



# 20 **ANNUAL** **24** REPORT



**SEJAYA** MICRO CREDIT **LTD**

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**VISION**

**To be the best** microfinance service provider in terms of poverty reduction, job creation, and social upliftment."

**"To provide** inclusive financial services to the needy and underprivileged, uplift their economic status, empower and generate employment opportunities in a socially responsible manner."

**MISSION**

**CORE VALUES**

**Client** Delight  
**Client** Responsive  
**Employee** Satisfaction  
**Accountability** & Integrity  
**Transparency**  
**Service** Delivery Excellence



## FINANCIAL HIGHLIGHTS

All values in USD (000's)	2020	2021	2022	2023	2024
Gross Income	1,289	2,388	2,103	3,439	5,235
Net Interest Income	932	1,582	1,187	1,858	2,736
Operating Income	1,066	1,992	1,436	2,394	3,734
Profit/loss Before Tax	(332)	(40)	(20)	544	708
Profit For The Year	(244)	(59)	(71)	401	291
Total Assets	5,7791	4,329	11,138	14,197	21,553
Total Liabilities	3,833	9,911	8,771	11,095	17,837
Total Equity	1,946	4,418	2,367	3,102	3,716



## About the Company

Sejaya Micro Credit Limited (SMCL) is a licensed microfinance institution incorporated in November 2014 and formally registered in 2015 under the Companies Act No. 7 of 2007. SMCL operates under the regulatory purview of the Central Bank of Sri Lanka (CBSL), under the Microfinance Act No. 6 of 2016 and applicable CBSL directives.

A wholly owned subsidiary of Gojo & Company, Inc. (Japan), Sejaya benefits from the strategic synergy of global expertise and strong local leadership. The name “Sejaya” = meaning Win for All - embodies the company’s mission to deliver inclusive financial services that generate shared value for clients, employees, and investors alike, while actively contributing to poverty alleviation and socio-economic development.

As at May 28, 2025, Sejaya is one of the only four microfinance companies licensed in Sri Lanka by the Central Bank of Sri Lanka. The company serves over 95,000 clients through a network of 50 branches, including remote outreach locations, spanning all nine provinces and 24 districts, supported by a team of more than 400 employees.

Sejaya’s product portfolio includes a range of tailored financial solutions such as group loans and individual term loans, designed to meet diverse business, agricultural, emergency, and seasonal needs. The Company’s digital lending platform—accessible via the Pasio mobile application—facilitates rapid, short-term financing, typically around Rs.₹10,000, with a strategic focus on addressing urgent financial needs and empowering youth aged 18–35. Flagship initiatives such as the Pasio Project further this agenda by promoting youth entrepreneurship and advancing digital inclusion in underserved communities. Complementary services include peer-support networks, capacity-building workshops, and online storefront support to promote entrepreneurial resilience.

Sejaya collaborates with strategic partners such as JICA, UNFPA, Silatech as well as local NGOs to expand its impact.



## CHAIRMAN'S MESSAGE

As we reflect on the year gone by, I take great pride in the resilience and commitment demonstrated by Sejaya Micro Credit Limited in pursuing our mission of financial inclusion and social empowerment across Sri Lanka.

The Company delivered a strong performance in 2024, mainly due to a well-focused strategic direction. We reached several key milestones, marked by robust portfolio growth and improved operating income, testaments to our prudent financial stewardship and the trust placed in us by our clients. These achievements reflect not only our institutional strength but also our deep-rooted purpose of serving communities often overlooked by traditional financial systems.

Our unwavering focus on empowering women and rural entrepreneurs has continued to shape our operations. Through need-based loan products and impactful financial literacy initiatives, we have enabled thousands to strengthen their livelihoods, support their families, and foster lasting change within their communities.

### **Looking Ahead**

As we chart our course for the future, our priorities remain clear. We are committed to expanding our digital financial services, including the continued rollout of the Pasio mobile application, to enhance accessibility and convenience for our clients. Simultaneously, we will intensify our efforts to reach underserved and remote regions, ensuring that no one is left behind in the journey toward economic inclusion.

### **Acknowledgements**

I wish to express my deepest appreciation to our clients, our dedicated team, the Central Bank of Sri Lanka, our parent company Gojo & Company, Inc., and all our valued stakeholders for their continued confidence and collaboration. Your support fuels our purpose and inspires our progress.

Together, we will continue to build a more inclusive, equitable, and resilient financial ecosystem for all Sri Lankans.

Takao Takahashi  
Chairman  
Sejaya Micro Credit Limited



## CEO'S MESSAGE



It is with great pleasure that I present the Annual Report for the year ended 31st December 2024, a year in which Sejava Micro Credit Limited further solidified its role as a force for financial inclusion and social transformation in Sri Lanka.

Despite persistent macroeconomic challenges, we demonstrated resilience, agility, and unwavering purpose. 2024 was a good year, better than the previous three, as the Company steadily emerged from crisis conditions. With a fully-fledged C-suite team now in place, our strong financial performance, continued geographic expansion, and client-centred innovations reflect both the strength of our business model and the dedication of our people.

This year, we proudly surpassed a milestone of 90,000 clients, expanding our footprint to 51 branches across 24 districts. Our profit before tax grew by over 35%, underscoring the effectiveness of our disciplined operations and prudent financial practices.

Beyond the numbers, our true impact lies in the lives we touch. Our sustained focus on ethical lending, financial literacy, and community empowerment continues to uplift families and catalyse local development. We remain deeply committed to ensuring that access to finance translates into long-term opportunity and dignity for our clients.

Backed by the strategic guidance of our parent company, Gojo & Company Inc., and the regulatory support of the Central Bank of Sri Lanka, we are well-positioned to scale our impact in the years ahead.

### Looking Forward

Our path forward is clear. We will accelerate our digital transformation, invest in innovative financial solutions, and focus on measuring social impact more systematically. As we move ahead, we reaffirm our vision of being a trusted catalyst for poverty reduction, entrepreneurship, and inclusive economic growth.

### Appreciation

I extend my heartfelt gratitude to our clients, employees, partners, regulators, and all stakeholders for your continued trust and support. Together, we are building a future of opportunity for all.

Wishing you every success as we grow together to build a more equitable financial landscape.

### **Rizanth Francis**

Chief Executive Officer

Sejava Micro Credit Limited

# CORPORATE GOVERNANCE

## OVERVIEW

Corporate governance refers to the processes by which an institution's objectives are set and implemented in the context of the social, regulatory and market environment in which it operates. Corporate governance practices help set up institutional targets, determine the way to achieve them and supervise their compliance, thereby ensuring that actions are taken in the best interests of the Company, its shareholders and creditors, and that the rights of customers and other interested groups are respected.

Our approach. Sejaya MC Ltd. has set up mechanisms, processes and regulations that are used in its operations with a view to ensuring its long-term sustainable development. These governance structures and principles identify the distribution of rights and responsibilities among its diverse stakeholders including the board of directors, managers, shareholders, creditors, auditors and regulators, and also include the rules and procedures for making decisions in corporate undertakings.

## COMPLIANCE SUMMARY

Principle/Codes	Observance
The Companies Act No.7 of 2007 and regulations	Mandatory provisions
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory provisions
Securities and Exchange Commission of Sri Lanka Act	Mandatory provisions
No. 36 of 1987, including directives and circulars	Mandatory provisions
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions



- Recruitment & Selection Policies
- Article Of Association Of The Company
- Standard Operating Procedures
- HR Policies & Procedures
- IT Framework, Policies & Procedures

## GOVERNANCE STRUCTURE

Serjaya MC has a two-tier management structure comprising a Board of Directors and Senior Management. The Board is responsible for the overall strategic management of the Company and supervises Company performance. The Senior Management has responsibility for the daily operations of the Company. The two bodies are separate in both functions and membership.

There were no significant changes to the Company's corporate governance framework during the year of review.

### **The Board**

The Board of Directors is actively involved in formulating the strategic direction of the business while ensuring that shareholder interests are protected. It further directs the business in the strategy formulated whilst ensuring compliance with relevant rules and regulatory requirements. It ensures the integrity of information, internal controls and risk management. The Board is responsible for compliance with ethical standards, laws, internal controls and regulations.

### **Board Composition**

The Board of Directors of Sejaya Micro Credit Ltd. comprises a Chairperson/ Non-Independent Non-Executive Director, two Non-Independent Non-Executive Directors and two Independent Non-Executive Directors.

**Mr. Takao Takahashi**  
**Chairman**

Mr. Takahashi brings extensive experience in international development finance, particularly within Asia. With a strong background in community-based financial systems, he plays a pivotal role in aligning Sejaya's vision with global best practices in microcredit and financial inclusion.

