,280,175)	(26,325,088)
Profit on disposal of RTU assets		(999,006)	-
Net gain from investment property		-	(11,800,000)
		<b>122,465,462</b>	<b>(215,715,534)</b>
<b>Note (b) : Reconciliation of cash &amp; cash equivalents</b>			
Cash in hand and cash at banks	14	333,164,117	341,258,906
Cash equivalents		(123,234,272)	(89,071,888)
		<b>209,929,845</b>	<b>252,187,018</b>



Figures in brackets indicate deductions.

The Accounting policies and Notes to the Financial Statements from pages 08 to 63 form an integral part of these Financial Statements.

Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**1. REPORTING ENTITY**

**1.1 General**

Fintrex Finance Limited is a limited liability Company domiciled in Sri Lanka under the provisions of Companies Act. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company (which was previously known as First Barakah Investments Limited), changed its name to Melsta Regal Finance Limited with effect from 09 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone 1 (Pvt) Ltd on 06 April 2018 and it is now named Fintrex Finance Ltd with effect from 03 September 2018.

The registered office and the principal place of business of the Company is located at No. 851, Dr. Danister De Silva Mawatha, Colombo-14.

**1.2 Principal Activities and Nature of Operations**

The principal activities of the Company comprised of providing loans and advances, lease financing, gold loans and mobilizing public deposits in forms of savings and term deposits. The Company obtained the registration under Finance Business Act No. 42 of 2011 on 10 February 2012. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No 56 of 2000 on 26 August 2012.

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

**1.3 Parent and Ultimate Parent Entity**

The Company's immediate parent is Bluestone 1(Pvt) Limited which is incorporated in Sri Lanka.



Fintrex Finance Limited

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2024

**2. BASIS OF ACCOUNTING****2.1 Statement of Compliance**

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRs and LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of Companies Act No. 7 of 2007 and Finance Business Act No. 42 of 2011 and subsequent amendments thereto.

**2.2 Responsibility of Financial Statements**

Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and provisions of the Companies Act No. 07 of 2007. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**2.3 Approval of Financial Statements by Directors**

The Financial Statements of the Company for the year ended 31 March 2024 (including comparatives for 31 March 2023) were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 03 June 2024.

**2.4 Preparation of Financial Statements**

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following.

Investment Properties initially measured at cost and subsequently measured at Fair Value	Note 24
Financial Assets classified as fair value through other comprehensive income (FVOCI) are measured at fair value	Note 16
Liability for Defined Benefit Obligation carried at present value of Defined Benefit Obligations, calculated using projected unit credit method	Note 31

**2.5 Presentation of Financial Statements**

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern.

**2.6 Functional and Presentation Currency**

These Financial Statements are presented in the Sri Lankan rupees being, the functional and presentation currency unless indicated otherwise.

**2.7 Materiality and Aggregation**

In compliance with Sri Lanka Accounting Standards LKAS 01 on 'Presenting of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.





Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**2.8 Rounding**

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

**2.9 Offsetting**

Financial assets and financial liabilities are offset, and the net amount is 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 realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by an Accounting Standard.

**2.10 Use of Estimates and Judgments**

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

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

**a) Judgements**

**Classification and Impairment of Financial Assets**

The Company used judgments when assessing of the business model within which the assets are held and assessment whether the contractual terms of the financial assets are solely-payment-of-principal-and-interest (SPPI) on the principal amount of the outstanding. The Company also used judgments when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

**b) Assumptions and estimation uncertainties**

**2.10.1 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.

Furthermore, the Management has assessed the existing and anticipated effects of current economic conditions on the Company and 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.



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**2.10.2 Fair Value of Financial Instruments**

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The Company uses estimates when determining inputs into the ECL measurement model, including incorporation of forward-looking information. This includes an element of management's judgment, in particular for the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates are driven by a number of factors, the change of which can result in different levels of allowances. The valuation of financial instruments is described in more detail in Note 45.

**2.10.3 Deferred Tax Assets**

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

**2.10.4 Impairment losses on Loans and Receivables**

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ.

If impairment is not required based on the individual assessment all such individually significant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics. This is required to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as aging buckets, levels of arrears, industries, etc.), and judgments on the effect of concentration of risks and economic data.

**2.10.5 Impairment for Financial Assets classified as Fair Value through Other Comprehensive Income**

The Company reviews its securities grouped under Financial Assets classified as Fair Value through Other Comprehensive Income at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Company also records impairment charges on Financial Assets classified as Fair Value through Other Comprehensive Income when there has been a significant or prolonged decline in the Fair Value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment.

**2.10.6 Defined Benefit Obligations**

The value of the defined benefit obligations is determined using actuarial valuation technique. The actuarial valuation involves making assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 32 for the assumptions used.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**2.10.7 Useful Lifetime of Property, Plant and Equipment**

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

**2.10.8 Fair Valuation of Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially recognized at cost. Subsequent to initial recognition, the investment property is stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Comprehensive Income in the year in which they arise.

Investment property is appraised in accordance with LKAS 40 and SLFRS 13. The Company measures Investment Property at fair value using the market approach. The Company engages independent professional valuers to assess fair value of Investment Property. The key assumptions used to determine the fair value of the Investment property are provided in Note 24.

**2.10.9 Commitment 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 as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions contingent liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

**2.10.10 SLFRS 16 – Leases**

**2.10.10.1 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**2.10.10.2 Estimating the incremental borrowing rate**

As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (or when they need to be adjusted to reflect the terms and conditions of the lease). The Company estimates the IBR using observable input when available and is required to make certain entity-specific adjustments.

**2.11 Presentation of Financial Statements**

The Company presents its assets and liabilities in the Statement of Financial Position broadly in order of liquidity. 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 notes to the Financial Statements.

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

**3.1 Foreign Currency Translation**

Transactions in foreign currencies are translated to Sri Lankan Rupees at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lankan Rupees at the exchange rates as at that date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate at the dates of the transactions.

Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lankan Rupees at the exchange rate that the fair value was determined. Foreign exchange differences arising on translation are recognized in profit or loss.

**3.2 Revenue and Expenses Recognition**

Revenue 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. SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

**3.2.1 Interest**

Interest income and interest expense are recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9 is also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

The EIR (and therefore, the amortized cost of the asset/ liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Company recognizes interest income/ 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). When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

If expectations regarding the cash flows on the financial asset/liability 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/interest expense. The adjustment is subsequently amortized through Interest income/Interest expense in the income statement.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognized using the contractual interest rate under interest income.

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

**3.2.2 Fees and Commission Income**

Fee and commission income, including account servicing fees and placement fees are recognized as the related services are performed. Fee and commission expense relate mainly to transaction and service fees which are expensed as the services are received.

**3.2.3 Finance Lease Income**

Assets leased to customers to whom the Company transfers substantially all the risks and rewards associated with ownership other than the legal title are classified as finance leases. Amounts receivable under finance leases are included under 'Lease Rental Receivable'. Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received.

The excess of aggregate rentals receivable over the cost of the leased assets constitutes the total unearned income. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed in proportion to the remaining receivable balance of the lease.

**3.2.4 Hiring Rental Income**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**3.2.5 Other Income**

Income earned from other sources, which are not directly related to the normal operations of the Company, is recognized as other income on an accrual basis.



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**3.2.6 Sale and Repurchase Agreements**

Where government securities are sold subject to a commitment to repurchase them at a predetermined price (Reverse repos), the consideration paid is recognized in the Statement of Financial Position and the difference between sale and repurchase price is recognized as net gain from financial investments recorded under interest income.

**3.2.7 Gain or Loss on Sale of Property, Plant and Equipment**

Recognized as income in the period in which the sale occurs and is classified as other operating income.

**3.2.8 Other Expenses**

All other expenses are recognized on an accrual basis.

**3.2.9 Income Tax Expense**

As per the Sri Lanka Accounting Standard - LKAS 12 on Income Taxes, the tax expense/tax income is the aggregate amount included in determination of profits or loss for the period in respect of income tax and deferred tax. Income tax expense for the year comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent assets.

**3.2.9.1 Current Tax**

The amount of current tax payable or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or subsequently enacted at the reporting date in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 as amended by subsequent legislation.

Current tax liabilities are offset only if certain criteria are met.

**3.2.9.2 Deferred Tax**

Deferred tax is recognized on temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is measured at the tax rate that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if any.

The net increase/decrease in the carrying amount of the deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense in the Statement of Profit or Loss and Other Comprehensive income.



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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

Temporary differences in relation to a right-of-use asset and lease liability are regarded as a net package (right-of-use asset) for the purpose of recognizing deferred tax.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.2.10 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for value added tax on financial services for the Company is the adjusted accounting profit before tax and emoluments of employees. The adjustment to the accounting profit before tax is for economic depreciation computed on prescribed rates instead of the rates adopted in the Financial Statements. The value added tax rate is 18% on the value base for value added tax and is a disallowed expense for the purpose of the income tax liability as per Section 25(a) of the Value Added Tax Act No. 14 of 2002 and amendments thereto.

### 3.2.11 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022. SSCL is payable on the Value Addition attributable to financial services. The Value Addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

### 3.2.12 Deposit Insurance Scheme

In terms of the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme".

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following:

- Deposit liabilities to member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies.
- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel.
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposit as at end of the month to be payable within a period of 15 days from the end of the respective month.
- Deposits placed by Finance Companies



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NOTES TO THE FINANCIAL STATEMENTS

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**3.2.13 Crop Insurance Levy (CIL)**

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No. 30 of 1988, Finance Business Act No. 42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

**3.3 Assets and Liabilities and Basis of Measurement**

**3.3.1 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavorable bank balances and securities purchased under repurchase agreement (less than three months). For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of unfavorable balances.

**3.3.2 Financial Instruments**

**3.3.2.1 Recognition and Initial Measurement**

The Company initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities 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, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**3.3.2.2 Classification**

**Financial Assets**

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

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

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

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.





## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

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

**Business model assessment**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, in particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated, the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

**Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)**

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

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Company holds a portfolio of long-term fixed-rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate by considering the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.



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 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2024

#### Financial Liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

#### 3.3.2.3 Derecognition Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

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

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### Modification of Financial Assets and Liabilities

##### Financial Assets

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

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

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



Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

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

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

**Financial Liabilities**

The Company derecognises financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**3.3.2.4 Fair Value Measurement**

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When active market is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received.



Fintrex Finance Limited

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If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that

Difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

An analysis of the fair values of financial instruments and further details as to how they are measured are provided in Note 45.

### 3.3.2.5 Impairment losses on financial assets

#### Recognition of ECL

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

- financial assets that are debt instruments; and
- lease receivables.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

#### Measurement of ECL

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

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**Credit-Impaired Financial Assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 120 days or classified as non-performing under CBSL Direction No. 3 of 2006 is considered credit impaired.

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: as a provision under other liabilities;
- debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

**Write-off**

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 "impairment losses on financial instruments" in the Statement of Profit or Loss and OCI. 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.

**3.3.3 Securities Purchased Under Resale Agreements**

These are loans collateralised by the purchase of Treasury Bills and/or Guaranteed Commercial Papers from the counterparty to whom the loans are granted. The sale by the counterparty is subject to a commitment by the Bank to sell back the underlying debt securities to the borrower at a predetermined price.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

The Company reviews on date of the Statement of Financial Position whether the carrying amount of the property and equipment are lower than their recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the higher of the market value of the asset less estimated cost of disposal and its value in use.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

The Company reviews on the Statement of Financial Position date whether the carrying amount of computer application software is lower than the recoverable amount. In such event the carrying amount is reduced to the recoverable amount and the reduction being an impairment loss is recognized immediately in the Statement of Comprehensive Income. The recoverable amount is the value in use.

### 3.3.4 Property, Plant and Equipment

#### 3.3.4.1 Basis of Recognition

The cost of property and equipment comprising computers, office equipment, furniture fixtures and fittings and motor vehicles is recognized as an asset if it is probable that future economic benefits associated with the property and equipment will flow to the Company and cost of equipment can be measured reliably.

#### 3.3.4.2 Measurement at Recognition

The cost of an asset comprises its purchase price or cost of construction and any directly attributable costs of bringing the asset to working condition for its intended use. The assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

#### 3.3.4.3 Subsequent Measurement

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and cost of the item can be measured reliably. All other repairs and maintenance are charged to expense during the financial period in which they are incurred.

#### 3.3.4.4 Depreciation

The depreciation is provided for on the basis outlined below. Depreciation is provided on a straight-line basis such that the cost of the asset is depreciated over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Motor Vehicle	- 5 Years
Computer equipment	- 4 Years
Office equipment	- 5 Years
Furniture and fittings	- 5 Years
Mobile Devices and Tabs	- 2 Years

Depreciation on Motor Vehicle-Hiring Fleet is recognized on a reducing balance basis over the estimated useful life.

