MERCANTILE INVESTMENTS AND FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2025

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MERCANTILE INVESTMENTS AND FINANCE PLC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mercantile Investments and Finance PLC (the Company), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting 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 March 2025 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Allowances for Expected Credit Losses of loans and lease receivables

Allowances for expected credit losses of loans and lease receivables measured at amortised cost as stated in Notes 23 and 24 respectively, is determined by management based on the accounting policies described in Note 3.2 to the financial statements.

This was a key audit matter due to

• the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and
• the materiality of the reported amount of Allowances for expected credit losses.

Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and the associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity.

Further information on the key estimates, assumptions and judgements is disclosed in Note 2.11.
</td><td>
In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures:

• Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies based on the best available information up to the date of our report.
• Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.
• Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company.
• Evaluated the reasonableness of credit quality assessments and related stage classifications.
• In addition to the above, the following procedures were performed:

For loans and lease receivables assessed on an individual basis for impairment:

• Tested the arithmetical accuracy of the underlying individual impairment calculations.
• Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to status of recovery action of the collaterals.
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	For loans and lease receivables assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the impairment for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. • Assessed the adequacy of the related financial statement disclosures set out in notes 23,24,3.2 and 2.11.

Information Technology (IT) systems related internal controls over financial reporting
 	
Company's financial reporting process is significantly reliant on IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by the IT systems, that are compiled and formulated with the use of spreadsheets.
 	
Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.
	Our audit procedures included the following key procedures:
	
	• Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.
	• Involved our internal specialized resources and;
	
	  ◦ Obtained an understanding IT Governance Structure of the Company
	  ◦ Identified, evaluated and tested the design and operating effectiveness of IT system related internal controls over financial reporting, relating to user access and change management, and
	  ◦ Obtained a high-level understanding of the cybersecurity risks affecting the Company and the actions taken to address these risks primarily through inquiry.
	
	• Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

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Other Information included in the Company's 2025 Annual Report

Other information consists of the information included in the Company's 2025 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2025 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

11 June 2025
Colombo

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2025

	Note	2025 Rs.'000	2024 Rs.'000
Gross income	6	11,952,001	10,948,958
Interest income	7.1	11,643,483	10,628,251
Interest expenses	7.2	(5,256,552)	(6,441,603)
Net interest income		6,386,931	4,186,648
Fee and commission income	8	92,626	75,732
Net fee and commission income		92,626	75,732
Other operating income	9	215,892	244,975
Total operating income		6,695,449	4,507,355
Impairment charge for loans and receivables and other financial assets	10	(224,648)	(7,911)
Net operating income		6,470,801	4,499,443
Less: Operating expenses			
Personnel expenses	11	(2,093,207)	(1,592,749)
Depreciation of PPE, Right-of-use assets and amortization of intangible assets	12	(255,511)	(162,490)
Other operating expenses	13	(1,976,395)	(1,516,724)
Total operating expenses		(4,325,113)	(3,271,963)
Operating profit before VAT on financial services		2,145,689	1,227,480
Value Added Tax on financial services	15.2	(737,622)	(559,538)
Operating profit after VAT on financial services		1,408,066	667,942
Add: Share of associate company's profit net of tax	14	199,266	151,837
Profit before taxation from operations		1,607,332	819,779
Less: Income tax expenses	15	(532,665)	(263,966)
Profit for the year		1,074,666	555,813
Other comprehensive income/(expenses)			
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods			
Changes in fair value of Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	46.1	(8,600)	(29,972)
Other comprehensive expenses to be reclassified to profit or loss in subsequent periods		(8,600)	(29,972)
Other comprehensive income/(expenses) not to be reclassified to profit or loss in subsequent periods			
Changes in fair value of Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	46.1	630,994	488,545
Net change in revaluation surplus on Land & Buildings	41.1	-	324,211
Deferred tax effect on revaluations surplus on Land & building	37	-	(97,263)
Share of other comprehensive income of associates (net of tax)	29.1	113,091	13,897
Actuarial loss on retirement benefit obligation	38.2	(65,004)	(60,120)
Deferred tax effect on actuarial gain	37	1,465	14,073
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		680,546	683,343
Other comprehensive income for the year (net of tax)		671,946	653,371
Total comprehensive income for the year (net of tax)		1,746,612	1,209,184
Earnings per share			
Basic earnings per share (Rs.)	16	357.51	184.90
Diluted earnings per share (Rs.)	16	357.51	184.90
Dividend per ordinary share (Rs.)	17	25	20

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Figures in brackets indicate deductions.
The significant accounting policies and the notes from pages 10 to 100 form an integral part of these financial statements.

Mercantile Investments and Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Note	2025 Rs.'000	2024 Rs.'000
Assets			
Cash and cash equivalents	20	2,720,258	2,492,057
Placement with banks at Amortized cost	21	41,040	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	22.1	7,199,933	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	22.2 & 22.3	344,772	329,519
Financial assets at amortized cost - Loans and advances	23	27,931,006	16,591,202
Financial assets at amortized cost - Finance leases receivables	24	25,060,964	20,302,868
Financial assets at amortized cost - Hire purchase receivables	25	80,718	101,631
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	22.1 a)	70,427	70,427
Other financial assets	26	284,228	289,256
Inventories	27	73,839	101,181
Other assets	28	222,488	179,493
Investment in associates	29	1,716,582	1,404,225
Investment Property	30	258,390	260,056
Property, Plant and Equipment	31	4,512,331	4,391,241
Right-of-use assets	31.15	327,439	215,306
Leasehold property	32	38,397	38,866
Intangible assets	33	51,167	32,094
Total assets		70,933,978	53,230,713
Liabilities			
Bank overdraft		687,242	317,122
Financial liabilities at amortized cost - Deposits due to customers	34	42,775,086	36,104,935
Financial liabilities at amortized cost - Debt instruments issued and other borrowings	35	11,418,919	2,441,542
Other financial liabilities	36	350,288	430,673
Current tax liabilities		194,269	236,812
Deferred tax liabilities	37	685,588	750,164
Other liabilities		94,975	114,915
Retirement benefit obligations	38	489,083	396,405
Lease Liability	39	401,997	273,077
Total liabilities		57,097,447	41,065,645
Shareholders' funds			
Stated capital	40	36,000	36,000
Revaluation reserve	41.1 & 41.2	2,997,540	2,884,448
Statutory reserve fund	42	941,400	887,400
General reserves	43	4,086,430	4,086,430
Retained earnings	44	4,829,865	3,122,457
Regulatory loss allowance reserve	45	336,894	1,067,521
Fair Value through OCI reserve	46	608,402	80,812
Total shareholders' funds		13,836,531	12,165,068
Total liabilities and shareholders' funds		70,933,978	53,230,713
Net assets per share (Rs.)		4,603	4,047
Capital commitments and contingencies	47 & 48		

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

....

Deva Anthony

Chief Financial Officer / Director (Non-Board)

The Board of Directors are responsible for these Financial Statements.

The Financial Statements were authorized for issue by the Directors on 11 June 2025. The Directors have the power to amend and reissue the Financial Statements. Signed for and on behalf of the Board by;

....

Gerard G. Ondaatjie

Managing Director

....

Shermal H. Jayasuriya

Finance Director

The significant accounting policies and the notes from pages 10 to 100 form an integral part of these financial statements.

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11 June 2025

Colombo

Mercantile Investments and Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025

	Note	Stated Capital Rs.'000	Revaluation Reserves Land and Buildings Rs.'000	Associate Company Reserve Rs.'000	Statutory Reserves Rs.'000	General Reserves Rs.'000	Requlatory Loss Allowance Reserves Rs.'000	Fair Value through OCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
As At 31st March, 2023		36,000	2,052,204	591,399	857,400	4,086,430	1,043,234	(372,519)	2,721,856	11,016,005
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	555,814	555,814
Other comprehensive income/(expenses)		-	226,947	13,897	-	-		458,573	(46,047)	653,371
Total comprehensive income/(expenses)		-	226,947	13,897	-	-	-	458,573	509,767	1,209,184
Dividends paid to equity shareholders		-	-	-	-	-	-		(60,120)	(60,120)
Transfer to retained profit		-	-	-	-	-	-	(5,242)	5,242	-
Transfer to regulatory loss allowance reserve		-	-	-	-	-	24,287	-	(24,287)	-
Transfer to statutory reserve		-	-	-	30,000	-	-	-	(30,000)	-
As At 31st March, 2024		36,000	2,279,152	605,297	887,400	4,086,430	1,067,522	80,812	3,122,457	12,165,068
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	1,074,666	1,074,666
Other comprehensive income/(expenses)		-	-	113,091	-	-		622,395	(63,539)	671,947
Total comprehensive income/(expenses)		-	-	113,091	-	-	-	622,395	1,011,128	1,746,614
Dividends paid to equity shareholders		-	-	-	-	-	-		(75,150)	(75,150)
Transfer to retained profit		-	-	-	-	-	-	(94,802)	94,802	-
Transfer to regulatory loss allowance reserve		-	-	-	-	-	(730,628)	-	730,628	-
Transfer to statutory reserve		-	-	-	54,000	-	-	-	(54,000)	-
As At 31st March, 2025		36,000	2,279,152	718,388	941,400	4,086,430	336,894	608,405	4,829,865	13,836,531

Figures in brackets indicate deductions.

The significant accounting policies and the notes from pages 10 to 100 form an integral part of these financial statements.

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STATEMENT OF CASH FLOW

Year ended 31 March 2025

	Note	2025 Rs.000	2024 Rs.000
Cash flow from operating activities			
Profit before tax		1,607,331	819,780
Capital gain from sale of quoted shares and treasury bonds	9	8	-
Unrealized loss from investments of FVPL	9	414	(27,549)
Dividend from investing securities	9	(75,557)	(35,705)
Share of profit of associate investments	14	(199,266)	(151,837)
Profit on sale of Property, Plant and Equipment	9	(3,286)	(423)
Depreciation of Property, Plant and Equipment	12	126,084	91,175
Depreciation of Investment Property	12	1,665	1,665
Depreciation of ROU assets	12	97,199	58,694
Amortization of leasehold property	12	468	468
Amortization of intangible assets	12	30,095	10,488
Provision for bad and doubtful debts	10	209,549	7,911
Retirement benefit provision	38.2	86,721	85,397
Retirement benefit paid	38.2	(59,047)	(86,631)
Operating profit before changes in operating assets and liabilities (Note A)		1,822,380	773,433
(Increase) / decrease in operating assets			
Deposits held for regulatory purposes		(1,096,978)	(505,522)
Funds advanced to customers		(16,286,536)	(4,178,144)
Other receivables		(10,625)	707,817
Increase / (decrease) in operating liabilities			
Other payables		53,291	195,119
Deposits from customers		6,670,151	4,881,221
		(8,848,318)	1,873,924
Income taxes paid		(652,920)	(119,314)
Net cash from operating activities		(9,501,237)	1,754,610
Cash flows from investing activities			-
Dividends received	9	75,557	35,705
Dividends received from associates	29.1	-	17,031
Purchase of Equity securities		(24,229)	(4,640)
Proceeds from sale of equity securities		918,246	58,502
Purchase of Property, Plant and Equipment	31	(277,497)	(229,313)
Proceeds from sale of Property, Plant and Equipment		33,609	2,179
Acquisition of investment properties		-	(34,500)
Acquisition of intangible assets	33	(49,168)	(33,247)
Net cash from investing activities		676,518	(188,282)
Cash flows from financing activities			-
Borrowings obtained during the year		9,957,419	2,400,000
Borrowings repaid during the year		(1,199,467)	(3,445,901)
Dividends paid		(75,151)	(43,038)
Net Cash from financing activities		8,682,801	(1,088,939)
Net increase in cash and cash equivalents		(141,918)	477,389
Cash and cash equivalents at the beginning of the period		2,174,936	1,697,545
Cash and cash equivalents at the end of the period (Note B)		2,033,016	2,174,936

Reconciliation of profit before tax with cash inflow from operating activities (Note A)

Cash and cash equivalents at the end of the period (Note B)			
Cash in hand	20	700,076	386,458
Balances with bank	20	254,181	321,724
Money market balances	20	1,766,001	1,783,875
Bank Overdrafts		(687,242)	(317,122)
		2,033,016	2,174,936

Operational Cash flow from Interest		
Interest Received	11,239,866	10,789,748
Interest payments	(5,143,715)	(6,797,201)

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The significant accounting policies and the notes from pages 10 to 100 form an integral part of these financial statements.

1.1 Corporate information

Mercantile Investments and Finance PLC ('the Company') is a public limited liability company, listed on the Colombo Stock Exchange, incorporated on 15th June 1964, and domiciled in Sri Lanka. It is a licensed finance company regulated under the Finance Business Act No. 42 of 2011. The company was re-registered under the Companies Act No. 07 of 2007.The registered office of the company is located at No. 236, Galle Road, Colombo 03.

The staff strength of the company as of 31st March 2025 was 1,613 (1,198 as of 31st March 2024).

1.2 Principal activities and nature of operations

Company

The company provides a comprehensive range of financial services, including accepting deposits, granting loans, lease financing, hire purchase financing, fleet management and share trading.

Associates

The principal activity of the company's associate, namely Nuwara Eliya Hotels Company PLC is engaged in the provision of hotel services.

There were no significant changes in the nature of the principle activities of the company and its associate during the financial year under review.

1.3 Parent enterprise and ultimate parent enterprise

The company doesn't have an identifiable parent of its own.

1.4 Approval of financial statements by the Board of Directors

The financial statements of Mercantile Investments and Finance PLC for the year ended 31 March 2025 (including comparatives) were approved and authorized for issue by the Board of Directors on 11th June 2025.

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2. BASIS OF PREPARATION

This section provides a summary of material accounting policies, judgements, estimates and assumptions used and other general accounting policies.

All specific accounting policies and accounting estimates in relation to the reported values have been presented in the respective notes in the financial statements.

These financial statements have been prepared under the historic cost basis, except for certain financial assets and liabilities, which are measured at fair value.

2.1 Statement of compliance

The financial statements of the company have been prepared and presented in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards ('SLFRS') and Sri Lanka Accounting Standards ('LKAS') (hereafter "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka, relevant interpretations of the Standing Interpretations Committee ('SIC') and International Financial Reporting Interpretations Committee ('IFRIC') and in compliance with the requirements of the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011 and amendments thereto, providing appropriate disclosure as required by Listing Rules of the Colombo Stock Exchange. These Sri Lanka Accounting Standards are available at www.slaasc.com.

The formats used in the preparation of the financial statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of annual audited financial statements of licensed finance companies.

2.2 Responsibility for financial statements

The Board of Directors is responsible for these financial statements of the company as per the provision of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for the financial statements in the statement of financial position.

These financial statements include the following components:

- Statement of comprehensive income providing the information on the financial performance of the company for the year under review (refer to page 6).
- Statement of financial position providing the information on the financial position of the company as at year-end (refer to page 7).
- A statement of changes in equity depicting all changes in shareholders' equity during the year under review (refer to page 8).
- Statement of cash flow providing the information on the users on the ability of the company to generate cash and cash equivalents and the needs for the utilization of those cash flows (refer to page 9)
- Notes to the financial statements that comprise of accounting policies used and other explanatory information (refer to pages 10 to 101).

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2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position. Where appropriate, the specific policies are explained in the succeeding notes.

Items	Basis of measurement	Note No.
Financial investments at FVPL	Measured at Fair value	22
Financial investments at FVOCI	Measured at Fair value	22
Land and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are their fair values at the date of revaluation	31
Defined benefit obligations	Measured at the present value of the defined benefit obligation.	38
Lease liability	Measured at amortised cost using effective interest rate method	39

2.4 Functional currency and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates ('the functional currency'), which is the Sri Lankan Rupee .

These financial statements are presented in Sri Lankan Rupees, which is the company's functional and presentation currency except when otherwise indicated.

2.5 Presentation of financial statements

The assets and liabilities of the company presented in its statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 55 to the financial statements.

2.6 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements".

Notes to the financial statements are presented in a systematic manner, which ensures the understandability and compatibility of the financial statements of the Company. The understandability of the financial statements is not compromised by obscuring material information or by aggregating material items that have different natures or functions.

2.7 Rounding

The amounts in the financial statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements".

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2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of comprehensive income, unless required or permitted by an accounting standards or interpretation, and as specifically disclosed in the accounting policies of the company.

2.9 Comparative information

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

2.10 Going concern basis of accounting

When preparing the financial statements, the management shall assess the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.11 Use of judgements and estimates

The preparation of the company's financial statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods and thus the actual results may differ from these estimates.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis, Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period and any future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

2.11.1 Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not possible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The valuation of financial instruments is described in more detail in the Note 19 to the financial statements.

2.11.2 Financial assets and liabilities classification

The accounting policies of the company provide scope for assets and liabilities to be classified at inception into different accounting categories under certain circumstances. The classification of financial instrument is given in the Note 18 to the financial statements.

2.11.3 Impairment losses on loans and advances

The measurement of impairment losses under Sri Lanka Accounting Standard – SLFRS 9 across all categories of financial assets requires judgements, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

The company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence, actual results may differ, resulting in future changes to the provisions made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to Expected Credit Loss.

A collective assessment of impairment takes into account data from the Loans and advance portfolio (such as credit quality, levels of arrears, credit utilization, advances to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, Inflation, GDP Growth Rate, country risk and the performance of different individual groups).

The impairment loss on loans and receivables is disclosed in more detail in Notes 10, 23, 24 and 25 to the financial statements.

2.11.4 Impairment of other financial assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc.

Management judgement has been involved in determining whether there is a significant increase in the credit risk of these instruments or these instruments are impaired as at the reporting date.

Equity instruments classified as FVOCI are not subject to an impairment assessment.

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2.11.5 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

2.11.6 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements. The details of the deferred tax computation are given in Note 37 to the Financial Statements.

2.11.7 Estimation of income taxes in relation to uncertain tax position

Judgement is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for tax matters based on estimates of whether additional taxes will be due. If the outcome of these taxes results in a difference in the amounts initially recognized, such differences will impact the income tax and/ or deferred income tax provisions in the period in which such determination is made.

2.11.8 Recognition of deferred tax assets

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

2.11.9 Defined benefit obligations

The cost of defined benefit plans is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 38 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 38.4

2.11.10 Estimation of carrying value and useful lives of Property, Plant and Equipment and Intangible Assets

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

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The Company reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plansand strategies, expected levels of usage. Future results of operations could be materially affected by changes in these estimates brought by changes in the factors mentioned. A reduction in the estimated useful lives of PPE and intangible assets would increase the recorded depreciation and amortization charge and decrease the carrying value.

2.11.11 Revaluation of property, Plant and Equipment

The company measures land and buildings at revalued amounts. The company engaged an independent professional valuer to assess fair values of significant components of land and buildings as at 31st March 2025. The key assumptions used to determine the fair value of the land and buildings are provided in the Note 31 to the financial statements.

The Company measures lands and buildings at revalued amounts with changes in fair value being recognized in Equity through Other Comprehensive Income (OCI). Valuations are performed to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Company engages independent professional valuer to assess fair value of land and buildings in terms of Sri Lanka Accounting Standard on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, lands and building were classified at level 3 in the fair value hierarchy

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land building, and sensitivity analysis are provided in Note 31.

2.11.12 Provisions for liabilities, commitments and contingencies

The company receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

Determination of the treatment of contingent liabilities in the financial statement is based on the management's view of the expected outcome of the applicable contingency. The Company consults with legal counsel on matters related to litigation and other experts both within and outside the Company with respect to matters in the ordinary course of business.

2.11.13 SLFRS 16 – Leases

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right- of- use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with a similar security in similar economic environment. Further, the Company applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or the termination option.

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2.11.14 Impact of climate risk

The Company and its customers are exposed to the physical risks from climate change and the risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. Climate-related matters may impact the following items and balances.

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. Overall, the Company is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risk associated with climate change. For example, the majority of the counterparties are not employed, or do not operate in high-risk sectors, nor are they located in high-risk geographical areas. As a result, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13 Fair Value Measurement. Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants' view of climate risk variables.

3. MATERIAL ACCOUNTING POLICIES – RECOGNITION OF ASSETS AND LIABILITIES

Material accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.The accounting policies set out below have been applied consistently to all periods presented in the financial statements, unless otherwise indicated.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective as given in Note 5b).

3.1 Financial instruments — Initial recognition, classification and subsequent measurement

3.1.1 Date of recognition

All financial assets and liabilities except "regular way trades" are initially recognized on the trade date, i.e., the date that the company becomes a party to the contractual provisions of the instrument. "Regular way trades", means purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Those trades are initially recognized on the settlement date.

3.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instrument'.

Transaction costs in relation to financial assets and financial liabilities at fair value through profit and loss are dealt with through the statement of comprehensive income.

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3.1.2.1 Day 1' Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instruments or based on a valuation technique that shows variables include only data from observable markets, the company immediately recognizes the difference between the transaction price and fair value (a 'Day1' profit or loss) in 'interest income and personnel expenses". In cases where fair value is determined using data, that is not observable, or when the instrument is recognized, the 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortized using "Effective Interest Rates" (EIR) over the remaining service period of the employees or tenure of the loan, whichever is shorter.

