MERCANTILE INVESTMENTS AND FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2026

Shape the future
with confidence

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

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

UM/TJC/DM

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

Report on the audit of the 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 2026, 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 2026 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 the audit of the financial statements of the current period. These matters were addressed in the context of the 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.

(Contd...2/)

Partners: D K Hulangamuwa FCA FCMA LLB (London), Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage FCA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA, M U M Mansoor ACA

Principals: T P M Ruberu FCMA FCCA MBA, G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

EY

Shape the future with confidence

Key Audit Matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of loans and lease receivables Allowances for expected credit losses of loans and lease receivables measured at amortized 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 estimation uncertainty involved in assessing the future recoverability of 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 included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which 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.	In addressing 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 with the underlying methodology and related accounting policies, based on the best available information up to the date of our report. • 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 agreeing details to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of qualitative and quantitative factors used in 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: • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. • Tested the arithmetical accuracy of the underlying individual impairment calculations.

(Contd..3/)

	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 with automated processes and 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 processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialized resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and 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 Finance 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.

(Contd...4/)

EY

Shape the future with confidence

Other Information included in the Company's 2026 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2026 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Contd...5/)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 8913.



24 June 2026
Colombo

Mercantile Investments and Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2026

	Note	2026 Rs.'000	2025 Rs.'000
Gross income	6	16,610,726	11,708,896
Interest income	7.1	15,832,103	10,998,708
Interest expenses	7.2	(7,855,428)	(5,206,139)
Net interest income		7,976,675	5,792,568
Fee and commission income		666,329	530,236
Fee and commission expense		(21,214)	(21,238)
Net fee and commission income	8	645,115	508,998
Other operating income	9	112,293	179,952
Total operating income		8,734,083	6,481,518
Impairment charge for loans and receivables and other financial assets	10	(475,898)	(224,648)
Net operating income		8,258,185	6,256,871
Less: Operating expenses			
Personnel expenses	11	(2,659,751)	(2,093,207)
Depreciation of PPE and Right-of-use assets and amortization of intangible assets	12	(334,994)	(255,511)
Other operating expenses	13	(2,286,799)	(1,762,464)
Total operating expenses		(5,281,544)	(4,111,181)
Operating profit before tax on financial services		2,976,641	2,145,689
Tax on financial services	15.2	(1,059,410)	(737,622)
Operating profit after tax on financial services		1,917,231	1,408,066
Add: Share of associate company's profit net of tax	14	212,050	199,266
Profit before taxation from operations		2,129,281	1,607,332
Less: Income tax expenses	15	(980,716)	(532,665)
Profit for the year		1,148,565	1,074,666
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)		(6,848)	(8,600)
Other comprehensive income/(expenses) to be reclassified to profit or loss in subsequent periods		(6,848)	(8,600)
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	46.1	440,257	630,994
Net change in revaluation surplus on Land & Buildings	41.1	673,672	-
Deferred tax effect on revaluations surplus on Land & building	37	(202,102)	-
Share of other comprehensive income of associates (net of tax)	29.1	8,493	113,091
Actuarial loss on retirement benefit obligation	38.2	(48,159)	(65,004)
Deferred tax effect on actuarial gain	37	14,448	1,465
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		886,609	680,546
Other comprehensive income for the year (net of tax)		879,761	671,946
Total comprehensive income for the year (net of tax)		2,028,326	1,746,612
Earnings per share			
Basic earnings per share (Rs.)	16	1.91	1.79
Diluted earnings per share (Rs.)	16	1.91	1.79
Dividend per ordinary share (Rs.)	17	0.25	0.13

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 10 to 110 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