Depreciation commences in the date the asset is available for use in the business of the Company and ceases in the date of disposal or end of its useful life time. Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

#### 3.3.4.5 De-recognition

The carrying amount of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use and the gain or loss arising from the de-recognition is included in Statement of Comprehensive Income.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**3.3.4.6 Impairment**

The carrying amounts of the Company's 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.

**3.3.5 Investment Property**

**3.3.5.1 Basis of Recognition**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose.

**3.3.5.2 Basis of Measurement**

Investment properties are initially recognised at cost including related transaction costs. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions on the reporting date. Gains or losses arising from changes in fair value are included in the other income of the Statement of Profit or Loss in the year in which they arise.

**3.3.5.3 Derecognition**

Investment properties are derecognized when disposed of or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses retirement or disposal is recognized in the profit or loss in the year of retirement or disposal. When investment property that was previously classified as Property, Plant and Equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

**3.3.6 Intangible Assets**

**3.3.6.1 Basis of Recognition**

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Statement of Financial Position under the category intangible asset and carried at cost less accumulated amortization and any impairment losses.

The initial acquisition cost comprises license fee paid at the inception, import duties, non-refundable taxes and levies, cost of customizing the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use.

**3.3.6.2 Subsequent Expenditure**

The initial cost is enhanced by subsequent expenditure incurred by further customization to meet ancillary transaction processing and reporting requirements tailor-made for the use of the Company constituting an improvement to the software. 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.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

### 3.3.6.3 Amortization

The amortization is provided for on the basis outlined below. Amortization is provided on a straight-line basis such that the cost of the asset is amortized over the period appropriate to the estimated life of the type of asset. The useful lives of the assets are as follows:

Computer Software	- 4 Years
Software Core System	- 5 Years
ATM License Fee	- 10 Years
VISA License Fee	- 10 Years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

### 3.3.6.4 De-recognition

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use and subsequent disposal. Gains or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

### 3.3.7 Leases

At inception of a contract, the Company assesses 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 consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset representing the right to use the underlying asset and a lease liability at the lease commencement date.

#### 3.3.7.1 Right-of-use Asset

The right-of-use asset is initially measured at cost. This comprises of 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 and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is also adjusted for certain subsequent re-measurements of the lease liability.

After the commencement date, Company measures the right-of-use asset on cost model.

#### 3.3.7.2 Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

The right-of-use assets are subject to impairment.





## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**3.3.7.3 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. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments fixed payments, including in-substance fixed payments.

The lease Liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimation of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revision in the in-substance fixed lease payment.

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

After the commencement date, the Company measure the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

**3.3.7.4 Presentation in the statement of financial position**

The Company presents right-of-use assets separately from other assets and lease liabilities separately from other liabilities in its' statement of financial position.

**3.3.8 Employee Benefits****3.3.8.1 Defined Benefit Plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

Provision for gratuity on the employees of the Company are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by a professionally qualified firm of actuaries, as at 31 March 2024. The valuation method used by the actuary is "Projected Unit Credit Method". The Company recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss. The assumption based on which the results of actuarial valuation was determined are included in note to the financial statements.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past services or the gain or loss on curtailment is recognized immediately in profit or loss. The company recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

The Company provides for Gratuity under the payment of Gratuity Act No. 12 of 1983. Provision for Gratuity has been made for employees who have completed five (5) years of services with the company.

The liability is not externally funded.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**3.3.8.2 Defined Contribution Plan**

Defined contribution plan is a post-employment benefit plan under which contributions are made into a separate fund and the entity will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plan are recognized as an employee benefit expense in profit or loss in the periods during services is rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**3.3.8.3 Employee's Provident Fund (EPF)**

The Company and employees contribute 12% and 8% respectively on the basic salary of each employee to the Employee's Provident Fund managed by Central Bank of Sri Lanka.

**3.3.8.4 Employee's Trust Fund (ETF)**

The Company contributes 3% of the basic salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

**3.3.9 Provision for Liabilities**

A provision is recognized in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event, 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.

**3.3.10 Commitments and Contingent Liabilities**

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. Pending legal claims against the company form part of contingencies.

**3.4 Subsequent Events**

All material events which occur between the reporting date and the date on which the Financial Statements are authorized for issue, and the financial impact on the condition of the assets and liabilities are disclosed in the Financial Statements.

**3.5 Statement of Cash Flows**

The Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flows' whereby gross cash receipts and gross cash payments on operating activities, investing activities and financing activities are recognized. Cash and cash equivalents include cash in hand and balances with banks.



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**3.6 Earnings per Share (EPS)**

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**3.7 Comparative Information**

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter-period comparability.

**4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS**

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 April 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards did not have a material impact on the Financial Statements of the Company.

- Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework.
- Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

The Company has applied all relevant accounting standards which have been issued up to 31 March 2024 in the preparation of the Financial Statements for the year ended 31 March 2024.

**5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2024. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2024. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

**5.1 SLFRS 17 Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- Simplified approach (the premium allocation approach) mainly for short-duration contracts



Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

**5.2 Other standards**

• **International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

• **Classification of Liabilities as Current or Non-current - Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities with covenants as current or non-current.

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

• **Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16**

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

• **Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about,

- the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements
- quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period.
- the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2024

6. GROSS INCOME	2024 Rs.	2023 Rs.
Interest income (Note 7)	2,761,979,227	2,264,367,417
Net other operating income (Note 9)	120,354,693	104,014,415
	<u>2,882,333,920</u>	<u>2,368,381,832</u>
<b>7. INTEREST INCOME</b>	<b>2024 Rs.</b>	<b>2023 Rs.</b>
Interest income on finance leases	1,042,937,602	822,824,782
Interest income on vehicle loan	220,283,182	267,231,176
Interest income on loans	693,443,421	668,510,578
Interest income on gold Loan	136,942,918	84,502,859
Hiring rental income	-	147,760
Interest income on overdue rentals from customers	322,501,122	191,551,231
Net gain on termination and early settlement of lending facilities	93,990,340	44,948,432
Interest income on government securities	152,962,845	172,108,914
Interest income on placement with banks and other financial institutions	98,917,797	12,541,685
	<u>2,761,979,227</u>	<u>2,264,367,417</u>
<b>8. INTEREST EXPENSES</b>	<b>2024 Rs.</b>	<b>2023 Rs.</b>
Interest expense on other financial liabilities due to customers	978,033,258	720,871,352
Interest expense on interest bearing loans and borrowings	738,183,038	1,075,159,492
Interest expense on lease liabilities	23,466,493	15,004,730
	<u>1,739,682,789</u>	<u>1,811,035,574</u>
<b>9. OTHER OPERATING INCOME</b>	<b>2024 Rs.</b>	<b>2023 Rs.</b>
Fee and commission income	92,069,202	49,790,628
Service income from gold loans	2,538,260	9,100,033
Recoveries from written-off contracts	18,699,617	28,902,816
Exchange gain/(loss)	(32,027)	40,404
Sundry income	6,080,635	9,692,331
Profit on disposal of RTU assets	999,006	-
Net Gain form Investment Property	-	11,800,000
Fair value gain/(loss) on treasury bond during the year	-	(5,311,797)
	<u>120,354,693</u>	<u>104,014,415</u>
<b>10. PERSONNEL EXPENSES</b>	<b>2024 Rs.</b>	<b>2023 Rs.</b>
Salaries and wages	343,079,575	294,391,345
Defined contribution plan costs - EPF and ETF	48,684,259	43,096,775
Defined benefit plan costs - retirement gratuity (Note 31.2)	8,727,820	7,465,164
Staff bonus	13,840,785	(1,075,611)
Other staff related costs	156,824,855	161,226,573
	<u>571,157,294</u>	<u>505,104,246</u>
No. of employees as at the year end	265	245



Fintrex Finance Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2024

11. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	2024	2023
	Rs.	Rs.
Profit/(loss) before income tax expense is stated after charging all expenses including the followings :		
Directors' fees and emoluments	5,300,000	4,800,000
Depreciation of property, plant and equipment (Note 27)	33,097,179	33,468,073
Depreciation on right of use asset (Note 25)	43,935,732	44,268,220
Amortisation of intangible assets (Note 26)	6,460,189	3,794,127
Legal expenses	11,644,781	9,441,529
Secretarial fees	215,397	509,236
Auditors' remuneration		
- Statutory audit	2,050,000	875,000
- Non audit fees	-	650,000
Crop Insurance Levy	1,109,917	-

12. INCOME TAX EXPENSE

The income tax provision of the company is calculated on its adjusted profits at the standard rate of 30% (2023: 24% up to September 2023 and 30% from October 2023), in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

For the year ended 31 March	2024	2023
	Rs.	Rs.
<b>Recognized in the profit or loss</b>		
Current income tax expense (Note 12.1)	-	-
Prior years under provision/(over provision)	-	4,545,503
	-	4,545,503
Reversal on deferred tax (Note 32.1)	105,293,599	(230,192,352)
<b>Income tax (expense) / benefit</b>	105,293,599	(225,646,849)
<b>For the year ended 31 March,</b>	<b>2024</b>	<b>2023</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Recognized in the other comprehensive income</b>		
<b>Income tax expense recognised in other comprehensive income</b>		
Charge / (reversal) on deferred tax (Note 32.1)	(1,067,884)	255,640
	(1,067,884)	255,640

12.1 Numerical reconciliation of accounting profits to income tax expense	2024	2023
	Rs.	Rs.
Accounting (loss)/ profit before tax	215,405,474	(444,735,901)
<b>Adjustments</b>		
Disallowable expenses	101,458,321	305,002,911
Capital portion of lease rentals receivables	2,412,434	11,305,199
Allowable expenses	(32,580,473)	(515,585,875)
Business profit / (loss)	286,695,756	(644,013,666)
Taxable business profit	286,695,756	(644,013,666)
Exempt income	-	-
B/F Loss from previous year	(286,695,756)	-
Total statutory income	-	(644,013,666)
Taxable income /(loss)	-	(644,013,666)
Current income tax expense @ 30%	-	-

12.2 Numerical reconciliation of tax losses	2024	2023
	Rs.	Rs.
Balance as at beginning of the year (B/F)	644,013,666	-
Utilised during the year	(286,695,756)	-
Balance as at end of the year (C/F)	357,317,910	-



The expiry date of the C/F tax losses is 31 March 2029.

Fintrex Finance Limited  
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

13. EARNINGS/ (LOSS) PER SHARE

13.1 Basic/ diluted earnings/ (loss) per share

The calculation of basic/ diluted earnings/ (loss) per share is based on the profit/ (loss) attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

For the year ended 31 March,	2024	2023
Profit/ (loss) attributable to equity holders of the company (Rs.)	110,111,875	(219,089,052)
Weighted average numbers of ordinary shares	236,955,971	236,955,971
Basic / diluted earnings/ (loss) per share (Rs.)	0.46	(0.92)

13.2 Weighted average number of ordinary shares

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2024	2023	2024	2023
Number of shares in issue as at 1 April	236,955,971	236,955,971	236,955,971	236,955,971
Number of shares issued	-	-	-	-
Number of shares in issue/ weighted average number of ordinary shares at 31 March	236,955,971	236,955,971	236,955,971	236,955,971

14. CASH AND CASH EQUIVALENTS

	2024 Rs.	2023 Rs.
Cash and Cheques in hand	158,983,134	226,073,573
Balances with bank and other financial institutions	174,180,983	115,185,333
	333,164,117	341,258,906

15. FINANCIAL INVESTMENTS AT AMORTISED COST

	2024 Rs.	2023 Rs.
Investments in treasury bills	402,092,033	683,699,286
Investments in repurchase agreement	100,093,407	-
Investment in money market funds	516,082,122	37,724,937
	1,018,267,562	721,424,223

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 Rs.	2023 Rs.
Credit Information Bureau of Sri Lanka	331,000	331,000
Investments in treasury bonds	50,071,825	41,273,427
	50,402,825	41,604,427

The Company designated investments as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for long term for strategic purposes.