3.2 Financial Instruments

(i) Classification of Financial Instruments

The Company classifies its financial assets into the following measurement categories:

- Measured at fair value (either through Other Comprehensive Income, or through Profit or Loss); and
- Measured at amortized cost.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Company classifies its financial liabilities at amortized cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

(ii) Financial Assets measured at amortized cost

Cash and Cash equivalent, Placements, Loans and Receivables from Customers and Other Financial Assets are measured at amortized cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest (SPPI) on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost. The measurement of credit impairment is based on the three-stage Expected Credit Loss model described below in Note (V) Impairment of Financial Assets.

a) Business model assessment

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

- The risks that affect the performance of the business model(and the financial assets held within that business model) and, in particular, the way those risks are managed

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- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process, the Company assesses the contractual terms of financial instrument to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimal exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

(iii) Financial assets measured at fair value through Other Comprehensive Income

Equity instruments

Investment in equity instruments that are neither Trading Financial Assets recognized through Profit or Loss, nor contingent consideration recognized by the Company in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through Other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through Other Comprehensive Income, by default such investments shall be measured at fair value through Profit and Loss. Amounts presented in Other Comprehensive Income are not subsequently transferred to Profit or Loss. Dividends on such investments are recognized in Profit or Loss.

Debt Instruments

Investments in debts instruments including Government securities are measured at fair value through Other Comprehensive Income.

Amounts presented in Other Comprehensive Income are not subsequently transferred to Profit or Loss. Interest on such investments is recognized in Profit or Loss.

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(iv) Fair Value through Profit or Loss

Fair Value through Profit or Loss comprise:

- Financial Investments - For Trading.
- Instruments with contractual terms that do not represent solely payments of principal and interest.

Financial Instruments held at fair value through Profit or Loss are initially recognized at fair value, with transaction costs recognized in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the Statement of Profit or Loss as they arise.

Where a Financial Asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

(a) Financial Investments - For Trading

A Financial Investment is classified as Financial Assets recognized through Profit or Loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms part of a portfolio of Financial Instruments that are managed together and for which there is evidence of short-term profit taking, or it is a derivative not in a qualifying hedge relationship.

(b) Financial Instruments designated as measured at fair value through Profit or Loss

Upon initial recognition, Financial Instruments may be designated as measured at fair value through Profit or Loss. A Financial Asset may only be designated at fair value through Profit or Loss if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e., eliminates an accounting mismatch) that would otherwise arise from measuring Financial Assets or Liabilities on a different basis.

A Financial Liability may be designated at fair value through Profit or Loss if it eliminates or significantly reduces an accounting mismatch or:

- Host contract contains one or more embedded derivatives; or
- Financial Assets and Liabilities are both managed, and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

(v) Impairment of Financial Assets

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

- Instruments measured at amortized cost and
- Fair value through Other Comprehensive Income.

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized.

The Company determines 12-month ECL from customers who are not significantly credit deteriorated (i.e., 0 to 30 days past due).

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Stage 2: Lifetime ECL – not Credit Impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e., reflecting the remaining lifetime of the financial asset) is recognized.

In being consistent with the policies of the Company, significant deterioration is measured through the rebuttable presumption of more than 30 days and less than or equal to 90 days past due in line with the requirements of the standard.

Stage 3: Lifetime ECL – Credit Impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognized, and Interest Income is calculated by applying the Effective Rate to the amortized cost (net of provision) rather than the gross carrying amount.

In being consistent with the policies of the Company, the credit-impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Determining the stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment loss reverts from lifetime ECL to 12-month ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's policy criteria, or which are less than 30 days past due, are considered to have a low credit risk.

The provision for impairment loss for these Financial Assets is based on a 12-month ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are shown as an income in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, product type, collateral type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

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Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

- Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.

- Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

ECLs are recognized using a provision for impairment loss account in the Statement of Comprehensive Income. The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of capital and financing income, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued financing income from missed payments.

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including the realization of any collateral.

(vi) Recognition of Financial Instruments

A Financial Asset or Financial Liability is recognized in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument, which is generally on trade date. Loans and Receivables are recognized when cash is advanced (or settled) to the borrowers.

Financial Assets are recognized initially at fair value plus directly attributable transaction costs.

(vii) Offsetting

Financial Assets and Liabilities are offset, and the net amount is presented in the Statement of Financial Position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 56 - Financial risk management - Offsetting of Financial Assets and Liabilities.

(viii) Designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'net gain or loss on financial assets and liabilities designated at fair value through profit or losses. Interest earned is accrued in 'interest income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

The company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

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3.2.1 Loans and receivables

Loans and receivables include, loans and receivables, finance leases receivables, hire purchase receivables and placements with the Banks.

Details of loans and receivables are given in following notes to the financial statements.

Items	Note No.
Loans and receivables	23
Finance leases receivables	24
Hire purchase receivables	25
Placement with Banks	21

3.2.2 Cash and cash equivalents

Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Details of cash and cash equivalents are given in the Note 20 to the financial statements.

3.2.3 Classification and subsequent measurement of financial liabilities

At inception a financial liability is classified into one of the following categories.

- At fair value through profit or loss
  - Held for trading; or
  - Designated at fair value through profit or loss.
- At amortized cost

The subsequent measurement of financial liabilities depends on their classification.

Details on different types of financial liabilities recognized on the statement of financial position are given in the Note 18 to the financial statements.

3.2.4 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designed upon initial recognition as at fair value through profit or loss.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

3.2.5 Financial liabilities at amortized cost

Financial instruments issued by the company that are not designated at fair value through profit or loss, are classified as liabilities under 'due to customers', 'debt securities issued' or 'subordinated term debts' as appropriate, where the substance of the contractual arrangement results in the company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of owned equity shares.

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After initial recognition, such financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of comprehensive income. Gains and losses too are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Details of financial liabilities at amortized cost are given in the following notes to the financial statements.

Items	Note No.
Deposits due to customers	34
Debts instruments issued and other borrowings	35

3.2.6 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.7 De-recognition of financial assets and financial liabilities

3.2.7.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
  - The company has transferred substantially all the risks and rewards of the asset; or
  - The company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass– through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company's continuing involvement in the asset. In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

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3.2.7.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of comprehensive income.

3.2.8 Fair value of financial instruments

Fair value measurement of financial instruments including the fair value hierarchy is explained in note 19 to the financial statements.

3.2.9 Identification and measurement of impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers are experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

3.2.9.1 Impairment of financial assets carried at amortized cost

The Company calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed Finance Companies (LFCs). Accordingly, the Company has been recording impairment (expected credit losses) for all loans and advances, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. Equity instruments are not subject to impairment under SLFRS 9.

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The methodology adopted by the company is explained below:

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

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

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered for accounting judgements and estimates include, Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formula and the choice of input
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).
- Additionally, owing to favourable shifts in major macroeconomic indicators, the Economic Factor Adjustment (EFA) has been appropriately updated to reflect these positive changes.

Individual assessment of impairment

For individual assessment of impairment for financial assets carried at amortized cost (such as loans and advances to customers, finance leases and hire purchase receivable), the company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of a provision account, and the amount of impairment loss is recognized in the statement of comprehensive income. Interest income continues to be accrued and recorded in 'interest income' on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The calculation of the present value of the estimated future cash flows of a collateralized financial asset, reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Loans, together with the associated impairment provision, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If a future write-off is later recovered, the recovery is credited to 'other income'.

Collective Assessment of Impairment

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the company's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year to year such as changes in;

- Growth in Gross Domestic Production (GDP)
- Interest rates
- Inflation rates
- Changes in unemployment rate
- Property prices
- Commodity prices
- Payment status
- Changes in laws and regulations
- Recent lending portfolio growth and product mix

The methodology and assumptions used for estimating provision for impairment, including assumptions for projecting future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of rescheduled loans and advances

Where possible, the company seeks to reschedule loans and advances rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. In the case of individually significant rescheduled credit facilities, once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan/advance is no longer considered past due. The management continually reviews renegotiated loans and advances to ensure that all criteria are met and that future repayments are likely to occur.

Collateral valuation

The company seeks to use collateral, where possible, to mitigate its risks on financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the company's annual reporting schedule.

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

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Collateral repossessed

Repossessed collateral will not be taken into books of accounts unless the company has taken those collaterals into its business operations.

3.2.9.2 Impairment of non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators. Impairment losses of continuing operations are recognized in the statement of comprehensive income under those expense categories consistent with the function of the impaired asset, except for property previously revalued where the gain or loss on revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the extent of any previously recognized revaluation gains.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

3.3 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.3.1 Accounting for Leases where the Company is the lessee

Company as a lessee

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

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(a) Right-Of-Use Assets

The Company recognised Right-Of-Use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right- of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain measurement of the lease liabilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

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Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant rate of return on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'right of use asset' and 'lease liabilities' in the statement of financial position.

(c) Short-term leases and leases of low-value assets

Short-term leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of low value assets are recognized on a straight-line basis as an expense in profit or loss.

3.3.1.2 Company as a lessor

Leases where the company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases.

Details of 'operating leases' are given in the note 9, 26 and 31 to the financial statements.

3.3.2 Finance leases

3.3.2.1 Finance leases – Company as a lessee

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the company, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The company does not have any finance leases as a lessee.

3.3.2.2 Finance leases – company as a lessor

When the company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'finance leases receivables. The finance income receivable is recognized in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Details of 'finance leases receivables are given in note 24 to the financial statements.

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3.4 Hire purchase receivable

Advances granted under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as "hire purchases receivables."

Details of hire purchase receivables are given in the note 25 to the financial statements.

3.5 Property, Plant and Equipment

Details of Property, Plant and Equipment are given in the note 31 to the financial statements.

3.5.1 Depreciation

Details of depreciation is given in the note 31.1 to the financial statements.

3.6 Intangible assets

Details of intangible assets are given in the note 33 to the financial statements.

Amortization recognized during the year in respect of intangible assets is included under the item of amortization of intangible assets under depreciation and amortization in the Statement of Comprehensive Income.

3.7 Investment property

Details of investment property are given in the note 30 to the financial statements.

3.8 Provisions

When the company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the company can reliably estimate the amount of the obligation, we recognize it as a provision in accordance with LKAS 37 - Provisions, Contingent Liabilities and Contingent Asset.

3.9 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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3.10 Employee benefits

3.10.1 Defined benefit plan – gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined in the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

Details of retirement benefit obligations are given in the note 38 to the financial statements.

3.10.2 Defined contribution plan

Details of the defined contribution plans and amount recognized in the statement of comprehensive Income as expenses on defined contribution plans are given in note 11 to the financial statements.

4. MATERIAL ACCOUNTING POLICIES – RECOGNITION OF INCOME AND EXPENSES

Details and recognition criteria of income and expenses are given in notes 6 to 13 to the financial statements.

4.1 Income tax expenses

Details of income tax expense are given in note 15 to the financial statements.

5. a) NEW ACCOUNTING STANDARDS/AMENDMENTS TO EXISTING ACCOUNTING STANDARDS THAT BECAME EFFECTIVE DURING THE YEAR

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 01 January 2024 (unless otherwise stated).

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

- **Amendments to LKAS 1- Presentation of Financial Statements**
  Classification of Liabilities with Covenants as Current or Non-current

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

- **Amendments to LKAS 7 - Statement of Cash Flows and SLFRS 7 – Financial Instruments Disclosures on Supplier Finance Arrangements**

The amendments specify disclosure requirements, which are intended to assist users of financial statements, in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

- **Amendments to LKAS 12 - Income Taxes**
  International Tax Reform – Pillar Two Model Rules

The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the Pillar Two model rules and requires new disclosures about an entity's exposure to income taxes arising from the Pillar Two model rules.

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- **Amendments to SLFRS 16 – Leases**
  Sale and Lease Back Transactions

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

Apart from the above, there were no new accounting standards/amendments to existing accounting standards that became effective during the year.

5. b) ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31ST MARCH 2025

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2025.

The following new accounting standards/amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

SLFRS 17 Insurance Contracts

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

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

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 01 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

This standards are not applicable to the company.

Apart from the above, there were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2025, having a material impact on the Company's Financial Statements. The Company has applied all relevant accounting standards which have been issued up to 31st March 2025 in the preparation of the Financial Statements for the year ended 31st March 2025.

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6. GROSS INCOME

Accounting policy

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and such revenue can be reliably measured. The specific recognition criteria is given under the respective income notes.

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Interest income (Note 7.1)	11,643,483	10,628,251
Fee and commission income (Note 8)	92,626	75,732
Other operating income (Note 9)	215,892	244,975
Total	11,952,001	10,948,958

7. NET INTEREST INCOME

Accounting policy

Recognition of income and expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as Fair Value Through Other Comprehensive Income (FVOCI), interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, pre-payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest and similar income' for financial assets and 'interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Discounts/premium on treasury bills and treasury bonds are amortized over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognized on an accrual basis. The interest income on securities purchased under resale agreements is recognized in the Statement of Profit or Loss and Other Comprehensive Income on an accrual basis over the period of the agreement.

	For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
7.1	**Interest income**		
	Income from finance lease	6,219,490	5,432,365
	Income from hire purchase	-	2,481
	Income from other loans and receivables	4,804,201	4,032,859
	Income from treasury bills and bonds	454,432	877,080
	Income from fixed deposits ,unit trust and money market investments	165,360	283,467
	Total	11,643,483	10,628,251
7.2	**Interest expenses**		
	Interest on fixed deposits	4,538,534	5,856,013
	Interest on savings deposits	8,096	10,326
	Interest on bank overdraft	260	193
	Interest on bank and securitized borrowings	609,239	454,113
	Interest on lease liability	50,271	75,491
	Bank Charges	50,152	45,468
	Total	5,256,552	6,441,603
	Net interest income	6,386,931	4,186,648

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8. FEE AND COMMISSION INCOME

Accounting policy

The company earns fee and commission income from insurance referral business that is accounted for on an accrual basis .

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as introducer commission received on insurance policies of loans and receivable customers.

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Gross Commission Income	92,626	75,732
	92,626	75,732

9. OTHER OPERATING INCOME

Accounting policy

Other income

Other income is recognized on an accrual basis.

Dividend income

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

Gain or losses on disposal of Property, Plant and Equipment, investments in Government Securities, Dealing Securities and Investment Securities

Gains or losses resulting from the disposal of Property, Plant and Equipment is accounted for through the Income Statement and investments in government securities, dealing securities and investment securities gains or losses are accounted for through Other Comprehensive Income, in the period in which the sale occurs except for the component of such investments which are identified for trading and classified as FVPL.

Recovery of bad and doubtful debts written off

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

Operating lease rental income

Income arising on operating leases is accounted for on a straight line basis over the lease terms on ongoing leases.

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Dividend from FVOCI - Financial Investments	75,557	35,705
Capital gain/(loss) on Government Securities & Equity Securities FVPL - Financial Investments	(8)	142
Unrealized gain/(loss) on Government Securities & Equity Securities FVPL - Financial Investments	(414)	27,407
Rental income from Properties /Investment properties	18,828	19,350
Net gain/(loss) on disposal of Property, Plant and Equipment	3,286	423
Other income	115,953	158,610
Bad debts recovered	2,690	3,337
Total	215,892	244,975

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10. IMPAIRMENT CHARGES AND OTHER LOSSES

Accounting policy

The company recognizes the changes to the impairment provision which is assessed based on Expected Credit Loss method (ECL) in accordance with the Sri Lanka Accounting Standard -SLFRS 09 (Financial Instruments).The methodology adopted by the company is explained in the note 3.2 (v) to these Financial Statements.

10.1 For the year ended 31st March

	2025 Rs.'000	2024 Rs.'000
Charges / (reversals) to the Statement of Profit or Loss and Other Comprehensive Income on impairment		
- Loans and receivables (Note 23.4)	(71,302)	(143,307)
- Finance leases receivables (Note 24.4)	288,810	84,593
- Hire purchase receivables (Note 25.4)	(7,959)	(12,033)
-Other financial assets (Note 26.1)	15,099	78,658
Total	224,648	7,911

The comparative figures for the provision for other financial assets include the provision made for the investment in a repurchase agreement with a primary dealer.

10.2 Analysis of Impairment Charges and Other Losses

	2025				**2024**			
	Stage 1 Rs.'000	**Stage 2 Rs.'000**	**Stage 3 Rs.'000**	**Total Rs.'000**	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
Other Loans and receivables	42,666	23,310	(137,280)	(71,303)	5,023	(21,206)	(127,123)	(143,307)
Finance leases receivables	(790)	(7,924)	297,524	288,810	(7,811)	(54,793)	147,198	84,593
Hire purchase receivables	23,259	(16)	(31,202)	(7,958)	(167)	(662)	(11,204)	(12,033)
Other financial assets	-	-	15,099	15,099	-	-	78,658	78,658
Total	65,135	15,370	144,141	224,648	(2,956)	(76,661)	87,528	7,911

11. PERSONNEL EXPENSES

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

Bonus
The provision for bonus is recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Defined contribution plans - Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF)
A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods as defined in the 'Sri Lanka Accounting Standard LKAS 19 - Employee Benefits'.

The contribution payable to a defined contribution plan is in proportion to the services rendered to the company by the employees and is recorded as an expense when they become due. Unpaid contributions are recorded as a liability.

The company and the employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund where as the company contributes 3% of the salary to the Employees' Trust Fund.

Defined benefit plan - gratuity
Defined benefit plan contributions are recognized in the Statement of Profit or Loss and Other Comprehensive Income based on an actuarial valuation carried out for the gratuity liability in accordance with 'LKAS 19 - Employee Benefits'.

For the year ended 31st March	**2025 Rs.'000**	**2024 Rs.'000**
Salaries and bonus	1,643,185	1,220,946
Directors' emoluments (Note 11.1)	117,151	98,678
Employer's contribution to EPF	163,876	123,859
Employer's contribution to ETF	39,863	30,093
Defined benefit plan (Note 38.2)	86,721	85,397
Other allowances and staff related expenses	42,412	33,776
Total	2,093,207	1,592,749

11.1 Directors' emoluments

Directors' emoluments represents the fees, salaries and allowances paid to both Executive and Non-Executive Directors of the company.

12. DEPRECIATION OF PROPERTY PLANT AND EQUIPMENT (PPE), RIGHT-OF-USE (ROU) ASSETS AND AMORTIZATION OF INTANGIBLE ASSETS

Accounting policy
Depreciation of Property, Plant and Equipment & Right of Use Assets

Depreciation is recognized in the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of Property Plant and Equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated. The estimated useful lives are as follows:

Class of assets	Depreciation % per annum	Estimated useful life
Buildings	1.33 - 2.5	Years
Plant and machinery	20	5 Years
Computer equipment	25	4 Years
Office equipment	10	10 Years
Furniture and fittings	10	10 Years
Fixtures	10	10 Years
Motor vehicles	10 - 16.67	6 - 10 Years
Office bicycles	10	10 Years
Tools	25	4 Years
Right of Use Assets	20-25	4 - 5 Years

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and commence to depreciate when it is available-for-use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held-for-sale or the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of Property, Plant & Equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in the note 31 to the financial statements.

Depreciation of Investment Property
Investment property includes land and buildings. Depreciation on building are recognized on a straight line basis over the estimated useful life of 40-75 years.

Amortization of intangible assets
Intangible assets are amortized using the straight line method to write down the cost over its estimated useful economic lives as given below:

Class of assets	Depreciation % per annum	Estimated useful life
Computer software	20% - 50%	2 - 5 Years

The unamortized balances of intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognized as expenses in the Statement of Profit or Loss and Other Comprehensive Income to the extent that they are no longer probable of being recovered from the expected future benefits.

The reconciliation of carrying amounts and accumulated amortization and impairment at the beginning and end of the year are given in the note 33 to the financial statements.

Amortization of leasehold property
Leasehold property includes a land on 99 years lease which is amortized over the lease period using the straight line method.

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Depreciation of Investment Property (Note 30)	1,665	1,665
Depreciation of Property, Plant & Equipment (Note 31)	126,084	91,175
Depreciation of ROU Assets (Note 31.15)	97,199	58,694
Amortization of Leasehold Property (Note 32)	468	468
Amortization of Intangible Assets (Note 33)	30,095	10,488
Total	255,511	162,490

The Company has reviewed the residual value and the useful lives of the assets as at 31st March, 2025 and there were no any material changes with the previous year reassessment.

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13. OTHER OPERATING EXPENSES

Accounting policy

Other operating expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit for the year.

Crop Insurance Levy (CIL)

As per the provision of Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from 01st April, 2013 and is payable to the National Insurance Trust Fund.

Currently, the CIL is payable at 1% of the profit after tax and amount relevant for the year is accounted under "other operating Expenses" category of other operating expense.

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Auditors' remuneration	4,147	3,485
Non Audit releated services	2,293	1,020
Professional and legal expenses	26,493	13,886
Advertising and business promotion expenses	102,982	98,076
Insurance premium	89,623	77,074
Donations	546	552
Office and building maintenance	90,235	60,912
Computer equipment maintenance	89,310	74,621
Other Operating Expenses	1,570,766	1,187,098
Total	1,976,395	1,516,724

14. SHARE OF ASSOCIATES COMPANY'S PROFIT AFTER TAXATION

Accounting policy

Investment in associate companies are accounted for by using the equity method of accounting in terms of the Sri Lanka Accounting Standard - LKAS 28 - Investment in Associates and Joint Ventures.