Mercantile Investments and Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Note	31.03.2026 Rs.'000	Restated 31.03.2025 Rs.'000	Restated 01.04.2024 Rs.'000
Assets				
Cash and balances with banks	20	9,303,037	2,724,044	2,492,057
Placement with banks at Amortized cost	21	37,059	37,254	3,460
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	22.1	6,988,446	7,199,933	6,427,831
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	22.2 & 22.3	349,833	344,772	329,519
Financial assets at amortised cost - Loans and advances	23	72,166,154	27,972,014	16,591,202
Financial assets at amortised cost - Finance lease receivables	24	29,710,908	25,260,543	20,302,868
Financial assets at amortised cost - Hire purchase receivables	25	33,690	80,729	101,631
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	22.1 a)	70,427	70,427	70,427
Other financial assets	26	311,007	284,228	289,256
Inventories	27	184,749	73,839	101,181
Other non financial assets	28	271,399	222,488	179,494
Investment in associates	29	1,937,126	1,716,582	1,404,225
Investment Property	30	236,727	258,390	260,056
Property, Plant and Equipment	31	5,427,668	4,512,330	4,391,241
Right-of-use assets	31.15	599,662	327,439	215,306
Leasehold property	32	37,929	38,397	38,866
Intangible assets	33	68,044	51,167	32,094
Total assets		127,733,865	71,174,574	53,230,714
Liabilities				
Bank overdrafts		912,248	687,242	317,122
Financial liabilities at amortised cost - Deposits due to customers	34	62,011,916	42,775,086	36,104,935
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	35	45,496,293	11,418,919	2,441,542
Other financial liabilities	36 a)	938,265	590,886	430,673
Current tax liabilities	36 b)	532,858	194,269	236,812
Deferred tax liabilities	37	776,260	685,588	750,164
Other liabilities	36 c)	212,962	94,972	114,914
Retirement benefit obligations	38	586,182	489,083	396,405
Lease Liability	39	551,119	401,997	273,077
Total liabilities		112,018,104	57,338,041	41,065,644
Shareholders' funds				
Stated capital	40	36,000	36,000	36,000
Revaluation reserve - Land and Buildings	41.1	2,667,796	2,208,767	2,221,256
Revaluation reserve - Associate Company reserve	41.2	726,881	718,388	605,297
Statutory reserve fund	42	1,171,200	941,400	887,400
General reserves	43	4,086,430	4,086,430	4,086,430
Retained earnings	44	6,108,661	4,900,249	3,180,353
Regulatory loss allowance reserve	45	-	336,894	1,067,522
Fair Value through OCI reserve	46	918,793	608,405	80,812
Total shareholders' funds		15,715,761	13,836,533	12,165,070
Total liabilities and shareholders' funds		127,733,865	71,174,574	53,230,714
Net assets per share (Rs.)		26.14	23.01	20.23
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.
Approved and signed on behalf of the Board of Directors by,

.....
Gerard G. Ondaatjie
Managing Director

.....
Sherman H. Jayasuriya
Finance Director

The material accounting policies and the notes from pages 10 to 110 form an integral part of these financial statements.

ERNST & YOUNG
24 June 2026
Colombo
Chartered Accountants
COLOMBO

Mercantile Investments and Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2026

	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, 2024	36,000	2,279,152	605,297	887,400	4,086,430	1,067,522	80,812	3,122,457	12,165,070
Excess depreciation charge on revaluation, net of deferred tax (restatement)	-	(57,896)	-	-	-	-	-	57,896	-
Balance as at 1st April 2024 (Restated)	36,000	2,221,256	605,297	887,400	4,086,430	1,067,522	80,812	3,180,353	12,165,070
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	1,011,127	1,746,613
Dividends paid to equity shareholders	-	-	-	-	-	-		(75,150)	(75,150)
Transfer to retained earnings	-	-	-	-	-	-	(94,802)	94,802	-
Excess depreciation charge on revaluation, net of deferred tax (restatement)	-	(12,489)	-	-	-	-	-	12,489	
Transfer to regulatory loss allowance reserve	-	-	-	-	-	(730,628)	-	730,628	-
Transfer to statutory reserve	-	-	-	54,000	-	-	-	(54,000)	-
As At 31st March, 2025 (Restated)	36,000	2,208,767	718,388	941,400	4,086,430	336,894	608,405	4,900,249	13,836,533
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	-	-	1,148,565	1,148,565
Other comprehensive income/(expenses)	-	471,570	8,493	-	-		433,409	(33,711)	879,761
Total comprehensive income/(expenses)	-	471,570	8,493	-	-	-	433,409	1,114,854	2,028,326
Dividends paid to equity shareholders	-	-	-	-	-	-		(149,098)	(149,098)
Transfer to retained earnings	-	-	-	-	-	-	(123,021)	123,021	-
Excess depreciation charge on revaluation, net of deferred tax	-	(12,541)	-	-	-	-	-	12,541	-
Transfer to regulatory loss allowance reserve	-	-	-	-	-	(336,894)	-	336,894	-
Transfer to statutory reserve	-	-	-	229,800	-	-	-	(229,800)	-
As At 31st March, 2026	36,000	2,667,796	726,881	1,171,200	4,086,430	-	918,793	6,108,661	15,715,761

Figures in brackets indicate deductions.