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



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

17. FINANCE LEASE RECEIVABLES	2024 Rs.	2023 Rs.
Gross lease rental receivables	10,080,038,548	6,816,137,462
Unearned income	(2,504,255,554)	(1,265,699,827)
Total lease rental receivables	<u>7,575,782,994</u>	<u>5,550,437,635</u>
Allowance for individual impairment (Note 17.3.1)	(10,001,264)	(300,319,491)
Allowance for collective impairment (Note 17.3.2)	<u>(305,581,869)</u>	<u>(219,427,652)</u>
	<u>7,260,199,861</u>	<u>5,030,690,492</u>
<b>17.1 Finance lease receivables within one year</b>		
Gross lease rental receivables	959,246,728	904,401,930
Unearned income	(26,702,727)	(300,339,022)
Total lease rental receivables	<u>932,544,001</u>	<u>604,062,908</u>
Allowance for individual impairment	(753,791)	(281,663,873)
Allowance for collective impairment	<u>(185,335,883)</u>	<u>(25,345,999)</u>
	<u>746,454,327</u>	<u>297,053,036</u>
<b>17.2 Finance lease receivables from one to five years</b>		
Gross lease rental receivables	9,120,791,820	5,911,735,532
Unearned income	(2,477,552,827)	(965,360,805)
Total lease rental receivables	<u>6,643,238,993</u>	<u>4,946,374,727</u>
Allowance for individual impairment	(9,247,473)	(18,655,618)
Allowance for collective impairment	<u>(120,245,986)</u>	<u>(194,081,653)</u>
	<u>6,513,745,534</u>	<u>4,733,637,456</u>
<b>17.3.1 Allowance for individual impairment</b>	2024 Rs.	2023 Rs.
Balance as at beginning of the year	300,319,491	56,916,059
Charge / (reversal) during the year	(290,318,227)	247,925,117
Write-off during the year	-	(4,521,685)
Balance as at end of the year	<u>10,001,264</u>	<u>300,319,491</u>
<b>17.3.2 Allowance for collective impairment</b>		
Balance as at beginning of the year	219,427,652	329,863,080
Charge / (reversal) during the year	86,154,217	(110,435,428)
Balance as at end of the year	<u>305,581,869</u>	<u>219,427,652</u>
<b>17.3.3 Movements in impairment allowance for lease receivables</b>		
Balance as at beginning of the year	519,747,143	386,779,139
Charge / (reversal) during the year	(204,164,010)	137,489,689
Write-off during the year	-	(4,521,685)
Balance as at end of the year	<u>315,583,133</u>	<u>519,747,143</u>





Fintrex Finance Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
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17. FINANCE LEASE RECEIVABLES (Contd...)

17.4 Stage wise net lease receivables

As at 31st March 2024	Total lease rental receivables	Allowance for impairment losses	Net rental receivable
Stage 1	4,988,941,777	(36,941,055)	4,952,000,722
Stage 2	1,666,286,094	(58,738,409)	1,607,547,685
Stage 3	920,555,123	(219,903,669)	700,651,454
<b>Total</b>	<b>7,575,782,994</b>	<b>(315,583,133)</b>	<b>7,260,199,861</b>

As at 31st March 2023	Total lease rental receivables	Allowance for impairment losses	Net rental receivable
Stage 1	3,049,207,792	(39,891,580)	3,009,316,212
Stage 2	1,910,440,138	(130,439,393)	1,780,000,745
Stage 3	590,787,705	(349,416,170)	241,371,535
<b>Total</b>	<b>5,550,435,635</b>	<b>(519,747,143)</b>	<b>5,030,688,492</b>

18. HIRE PURCHASE RECEIVABLES

	2024 Rs.	2023 Rs.
Gross hire purchase rental receivables	-	109,474
Unearned income	-	-
Total hire purchase rental receivables	-	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
Balance as at end of the year	-	109,474

18.1 Hire purchase rentals receivables within one year

Gross hire purchase rental receivables	-	109,474
Unearned income	-	-
Total hire purchase rental receivables	-	109,474
Allowance for individual impairment	-	-
Allowance for collective impairment	-	-
	-	109,474



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19. LOANS & ADVANCES TO OTHER CUSTOMERS	2024 Rs.	2023 Rs.
Gold loans	650,688,250	517,643,527
Loans secured by other assets	5,411,632,338	3,265,084,346
Trade finance receivables	5,065,771	831,498,536
Gross loans & advances to other customers	<u>6,067,386,359</u>	<u>4,614,226,409</u>
Allowance for individual impairment (Note 19.2.1)	(19,405,556)	(258,791,910)
Allowance for collective impairment (Note 19.2.2)	<u>(132,390,873)</u>	<u>(119,697,827)</u>
	<u>5,915,589,930</u>	<u>4,235,736,672</u>
<b>19.1 Receivables from one to five years</b>	<b>2,691,034,265</b>	<b>1,522,352,821</b>
Receivables within one year	3,209,593,698	2,713,383,851
	<u>5,900,627,962</u>	<u>4,235,736,672</u>
<b>19.2.1 Allowance for individual impairment</b>		
Balance as at beginning of the year	258,791,910	159,344,331
Charge / (reversal) during the year	13,443,348	109,128,836
Write-off during the year	<u>(252,829,701)</u>	<u>(9,681,257)</u>
Balance as at end of the year	<u>19,405,556</u>	<u>258,791,910</u>
<b>19.2.2 Allowance for collective impairment</b>		
Balance as at beginning of the year	119,697,827	186,573,313
Charge / (reversal) during the year	12,693,046	(66,875,486)
Write-off during the year	-	-
Balance as at end of the year	<u>132,390,873</u>	<u>119,697,827</u>
<b>19.2.3 Movements in impairment allowance for loans &amp; advances to other customers</b>		
Balance as at beginning of the year	378,489,737	345,917,644
Charge / (reversal) during the year	26,136,393	42,253,350
Write-off during the year	<u>(252,829,701)</u>	<u>(9,681,257)</u>
Balance as at end of the year	<u>151,796,429</u>	<u>378,489,737</u>

Loans and advances to other customers with the contractual amount of Rs. 252,829,701/- written off during the year ended 31 March 2024.



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2024

19. LOANS & ADVANCES TO OTHER CUSTOMERS (Contd...)

19.3 Stage wise net loans & advances

As at 31st March 2024	Total loans & advances receivable	Allowance for impairment losses	Net rental receivable
Stage 1	4,593,414,927	(20,134,399)	4,573,280,528
Stage 2	861,134,852	(31,604,502)	829,530,349
Stage 3	612,836,580	(100,057,527)	512,779,053
<b>Total</b>	<b>6,067,386,359</b>	<b>(151,796,429)</b>	<b>5,915,589,930</b>

As at 31st March 2023	Total loans & advances receivable	Allowance for impairment losses	Net rental receivable
Stage 1	2,927,456,692	(17,268,545)	2,910,188,147
Stage 2	1,134,983,843	(51,050,250)	1,083,933,593
Stage 3	551,785,874	(310,170,942)	241,614,932
<b>Total</b>	<b>4,614,226,409</b>	<b>(378,489,737)</b>	<b>4,235,736,672</b>

20. FACTORING RECEIVABLES

	2024 Rs.	2023 Rs.
Factoring receivables	-	20,362,015
Unearned income	-	-
Allowance for individual impairment (Note 20.1)	-	(17,604,744)
Allowance for collective impairment	-	-
	<b>-</b>	<b>2,757,271</b>

20.1 Allowance for individual impairment

Balance as at beginning of the year	17,604,744	13,535,842
Charge/ (reversal) during the year	9,194,474	4,068,902
Write-off during the year	(26,799,218)	-
Balance as at end of the year	<b>-</b>	<b>17,604,744</b>



Fintrex Finance Limited  
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21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES	2024	2023
	Rs.	Rs.
21.1 Impairment charge on loans and receivables		
Charge on finance lease, hire purchase, loans & receivables and factoring receivables	(168,833,143)	182,570,809
Charge / (reversal) on hire rental receivables	-	-
	<u>(168,833,143)</u>	<u>182,570,809</u>

The company has been written-off Rs.279,628,919 during the financial year.

21.2 Analysis of Expected Credit Loss model three stages

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 month (12 MECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL. The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes place when a facility is overdue more than 30 days.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. The Company defines credit impaired and default according to direction issued by CBSL. A contract with past due for more than 90 days is considered as Default.

Balance as at 01 April 2023	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Finance lease	39,891,580	130,439,393	349,416,170	519,747,143
Hire purchase	-	-	-	-
Loans & advances	17,268,545	51,050,250	310,170,942	378,489,737
Factoring	-	-	17,604,744	17,604,744
Hiring rental receivables	-	-	-	-
	<u>57,160,125</u>	<u>181,489,643</u>	<u>677,191,856</u>	<u>915,841,624</u>
<b>Movement During the Year</b>				
<b>Impairment charge for the year</b>				
Finance lease	(2,950,525)	(71,700,984)	(129,512,500)	(204,164,009)
Hire purchase	-	-	-	-
Loans & advances	2,865,854	(19,445,747)	42,716,285	26,136,392
Factoring	-	-	9,194,474	9,194,474
Hiring rental receivables	-	-	-	-
	<u>(84,671)</u>	<u>(91,146,731)</u>	<u>(77,601,741)</u>	<u>(168,833,143)</u>
<b>Write-off during the year</b>				
Finance lease	-	-	-	-
Hire purchase	-	-	-	-
Loans & advances	-	-	252,829,701	252,829,701
Factoring	-	-	26,799,218	26,799,218
	<u>-</u>	<u>-</u>	<u>279,628,919</u>	<u>279,628,919</u>
<b>Balance as at 31 March 2024</b>				
Finance lease	36,941,055	58,738,409	219,903,669	315,583,133
Hire purchase	-	-	-	-
Loans & advances	20,134,399	31,604,502	100,057,527	151,796,429
Factoring	-	-	-	-
Hiring rental receivables	-	-	-	-
	<u>57,075,454</u>	<u>90,342,911</u>	<u>319,961,197</u>	<u>467,379,562</u>



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2024

21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (Contd...)

21.2 Analysis of Expected Credit Loss model three stages (cont'd...)

21.2.1 Stage Transition

	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the year	57,160,125	181,489,643	677,191,856	915,841,624
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from Stage 1	(18,833,767)	15,860,935	2,972,832	-
Transferred from Stage 2	30,166,348	(65,600,400)	35,434,052	-
Transferred from Stage 3	12,272,381	5,552,131	(17,824,512)	-
Write-off during the year	-	-	(279,628,919)	(279,628,919)
Net remeasurement of loss allowance	(23,689,633)	(46,959,398)	(98,184,112)	(168,833,142)
<b>Balance as at the end of the year</b>	<b>57,075,454</b>	<b>90,342,911</b>	<b>319,961,197</b>	<b>467,379,562</b>

21.3 Allowance for individual impairment

	2024 Rs.	2023 Rs.
Balance as at beginning of the year	576,716,145	229,796,232
Charge / (reversal) during the year	(267,680,406)	361,122,855
Write-off during the year	(279,628,919)	(14,202,942)
Balance as at end of the year	<u>29,406,820</u>	<u>576,716,145</u>

21.4 Allowance for collective impairment

Balance as at beginning of the year	339,125,479	516,436,394
Charge / (reversal) during the year	98,847,263	(177,310,915)
Balance as at end of the year	<u>437,972,742</u>	<u>339,125,479</u>

21.5 Allowance for total impairment

Balance as at beginning of the year	915,841,624	746,232,626
Charge / (reversal) during the year	(168,833,143)	183,811,940
Write-off during the year	(279,628,919)	(14,202,942)
Balance as at end of the year	<u>467,379,562</u>	<u>915,841,624</u>

21.6 Product wise individual impairment

Balance as at beginning of the year	576,716,145	229,796,232
Finance lease receivables	(290,318,227)	243,403,432
Hire purchase receivables	-	-
Loans & advances to other customers	(239,386,354)	99,447,579
Factoring receivables	(17,604,744)	4,068,902
Balance as at end of the year	<u>29,406,820</u>	<u>576,716,145</u>

21.7 Product wise collective impairment

Balance as at beginning of the year	339,125,479	516,436,393
Finance lease receivables	86,154,217	(110,435,428)
Hire purchase receivables	-	-
Loans & advances to other customers	12,693,046	(66,875,486)
Factoring receivables	-	-
Balance as at end of the year	<u>437,972,741</u>	<u>339,125,479</u>



Fintrex Finance Limited  
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21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (Contd...)

21.8 Loan product wise total impairment	2024 Rs.	2023 Rs.
Balance as at beginning of the year	915,841,624	746,232,625
Finance lease receivables	(204,164,010)	132,968,004
Hire purchase receivables	-	-
Loans & advances to other customers	(226,693,308)	32,572,093
Factoring receivables	(17,604,744)	4,068,902
Balance as at end of the year	<u>467,379,562</u>	<u>915,841,624</u>

**Impact of current economic condition on Expected Credit Losses**

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:

- GDP Growth (%)
- Inflation (YoY Average)
- Interest Rate (PLR)
- Unemployment (% of Labor Force)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, Company used qualitative adjustments or overlays as temporary adjustments when such differences are significantly material.