**Mr. Sohil Shah**  
**Independent Non-Executive Director**

Mr. Shah is a seasoned professional in finance and social impact investing, with deep expertise in sustainable financial models. He provides strategic insight into investment decisions and contributes significantly to Sejaya's growth planning and long-term vision.

**Ms. Roshini Fernando**  
**Independent Non-Executive Director**

An economist and microfinance specialist, Ms. Fernando brings over 14 years of experience in the financial sector. Her previous roles at the National Development Bank, Ernst & Young, and GIZ provide her with valuable perspectives on financial inclusion, governance, and strategic partnerships.

**Mr. Gurol Michael Sari**  
**Independent Non-Executive Director**

Mr. Sari offers extensive expertise in digital finance, international development, and financial inclusion. His global outlook and experience support Sejaya's innovation agenda, risk management strategies, and operational excellence within the microfinance landscape.

**Mr. Sathish Selvanathan**  
**Independent Non-Executive Director**

Mr. Selvanathan is a respected business leader and sustainability advocate with a background in private equity and consulting. He currently serves as Executive Chair of Premium Vegetable Oils and is the founder of the Lanka Environment Fund. He brings a strong focus on environmental and social governance (ESG) within financial services.



The Directors of the Company believe the present composition of the Board has the range of skills, experience and business insight relevant to the present and future context of the Company. There were no material changes to the composition of the Board during the period under review.

The Board met four times during the financial year with the objectives of determining the future directions and for monitoring and reviewing the performance of the business operations. The Board conducted four Board meetings during the financial year, the details of which are tabulated below:

<b>Name</b>	<b>Directorship Status</b>	<b>Board Meetings Attended</b>
Mr. Takao Takahashi	Chairperson/ Non-Independent Non-Executive Director	04
Mr. Guerol Michael Sari	Non-Independent Non-Executive Director ✓	03 ✓✓
Mr. Sohil Manoj Shah	Non-Independent Non-Executive Director	04
Ms. Roshini Cheryl Fernando	Independent Non-Executive Director	04
Mr. Satish Selvanathan	Independent Non-Executive Director	04

The Board of Directors takes into consideration the stakeholders' interests in corporate decisions. The Board ensured that adequate time and effort was spent by the Directors in making strategic decisions and consulting the subcommittees when necessary. The senior management is responsible for giving accurate information to the Board for its decision-making and strategic formulation. Some of the major roles and functions of the Board in upholding good corporate governance in the affairs of the Company are shown below:

1. Establishing a process of monitoring and evaluating the implementation of strategy, budgets, plans and related risks of forecasts.
2. Ensuring effective internal control systems to secure integrity of information and internal controls.
3. Creating sustainable value to stakeholders in the long run by overseeing the overall operations.
4. Delegating and monitoring authority to subcommittees and the senior management.
5. Analysing and approving the annual business plan to ensure the allocation of sufficient resources and time.

Further, the Company ensures that new directors receive induction training on joining the Board and that every director receives appropriate training to remain up-to-date on the regulations.

### Board Committees

The Board is supported by one Board subcommittee, namely the Risk and Audit Committee, which fulfils the dual functions of Risk and Audit. The Committee met every quarter to discharge their duties in the areas of financial reporting, risk management, governance and internal controls.

Three Board members are on the Risk and Audit Committee and their attendance is as follows:

Ms. Roshini Cheryl Fernando	04
Mr. Guerol Michael Sari	04
Mr. Sohil Manoj Shah	03

As per the requirement set out in section 7.10.6(a) of the listing rules, the majority of the board members of this Committee are independent.

### Audit functions of the Risk and Audit Committee

The Committee plays a key role in assisting the Board to fulfil its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal and external audit functions.

The Committee held four meetings during the year with the participation of the Chief Executive Officer and Financial Controller who attended by invitation.

### Risk functions of the Risk and Audit Committee

The Committee meets with the following mandate:

- Pre-approving the Company's risk management policy, and risk appetite, and carrying out reviews to ensure alignment with local regulatory and Group requirements.
- Monitoring the approved risk tolerance and exposures to individual risks.
- Determining management actions for the non-compliance of risk owners to limits or the risk policy.
- Requesting, following up and assessing contingency and action plans in the case of (imminent) limit breaches.
- Reviewing the risk management function's effectiveness and development in the context of regulatory and Allianz Group requirements.
- Promoting a risk culture and developing risk management talent for the Company.
- Detailed terms of the above subcommittees are shown in the Board committee section of the annual report.

## Compliance Management

Compliance management has been recognised as a key area in successful management. Each department is tasked with compliance requirements relating to the specific area of concern and a clear line of reporting to the Board is in place.

Compliance with the accounting and financial reporting standards, listing rules of the Colombo Stock Exchange, the directives issued by Securities and Exchange Commission, the rules and regulations by the Central Bank of Sri Lanka, and the tax laws of the countries in which the Company operates, are fulfilled by the finance department. The human resource department ensures that the Company is in compliance with the labour laws and health and safety regulations. The legal department, together with the company secretaries, ensures that the Company is in compliance with the requirements of the Companies Act and any other related legislation. The compliance report and checklists are updated and presented at the Audit Committee meetings and the Board meetings.

The Audit committee also monitors the ongoing process of the compliance requirements and focuses on improving compliance. Periodic self-assessments and internal audits are conducted annually, and Standard Operating Procedures (SOP) are updated which cover both financial and accounting functions.

## Remuneration policy

SMCL's remuneration policy is designed to attract and retain qualified staff while aligning with ethical practices. Compensation is performance-linked and benchmarked against industry standards, with a focus on fairness and transparency.

# SENIOR MANAGEMENT

## **Nirmalan Nayagam**

Chief Executive Officer (until 30 September 2024)

Nirmalan Nayagam brings over 15 years of proven experience in the microfinance sector, having served in key leadership roles including Chief Financial Officer, as well as holding several regional and international appointments across 10 countries. His career also includes a strong foundation in the corporate sector, where he held a range of strategic and operational roles prior to transitioning into microfinance.



## **Rizanth Francis**

Chief Executive Officer (from 1 October 2024)

Rizanth Francis assumed the role of Chief Executive Officer on 01 October 2024. Prior to this, he served as the company's Chief Strategy Officer (CSO) and held senior positions at VisionFund Lanka and VisionFund Lanka Limited. He has a proven track record in the financial services sector, with expertise in operations management, strategic planning, people management, change management, and logistics.

He holds a Master's degree in Business Studies, specialising in Business and Managerial Economics, from the University of Colombo. He also earned a Bachelor of Science in Business Administration from the University of Sri Jayewardenepura.



## **Andrew Samuel**

Chief Operating Officer

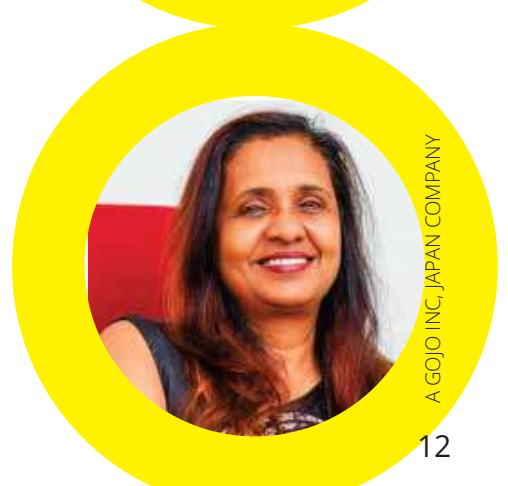
A seasoned professional with extensive experience in both the finance and plantation sectors, Andrew Samuel is a highly effective Chief Operating Officer with a strong track record of strategic execution. He has been instrumental in the establishment and growth of three microfinance institutions in Sri Lanka and abroad. Renowned for his ability to drive long-term strategies, he has played a pivotal role in enhancing organisational success, profitability, and market leadership.



## **Ms Roshani Abeysundera**

Chief Financial Officer

Ms. Roshani Abeysundera brings over 25 years of experience in the banking and finance sector, with expertise spanning Relationship Management, Corporate Banking, and Credit. She is a Fellow of ACCA, CIMA, CIM, AAT, and ABE, reflecting her strong academic and professional credentials. In addition, she has participated in numerous leadership and management development programmes, further strengthening her strategic and operational capabilities.



# MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, Sejaya Micro Credit Limited (SMCL) demonstrated resilient financial performance despite a challenging macroeconomic backdrop. Total revenue rose by 33%, reaching Rs. 1.2 billion compared to Rs. 0.9 billion in the previous year, driven by increased lending activity and an expanding client base. Profit before VAT grew to Rs. 329 million, reflecting the company's strong underlying profitability. However, net profit after tax declined to Rs. 80 million from LKR 112 million, primarily due to higher taxes on financial services, elevated operating expenses linked to branch network expansion, and strategic investments in digital platforms. Total assets grew by an impressive 37%, from Rs. 4.6 billion in 2023 to Rs. 6.3 billion in 2024, underscoring the company's continued operational growth and strengthened balance sheet. These results highlight SMCL's ability to maintain financial stability while pursuing long-term investments that support its mission of inclusive finance.

## Operational Highlights

Sejaya Micro Credit Limited (SMCL) delivered solid operational growth in 2024, reinforcing its role as a trusted provider of inclusive financial services. As of December 31, 2024, the company had served over 90,000 clients, marking a substantial increase and reflecting the effectiveness of its outreach strategies. The branch network expanded significantly, growing from 35 to 51 branches across 24 districts, which

enhanced geographic accessibility. Supporting this growth, SMCL's workforce exceeded 400 employees, ensuring service delivery and operational stability. The company's loan portfolio reached LKR 4 billion, providing tailored financial solutions across business, agriculture, services, and housing sectors.

## Digital Finance Initiatives

In a pioneering move for Sri Lanka's microfinance sector, SMCL launched digitally enabled loan services through the Pasio mobile application. This platform facilitates access to emergency and short-term loans for clients in rural areas, aligning with the company's mission to reduce financial exclusion. The adoption of mobile technology has also improved service delivery efficiency and positioned SMCL at the forefront of digital transformation in the microfinance industry.

## Strategic Partnerships

SMCL deepened its impact through meaningful collaborations with leading development organizations including JICA, UNFPA, and Silatech. These partnerships have strengthened the company's capacity for innovation, facilitated access to technical and financial resources, and enabled the co-creation of financial products tailored for vulnerable and underserved communities. Through such alliances, SMCL is better equipped to scale its outreach and contribute to national development goals.

## Challenges

Despite its solid operational foundation, SMCL encountered several headwinds in 2024. Macroeconomic volatility, including inflationary pressures and a rising cost of living, impacted the repayment capacity of ts in certain regions. The company also absorbed higher operational costs due to its expanding branch network and investments in digital infrastructure. In addition, evolving regulatory requirements in the microfinance sector demanded proactive compliance and adaptive management. While these factors placed temporary pressure on net profitability, SMCL remained steadfast in executing its strategic priorities.

## Awards and Accolades

In recognition of its commitment to ethical practices and client protection, SMCL received the Silver Client Protection Certification in 2024, earning a commendable score of 92.9%. This certification affirms the company's adherence to the Universal Standards for Social and Environmental Performance Management (USSEPM) and its continued emphasis on client dignity, transparency, and fair treatment. These standards remain central to SMCL's operational ethos and long-term strategy.

## Future Outlook

Looking ahead, SMCL is poised for continued growth and innovation. The company plans to further scale its digital financial services through enhanced features on the Pasio app, improving accessibility and operational efficiency. New financial products are set to be introduced, particularly in agriculture, housing, and youth entrepre-

neurship, addressing evolving community needs. The Company also aims to expand into underserved and high-poverty regions, in line with its mission to reach the most vulnerable. Efforts to strengthen ESG reporting frameworks will support transparent impact tracking, while the company actively pursues strategic partnerships to support co-financing, capacity building, and long-term sustainability.

## Global Economic Performance

The global economy recorded modest growth in 2024, navigating a complex environment marked by geopolitical tensions, trade disruptions, and tight monetary conditions. According to the International Monetary Fund (IMF), global GDP expanded by 3.2%, consistent with earlier forecasts, and reflecting a continuation of the subdued momentum seen in 2023. Growth was supported primarily by resilient consumer spending in advanced economies, particularly the United States, which is expected to remain a key engine of global expansion in 2025.

For emerging and developing economies, including those in South Asia and Sub-Saharan Africa, the external environment remained challenging but stable. While capital inflows were subdued due to risk-averse investor sentiment, development finance and impact-driven investments continued to support economic activity in low- and middle-income countries, reinforcing the importance of financial inclusion and grassroots economic resilience, which remain central to the microfinance agenda. However, global trade tensions escalated during the year, notably with the reintroduc-

tion of broad U.S. tariffs under the Trump administration. A 10% tariff on global imports, along with additional targeted duties, disrupted supply chains and reduced trade volumes in key Asian and Middle Eastern markets. These shifts had indirect implications for microfinance clients engaged in informal trade, cross-border commerce, and small-scale manufacturing linked to export-oriented supply chains. On the inflation front, the outlook improved. The IMF projected global headline inflation to ease from 6.8% in 2023 to 5.9% in 2024, with advanced economies seeing a sharper decline. This moderation was driven by the resolution of earlier supply-side bottlenecks and the cumulative effects of restrictive monetary policy. For developing economies, however, inflation remained uneven, posing a risk to household purchasing power and borrower repayment capacity, particularly among vulnerable communities served by microfinance institutions. Despite these headwinds, the overall trajectory points to greater global macroeconomic stability, which bodes well for microfinance sector growth in 2025. As inflation eases and policy uncertainty declines, the sector is expected to benefit from a more predictable lending environment, stronger investor confidence, and expanding opportunities for inclusive economic participation.

## PERFORMANCE OF THE SRI LANKAN ECONOMY

*Sri Lanka recorded a significant economic rebound in 2024, with real GDP expanding by 5.0%, reversing the 2.3% contraction recorded in 2023.*

The recovery was broad-based, with strong contributions from the agriculture, industry, and services sectors—sectors that are closely linked to the livelihoods of many microfinance clients. Notably, quarterly growth in Q3 2024 rose to 2.5%, compared to 1.6% in the same period of 2023, underscoring the sustained recovery in productive economic activity.

The improvement was largely underpinned by the International Monetary Fund's Extended Fund Facility (IMF-EFF) programme, progress in external debt restructuring, and a resurgence in investor confidence. These policy-driven developments have laid the groundwork for greater macroeconomic stability, which is vital for financial institutions, especially those serving low-income and informal-sector clients. In November 2024, the IMF approved the third review of its \$2.9 billion support programme, releasing an additional \$333 million, bringing total disbursements to approximately \$1.3 billion. These inflows strengthened foreign exchange reserves and contributed to the stabilisation of the Sri Lankan Rupee, helping maintain purchasing power and reduce price volatility for borrowers and savers alike.

Major progress was also made in managing

Sri Lanka's external debt, with the government finalising a \$12.5 billion bondholder restructuring and a \$10 billion bilateral debt deal with key partners including Japan, China, and India. These actions were pivotal in restoring fiscal space and creditworthiness, both of which enhance the environment for inclusive financial services and domestic capital mobilisation.

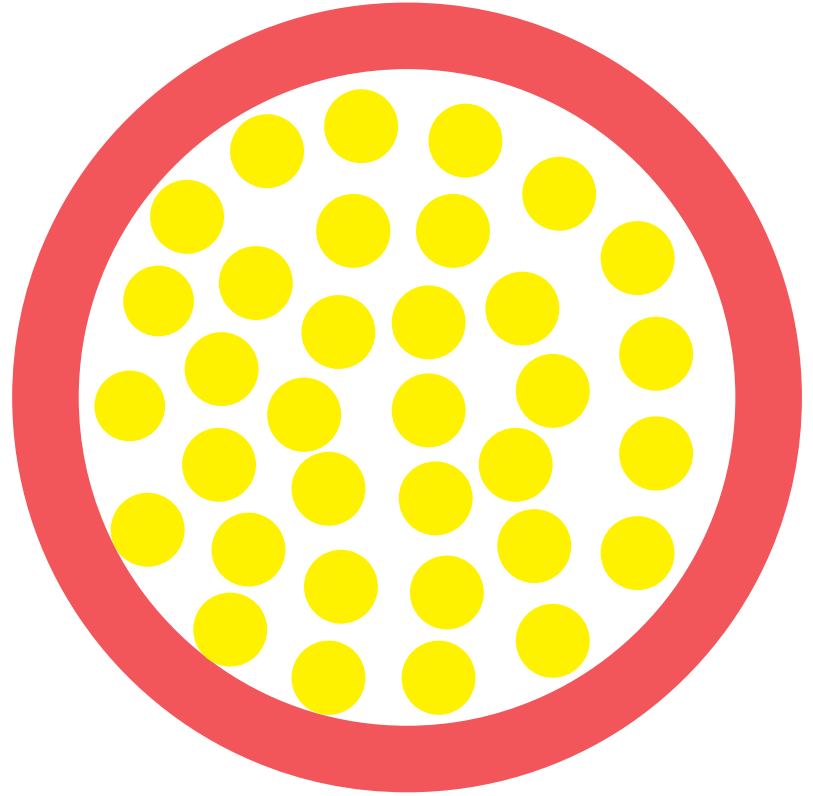
Aligned with IMF targets, the government implemented structural reforms aimed at achieving a primary budget surplus of 2.3% of GDP. Measures such as broadening the tax base, enhancing tax compliance, and restructuring state-owned enterprises are expected to reduce future fiscal risk and build confidence in the local financial system—a key enabler for responsible lending and financial sector development.