The material accounting policies and the notes from pages 10 to 110 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

Mercantile Investments and Finance PLC

STATEMENT OF CASH FLOW

Year ended 31 March 2026

	Note	2026 Rs.000	2025 Rs.000
Cash flow from operating activities			
Profit before tax		2,129,281	1,607,332
Capital gain from sale of quoted shares and treasury bonds	9	10,334	8
Unrealized loss from investments of FVTPL	9	(2,631)	414
Dividend from investing securities	9	(35,034)	(75,557)
Share of profit of associate investments	14	(212,050)	(199,266)
Profit on sale of Property, Plant and Equipment	9	(1,379)	(3,286)
Depreciation of Property, Plant and Equipment	12	154,080	126,084
Depreciation and impairment of Investment Property	12	16,665	1,665
Depreciation of ROU assets	12	138,629	97,199
Amortization of leasehold property	12	468	468
Amortization of intangible assets	12	40,153	30,095
Provision for impairment of loans and receivables	10	475,898	209,549
Interest expense	7.2	7,855,428	5,206,139
Provision for retirement benefit obligations	38.2	100,937	86,721
Retirement benefit paid	38.2	(51,997)	(59,047)
Operating profit before changes in operating assets and liabilities (Note A)		10,618,782	7,028,520
(Increase) / decrease in operating assets			
Deposits held for regulatory purposes		616,308	(1,093,192)
Funds advanced to customers		(49,073,365)	(16,286,536)
Other receivables		(153,310)	(10,625)
Increase / (decrease) in operating liabilities			
Other payables		331,076	13,700
Deposits from customers		18,678,032	6,670,151
		(18,982,477)	(3,677,984)
Interest paid		(6,306,912)	(5,035,867)
Payment of lease liabilities		(184,439)	(130,682)
Income taxes paid		(772,400)	(652,920)
Net cash (used in)/from operating activities		(26,246,228)	(9,497,452)
Cash flows from investing activities			
Dividends received	9	35,034	75,557
Dividends received from associates	29.1	-	-
Purchase of Equity securities		21,436	(24,229)
Proceeds from sale of equity securities		(5,416)	918,244
Disposal of investment property		5,000	
Purchase of Property, Plant and Equipment	31	(413,297)	(277,497)
Proceeds from sale of Property, Plant and Equipment		18,932	33,609
Acquisition of intangible assets	33	(57,030)	(49,168)
Net cash from/(used in) investing activities		(395,341)	676,518
Cash flows from financing activities			
Borrowings obtained during the year		55,492,986	9,957,419
Borrowings repaid during the year		(22,348,333)	(1,199,467)
Dividends paid		(149,098)	(75,150)
Net Cash from financing activities		32,995,555	8,682,801
Net increase in cash and cash equivalents		6,353,988	(138,134)
Cash and cash equivalents at the beginning of the period		2,036,802	2,174,936
Cash and cash equivalents at the end of the period (Note B)		8,390,789	2,036,802
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	850,856	700,076
Balances with bank	20	828,648	257,967
Money market balances	20	7,623,533	1,766,001
Bank Overdrafts		(912,248)	(687,242)
		8,390,789	2,036,802
Operational Cash flow from Interest			
Interest Received		15,649,779	11,239,866
Interest payments		(6,306,912)	(5,035,867)

The material accounting policies and the notes from pages 10 to 110 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

1. REPORTING ENTITY

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 2026 was 1,949 (1,613 as of 31st March 2025).

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, gold lending, fleet management and share trading.

Associates

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

There were no significant changes in the nature of the principal 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 2026 (including comparatives) were approved and authorized for issue by the Board of Directors on 24 June 2026.