The company's share of profit/(loss) of an associate is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

	2025 Rs.'000	2024 Rs.'000
Nuwara Eliya Hotels Co. PLC share of profit after tax (Note 29.1)	199,266	151,837
Total	199,266	151,837

15. INCOME TAX EXPENSES AND TAX ON FINANCIAL SERVICE

Accounting policy

As per the Sri Lanka Accounting Standard - LKAS 12 on 'Income Taxes', tax expense (tax income) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognized in the Statement of Profit or Loss and Other Comprehensive Income except to the extent it relates to items recognized directly in equity or in Other Comprehensive Income (OCI), in which case it is recognized in equity or in OCI.

Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted at the reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

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15. INCOME TAX EXPENSES AND TAX ON FINANCIAL SERVICE (Contd...)

Deferred taxation

Detailed disclosure of accounting policies and estimate of deferred tax are available in the note 37 to the financial statements.

Value Added Tax on financial services

The base for the computation of value added tax on financial services is the accounting profit before emoluments paid to employees and income tax, which is adjusted for the depreciation computed on prescribed rates. The amount of Value Added Tax charged in determining the profit or loss for the period is given in the note no 15.2 o f the Financial statements.

For the year ended 31st March	**2025 Rs.'000**	**2024 Rs.'000**
Income tax expenses on profit for the year (Note 15.1)	637,626	395,916
(Over)/ under provision in respect of previous year	(41,850)	(3,059)
Deferred tax (reversal)/ charged (Note 37)	(63,111)	(128,890)
Total tax expense for the year	532,665	263,966

15.1 Reconciliation of Accounting profit and Taxable Income

A reconciliation between tax expense and the accounting profit multiplied by relevant tax rate for the year ended 31 March is as follows.

Accounting Profit before income tax	1,408,066	667,943
Income tax expense on 12 months accounting PBT @ 30%	422,420	200,383
Add: Tax effect on non-deductible expenses	378,738	283,929
Less: Tax effect on deductible expenses	(163,532)	(88,397)
	637,626	395,916
Effective tax rate (including deferred tax)	40.80%	39.98%
Accounting profit before tax on financial services	2,145,689	1,227,480
Effective tax rate (excluding VAT on financial services)	24.82%	21.50%

Current year income tax expense has been recorded for on the taxable income at the rate of 30%.(2024 - 30%)

The company has taken into account the full benefit of capital allowances arising in terms of Section 16 of the Inland Revenue Act No. 24 of 2017 and amendments thereto in determining the taxation on profits for the year.

15.2 Value Added Tax charged on financial services	**2025 Rs.'000**	**2024 Rs.'000**
Value Added Tax on Financial Services - 18%	647,858	491,302
Social Security Contribution Levy on Financial Services - 2.5%	89,764	68,236
	737,622	559,538

16. BASIC/ DILUTED EARNINGS PER ORDINARY SHARE

Accounting policy

Basic earnings per share is calculated by dividing the net profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as required by Sri Lanka accounting standard LKAS No 33 on Earning Per Share. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

Diluted earnings per share is calculated by dividing the net profit after tax attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of diluted potential ordinary shares).

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16. BASIC/ DILUTED EARNINGS PER ORDINARY SHARE (Contd...)

For the year ended 31st march	2025 Rs.'000	2024 Rs.'000
Amount used as the numerator		
Net profit after tax attributable to equity holders of the company	1,074,666	555,814
Net profit after tax attributable to equity holders of the company for basic and diluted earnings per share	1,074,666	555,814
	Nos.'000	Nos.'000
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	3,006	3,006
Weighted average number of ordinary shares used for basic and diluted earnings per share	3,006	3,006
Basic earnings per share (Rs.)	357.51	184.90
Diluted earnings per share (Rs.)	357.51	184.90

17. DIVIDEND PER ORDINARY SHARE

Accounting policy

Provision for final dividends is recognized at the time the divided recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividend payable is recognized when the Board approves such dividend in accordance with the Companies Act No 7 of 2007.

For the year ended 31st March	2025			2024		
	Gross Dividend Rs.'000	Dividend Tax Rs.'000	Net Dividend Rs.'000	Gross Dividend Rs.'000	Dividend Tax Rs.'000	Net Dividend Rs.'000
Interim dividend						
Out of dividend received - free of tax	75,150	-	75,150	60,120	-	60,120
Out of normal profits		-	-		-	-
Total dividend	75,150	-	75,150	60,120	-	60,120
Dividend per ordinary share (Rs.)	25	-	25	20	-	20

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting policy

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost .The summary of significant accounting policies describes how the classes of financial instruments are measured and how income and expense, including fair value gains and losses are recognized. The following table analyses the carrying amounts of the financial instruments by category as defined in LKAS 39/SLFRS 09 - Financial Instruments : Recognition and Measurement and by headings given in the Statement of Financial Position.

18.1 Analysis of financial instrument by measurement basis as at 31st March 2025

	Financial assets at Amortized Cost (AC) Rs.'000	Financial assets at Fair Value Through Profit or Loss (FVPL) Rs.'000	Financial assets at Fair Value Through Other Comprehensive Income (FVOCI) Rs.'000	Total Rs.'000
Financial assets				
Cash and cash equivalents	2,720,258	-	-	2,720,258
Placement with banks at Amortized cost	41,040	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	7,270,360	7,270,360
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	344,772	-	344,772
Financial assets at amortised cost - Loans and advances	27,931,006	-	-	27,931,006
Financial assets at amortised cost - Finance leases receivables	25,060,964	-	-	25,060,964
Financial assets at amortised cost - Hire purchase receivables	80,718	-	-	80,718
Other financial assets	284,228	-	-	284,228
Total financial assets	56,118,213	344,772	7,270,360	63,733,345

18. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd...)

18.1 Analysis of financial instrument by measurement basis as at 31st March 2025

	At Amortized Cost Rs.'000	Total Rs.'000
Financial liabilities		
Bank overdraft	687,242	687,242
Financial liabilities at amortised cost - Deposits due to customers	42,775,086	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	11,418,919	11,418,919
Other financial liabilities	350,288	350,288
Total financial liabilities	55,231,535	55,231,535

18.2 Analysis of financial instrument by measurement basis as at 31st March 2024

	Financial assets at Amortized Cost (AC) Rs.'000	Financial assets at Fair Value Through Profit and Loss (FVPL) Rs.'000	Financial assets at Fair Value through Other Comprehensive Income (FVOCI) Rs.'000	Total Rs.'000
Financial assets				
Cash and cash equivalents	2,492,057	-	-	2,492,057
Placement with banks at Amortized cost	3,460	-	-	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	-	-	6,498,258	6,498,258
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	329,519	-	329,519
Financial assets at amortised cost - Loans and advances	16,591,202	-	-	16,591,202
Financial assets at amortised cost - Finance leases receivables	20,302,868	-	-	20,302,868
Financial assets at amortised cost - Hire purchase receivables	101,631	-	-	101,631
Other financial assets	289,256	-	-	289,256
Total financial assets	39,780,475	329,519	6,498,258	46,608,252

	At Amortized Cost Rs.'000	Total Rs.'000
Financial liabilities		
Bank overdraft	317,122	317,122
Financial liabilities at amortised cost - Deposits due to customers	36,104,935	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	2,441,542	2,441,542
Other financial liabilities	430,673	430,673
Total financial liabilities	39,294,272	39,294,272

19. FAIR VALUE MEASUREMENT

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

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. External valuers are involved for valuation of significant assets such as properties.

19.1 Determination of fair value and fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted price or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a trade price may not be possible. In these circumstances the company uses alternative market information to validate the financial instrument's fair value with greater weight given to information that is considered to be more relevant and reliable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized using the following fair value hierarchy, which reflects the significance of the inputs used in the fair value measurement.

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19. FAIR VALUE MEASUREMENT (Contd…)

19.1 Determination of fair value and fair value hierarchy

Fair values hierarchy

Level 1 - Quoted market price (unadjusted) : financial instruments with the quoted

Level 2 - Valuation technique using observable inputs : financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments are valued using models where all significant inputs are observable.

Level 3 - Valuation technique with significant unobservable inputs : financial instruments are valued using valuation techniques where one or more significant inputs are unobservable.

19.2 Valuation framework

The Company has established control framework with respect to the measurement of fair values of all significant assets and liabilities.

Specific controls include
* Review and approval process for significant judgements and assumptions
* Periodic review of fair value measurements against observable market data

19.3 Assets and liabilities measured at fair value and fair value hierarchy

The following table provides an analysis of assets and liabilities measured at fair value as at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. These amount were based on the values is disclosed in the statement of financial position.

As at 31st March	**2025**				**2024**			
Non- financial assets	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total Rs. '000**	**Level 1 Rs. '000**	**Level 2 Rs. '000**	**Level 3 Rs. '000**	**Total Rs. '000**
Property, Plant and Equipment								
Land and buildings (note 19.3.1)	-	-	3,806,931	3,806,931	-	-	3,802,000	3,802,000
	-	-	3,806,931	3,806,931	-	-	3,802,000	3,802,000
Financial assets								
Financial assets measured at FVOCI								
Quoted investments	1,801,156	6,541	-	1,807,696	2,064,942	-	-	2,064,942
Unquoted investments (note 19.3.2)	-	-	70,427	70,427	-	-	70,427	70,427
Government debt securities	5,392,237	-	-	5,392,237	4,690,579	-	-	4,690,579
Financial assets at FVPL								
Quoted investments	344,772	-	-	344,772	329,519	-	-	329,519
	7,538,164	6,541	70,427	7,615,132	7,085,040	-	70,427	7,155,467

19.3.1 The fair value of the land & buildings are based on the valuation done by professionally qualified independent professional valuer on 31st March, 2024 & 31st March, 2025.

19.3.2 Value of unquoted shares as at 31st March, 2025 categorized under financial investments- (FVOCI) whose fair values cannot be reliably measured is stated at cost in the statement of financial position .

19.3.3 Significant unobservable inputs used in level 3 measurement

Note no 31.4 to the financial statements provides information on significant unobservable inputs used in measuring fair value of land and buildings categorized as Level 3 in the fair value hierarchy.

There were no transfer between Level 1 and Level 2 during the year 2024 and 2025

19.4 Financial instruments not measured at fair value and fair value hierarchy

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows:

19.4.1 Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity it is assumed that carrying amount approximate their fair value. This assumption is also applied to savings accounts which doesn't have specific maturity.

19.4.2 Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rate of similar financial instruments as a significant unobservable input in measuring the fair value and accordingly none of the financial assets were categorized under Level 3 except for unquoted equity instruments.

19.4.3 Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase/(decrease) in the market interests rates would result in lower/(higher) fair value being disclosed.

19. FAIR VALUE MEASUREMENT (Contd...)

19.4.4 The following table shows the fair values of financial assets and liabilities not measured at fair value and related fair value hierarchy.

As at 31st March	Note	2025					2024				
		Level 1	Level 2	Level 3	Total fair value	Total carrying amount	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets											
Cash and cash equivalents		-	-	-	2,720,258	2,720,258	-	-	-	2,492,057	2,492,057
Placement with banks		-	-	-	41,040	41,040	-	-	-	3,460	3,460
Loans and receivables		-	30,092,429	-	30,092,429	27,931,006	-	16,868,707	-	16,868,707	16,591,202
Finance leases receivables		-	26,782,766	-	26,782,766	25,060,964	-	21,589,339	-	21,589,339	20,302,868
Hire purchase receivables		-	80,718	-	80,718	80,718	-	101,631	-	101,631	101,631
Other financial assets		-	-	284,228	284,228	284,228	-	-	289,256	289,256	289,256
Total financial assets		-	56,955,912	284,228	60,001,438	56,118,214	-	38,559,678	289,256	41,344,452	39,780,475
Financial liabilities											
Bank overdraft		-	-	-	687,242	687,242	-	-	-	317,122	317,122
Deposits due to customers		-	42,671,088	-	42,671,088	42,775,086	-	36,352,317	-	36,352,317	36,104,935
Debt instruments issued and other borrowings		-	11,418,919	-	11,418,919	11,418,919	-	2,441,542	-	2,441,542	2,441,542
Other financial liabilities		-	-	350,288	350,288	350,288	-	-	430,673	430,673	430,673
Total financial liabilities		-	54,090,007	350,288	55,127,537	55,231,535	-	38,793,859	430,673	39,541,654	39,294,272

19.5 Reclassification of financial assets

There have not been any reclassifications during the financial years 2023/24 and 2024/25.

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20. CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

There were no cash and cash equivalents held by the company that were not available for use by the company.

Details of cash and cash equivalents in the statement of financial position are given below.

As at 31st March	2025 Rs.'000	2024 Rs.'000
Cash in hand	700,076	386,458
Balances with the banks	254,181	321,724
Money market balances	1,766,001	1,783,875
	2,720,258	2,492,057

As at 31st March 2025, the company had available Rs.2,559 Million (2024-Rs.3,433 Million) of undrawn committed borrowing facilities.

Net Cash & Cash Equivalents for the purpose of Cash Flow Stateme

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks , money at call and short notice net of outstanding bank overdrafts.

21. PLACEMENT WITH BANKS

Accounting policy

Balances with banks and financial institutions includes fixed deposits. Balances with banks and financial institutions are carried at amortized cost in the statement of financial position.

As at 31st March	2025 Rs.'000	2024 Rs.'000
Savings deposit	3,786	3,460
Fixed deposit	37,253	-
	41,040	3,460

22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) - QUOTED

Accounting policy

Financial investments at FVOCI include equity and debt securities which include government securities and unit trust investments as at the balance sheet date. Equity investments classified as FVOCI are those which are neither classified as held for trading nor designated at fair value through profit or loss(FVPL). Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

Unrealized gains and losses are recognized directly in equity through Other Comprehensive Income in the fair value reserve. When the financial investment is disposed of, the cumulative gain or loss previously recognized in equity is not recognized in the Statement of Profit or Loss and Other Comprehensive Income but will be dealt within the Other Comprehensive Income Statement.

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22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) - QUOTED (Contd...)

	As at 31st March	2025 Rs.'000	2024 Rs.'000
22.1	**Government securities, Unit trust and quoted investments**		
	Government debt securities (Note 22.1.b))	5,392,237	4,362,889
	Equities (Note 22.1 c))	1,801,156	2,064,942
	Unit Trust Investment (Note 22.1 d))	6,541	-
		7,199,933	6,427,831
22.1 a)	**Unquoted investments**		
	Equities (Note 22.1 e))	70,427	70,427
		70,427	70,427
	Total financial investments	7,270,360	6,498,258
22.1 b)	**Government Debt Securities**		
	Treasury Bill - FVOCI	5,392,237	4,362,889
	Treasury Bond - FVPL	341,776	327,690
		5,734,012	4,690,579

22.1.c) Equities (quoted)

	2025			2024		
	No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
Banks						
Commercial Bank of Ceylon PLC	641	70	95	630	69	62
Sampath Bank PLC	114,878	10,026	14,073	114,878	10,026	9,190
		10,096	14,167		10,095	9,252
Capital Goods						
Aitken Spence PLC	15,000	343	1,916	15,000	343	1,954
John Keells Holdings PLC	16,657,370	301,872	336,479	1,514,307	277,644	293,774
Access Engineering PLC	-	-	-	13,121,925	293,469	296,556
Hayleys PLC	636,893	72,205	87,254	636,893	72,205	52,289
Hemas Holdings PLC	-	-	-	1,000,000	101,131	80,400
ACL Cables PLC	245,406	29,778	29,940	245,406	29,778	20,639
		404,198	455,589		774,570	745,612
Consumer Services						
Royal Palms Beach Hotels PLC	8,576,700	124,582	283,031	8,576,700	124,582	257,301
Tangerine Beach Hotels PLC	3,899,644	26,343	272,975	3,899,644	26,343	229,689
Hayleys Leisure PLC	1,933,440	60,070	54,523	1,933,440	60,070	38,669
Light House Hotel PLC	7,736,677	224,407	449,501	7,736,677	224,407	293,220
Hotel Sigiriya PLC	13,340	556	1,025	13,340	556	680
Palm Garden Hotel PLC	200,000	25,913	12,700	200,000	25,913	8,780
Fortress Resorts PLC	100,000	2,844	2,450	100,000	2,844	2,300
		464,714	1,076,205		464,715	830,639

22. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) - QUOTED (Contd...)

		2025			2024		
		No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
22.1.c)	**Diversified Financials**						
	Singer Finance (Lanka) PLC	296,760	14,357	7,093	296,760	14,357	3,650
	People's Leasing & Finance PLC	-	-	-	8,029,351	99,842	88,323
	Lanka Orix Leasing Company PLC	100,000	100,528	59,475	100,000	100,528	39,750
	LOLC Finance PLC	2,000,000	56,829	11,800	2,000,000	56,829	11,000
			171,714	78,368		271,556	142,723
	Food Beverage & Tobacco						
	Three Acre Farms PLC	-	-	-	153,545	46,036	42,302
	Renuka Foods PLC	203	4	2	203	4,000	3,000
	Ceylon Grain Elevators PLC	-	-	-	-	-	-
			4	2		46,040	42,305
	Insurance						
	HNB Assurance PLC	200,000	12,336	15,540	200,000	12,336	11,880
			12,336	15,540		12,336	11,880
	Material						
	Tokyo Cement Company (Lanka) PL	-	-	-	2,000,128	119,158	87,806
	Swisstek (Ceylon) PLC	250,000	11,623	11,650	250,000	11,623	4,775
			11,623	11,650		130,781	92,581
	Real Estate						
	East West Properties PLC	50,000	2,471	655	50,000	2,471	415
			2,471	655		2,471	415
	Retailing						
	United Motors Lanka PLC	150,000	18,701	12,780	150,000	18,701	8,700
	Odel PLC	300,000	11,943	3,210	300,000	11,943	3,900
			30,644	15,990		30,644	12,600
	Telecommunication services						
	Dialog Axiata	9,300,000	102,123	132,990	9,300,000	102,123	108,810
			102,123	132,990		102,123	108,810
	Transportation						
	ExpoLanka Holdings PLC	-	-	-	452,661	163,766	68,125
			-	-		163,766	68,125
	Total		1,209,923	1,801,156		2,009,097	2,064,942

		2025		2024	
		Cost Rs.'000	Market Value Rs.'000	Cost Rs.'000	Market Value Rs.'000
22.1.d)	**Unit Trust Investment**				
	NDB Wealth Management Ltd	6,511	6,541	-	-
		6,511	6,541	-	-

22.1.e) Equities (non-quoted)

As at 31st March	2025			2024		
	No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
Security Ceylon (Pvt) Ltd	250	200	200	250	200	200
Credit Bureau of Sri Lanka	269	27	27	269	27	27
Finance Houses Consortium	20,000	200	200	20,000	200	200
Fair View Hotels (Pvt) Ltd	7,000,000	70,000	70,000	7,000,000	70,000	70,000
		70,427	70,427		70,427	70,427

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22.2. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial investments at FVPL is comprised of equity investments and Government Security Investment which are intented to be sold to realize a capital gain with the favorable market condition movements.

Unrealized gains and losses are recognized directly in the Income Statement .When the financial investments are disposed of, the cumulative gain or loss is recognized in the Income Statement.

	2025			2024		
	No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
Capital Goods						
Hayleys PLC	21,868	2,568	2,996	21,868	2,568	1,795
Transportation						
ExpoLanka	-	-	-	228	50	34
Food Beverage & Tobacco						
Ceylon Grain Elevators PLC	-	-	-	-		
		2,568	2,996		2,618	1,829

22.3 Government Debt Securities

	2025 Rs.'000	2024 Rs.'000
Treasury Bond - FVPL	341,776	327,690
	341,776	327,690
Total Financial Investments -at Fair Value through Profit and Loss (FVPL)	344,772	329,519

23. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

Accounting policy

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the company, upon initial recognition, designates as FVOCI
- Those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'loans and receivables' are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognized in the Statement of Profit or Loss and Other Comprehensive Income in "impairment (charge)/reversal for loans and receivables".

"Day 1" difference for staff loans

All staff loans granted at below market interest rates were recognized at fair value. The difference between the fair value and the amount disbursed were treated as 'day 1' difference and amortized as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortized costs.

Write-off of loans and receivables

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is non-realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security.

As at 31st March	2025 Rs.'000	2024 Rs.'000
Gross loans and receivables	31,903,518	19,764,323
Prepaid rentals	215	166
Unearned interest	(3,338,373)	(2,485,880)
Allowance for impairment (Note 23.4)	(574,048)	(653,728)
Interest in suspense	(60,304)	(33,679)
Net loans and receivables	27,931,006	16,591,202

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23. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES (Contd...)