Inflation trends shifted notably over the year. Following a temporary spike in early 2024—driven by VAT increases, removal of exemptions, and rising food prices—inflation trended downward. By September, the economy entered a deflationary phase, with consumer prices falling by 0.8% in the latter part of the year. While easing inflation supports household affordability and loan repayment capacity, volatility in food prices due to weather-related supply disruptions continues to pose a challenge for vulnerable borrowers, particularly in rural and agriculture-dependent regions.

Looking ahead, the Central Bank of Sri Lanka projects economic growth to exceed 3% in 2025, supported by stable inflation, improved fiscal discipline, and accommodative monetary policy. These conditions are expected to support credit expansion, improve investor sentiment, and strengthen the operating environment for financial

service providers committed to inclusive growth. As the economy stabilises, microfinance institutions (MFIs) are well-positioned to play a pivotal role in sustaining livelihoods, supporting micro-enterprises, and driving community-level resilience.

**CBSL AR 2024**



## MICROFINANCE SECTOR IN SRI LANKA

According to the World Bank [2023], 7% of the world's population, or 648 million people suffer extreme poverty in developing nations, living on a daily income of less than US\$2.15. The World Bank report [2023] "Taking on Inequality" identified a substantial extreme poverty rate of around 10% in South Asia [World Bank,2019]. In Sri Lanka, the Poverty Head Count Ratio was 14.3% in 2019 under the poverty line of a monthly income of Rs. 6,966. In 2022 December, the poverty line was Rs.13,777, but poverty significantly increased in 2022 with the financial crisis. However, women's unemployment in Sri Lanka was 7.9% in 2021, compared to 3.7% for men. Women constitute 51.6% of Sri Lanka's total projected population of 22 million in 2021, but just 31.8% of the economically engaged population of 5.6 million people are women [Census, 2022].

Microfinance has historically played a vital role in fostering entrepreneurship, household resilience, and income generation at the grassroots level in Sri Lanka. At its best, it has served as a pathway to empowerment for the rural poor, especially women, enabling them to engage in livelihood activities, build assets, and contribute meaningfully to household income. However, in recent years, the unchecked expansion of microfinance institutions—particularly those operating outside regulatory frameworks—has revealed the darker underbelly of the sector. Without adequate oversight and consumer safeguards, microfinance has increasingly become a source of economic distress rather than relief for many, with the burden falling most heavily on women-headed households and other vulnerable groups.

Over-indebtedness has become a defining issue within rural and estate communities. Approximately 70 percent of rural borrowers are now caught in multiple cycles of debt, often borrowing from one lender to repay another. The average microfinance debt per household is estimated at LKR 150,000, with many loans obtained not for enterprise development, but for subsistence needs—medical expenses, children’s education, or daily consumption. Women in particular—many of whom lack stable income, legal literacy, or asset ownership—are disproportionately affected. In conflict-affected regions such as the Northern and Eastern provinces, the situation has reached humanitarian proportions. There are documented cases of women experiencing severe mental distress, domestic violence, and even suicide, all directly linked to the pressure of unpaid microfinance loans.

One of the core reasons behind this crisis is the prevalence of unethical lending practices by unregulated or loosely monitored microfinance providers. In the absence of uniform regulation, some institutions have imposed predatory interest rates, sometimes ranging as high as 38 to 48 percent annually. Recovery methods in these contexts are often aggressive and coercive—ranging from public shaming to intimidation. Many borrowers, particularly women with low financial literacy, were never fully informed of the repayment terms or interest structures before accepting loans. The resulting erosion of trust has not only deepened poverty within affected communities but also undermined broader faith in the financial sector itself.

In response to this growing crisis, both the Sri Lankan government and civil society organisations have stepped in to mitigate the damage and introduce corrective measures. Recognising the acute burden carried by women borrowers, the government has rolled out debt relief and refinancing programmes aimed at stabilising rural households. Notably, LKR 292 million has been allocated for relief in the Northern Province and LKR 250 million in the North Central Province. These funds are being used to refinance high-interest loans taken by rural women and to support rural infrastructure projects designed to improve livelihoods and reduce dependence on exploitative lenders. Relief packages typically include small subsidised loans—around LKR 60,000—intended to restructure existing debts and ease repayment burdens. At the institutional level, significant steps have also been taken to regulate the sector more effectively. The Microfinance Act, No. 6

of 2016, marked a major milestone by introducing a formal licensing and oversight regime under the Central Bank for microfinance companies. More recently, a new Microfinance and Credit Regulatory Authority Bill has been proposed to create a single, unified regulatory structure encompassing all microfinance providers, including non-governmental organisations and informal lenders. Under this bill, unregistered microfinance institutions may face fines of up to LKR 5 million and potential imprisonment, signalling a tougher stance on unregulated activity.

However, concerns remain. Stakeholders have questioned whether the proposed legislation sufficiently protects borrower rights or considers the valuable role played by community-based savings and credit groups. These informal systems, often led by women, have traditionally offered flexible, trust-based financial support within their communities. The risk is that a blanket regulatory approach may inadvertently suppress these beneficial models while failing to root out genuinely exploitative actors.

### **Global Microfinance Sector**

The global microfinance sector recorded strong growth in 2024, reaffirming its relevance as a key driver of financial inclusion, particularly among underserved and low-income populations. According to GlobeNewswire, the sector grew from USD 193.9 billion in 2023 to USD 215.5 billion in 2024, reflecting an 11.2% year-on-year increase, with projections estimating that the market will reach USD 331 billion by 2028.

The Asia-Pacific region continued to lead the sector, accounting for approximately 58% of

global activity, supported by widespread adoption of digital financial services and strong institutional frameworks.

Digital transformation remained a key enabler in 2024, with more than half of microloans now disbursed through digital channels. The use of AI in credit scoring and mobile platforms for loan disbursement has significantly improved operational efficiency and customer outreach. Product innovation has also diversified offerings beyond microcredit to include savings, micro-insurance, and bundled financial services.

The sector continues to demonstrate strong gender impact, with over 60% of global microfinance borrowers being women, and group-lending models playing a central role in enhancing community-level resilience.

Despite the positive trajectory, challenges persist. These include rising over-indebtedness in some markets, regulatory tightening, and access gaps for the most vulnerable segments. For instance, in India—a key microfinance market—the sector saw a contraction in borrowing (–36%) and a 1.8% decline in equity capital during FY2024/25, indicating a need for cautious growth strategies.

Looking ahead, global microfinance is expected to maintain its upward momentum, underpinned by impact investment flows, digital innovation, and increased public-private collaboration to address financial exclusion.

# HUMAN CAPITAL INITIATIVES

## OVERVIEW

***Human Resource Management (HRM) refers to the management of the HR functions of an organisation. It spans a range of initiatives designed to keep employees happy and satisfied with their jobs, from recruitment and training to retention, benefits and compensation. Human Resources Management plays an important role in developing a positive business culture, its ultimate goal being to ensure employee productivity, engagement, and commitment to the organisation's success. To achieve this, HRM strives to attract, develop and motivate the best talent in the market.***

### **Our approach**

Fundamental to our Human Resources strategy is understanding our employees' needs and aspirations. We inspire our people to take ownership of our corporate values, push beyond boundaries and focus on the vision of making a difference in the communities in which they live and work. We also ensure that all dealings between staff and management are transparent and a two-way process.

Our human resources policies are designed to develop the potential of our people by upgrading both their job-specific as well as soft skills and providing them with opportunities for career advancement that meet our corporate strategies and goals.

The Company's Human Resources department

tives over the years, to attract, develop and retain talent in a competitive market as well as retain high achievers.

### **Talent Development and Career Growth**

The Company provided a series of trainings during this calendar year on many areas of its activities. Training and development was conducted for several categories of staff at many levels from inception, by both inhouse trainers as well as outsourced to specialists who focus on particular areas of competency. Sejaya's HR policies are designed to unlock the full potential of our people. We continuously invest in developing both technical and soft skills through targeted learning and development initiatives. Our focus on career progression ensures that employees can grow professionally in alignment with the organisation's long-term goals and strategic direction.

