

People's Leasing & Finance PLC and its subsidiaries - 2024/2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Leasing & Finance PLC (the "Company") and the consolidated financial statements of the company and its subsidiaries (the "Group") for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

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

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am reasonable for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable law

1.5 Accounts Receivables and Payables

1.5.1 Advances

Audit Issue	Management Comment	Recommendation
<p>a. During the financial year 2024/2025, the Company continued its lending and leasing operations with a focus on maintaining portfolio quality and risk management. The total loan portfolio of the Company as at 31 March 2025 was Rs 157,092,390,000 and during the year granted amounted was Rs. 107,696,274,347 which comprise of Rs. 61,996,300,859 in loans and Rs. 45,699,973,488 in leases.</p> <p>The total Non-Performing Loan (NPL) amount of the facilities granted during the year stood at Rs. 238,272,822 for loans and Rs. 80,595,342 for leases, representing 0.38 per cent and 0.18 per cent respectively of the total facilities granted. Overall NPL ratio of the Company stood at 5.86 per cent. Following observations were made on the loan facilities granted.</p>		
<p>I. The private limited company is engaged in apparel manufacturing operations. The loan facility granted to this company (Facility Number ASLEEP1600018600) revealed significant weaknesses in credit risk management. Management has stated that the facility was provided under the PD-based Loan category in 2016. However, no evidence was found in the loan file to substantiate that the loan amount of Rs. 50 million was in fact granted under the PD-based Loan category. Collateral obtained as supplementary security in 2018 was valued internally by the Branch Manager without an independent professional valuation or required supporting certificates (e.g., Building Line Certificate, Certificate of Conformity). Furthermore, the properties accepted as security were already subject to prior mortgages with DFCC Bank, ranking Company only as a subordinate mortgagee (5th and 11th rank). These deficiencies significantly reduced the realizable value of security and weakened the Company's recovery position.</p>	<p>Management explained that the facility was granted in 2016 under the PD-based Loan category where collateral was not initially required. Due to repayment difficulties, immovable property was accepted as supplementary security in 2018 and valued by the Branch Manager. It was further stated that the requirement for independent valuation was</p>	<p>It is recommended that management enhance credit risk practices by ensuring proper loan documentation, independent collateral valuation, and verification of encumbrances, while implementing proactive monitoring and recovery measures to safeguard the Company's recovery position.</p>

introduced later through Board Paper 183/2021, and therefore was not applicable at the time of rescheduling. Management also highlighted that legal actions, DDR proceedings, and negotiations for partial settlements are ongoing to recover outstanding dues.

b. Non Performing Lease Facilities

- I. The private limited company, which is engaged in building material supply, construction, and passenger transport services, ranked first among the top 25 non-performing leases as at 31 March 2025, representing 11 percent of the total non-performing lease (NPL) outstanding. Accordingly, the following facilities were identified as non-performing leases (NPL).

No	Facility No.	Granted Amount (Rs.)	Total Outstanding as at 31.03.2025 (Rs.)
01	RPLELE 2200909995	6,606,947.00	8,767,211.11
02	RPLELE 2200910095	16,385,325.00	12,392,441.07
03	RPLELE 2200910195	19,504,734.00	15,534,708.92
04	RPLELE 2200909895	17,753,307.00	21,462,036.18
	Total	60,250,313.00	58,156,397.28

The company has consistently obtained lease facilities with the company's owner acting as the guarantor. Construction vehicles have been pledged as collateral for these facilities, however, the facility exposure exceeds 90 per cent of the collateral's market value. The review further revealed that the credit evaluation form did not include an assessment of the applicant's repayment

Agree. The Company has implemented a comprehensive Credit Management System (CMS) to strengthen its credit evaluation and approval processes, focusing primarily on the key parameters of customer, collateral, and repayment capacity. The system ensures that all information necessary for effective customer due diligence is accurately captured and verified. The CMS is configured to ensure that all credit facilities are processed in strict compliance with the loan-to-value (LTV) ratios prescribed by the Central Bank of Sri Lanka (CBSL). It also ensures that

It is recommended that the Company strengthen its credit appraisal and monitoring processes to properly assess repayment capacity and minimize the occurrence of non-performing leases. The Company should also ensure that facility exposures remain within prudent collateral limits and take timely recovery actions to reduce existing non-performing facilities.

capacity. Additionally, key analytical components such as financial analysis, cash flow statements, and evaluation of financial behavior were omitted, indicating deficiencies in the credit appraisal process.