As at 31st March	2025 Rs.'000	2024 Rs.'000
23.1 Loans and receivables-within one year		
Gross loans and receivables	22,845,821	9,949,437
Prepaid rentals	215	166
Unearned interest	(1,658,714)	(1,361,536)
Loans and receivables	21,187,322	8,588,066
23.2 Loans and receivables-from one to five years		
Gross loans and receivables	9,057,697	9,807,557
Prepaid rentals	-	-
Unearned interest	(1,679,660)	(1,124,344)
Loans and receivables	7,378,037	8,683,214
23.3 Loans and receivables-after five years		
Gross loans and receivables	-	7,329
Unearned interest	-	-
Loans and receivables	-	7,329
23.4 Movement in allowance for impairment		
Balance at the beginning of the year	653,728	808,792
Bad debts written off during the year	(8,378)	(11,757)
Charge/(reversal) to the Statement of Profit or Loss and Other Comprehensive Income	(71,302)	(143,307)
Balance at the end of the year	574,048	653,728

Stagewise impairment provision movement of loan and receivables is disclosed in Note 10 of the financial statements.

23.4.1 Individual impairment		
Balance at the beginning of the year	362,447	551,901
Bad debt written off during the year	(8,378)	(11,757)
Charge/(reversal) to the Statement of Profit or Loss and Other Comprehensive Income	(97,164)	(177,698)
Balance at the end of the year	256,905	362,447
23.4.2 Collective impairment		
Balance at the beginning of the year	291,281	256,891
Bad debt written off during the year	-	-
Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	25,862	34,390
Balance at the end of the year	317,143	291,281
23.5 Sector wise analysis of loans and receivables		
Agriculture	2,804,570	1,139,479
Industrial	3,068,618	1,735,495
Tourism	1,031,085	488,175
Trading	5,801,612	3,275,231
Construction	1,383,498	965,088
Services	12,765,422	8,362,316
Others	5,048,713	3,798,538
	31,903,518	19,764,323

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24. FINANCIAL ASSETS AT AMORTISED COST - FINANCE LEASES RECEIVABLES

Accounting policy

When the company is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amount receivable under finance leases net of initial rentals received, unearned interest and provision for impairment are classified as finance leases receivables in the Statement of Financial Position.

After initial measurement, 'finance leases receivables' are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest Income' in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognized in the Statement of Profit or Loss and Other Comprehensive Income in 'impairment charge/reversal for Loans and receivables'.The impairment allowance is determined based on the Expected Credit Loss (ECL) approach specified in SLFRS 9.

	As at 31st March	**2025 Rs.'000**	**2024 Rs.'000**
	Gross finance leases receivables	33,918,272	27,969,432
	Prepaid rentals	(311)	(129)
	Unearned interest	(7,764,932)	(6,924,171)
	Allowance for impairment (note 24.4)	(939,037)	(653,974)
	Interest in suspence	(153,028)	(88,289)
	Net finance leases receivables	25,060,964	20,302,868
24.1	**Finance leases receivable-within one year**		
	Gross finance leases receivables	14,981,482	12,953,531
	Prepaid rentals	-	-
	Unearned interest	(4,737,586)	(4,085,353)
	Finance leases receivables	10,243,896	8,868,178
24.2	**Finance leases receivable-from one to five years**		
	Gross finance leases receivables	18,936,789	15,015,902
	Prepaid rentals	(311)	(129)
	Unearned interest	(3,027,346)	(2,838,818)
	Finance leases receivables	15,909,132	12,176,954
24.3	**Finance leases receivable-after five years**		
	Gross finance leases receivables	-	-
	Unearned interest	-	-
	Finance leases receivables	-	-
24.4	**Movement in allowance for impairment**		
	Balance at the beginning the year	653,974	589,869
	Bad debt written off during the year	(3,747)	(20,489)
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	288,810	84,593
	Balance at the end the year	939,037	653,974

Stagewise impairment provision movement for lease receivables is disclosed in Note 10 of the financial statements.

24.4.1	**Movement in individual impairment**		
	Balance at the beginning of the year	430,108	281,897
	Bad debt written off during the year	(3,747)	(20,489)
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	285,187	168,700
	Balance at the end of the year	711,548	430,108

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24. FINANCIAL ASSETS AT AMORTISED COST - FINANCE LEASES RECEIVABLES (Contd...)

		2025 Rs.'000	2024 Rs.'000
24.4.2	**Movement in collective impairment**		
	Balance at the beginning of the year	223,866	307,972
	Bad debt written off during the year	-	-
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	3,623	(84,106)
	Balance at the end of the year	227,489	223,866
24.5	**Sector wise analysis of finance leases receivables**		
	Agriculture	4,488,133	3,517,433
	Industrial	4,120,036	45,139
	Tourism	1,097,012	3,768,715
	Trading	5,697,227	6,163,773
	Construction	1,855,713	1,550,091
	Services	15,309,742	8,050,682
	Others	1,350,408	4,873,599
		33,918,272	27,969,433

25. FINANCIAL ASSETS AT AMORTISED COST - HIRE PURCHASES RECEIVABLES

Accounting policy

Advances granted under agreement that transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as hire purchase receivables. Amount receivable under hire purchases net of initial rental received, unearned interest and provision for impairment are classified as hire purchases receivable in the Statement of Financial Position.

After initial measurement, 'hire purchases receivables' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'interest income' in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognized in the Statement of Profit or Loss and Other Comprehensive Income under "impairment charge/ reversal for loans and receivables".

	As at 31st March	2024 Rs.'000	2023 Rs.'000
	Gross hire purchases receivables	287,378	305,897
	Prepaid rentals	-	-
	Unearned interest	(486)	(490)
	Allowance for impairment (note 25.4)	(176,853)	(191,193)
	Interest in suspense	(29,320)	(12,582)
	Net hire purchases receivables	80,718	101,631
25.1	**Hire purchases receivable-within one year**		
	Gross hire purchases receivables	193,594	202,243
	Prepaid rentals	-	-
	Unearned interest	-	-
	Hire purchases receivables	193,594	202,243
25.2	**Hire purchases receivable-from one to five years**		
	Gross hire purchases receivables	93,784	103,655
	Prepaid rentals	-	-
	Unearned interest	(486)	(490)
	Hire purchases receivables	93,298	103,164
25.3	**Hire purchases receivable-after five years**		
	Gross hire purchases receivables	-	-
	Unearned interest	-	-
	Hire purchases receivables	-	-
25.4	**Movement in allowance for impairment**		
	Balance at the beginning the year	191,193	216,189
	Bad debt written off during the year	(6,381)	(12,963)
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	(7,959)	(12,033)
	Balance at the end the year	176,853	191,193

Stage wise impairment provision movement for hire purchase receivables is disclosed in the Note 10 of the financial statements.

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25. FINANCIAL ASSETS AT AMORTISED COST - HIRE PURCHASES RECEIVABLES (Contd...)

		2025 Rs.'000	2024 Rs.'000
25.4.1	**Movement in individual impairment**		
	Balance at the beginning of the year	92,547	134,564
	Bad debt written off during the year	(6,381)	(4,747)
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	(37,906)	(37,270)
	Balance at the end of the year	48,260	92,547
25.4.2	**Movement in collective impairment**		
	Balance at the beginning of the year	98,646	87,835
	Bad debt written off during the year	-	-
	Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	29,947	10,811
	Balance at the end of the year	128,593	98,646

	As at 31st March	**2025 Rs.'000**	**2024 Rs.'000**
25.5	**Sector wise analysis of hire purchases receivables**		
	Agriculture	15,897	16,538
	Industrial	22,324	22,827
	Tourism	1,979	1,976
	Trading	34,531	56,047
	Construction	79,252	79,964
	Services	118,683	122,722
	Others	14,712	5,824
		287,378	305,897

26. OTHER FINANCIAL ASSETS

Accounting policy

Insurance receivables

Premium receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss and Other Comprehensive Income.

Operating lease receivables

All leases other than finance leases are classified as operating leases. When acting as lessor, the company includes the assets subject to operating leases in 'Property, Plant and Equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

Rental receivable under operating leases are accounted for on a straight line basis over the periods of the leases to reduce the asset to its estimated residual value and are included in 'other operating income'. Estimated residual values are based on assumptions for used vehicle prices at lease termination and the number of vehicles that are expected to be returned.

As at 31st March	**2025 Rs.'000**	**2024 Rs.'000**
Insurance receivables	229,177	220,932
Investments (Note 26.1)	9,307	9,307
Other receivables	45,744	59,018
	284,228	289,256

26.1 The investment made in "Repurchase Agreements" with a primary dealer appointed by the Central Bank of Sri Lanka for the purpose of complying with the "Liquid Assets Direction No.4 of 2013 issued by the Central Bank of Sri Lanka" has been classified under other financial assets category. The net carrying value was arrived after making impairment provisions of Rs 627 Million up to 31st March 2024. No additional provision was made for the for the financial year ended 31st March 2025.

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27. INVENTORIES

Accounting policy

Inventory consists of spare parts, lubricants, stationary and others. Inventories are valued at the lower of cost and estimated net realizable value, after making due allowance for obsolete and slow moving items, using weighted average cost formula. The cost of inventory is determined at actual cost.

As at 31st March	**2025**	**2024**
	Rs.'000	**Rs.'000**
Spare parts	5,149	6,402
Lubricant and others	1,653	3,293
Stationary	10,767	8,261
Vehicle Stock	53,712	80,332
Maintenance Stock	2,558	2,893
	73,839	101,181

28. OTHER ASSETS

Accounting policy
Other assets mainly comprises deposits, prepayments other advance payments, VAT receivable and sundry receivables carried at historical cost.

As at 31st March	**2025**	**2024**
	Rs.'000	**Rs.'000**
Other receivables	115,385	106,446
Deposits and prepayments	107,103	73,047
	222,488	179,493

29. INVESTMENT IN ASSOCIATES

Accounting policy
Investments in associates are accounted for by using the equity method of accounting in terms of the Sri Lanka Accounting Standard – LKAS 28 on "investments in associates". An associate is an entity in which the company has significant influence. Significant influence is presumed to exist when the company holds between 20% and 50% of the voting power of another entity.

Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the company's share of net assets of associate since acquisition date.

Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Statement of Profit or Loss and Other Comprehensive Income reflects the company's share of results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the company and the associate are eliminated to the extent of the interest in the associate.

The company's share of the profit or loss of an associate is shown on the face of the Statement of Profit or Loss and Other Comprehensive Income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the company. When necessary, adjustments are made to bring the accounting policies in line with those of the company.

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29. INVESTMENT IN ASSOCIATES (Contd...)

After application of the equity method, the company determines whether it is necessary to recognize an impairment loss on its investment in its associate. The company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 'share of losses of an associate' in the Statement of Profit or Loss and Other Comprehensive Income.

Upon loss of significant influence over the associate, the company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the Statement of Comprehensive Income.

Company has a 26.12% (2020-26.12%) holding in Nuwera Eliya Hotels Company PLC which is a quoted public company and involved in the business of hotelliering.The Principal place of business is located in Nuwara Eliya.

The profits and income of the Nuwara Eliya Hotels PLC, arising on provision of tourism related services is liable for taxation at the rate of 30 % whereas Income from other sources are taxed at the rate of 30% .

As at 31st March	**2025 Rs.'000**	**2024 Rs.'000**
Investment in associates - quoted (29.1)	1,716,582	1,404,225
Total	1,716,582	1,404,225

29.1 Investment in associates - quoted

Nuwara Eliya Hotels Company PLC		
Carrying value at the beginning of the year	1,404,225	1,255,525
Add: Share of associates profit after tax (29.1.1)	199,266	151,837
Less : Dividend received from associates	-	(17,031)
Current year retained profit net of tax	199,266	134,806
Share of Other Comprehensive Income/(Loss)	113,091	13,897
Carrying value at the end of the year	1,716,582	1,404,225

Summary of associate's statement of financial position	**As per audited financial statements**	**As per audited financial statements**
As At 31st March	**2025 Rs.'000**	**2024 Rs.'000**
Current assets	3,136,715	2,655,615
Non-current assets	5,102,074	4,257,650
Current liabilities	(463,057)	(512,539)
Non-current liabilities	(1,203,824)	(1,024,671)
Net assets	6,571,906	5,376,055
Holding percentage of the company	26.12%	26.12%
Share of net assets of the company	1,716,582	1,404,225
Market value per share (Rs.)	2,185.75	1,725.75
Total market value of the investment (Rs.'000)	1,248,049	985,521

Market value of the investment has increased compared to previous year. This investment will be held in the long term considering its strategic advantage in future and measured the investment in associates on the equity method as per LKAS 28.

	2025 Rs.'000	**2024 Rs.'000**
29.1.1 Summary of Associate's Revenue and Profit after Tax		
Revenue	2,355,665	2,132,295
Profit after tax	762,885	581,307
Share of associate's Profit/(Loss) after tax	199,266	151,837

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30. INVESTMENT PROPERTY

Accounting policy

Recognition and measurement

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

Investment property is accounted for under cost model in the financial statements. accordingly, after initial recognition, the property is carried at its cost, less accumulated depreciation and impairment losses.

Depreciation

Depreciation is provided on a straight line basis over the estimated useful life of the class of asset from the date of purchase upto the date of disposal. Estimated useful life of buildings classified as investment property ranges from 40 to 75 years.

De-recognition

Investment properties are de-recognized when they are disposed of, or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use.

	2025	2024
	Rs.'000	Rs.'000
Cost		
Balance at the beginning of the year	276,702	242,202
Additions during the year	-	34,500
Balance at the end of the year	276,702	276,702
Less : Accumulated Depreciation		
Balance at the beginning of the year	16,646	14,982
Charge for the year	1,665	1,665
Balance at the end of the year	18,311	16,646
Carrying value	258,390	260,055

The company earned rental income from the property situated at No 75A-23/2, Kollupitiya Road, Colombo 03 for which the details are given below:

For the Year ended 31st March	2025	2024
	Rs.'000	Rs.'000
Rental income derived from investment properties	10,068	10,830
Direct operating expenses incurred generating rental income	(1,552)	(1,263)
Profit arising from investment properties	8,516	9,567

The company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

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30. INVESTMENT PROPERTY (Contd...)

30.1 Information on the investment property of the company

As At 31st March

Location	Extent (Perches)	Building (Square Feet)	No of Buildings	2025 Cost Rs.'000	2025 Fair Value Rs.'000	2024 Cost Rs.'000	2024 Fair Value Rs.'000
Nilaweli							
Nilaweli Village, Pulmoddai Road, Trincomalee.	438	-	-	59,000	87,600	59,000	87,600
Kurunegala							
Sapirimini Jeewa Pohora, Thaththiripitiya, Welipennegahamulla.	80	-	-	2,500	10,000	2,500	4,000
Peliyagoda							
151/3A Negombo Road, Peliyagoda.	5	-	-	5,000	10,000	5,000	10,000
Kollupitiya							
No 75A-23/2, Kollupitiya Road, Colombo 03.	-	2,636	1	83,234	126,900	83,234	126,900
Gampaha							
No 735/1,Jonikkuwatte Road,Kohalwila.	19.7	-	-	12,300	30,000	12,300	31,200
Nugegoda							
No 19,Sigiri Mawatha,Kohuwala,Nugegoda.	66	-	-	60,000	100,000	60,000	75,000
Kandana							
No 72, Theresa Mawatha, Kandana.	9.7	-	-	10,000	7,000	10,000	12,125
Nawagamuwa							
No 737/7,Sri Sumanatissa Mawatha,Kaduwela, Nawagamuwa.	47	-		10,168	15,000	10,168	10,168
Kelaniya							
No 108/1/A Old kandy road, Dalugama, Kelaniya	26.25	-		34,500	39,000	34,500	34,500
Total				276,702	425,500	276,702	391,493

The fair value of the investment properties as at 31st March, 2025 was based on market valuations carried out in the year 2024/2025 by a professionally qualified independent valuer Mr. E.G. Jayatissa, Chartered Valuation Surveyor, Bsc (Hons) Estate Management, Panel Valuer at Bank & Institutes and Fellow member of Institute of valuers Sri Lanka.Directors are of the view that there is no material change in the fair values as at 31st March 2025 as per their judgement.

31. PROPERTY, PLANT AND EQUIPMENT

Accounting policy
The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition
Property, Plant and Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

Basis of measurement
An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. When parts of an item of Property or Equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Cost model
The company applies the cost model to all Property, Plant and Equipment except freehold land and buildings and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Useful life/ depreciation rates of the Property Plant and Equipment are disclosed in the Note 12 to the financial statements.

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31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

Revaluation model

The company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the company are revalued every three to five years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognized in other comprehensive income and presented in revaluation reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of Profit or Loss and Other Comprehensive Income. In this circumstance, the increase is recognized as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss and Other Comprehensive Income or charged in other comprehensive income and presented in revaluation reserve in equity only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

The company has revalued all of freehold land and building as at 31st March, 2025.

Subsequent cost

These are costs that are recognized in the carrying amount of an asset if it is probable that the future economic benefits embodied within that part will flow to the company and it can be reliably measured. The costs of the day-to-day servicing of Property and Equipment are recognized in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Restoration cost

Expenditure incurred on replacement, repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance is recognized as an expense when incurred.

Derecognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognized in 'other income/ expenses' in the Statement of Profit or Loss and Other Comprehensive Income in the year the asset is derecognized.

When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognized as required by Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment'.

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. These are stated in the statement of financial position at cost.

Assets on operating leases

Assets leased to customers under agreements in which we retain substantially all the risks and rewards associated with ownership and legal title are classified as operating leases. Such assets are recognized as Property, Plant and Equipment in the statement of financial position.

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31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.1 Carrying value of Property, Plant and Equipment

	At valuation		At cost						
2025- Current year	**Land**	**Buildings**	**Motor vehicles**	**Plant and machinery**	**Computer hardware**	**Office equipment**	**Furniture, fixtures & fittings**	**Motor vehicle on operating leases**	**Total**
Cost/ valuation	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**
Balance as at 01.04.2024	2,615,000	1,187,000	475,742	54,833	253,788	205,510	190,229	9,500	4,991,602
Additions during the year	-	4,931	7,727	7,750	54,488	92,075	110,528	-	277,497
Disposals during the year	-	-	(880)	-	(4,721)	-	-	-	(5,601)
Derecognition	-	-	(32,400)	-	-	-	-	-	(32,400)
Cost/ valuation as at 31.03.2025	2,615,000	1,191,931	450,188	62,583	303,555	297,584	300,757	9,500	5,231,097
Accumulated depreciation									
Balance as at 01.04.2024	-	-	192,391	46,785	191,852	81,629	79,654	8,050	600,361
Charge for the year	-	23,765	24,576	3,415	29,237	20,650	22,991	1,450	126,084
Disposals during the year	-	-	(3,559)	-	(4,122)		-	-	(7,681)
Derecognition	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31.03.2025	-	23,765	213,408	50,200	216,967	102,279	102,645	9,500	718,764
Net book value as at 31.03.2025	2,615,000	1,168,166	236,780	12,383	86,588	195,305	198,112	-	4,512,332

	At valuation		At cost						
2024 - previous year	**Land**	**Buildings**	**Motor vehicles**	**Plant and machinery**	**Computer hardware**	**Office equipment**	**Furniture, fixtures & fittings**	**Motor vehicle on operating leases**	**Total**
Cost/valuation	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**	**(Rs' 000)**
Balance as at 01.04.2023	2,546,432	933,437	435,243	52,801	218,510	154,667	131,278	9,500	4,481,869
Additions during the year	-	36,588	40,900	2,032	39,875	50,967	58,951	-	229,313
Disposals during the year	(1,330)	-	(401)	-	(4,598)	(125)	-	-	(6,453)
Surplus on revaluation of property	69,898	254,313	-	-	-	-	-	-	324,211
Transfers/ adjustments	-	(37,337)	-	-	-	-	-	-	(37,337)
Cost/ valuation as at 31.03.2024	2,615,000	1,187,000	475,742	54,833	253,788	205,510	190,229	9,500	4,991,602
Accumulated depreciation									
Balance as at 01.04.2023	-	18,669	165,943	43,800	178,310	67,282	69,166	8,050	551,219
Charge for the year	-	18,669	26,748	2,984	17,915	14,371	10,487	-	91,175
Disposals during the year	-	-	(301)	-	(4,373)	(23)	-	-	(4,697)
Transfers/ adjustments	-	(37,337)	-	-	-	-	-	-	(37,337)
Accumulated depreciation at 31.03.2024	-	-	192,390	46,785	191,852	81,629	79,654	8,050	600,360
Net book value as at 31.03.2024	2,615,000	1,187,000	283,351	8,049	61,936	123,880	110,576	1,450	4,391,243

31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.2 Revaluation of Property, Plant and Equipment

The land and buildings were revalued during the financial year5 2023/2024 and 2024/2025 by a professionally qualified independent valuer, Mr. E. G. Jayatissa, Chartered Valuation Surveyor, Bsc (Hons) Estate Management and Valuation, FIV (Sri Lanka) and Panel Valuer at Banks & Institutes. The results of such revaluation was incorporated in these financial statements as at 31st March, 2024, while no Revaluation changes were made to land & Building for the year ended 31st March 2025. Such assets were valued on an open market value for an existing use basis. The surplus arising from the revaluation was transferred to the revaluation reserve.