**Collectively assessed allowance for expected credit losses**

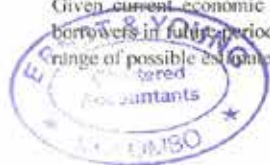
In estimating collectively assessed ECL, the company makes judgements and assumptions in relation to the selection of an estimation technique or modelling methodology, noting that the modelling of the Company's ECL estimates are complex; and the selection of inputs for those models, and the interdependencies between those inputs.

The modelling methodology applied in estimating in ECL in these Financial Statements is consistent with the applied in Financial Statements for the year ended 31 March 2023.

**Sensitivity analysis of the expected credit loss model**

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.



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 Year ended 31 March 2024

**21. ALLOWANCE FOR IMPAIRMENT ON TOTAL LOANS & RECEIVABLES (Contd...)**

**ECL - Sensitivity analysis**

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL Rs.	Impact Rs.
100% upside scenario	354,421,156	(62,967,520)
100% base scenario	306,397,645	(110,991,031)
100% downside scenario	428,176,784	10,788,108

**22. OTHER RECEIVABLES**

	2024 Rs.	2023 Rs.
Prepaid expenses	53,230,292	41,539,627
Advance for rent	26,770,000	23,267,318
Other receivables	4,759,702	4,888,379
Hiring rental receivables	-	6,657,541
Allowance for individual impairment	-	-
Allowance for collective impairment (Note 22.1)	-	-
	<u>84,759,994</u>	<u>76,352,865</u>

**22.1 Allowance for collective impairment**

Balance as at beginning of the year	-	1,241,132
Charge / (reversal) for the year	-	(1,241,132)
<b>Balance as at end of the year</b>	<u>-</u>	<u>-</u>

**23. TAX RECEIVABLES**

	2024 Rs.	2023 Rs.
WHT receivables	338,167	35,354
	<u>338,167</u>	<u>35,354</u>

**24. INVESTMENT PROPERTY**

	2024 Rs.	2023 Rs.
Balance as at beginning of the year	18,600,000	6,800,000
Change in fair value of investment property	-	11,800,000
<b>Balance as at end of the year</b>	<u>18,600,000</u>	<u>18,600,000</u>

**24.1 Details of investment property**

Investment property comprise of Lands acquired by the Company and is held for Capital Appreciation purposes. The professional valuation of Investment Property (Lands) of the company has been determined by an external, independent property valuer, M/S Prathap Chartered Valuation & Consultancy (Pvt) Ltd, on 31st March 2023. The Fair Value measurements of the Investment Property has been categorized as Level 03 Fair Value hierarchy.



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24. INVESTMENT PROPERTY (Contd...)

24.1 Details of investment property (cont'd...)

The following table shows the valuation techniques used in measuring the Fair Value of Investment Property, as well as the significant unobservable inputs used.

Property Location	Land Extent	Valuation Technique	Significant Observable and Unobservable Inputs	Interrelationship between Key Inputs and Fair Value Measurement
Indiwinna, Hambanthota	1 rood and 1.4 perches	Comparison method of valuation - The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the market value of a property.	Per perch value in Hambanthota region ranges from Rs. 400,000/- to Rs.500,000/-	The estimated fair value would increase / (decrease) if comparable property value was higher / (lesser)

25. RIGHT OF USE ASSETS	2024 Rs.	2023 Rs.
<b>25.1 Movement of right of use assets</b>		
Cost		
Balance as at beginning of the year	252,082,371	185,374,257
Additions/ renewal operating lease during the year	92,211,707	66,708,114
Advance payment made during the year	6,900,000	-
Early termination of lease	(4,735,686)	-
<b>Balance as at end of the year</b>	<b>346,458,392</b>	<b>252,082,371</b>
Accumulated depreciation		
Balance as at beginning of the year	121,809,417	77,541,197
Depreciation charge for the year	43,935,732	44,268,220
Balance as at 31 March	165,745,149	121,809,417
<b>Balance as at end of the year</b>	<b>180,713,243</b>	<b>130,272,954</b>
<b>25.2 Movement in lease liabilities</b>		
Balance as at beginning of the year	135,005,713	110,379,848
Additions/ renewal operating lease during the year	92,211,707	66,708,114
Accretion of interest	23,466,493	15,004,730
Payments to lease creditors	(58,589,480)	(57,086,979)
Early termination of lease	(5,734,692)	-
<b>Balance as at end of the year</b>	<b>186,359,741</b>	<b>135,005,713</b>
<b>25.3 Amounts recognised in profit or loss</b>		
Interest on lease liabilities	23,466,493	15,004,730
Depreciation of right-of-use assets	43,935,732	44,268,220
	<b>67,402,225</b>	<b>59,272,950</b>
<b>25.4 Amounts recognised in statement of cash flows</b>		
Operating activities		
Payment of lease interest	23,466,493	15,004,730
Financing activities		
Payment of lease capital	35,122,987	42,082,249
<b>Total cash outflow for leases</b>	<b>58,589,480</b>	<b>57,086,979</b>





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26. INTANGIBLE ASSETS	Computer Software Rs.	Software - Core System Rs.	VISA License Fee Rs.	ATM Licensing Fee Rs.	Total Rs.
<b>Cost</b>					
Balance as at 31 March 2022	21,076,834	28,147,842	5,460,246	14,985,000	69,669,922
Additions during the year	2,430,001	-	-	-	2,430,001
Balance as at 31 March 2023	23,506,835	28,147,842	5,460,246	14,985,000	72,099,923
Additions during the year	1,611,000	171,000	-	-	1,782,000
Balance as at 31 March 2024	25,117,835	28,318,842	5,460,246	14,985,000	73,881,923
<b>Accumulated amortization</b>					
Balance as at 31 March 2022	16,648,232	24,921,946	3,280,635	8,955,900	53,806,713
Amortization charge for the year	2,621,303	2,370,272	541,537	1,486,183	7,019,295
Adjustments during the year	-	(3,225,168)	-	-	(3,225,168)
Balance as at 31 March 2023	19,269,535	24,067,050	3,822,172	10,442,083	57,600,840
Amortization charge/ adjustments for the year	2,368,897	2,041,166	547,521	1,502,605	6,460,189
Adjustments during the year	-	-	-	-	-
Balance as at 31 March 2024	21,638,432	26,108,216	4,369,693	11,944,688	64,061,029
<b>Carrying amount</b>					
As at 31 March 2024	3,479,403	2,210,626	1,090,553	3,040,312	9,820,894
As at 31 March 2023	4,237,300	4,080,792	1,638,074	4,542,917	14,499,083

27. PROPERTY, PLANT & EQUIPMENT

	Motor vehicle-Company fleet Rs.	Office equipment Rs.	Computer equipment Rs.	Furniture & fittings Rs.	Motor vehicle-hiring fleet Rs.	Mobile devices & tabs Rs.	Total Rs.
<b>Cost</b>							
Balance as at 31 March 2022	270,269	32,380,883	49,749,850	95,558,284	12,854,297	5,146,510	195,960,093
Additions during the Year	-	18,872,719	9,299,495	23,752,866	-	-	51,925,080
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2023	270,269	51,253,602	59,049,345	119,311,150	12,854,297	5,146,510	247,885,173
Additions during the Year	-	9,013,688	4,598,278	7,906,681	-	54,000	21,572,647
Disposals	-	(3,288,749)	(2,782,975)	(12,470,495)	-	(171,000)	(18,713,219)
Adjustments during the year	-	-	-	-	11,755,339	-	11,755,339
Balance as at 31 March 2024	270,269	56,978,541	60,864,648	114,747,336	24,609,636	5,029,510	262,499,940
<b>Accumulated Depreciation</b>							
Balance as at 31 March 2022	270,269	15,391,178	34,639,206	46,196,640	12,854,297	3,750,660	113,102,250
Depreciation charge for the year	-	7,029,966	8,742,684	16,693,419	-	1,002,004	33,468,073
Disposals	-	-	-	-	-	-	-
Balance as at 31 March 2023	270,269	22,421,144	43,381,890	62,890,059	12,854,297	4,752,664	146,570,323
Depreciation charge for the year	-	8,242,639	7,379,030	17,068,237	-	407,273	33,097,179
Disposals	-	(3,228,181)	(2,763,509)	(12,450,826)	-	(171,000)	(18,613,516)
Adjustments during the year	-	-	-	-	11,755,339	-	11,755,339
Balance as at 31 March 2024	270,269	27,435,602	47,997,411	67,507,470	24,609,636	4,988,937	172,809,325
<b>Carrying amount</b>							
As at 31 March 2024	-	29,542,939	12,867,237	47,239,866	-	40,573	89,690,615
As at 31 March 2023	-	28,832,458	15,667,455	56,421,091	-	393,846	101,314,850



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2024

**27. PROPERTY, PLANT & EQUIPMENT (Contd...)**

**27.1 Cost of fully depreciated assets**

Property, plant and equipment included fully depreciated assets amounting to Rs. 118,544,833/- as at 31 March 2024 (As at 31 March 2023 - Rs. 101,861,496/-)

**27.2 Impairment of property, plant and equipment**

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2024. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguard the assets to ensure its future economic value would not diminish.

27.3 There were no items of property, plant and equipment pledged as at 31 March 2024.

**28. FINANCIAL LIABILITIES AT AMORTISED COST DUE TO CUSTOMERS**

	2024 Rs.	2023 Rs.
Savings deposits	90,646,284	60,871,297
Term deposits	6,204,981,124	4,682,659,051
	<u>6,295,627,408</u>	<u>4,743,530,348</u>

**29. INTEREST BEARING LOANS & BORROWINGS**

	2024 Rs.	2023 Rs.
Short term loans	2,350,000,000	350,000,000
Long term loans (Note 29.1)	2,331,556,677	2,415,294,557
Interest payables	51,892,569	167,081,388
	<u>4,733,449,246</u>	<u>2,932,375,945</u>

**29.1 Movement of long term loans**

Balance as at beginning of the year	2,415,294,557	4,541,190,827
Obtained during the year	1,250,000,000	400,000,000
Payments made during the year	<u>(1,333,737,880)</u>	<u>(2,525,896,270)</u>
Balance as at end of the year	<u>2,331,556,677</u>	<u>2,415,294,557</u>
Payables within one year	1,076,537,996	1,300,404,557
Payables within one to five years	<u>1,255,018,681</u>	<u>1,114,890,000</u>
	<u>2,331,556,677</u>	<u>2,415,294,557</u>



Fintrex Finance Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2024

## 29. INTEREST BEARING LOANS &amp; BORROWINGS (Contd...)

## 29.2 Long term loans analysed by lending institutions

Lending Institution	Credit rating	Capital Outstanding as at 31 March 2024 (Rs.)	Borrowing Terms
Hutton National Bank PLC Loan 2	A(Ika) Fitch	110,820,000	Repayable in 47 equal monthly installments of Rs. 3,959Mn and final payment of Rs. 3,927Mn at variable interest rate subject to monthly review after an initial grace period of 6 months. Security assigned- Lease Receivable of Rs.237.5Mn plus corporate Guarantee from Bluestone1 (Pvt) Ltd
Loan 3		326,680,000	Repayable in 47 equal monthly installments of Rs. 11,666Mn and final payment of Rs. 11,698Mn at variable interest rate subject to monthly review after an initial grace period of 6 months Security assigned- Auto Loan Receivable of Rs.700Mn plus Corporate Guarantee for Rs. 750Mn from Bluestone1 (Pvt) Ltd
Peoples' Bank PLC Loan 5	A(Ika) Fitch	14,583,333	Repayable in 48 monthly installments at variable interest rate subject to monthly review. Security Assigned-Lease receivables of Rs.107.5Mn.
Loan 6		41,666,667	Security Assigned-Lease receivables of Rs.275Mn.
Loan 7		150,000,000	Repayable in 8 semi annual equal installments at variable interest rate subject to monthly review. Security Assigned- Pro note and receipts
Nation Trust Bank PLC Loan 1	A-(Ika) Fitch	132,500,000	Repayable in 33 equal monthly installments of Rs. 14,7Mn and final payment of Rs. 14.9Mn at variable interest rate subject to quarterly review. (after an initial grace period of 2 months) Security assigned - Rs.650 Mn over lease receivables. Corporate Guarantee for Rs. 750Mn from Bluestone1 (Pvt) Ltd
Loan 2		77,500,000	Repayable in 35 equal monthly installments of Rs. 6.9 Mn and final payment of Rs. 8.5 Mn at variable interest rate subject to quarterly review. Security assigned - Rs.325 Mn over lease receivables
Cargills Bank PLC	A(Ika) Fitch	466,666,668	Repayable in 60 monthly equal installments at variable interest rate subject to monthly review. Security Assigned-Loan Receivables of Rs. 782.6Mn
National Development Bank PLC	A-(Ika) Fitch	257,140,000	Repayable in 42 equal monthly installments at variable interest rate subject to monthly review. (after an initial grace period of 6 months). Security Assigned- Rs.325 Mn over lease receivables
First Capital Ltd - Securitization 03		4,000,000	Repayable in 24 months at the fixed interest rate after an initial grace period of 6 months. Security Assigned-vehicle loan receivables of Rs.750Mn.
M-Power Capital Ltd Securitization 01		750,000,000	Repayable in 24 months at the fixed interest rate. Security Assigned- Lease & Smart Draft Receivables of Rs. 1050Mn