- II. The private limited company, which is engaged in road construction projects, ranked fourth among the top 25 non-performing leases as at 31 March 2025. Accordingly, the following facilities were identified as non-performing leases (NPL).

No	Facility No	Granted Amount (Rs.)	Total Outstanding as at 31.03.2025 (Rs.)
01	KDLELE 1700907996	12,534,736.00	6,528,094.00
02	KDLELE 1600830996	10,561,357.00	8,299,852.00
03	KDLELE 1700908096	18,519,524.00	12,444,499.00
	Total	41,615,617.00	27,272,445.00

Total outstanding of the above lease facilities as at 31 March 2025 was Rs. 27,272,445 these facilities were originally granted in the years 2016, 2017 and 2018. Based on the client's request the facility entered arbitration on 26 December 2021. However, as at 31 March 2025 the above all facilities have been classified under the E-Loss category.

The company consistently obtains lease facilities using the owner of the company as the guarantor. Construction vehicles are provided as collateral for these facilities. However, the facility exposure exceeds 90 per cent of Market value of collateral.

asset valuations are obtained only from Company-approved valuers, and that asset inspections are conducted as a mandatory step in addition to the valuation process.

The system requires the preparation and verification of cash flow analyses and automatically computes the Debt Service Coverage Ratio (DSCR) for all credit evaluations. Additionally, it performs an automated customer credit risk rating, promoting greater consistency and objectivity in credit decision-making.

Credit discretion limits are delegated based on product type, collateral type, and the corresponding LTV ratio to maintain prudent risk management practices.

Furthermore, the Company has established a Management Credit Committee (MCC) to review and approve credit facilities that exceed specified approval thresholds. The Chief Risk Officer's (CRO) observations are

mandatory for all credit facilities considered by the MCC and for those exceeding defined limits.

To strengthen post-disbursement oversight, the Company has implemented a structured recovery and follow-up mechanism at the branch, regional, and Head Office levels to ensure effective monitoring and timely resolution of overdue accounts.

c. The review of credit facilities revealed that the procedures for verifying borrowers' income and repayment capacity were not applied consistently. In several instances, income verification documents such as financial statements, salary slips, and bank statements were found to be outdated, incomplete, unclear, or submitted under the names of unrelated individuals. Moreover, some cases reflected partial income verification, with no supporting evidence for the remaining declared income. These deficiencies indicate non-compliance with the Central Bank of Sri Lanka's Finance Business Act Directions No. 02 of 2024 on Credit Risk Management, which require finance companies to establish and maintain robust policies, procedures, and controls for assessing borrower creditworthiness. Details are given below.

Agree. The Company has formulated and formally released a Credit Risk Management Framework on 27 March 2025, aimed at strengthening its overall credit governance and risk management practices.

It is recommended that the Company establish and enforce a comprehensive credit verification process to ensure full compliance with the CBSL Finance Business Act Directions No. 02 of 2024 on Credit Risk Management.