31.3 Information on the Freehold Land and Building of the Company

As required by rule No. 7.6 (VIII) of the continuing listing requirements of the Colombo Stock Exchange

Location	Extent (Perches)	Buildings (Square Feet)	No of Buildings	Revalued Amount of Buildings (Rs. '000)	Revalued Amount of Land (Rs. '000)	Net Book Value As At 31.03.2025 (Rs. '000)	As a % of Total NBV As At 31.03.2025	Net Book Value As At 31.03.2024 (Rs. '000)	As a % of Total NBV As At 31.03.2024
Kollupitiya - No. 236, Galle Road, Colombo 03	32.56	46,777	1	549,780	814,000	1,363,780	36.10%	1,375,000	36.17%
Maharagama - No. 176, Lake Road, Maharagama	168.74	10,919	2	50,960	548,000	598,960	15.85%	600,000	15.78%
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama	104.00	17,359	3	59,780	249,000	308,780	8.17%	310,000	8.15%
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala	78.91	27,543	2	143,080	404,000	547,080	14.48%	550,000	14.47%
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala	17.80	1,700	1	13,720	47,000	60,720	1.61%	61,000	1.60%
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	9.46	6,264	1	102,900	111,000	213,900	5.66%	216,000	5.68%
Negombo - No. 36, Colombo Road, Negombo	13.87	3,961	1	46,060	38,000	84,060	2.22%	85,000	2.24%
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	-	1,210	1	49,980	-	49,980	1.32%	51,000	1.34%
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	-	3,583	1	151,906	-	151,906	3.89%	150,000	3.95%
Negombo - No. 36/1, Colombo Road, Negombo	16.22	-	-	-	32,000	32,000	0.85%	32,000	0.84%
Kollupitiya - 171 &173, Kollupitiya Road, Colombo 03	16.94	-	-	-	372,000	372,000	9.85%	372,000	9.78%
Total	-	-		1,168,166	2,615,000	3,783,166	100%	3,802,000	100%

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31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.4 a) Effective Date of Valuation as at 31st March, 2025

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2025		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis		814,000	549,780	-	-	-	-
	Price per perch of land	25,000,000.00						
	Price per square foot for building	15,000.00						
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis		548,000	50,960	-	-	-	-
	Price per perch of land	3,250,000.00						
	Price per square foot for building	4,762.34						
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis		249,600	59,780	-	-	-	-
	Price per perch of land	2,400,000.00						
	Price per square foot for building	3,560.17						
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis		404,000	143,080	-	-	-	-
	Price per perch of land	4,750,000.00						
	Price per square foot for building	5,306.97						
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis		47,000	13,720	-	-	-	-
	Price per perch of land	2,650,000.00						
	Price per square foot for building	8,500.00						
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis		111,000	102,900	-	-	-	-
	Price per perch of land	13,000,000.00						
	Price per square foot for building	16,800.00						

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31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.4 a) Effective Date of Valuation as at 31st March, 2025

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2025		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		38,000	46,060	-	-	-	-
	Price per perch of land	2,750,000.00						
	Price per square foot for building	12,000.00						
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method			49,980	-	-	-	-
	Gross Annual Rentals unit per period)	2,904,000.00 23.5 Y.P						
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method		-	151,906	-	-	-	-
	Gross Annual Rentals unit per period)	8,500,000.00 23.5 Y.P						
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		32,000	-	-	-	-	-
	Price per perch of land	2,000,000.00						
	Price per square foot for building	-						
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis		372,000	-	-	-	-	-
	Price per perch of land	22,000,000.00						
	Price per square foot for building	-						
Total			2,615,600	1,168,166				

Although valuations were obtained from a professional valuer, no revaluation gains or losses were recorded as there were no significant price variations as of 31st March 2025. Accordingly, the net book value (NBV) as at 31st March 2025 is considered to represent fair value as at that date.

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31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.4 Effective Date of Valuation as at 31st March, 2024

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2024		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis Price per perch of land Price per square foot for building	 25,000,000.00 15,000.00	781,440	435,647	814,000	561,000	32,560	75,353
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 3,250,000.00 4,762.34	548,405	32,971	548,000	52,000	(405)	19,029
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 2,400,000.00 3,560.17	249,600	47,232	249,000	61,000	(600)	13,768
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis Price per perch of land Price per square foot for building	 4,750,000.00 5,306.97	403,133	99,639	404,000	146,000	868	46,361
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis Price per perch of land Price per square foot for building	 2,650,000.00 8,500.00	47,150	7,344	47,000	14,000	(150)	6,656
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis Price per perch of land Price per square foot for building	 13,000,000.00 16,800.00	107,076	57,047	111,000	105,000	3,924	47,953

31. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.4 Effective Date of Valuation as at 31st March, 2024

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2024		Revalued Amount of		Revaluation Gain/ (Loss) Recognized on	
			Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Negombo - No. 36, Colombo Road, Negombo	Open Market Basis		38,143	22,807	38,000	47,000	(143)	24,193
	Price per perch of land	2,750,000.00						
	Price per square foot for building	12,000.00						
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method			44,160	-	51,000	-	6,840
	Gross Annual Rentals unit per period)	2,904,000.00 23.5 Y.P						
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method		-	135,840	-	150,000	-	14,160
	Gross Annual Rentals unit per period)	8,500,000.00 23.5 Y.P						
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis		24,300	-	32,000	-	7,700	-
	Price per perch of land	2,000,000.00						
	Price per square foot for building	-						
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis		345,856	-	372,000	-	26,144	-
	Price per perch of land	22,000,000.00						
	Price per square foot for building	-						
Total			2,545,102	932,687	2,615,000	1,187,000	69,898	254,313

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31. PROPERTY, PLANT AND EQUIPMENT (Contd…)

31.4 Effective Date of Valuation as at 31st March, 2024

Narrative descriptions on the sensitivity of fair value measurement to changes in significant unobservable inputs are tabled below.

Valuation Technique	Significant unobservable valuation inputs	Sensitivity of the fair value measurement to inputs
Market comparable method In determining the fair value of the property being revalued, this method considers the selling price of a similar property within a reasonably recent period of time. This involves evaluating recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of the specific property.	· Price per perch for land · Price per square foot for building	Estimated fair value would increase (decrease) if; · Price per perch would be higher (lower) · Price per square foot would be higher (lower)
Investment method This method involves the capitalisation of the expected rental income over a specific period of time which is derived from the real estate market	· Gross Annual Rentals Years Purchase	Estimated fair value would increase (decrease) if; · Gross Annual Rentals would be higher (lower) Years purchase would be higher (lower)

31.5 The carrying amounts of revalued assets, that would have been included in the financial statements, had the assets been carried at cost are as follows:

As at 31st March

	2025			2024		
Class of asset	**Cost (Rs.'000)**	**Cumulative Depreciation (Rs.'000)**	**Net Carrying Amount (Rs.'000)**	**Cost (Rs.'000)**	**Cumulative Depreciation (Rs.'000)**	**Net Carrying Amount (Rs.'000)**
Freehold land	160,521	-	160,521	160,521	-	160,521
Freehold buildings	297,274	120,922	176,352	292,343	114,998	177,345
	457,794	120,922	336,872	452,863	114,998	337,865

31.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value (excluding capital working progress) of Rs.227,496,732/- (2024 - Rs.229,313,100/-)

Cash payments amounting to Rs.326,745,394/- (2024 - Rs.262,559,980/-) were made during the year for purchase of Property, Plant and Equipment.

31.7 Property, Plant and Equipments include assets under operating leases, where the company is a lessor.The net carrying amount of those assets as at 31st March 2025 was zero. (2024 - Rs1,450,086/-), on which the accumulated depreciation as at 31st March 2025 was Rs 9,500,000/- (2024-8,049,914/-) .

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31 PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.8 Temporarily idle Property, Plant and Equipment

There were no temporary idle Property, Plant and Equipment or any asset retired from active use and held for disposal on the date of statement of financial position.

31.9 Fully depreciated Property, Plant and Equipment

The cost of Property, Plant and Equipment as at reporting date includes the fully depreciated assets amounting to Rs. 536,663,993/- (2024- Rs.489,509,338/-)

31.10 Property, Plant and Equipment pledged as security for liabilities

There were no Property, Plant and Equipment pledged as securities for liabilities except properties at Sri Vajiragnana Mawatha, Maharagama and No. 28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Sampath Bank PLC and Hatton National Bank PLC respectively.

31.11 Title restriction in Property, Plant and Equipment

There were no restrictions that existed in the title of the Property, Plant and Equipment of the company as at reporting date except properties at Sri Vajiragnana Mawatha, Maharagama and No.28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Sampath Bank PLC and Hatton National Bank PLC respectively.

31.12 Compensation from third parties for items of Property, Plant and Equipment

There were no compensation received /receivable from third parties for items of Property, Plant and Equipment that were impaired, lost or given up.

31.13 Capitalization of borrowing cost

There were no borrowing costs that have been capitalized into the capital work-in-progress.

31.14 Capital commitments

There are no significant capital commitments which have been approved or contracted for by the company as at 31st March, 2025.

31.15 Right of use assets

Accounting policy

Basis of recognition

The comapany applies Sri Lanka Accounting standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short term leases, which are held for use in the provision of services.

Basis of Measurement

The company recognises Right of Use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term.Right of Use assets are measured at cost less any accumulated amotization and impairment losses and adjusted for any re-measurement of lease liabilites.The cost of Right of Use assets includes the amount of lease liabilities recognised, initial direct cost incured , and lease payments made at or before the commencement date less any lease incentives received. Right of Use assets are amortised on the straight line basis over the lease term.

31.15.a Movement in right -of- use assets

	2025 Rs.'000	2024 Rs.'000
Cost		
Balance at the beginning of the year	513,475	394,069
Additions/renewal of operating leases during the year	209,332	134,333
Disposals during the year	(38,162)	(14,927)
Balance at the end of the year	684,644	513,475
Accumulated amortization and impairment		
Balance at the beginning of the year	298,168	254,401
Amortization for the year	97,199	58,694
Disposals during the year	(38,162)	(14,927)
At the end of the year	357,205	298,168
Net book value as at 31st March	327,439	215,306

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32. LEASEHOLD PROPERTY

	2025 Rs.'000	2024 Rs.'000
Cost		
At the beginning of the year	46,354	46,354
Additions	-	-
Disposals	-	-
At the end of the year	46,354	46,354
Accumulated amortzation and impairment		
At the beginning of the year	7,488	7,020
Amortization for the year	468	468
Disposals	-	-
Impairment	-	-
At the end of the year	7,957	7,488
Net book value as at 31st March	38,397	38,866

33. INTANGIBLE ASSETS

Accounting policy

Basis of recognition
An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 38 'Intangible Assets'. Accordingly, these assets are stated in the statement of financial position at cost, less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure
Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in these assets. All other expenditure is charged to the Statement of Profit or Loss and Other Comprehensive Income when incurred.

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

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

Computer software
All computer software costs incurred, licensed for use by the company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the statement of financial position under the category of intangible assets and carried at cost, less accumulated amortization and accumulated impairment losses, if any.

Useful life/ depreciation rate of the computer software is disclosed in the Note 12 of the financial statements.

Derecognition of intangible assets
Intangible assets are derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

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33. INTANGIBLE ASSETS (Contd...)

	2025 Rs.'000	2024 Rs.'000
Cost		
At the beginning of the year	181,061	147,814
Additions	49,168	33,247
Disposal	-	-
At the end of the year	230,229	181,061
Accumulated amortization and impairment		
At the beginning of the year	148,967	138,479
Amortisation for the year	30,095	10,488
Disposal	-	-
At the end of the year	179,062	148,967
Net book value as at 31st March	51,167	32,094

33.1 Net book value of Intangible assets reported as of 31st March 2025 solely comprised of computer softwares which were acquired from the market.

33.2 Fully amortized Intangible assets

The cost of intangible assets as at reporting date includes the fully depreciated assets amounting to Rs 39,042,888/- (2024- Rs.Rs 37,108,081/-)

34. FINANCIAL LIABILITIES AT AMORTISED COSTS - DEPOSITS DUE TO CUSTOMERS

These include fixed deposits and savings deposits. Subsequent to initial recognition fixed deposits are measured at their amortized cost using the Effective Interest Rate method (EIR). Interest paid/payable on these deposits are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2025 Rs.'000	2024 Rs.'000
Fixed deposits (note 34.1)	42,539,201	35,887,105
Savings deposits	235,884	217,830
	42,775,086	36,104,935

34.1 Analysis of fixed deposits by maturity date

	2025	2024
01 to 90 days	4,602,172	5,338,477
91 to 365 days	23,676,503	22,280,303
More than 365 days	14,260,526	8,268,325
	42,539,201	35,887,105

34.2 Under the Finance Companies (Insurance of Deposit Liabilities) Direction No. 1 of 2021, issued by the Central Bank of Sri Lanka, and its subsequent amendments, all eligible deposit liabilities have been insured under the Sri Lanka Deposit Insurance Scheme, implemented by the Monetary Board. The Company paid Rs. 54,252,263/- as the insurance premium during the financial year (2023/2024: Rs. 32,714,837/-).

35. FINANCIAL LIABILITIES AT AMORTISED COST - DEBTS INSTRUMENTS ISSUED AND OTHER BORROWINGS

Accounting policy

These represent the funds borrowed by the company for long term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortized cost using the EIR method except where the company designates debt securities issued at fair value through profit or loss. Interest paid or payable is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2025 Rs.'000	2024 Rs.'000
Short term borrowings (Note 35.1)	640,000	340,000
Long term borrowings (Note 35.2)	10,635,264	2,096,900
Interest payable	143,655	4,642
	11,418,919	2,441,542

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35. FINANCIAL LIABILITIES AT AMORTISED COST - DEBTS INSTRUMENTS ISSUED AND OTHER BORROWINGS (Contd...)

Reconciliation of opening to closing balance	2025 Rs.'000	2024 Rs.'000
Short term borrowings		
Opening Balance	340,000	340,000
Addition	300,000	-
Repayment	-	-
Closing Balance	640,000	340,000
Long term borrowings		
Opening Balance	2,096,900	2,096,900
Addition	9,657,419	1,700,000
Repayment	(1,119,056)	(2,593,665)
Closing Balance	10,635,264	2,096,900

35.1 Short Term Borrowings

	Terms of Repayment		2025	2024
	Period	Payment terms	Rs.'000	Rs.'000
Individual Borrowings	01 Year	At maturity	340,000	340,000
HNB Bank PLC	01 Year	Fixed Installment	300,000	-
			640,000	340,000

35.2 Long Term Borrowings

As at 31st March

	Terms of Repayment			2025	2024
	Interest Rate	Period	Payment terms	Rs.'000	Rs.'000
Securitized Borrowings	Floating Rate	3 Yrs	Variable installment	-	459,000
Sampath Bank PLC	Floating Rate	3 yrs	Fixed monthly installment	221,000	388,400
Hatton National Bank PLC	Floating Rate	4 yrs	Fixed monthly installment	48,500	174,500
Cargills Bank Limited	Floating Rate	3 Yrs	Fixed monthly installment	116,667	216,667
Cargills Bank Limited	Floating Rate	4 Yrs	Fixed monthly installment	258,333	358,333
Pan Asia Bank PLC	Floating Rate	3 Yrs	Fixed monthly installment	333,344	500,000
HNB Bank PLC	Floating Rate	4 Years	Variable Installment	593,000	-
Nations Trust Bank PLC	Floating Rate	3 Years	Variable Installment	375,000	-
HNB Bank PLC	Fixed Rate	3 Years	Fixed Installment	776,000	-
Think Capital - Securitisation - Tranch 01	Fixed Rate	16 Months	Fixed Installment	596,971	-
Think Capital - Securitisation - Tranch 02	Fixed Rate	2 Years	Fixed Installment	396,084	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	861,115	-
Agora - Securitisation - Tranch 01	Fixed Rate	20 Months	Fixed Installment	785,475	-
Agora - Securitisation - Tranch 02	Fixed Rate	24 Months	Fixed Installment	380,972	-
National Savings Bank	Floating Rate	3 Years	Variable Installment	916,667	-
Areva Securitisation	Fixed Rate	5 Years	Fixed Installment	1,976,136	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	1,000,000	-
HNB Bank PLC	Fixed Rate	3 Years	Fixed Installment	1,000,000	-
				10,635,264	2,096,900

Maturity analysis of borrowings and assets pledged details are given in note 55 and 51 to the financial statements respectively.

36. OTHER FINANCIAL LIABILITIES

As at 31st March	2025 Rs.'000	2024 Rs.'000
Vendor payable	37,689	135,118
Insurance payable	170,767	166,101
Other	141,832	129,454
	350,288	430,673

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37. DEFERRED TAX LIABILITIES

Accounting policy

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except;

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilized: except
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

The deferred tax relating to items recognized directly in equity are also recognized in equity, and not in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	**2025**		**2024**	
Summary of net deferred tax liability	**Temporary Difference Rs.'000**	**Tax Effect Rs.'000**	**Temporary Difference Rs.'000**	**Tax Effect Rs.'000**
Balance at the beginning of the year	(2,500,548)	(750,165)	(2,652,880)	(795,864)
Amount originating/(reversing) during the year(Refer Note 15)	210,370	63,111	429,632	128,890
Deferred tax effect on revaluation surplus on PPE	-	-	(324,211)	(97,263)
Deferred tax effect on actuarial gain	4,884	1,465	46,910	14,073
Balance at the end of the year	(2,285,294)	(685,588)	(2,500,548)	(750,164)
Deferred tax asset				
Retirement benefit obligation	489,083	146,725	396,405	118,921
Unclaimed impairment provision	806,215	241,864	719,879	215,964
Lease Liability	74,559	22,368	57,771	17,331
	1,369,857	410,957	1,174,054	352,216
Deferred tax liability				
Accelerated depreciation for tax purpose - leased assets	(248,395)	(74,518)	(245,264)	(73,579)
Accelerated depreciation for tax purpose - owned assets	(264,454)	(79,336)	(287,036)	(86,111)
Deferred tax effect on revaluation surplus	(3,142,303)	(942,691)	(3,142,303)	(942,691)
	(3,655,151)	(1,096,545)	(3,674,603)	(1,102,381)
Net temporary difference and deferred assets/(tax liability)	(2,285,294)	(685,588)	(2,500,548)	(750,164)

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38. RETIREMENT BENEFIT OBLIGATIONS

Accounting policy

The company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit (PUC) method as required by Sri Lanka Accounting Standard LKAS No. 19 - on 'Employees Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflow using interest rates that apply to the currency in which the benefits will be paid.

The company policy is to perform actuarial valuation in every year.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19 on 'Employees Benefits'.

This is a final salary defined benefit plan where regulatory requirement (Gratuity Act No. 12 of 1983) is to pay half month last drawn salary into number of years completed to the employees who completed 5 years upon termination of the employment.

	As at 31st March	2025 (Rs.'000)	2024 (Rs.'000)
38.1	**Provision for retirement benefit obligations**		
	Balance at the beginning of the year	396,405	337,517
	Income / Expenses recognized during the year (note 38.2)	151,725	145,517
	Payments made during the year	(59,047)	(86,631)
	Past service cost	-	-
	Balance at the end of the year	489,083	396,405
38.2	**Expenses recognized in the Statement of Profit or Loss and Other Comprehensive Income**		
	Interest cost - Statement of Profit or Loss and Other Comprehensive Income	53,118	57,378
	Current service cost - Statement of Profit or Loss and Other Comprehensive Income	33,603	28,019
		86,721	85,397
	Actuarial (gain) / loss - Other Comprehensive Income	65,004	60,120
		151,725	145,517

Actuarial valuation of the gratuity liability was carried out as at 31st March, 2025 by Messer Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuaries to value the fund is the 'Projected Unit Credit Method' (PUC), the method recommended by the Sri Lanka Accounting Standard (LKAS 19) on 'Employee Benefits'.

38.3 Actuarial assumptions - demographic

Mortality

In service - A 67/70 Mortality table issued by the Institute of Actuaries, London.

Withdrawal

The withdrawal rate at an age represents the probability of an employee leaving within one year of that age due to reasons other than death, ill health and normal retirement. Withdrawal rate of 20% used in this valuation have been determined based on the staff turnover statistics of the company. (Previous year 20%).

Disability

The disability rate at an age represents the probability of an employee leaving within one year of that age due to ill health/disability. Assumptions similar to those used in other comparable plans for disability were used as the data required to do a "scheme specific" study was not available.

Normal retirement age

The employees who are aged over the specified retirement age of 60 years, have been assumed to retire on their respective next birthdays. (2024- 60 years).

Actuarial assumptions - financial

Rate of discount

In the absence of a deep market in long term bonds in Sri Lanka ,a long term rate of discount of 10% has been used having given weightage to the anticipated long term rate of inflation. (Previous year 13.4%).

Salary increases

A 10% p.a salary increment rate has been used in respect of the active employees. (Previous year 10%).