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 the 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 provisions 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 on page 07

These financial statements include the following components:

- Statement of comprehensive income providing information on the financial performance of the company for the year under review (refer to page 06).
- Statement of financial position providing information on the financial position of the company as at year end (refer to page 07).
- A statement of changes in equity depicting all changes in shareholders' equity during the year under review (refer to page 08).
- Statement of cash flows providing information about the ability of the company to generate cash and cash equivalents and the need for utilization of those cash flows (refer to page 09)
- Notes to the financial statements which comprise accounting policies used and other explanatory information (refer to pages 10 to 110).



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 amortized 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 of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 54 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 comparability 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 Sri Lanka Accounting Standards LKAS 1 "Presentation of Financial Statements".

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 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 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.

The reclassification of comparative figures to correspond with the current year's classification, carried out for better presentation, is disclosed in Note 55.

2.10 Going concern basis of accounting

When preparing the financial statements, 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, 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 or 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.



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 instruments is given in 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 advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should 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 whether these instruments are impaired as at the reporting date.

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

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 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 to 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 management is exercised in the estimation of these values, rates, methods and hence, they are subject to uncertainty.



The Company reviews annually the estimated useful lives of PPE and intangible assets based on factors such as business plans and strategies, expected levels of usage. Future results of operations could be materially affected by changes in these estimates brought about 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 2026. The key assumptions used to determine the fair value of the land and buildings are provided in 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 every three years unless market changes are observed requiring a shorter review period 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 and buildings, 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 statements is based on 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 a 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.

ERNST & YOUNG Chartered Accountants COLOMBO

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 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 5

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 Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instrument'.

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

Chartered Accountants COLOMBO

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 including 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 the 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 objectives.

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
- 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)

ERNST & YOUNG Chartered Accountants COLOMBO

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 (Solely Payments of Principal and Interest) test

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (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 more than 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 debt instruments, including Government securities, are measured at fair value through other comprehensive income ("FVOCI") when the instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

Changes in the fair value of such investments are recognized in other comprehensive income, except for interest income, impairment gains or losses, and foreign exchange gains or losses, which are recognized in profit or loss. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings in the Statement of Changes in Equity.



(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).



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 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.



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.

Measurement of uncertainty – Economic Factor Adjustment (EFA)

The recognition and measurement of Expected Credit Losses (ECL) require the application of significant judgement, estimates and assumptions. The estimation of ECL incorporates key parameters such as Probability of Default (PD), Loss Given Default (LGD), Exposure at Default (EAD), and the assessment of a range of forward-looking macroeconomic scenarios.

The estimation process is inherently complex, particularly during periods of heightened economic volatility and uncertainty, as it requires management to evaluate the potential impact of changing economic conditions on credit risk exposures. The Company applies a probability-weighted approach by developing multiple economic scenarios based on available economic forecasts and market information to estimate future credit losses and derive an unbiased ECL estimate.

Management judgement is applied in determining the assumptions underlying the models, selecting and weighting economic scenarios, and addressing limitations in available data, model methodologies and credit risk assessments.

During the reporting period, the Company used three forward-looking economic scenarios to reflect the exceptional nature of the prevailing economic environment and to capture management's assessment of the range of possible economic outcomes. Given current market conditions, economic forecasts remain subject to a high degree of uncertainty, and actual results may differ from those estimated.

ERNST & YOUNG
Chartered Accountants
COLOMBO

(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 the 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 57 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.

3.2.1 Loans and receivables

Loans and receivables include, loans and receivables, finance lease receivables, hire purchase receivables and placements with banks.

Details of loans and receivables are given in the 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 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 Note 20 to the financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 in the statement of financial position are given in 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 designated 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.

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 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.

ERNST & YOUNG Chartered Accountants COLOMBO

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.

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 derecognition 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.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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

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, 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 ECLmodels, including the various formula
- 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).

ERNST & YOUNG Chartered Accountants COLOMBO

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 Product (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.

Chartered Accountants COLOMBO

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 collateral such as motor vehicles, real estate is valued based on data provided by third parties such as valuers and other independent sources.

Collateral repossessed

Repossessed collateral will not be taken into the books of accounts unless the company has taken those assets 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 to determine 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 the 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 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 exceed 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 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 whether 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.

(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 the incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognized based on amounts 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 for 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 a 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 a purchase option, the ROU asset is depreciated over the underlying asset's useful life. The ROU assets are adjusted for certain remeasurements 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 the type of the asset leased.