With the implementation of the new Credit Management System, mandatory compliance checks have been introduced for each credit application prior to submission for approval. This process ensures that the data entered into

No	Facility Number	Observation
01	MLLELE2400539000	This facility has been granted to a new customer. The provided pay slips were scanned copies, but they were not the most recent at the time of granting the

		facility, and verification failed due to the unclear quality of the scanned documents.	the system is verified and consistent with the supporting documentary evidence provided.
02	JLLELE2500302600	The income proof submitted by the customer is insufficient to verify the disclosed income, with a significant portion of the income remaining unverified.	In addition, the Company has established a monitoring mechanism through the Central Documentation Department to track and analyze error rates identified during the credit granting process. To further enhance the effectiveness of these controls, the Company conducts regular training sessions to build the capacity and competency of officers involved in the credit granting process.
03	MLLELE2400526200	Income proof is not available in the client's name. The available information pertains to the spouse, but the spouse is neither included as a joint client nor as a guarantor.	
04	MLLELE2400531500	It is a new customer. The provided income proof is not relevant for verifying the current income.	
05	DVLELE2300069700	This facility has been granted to a new customer. No income proof documents were provided.	
06	DVLELE2400083000	This facility has been granted to a new customer. No income proof documents were provided under their own business name and the documents submitted pertain to a different business name.	
07	JLLELE2500299300	Existing Joint Clients. No income proof was provided for the main client. The joint client has a joint savings account with her spouse, and only that account statement was provided as proof.	
08	MLLELE2400536900	This facility has been granted to a new customer. Income proof	

was provided in the form of savings account statements. However, the average deposits do not support the disclosed monthly income. Therefore, the repayment capacity cannot be verified based on the available documents.

- 09 NWLELE2400544200 This facility has been granted to a new customer, and sufficient income proof in the client's name was not submitted. The documents provided pertain to the client's son.
- 10 GALELE2400854100 Existing customer. No appropriate income proof documents were provided to verify the disclosed information.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
a. Central Bank of Sri Lanka (CBSL) Directions on Sustainable Finance Activities, as articulated in the CBSL Sustainable Finance Roadmap (2019)	It was observed that the Company does not have a formally recognized Sustainable Finance Policy as required by the Central Bank of Sri Lanka (CBSL) Sustainable Finance Roadmap (2019). Instead, Company operates under Board-approved Environment, Social and Governance (ESG) Sustainability Policy, which disclosed in the Annual Report 2023/24 and published on the Company's website. It was observed that it does not fully meet the CBSL's requirement for a standalone Sustainable Finance Policy.	In alignment with the Central Bank of Sri Lanka's (CBSL) Guideline on Sustainable Finance Activities for Licensed Finance Companies, People's Leasing & Finance PLC (PLC) has developed a comprehensive Sustainable Finance Policy Framework, which is presently	It is recommended that the Company develop and implement a formal Sustainable Finance Policy in line with the Central Bank of Sri Lanka's Sustainable Finance Roadmap (2019).

undergoing final review.

Furthermore, PLC has established dedicated governance structures at both Board and Management levels to provide strategic oversight and direction for the Company's Sustainable Finance initiatives. The Terms of Reference (TOR) of these governance bodies will be developing to address the key requirements outlined in Clause 6 of the CBSL aforementioned Guideline, ensuring effective implementation and monitoring of sustainable finance practices across the organization.

b.Finance Business Act No. 03 of 2022

It was observed that certain deposit customers have been assigned multiple customer identification numbers. As per the requirements of the Finance Business Act No. 03 of 2022, each customer must be assigned a unique identification number. Accordingly, management should implement a robust review and control process to ensure the accuracy and uniqueness of customer IDs and to prevent duplication. Strengthening controls over customer data management will enhance compliance

With the implementation of the CORE system the issue identified is rectified. When creating client codes in CORE system the UIN is checked with the existing base to identify any duplicate client codes.

It is recommended that management implement a robust review and control process to ensure that each customer is assigned a unique identification number in compliance with the Finance Business Act No. 03 of 2022.

with regulatory requirements and improve data integrity.

c. Central Bank of Sri Lanka (CBSL) under Finance Companies Direction No. 01 of 2005

It was observed that several facilities in the system had matured as of 31 March 2025, and interest is continued to be accrued at the previously applicable rates. Furthermore, certain deposits were found to have exceeded the maximum fixed deposit tenure of 60 months prescribed by the Central Bank of Sri Lanka (CBSL) under Finance Companies Direction No. 01 of 2005. Details are given below.