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38. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

38.4 Sensitivity analysis

In order to show the significance of the salary escalation rate and discount rate used in the actuarial valuation as at 31st March 2025, sensitivity analysis has been carried out as follows:

		Present Value of Defined Benefit Obligation	
		2025	2024
Discount Rate	**Salary Escalation Rate**	**(Rs.'000)**	**(Rs.'000)**
1% Increase	As the Rate Above	467,898	382,970
1% Decrease	As the Rate Above	512,380	410,826
As the Rate Above	1% Increase	510,442	409,753
As the Rate Above	1% Decrease	469,282	383,759

38.5 Maturity profile of the Defined Benefit Obligation

	2025 (Rs.'000)	2024 (Rs.'000)
Within the next 12 Months	48,311	63,683
Between 01 - 02 years	186,246	118,857
Between 02 - 05 years	116,834	123,355
Beyond 05 years	137,691	90,510
	489,083	396,405

Weighted Average duration of Defined Benefit Obligation as at 31st March 2025 is 4.9 years.(3.9 years in 2024)

39. LEASE LIABILITY

The company recognizes a lease liability at the date of initial application for leases previously classified as operating leases applying LKAS 17. The Company has measured the lease liability at the present value of the remaining lease payments, discounted using the company's Incremental Borrowing Rate of 11%. (2024 - 13%)

	2025 Rs.'000	2024 Rs.'000
Lease Liability (Note 39.1.1)	401,998	273,077

39.1 Movement in lease liabilities

	2025 Rs.'000	2024 Rs.'000
Balance/Restated Balance as at 01st April	273,077	178,573
Additions/renewal operating leases during the year	209,332	109,085
Accretion of the Interest	50,271	75,491
Payment to lease creditors	(130,682)	(90,071)
Balance at the end of the year	401,998	273,077

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39 LEASE LIABILITY (Contd...)

39.2 Sensitivity Analysis of Lease Liability

The following table illustrates the impact arising from the possible changes in the incremental borrowing rate on the lease liability of the company as at 31 March 2025.

	2025 Rs 000		2024 Rs 000	
Increase/(Decrease) in Incremental Borrowing Rate	**Sensitivity effect on Lease Liability Increase / (Reduction) in the Liability**	**Sensitivity effect on Interest Expense Increase / (Reduction) in profit for the year**	Sensitivity effect on Lease Liability Increase / (Reduction) in the Liability	Sensitivity effect on Interest Expense Increase / (Reduction) in profit for the year
1bp Up	(6,292)	2,724	(4,705)	1,646
1bp Down	6,459	(2,888)	4,887	(1,466)

39.3 Contractual Maturity Analysis of Lease Liability

As at 31 March 2025	**With in One Year**	**1 - 5 Years**	**Over 5 Years**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Lease Liability	124,935	277,063	-	401,998

As at 31 March 2024	With in One Year	1 - 5 Years	Over 5 Years	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Lease Liability	2,148	270,929	-	273,077

As at 31st March	**2025**	**2024**
40 STATED CAPITAL	**(Rs.'000)**	**(Rs.'000)**
Value		
Ordinary shares	36,000	36,000
	36,000	36,000

	2025 No's	**2024 No's**
Number of shares in issue		
Ordinary shares (no par value)	3,006	3,006
	3,006	3,006

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41. CAPITAL RESERVE - REVALUATION RESERVE

The revaluation reserve relates to revaluation of land and buildings of the company and its associates company and represents the increase in the fair value of the land and buildings at the date of revaluation.

	2025 (Rs.'000)	2024 (Rs.'000)
Balance at the beginning of the year	2,884,448	2,643,603
Increase during the year through FVOCI	113,091	338,108
Deferred tax effect	-	(97,263)
Balance at the end of the year	2,997,540	2,884,448

41.1 Revaluation Reserve- Company

	2025	2024
Balance at the beginning of the year	2,279,152	2,052,204
Increase during the year due to revaluation	-	324,211
Transfer out realized gain on disposed revalued building	-	-
Deferred tax effect	-	(97,263)
Balance at the end of the year	2,279,152	2,279,152

41.2 Associate Company Reserve

	2025	2024
Balance at the beginning of the year	605,297	591,399
Increase during the year through FVOCI	113,091	13,897
Transfer out realized gain on disposed revalued building	-	-
Deferred tax effect	-	-
Balance at the end of the year	718,388	605,297

Revaluation reserve (Company & Associates) can be utilized for dividend distribution upon realization

42. STATUTORY RESERVE FUND

	2025 Rs.'000	2024 Rs.'000
Balance at the beginning of the year	887,400	857,400
Transfers during the year	54,000	30,000
Balance at the end of the year	941,400	887,400

The statutory reserve fund is maintained in accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003, issued by the Central Bank of Sri Lanka. As per the said Direction, every registered finance company is required to maintain a reserve fund out of the net profit for each year. Accordingly, 5% of the net profit for the year is transferred to the reserve fund, as long as the capital funds are not less than 25% of total deposit liabilities.

43. GENERAL RESERVE

	2025 Rs.'000	2024 Rs.'000
Balance at the beginning of the year	4,086,430	4,086,430
Transfers during the year	-	-
Balance at the end of the year	4,086,430	4,086,430

The company maintains the general reserve to retain funds for future expansion.

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44. RETAINED EARNINGS

	2025 Rs.'000	2024 Rs.'000
Balance at the beginning of the year	3,122,457	2,721,856
Total comprehensive income		
Profit for the year	1,074,666	555,814
Other comprehensive income - acturial gain / (loss)	(63,539)	(46,047)
Transfer to statutory reserve	(54,000)	(30,000)
Transfer from OCI reserve	94,802	5,242
Transfer from/ (to) regulatory loss allowance reserve	730,628	(24,287)
Dividend paid	(75,150)	(60,120)
Balance at the end of the year	4,829,865	3,122,457

45. REGULATORY LOSS ALLOWANCE RESERVE

	2025 Rs.'000	2024 Rs.'000
Balance at the beginning of the year	1,067,521	1,043,234
Transfer to retained earnings	-	-
Transfer from retained earnings	(730,628)	24,287
Balance at the end of the year	336,894	1,067,521

*** The Regulatory Loss Allowance Reserve is a non-distributable reserve created as required by Section 7.1 of Direction No.01 of 2020.**

46. FAIR VALUE THROUGH OCI RESERVE

	2025 Rs.'000	2024 Rs.'000
Balance at the beginning of the year	80,812	(372,519)
Transfer to retained earning	(94,802)	(5,242)
Net gain / (losses) on remeasuring of FVOCI (note 46.1)	622,394	458,573
Balance at the end of the year	608,403	80,812

46.1 Net gain / (losses) on remeasuring of FVOCI

	2025	2024
Government securities unrealised gain / (losses)	(8,600)	(29,972)
Equity investrments gain / (losses)	630,994	488,545
	622,394	458,573

Fair Value through OCI reserve comprises the cumulative net change in fair value of financial investment , until such investment are derecognized or impaired.

47. CAPITAL COMMITMENTS

There are no significant capital commitments which have been approved or contracted for by the company as at 31st March 2025.

48. CONTINGENCIES

48.1 Contingent liabilities

Accounting policy

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless its occurrence is remote.

The company does not anticipate any contingent liabilities to arise out of any contingent event as at the date of statement of financial position except as disclosed below :

a. Litigations filed by the customers against the company.
Although litigations resulted from the ordinary course of business activities of the company ,the Directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in these financial statements as no any pending court cases against the company to recover any damages.

48.2 Contingent assets

There are no contingent assets as at the date of the statement of financial position.

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49. TRUST ACTIVITIES

The company is not engaged in any trust activities which may have an impact on its financial results, financial position or liquidity of the company.

50. RELATED PARTY DISCLOSURE

The company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with related parties. Except for the transactions that key management personnel (KMPs) have made with the company under schemes uniformly applicable to all the staff at concessionary rates, transactions with the related parties listed below have been at commercial rates on an arms length basis.

50.1 Parent and ultimate controlling party

The company does not have an identifiable parent of its own.

50.2 Transactions with the key Management Personnel (KMP's)

Key management personnel (KMP) are those persons having authority and responsibility for directing, planning and controlling the activities of the company directly or indirectly. The Board of Directors(including executive and non-executive) of the company have been classified as key management personnel.

Apartment No.89-28/4 and 89-28/5, Kollupitiya Road, Colombo - 03 is being currently used by one of the key management Personnel without any charges for residential purpose.Current year Depriciation 3.024 Mn (FY 2024 - 3 Mn)

For the year ended 31st March	**2025**	**2024**
	Rs.'000	**Rs.'000**
Short - term employee benefits	163,234	120,247
Post employee benefits	140,126	97,115
Other cost - Directors	43,505	37,675
	346,866	255,037

50.3 Transactions involving Key Management Personnel (KMPs) and their close family members (CFMs)

Close family members (CFM) are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include children, spouse or domestic partner of KMP.

Statement of financial position	**2025**	**2024**
	Rs.'000	**Rs.'000**
Liabilities		
Deposits	812,763	640,954
Borrowings	340,000	340,000
Interest Payable	2,267	2,267
	1,155,030	983,220
Statements of comprehensive income		
Interest expenses	122,379	132,347
Other Expenses	239	1,894
Other transactions		
Dividend paid on shareholding	36,346	29,077

Rs 484,362/- has been paid by the company for a KMP for the consultation servies provided by him, which is not an expense to the company

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50. RELATED PARTY DISCLOSURE (Contd...)

50.4 Transactions with entities which are controlled by Key Management Personnel (KMPs) and their close family members (CFMs)

50.4.1 Statement of financial position

As at 31st March	2025 Rs.'000	2024 Rs.'000
Assets		
Loan & Advances	5,515	-
Insurance commision receivable	35,839	45,525
Other Receivables	7,655	12,017
Total	49,009	57,542
Accommodation as a % of capital funds	0.41%	0.59%
Liabilities		
Deposits	2,201,206	2,079,005
Insurance premium payable	170,767	166,101
Accrued expenses	3,258	3,357
	2,375,231	2,248,464

Statements of comprehensive income

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Interest Income on Loans & Advances	189	-
Rent Income	8,760	8,520
Insurance Commision Income	92,626	75,732
Other Income	9,063	15,254
Interest Expenses on Fixed Deposit	186,634	528,368
Security Expenses	40,649	36,283
Other Expenses	2,186	3,353
Other Transactions		
Dividend Paid on shareholdings	31,214	24,971

50.4.2 Transactions with Associate

Statement of financial position

As at 31st March	2025 Rs.'000	2024 Rs.'000
Assets		
Other Receivables	153	1,911
Liabilities		
Deposits	1,568,398	1,497,181

Statements of comprehensive income

For the year ended 31st March	2025 Rs.'000	2024 Rs.'000
Interest expenses on fixed deposits	129,967	290,767
Rent income	1,800	1,800
Other income	2,094	4,537
Other Expenses	9	915
Other transactions		
Dividend income	-	17,031

50.5 Disclosures on related party transactions according to the section 9 of the listing rules

During the year the Company has entered in to following recurrent related party transactions which exceed 10% of the gross revenue/income as disclosed below;

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions entered into during the financial year	Terms and Conditions of the Related Party Transactions
Mercantile Fortune Insurance Brokers (Pvt) Ltd	Other Related Entity	Customer insurance premium paid to Mercantile Fortune Insurance Brokers (Pvt) Ltd.	1,506,569	12.61%	Premium paid at market rate

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51. ASSETS PLEDGED

The following assets have been pledged as secuirty for banking and loan facilities

Name of the bank	Nature of the facility	Facility amount (Rs.)	Facility Outstanding as at 31.03.2025 (Rs. 000)	Securities/ mortgages
Hatton National Bank	Overdraft	347 Million	300,000	Mortgaged over investments in quoted shares by the company and over immovable property No. 28,Sunethradevi Road, Kohuwala
	Term Loan	500 Million	48,500	Mortgaged over hire purchases, leases and vehicle loan receivables for 120%
	Term Loan	500 Million	319,450	Mortgaged over leases and vehicle loan receivables for 1.5 times
NDB	Term Loan	500 Million	437,500	Mortgaged over vehicle loan receivables for 130%
	Term Loan	1 Billion	1,000,000	Mortgaged over vehicle loan receivables for 130%
Sampath Bank	Overdraft	100 Million	2,140	Mortgaged over property at Vajiragnana Mawatha, Maharagama
	Term Loan	750 Million	500,000	Mortgaged over leases receivables for 1.5 times
Seylan Bank	Short Term Loan	500 Million	500,000	Mortgaged over leases and vehicle loan receivables for 1.5 times
	Term Loan	500 Million	260,406	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.5 times
Nations Trust Bank	Overdraft	50 Million	-	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Long term loan	500 Million	437,500	Mortgaged over leases receivables for 1.3 times
People's Bank	Term Loan	1 Billion	361,111	Mortgaged over leases and vehicle loan receivables for 130%
Commercial Bank	Overdraft	125 Million	-	Mortgaged over investments in quoted shares by the company
			4,166,606	

Name of the bank	Nature of the facility	Facility amount (Rs.)	Outstanding as at 31.03.2025 (Rs. 000)	Securities/ mortgages
Securitized borrowings	Trust Loan	784 Million	284,970	Mortgaged over hire purchases, leases and vehicle loan receivables for 1.3 times
	Trust Loan	1 Billion	365,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	1 Billion	950,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	310 Million	310,000	Mortgaged over hire purchases, leases and vehicle loan receivables for 130%
	Trust Loan	600 Million	600,000	Mortgaged over vehicle loan receivables for 130%
			2,509,970	

52. EVENTS AFTER THE REPORTING DATE

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. *In this regard, all material and* important events that occurred after the reporting period have been considered and appropriate disclosures are made into the financial statements where necessary.

Subsequent to the reporting date, no events have arisen which would require adjustments to or disclosures in the financial statements.

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53. FINANCIAL REPORTING BY SEGMENTS

Accounting policy

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and incur expenses, that relate to transactions with any of the company's other components, whose operating results are reviewed regularly by the company management committee (being the chief operating decision-maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

As per the provisions of Sri Lanka Reporting Standard - SLFRS 8, the operating segments of the company has been identified based on the products and services offered by the company of which level of risk and rewards are significantly differ from one another and management believes that information about the segment would be useful to users of the financial statements.

The operating business are organized and managed separately according to the nature of the products and services provided with each segment representing a strategic business unit that offers different products and serves different markets. The operating segments identified by the company for are as follows:

Finance lease	This segment includes finance leasing products offered to the customers
Hire purchase	This segment includes hire purchase products offered to the customers
Loans and advances	This segment include vehicle loans, loans against property mortgages and micro finance lending
Investments	This segment includes the investments in equities and debt securities
Other	This segment includes all other business activities other than the above segments

The company has aggregated all other business lines under "other segment" considering the risks & rewards and the materiality criteria.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing financial statements of the company. Inter- segment transfers are accounted at arms length basis.

Business Segments

The following table presents the income, profit and assets and liability information on the company business's segment for the year ended 31st March, 2025 and comparative figures for the year ended 31st March, 2024.

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54. FINANCIAL REPORTING BY SEGMENTS AS PER THE PROVISIONS OF SRI LANKA FINANCIAL REPORTING STANDARD - SLFRS 08

For the year ended 31st March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Others		Total	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
External operating income												
Interest income	6,219,490	5,432,365	-	2,481	4,804,201	4,032,859	619,790	1,160,547	-	-	11,643,483	10,628,251
Interest expenses	2,735,364	3,196,025	-	1,460	2,112,913	2,372,653	305,817	719,116	102,458	152,351	5,256,552	6,441,603
Net interest income/(expenses)	3,484,126	2,236,340	-	1,021	2,691,288	1,660,206	313,973	441,431	(102,458)	(152,351)	6,386,931	4,186,648
Fee and commission income	-	-	-	-	-	-	-	-	92,626	75,732	92,626	75,732
Capital gains	-	-	-	-	-	-		26,047	-	-	-	26,047
Dividends	-	-	-	-	-	-	75,557	35,705	-	-	75,557	35,705
Others	-	-	-	-	-	-	-	-	140,335	183,222	140,335	183,222
Total operating income	3,484,126	2,236,340	-	1,021	2,691,288	1,660,206	389,530	503,184	130,504	106,604	6,695,449	4,507,355
Less: Impairment charge/(reversal) for loans and receivables / Equity Investments	288,810	84,593	(7,959)	(12,033)	(71,302)	(143,307)	-	-	15,099	78,658	224,648	7,911
Net operating income	3,195,315	2,151,747	7,959	13,054	2,762,590	1,803,513	389,530	503,184	115,405	27,946	6,470,800	4,499,443
Personnel expenses	1,089,247	790,248	-	361	841,381	586,661	121,779	177,808	40,800	37,670	2,093,207	1,592,749
Commission	209,151	121,753	49,336	72	117,226	33,076	-	-	-	-	375,713	154,900
Depreciation and amortisation	132,961	80,620	-	37	102,705	59,850	14,865	18,140	4,980	3,843	255,511	162,490
Disallowed VAT on expenses	61,001	35,161	-	16	47,120	26,103	6,820	7,911	2,285	1,676	117,226	70,867
Other overheads	771,950	640,513	-	293	596,287	475,502	86,305	144,117	28,915	30,532	1,483,457	1,290,957
	2,264,310	1,668,295	49,336	778	1,704,719	1,181,191	229,769	347,977	76,980	73,722	4,325,115	3,271,963
Operating profit before value added tax on financial services	931,006	483,452	(41,377)	12,276	1,057,872	622,322	159,760	155,207	38,425	(45,776)	2,145,687	1,227,480
Value added tax and NBT on financial services	383,838	277,617	-	127	296,493	206,096	42,914	62,465	14,377	13,234	737,622	559,538
Operating profit after value added tax on financial services	547,168	205,836	(41,377)	12,149	761,379	416,226	116,847	92,742	24,048	(59,010)	1,408,065	667,942
Share of associate company's profit before taxation											199,266	151,837
Profit before taxation from operations											1,607,331	819,780
Income tax expenses											(532,665)	(263,966)
Profit for the year											1,074,665	555,814
Other information As At 31st March												
Segment assets	25,060,961	20,302,868	80,718	101,631	27,931,006	16,591,202	9,027,981	7,905,943	8,833,311	8,329,070	70,933,978	53,230,713
Segment liabilities	20,172,518	15,662,956	64,973	78,405	22,482,725	12,799,535	7,266,964	6,099,160	7,110,267	6,425,588	57,097,447	41,065,645
Net assets	4,888,443	4,639,911	15,745	23,226	5,448,281	3,791,667	1,761,017	1,806,783	1,719,253	1,903,482	13,836,531	12,165,069

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55. CURRENT AND NON-CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of Assets and Liabilities analyzed according to when they are expected to be recovered or settled.

As at 31st March	2025			2024		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Financial assets						
Cash and cash equivalents	2,720,258	-	2,720,258	2,492,057	-	2,492,057
Placement with banks	41,040	-	41,040	-	3,460	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	6,173,641	1,026,291	7,199,932	5,497,760	930,071	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	344,772	-	344,772	329,519	-	329,519
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	-	70,427	70,427	-	70,427	70,427
Financial assets at amortised cost - Loans and advances	20,152,075	7,778,931	27,931,006	10,642,462	5,948,740	16,591,202
Financial assets at amortised cost - Finance leases receivables	9,571,700	15,489,264	25,060,964	7,867,509	12,435,359	20,302,868
Financial assets at amortised cost - Hire purchase receivables	3,198	77,520	80,718	48,050	53,582	101,632
Other financial assets	-	284,228	284,228	279,950	9,307	289,256
Total financial assets	39,006,684	24,726,661	63,733,345	27,157,307	19,450,946	46,608,253
Non-financial assets						
Inventories	-	73,838	73,838	-	101,181	101,181
Current tax refunds	-	-	-	-	-	-
Investment in associates	-	1,716,582	1,716,582	-	1,404,225	1,404,225
Other assets	-	222,488	222,488	106,446	73,047	179,493
Property, plant and equipment	-	4,512,331	4,512,331	-	4,391,241	4,391,241
Leasehold property	-	38,397	38,397	-	38,866	38,866
Intangible assets	-	51,167	51,167	-	32,094	32,094
Investment property	-	258,390	258,390	-	260,055	260,055
Right-of-use assets	-	327,439	327,439	-	215,306	215,306
Total non-financial assets	-	7,200,633	7,200,633	106,446	6,516,015	6,622,461
Total assets	39,006,684	31,927,294	70,933,978	27,263,753	25,966,961	53,230,714
Liabilities						
Financial liabilities						
Bank overdraft	687,242	-	687,242	317,122	-	317,122
Financial liabilities at amortised cost - Deposits due to customers	33,595,432	9,179,654	42,775,086	29,597,549	6,507,387	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	4,920,614	6,498,306	11,418,919	1,460,216	981,325	2,441,542
Other financial liabilities	-	350,288	350,288	402,172	28,505	430,677
Total financial liabilities	39,203,287	16,028,248	55,231,535	31,777,060	7,517,217	39,294,276
Non-financial liabilities						
Current tax liabilities	194,269	-	194,269	236,812	-	236,812
Deferred tax liability	-	685,588	685,588	-	750,164	750,164
Other liabilities	-	94,975	94,975	114,915	-	114,915
Retirement benefit obligation	-	489,083	489,083	-	396,404	396,405
Lease Liability	-	401,997	401,997	-	273,077	273,077
Total non-financial liabilities	194,269	1,671,643	1,865,912	351,727	1,419,645	1,771,372
Total liabilities	39,397,556	17,699,891	57,097,447	32,128,786	8,936,862	41,065,648
Net assets/ liabilities	(390,872)	14,227,403	13,836,531	(4,865,033)	17,030,099	12,165,068

56. FINANCIAL RISK MANAGEMENT

56.1 RISK INDEX

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56. FINANCIAL RISK MANAGEMENT

56.2 Introduction

To manage the evolving industry dynamics led risk environment , MI's risk management approach and framework was enhanced to ensure effective proactive measures are instilled for Board and management to be aware and take necessary actions. Policy and procedure changes affected during the financial year under review ensured there remained appropriate balance between risk and rewards. The company hence was well geared to face ongoing market volatility that prevailed with resilience. By instilling strong controls and strategies, management continuously strived to mitigate risks in the attempt of encountering increases in specific areas of business from the evolving business climate. The risk disclosure notes given herewith illustrates MI's exposure to each identified key risks and outlines management procedure for the identification, analyzing, measurement and monitoring of such risks and associated considerations and risk controls in place to mitigate or eliminate risks in keeping to the unique business model the company continues to adopt.