## 30. TRADE &amp; OTHER PAYABLES

	2024 Rs.	2023 Rs.
Vendor payables	550,411,809	53,405,676
Bonus provision	13,840,785	-
Insurance premium payables	16,504,914	32,553,592
Other payables	126,372,661	40,138,470
	<u>707,130,169</u>	<u>126,097,738</u>



Fintrex Finance Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2024

31. EMPLOYEE BENEFITS	2024	2023
	Rs.	Rs.
Present value of unfunded obligations	26,210,777	18,037,088
Present value of funded obligations	-	-
Total present value of obligations	26,210,777	18,037,088
Fair value of planned assets	-	-
<b>Net retirement benefit obligations</b>	<b>26,210,777</b>	<b>18,037,088</b>
<b>31.1 Movement in present value of employee benefits</b>		
Balance as at beginning of the year	18,037,088	12,849,802
Expenses recognized in the profit or loss (Note 31.2)	8,727,820	7,465,164
Actuarial (gain) / loss recognized in the other comprehensive income	3,559,614	(852,133)
Benefits paid during the year	(4,113,746)	(1,425,745)
Balance as at end of the year	26,210,777	18,037,088
<b>31.2 Expenses recognized in the profit or loss</b>		
Interest cost	3,607,418	1,739,472
Past service cost	-	-
Current service cost	5,120,402	5,725,692
	8,727,820	7,465,164

The provision for retirement benefits obligations for the year is based on the Actuarial Valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Limited., as at 31 March 2024. The valuation method used by the actuary to value the Fund is the "Projected Unit Credit Method", the method recommended by the Sri Lanka Accounting Standards - LKAS 19 "Employee Benefits". The liability is not externally funded.

31.3 The assumptions used for the actuarial valuation are given below.	2024	2023
Discount rate per annum	12.0%	20.0%
Annual salary increment rate	7.0%	10.0%
Staff turnover ratio	21.0%	19.0%
Retirement age	60 Years	60 Years
Mortality table	A 1967/70	A 1967/70
Average future work life time	4.19 Years	4.71 Years

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with the support of the independent actuarial expert. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 7% is considered appropriate to be in line with the Company's targeted future. Due to the discount rate and salary increment rate account the current market conditions and inflation rate, salary increments when taking into assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability because of prevailing macro-economic conditions.

**31.4 Sensitivity of assumptions used in actuarial valuation**

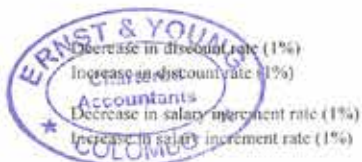
The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Statement of Profit or Loss & Other Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate to the total Comprehensive Income and retirement benefit obligation for the year ended 31 March 2024.

**Sensitivity effect on employment benefit obligation**

As at 31 March,

	Increase / (Decrease) in the Liability	
	2024	2023
	Rs.	Rs.
Increase in discount rate (1%)	1,004,514	637,154
Increase in discount rate (1%)	(936,889)	(597,402)
Decrease in salary increment rate (1%)	(1,041,816)	(688,729)
Increase in salary increment rate (1%)	1,100,900	726,208



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 Year ended 31 March 2024

**32. DEFERRED TAX LIABILITIES/ (ASSET)**

32.1 Movement of net deferred tax liabilities	2024 Rs.	2023 Rs.
Balance as at beginning of the year	(263,570,209)	(33,633,497)
<b>Recognized in the profit or loss</b>		
Amounts reversed during the year	105,293,599	(230,192,352)
<b>Recognized in the other comprehensive income</b>		
Amounts originating / (reversing) during the year	(1,067,884)	255,640
Balance as at end of the year	<u>(159,344,494)</u>	<u>(263,570,209)</u>
Recognised in statement of profit or loss due to during the year transactions	105,293,599	(177,210,310)
Recognised in statement of profit or loss due to increase in tax rate	-	(52,982,042)
Deferred tax expense recorded in profit or loss	<u>105,293,599</u>	<u>(230,192,352)</u>

Deferred tax assets are recognized in respect of tax losses based on the management judgment that the future taxable profit will be available against which the losses can be utilized based on the approved budget.

**32.2 Origination of deferred tax assets / (liabilities)**

	Temporary Difference		Tax Effect	
	2024 Rs.	2024 Rs.	2023 Rs.	2023 Rs.
<b>As at 31 March,</b>				
<b>Deferred tax assets :</b>				
Employee benefits	26,210,777	7,863,233	18,037,088	5,411,126
Tax loss for the year	357,317,910	107,195,372	654,065,963	196,219,789
Bonus Provision	13,840,785	4,152,236	-	-
Provision for impairment	168,986,818	50,696,045	238,649,769	71,594,931
	<u>566,356,291</u>	<u>169,906,886</u>	<u>910,752,820</u>	<u>273,225,846</u>
<b>Deferred tax liabilities :</b>				
Property, plant and equipment	(13,749,044)	(4,124,713)	(11,680,829)	(3,504,249)
Accelerated depreciation for tax purpose - Leased	(2,412,434)	(723,730)	(11,305,199)	(3,391,560)
Right of use asset	(5,646,498)	(1,693,949)	(4,732,759)	(1,419,828)
Investment property	(13,400,000)	(4,020,000)	(13,400,000)	(1,340,000)
	<u>(35,207,976)</u>	<u>(10,562,392)</u>	<u>(41,118,787)</u>	<u>(9,655,637)</u>
Net deferred tax asset / (liabilities)		<u>159,344,494</u>		<u>263,570,209</u>

The tax base of the Company is computed in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereon. However temporary Difference generated through Accelerated Depreciation for Tax Purpose on Leased Assets is applicable only for the contracts incepted prior to 01 April 2018 and computed in accordance of the provision available in the Inland Revenue Act No 10 of 2006. The temporary difference is significant due to claiming capital allowances in advance in previous financial years.



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32. DEFERRED TAX LIABILITIES/ (ASSET) (Contd...)

32.3 Movement in recognized deferred tax assets and liabilities

For the year ended 31 March,

	2024			Balance as at 31 March 2024
	Balance as at 01 April 2023	Charged / (Reversed) in		
		Profit or Loss	OCI	
Employee benefits	5,411,126	1,384,223	1,067,884	7,863,233
Bonus Provision	-	4,152,236	-	4,152,236
Right of use asset	(1,419,828)	(274,121)	-	(1,693,949)
Provision for impairment	71,594,931	(20,898,886)	-	50,696,045
Property, plant and equipment	(3,504,249)	(620,464)	-	(4,124,713)
Accelerated depreciation for tax purpose - Leased assets	(3,391,560)	2,667,830	-	(723,730)
Investment property	(1,340,000)	(2,680,000)	-	(4,020,000)
Tax loss for the year	196,219,789	(89,024,417)	-	107,195,372
	<u>263,570,209</u>	<u>(105,293,599)</u>	<u>1,067,884</u>	<u>159,344,494</u>

For the year ended 31 March,

	2023			Balance as at 31 March 2023
	Balance as at 01 April 2022	Charged / (Reversed) in		
		Profit or Loss	OCI	
Employee benefits	3,083,953	2,582,813	(255,640)	5,411,126
Right of use asset	(611,229)	(808,599)	-	(1,419,828)
Provision for impairment	49,789,235	21,805,696	-	71,594,931
Property, plant and equipment	(1,882,354)	(1,621,895)	-	(3,504,249)
Accelerated depreciation for tax purpose - Leased	(16,586,108)	13,194,548	-	(3,391,560)
Investment property	(160,000)	(1,180,000)	-	(1,340,000)
Tax loss for the year	-	196,219,789	-	196,219,789
	<u>33,633,497</u>	<u>230,192,352</u>	<u>(255,640)</u>	<u>263,570,209</u>

33. STATED CAPITAL

	2024	2023
	Rs.	Rs.
Issued and fully paid - Ordinary shares of 236,955,971	<u>2,369,559,710</u>	<u>2,369,559,710</u>

Ordinary shares

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34. STATUTORY RESERVE FUND

Statutory reserve fund was created to comply with the Direction No. 1 of 2003 (Capital Funds) issued by the Central Bank. The Company is required to transfer 5% of Net Profits to this Reserve Fund as long as the Capital Funds are not less than 25% of total deposit liabilities. During the Year 2023/2024, the Company transferred Rs.5,505,594/- to the Statutory Reserve Fund.



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 NOTES TO THE FINANCIAL STATEMENTS  
 Year ended 31 March 2024

**35. OTHER RESERVES**

Other reserves represents the Regulatory Loss Allowance Reserve (RLAR).

**36. RETAINED EARNINGS**

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

**37. EVENTS AFTER REPORTING DATE**

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.

**38. LITIGATIONS AND CLAIMS**

Litigation is a common occurrence in the industry due to the nature of the business undertaken. The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing.

The Company confirms that there is no case filed against the Company which is not disclosed which would have a material impact on the Statement of Financial Position of the Company except the below mentioned. No adjustments have been made in the Financial Statement in this regard as management of the company believes that there is no likelihood of an unfavorable outcome.

**39. CONTINGENT LIABILITIES AND COMMITMENTS**

In the normal course of the business, the Company may makes various commitments and incurs contingent liabilities with legal recourse to its Customers. No material losses are anticipated as a result of these transactions.

There were no any material contingent liabilities, which require adjustment to or disclosure in the Financial Statements as at the reporting date, other than disclosed above.

**39.1 Capital commitments**

There were no material capital commitments which require disclosure in the Financial Statements as at reporting date.

**40. COMPARATIVE FIGURES**

Comparative figures have been re-classified wherever necessary and conformed to the current year classification.

**41. ASSETS PLEDGED**

The following assets have been pledged as securities against the Long-term and Short-term borrowings that have been disclosed under the Note 29.2 to the Financial Statements.

Lending Institute	Nature of Assets	Nature of Liability	Value of Assets Pledged
Chargills Bank	Loan Receivables	Long Term Loan	769,811,188
Hatton National Bank PLC	Lease Receivables & Vehicle Loan Receivable	Long / Short Term Loans	1,528,255,198
Commercial Bank of Ceylon PLC	Lease Receivables	Short Term Loan	1,268,562,584
Nation Trust Bank PLC	Lease Receivables	Long Term Loan	414,425,383
People's Bank PLC	Lease Receivables	Long Term Loan	172,971,417
Seylan Bank PLC	Lease Receivables	Short Term Loan	643,704,120
NDB Bank PLC	Lease & Loan Receivables	Long Term Loan	636,433,784
Securitization 1 (N* Power Capital Ltd)	Lease & Vehicle Loan Receivables	Long Term Loan	997,723,433
Securitization 2 (First Capital Ltd)	Vehicle Loan Receivables	Long Term Loan	103,895,694

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42. RELATED PARTY DISCLOSURES

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

42.1 Parent and the ultimate controlling party

Fintrex Finance Limited is a subsidiary of Bluestone 1 (Pvt) Ltd. The ultimate parent of the Company is Fairfax Financial Holding, a Company incorporated in Canada.

42.1.1 Transactions with parent Company

There were no transactions occurred during the year with Bluestone 1 (Pvt) Ltd.

42.2 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) has been classified as Key Management Personnel of the Company.

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

- (a) the individual's domestic partner and children;
  - (b) children of the individual's domestic partner; and
  - (c) dependents of the individual or the individual's domestic partner
- There were no any transactions with CFM during the year.

42.2.1 Compensations to Key Management Personnel (KMPs)

There were no compensation paid to key management personnel during the year other than those disclosed below.

Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling activities of the Company. Such KMPs include the Board of Directors of the Company and of its parent. Transactions with close family members of the KMPs, have also been taken in to consideration in the following disclosure.

According to Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), their Close Family Members (CFM) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company. Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependents of the KMPs domestic partner.

For the year ended 31 March,

	2024- Rs.	2023 Rs.
Short-term employee benefits	<u>5,300,000</u>	<u>4,800,000</u>





## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**42. RELATED PARTY DISCLOSURES (Contd...)**

42.2.2 There were no loans granted to the Directors of the Company during the Year or outstanding as at the reporting date.

**42.2.3 Transactions with related companies**

There is no transaction took place with related parties during the financial year under consideration.