### **Key Initiatives and Achievements**

Over the years, the Human Resources department has introduced a series of impactful initiatives to build a resilient and future-ready workforce. These include:

- **Innovative talent acquisition strategies**
- **Leadership development programmes**
- **Employee engagement efforts**
- **Retention frameworks that recognize and reward high performers**

**These efforts have been instrumental in positioning Sejaya as an employer of choice in an increasingly competitive talent landscape.**

## Training and Development Programmes

During the calendar year, Sejaya conducted a comprehensive suite of training and development initiatives across multiple functional areas. These programmes, facilitated by both in-house trainers and external subject matter experts, were designed to strengthen employee capabilities at all levels.

Training at Sejaya begins at the point of recruitment with a structured orientation programme. Throughout the year, training initiatives focused on:

- Maintaining staff motivation
- Enhancing leadership competencies
- Strengthening job-specific skills
- Aligning staff with company-wide initiatives, products, and operational activities

A cornerstone of Sejaya's learning and development strategy is our commitment to cultivating talent in the microfinance sector. Employees who complete the Diploma in Microfinance are rewarded with financial incentives and career advancement opportunities, reinforcing our dedication to professional growth and sectoral excellence.

## Compensation and Benefits

Sejaya offers competitive salaries and comprehensive benefits to employees. High-performing staff are recognized and rewarded through a well-structured incentive scheme. The incentive programme for field staff—linked to loan volumes managed—was recently revised to further motivate and acknowledge their contributions.

In our efforts to improve employee welfare and work-life balance, we introduced several policy updates:

- Death Donation Policy:** Expanded to include in-laws as eligible family members and increased the donation amount to Rs. 100,000.
- Work-from-Home Policy** and **Lieu Leave Policy:** Launched to enhance flexibility and balance.
- Mobile Ownership Policy:** Introduced to support operational efficiency.
- Employee Referral Scheme:** Designed to expedite hiring while ensuring cultural fit and talent quality.

## TRAINING PROGRAMMES OVERVIEW

Training Programme	Purpose	Beneficiaries
<b>Credit Assessment Training</b>	To build awareness on credit assessment procedures Officers	Regional Managers, Branch Managers, Portfolio Quality
<b>Staff Refresher Programme</b>	Reinforce knowledge, address skill gaps, update field staff on new policies and tools	Field Staff
<b>Orientation Programme</b>	Structured introduction to Sejaya's business, values, and policies	New Recruits
<b>On-the-Job Training</b>	Hands-on training under supervision to provide practical knowledge	Newly Recruited Field Staff
<b>Pre-Legal &amp; Legal Procedures on Default Loans</b>	Enhance knowledge of legal processes related to default loans	Branch Staff
<b>Anti-Money Laundering Awareness</b>	Awareness of AML practices and compliance	All Staff
<b>PASIO App Training</b>	Familiarize staff with PASIO, a client platform for product/service exchange	BMs, PQOs, FDOs, CSOs

Trading Programme	Purpose	Beneficiaries
-------------------	---------	---------------

<b>Motivational Programme</b>	Build trust, collaboration, morale, and a positive team culture	Head Office Staff
<b>Field Officer Monitoring App</b>	Ensure effective usage of the monitoring app by staff	Branch Staff
<b>Activism Against Gender-Based Violence</b>	Raise awareness of gender-based violence issues	Head Office Staff

*In celebration of individual and team excellence, the company proudly hosted the Sejaya Awards Night 2024, an evening dedicated to recognition, appreciation, and unity.*

The event featured:

- **Award presentations**
- **Cultural performances**
- **A celebration of collective achievements**

The night fostered a strong sense of pride and camaraderie among employees, motivating us all to continue striving for excellence.

### **LONG-SERVICE AWARDS**

We recognized 21 employees for their loyal service of five years:

M.M.A. Sanjeewa Prasad Manathunga  
P.A. Duminda Karunarathne  
M.V.R. Dilhan Chandana Bandara  
W. Wijerathne  
M. Sachini Nirmali Wijesinghe  
P.W. Jasintha Sandamali  
H.M. Sanjeewa Lakmal Herath  
U.V. Krishantha Gayan Perera  
H.H. Thathsaranai Hettiarachchi  
W.M. Amila Dinesh Kumara  
N.B. Ajith Indika  
H.K. Madura Padma Keerthi Kodithuwakku  
M.G.M. Thilina Bandara Gajanayaka  
B.P. Ashan Nimantha Pathirana  
U.H. Gayan Sandaruwan  
W.B. Pathum Madushanka Perera  
H. Chathuri Nisansala Fernando  
A. Janaka Weerasinghe  
N.V. Oshan Madushanka  
T. Neelakandan  
E.P. Kasun Sanjeewa Wickramarathna

### **SPECIAL PERFORMANCE AWARDS**

#### **Best Field Development Officers**

##### **Branches > 5 Years**

1. Weerakonda Badhuge Madhuka Gayashan
2. Honnantharage Rasindu Tharanga
3. Dissanayaka Mudiyansele Sarath Kumara

##### **Branches 3-5 Years**

1. Jeyaram Manoram
2. Thayalan Danoshan
3. Yaddessalage Lakshan Shamilka Sewwantha

##### **Branches < 3 Years**

1. Sureshkaran Sukirraj
2. Kalirasa Murukathas
3. Loganathan Sulakshana

#### **Best Field Development & Collection Officers**

1. Wasalamuni Dewage Dileep Nishantha Kumara Sooriyathne
2. Rajapaksha Pathirannehelage Nuwan Pradeep Rajapaksha
3. Wahala Thanthrige Don Kavindu Madhusa

“ We were privileged to welcome our Chairman, Mr. Takao Takashi, representing our parent company, whose inspiring words marked the evening.



# RISK MANAGEMENT

## OVERVIEW

### Best Regional Manager

1. Veera Chandrakumar

### Best Branch Awards

- Above 5 Years: Welimada
- 3–5 Years: Kothmale
- Below 3 Years: Mahiyanganaya

### Best PASIO Branch Awards

- Above 5 Years: Ragala
- 3–5 Years: Waththegama
- Below 3 Years: Puttalam

Risks in our operational environment could arise from a variety of sources that range from political, economic and financial uncertainties, legal liabilities, technology malfunctions and strategic mismanagement, to accidents and natural disasters. We realise that should these potential risks not be identified and assessed before they occur, and managed and controlled if and when they do, we could incur heavy losses to our capital/ earnings or our reputation, or both. This will affect our ongoing operations as well as continuity into the future.

Our Approach. Risk management is an integral part of the management and control system of the Company, and ensures the timely identification, analysis, measurement, management and reporting of risks. This system provides the basis for successful value-based management including the efficient allocation of capital and the optimisation of key performance measures through the consistent consideration of risk-return implications.

Appropriate risk management strategies are adopted in line with our operations through periodic reviews of risk management processes. Annual risk assessments assist the Company in understanding the risks it is exposed to and the perceived impacts of those risks. Once evaluated, risk interventions are carefully decided in consultation with the internal risk management team as well as with the Board Audit and Risk Committee. Board Audit and Risk committee meetings are held on a quarterly basis.

In the aftermath of the worst economic and political crisis since its independence, the Sri Lankan economy showed signs of stabilising during the year of review. This slow recovery is a result of decisive policies implemented by the government, which include hikes in interest rate, removal of fuel subsidies, increases in taxes and restructuring external debt. However, the face tough economic setbacks over the past two years continued to result in a cost-of-living squeeze that placed Sri Lanka among the countries most affected by food price inflation. High inflation fragmented disposable incomes and tipped many vulnerable groups into poverty.

To address these risks, Sejaya MC introduced a structured and integrated ERM framework that proactively sought to minimise potential risk impacts by incorporating suitable and far-reaching risk responses. We have ingrained a risk philosophy into the company culture and ensured that our risk appetite is determined by our objectives, financial stability and capacity for risk. As a socially responsible institution committed to enhancing the lives and livelihoods of the lower-income strata of society, the Company has also ensured that our risk management strategy is safe as well as economically and socially sustainable.

**Market Risk:** Market risk is the risk of financial losses and negative social performance related to changes in the value of the Company's assets and liabilities, as determined by fluctuations in interest and foreign exchange rates in the market. While IMF, ADB and World Bank funding are

positive signs of an improving economy, their impact is as yet insufficient to bring the country to its prior position of stability. The already applicable VAT of 15% on certain commodities has been increased to 18% and on commodities where no VAT was applied earlier, 18% will be levied from Jan 2024, in line with IMF conditions on new borrowing and the long-term sustainability of the country's economic position. On a positive note, the LKR has remained stable against the USD at about 330, and tourism, a major revenue earner, is picking up slowly. AWPLR is also on a decreasing trend reducing interest rates further.