56.2.1 Board's Role in Risk Management

MI's Board has delegated the oversight of entity's risk function to two key Board Subcommittees namely the Board Integrated Risk Management Committee (BIRMC) and the Board Audit Committee (BAC). In addition, other board subcommittees and management committees such as the Assets and Liabilities Committee (ALCO), Credit Committee, Human Resources and Remuneration Committee, Nomination and Governance Committee and Related Party Transaction Review Committee have been entrusted to oversee specified areas of business to either directly or indirectly assist the BIRMC in ensuring sound risk governance prevails across key functions of MI's business operation.

MI's risk management policies and procedures are properly aligned to our overall businesses strategy to safeguard and counter against material risks, in keeping to sound governance practices and finance industry standards, Based on proper understanding of our operating context, management has established risk appetite levels sanctioned by the BIRMC in keeping to the Approved Risk Appetite Statement (RAS) completed by the risk unit for the year ended review. Any negative deviations and exceeding of limits are captured through a sound risk monitoring process that include Chief Risk Officer (CRO) regularly reporting to the respective subcommittee through to the Board for their guidance and instructions.

56.2.2 Risk measurement and reporting

The company has established reasonable cut off policy limits within the risk appetite levels accepted by the MI Board, that have been set forth, applying best in industry accepted norms and sound financial understanding. These limits depict the business strategy and market context of the Company as well as the level of risk tolerance. Tolerance limits of each risk category against actual balance sheet date position is illustrated in the Statement of Risk Management in this Annual Report. MI's exposure to various risks are measured in a way that provides clarity on the choice of actions and decisions enforcing balance in the risk-reward trade-off.

MI's integrated risk management framework illustrates an insight on the impact of probable and remote scenarios on the Company's risk profile. Eventually, the derived respective risk measurement outputs are reported to the BIRMC periodically by the CRO for the committee's oversight and instructions.

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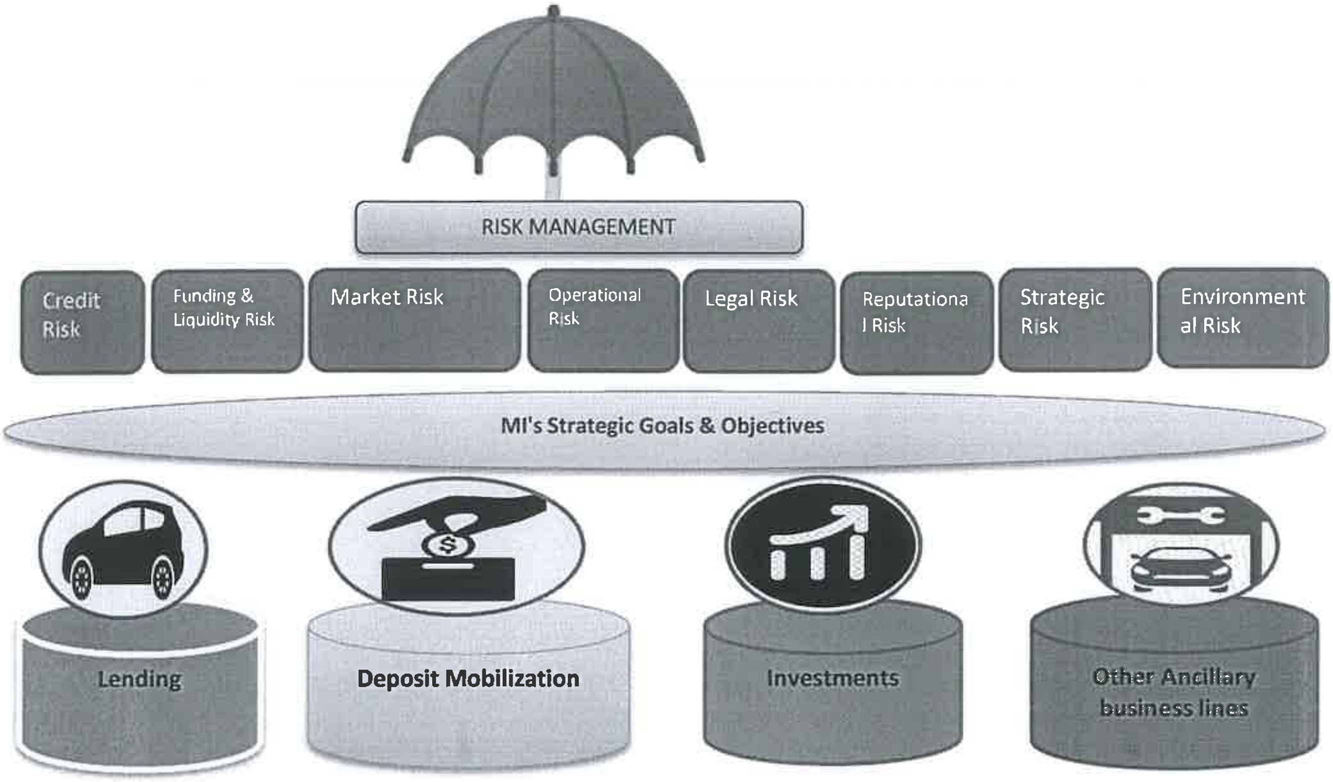
56. FINANCIAL RISK MANAGEMENT (Contd...)

56.2.3 MI's Integrated Risk Management Framework



56.3 Credit Risk

It is the general understanding that Credit risk arises due to failure of a customer or counterparty to honor their financial or contractual obligations to the Company. Being in the business of lending and as a finance company, managing Credit Risk is of utmost importantance and a vital element in MI's overall risk management strategy. As the company loan book exceeds Rs. 53 billion it is therefore necessary to maintan a close monitoring and preemptive and prompt actions , when asset quality is threatened.

Management takes into account of all indicators of credit risk exposures (This includes product risk, individual obligor default risk, and geographic and sector concentration risks) both at micro and macro levels to manage and control associated risks. (Refer the credit risk section of the Risk Management report)

56.3.1 Credit Quality by Class of Financial Assets

MI's credit quality categorisation methodology has been developed based on a contract's debt servicing status, available collateral buffer and loss rate indicators in keeping to accounting standards and industry applied credit risk evaluation models to ascertain the credit quality of financial assets. The table below sets out information about the maximum exposure to credit risk, measured at amortised cost, and Fair Value as at the end of the financial year 2024/25 in keeping to SLFRS 9.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1 Credit Quality by Class of Financial Assets

MI's credit quality categorisation methodology has been developed based on a contract's debt servicing status, available collateral buffer and loss rate indicators in keeping to accounting standards and industry applied credit risk evaluation models to ascertain the credit quality of financial assets. The table below sets out information about the maximum exposure to credit risk, measured at amortised cost, and Fair Value as at the end of the financial year 2024/25 in keeping to SLFRS 9.

56.3.1. A Credit Quality by Class of Financial Assets - As at 31st March 2025 (as per SLFRS 9)

	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
Financial Assets	**Rs. 000**	**Rs. 000**	**Rs. 000**	**Rs. 000**	**Rs. 000**
Cash and Cash Equivalents	2,720,258	-	-	-	2,720,258
Placements with banks	41,040	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	7,199,933	-	-	-	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	344,772	-	-	-	344,772
Financial assets at amortised cost - Loans and advances	-	24,539,639	3,308,489	717,232	28,565,360
Financial assets at amortised cost - Finance leases receivables	-	18,724,565	5,735,738	1,692,726	26,153,029
Financial assets at amortised cost - Hire purchase receivables	-	310	-	286,582	286,892
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	-	-	70,427
Other Financial Assets	284,228	-	-	-	284,228
	10,660,657	43,264,514	9,044,227	2,696,540	65,665,938

Commentary

Out of MI's total loan portfolio, 79% comprises of ECL stage 1 assigned loans and receivables (FY 2023/24, 70%) that comprises loan contracts of higher credit quality. This upward movement of the asset quality was mainly observed due to the improved collection amidst the favorable macro-economic landscape of the country.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1.B Neither Past Due & Past Due (Facilities In Arrears of 1 Day and above) but not Impaired-Age Analysis by Class of Financial Assets - As at 31st March 2025 (as per SLFRS 9)

	Neither Past Due Nor Impaired - High Grade	Past due not impaired Age analysis		
		ECL Stage 1	ECL Stage 2	ECL Stage 3
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans & Receivables	19,843,483	4,696,156	3,308,489	717,232
Finance Lease Receivables	12,095,003	6,629,562	5,735,738	1,692,726
Hire Purchase Receivables	110	200	-	286,582
	31,938,596	11,325,918	9,044,227	2,696,540

Commentary
58% of MI's loan book was classified under the "high grade performing" category with no past due amounts, marking a substantial improvement from 45% in the previous financial year. This notable enhancement in asset quality reflects both the gradual recovery in household income levels within Sri Lanka's LFC sector—driven by a stabilising economic environment—and the company's effective recovery strategies.

Measurement Assumptions
Credit quality is measured in terms of the collection status and categorized for risk analysis. Below definitions are used to define different stages of the credit collection cycle.
a) Impairment: The amount by which the recoverable amount of an asset is less than its carrying amount. Refer pages 25 to 28 in notes to the financial statements for details on impairment methodology adopted and related policies.
b) Individual Impairment: Significant lending contracts are assessed individually for impairment. Assets are tested under individual impairment if the carrying value of a credit contract is greater than a pre-determined threshold specified for product categories. This enables the Company to take a greater prudent approach to the credit risk of high exposure contracts.
c) Collective Impairment: All the lending contracts other than contracts which are considered for Individual Impairment, are assessed under collective basis.
d) Past Due: MI considers any amount uncollected one day or more beyond their contractual due date are 'past due'.
e) Neither past due nor impaired: High grade customer group with zero past due basis.
Stage 1 : Company determines 12 month ECL from customers who are not significantly credit deteriorated, (i.e. 0 to 30 days past due)
Stage 2 : Significant credit deterioration is measured through the rebuttable presumption of more than 30 days and less than or equal to 90 days past due in line with the requirements of the standard.
Stage 3 : Credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1.C Credit Quality by Class of Financial Assets - As at 31st March 2024 (as per SLFRS 9)

	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
Financial Assets	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash and Cash Equivalents	2,492,057	-	-	-	2,492,057
Placements with banks	3,460	-	-	-	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	6,427,831	-	-	-	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	329,519	-	-	-	329,519
Financial assets at amortised cost - Loans and advances	-	13,504,827	2,420,687	1,353,095	17,278,609
Financial assets at amortised cost - Finance leases receivables	-	13,518,606	5,396,139	2,130,386	21,045,131
Financial assets at amortised cost - Hire purchase receivables	-	604	211	304,591	305,406
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	-	-	70,427
Other Financial Assets	289,256	-	-	-	289,256
	9,612,550	27,024,037	7,817,037	3,788,072	48,241,696

56.3.1.D Neither Past Due & Past Due (Facilities In Arrears of 1 Day and above) but not Impaired-Age Analysis by Class of Financial Assets- As at 31st March 2024 (as per SLFRS 9)

	Neither Past Due Nor Impaired - High Grade	Past due not impaired Age analysis		
		ECL Stage 1	ECL Stage 2	ECL Stage 3
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Loans & Receivables	10,096,606	3,408,221	2,420,687	1,353,095
Finance Lease Receivables	7,253,019	6,265,587	5,396,139	2,130,386
Hire Purchase Receivables	418	186	211	304,591
	17,350,043	9,673,994	7,817,037	3,788,072

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2025

The following tables display the reconciliations from the opening to closing balance of the gross carrying amounts by the class of the financial assets.

	Carrying Amount	Not Subject to ECL	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash and Cash Equivalents					
Gross carrying amount as at April 1, 2024	2,492,057	2,492,057	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	228,201	228,201	-	-	-
Financial assets derecognized or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2025	2,720,258	2,720,258	-	-	-
Placements with banks					
Gross carrying amount as at April 1, 2024	3,460	3,460	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	37,580	37,580	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2025	41,040	41,040	-	-	-
Financial assets measured at FVOCI (quoted)					
Gross carrying amount as at April 1, 2024	6,427,831	6,427,831	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	772,102	772,102	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	7,199,933	7,199,933	-	-	-
Financial assets measured at FVPL					
Gross carrying amount as at April 1, 2024	329,519	329,519	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	15,253	15,253	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	344,772	344,772	-	-	-
Financial assets at amortised cost – Loans & Receivables					
Gross carrying amount as at April 1, 2024	17,278,609	-	13,504,827	2,420,687	1,353,095
Transfer to Stage	-	-	(339,330)	273,666	65,664
New assets originated or purchased	28,564,072	-	24,538,351	3,308,490	717,232
Financial assets derecognised or repaid (excluding write-offs)	(17,269,026)	-	(13,164,209)	(2,694,354)	(1,410,464)
Write-offs	(8,295)	-	-	-	(8,295)
As at March 31, 2025	28,565,360	-	24,539,639	3,308,489	717,232

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2024 (Contd...)

Financial assets at amortised cost – Finance lease receivables					
Gross carrying amount as at April 1, 2024	21,045,131	-	13,518,606	5,396,139	2,130,386
Transfer to Stage	-	-	(1,047,016)	827,343	219,673
New assets originated or purchased	15,706,170	-	12,828,745	2,823,310	54,115
Financial assets derecognised or repaid (excluding write-offs)	(10,594,524)	-	(6,575,770)	(3,311,054)	(707,700)
Write-offs	(3,747)	-	-	-	(3,747)
As at March 31, 2025	26,153,029	-	18,724,565	5,735,738	1,692,726
Financial assets at amortised cost – Hire Purchase receivables					
Gross carrying amount as at April 1, 2024	305,406	-	604	211	304,591
Transfer to Stage	-	-	246	(211)	(35)
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(12,133)	-	(540)	-	(11,593)
Write-offs	(6,381)	-	-	-	(6,381)
As at March 31, 2025	286,892	-	310	-	286,582
Financial assets measured at FVOCI (unquoted)					
Gross carrying amount as at April 1, 2024	70,427	70,427	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(0)	(0)	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	70,427	70,427	-	-	-
Other Financial Assets					
Gross carrying amount as at April 1, 2024	289,256	289,256	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(5,028)	(5,028)	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2025	284,228	284,228	-	-	-

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.1.F Provision for Impairment (ECL) Movement (as per SLFRS 9)- As at 31st March 2025

The following table shows reconciliations from the opening to closing balance of the provision for impairment by class of financial instruments.

	Note	Page No	12 Month ECL (Stage 1)	Life time ECL - not credit impaired (Stage 2)	Life time ECL - credit impaired (Stage 3)	Total
			Rs. 000	Rs. 000	Rs. 000	Rs. 000
Financial assets at amortised cost – Loans & Receivables						
Provision for impairment (ECL) as at April 1, 2024			70,944	29,510	553,274	653,728
Transfer to Stage			(22,755)	(3,708)	26,463	-
Net remeasurement of impairment			48,167	13,453	(262,717)	(201,097)
New assets originated or purchased			71,402	33,000	359,040	463,442
Financial assets derecognised or repaid (excluding write-offs)			(60,528)	(21,406)	(251,711)	(333,645)
Write offs and Recoveries			-	-	(8,378)	(8,378)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	23	47	107,230	50,850	415,970	574,049
Financial assets at amortised cost – Finance lease receivables						
Provision for impairment (ECL) as at April 1, 2024			65,261	60,118	528,595	653,974
Transfer to Stage			(17,351)	(2,459)	19,810	-
Net remeasurement of impairment			(18,167)	(7,837)	305,219	279,215
New assets originated or purchased			54,476	27,840	3,253	85,568
Financial assets derecognised or repaid (excluding write-offs)			(19,747)	(25,466)	(30,750)	(75,963)
Write offs and Recoveries			-	-	(3,747)	(3,747)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	24	49	64,471	52,195	822,380	939,047
Financial assets at amortised cost – Hire Purchase receivables						
Provision for impairment (ECL) as at April 1, 2024			18	13	191,162	191,193
Transfer to Stage			-	(13)	13	-
Net remeasurement of impairment			-	-	-	-
New assets originated or purchased			-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)			23,256	-	(31,215)	(7,959)
Write offs and Recoveries			-	-	(6,381)	(6,381)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2025	25	50	23,274	-	153,579	176,853

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.3.2 Credit Impaired Financial Assets (as per SLFRS 9)

Reconciliation of changes in the gross carrying amount of life time ECL credit impaired (Stage 3) leases, hire purchases and other loans and advances are detailed below;

	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
As at March 31, 2025	Rs'000	Rs'000	Rs'000	Rs'000
Stage 3 loans and advances of customers as at April 1,	1,353,095	2,130,386	304,591	3,788,072
Newly classified as impaired loans and advances during the year	717,232	54,115	-	771,347
Net change in already impaired loans and advances during the year	65,664	219,673	(35)	285,302
Net payment, write-off and recoveries and other movement during the year	(1,418,759)	(711,447)	(17,974)	(2,148,180)
Impaired loans and advances of customers as at March 31,	717,232	1,692,726	286,582	2,696,541

	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
As at March 31, 2024	Rs'000	Rs'000	Rs'000	Rs'000
Stage 3 loans and advances of customers as at April 1,	1,908,088	1,906,335	346,323	4,160,746
Newly classified as impaired loans and advances during the year	108,419	50,683	-	159,102
Net change in already impaired loans and advances during the year	183,958	819,807	1,020	1,004,785
Net payment, write-off and recoveries and other movement during the year	(847,370)	(646,439)	(42,752)	(1,536,561)
Impaired loans and advances of customers as at March 31,	1,353,095	2,130,386	304,591	3,788,072

56.3.3 Sensitivity of impairment provision on loans and advances to other customers (as per SLFRS 9)

Company has estimated the impairment provision on loans and advances as at 31st March 2025 based on industry wide accepted simulation model which encompasses assumptions wherever necessary to arrive at the level of impairment charge/ reversal. The changes to such assumptions may lead to changes in inputs used for the computation of impairment provision. The below table demonstrates the sensitivity of the impairment provision of the Company as at 31st March 2025 to a reasonably possible change in PDs, LGDs and forward looking information.

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity Effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
PD 1% increase across all age buckets	19,745	5,905	-	25,651	(25,651)
PD 1% decrease across all age buckets *	(19,745)	(5,905)	-	(25,651)	25,651
LGD 5% increase	103,660	100,639	170,682	374,980	(374,980)
LGD 5% decrease *	(103,660)	(100,639)	(170,682)	(374,980)	374,980
Probability weighted Economic Scenarios					
Base case 10% increase, worst case 5% decrease and best case 5% decrease	228	98	-	325	(325)
Base case 10% decrease, worst case 5% increase and best case 5% increase	(228)	(98)	-	(325)	325

* The PD/LGD decrease is capped to 0%, if applicable.

Commentary

Based on the "Sensitivity effect carried out on the Statement of Financial Position [Increase/ (Decrease) in impairment provision]" currently impact from a probability of default moving from (+or (-) 1%) and (+or (-) 5%) Loss given default would result in a worse case charge of Rs. 25.6 Million and Rs. 374.9 Million respectively to the Income Statement. However, impact of this worse case will bring down Total Capital Adequacy Ratio to 16.56%, well above the minimum regulatory limit of 12.5%.

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56.3.4 Types of Collateral Taken to Minimise Credit Exposure

56.3.4 A Collateral Held

Type of Lending	Collateral generally obtained
Lease & Hire Purchase	Commercial property, Computer hardware and equipment, Dual purpose vehicles, Land vehicles, Motor bicycles, Motor cars, Motor coaches, Motor lorries, Motor Tricycles, Non- agricultural land vehicles, Other equipment, Other machinery, Prime movers, Tractor three wheels and tractor four wheels.
Personal Loans/ Term Loans	Any movable and non movable property
Micro Finance, Cheque Loans	Promissory notes
Gold Loans	Gold articles

56.3.4 B Credit Portfolio Classification Based on Loan to Value Ratio (LTV)

The table below specifies eligible credit exposures on the credit disbursements carried out for the FY 2024/25 by ranges of loan-to-value (LTV) ratios. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral.