Lease payments included in the measurement of the lease liability comprise 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 rate 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 revision to substance fixed lease payment.

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 and 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 and 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 Notes 9, 26 and 31 to the financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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.

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 Note 31. to the financial statements.

3.5.1 Depreciation

Details of depreciation of Property, Plant and Equipment are given in Note 31.1 to the financial statements.

3.6 Intangible assets

Details of intangible assets are given in 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.

ERNST & YOUNG
Chartered Accountants
COLOMBO

3.7 Investment property

Details of investment property are given in 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, the Company recognizes it as a provision in accordance with LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The amount recognised as a provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation. Where the effect of the time value of money is material, provisions are measured at the present value of the expected future cash outflows using an appropriate pre-tax discount rate.

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.

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 Note 38 to the financial statements.

3.10.2 Defined contribution plan

Details of the defined contribution plans and amounts recognized in the statement of comprehensive income as expenses on defined contribution plans are given in Note 11 to the financial statements.

3.11 Recognition of income and expenses

Details and recognition criteria of income and expenses are given in Notes 6 to ~~12~~ 13 to the financial statements.

3.12 Income tax expenses

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



4. PRIOR PERIOD ADJUSTMENT/ RESTATEMENT OF COMPARATIVE INFORMATION DUE TO VOLUNTARY CHANGE IN AN ACCOUNTING POLICY

During the year ended 31 March 2026, the Company revised its current accounting policy and adopted a measurement basis as permitted under LKAS 16 – Property, Plant and Equipment, whereby the excess depreciation arising on revalued property, plant and equipment is transferred from the Revaluation Reserve to Retained Earnings as the related assets are utilized.

Excess depreciation represents the difference between depreciation calculated based on the revalued carrying amount of an asset and depreciation calculated based on its original historical cost. In accordance with paragraph 41 of LKAS 16, such transfers may be made directly from the Revaluation Reserve to Retained Earnings and are recognized entirely within equity without affecting profit or loss.

Refer to Note 55 for the details.

5. 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 1 January 2025 (unless otherwise stated).

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

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 1 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/amendments to existing accounting standards that became effective during the year.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 2026.

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 them have been early adopted by the Company.

SLFRS 18 – Presentation and Disclosure in Financial Statements

SLFRS 18 replaces LKAS 1 and introduces significant changes to the presentation of primary financial statements. Key requirements include:

- Standardised subtotals in the statement of profit or loss
- Aggregation and disaggregation of information
- Enhanced disclosures for management-defined performance measures.

There are specific presentation requirements and options for entities, such as banks, that have specified main business activities.

SLFRS 18 is effective for annual reporting periods beginning on or after 1st January 2027.

While the measurement of assets and liabilities remains unchanged, the new presentation and disclosure requirements under

SLFRS 18 will significantly reshape how the Company communicates financial performance to stakeholders.

Upon its introduction in 2027, the Company will be required to restate prior- period financial statements to align with the revised presentation and disclosure framework.

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

Recognising the increasing importance of sustainability-related information to stakeholders, the International Sustainability Standards Board (ISSB) issued its first two sustainability disclosure standards:

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures.

In alignment with these developments, the Institute of Chartered Accountants of Sri Lanka issued the localised versions of these standards, namely SLFRS S1 and SLFRS S2, in 2024.

SLFRS S1-General requirements for disclosure of sustainability related financial information

SLFRS S1 requires entities to disclose information about their sustainability- related risks and opportunities that is useful to the primary users of general- purpose financial reports in making resource allocation decisions.

ERNST & YOUNG Chartered Accountants COLOMBO

SLFRS S2-Climate-related disclosures

SLFRS S2 requires entities to disclose information about their climate-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making resource allocation decisions.

Additional disclosures on sustainability and climate-related risks have been included in the non-financial section of the Annual Report.

Based on the Company not being classified among the top 100 companies by market capitalization as at 1 January 2025 and listed on the Diri Savi Board, the Company will comply with the applicable regulatory requirements with effect from the financial year 2026/2027.