**Interest rate risk:** Interest rate risk arises from the possibility changes in the value of assets and liabilities in response to changes in market interest rates. Also known as asset and liability management risk, interest rate risk occurs when the cost of funds goes up faster than projected, which is accordingly mitigated by adjusting its lending rates.

**Credit Risk:** Credit risk is one of the most significant risks faced by the Company. Accordingly, effective credit risk management strategies have been put in place that involve assessing the creditworthiness of borrowers, setting appropriate interest rates, and implementing collection strategies to minimise defaults. A specialised incentive scheme and focused recovery efforts coupled with increased disbursements via more staff and greater reach, including remote branches, have resulted in improving credit risk.

**Liquidity Risk:** This is the risk of the Company not being able to meet short-term or future payment obligations, and the risk that in the event of a liquidity crisis, refinancing is only possible at higher interest rates or by liquidating assets at a discount. The risk of liquidity risk materializing is low and the portfolio growth has been adequately funded by the parent company, external overseas lenders and local banks.

**Human Resources Risk:** The erosion of real wages and introduction of higher taxes are squeezing disposable incomes, which is prompting high-calibre staff to seek overseas opportunities. The annual staff turnover has been above average but several actions were taken to enhance staff motivation including the continuation of allowances and performance-based incentives, insurance coverage and the organising of special events.

**Regulatory and Compliance Risk, including lender covenants:**

These refer to the risks of changes in laws and regulations that have a material impact on the business costs of operation and the attractiveness of business investments. The Company complies with any new laws or regulations introduced in a timely and responsive manner in the interests of good governance. There were no regulatory breaches during the year. The Company complied with all lender covenants during the year.

Regulatory risk in the microfinance sector remains high due to the fact that the vast majority of MF companies in Sri Lanka remain unregulated to date. The govern-

ment is planning to introduce relevant legislation that will make state registration mandatory for all organisations that practice MF activities.

**Operational Risk:** Fraud risk is an inherent risk that relates to the loss of capital or earnings as a result of the intentional deceit of an employee or customer. The most common type of fraud in the MF sector is the theft of funds by loan officers or other branch staff. Bribes, phantom loans and fraudulent financial statements also fall into this category.

The Company mitigates fraud risk through the setting up of internal operational procedures which are then reinforced by the Internal audit department.

**Client protection risk:**

The Company is committed to protecting its clients from over-indebtedness, the charging of overly high interest rates on loans as well as the use of physical force and intimidation to collect loan repayments.

To mitigate such occurrences, several good practices have been introduced which include the education and training of field staff on ethical behaviour, ensuring that clients are aware of the loan process through providing all documents in the 3 languages, ensuring that no unacceptable recovery procedures are practiced as well as by introducing a call centre complaint mechanism through which clients could seek redress.

**Technological Risk:** The risk of system failure or outdated systems could result in the loss of data that can jeopardise business continuity. To mitigate this risk, the Company ensured stringent safeguards that promote cyber security as well as carries out the regular maintenance and upgrading of processes. The IT department has introduced a number of initiatives to upgrade technology and move towards digitalization.

## SOCIAL PERFORMANCE MANAGEMENT AND SPECIAL PROJECTS

### SOCIAL PERFORMANCE

Social performance is the process of translating an organisation's mission into practice. At Sejaya MCL, all operations are conducted in strict adherence to the Universal Standards for Social and Environmental Performance Management (USSEPM). These standards place clients and environmental sustainability at the core of strategic and operational decisions.

The Universal Standards provide a comprehensive framework for microfinance institutions to integrate responsible business practices into their policies and procedures. Implementation is rigorously assessed through the SPI5 audit, conducted by qualified professionals from the CERISE + SPTF network. This audit ensures that Sejaya's operations remain aligned with the highest standards of social and environmental responsibility.

The standards, developed by CERISE + Social Performance Task Force, help Sejaya achieve organizational sustainability while safeguarding the interests of its clients. These standards can be accessed through the Universal Standards for Social and Environmental Performance Management website: <https://cerise-sptf.org/universal-standards>.

#### Client Protection

Sejaya MCL is firmly committed to the Client Protection Principles, ensuring that all operations are designed to protect clients from harm. These practices not only enhance client well-being but also ensure transparent communication with investors

regarding social performance.

The Client Protection Pathway offers a structured approach to implementing these principles effectively. In recognition of its efforts, Sejaya was awarded the Silver Certificate for Client Protection on October 20, 2023, achieving an outstanding 92.9% score. This milestone reflects the company's dedication to maintaining best practices in client protection.

**To ensure full compliance with Client Protection Standards, SMCL adheres to the following principles:**

- 1 **Appropriate Product Design and Delivery**
- 2 **Prevention of Over-Indebtedness**
- 3 **High Level of Transparency**
- 4 **Responsible Pricing**
- 5 **Fair and Respectful Treatment of Clients**
- 6 **Privacy of Client Data**
- 7 **Effective Complaint Resolution Mechanisms**
- 8 **Management Commitment to Client Protection**



## CLIENT PROTECTION CERTIFICATION

issued to  
**Sejaya Micro Credit Ltd**  
219 Station Road, Udahamulla, Nugegoda, Sri Lanka

*Sejaya Micro Credit Ltd has been awarded the **Silver Level Certification** according to the new Client Protection Certification Framework promoted by SPTF and CERISE.*



*Certified by M-CRIL Limited  
Level of compliance: Silver  
Issue date: 20 October 2023*

*Sanjay Sinha*  
Sanjay Sinha  
Managing Director & Co-Founder  
M-CRIL

**Additional Information:**  
The new certification is awarded on three levels: Gold, Silver and Bronze depending on the institution complying two sets of requirements: compliance with a mandatory subset of indicators and with a proportion of the number of indicators; these are defined for each level. For more details, please follow the link: [https://sptf.info/images/Client\\_Protection\\_Certification\\_framework\\_final.pdf](https://sptf.info/images/Client_Protection_Certification_framework_final.pdf)

# SPECIAL PROJECTS

## PASIO PROJECT

Sejaya Micro Credit, in collaboration with Silatech (a Qatar-based organisation), launched the Pasio Project, a specialised initiative aimed at supporting young entrepreneurs aged 18 to 35. The project promotes income generation and financial inclusion through the following components:

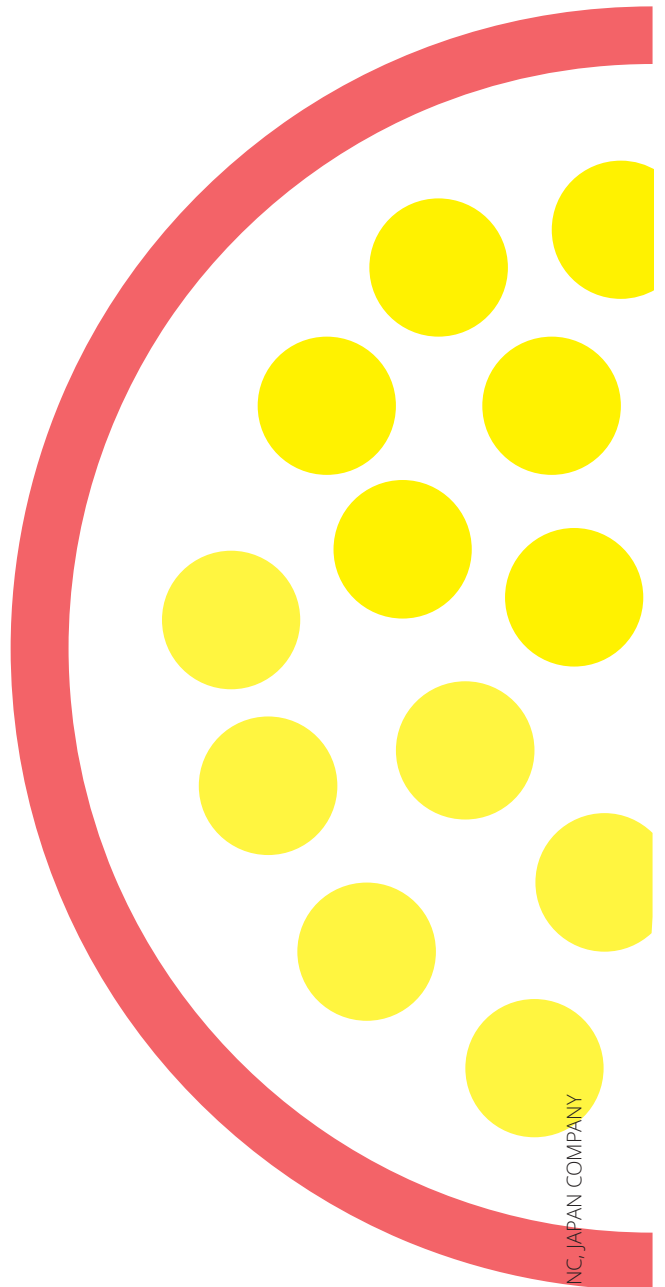
**Eligibility:** Loan facilities are offered to youth (18–35 years) to support business growth and improve income levels.