Facility No.	Capital Balance	Interest Accrued
CPFDFD 1204909 601	3,930,067	8,215,524
HCFDFD 200034 2400	115,000	51,164
HOFDFD 190128 1303	105,518	77,675

CPFDFD1204909 601 - As per the branch's comments, the customer was previously visited while residing in Ratmalana and operating through the Colpetty Branch. At that time, he had agreed to settle the matter but has since failed to appear at the branch. The original certificate remains in our custody. Currently, the customer resides in Jaffna and is refusing to visit the branch to close the deposit.

HCFDFD200034 2400 - As per the branch's comments, a visit was made to the given address. According to the occupants, there is no relationship with the mentioned customer, and no such person has ever resided at that address

HOFDFD190128 1303 - In this instance, the customer is

It is recommended that management review and update the system to ensure that interest does not continue to accrue on matured facilities. Additionally, appropriate controls should be implemented to prevent the placement or renewal of deposits exceeding the 60-month limit stipulated by the Central Bank of Sri Lanka (CBSL) under Finance Companies Direction No. 01 of 2005.

currently
unreachable. We
are in the process
of making contact
to take the
appropriate
corrective action

- d. Violation of the Company's Policy**
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| It was observed that certain gold loan facilities were approved for amounts significantly lower than the value of the pledged gold articles. This practice is in direct violation of the Company's Policy, which stipulates a minimum loan-to-value ratio of 10 per cent of the gold's value to be granted as a loan. Additionally, the company incurs insurance costs based on the full value of the gold, which adds to the financial burden without providing justifiable returns. Details are given below. | We have validated the system when granting the advance to customer, minimum loan amount should be equal or more than the 10% of eligible loan amount of contract. | It is recommended that management strengthen the approval process for gold loan facilities to ensure strict adherence to the established loan-to-value ratio policy. This should include implementing enhanced approval controls and conducting periodic audits of loan agreements to verify compliance. |
|--|---|--|

Facility No.	Grant Amount	Gold Value	As a %
TGGN GL2200 085900	3,000	1,712,321	0.2 %
TSGNG L24000 56700	4,000	642,913	0.6 %
NAGN GL2401 213800	3,000	466,971	0.6 %

1.7 IT General Controls

Audit Issue	Management Comment	Recommendation
<p>a. It was observed that user account of resigned employees was not deactivated on a timely basis in InBank system at the time of audit review, as at 31 March 2025.</p> <p>Inadequate procedures over timely deactivation of user accounts of resigned employees could result in significant issues when allocating responsibilities for business transactions.</p>	<p>We discussed the importance of providing user removal instruction to the Access unit in a timely manner. The PLC's ELC Officer has been advised to ensure such instruction are communicated promptly to avoid delays in access revocation. However, the access unit has disabled the user as they received the resignation notice.</p>	<p>It is recommended that management implement a formal process to ensure the timely deactivation of user accounts for resigned employees in the InBank system.</p>

- | | | |
|--|--|--|
| <p>b. It was observed that the company has defined a “Vulnerability Scanning” section within its ICT Policy. However, vulnerability scanning activities are currently conducted only on a bi-annual basis. This frequency does not comply with the ICT Policy requirements, which mandate more frequent or continuous scanning to ensure the timely identification and remediation of potential security vulnerabilities.</p> | <p>We are in the process of obtaining BOD approval for the amendments.</p> | <p>It is recommended that management increase the frequency of vulnerability scanning to align with the requirements of the ICT Policy. Implementing more frequent or continuous scans will help ensure timely detection and remediation of security weaknesses, thereby strengthening the company’s overall cyber security posture.</p> |
| <p>c. It was observed that, the Company does not currently utilize a Data Loss Prevention (DLP) solution to monitor data in real-time. The absence of such an automated mechanism limits the Company’s ability to effectively control the transmission of data within and outside the network, and to prevent the unauthorized disclosure of confidential information.</p> | <p>A comprehensive DLP solution will be implemented.</p> | <p>It is recommended that management implement a Data Loss Prevention (DLP) solution to monitor and control data transmissions in real-time. This will help prevent unauthorized disclosure of confidential information and enhance the overall security of the company’s data.</p> |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 5,788,336,000 and the corresponding profit before tax in the preceding year amounted to Rs. 5,375,932,000. Therefore an improvement amounting to Rs. 412,404,000 of the financial result was observed. The reasons for the improvement is significant growth in Net Operating Income, primarily driven by higher Net Interest Income.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding four (04) years with the percentage of increase or decrease are given below.