	Rs.000							
	2024/25				2023/24			
LTV Ratio %	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
0-20	375,744	162,005	-	537,749	343,522	78,718	-	422,240
20-40	2,130,199	1,115,768	-	3,245,967	1,918,467	714,427	-	2,632,894
40-60	6,207,398	4,274,241	-	10,481,639	4,887,866	3,035,145	-	7,923,011
60-70	9,302,571	9,764,387	-	19,066,958	6,796,128	4,783,687	-	11,579,815
70-80	24,702,536	4,476,152	-	29,178,688	6,057,708	2,233,713	-	8,291,421
80-90	-	-	-	-	1,636,365	103,374	-	1,739,739
90-100	1,048,000	-	-	1,048,000	23,725		-	23,725
	43,766,447	19,792,553	-	63,559,000	21,663,781	10,949,064	-	32,612,845

Commentary

LTV remained below 80% for approximately 98% of new lending business carried out during the year, indicating adequate collateral backing to cover against the remaining credit exposure.

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56.3.4 C Maximum Net Exposure of the Financial Assets

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets

	31st March 2025		31st March 2024	
	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000	Maximum exposure to credit risk Rs. '000	Net exposure Rs. '000
Financial Assets				
Cash and Cash Equivalents	2,720,258	2,720,258	2,492,057	2,492,057
Placements with banks	41,040	41,040	3,460	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	7,199,933	7,199,933	6,427,831	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	344,772	344,772	329,519	329,519
Financial assets at amortised cost - Loans and advances	27,931,006	-	16,591,202	-
Financial assets at amortised cost - Finance leases receivables	25,060,964	-	20,302,868	-
Financial assets at amortised cost - Hire purchase receivables	80,718	-	101,631	-
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	70,427	70,427	70,427
Other Financial Assets	284,228	284,228	289,256	289,256
	63,733,345		46,608,252	

As an additional safeguard, guarantors are required particularly for lease and hire purchase contracts. The company resorts to repossessing the assets kept as security when the borrowers default goes beyond the specified credit period. The sales proceeds resulting from the subsequent sale of such assets are then used to recover or minimise credit risk exposure.

Measurement Assumptions

a) The value of collateral represents the market value of the collateral asset at the time of granting the credit facility.
b) Net exposure was arrived by deducting the total value of the collateral from the total carrying value.

56.3.5 Analysis of Risk Concentration

The company monitors its credit concentration risk by referring to the degree of credit exposure by MI to various sectors and by geographic locations.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.4 Liquidity Risk

Liquidity risk is the potential risk arising from the Company's inability to meet obligations in a timely manner as and when they become due, mainly on account of mismatches between the maturities of the Company's assets and liabilities. Considering the prevailing volatile economic setting, the company continued to display strict policies on managing of its assets, keeping liquidity as a vital focus, monitoring liquidity and taking measures to enhance liquidity, meet prudential limits, arrest assets and liquidity mismatches in both the short & long term.

56.4.1 Exposure to Liquidity Risk

Ratio	2025	2024
Net Loans & Advances /Customer Deposits	124%	102%
Net Loans & Advances /Total Assets	75%	70%

Commentary
Increase in MI's net loans to customer deposits ratio indicates a strategic shift toward enhancing revenue generation through MI's core lending business. Moreover, the rapid loan book growth was source from primarily deposit mobilization and in parallel relatively higher funding contribution sourced from borrowings during this period under review.

56.4.2 Financial Assets and Financial Liabilities by Remaining Contractual Maturities

The following tables illustrate the maturity gap analysis of MI's financial assets and financial liabilities based on their remaining period to maturity undiscounted as at 31st March 2025.

The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and renewal of fixed deposits.

	On demand	Up to 3 Months	4-12 months	1 to 3 Years	3 to 5 Years	More than 5 Years	Unclassified	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets								
Cash & Cash Equivalents	2,720,258	-	-	-	-	-	-	2,720,258
Placement with Banks	-	41,040	-	-	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	6,541	3,605,634	3,587,759	-	-	-	-	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	2,996	-	-	341,776	-	-	344,772
Financial assets at amortised cost - Loans and advances	1,921,331	7,186,655	13,737,835	7,526,720	1,530,977	-	-	31,903,518
Financial assets at amortised cost - Finance leases receivables	1,386,712	3,851,739	9,743,032	15,877,721	3,059,069	-	-	33,918,272
Financial assets at amortised cost - Hire purchase receivables	287,092	-	-	-	-	-	-	287,092
Other Financial Assets	-	284,228	-	-	-	-	-	284,228
Total Financial Assets	6,321,932	14,972,291	27,068,625	23,404,441	4,931,821	-	-	76,699,111

56. FINANCIAL RISK MANAGEMENT (Contd....)

56.4.2 Financial Assets and Liabilities by Remaining Contractual Maturities (Contd....)

Financial Liabilities								
Bank Overdraft	687,242	-	-	-	-	-	-	687,242
Financial liabilities at amortised cost - Deposits due to customers	235,884	18,998,326	18,123,855	10,875,800	2,490,845	-	-	50,724,709
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	-	327,581	4,745,146	10,596,543	4,360,818	-	-	20,030,088
Other Financial Liabilities	-	57,621	292,668	-	-	-	-	350,288
Total Financial Liabilities	923,126	19,383,528	23,161,668	21,472,342	6,851,663	-	-	71,792,327
Total Net Financial Assets/Liabilities	5,398,807	(4,411,237)	3,906,957	1,932,098	(1,919,842)	-	-	4,906,784

Measurement Assumptions

a) Liquidity gap analysis is prepared based on the contractual maturity of assets and liabilities as at 31st March 2025.
b) Future interest income and interest expenses were considered for estimating future cash flows of Placements with other Banks, Loans and receivables, Finance Lease receivable, Hire purchase receivables, Deposits due to customers and Debt Instruments Issued and Other Borrowings.
c) In the case of variable future interest income and expenses, the higher of 31st March 2025 interest rate or the interest rate cap was used for calculation.

Commentary

With the sourcing of higher degree of long term borrowings as opposed to carrying a shorter tenor deposit base , to match the longer duration loan book, the company was able to keep the 1 year cumulative financial assets and liability mismatch positive Rs 3.9 billion (FY 2023/24 -Rs. 1.6 Bn Negative). By disbursing higher levels of shorter tenor credit through Gold Loans , I product, and other shorter tenor lending , thus assets and liability positions was better managed this year.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.4.3 Compliance to the Statutory Liquidity Position

Finance companies are required to maintain daily cash requirements and comply to minimum statutory liquidity limits imposed by the regulator. The Board together with Treasury division closely monitored the liquidity position on a daily, weekly & monthly basis and periodic statutory liquid assets reports were submitted to the regulator on due dates. MI maintained its statutory liquid assets ratio and the minimum approved securities requirement well above the minimum requirements specified by the regulator.

(a) 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day.
(b) 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day.
(c) 10% of the total outstanding borrowing and any payable.

Further, MI maintained assets in the form of Sri Lankan government treasury bills and government securities equivalent to 17.3% of the average of its month end total deposit liabilities and unsecured borrowings of the 12 months preceding financial year, above the required level of 7.5% by the regulator.

56.4.4 Key Definitions Related to Liquidity Risk Management

Liquid Assets — Assets that are held in cash or in a form that can be readily converted to cash (E.g. Deposits with banks (free from any charge or lien), Treasury bills and bonds etc.)

Liquid Asset Ratio — This assesses the company's readiness to settle the total deposits and outstanding borrowings. (Excluding secured borrowings and borrowings considered as capital funds)

Description	CBSL minimum requirement as at 31st March 2025	Actual as at 31st March 2025	CBSL minimum requirement as at 31st March 2024	Actual as at 31st March 2024
Total liquid assets (Rs.000)	4,323,445	8,546,627	3,655,385	7,170,967
Statutory liquid assets ratio (%)	10.00	19.82	10.00	19.68
Minimum approved securities (Rs.000)	2,519,039	5,734,012	2,209,375	4,677,461

Commentary
Throughout the year, Liquidity buffers were kept to meet immerging needs and moreover to endure any market shocks that could result from the prevailed economic volatility. Accordingly, the statutory liquidity ratio was maintained at 19.82% well above the regulatory minimum of 10%.

56.4.5 Daily Liquidity Management

In order to meet ongoing financial liabilities and commitments, lending and expenditure, the treasury department managed short, medium & long term cash flows, by executing new and existing funding lines and temporary facilities from banks and other financial intermediaries as and when needed. The Core funding source was MI's primary mobilization of deposits which remained on a growth trajectory, sourced from 73 MI locations.

56.5 Market Risks

Market Risk is the likelihood of loss in earnings that could arise from the possible fall in value of investments or trading portfolios, as a direct consequence of changes in market variables such as interest rates, equity prices and foreign exchange rates. MI's market risk exposure primarily revolves around the interest rate risk and equity price risk. MI is not exposed to exchange rate risk at present, due to the company's zero exposure to foreign currency assets and liabilities.

56.5.1 Interest Rate Risk

Interest Rate Risk is the potential for losses resulting from the volatility in interest rates that impact rate sensitive products and the susceptibility of the future income and expense levels of a company to change, in line with movements in market interest rates. MI continued to monitor and evaluate interest rate shocks against the income statement and adopted strategies to ensure that interest rate risk is maintained within prudent levels. In evaluating possible impacts of interest rate movement would have on profitability, we analyzed the Company's interest rate sensitivity level based on the company's exposure to various financial assets and liabilities terms of interest payments.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.5.1 A Financial Assets and Financial Liabilities Exposed to Interest rate Risk

Disclosed below are the company's financial assets and financial liabilities exposed to interest rate risk as at 31st March 2025. The financial assets and financial liabilities so disclosed are at their carrying amounts and categorised by the earlier of contractual re- pricing or maturity dates.

	Up to 3 months	3 to 12months	1 to 3 Years	3 to 5 Years	More than 5 Years	Non-Interest Sensitive	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets							
Placement with other banks	41,040	-	-	-	-	-	41,040
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	1,811,019	3,581,219	-	-	-	-	5,392,237
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)				341,776			
Financial assets at amortised cost - Loans and advances	7,464,671	13,004,616	6,102,452	1,993,620		-	28,565,360
Financial assets at amortised cost - Finance leases receivables	4,107,868	6,721,564	12,450,166	2,873,431	-	-	26,153,029
Financial assets at amortised cost - Hire purchase receivables	286,892	-	-	-	-	-	286,892
Total Financial Assets	13,711,489	23,307,399	18,552,618	5,208,827	-	-	60,438,558
Financial Liabilities							
Bank Overdraft	687,242	-	-	-	-	-	687,242
Deposits Due to Customers	17,557,653	16,177,801	8,346,934	670,511	-	-	42,752,899
Debt Instruments Issued and Other Borrowings	1,242,545	3,645,664	5,744,078	827,800	-	-	11,460,088
Total Financial Liabilities	19,487,440	19,823,465	14,091,012	1,498,311	-	-	54,900,228
Total Interest Sensitivity Gap	(5,775,950)	3,483,934	4,461,606	3,710,516	-	-	5,538,330

Measurement Assumptions

a) The interest rates movements have been applied on the basis that both assets & liabilities pricing rates are on a fixed basis. i.e. Assumed minimal impact from floating rates applicable.
b) The market rates are predicted with no material changes in the foreseeable future.
c) The lending and deposit volumes are assumed to remain unchanged.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.5.1 B Interest Rate Sensitivity Analysis

Given below is a sensitivity analysis carried out as at 31st March 2025 that demonstrates possible impact to the company's Net Interest Income applying 5% and 10% increase and decrease by parallel rate shocks simulated on rate sensitive assets and liabilities, keeping all other variables constant.

	Parallel increase of market rates by 5% effect to the Interest Income /(Expenses)	Parallel decrease of market rates by 5% effect to the Interest Income/ (Expenses)	Parallel increase of market rates by 10% effect to the Interest Income /(Expenses)	Parallel decrease of market rates by 10% effect to the Interest Income/ (Expenses)
	(Rs. 000)	(Rs.000)	(Rs. 000)	(Rs.000)
Effect on Rate sensitive Assets	3,021,928	(3,021,928)	6,043,856	(6,043,856)
Effect on Rate sensitive Liabilities	2,745,011	(2,745,011)	5,490,023	(5,490,023)
Sensitivity/ effect to Net Interest Income	276,916	(276,916)	553,833	(553,833)

The sensitivity rates applied + or (-) to parallel static over the total financial assets and financial liabilities contractual tenor till maturity

Measurement Assumptions

a) The sensitivity rates applied + or (-) to parallel static over the total financial assets and financial liabilities contractual tenor till maturities.

Commentary

a) MI possesses interest rate sensitive assets of Rs. 60.43 billion and rate sensitive liabilities of Rs. 54.9 billion. Based on the sensitivity analysis, an interest rate fluctuation of 10%+ or (10%) will result in a worse case Rs. 553 Million impact to Net Interest Income. This moderate impact will not result in negative profitability and minimal impact to of 5% total capital position.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.5.2 Equity Risk

Equity risk refers to the potential losses that may arise in the equity investment portfolio owing to adverse movements in value of equity prices. MI possesses a well-diversified share portfolio which is valued at a market value of Rs.1.8 billion, which has been primarily invested in blue chips institutions mostly in the hotel and capital goods sectors. MI conducts market-to-market calculations on a periodic basis to identify fair value impacts caused by equity prices fluctuations.

56.5.2 A Analysis on Exposure to Equity Price Risk

The table below summarizes the impact on both the Other Comprehensive Income and on the equity in the event the Market drops to the recorded lowest market prices in last 02 years.

Investment Sector	Market Value at Lowest price (Last 2 Years) (Rs.000)	Effect to the Other Comprehensive Statement of Income if Market drops to the recorded lowest market price (Rs.000)	Percentage (%) of effect by each sector
Banks	3,012	11,155	1
Capital Goods	175,768	279,821	26
Consumer services	427,328	648,877	61
Diversified Financials	34,471	43,897	4
Food Beverage	2	0	0
Insurance	5,600	9,940	1
Materials	2,975	8,675	1
Real Estate	290	365	0
Retailing	10,500	5,490	0
Telecommunication	73,470	59,520	6
	733,416	1,067,740	100

Commentry

A possible negative impact to OCI is negated with the uptick witnessed in the stock market, driven by political stability, strong economic performance, boost in foreign investments and reduced interest rates following relaxed monetary policies.

The table below summarizes the impact on Other Comprehensive Income due to 10% change in equity market prices.

	2024/25	2023/24
	Financial investments - at Fair Value through OCI	Financial investments - at Fair Value through OCI
	Rs. '000	Rs. '000
Stress Level	Impact on OCI	Impact on OCI
Shock of 10% on equity price (upward)	180,116	206,494
Shock of 10% on equity price (downward)	(180,116)	(206,494)

Commentary:

Based on the risk analysis carried out on MI's equity portfolio after considering a possible downward equity market sentiments resulting especially due to macro economic challenges, the maximum amount of equity risk affect to the other comprehensive statement of income (OCI) stood at Rs. 180 million as at the end of 31 March 2025. Total impact to Total Risk Weighted Capital Adequacy Ratio (CAR) would be marginal and keeping yet MI's CAR at 17.05% well above the regulatory limit of 12.5%.

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.6 Operational Risk

Operational risk arises due to inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputational losses.

56.6.1 Nature of Relationship between the Associate and the Company

MI has a 26.12% stake in Nuwara-Eliya Hotels; being accounted for as an associate of the company. Nuwara-Eliya Hotels has a rich history, located in the hill country, and recognized as a renowned hotel. The gradual uplift witnessed across the tourism sector boosted hotel revenue already reflected from the upward revenue trajectory in the last 12 months, backed by solid reputation of the hotel franchise across the country and worldwide.

56.6.2 Defined benefit Plans Associated Risk

For the purpose of assessing risks associated with employee benefit plans, the Company obtains an Independent experts' analysis and guidance to identify specific risks and for actuarial valuations and then to incorporate same in the Financial Statements.
Refer Financial Statements Note 38 which provides a detailed breakdown of defined employment benefit estimates including assumptions made.

56.7 Capital Management Risk

56.7.1 Capital Management Objectives

As a finance company, Capital Adequacy remains a pivatol measure to reflect the company's financial health and is treated as a high priority KPI and critical area of focus by the MI Board. Maintaining the right level of capital is important for the Company due to following reasons;

a) Maintenance of a strong capital buffer against unexpected losses and to possess sufficient capital to meet current and future business needs and stakeholder expectation

b) To meet prudential minimum capital requirements set by the regulator

MI's Strong capital base stands as a strong buffer against unforeseen losses and contingencies in a volatile market setting. Right level of capital buffers provide the company with adequate flexibility to pursue its future business plans and capital Investments and to take risk more confidently without undermining stakeholder returns.

MI Board as part of its capital management process regularly monitors the company's capital adequacy position which includes minimum capital requirements and has set minimum thresholds in keeping to MI's risk appetite levels, well above even the prudential capital adequacy ratio requirements to remain in it's current categoty as a "well capitalized" finance company per regulatory criteria.

56.7.2 New Basel II Capital adequacy(CAR) framework

Instead of the finance companies (Risk weighted Capital Adequacy Ratio) Direction No. 02 of 2006, a more stringent new Basel II Compliant Capital Adequacy framework was introduced to the LFC'S with effect from 1st June 2018 by the regulator.

With the adoption of this risk focus stringent capital adequacy frame work, Finance companies were required to compute the Capital adequacy ratios based on Credit & Operational risk, in keeping to the "Basic approach" recommended by Basel II accord.

Applicable Minimum Capital Adequacy requirements by the regulator for LFC with Total Assets Less than Rs 100 Billion.

Components of Capital	01.07.2022 onwards
Tier 1 Capital	8.50%
Total Capital	12.50%

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56. FINANCIAL RISK MANAGEMENT (Contd....)

56.7.2 New Basel II Capital adequacy(CAR) frame Work (Contd....)

Salient Computational Features
Risk Weighted Assets Computation

Credit Risk

a) Loan Portfolio separation between Performing and Non Performing.
b) Asset Categorization based on counter parties risk profile
c) Assessment of counter party ratings.
d) Level of security underlining the claims.

The risk rates weights applied vary for **a)** to **d)** above depending on the level of credit risks.

Operational Risk
Under the "Basic Indicator approach" a formula based computation is applied taking historic information to assess the level of operational risk, thereby arriving at the risk weighted amount for operational risk.

Both credit risk and operational risk is combined to arrive at MI's total risk weighted assets.

MI's Tier 1 Capital & Total capital position as at 31st March 2025 (with comparison) and the capital adequacy ratio position is given in Note 55.7.4

56.7.3 Prompt Corrective Action Framework (PCA)
The Central Bank of Sri Lanka (CBSL) has set out a 'Prompt Corrective Action Framework' for LFCs based on the Capital Adequacy Ratio's effective from 1st July 2022.

Capital thresholds for each PCA capital adequacy applicable to LFCs with assets less than Rs.100 Billion is as follows;

PCA capital category	Capital Adequacy Ratio (CAR)
Well capitalized	CAR>=14%
Adequately capitalized	12.5%<=CAR<14%
Undercapitalized	9.5%<=CAR<12.5%
Significantly undercapitalized	6.5%<=CAR<9.5%
Critically undercapitalized	CAR<6.5%

56. FINANCIAL RISK MANAGEMENT (Contd...)

56.7.4 Total Capital Base Computation

Item	31st March 2025	31st March 2024
Tier 1 Capital	9,893,694	8,195,299
Stated Capital/assigned capital	36,000	36,000
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	941,400	887,400
Audited retained earnings/(Losses)	4,829,864	3,185,469
(Less) Revaluation gains/surplus of investment property		-
General and other disclosed reserves	4,086,430	4,086,430
Current Year profit(Loss)		-
Adjustments to Tier 1 Capital	75,467	94,146
Goodwill (net)		-
Other intangible assets (net)	51,167	32,094
Other Comprehensive losses		-
Deferred tax assets (net)		-
Shortfall of the cumulative impairment to total provisions and interest in suspense		-
50% of investment in banking and financial subsidiary companies		-
50% of investment in other banking & financial institutions	24,300	62,053
Shortfall of capital in Financial subsidiaries		-
Tier 1 Capital (after adjustments)	9,818,227	8,101,153
Tier 2 Capital	1,080,172	742,165
Instruments Qualifying Tier 2 capital		-
Revaluation gains	1,080,172	742,165
General provisions/ Collective impairment allowance		-
Eligible Tier 2 Capital	1,080,172	742,165
Total adjustment to eligible Tier 2 Capital	24,300	62,053
50% Investment in banking & financial subsidiary companies	-	-
50% of investment in other banking & financial institutions	24,300	62,053
Eligible Tier 2 Capital after adjustments	1,055,872	680,113
Total Capital	10,874,099	8,781,265

56.7.4.1 Capital Adequacy Ratios

As at 31st March		Strategic Plan (Projected 2024)	2025 %	2024 %
Core Capital Ratio =	Tier 1 Capital / Risk Weighted Assets	> 13%	15.59	16.49
Total Risk Weighted Capital Ratio =	Capital Base / Risk Weighted Assets	> 16%	17.27	17.88

Commentary:
MI's sound capital adequacy levels remain a core competitive advantage when comparing Core Capital and Total Risk Weighted Capital with similar size industry peers. Based on current and projected performance targets and plans for Tier 2 Capital Infusion, MI is confident of maintaining its total Risk Weighted Capital Ratio above 14%, thus safeguarding the "well capitalized" grade status in terms of the regulatory PCA framework.

ERNST & YOUNG
Chartered Accountants
COLOMBO