**Digital Loan Facility:** A fully digital lending platform provides seamless financial access. Initially, small loans of Rs. 10,000 are disbursed via the mobile app, with higher amounts available in future cycles based on client needs.

**Loan Management Services:** Clients can manage their loans through a user-friendly digital platform with full transparency and 24/7 customer support.

**Community Engagement:** A dedicated WhatsApp group fosters peer learning, market awareness, and identification of business opportunities related to raw materials and sales, while encouraging digital confidence.

**Business Profile Enhancement:** Entrepreneurs receive support in building their digital presence, including online storefronts to promote and sell products.



### **Awareness Programmes and Events:**

Regular workshops and events are organised to educate and empower young business owners.

This programme not only provides access to finance but also equips young entrepreneurs with the tools and skills needed for long-term, sustainable business growth.

### **Operations and SPM Offsite – Gojo Group of Companies**

The 2024 OPS-SPM Offsite of Gojo & Company Inc. was held in Sri Lanka from October 8 to October 12, 2024, at Cinnamon Bay, Beruwala. The event brought together team members from Gojo as well as participants from five affiliated group companies.



# PRODUCT PORTFOLIO

Sejaya Micro Credit Limited offers a range of loan products tailored to meet the diverse needs of its clients

**JLG Loan (සමුදා මාතෘකා):** For clients needing small capital to support income-generating activities.

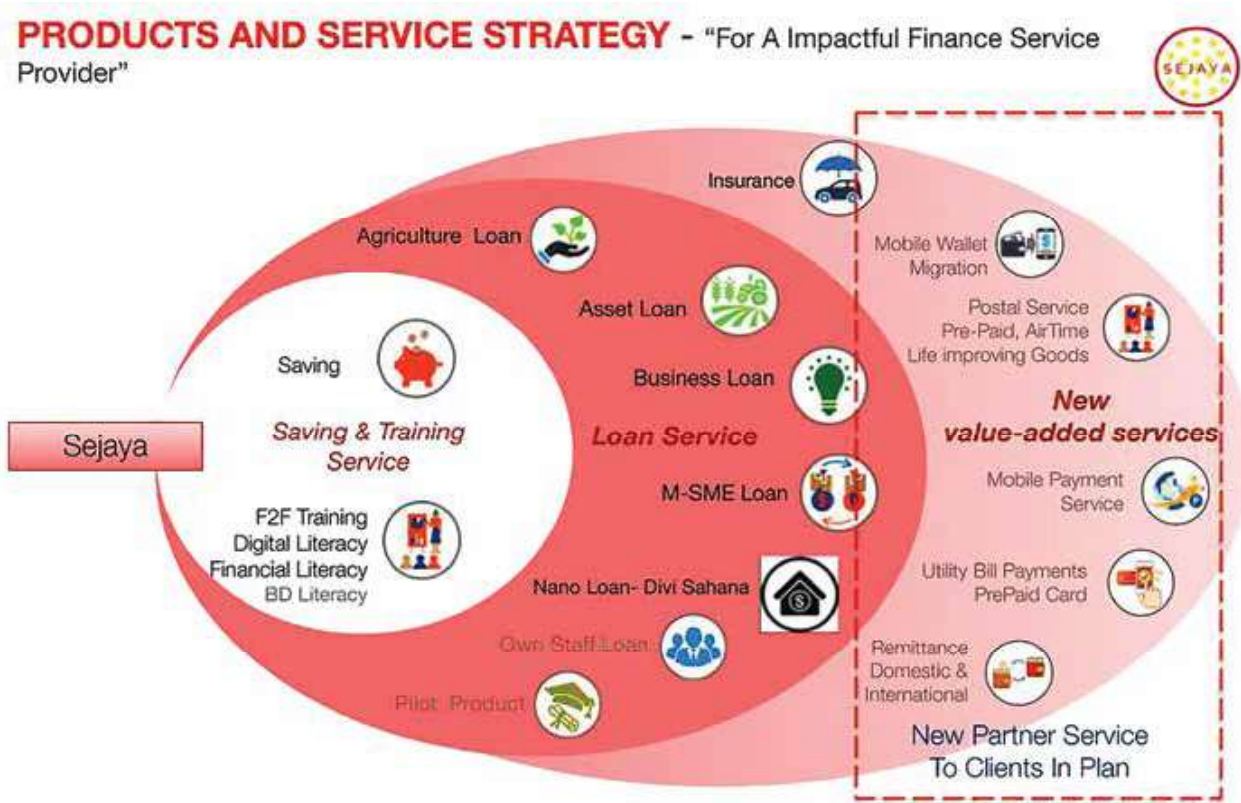
**House Renovation (සවිලිකිරීම):** For clients needing capital to build or renovate their houses.

**Micro Enterprise Loan (කුෂල්‍ය උපාය):** For clients aiming to grow their existing micro businesses.

**Emergency Loan (දිවි සහන):** For existing clients requiring funds for emergencies.

**Loan Enhancement (හරසර):** For existing clients needing larger loans to expand their micro businesses

**Seasonal Loans (අත නීත):** Caters to short-term requirements of seasonal businesses. Additionally, Sejaya has introduced the Pasio mobile application, enhancing accessibility and convenience for clients to manage their loans and financial activities.



Strong focus on rural/small-scale underserved groups & individuals farmers, women micro-entrepreneurs and small businesses

# BRANCH NETWORK

As at December 31, 2024, SMCL operates through 51 branches across 24 districts in Sri Lanka, including:

Padukka, Hanwella, Ingiriya, Pasyala, Avissawella, Galigamuwa, Narammala, Mawanella, Mathugama, Ganemulla, Pelmadulla, Pallebedda, Welimada, Monaragala, Kesbewa, Balangoda, Ragala, Wattegama, Kothmale, Kaluwanchikudy, Dickoya, Valaichchena, Thirukkivil, Kilinochchi, Chavakachcheri, Mullaitivu, Kekirawa, Baddegama, Bandaragama, Akkaraipattu, Dehiattakandiya, Nikaweratiya, Maho, Wellawaya, Karandeniya, Ampara, Kebithigollewa, Nuwara Eliya, Gampola, Ambalantota, Beruwala, Elpitiya, Kuliypitiya, Thambuttegama, Vavuniya, Nawalapitiya, Wariyapola, Hatton, Kegalle, Chilaw, Anuradhapura



# FINANCIALS

## AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 119, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka  
Tel: +94 11 246 3500  
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Email: eysl@lk.ey.com  
ey.com

PNS/SD

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEJAYA MICRO CREDIT LIMITED

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of Sejaya Micro Credit Limited ("the Company"), which comprise the statement of financial position as at 31 December 2024, and the 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for opinion

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

##### 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 those financial statements.

(Contd...2/)



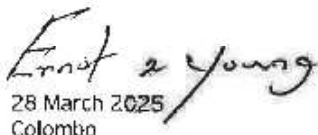
As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### 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.