**43. FINANCIAL RISK MANAGEMENT**

The Board of Directors possess the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Board has established the Integrated Board Risk Management Committee (BIRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly risk review reports are submitted by the Risk and Compliance officer to BIRMC Committee.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 05 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

Risk management and related reporting issues that are associated with financial institutions valuations of complex transactions and their impact to capital requirements, has received unstinted attention in the recent decade. Numerous risks inherent to a financial institution due to its nature of business and also other factors, are managed through a process of ongoing identification, measurement and monitoring activities subject to risk limits and other controls. This process of risk management is critical to Company's continuing profitability and building reputation, with each individual in the Organisation being responsible and accountable for risk exposure relating to scope of work.

The Company's risk management process is streamlined in effect to ensure there is appropriate balance between risk and rewards. By instilling various controls and strategies, the Management continuously strives to mitigate risks in the attempt of generating higher profits.

As a finance Company is exposed to a number of risks arising from dealing in financial transactions, involving mainly financial assets and liabilities. Key risks associated with Company's business revolve around:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Currency risk



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 43. FINANCIAL RISK MANAGEMENT (Contd...)

## 43.1 Credit risk

Credit risk is the potential loss incurred in the event that a borrower fails to fulfill agreed obligations. The Company's credit risk arises mainly from various accommodations granted and could be identified as the most significant risk faced by the Company.

## i. Management of Credit Risk

Managing credit risk which is deemed the main risk element to a finance company like ours, the management takes into account all elements of credit risk exposures both at micro and macro levels. This includes analysing individual obligor default risk, industry specific risk and geographical risk as part of comprehensive credit risk management process.

In order to achieve this the Board of Directors has delegated responsibility for the oversight of credit risk of the Company to Board Credit Committee (BCC).

A separate Credit evaluation department, is responsible for managing the Company's credit risk, including the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by, the Head of Credit, AGM- Business Channels Development, CEO, the Company Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk: Company Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and receivables, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types. Regular reports on the credit quality of portfolios are provided to Company Credit Committee, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

The Company is required to implement Company credit policies and procedures, with credit approval authorities delegated from the Company Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval. Regular audits of business units and Company credit processes are undertaken by internal audit.



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 NOTES TO THE FINANCIAL STATEMENTS  
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43. FINANCIAL RISK MANAGEMENT (Contd...)

43.1 Credit risk

ii. Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheque in hand and cash at bank and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments.

The Company held cash and cash equivalents of Rs. 333.16Mn at 31 March 2024 (2023: Rs.341.26Mn). The cash and cash equivalents are held with financial institution counter parties that are rated at least BB+(lka) based on ICRA or Fitch ratings.

The cash and cash equivalents are held with the following commercial banks.

Bank	Balance as at 31 March 2024	Rating
Commercial Bank of Ceylon PLC	(18,542,474)	A
Peoples' Bank PLC	8,938,168	A
Sanasa Development Bank	97,589	BB+
Cargills Bank	787,910	A
Hatton National Bank PLC	109,905,845	A
MCB Bank LTD	127,766	A+
Nations Trust Bank PLC	9,655,430	A-
National Development Bank PLC	6,233,398	A-
Sampath Bank PLC	2,789,560	A
Seylan Bank PLC	167,208	A-
NDB Wealth Management LTD	516,082,121	A-

iii. Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collateral generally include cash, marketable securities, properties, stocks, trade debtors, other receivables machinery and equipment and other physical or financial assets and are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka. Clear guidelines are in place to determine the suitability of collateral in credit risk mitigation based on their different characteristics and for valuation, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. In mitigating credit risk, the Company resorts to obtaining collaterals which are valued by recognised external valuers and also by our own internal valuers who possess the expertise to provide accurate valuations. Periodic estimation of values of collateral ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations. The Company also accepts personal guarantees, guarantees from other financial institutions and credit-worthy bodies as collateral for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

The Company holds collateral in the form of vehicles, property, stocks, gold articles and guarantors and other credit enhancements against certain of its credit exposures.

iv. 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 efforts. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectation).

## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 43. FINANCIAL RISK MANAGEMENT (Contd...)

## 43.1 Credit risk (contd...)

If a significant increase in credit risk (SICR) since origination is identified, the facility is moved to Stage 2 and the Company records an allowance for lifetime expected credit losses (LTECL). The Company determines when a significant increase in credit risk has occurred based on the assessment of business model. It is considered that significant increase in credit risk takes a place when a facility is overdue more than 30 days.

The maximum exposure to the credit risk at the reporting date is stated below.

As at 31 March	2024 Rs.	2023 Rs.
<b>Loans and advances</b>		
Finance lease receivables	7,260,199,861	5,030,690,492
Hire purchase receivables	-	109,474
Loans & advances to other customers	5,915,589,930	4,235,736,672
Factoring receivables	-	2,757,271
	<u>13,175,789,791</u>	<u>9,269,293,909</u>
The above stated Financial Assets are backed with the underlying securities.	2024 Rs.	2023 Rs.
<b>Debt and other instruments</b>		
Cash and cash equivalents	333,164,117	341,258,906
Financial investments at amortised cost	1,018,267,562	721,424,223
Financial assets measured at fair value through other comprehensive income	50,402,825	41,604,427
Other receivables	31,529,702	34,813,238
	<u>1,433,364,206</u>	<u>1,139,100,794</u>

Credit is required to be granted according to the approved policies and procedures of the Company. Special attention is given to credit risk management in terms of analyzing customer creditworthiness through rigorous customer investigation before and after credit facilities are provided. Repayment of accommodations granted is closely monitored by those responsible for granting various facilities as well as those directly responsible for recovery activities. Indicators have been developed to measure risks associated with credit which are reviewed on a continuous basis for the entire organization as well as for each product and operational location.

## 43.1.1 Analysis of risk concentration

## (a) Concentration by Industry

The Company monitors credit concentration risk by referring degree of credit exposure by various sectors. The following table shows the maximum credit exposure before deducting the respective provision for impairment of Company's loans and advances to various sectors as at the end of the financial year.

Sector	Balance as at 31 March 2024	As %	Balance as at 31 March 2023	As %
Agriculture & Fishing	1,330,572,676	10%	629,233,887	6%
Construction	1,137,922,475	8%	811,476,512	8%
Financial and business services	476,372,710	3%	420,479,040	4%
Infrastructure	167,158,435	1%	73,207,126	1%
Manufacturing	1,980,608,856	15%	1,389,041,041	14%
Services	2,864,446,704	21%	2,747,955,385	27%
Tourism	690,235,936	5%	246,275,598	2%
Trades	1,660,813,733	12%	1,654,423,833	16%
Transport	1,829,318,621	13%	1,764,427,902	17%
Other customers	1,505,719,208	11%	448,615,209	3%
<b>Grand total</b>	<b>13,643,169,353</b>	<b>100%</b>	<b>10,185,135,533</b>	<b>100%</b>

## (b) Concentration by product

Product	Balance as at 31 March 2024	As %	Balance as at 31 March 2023	As %
Finance lease receivables	7,575,782,994	56%	5,550,437,635	54%
Hire purchase receivables	-	0%	109,474	0%
Secured loans	6,062,320,588	44%	3,782,727,873	37%
Trade finance receivables	5,065,771	0%	831,498,536	8%
Factoring receivables	-	0%	20,362,015	0%
<b>Grand total</b>	<b>13,643,169,353</b>	<b>100%</b>	<b>10,185,135,533</b>	<b>100%</b>



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**43. FINANCIAL RISK MANAGEMENT (Contd...)****43.1 Credit risk (contd...)****43.1.2 Impairment assessment**

For accounting purposes, the Company uses an Expected Credit Loss model (ECL) for the recognition of losses on impairment in accordance with SLFRS 9 commencing from 01 April 2018.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

The Company computes ECL using three main components; a probability of default (PD), a loss given default (LGD), and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data are then adjusted to reflect forward-looking information.

**PD** – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per “definition of default and credit impaired” above) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due are determined by counting the number of days since the due date. The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

**LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. The Company estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

**EAD** – The exposure at default represents the expected exposure in the event of a default. The Company estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For all other loans EAD is considered for default events over the lifetime of the financial instrument.

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or other financial reorganization
- Observable data that suggests that there is a decrease in the estimated future cash flows from the credit granted

**43.1.2.1 Valuation of immovable properties obtained as Collateral**

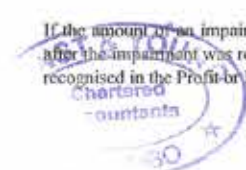
Land, land and building which are obtained as collateral against any accommodation are valued frequently based on the Board approved valuation policy. The valuation obtained at the initiation of loan is considered as collateral value for performing Loans. All residential properties obtained as collateral for non-performing loans are valued in every five years and the other properties are valued in every four years. The Valuations are obtained from the panel of external, independent property valuers approved by the Board of Directors of the Company.

**43.1.2.2 Write-off of loans and advances**

Loans (and the related impairment allowance) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

**43.1.2.3 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 loan impairment allowance accordingly. The write-back is recognised in the Profit or Loss.



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2024

43. FINANCIAL RISK MANAGEMENT (Contd...)

43.1 Credit risk (contd...)

43.1.3 Credit quality by class of financial assets

The Company assesses the credit quality of Financial Assets using number of rental / installments in arrears. The table below shows the credit quality by number of rentals / installments in arrears for all Financial Assets exposed to credit risk. The amounts presented are Gross Receivable amounts.

	As at 31 March 2024				As at 31 March 2023					
	Carrying value Rs.	1-3 Rs.	Arrears period (Months) 3-6 Rs.	6-12 Rs.	12+ Rs.	Carrying value Rs.	1-3 Rs.	Arrears period (Months) 3-6 Rs.	6-12 Rs.	12+ Rs.
Finance lease receivables	7,575,782,994	6,676,135,377	187,516,197	193,074,227	318,137,193	5,550,437,635	4,790,169,816	332,849,655	107,893,838	319,524,326
Hire purchase receivables	6,067,386,359	5,454,875,281	79,278,565	160,206,137	373,026,376	109,474	109,474	-	-	-
Loans and advances to other customers and factoring	13,643,169,353	12,131,010,658	266,794,762	354,180,364	891,183,669	4,634,588,424	3,952,706,037	193,429,502	90,127,611	398,325,274
						10,185,135,533	8,742,985,327	526,279,157	198,021,449	717,849,600

43.1.4 Liquidity risk

Liquidity risk is 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 any circumstances.

The Company manage its liquidity risk through Asset and Liability Management (ALM) Policies. ALM is a key risk management discipline which directs the management of On-and-Off financial position assets and liabilities in such a way that the institution is able to offer competitively priced products and services to customers whilst maintaining an appropriate risk / reward profile that creates shareholder value, ALCO is entrusted with this task.

The Company's approach to managing liquidity is to ensure that the Company will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed economic conditions without incurring unacceptable losses.



Fintrex Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
 Year ended 31 March 2024

43. FINANCIAL RISK MANAGEMENT (Contd...)

43.1 Credit risk (contd...)

43.1.4 Liquidity risk (Contd...)

**Liquidity management in current economic conditions**

The Company took cognizance of the reality that preservation of capital is of utmost importance during the business downturn resulting from the current economic conditions and took necessary action to ensure that there is sufficient liquidity available for its operational requirements. Several important decisions were made in this regard affecting both the short- and long-term business horizons.

The availability of approved but unutilized funding facilities was a comfort factor during this period. As at 31 March 2024 the Company has the unutilised short term and overdraft facilities of Rs.581 Mn and long term facilities of Rs. 200Mn. Further, the Company has negotiated new working capital as well as term funding lines from financial institutions at very favourable interest rates.

43.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's Financial Assets and Liabilities as at 31 March 2024.

Description	Carrying value	Contractual maturity	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>						
Cash & cash equivalents	333,164,117	333,164,117	333,164,117	-	-	-
Financial investments at amortised cost	1,018,267,562	1,037,410,935	741,268,935	295,811,000	-	331,000
Financial investments at FV through OCI	50,402,825	52,750,000	-	52,750,000	-	-
Gross loans & receivables to other customers	13,643,169,353	17,296,514,784	1,942,516,676	3,372,530,386	11,806,133,878	175,333,844
Other receivables	84,759,994	84,759,994	84,759,994	-	-	-
<b>Total financial assets</b>	<b>15,129,763,851</b>	<b>18,804,599,830</b>	<b>3,101,709,722</b>	<b>3,721,091,386</b>	<b>11,806,133,878</b>	<b>175,664,844</b>
<b>Financial liabilities</b>						
Bank overdrafts	123,234,272	123,234,272	123,234,272	-	-	-
Other financial liabilities due to customers	6,295,627,408	6,295,627,407	2,004,426,503	2,474,077,063	1,817,123,841	-
Interest bearing loans and borrowings	4,733,449,246	5,400,209,153	2,691,492,854	1,080,044,938	1,628,671,561	-
Lease Liabilities	186,359,741	285,867,402	16,055,805	48,319,564	172,026,011	49,466,022
Trade and other payables	707,130,169	707,130,169	707,130,169	-	-	-
<b>Total financial liabilities</b>	<b>12,045,800,836</b>	<b>12,812,068,402</b>	<b>5,542,339,403</b>	<b>3,602,441,565</b>	<b>3,617,821,413</b>	<b>49,466,022</b>



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 43. FINANCIAL RISK MANAGEMENT (Contd....)