Year	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company					
Interest Income	26,088,017	28,853,306	30,196,588	23,881,526	24,983,445
Variance	(2,765,289)	(1,343,282)	6,315,062	(1,101,919)	(6,475,663)
Increase/(Decrease) %	-9.58%	-4.45%	26.44%	-4.41%	-20.58%
Fee and commission income	1,756,723	1,544,820	1,265,287	1,876,524	1,818,675
Variance	211,903	279,533	(611,237)	57,849	124,661
Increase/(Decrease) %	13.72%	22.09%	-32.57%	3.18%	7.36%
Interest Expense	12,016,685	17,200,885	18,206,943	10,832,186	13,064,310
Variance	(5,184,200)	(1,006,058)	7,374,757	(2,232,124)	(2,722,276)
Increase/(Decrease) %	-30.14%	-5.53%	68.08%	-17.09%	-17.24%
Impairment Charges	(403,301)	(1,155,776)	568,485	655,425	1,043,837
Variance	752,475	(1,724,261)	(86,940)	(388,412)	(3,602,846)
Increase/(Decrease) %	-65.11%	-303.31%	-13.26%	-37.21%	-77.54%
Personal Expenses	4,864,568	4,248,112	4,488,546	4,002,414	3,465,373
Variance	616,456	(240,434)	486,132	537,041	(236,012)
Increase/(Decrease) %	14.51%	-5.36%	12.15%	15.50%	-6.38%
Income tax Expense	2,184,959	1,835,435	1,324,118	1,991,084	1,839,568
Variance	349,524	511,317	(666,966)	151,516	230,251
Increase/(Decrease) %	19.04%	38.62%	-33.50%	8.24%	14.31%
Net Profit for the year	3,603,377	3,540,497	3,017,638	4,659,009	4,033,020
Variance	62,880	522,859	(1,641,371)	625,989	1,090,512
Increase/(Decrease) %	1.78%	17.33%	-35.23%	15.52%	37.06%
Profit Before Tax	5,788,336	5,375,932	4,341,756	6,650,093	5,872,588
Variance	412,404	1,034,176	(2,308,337)	777,505	1,320,763
Increase/(Decrease) %	7.67%	23.82%	-34.71%	13.24%	29.02%

2.3 Ratio Analysis

2.3.1 The key ratios of the Company calculated for current year and past four years are given below.

Company Specific Ratio	2024/25	2023/24	2022/23	2021/22	2020/21
Performance Ratios					
ROA (%)	3.27	3.25	2.47	3.85	3.49
ROE (%)	8.56	8.68	7.68	12.74	12.49
ROCE (%)	10.6	14.21	13.41	10.68	11.86
Net Interest Margin (%)	8.64	7.69	7.35	8.10	7.58
Net Profit Margin (%)	12.7	11.4	9.4	17.40	14.9
Capital Adequacy Ratios					
Tier 1 Capital / Core Capital Ratio (%)	22.94	30	25.76	18.77	17.72
Total Capital Ratio (%)	22.68	29.7	26.61	19.68	18.58
Debt to Equity Ratio (Times) (Excluding Deposit)	0.39	0.32	0.61	0.75	0.59
Efficiency Ratios					
Employee Retention Ratio (%)	83.6	79.74	89.22	90.16	93.8
Cost to Income Ratio (%)	54.96	55.61	52.64	43.74	42.03

2.3.2 The Company market share in term of total assets, deposits, loans and advances, and the market price per share over the past five financial years are given below.