SLFRS 19 – Subsidiaries without Public Accountability Disclosures

SLFRS 19 provides reduced disclosure requirements for eligible subsidiaries that do not have public accountability, while continuing to apply full SLFRS recognition and measurement principles. The standard is intended to improve reporting efficiency and reduce compliance costs, while maintaining the quality, consistency and reliability of financial information in group financial reporting.

SLFRS 19 is effective for annual reporting periods beginning on or after 1st January 2027.

This standard is 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 2026, 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 2026 in the preparation of the Financial Statements for the year ended 31st March 2026.



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 the revenue can be reliably measured. The specific recognition criteria is given under the respective income notes.

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Interest income (Note 7.1)	15,832,103	10,998,708
Fee and commission income (Note 8)	666,329	530,236
Other operating income (Note 9)	112,293	179,952
Total	16,610,726	11,708,896

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). The 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 excludes 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 relating to 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. 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		2026 Rs.'000	2025 Rs.'000
7.1	**Interest income**		
	Income from finance lease	6,478,338	5,867,619
	Income from hire purchase	3,573	-
	Income from other loans and receivables	8,775,916	4,511,297
	Income from treasury bills and bonds	405,538	454,432
	Income from fixed deposits ,unit trust and money market investments	168,738	165,360
	Total	15,832,103	10,998,708
7.2	**Interest expenses**		
	Interest on fixed deposits	5,087,283	4,538,534
	Interest on savings deposits	8,998	8,096
	Interest on bank and securitized borrowings	2,702,149	609,239
	Interest on lease liability	56,998	50,271
	Total	7,855,428	5,206,139
	Net interest income	7,976,675	5,792,568

ERNST & YOUNG
Chartered Accountants
COLOMBO

8. NET FEE AND COMMISSION INCOME

FEE AND COMMISSION INCOME

Accounting policy

The Company earns fee and commission income from insurance referral business and loans and advances related business.

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	2026 Rs.'000	2025 Rs.'000
Insurance Commission Income	109,803	92,626
Credit related fees and commissions	556,526	437,610
	666,329	530,236

FEE AND COMMISSION EXPENSE

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Payment gateway related fees	21,214	21,238
	21,214	21,238
Net fee and commission income	645,115	508,998

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 that is 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 term.

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Dividend from FVOCI - Financial Investments	35,034	75,557
Capital gain/(loss on Government Securities & Equity Securities FVPL - Financial Investments	(10,334)	(8)
Unrealized gain/(loss) on Government Securities & Equity Securities FVPL - Financial Investments	2,631	(414)
Rental income from Properties /Investment properties	18,697	18,828
Net gain/(loss) on disposal of Property, Plant and Equipment	1,379	3,286
Other income	64,785	80,013
Bad debts recovered	101	2,690
Total	112,293	179,952

ERNST & YOUNG Chartered Accountants COLOMBO

10. IMPAIRMENT CHARGES AND OTHER LOSSES / (REVERSALS)

Accounting policy

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

10.1 For the year ended 31st March

	2026 Rs.'000	2025 Rs.'000
Charges / (reversals) to Profit (Loss)		
- Loans and receivables (Note 23.4)	237,993	(71,302)
- Finance lease receivables (Note 24.3)	172,301	288,810
- Hire purchase receivables (Note 25.3)	39,942	(7,959)
-Other financial assets	25,662	15,099
Total	475,898	224,648

10.2 Analysis of Impairment Charges and Other Losses

	2026				2025			
	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	47,689	160,092	30,212	237,993	42,666	23,310	(137,280)	(71,302)
Finance leases receivables	8,487	155,723	8,092	172,301	(790)	(7,924)	297,524	288,810
Hire purchase receivables	(23,224)		63,167	39,942	23,259	(16)	(31,202)	(7,959)
Other financial assets			25,662	25,662	-	-	15,099	15,099
Total	32,951	315,814	127,133	475,898	65,135	15,370	144,141	224,648

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 of 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 it becomes 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 whereas the Company contributes 3% of the salary to the Employees' Trust Fund.