## 43.3 Market risk

Market risk is the risk arising from fluctuations in market variables such as interest rates, foreign currencies and equity prices. This is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market variables. As the Company's operations involve granting accommodations, accepting deposits and obtaining funding facilities, the movements in interest rates constitute the most important market risk for the Company.

## 43.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets.

Management of interest rate risk aims at capturing the risk arising from the maturity and re-pricing. Movements in interest rates are closely monitored. Further the Company maintains an adequate Net Interest Margin (NIM) therefore the increases in interest expenses can be absorbed. The assets and liabilities maturity mismatch is also closely monitored hence the possible adverse effects arising due to interest rate movements could be minimized. Although the mismatch in assets and liabilities in terms of maturity is widely prevalent in the industry, in view of the composition of the portfolio of the Company, this mismatch has been mitigated to a significant extent.

Further the decrease of policy rates and subsequent decrease in treasury bills rates compelled the market rates to reduce significantly. As a result the interest rate risk reduced for all financial institutions of the country including the Company. Due to the decrease in interest rates, cost of funds in the second half of the year reduced more than the lending yield as 70% of borrowings were at variable terms linked to basis of AWPLR while lending facilities were at fixed rates. This interest sensitivity gap was already addressed through minimizing gearing via fixed rated public deposits and improving lending yield through incremental disbursements. Impact of this kind of interest rate risk in future will be reduced with the adoption of pricing model to price of both assets and liability products, while considering fluctuation in macroeconomic variables.

	Less than 30 days	1-3 Months	4-6 Months	7-12 Months	1-3 Years	3-4 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate sensitive assets (RSA)	1,768,444,360	872,050,709	1,482,031,583	2,529,524,133	4,491,969,978	1,798,293,239	1,302,146,176	14,244,460,178
Rate sensitive liabilities (RSL)	1,525,529,764	2,276,020,205	1,128,552,062	3,193,549,052	1,733,778,241	1,294,881,609	-	11,152,310,925
Period gap	-	(1,403,969,496)	353,479,521	(664,024,919)	2,758,191,738	503,411,639	1,302,146,176	3,092,149,253
Cumulative gap	-	(1,403,969,496)	(1,050,489,975)	(1,714,514,894)	1,043,676,843	1,547,088,482	2,849,234,658	-





Fintrex Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

43. FINANCIAL RISK MANAGEMENT (Contd...)

43.3 Market risk (Contd...)

43.3.1 Interest rate risk (Contd...)

The risk arises as a result of exchange rate difference is considered as minimal.

Sensitivity effect on interest rate	
2024	2023
Rs.	Rs.
142,461,733	52,587,763
(142,461,733)	(52,587,763)

43.4 Operational risk

Operational risk is the risk of loss arising from fraud, systems failure, human error or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

- \* requirements for appropriate segregation of duties, including the independent authorization of transactions
- \* compliance with regulatory and other legal requirements
- \* requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
- \* development of contingency plans
- \* training and professional development

Compliance with Company's standards is supported by a programme of periodic reviews undertaken by Internal Audit.

The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Senior Management of the Company and Audit Committee. Audit Committee instructs the Management to take the corrective actions to overcome any deficiencies identified.

43.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.



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#### 44. CAPITAL MANAGEMENT

The Company is required to manage its capital taking into account the need to meet the regulatory requirements and to maintain a capital buffer against unexpected losses as well as to enter to the current and future business needs, stakeholder expectations and to seek available options for raising and generating capital.

Capital management is deemed a pivotal assessment exercise in sustaining an adequate buffer against losses arising from any unforeseen risks. So Management monitors Company's capital adequacy position closely through the Finance Division and reports to the Board monthly. Capital adequacy is a measure of the Company's ability to tolerate associated risks in doing its finance business. The main objective of maintaining adequate capital in terms of regulatory capital adequacy ratios is to safeguard the depositors, whilst sustaining customer confidence. The capital adequacy measurement being a widely accepted concept specifies the limit up to which Company can expand in terms of its risk weighted assets. In pursuit of business expansion and diversification, Company engages itself in activities dealing in financial instruments that regularly change the risk and capital profile of the Company. Accordingly, regulatory capital requirements ensure the Company does not move into undue expansion beyond specified limits and signals the Company to be cautious and not to take undue risk through growth of its assets especially in areas risky than others.

In this context, the Company's capital strength serves as a cushion in absorbing any unexpected losses that may arise and is a good indicator of Company's levels of safety towards stakeholders more importantly its depositors. The Company's policy on capital is to retain a strong capital base at all times so as to ensure investor, creditor and market confidence and to back the sustainable growth of the Company.

The Company reviews its capital adequacy ratios (CAR) on a monthly basis to ensure compliance to prudential requirements on capital. The Company's minimum core capital ratios (i.e. tier 1 Capital Ratio and total capital ratio) were maintained well above the minimum regulatory requirements of 8.5% and 12.5% respectively throughout 2023/24 financial year.

The computation of the CAR ratios is in two parts and involves firstly a working to arrive at the Tier 1 capital and the capital base for the two ratios CCR and TRWCR respectively. A separate computation is carried out to derive at the total risk weighted assets as at a given date.

The details of the computation of capital and the ratios of the Company as at 31 March 2024 are given below:

As at 31 March	2024 Rs.
Issued and paid-up ordinary shares	2,369,559,710
Statutory reserve fund	59,423,264
Retained earnings	300,375,273
General and other reserves	-
Less: Gain/(loss) on valuation of investment property	(14,700,000)
<b>Tier 1 : Core capital</b>	<b>2,711,658,247</b>
Less: Adjustments to Tier 1 capital	(169,165,388)
Supplementary capital	-
<b>Eligible Tier 2 capital</b>	<b>2,545,492,859</b>
<b>Total capital</b>	<b>2,545,492,859</b>
<b>Deductions</b>	
Equity Investments in Unconsolidated Banking & Financial Subsidiaries	-
Investments in Capital of Other Banks / Financial Associates	-
<b>Capital base</b>	<b>2,545,492,859</b>
<b>Total risk weighted assets</b>	
Risk weighted amount for credit risk	14,617,657,121
Risk weighted amount for operational risk	1,231,052,223
<b>Risk weighted assets</b>	<b>15,848,709,344</b>
Tier 1 capital ratio (Minimum requirement 8.5%)	
Total eligible core capital (Tier 1 Capital)	2,545,492,859
Total risk-weighted assets	15,848,709,344
	16.06%
Total capital ratio (Minimum requirement 12.5%)	
Total capital base	2,545,492,859
Total risk-weighted assets	15,848,709,344
	16.06%





## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 45. FINANCIAL INSTRUMENTS (Contd...)

## 45.2 Fair value measurement

The Company measures the Fair Value using the following Fair Value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of Fair Value Measurement of Financial and Non-Financial Assets and Liabilities is provided below.

**Level 1**

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2**

Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using:

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

**Level 3**

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.



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45. FINANCIAL INSTRUMENTS (Contd...)

45.2 Fair value measurement (contd...)

45.2.1 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of Assets & Liabilities measured at Fair Value as at the reporting date, by the level in the Fair Value Hierarchy into which the Fair Value measurement is categorized. These amounts were based on the values recognized in the Statement of Financial Position.

As at 31 March 2024	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Finance asset at fair value</i>				-
- Treasury bonds	50,071,825	-	-	50,071,825
- Unquoted shares	-	-	331,000	331,000
<b>Total financial assets at fair value</b>	<b>50,071,825</b>	<b>-</b>	<b>331,000</b>	<b>50,402,825</b>
<b>Non-financial assets</b>				
- Investment property	-	-	18,600,000	18,600,000
<b>Total non-financial assets at fair value</b>	<b>-</b>	<b>-</b>	<b>18,600,000</b>	<b>18,600,000</b>
<b>Total assets at fair value</b>	<b>50,071,825</b>	<b>-</b>	<b>18,931,000</b>	<b>69,002,825</b>

As at 31 March 2023	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<i>Finance asset at fair value</i>				
- Treasury bonds	41,273,427	-	-	41,273,427
- Unquoted shares	-	-	331,000	331,000
<b>Total financial assets at fair value</b>	<b>41,273,427</b>	<b>-</b>	<b>331,000</b>	<b>41,604,427</b>
<b>Non-financial assets</b>				
- Investment property	-	-	18,600,000	18,600,000
<b>Total non-financial assets at fair value</b>	<b>-</b>	<b>-</b>	<b>18,600,000</b>	<b>18,600,000</b>
<b>Total assets at fair value</b>	<b>41,273,427</b>	<b>-</b>	<b>18,931,000</b>	<b>60,204,427</b>

45.2.2 Level 3 fair value measurement

**Investment property**

Reconciliation from the opening balance to the ending balance for the Investment Property in the Level 3 of the Fair Value hierarchy is available in Note 24.

Note 24.1 provides information on Significant Unobservable Inputs used as at 31 March 2024 in measuring Fair Value of Land categorised as Level 3 in the Fair Value hierarchy.

Note 24.1 provides details of valuation techniques used and sensitivity of Fair Value measurement to changes in significant unobservable inputs.

The Company recognizes no transfers between levels of the fair value hierarchy as of the end of the reporting period.



## Fintrex Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 45. FINANCIAL INSTRUMENTS (Contd...)

## 45.2 Fair value measurement (contd...)

## Equity securities

Value of unquoted shares of Rs. 331,000/- in the Company as at the end of the 31 March 2024 (Rs. 331,000/- as at end of the 31 March 2023) categorized under Financial Investments - FVOCI, of which Fair Value can not be reliably measured is stated at Cost in the Statement of Financial Position.

## 45.2.3 Fair value of financial assets and liabilities not carried at fair value

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>				
Cash and cash equivalents	333,164,117	333,164,117	341,258,906	341,258,906
Financial investments	1,018,267,562	1,018,267,562	721,424,223	721,424,223
Finance lease receivables	7,260,199,861	7,260,199,861	5,030,690,492	5,030,690,492
Hire purchase receivables	-	-	109,474	109,474
Loans & advances to other customers	5,915,589,930	5,915,589,930	4,235,736,672	4,235,736,672
Factoring receivables	-	-	2,757,271	2,757,271
Other receivables	84,759,994	84,759,994	76,352,865	76,352,865
	<u>14,611,981,464</u>	<u>14,611,981,464</u>	<u>10,408,329,903</u>	<u>10,408,329,903</u>
<b>Financial liabilities</b>				
Bank overdrafts	123,234,272	123,234,272	89,071,888	89,071,888
Other financial liabilities due to customers	6,295,627,408	6,295,627,408	4,743,530,348	4,743,530,348
Interest bearing loans & borrowings	4,733,449,246	4,733,449,246	2,932,375,945	2,932,375,945
Lease liabilities	186,359,741	186,359,741	135,005,713	135,005,713
Trade & other payables	707,130,169	707,130,169	126,097,738	126,097,738
	<u>12,045,800,836</u>	<u>12,045,800,836</u>	<u>8,026,081,632</u>	<u>8,026,081,632</u>

## 46. DIRECTORS RESPONSIBILITIES

The Board of Directors of the Company are responsible for the preparation and presentation of these financial statements.