Year	Market Share				Market price Per Share Rs. (Closing)
	Deposits (%)	Loans and Advance (%)	Total Assets (%)		
2024/25	11.11	10.02	9.31		17.90
2023/24	9.83	8.54	9.08		11.00
2022/23	11.11	9.85	10.46		7.90
2021/22	12.89	12.47	11.37		8.10
2020/21	13.39	13.33	11.82		11.80

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>a. According to the Company's write-off registry, the total write-off amount was Rs. 2,505,727,445. Out of this, Rs. 788,380,012 (31.46%) was written off due to customers being untraceable, gone abroad, or missing. This indicates a high level of exposure to credit risk arising from inadequate borrower verification and insufficient security measures.</p>	<p>Agree. In accordance with the Credit Procedure Manual, the Company has made it mandatory to conduct a residence inspection for all new customers as part of the credit evaluation process. Further, effective from 22 September 2025, the Company has introduced an additional control measure requiring the capture of a Google Maps link indicating the route to the customer's residence. This enhancement aims to strengthen the verification process and ensure the accuracy and authenticity of customer location details. Any exception to this requirement i.e., completion of a residence inspection without capturing the Google Maps link must obtain approval from Senior Management. This ensures that deviations are appropriately reviewed and authorized at a higher level of control.</p>	<p>It is recommended that the Company strengthen its borrower verification and credit assessment procedures to minimize exposure to high-risk customers. This should include enhanced due diligence, verification of customer identity and location, and periodic review of borrower profiles.</p>

3.2 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
<p>a. An audit examination was carried out on the vehicles registered under Company as at 31 January 2025. According to the Department of Motor Traffic (RMV) records, 360 vehicles were registered in the name of the Company, whereas the Company's internal records reflected ownership of only 66 vehicles. Further scrutiny revealed that 57 vehicles disposed of between 2004 and 2022, 213 repossessed vehicles, and several vehicles written off or settled under lease/loan facilities, had continued to remain under the Company's registration, without transferring ownership to the respective buyers or cancelling registrations as required under Section 13(9) of the Motor Traffic (Amendment) Act No. 8 of 2009. Moreover, certain vehicles pledged, transferred to subsidiaries, or declared as total loss, were still registered under the Company despite being unavailable for use. Consequently, 294 vehicles remain recorded under the Company's name without being physically traceable. This situation exposes the PLC to legal, financial, and reputational risks, arising from non-compliance with statutory requirements on vehicle registration and ineffective control over asset ownership.</p>	<p>Management acknowledges the audit observations made in respect of vehicle ownership and registration records maintained by the Company. The discrepancies between the Department of Motor Traffic (RMV) records and the Company's internal records primarily relate to vehicles disposed of, written off, or settled under leasing/loan facilities but not legally transferred or cancelled in the RMV database. The Company has already initiated a comprehensive review to reconcile these records and is in the process of taking corrective actions, including facilitating ownership transfers to buyers, cancellation of registrations for disposed/written-off vehicles, and updating RMV records for repossessed vehicles. Further, necessary discussions are being held with the RMV to expedite the clearance of long-pending ownership transfers, particularly for older disposals and vehicles declared as total losses. Management assures that priority will be given to resolving these matters promptly to mitigate potential legal and reputational risks, while strengthening internal controls to ensure compliance with the Motor Traffic Act in future transactions.</p>	<p>It is recommended that management conduct a comprehensive reconciliation of all company-registered vehicles with internal records and RMV data, ensuring timely transfer or cancellation of registrations for disposed, pledged, or otherwise unavailable vehicles. Strengthening controls over vehicle ownership and registration will mitigate legal, financial, and reputational risks.</p>