Defined benefit plan - gratuity

Defined benefit plan obligations 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	2026 Rs.'000	2025 Rs.'000
Salaries and bonus	2,022,590	1,568,491
Directors' emoluments (Note 11.1)	222,276	206,739
Employer's contribution to EPF	210,257	151,960
Employer's contribution to ETF	52,467	36,884
Defined benefit plan (Note 38)	100,937	86,721
Other allowances and staff related expenses	51,224	42,412
Total	2,659,751	2,093,207

11.1 Directors' emoluments

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

ERNST & YOUNG Chartered Accountants COLOMBO

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	40 - 75 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 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 Note 31 to the financial statements.

Depreciation of Investment Property
Investment property includes land and buildings. Depreciation on building is 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 their 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 of 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 Note 33 to the financial statements.

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

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Depreciation of Investment Property (Note 30)	1,665	1,665
Depreciation of Property, Plant & Equipment (Note 31)	154,079	126,084
Depreciation of ROU Assets (Note 31.15)	138,629	97,199
Amortization of Leasehold Property (Note 32)	468	468
Amortization of Intangible Assets (Note 33)	40,153	30,095
Total	334,994	255,511

The Company has reviewed the residual value and the useful lives of the assets as at 31st March, 2026 and there were no material changes with the previous year reassessment.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 and 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)

In terms of 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	2026 Rs.'000	2025 Rs.'000
Auditors' remuneration	4,710	4,147
Non Audit releated services	840	2,293
Professional and legal expenses	59,921	26,493
Deposit insurance premium	70,789	54,252
General Insurance expenses	49,619	35,371
Donations	1,609	546
Office and building maintenance	112,856	90,235
Computer equipment maintenance	87,639	89,310
Office administraion and establishment expenses	1,729,826	1,316,861
Advertising and business promotion expenses	147,721	102,982
Bank charges	10,064	29,174
Crop Insurance Levy	11,205	10,800
Total	2,286,799	1,762,464

14. SHARE OF ASSOCIATES COMPANY'S PROFIT/(LOSS) AFTER TAXATION

Accounting policy

Investment in associate company is 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.

	2026 Rs.'000	2025 Rs.'000
The Nuwara Eliya Hotels Co. PLC share of Profit after tax (Note 29.1)	212,050	199,266
Total	212,050	199,266



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 the 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 that 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.

Deferred taxation

Detailed disclosure of accounting policies and estimates of deferred tax are available in 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 Note no 15.2 o f the Financial statements.

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Income tax expenses on profit for the year (Note 15.1)	964,149	637,626
(Over)/ under provision in respect of previous year	113,498	(41,850)
Deferred tax (reversal)/ charged (Note 37.1)	(96,983)	(63,111)
Total tax expense for the year	980,716	532,665

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.

Operating profit after tax on financial services before Associate's share of profit	1,917,231	1,408,066
Income tax expense on 12 months accounting PBT @ 30%	575,169	422,420
Add: Tax effect on non-deductible expenses	567,645	378,738
Less: Tax effect on deductible expenses	(178,665)	(163,532)
	964,149	637,626
Effective tax rate (including deferred tax)	45.23%	40.80%
Accounting profit before tax on financial services	2,976,641	2,145,689
Effective tax rate (excluding VAT on financial services)	32.95%	24.82%

Current year income tax expense has been recorded for on the taxable income at the rate of 30%.(2025 - 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 Tax on financial services

	2026 Rs.'000	2025 Rs.'000
Value Added Tax on Financial Services (VAT on FS)- 18%	922.165	647.858
Social Security Contribution Levy on Financial Services (SSCL)- 2.5%	137,244	89,764
	1,059,409	737,622

ERNST & YOUNG Chartered Accountants COLOMBO

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 - 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).

For the year ended 31st march	**2026 Rs.'000**	**2025 Rs.'000**
Amount used as the numerator		
Net profit after tax attributable to equity holders of the company	1,148,565	1,074,666
Net profit after tax attributable to equity holders of the company for basic and diluted earnings per share	1,148,565	1,074,666
	Nos.'000	**Nos.'000**
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	601,200	601,200
Weighted average number of ordinary shares used for basic and diluted earnings per share (post-split)	601,200	601,200
Basic earnings per share (Rs.)	1.91	1.79
Diluted earnings per share (Rs.)	1.91	1.79

Share sub-division

The Company effected a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares on 9 December 2025. Accordingly, the earnings per share (EPS) for the comparable year has been retrospectively adjusted to reflect the impact of the share subdivision, as required by LKAS 33.