  
28 March 2025  
Colombo

# FINANCIAL STATEMENTS



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

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

PNS/SD/DRM

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEJAYA MICRO CREDIT LIMITED Report on the audit of the financial statements

### OPINION

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28 March 2025  
Colombo

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

		2024	Restated 2023
	Note	LKR	LKR
Interest income	6.	1,246,229,419	943,929,405
Interest expense	7.	(445,643,265)	(341,913,460)
<b>Net interest income</b>		800,586,154	602,015,945
Other income	8.	291,899,631	174,569,561
<b>Total operating income</b>		1,092,485,785	776,585,506
Impairment for loans	9.	(3,307,866)	12,783,646
Net operating income		1,089,177,919	789,369,152
Staff costs		(367,030,311)	(265,567,697)
Administrative expenses		(376,642,868)	(272,746,054)
<b>Profit from operation before finance cost</b>		345,504,741	251,055,401
Finance charges	10.	(6,357,485)	(4,311,403)
<b>Operating profit before VAT on financial services</b>	11.	339,147,256	246,743,998
Taxes on financial services	12.	(132,103,745)	(70,614,472)
<b>Operating profit after VAT on financial services</b>		207,043,511	176,129,526
Income tax expenses	13.	(121,781,820)	(46,331,626)
<b>Profit for the year</b>		85,261,691	129,797,900
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that will not be reclassified to the income statement			
Net actuarial Gain/(Losses) on defined benefit plans		(2,736,779)	(1,319,826)
<b>Total comprehensive income for the year</b>		82,524,912	128,478,074
Earnings Per Share - Basic		6.56	9.98

The accounting policies and notes on pages 07 to 43 form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

Assets	Note	2024	Restated	Restated
		LKR	2023	2022
		LKR	LKR	LKR
Cash and cash equivalents	14.	78,443,726	88,333,209	88,151,225
SSR Reserve (Liquidity Reserve)	14.	1,221,787		
Financial Assets at Amortized cost - Investment in Fixed deposits	15.	2,393,247,251	1,868,437,620	1,953,684,560
Financial Assets at Amortized cost - Loans receivable	16.	3,625,517,916	2,487,057,030	1,875,655,472
Deposits advances and prepayments		59,910,900	29,608,805	29,523,075
Amounts due from related parties	17.	9,515,694	1,106,464	766,763
<b>Deferred tax asset</b>	26.	32,262,869	34,168,263	43,494,789
Intangible assets	18.	2,048,978	183,892	256,612
Property and equipment	19.	53,463,918	49,162,963	59,901,876
Right of use assets	20.	1,494,817,777	40,633,328	5,379,980
<b>Total assets</b>		<b>6,306,110,816</b>	<b>4,598,691,573</b>	<b>4,096,814,352</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Due to Banks	21.	2,470,878,896	1,505,759,248	1,521,935,570
Due to Customers	22.	14,785,244		
Right of use obligation	20.	2,485,422,214	39,300,264	42,144,428
Other payables	23.	54,795,917	27,827,158	24,801,010
Amount due to related parties	24.	2,454,723,888	1,956,571,211	1,598,317,234
Other liabilities	25.	25,270,295	17,451,065	23,611,831
Retirement benefit obligations	27.	17,906,927	10,285,499	5,561,925
Current tax liabilities	28.	131,941,595	36,756,202	4,179,500
<b>Total liabilities</b>		<b>5,218,844,976</b>	<b>3,593,950,646</b>	<b>3,220,551,499</b>
<b>Equity</b>				
Stated capital	29.	920,214,296	920,214,296	920,214,296
Retained earnings		167,051,544	84,526,631	(43,951,443)
<b>Total equity</b>		<b>1,087,265,840</b>	<b>1,004,740,927</b>	<b>876,262,853</b>
<b>Total equity and liabilities</b>		<b>6,306,110,816</b>	<b>4,598,691,573</b>	<b>4,096,814,352</b>

We certify that these Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The accounting policies and notes on pages 07 to 43 form an integral part of the financial statements.

28 March 2025

Colombo

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	<b>Stated</b>	<b>Retained</b>	
	<b>capital</b>	<b>earnings</b>	<b>Total</b>
	<b>LKR</b>	<b>LKR</b>	<b>LKR</b>
As at 31 December 2022 - As Reported	920,214,296	(60,566,621)	859,647,675
First-time adoption of SLFRSs (Note A)	-	16,615,178	16,615,178
<b>As at 31 December 2022 - As Restated</b>	<b>920,214,296</b>	<b>(43,951,443)</b>	<b>876,262,853</b>
<b>Balance as at 01 January 2023</b>	<b>920,214,296</b>	<b>(43,951,443)</b>	<b>876,262,853</b>
Profit for the year	-	129,797,900	129,797,900
Other comprehensive income for the year, net of income tax	-	(1,319,826)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>128,478,074</b>	<b>29,797,900</b>
<b>Balance as at 31 December 2023</b>	<b>920,214,296</b>	<b>84,526,631</b>	<b>1,006,060,753</b>
Profit for the year	-	85,261,691	85,261,691
Other comprehensive income for the year, net of income tax	-	(2,736,779)	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>82,524,912</b>	<b>85,261,691</b>
<b>Balance as at 31 December 2024</b>	<b>920,214,296</b>	<b>167,051,544</b>	<b>1,091,322,444</b>

## Note A

### First-time adoption of SLFRSs

Recognition of difference between Right of use asset and Lease liability applying SLFRS 16 as at 01st January 2023	-	1,824,609	-
-			
Transitional Liability/(Asset) at beginning of the year - Retirement benefit obligation	-	6,368,476	-
-			
Recognition of Expected Credit Losses on Financial Assets at Amortized cost	-	(35,721,102)	-
-			
Reassessment adjustment on useful life of Motor vehicles	-	9,756,149	-
Interest income and interest in suspense adjustment in line with SLFRS 9	-	5,503,618	-
Deferred tax impact on transition to full SLFRS	-	28,883,428	-
	-	16,615,178	-

The accounting policies and notes on pages 07 to 43 form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	Restated 2024 LKR	2023 LKR
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		207,043,511	176,129,526
<b>Adjustment for:</b>			
Depreciation on Property, plant and equipment	19.	25,018,252	20,739,920
Amortization on Right of Use Assets	20.	1 22,536,655	18,138,435
Amortization on Intangible assets	18.	329,335	72,719
Lease interest income	10.	(413,626)	(305,983)
Loan interest expense	21.	257,434,164	250,953,741
Impairment on Financial Assets at Amortized cost - Loans receivable	16.	(1,778,910)	19,791,466
Impairment on Financial Assets at Amortized cost - Investment in Fixed deposits	15.	24,044	(69,121)
Provision for gratuity	27.	5,350,164	3,742,437
(Gain)/Loss from disposal of fixed assets	19.	10,428	(47,909)
<b>Operating profit before working capital changes</b>		<b>515,554,017</b>	<b>489,145,231</b>
<b>Movement in working capital:</b>			
(Increase)/Decrease in Financial Assets at Amortized cost - Loans receivable	16.	(1,136,681,976)	(631,193,023)
(Increase)/Decrease in Deposits, advances and prepayments		(30,401,091)	7,435
(Increase)/Decrease in Amount due from related parties	17.	(8,409,230)	(339,701)
Increase/(Decrease) in Other payables	23.	26,968,759	3,026,033
Increase/(Decrease) in Due to customers	22.	14,785,244	-
Increase/(Decrease) in Other liabilities	25.	7,819,230	(6,160,766)
Increase/(Decrease) in Amount due to related parties	24.	498,152,677	358,253,977
<b>Cash flows used in operations</b>		<b>(112,212,371)</b>	<b>212,739,186</b>
Tax paid	28.	(24,691,033)	(4,428,398)
Finance Cost Paid		(4,664,985)	(4,221,403)
Gratuity Paid	27.	(465,515)	(338,690)
<b>Net cash flows used in operating activities</b>		<b>(142,033,904)</b>	<b>203,750,695</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	19.	(29,377,472)	(10,015,097)
Purchase of intangible assets	18.	(2,194,421)	-
(Investment in)/ Proceeds from withdrawal of Fixed deposits	15.	(526,688,000)	74,220,000
Interest income received from fixed deposits	15.	1,854,325	11,096,061
Fund transferred to SSR Reserve (Liquidity Reserve)	14.1	(2,217,787)	-
Sales proceed from disposal of Assets	19.	47,837	62,000
<b>Net cash flows from/(used in) investing activities</b>		<b>(558,575,518)</b>	<b>75,362,965</b>
<b>Cash flows from financing activities</b>			
Term loans obtained	21.	4,225,315,000	3,856,644,998
Repayment of loan capital	21.	(3,258,497,745)	(3,874,942,660)
Repayment of principal portion of lease liabilities	20.	2 (17,514,165)	(13,027,825)
Term loan interest paid	21.	(258,583,150)	(247,606,189)
<b>Net cash flows from financing activities</b>		<b>690,719,939</b>	<b>(278,931,676)</b>
Net (decrease)/increase in cash and cash equivalents		(9,889,483)	181,984
Cash and cash equivalents at the beginning of the year		88,333,209	88,151,225
<b>Cash and cash equivalents at the end of the year</b>		<b>78,443,726</b>	<b>88,333,209</b>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand and bank		78,443,726	88,333,209
<b>Total cash and cash equivalents</b>		<b>78,443,726</b>	<b>88,333,209</b>

The accounting policies and notes on pages 07 to 43 form an integral part of the financial statements.