**ANNEXURE V - INTERIM FINANCIAL STATEMENTS FOR THE 9 MONTHS ENDED 31ST DECEMBER, 2024.**

**FINTREX FINANCE LIMITED**  
**Interim Financial Statements**  
**For the period ended 31 December 2024**

FINTREX FINANCE LIMITED  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the nine months ended			For the quarter ended		
	31st December 2024 Un-Audited Rs.	31st December 2023 Un-Audited Rs.	Variance %	31st December 2024 Un-Audited Rs.	31st December 2023 Un-Audited Rs.	Variance %
Gross income	2,689,619,022	2,092,329,319	29%	957,680,052	737,400,051	30%
Interest income	2,546,920,190	2,010,214,900	27%	896,584,577	707,741,799	27%
Interest expenses	(1,296,513,258)	(1,319,627,772)	2%	(456,547,593)	(431,534,650)	-6%
Net interest income	1,250,406,932	690,587,128	81%	440,036,984	276,207,149	59%
Other operating income	142,698,831	82,114,419	74%	61,095,479	29,658,252	106%
Total operating income	1,393,105,763	772,701,547	80%	501,132,463	305,865,401	64%
Impairment (charge)/ reversal on loans and receivables	(174,995,113)	219,025,436	-180%	(65,793,984)	18,538,706	-455%
Net operating income	1,218,110,650	991,726,983	23%	435,338,479	324,404,107	34%
Operating expenses						
Personnel expenses	(539,071,535)	(409,275,246)	-32%	(186,306,605)	(146,480,817)	-27%
Premises, equipment and establishment expenses	(166,482,494)	(122,403,401)	-36%	(61,395,328)	(38,847,681)	-58%
Depreciation and amortisation charges	(35,550,459)	(30,071,043)	-18%	(12,873,858)	(9,553,972)	-35%
Other operating expenses	(129,602,418)	(104,783,764)	-24%	(41,998,308)	(37,579,417)	-12%
Operating profit before Taxes on financial services	347,403,744	325,193,529	7%	132,764,380	91,942,220	44%
VAT on financial services	(123,350,181)	(105,860,425)	-17%	(44,324,970)	(37,323,196)	-19%
Social Security Contribution Levy (SSCL)	(17,131,970)	(14,702,837)	-17%	(6,156,246)	(5,183,778)	-19%
Profit before income tax expense	206,921,593	204,630,267	1%	82,283,164	49,435,246	66%
Income tax expense	(101,210,235)	(93,640,345)	-8%	(40,004,958)	(25,979,471)	-54%
Profit for the period	105,711,358	110,989,922	-5%	42,278,206	23,455,775	80%
Total comprehensive income for the period	105,711,358	110,989,922	-5%	42,278,206	23,455,775	80%
Earnings per share						
Basic / diluted earnings per share*	0.45	0.47	-5%			

\*Calculated based on profit for the period



FINTREX FINANCE LIMITED  
STATEMENT OF FINANCIAL POSITION

<i>As at</i>	31st December 2024 Un-Audited Rs.	31st March 2024 Audited Rs.	Variance %
<b>ASSETS</b>			
Cash and cash equivalents	417,173,656	333,164,117	25%
Financial investments at amortised cost	1,041,375,872	1,018,267,562	2%
Financial assets measured at fair value through other comprehensive income	331,000	50,402,825	-99%
Financial assets at amortised cost- Lease receivables	7,821,683,971	7,260,199,861	8%
Financial assets at amortised cost- Loans and advances	9,656,994,765	5,915,589,930	63%
Other receivables	96,481,910	84,759,994	14%
Tax receivables	784,191	338,167	132%
Deferred tax asset	74,202,045	159,344,494	-53%
Investment property	18,600,000	18,600,000	0%
Right of use assets	192,619,266	180,713,243	7%
Intangible assets	6,095,953	9,820,894	-38%
Property, plant and equipment	132,319,808	89,690,615	48%
<b>Total assets</b>	<b>19,458,662,437</b>	<b>15,120,891,702</b>	<b>29%</b>
<b>LIABILITIES</b>			
Bank overdrafts	162,897,935	123,234,272	32%
Financial liabilities at amortised cost- due to customers	9,041,019,844	6,295,627,408	44%
Interest bearing loans and borrowings	6,255,782,514	4,733,449,246	32%
Lease liabilities	205,431,826	186,359,741	10%
Current tax liabilities	16,067,785	-	100%
Trade and other payables	592,838,330	707,130,169	-16%
Employee benefits	30,032,756	26,210,777	15%
<b>Total liabilities</b>	<b>16,304,070,990</b>	<b>12,072,011,613</b>	<b>35%</b>
<b>EQUITY</b>			
Stated capital	2,369,559,710	2,369,559,710	0%
Statutory reserve fund	59,423,264	59,423,264	0%
Other reserves	333,866,342	319,521,842	4%
Retained earnings	391,742,132	300,375,273	30%
<b>Total equity</b>	<b>3,154,591,447</b>	<b>3,048,880,089</b>	<b>3%</b>
<b>Total liabilities and equity</b>	<b>19,458,662,437</b>	<b>15,120,891,702</b>	<b>29%</b>
<b>Contingent liabilities and commitments</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net assets per share (Rs.)</b>	<b>13.31</b>	<b>12.87</b>	<b>3%</b>

We certify that the Financial Statements are prepared and presented in Compliance with the requirements of the Companies Act No.7 of 2007.

  
.....  
**Manjula Tennakoon**  
Chief Financial Officer

  
.....  
**Jayatilake Bandara**  
Chief Executive Officer

Colombo,  
15 January 2025

FINTREX FINANCE LIMITED  
STATEMENT OF CHANGES IN EQUITY

<i>For the nine months ended 31 December,</i>	Stated Capital	Statutory Reserve Fund	Regulatory Loss Allowance Reserve (RLAR)	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2023 (Audited)	2,369,559,710	53,917,670	-	510,630,680	2,934,108,060
<b>Total comprehensive income for the period</b>					
Profit/ (loss) for the period	-	-	-	110,989,922	110,989,922
Other comprehensive income	-	-	-	-	-
Other comprehensive income net of taxes	-	-	-	-	-
<b>Other movements in equity</b>					
Transferred to statutory reserve fund	-	-	-	-	-
Transferred to RLAR	-	-	349,372,782	(349,372,782)	-
<b>Balance as at 31 December 2023 (Un-Audited)</b>	<b>2,369,559,710</b>	<b>53,917,670</b>	<b>349,372,782</b>	<b>272,247,820</b>	<b>3,045,097,982</b>
Balance as at 1 April 2024 (Audited)	2,369,559,710	59,423,264	319,521,842	300,375,273	3,048,880,089
<b>Total comprehensive income for the period</b>					
Profit/ (loss) for the period	-	-	-	105,711,358	105,711,358
Other comprehensive income	-	-	-	-	-
Other comprehensive income net of taxes	-	-	-	-	-
<b>Other movements in equity</b>					
Transferred to statutory reserve fund	-	-	-	-	-
Transferred to RLAR	-	-	14,344,499	(14,344,499)	-
<b>Balance as at 31 December 2024 (Un-Audited)</b>	<b>2,369,559,710</b>	<b>59,423,264</b>	<b>333,866,342</b>	<b>391,742,132</b>	<b>3,154,591,447</b>

FINTREX FINANCE LIMITED  
STATEMENT OF CASH FLOWS

<i>For the nine months ended 31 December,</i>	31st December 2024 Un-Audited Rs	31st December 2023 Un-Audited Rs
<b>Cash flows from/(used in) operating activities</b>		
Interest received	2,432,915,063	1,676,550,959
Interest payments	(1,296,513,258)	(1,319,627,772)
Receipts from financial investments	87,087,585	210,525,209
Receipts from other operating activities	136,156,724	77,052,804
Cash payments to employees and suppliers	(930,402,312)	(720,150,992)
<b>Operating profit/(loss) before changes in operating assets and operating liabilities (Note (a))</b>	<b>429,243,802</b>	<b>(75,649,792)</b>
<b>(Increase) / decrease in operating assets</b>		
Net investment in loans and advances	(4,467,635,185)	(2,304,188,448)
Net investment in repos	100,093,407	-
Net Investment in treasury bills	(401,832,852)	(54,926,494)
Net Investment in money market funds	278,631,135	(505,345,705)
Net increase in other operating assets	47,535,648	(4,164,278)
<b>Increase / (decrease) in operating liabilities</b>		
Other financial liabilities due to customers	2,745,392,436	826,290,906
Net increase / (decrease) in other liabilities	(107,757,760)	371,815,064
	<b>(1,376,329,369)</b>	<b>(1,746,168,747)</b>
Gratuity paid	(3,378,021)	(4,113,746)
Income tax paid	-	-
<b>Net cash flows generated from / (used in) operating activities</b>	<b>(1,379,707,391)</b>	<b>(1,750,282,494)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	-	(1,707,000)
Purchase of property, plant and equipment	(75,308,783)	(14,328,299)
<b>Net cash flows used in investing activities</b>	<b>(75,308,783)</b>	<b>(16,035,299)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from loans and borrowings	1,522,333,268	1,766,988,321
Payment of lease liabilities	(22,971,218)	(21,324,503)
<b>Net cash flows (used in) / generated from financing activities</b>	<b>1,499,362,050</b>	<b>1,745,663,818</b>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<b>44,345,876</b>	<b>(20,653,975)</b>
Cash and cash equivalents at the beginning of the period	209,929,845	252,187,018
<b>Cash and cash equivalents at the end of the period (Note (b))</b>	<b>254,275,721</b>	<b>231,533,044</b>
<b>Note (a) : Reconciliation of (loss)/ profit before tax with cash flows from operating activities</b>		
Profit/ (loss) before income tax expense	206,921,596	204,630,267
Depreciation of property, plant and equipment	33,175,520	24,981,670
Depreciation of right-to-use asset (RTU)	38,036,286	31,474,681
Amortization of intangible assets	2,374,941	5,089,373
Provision for gratuity	7,200,000	5,400,000
Impairment charge on loans and advances	174,995,113	(219,025,436)
Fair value gain/(loss) on treasury bond during the period	-	(5,061,615)
Sundry income	(6,534,079)	-
Change in interest income receivables	(26,917,545)	(123,138,732)
Profit on disposal of RTU assets	(8,030)	-
	<b>429,243,802</b>	<b>(75,649,792)</b>
<b>Note (b) : Reconciliation of cash &amp; cash equivalents</b>		
Cash in hand and cash at banks	417,173,656	352,079,533
Bank overdrafts	(162,897,935)	(120,546,489)
	<b>254,275,721</b>	<b>231,533,044</b>

**FINTREX FINANCE LIMITED**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**

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**1 CORPORATE INFORMATION**

**1.1 General**

Fintrex Finance Limited is a limited liability Company domiciled in Sri Lanka under the provisions of Companies Act. It is a Licensed Finance Company regulated under the Finance Business Act No. 42 of 2011 and amendments thereto. The Company (which was previously known as First Barakah Investments Limited), changed its name to Melsta Regal Finance Limited with effect from 9 February 2012 consequent to the acquisition of its 100% controlling stake by Melstacorp PLC. The Company was then acquired by Bluestone One (Pvt) Ltd on 06 April 2018 and it is now named Fintrex Finance Ltd with effect from 03rd September 2018.

The registered office and the principal place of business of the Company is located at No. 851, Dr. Danister De Silva Mawatha, Colombo-14.

**1.2 Principal Activities and Nature of Operations**

The principal activities of the Company comprised of providing loans and advances, lease financing, hire purchase financing, factoring, trade finance, hiring and mobilizing public deposits in forms of savings and term deposits. The Company obtained the registration under Finance Business Act No. 42 of 2011 on 10 February 2012. The finance leasing operation commenced subsequent to the registration under Finance Leasing Act No 56 of 2000 on 26 August 2012.

**1.3 Parent and Ultimate Parent Entity**

The Company's immediate parent is Bluestone 1(Pvt) Limited which is incorporated in Sri Lanka.

**2 BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with the accounting policies set out in the Audited Accounts for the year ended 31 March 2024 and are in compliance with Sri Lanka Accounting Standards - LKAS 34 - Interim Financial Reporting

**3 ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year.

**4 EVENTS OCCURRING AFTER THE REPORTING DATE**

No events have occurred since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements.

**5 CONTINGENT LIABILITIES**

There has not been a significant change to the disclosure made on contingent liabilities in the Financial Statements for the year ended 31st March 2024.

**ANNEXURE VI – FATCA DECLARATION**

Manager  
Fintrex Finance Limited  
.....

I/We.....  
.....and.....  
.....of.....

(address).....holder/s of Passport Number/  
NIC Number..... who fall under definition of a US Persons under the provision of the Foreign  
Account Tax Compliance Act (“FATCA”) which is a US legislation aimed at preventing tax evasion by US persons through overseas  
assets. I/We confirm that I/We understand FATCA is extraterritorial by design and requires “US Persons” to report their financial assets  
held overseas.

I/We hereby request Hatton National Bank PLC which is recognized as a Foreign Financial Institutions (FFIs) in terms of the FATCA to  
report all information pertaining to the accounts and investments held by me/us in the Hatton National Bank PLC and to remit any tax  
payable to the Internal Revenue Services (IRS) of the United States of America. I/We further confirm that this request is made by me/us  
with full knowledge and understanding of FATCA.

Date:.....

Signature/s of Applicants







**Fintrex Finance Limited**

No. 851, Dr. Danister De Silva Mawatha (Baseline Road), Colombo 14, Sri Lanka.

Telephone No: 0117 977 977

E-mail: [info@fintrexfinance.com](mailto:info@fintrexfinance.com) | Website: [www.fintrexfinance.com](http://www.fintrexfinance.com)