17. DIVIDEND PER ORDINARY SHARE

Accounting policy

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

For the year ended 31st March	**2026**			**2025**		
	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	64,629	-	64,629	75,150	-	75,150
Out of normal profits	84,469	12,670	71,799		-	-
Total dividend	149,098	12,670	136,428	75,150	-	75,150
Dividend per ordinary share (Rs.)	0.25		0.23	0.13		0.13

A dividend of Rs. 16.60 per share (pre-split) on ordinary shares was approved as the second interim dividend for the financial year ended 31st March 2025 and this was paid on 14th July 2025. This dividend was distributed in respect of 3,006,000 ordinary shares in issue (the "pre-subdivision shares").

The Board of Directors of the Company declared an interim dividend of Rs. 0.165 per share for the financial year ending 31 March 2026 on 22 December 2025, and the payment was made in January 2026. The interim dividend was paid subsequent to the sub division of shares, and accordingly, the dividend was calculated based on 601,200,000 ordinary shares in issue at the time of payment (the "post-subdivision shares").

In accordance with Section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors confirmed that the Company satisfied the solvency test as required under Section 57 of the Companies Act No. 57 of 2007, and obtained a certificate from the auditors prior to the declaration the interim dividend.

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 and by headings given in the Statement of Financial Position.

18.1 Analysis of financial instrument by measurement basis as at 31st March 2026

	Financial Instruments at Amortized Cost (AC) Rs.'000	Financial Instruments at Fair Value through Profit and Loss (FVPL) Rs.'000	Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI) Rs.'000	Total Rs.'000
Financial assets				
Cash and cash equivalents	9,303,037	-	-	9,303,037
Placement with banks at Amortized cost	37,059	-	-	37,059
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	7,058,873	7,058,873
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	-	349,833	-	349,833
Financial assets at amortised cost - Loans and advances	72,166,154	-	-	72,166,154
Financial assets at amortised cost - Finance lease receivables	29,710,908	-	-	29,710,908
Financial assets at amortised cost - Hire purchase receivables	33,690	-	-	33,690
Other financial assets	311,007	-	-	311,007
Total financial assets	111,561,855	349,833	7,058,873	118,970,561

18.1 Analysis of financial instrument by measurement basis as at 31st March 2026

	At Amortized Cost Rs.'000	Total Rs.'000
Financial liabilities		
Bank overdraft	912,248	912,248
Financial liabilities at amortised cost - Deposits due to customers	62,011,916	62,011,916
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	45,496,293	45,496,293
Other financial liabilities	938,265	938,265
Total financial liabilities	109,358,722	109,358,722

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

	Financial Instruments at Amortized Cost (AC) Rs.'000	Financial Instruments at Fair Value through Profit and Loss (FVPL) Rs.'000	Financial Instruments at Fair Value through Other Comprehensive Income (FVOCI) Rs.'000	Total Rs.'000
Financial assets				
Cash and cash equivalents	2,724,044	-	-	2,724,044
Placement with banks at Amortized cost	37,254	-	-	37,254
Financial investments - At FVOCI (quoted)	-	-	7,270,360	7,270,360
Financial investments - At FVPL	-	344,772	-	344,772
Loans and receivables at Amortized Cost	27,972,014	-	-	27,972,014
Finance leases receivables at Amortized Cost	25,260,543	-	-	25,260,543
Hire purchase receivables at Amortized Cost	80,729	-	-	80,729
Other financial assets	284,228	-	-	284,228
Total financial assets	56,358,811	344,772	7,270,360	63,973,943

Chartered Accountants COLOMBO

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

18.2 Analysis of financial instrument by measurement basis as at 31st March 2025 (Contd...)

	At Amortized Cost Rs.'000	Total Rs.'000
Financial liabilities		
Bank overdraft	687,242	687,242
Deposits due to customers at Amortized Cost	42,775,086	42,775,086
Debt instruments issued and other	11,418,919	11,418,919
Other financial liabilities	590,886	590,886
Total financial liabilities	55,472,132	55,472,132

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.

19.1 Determination of fair value and fair value hierarchy

Fair values hierarchy

Level 1 - Quoted market price (unadjusted) : financial instruments with the quoted prices in active markets.

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. FAIR VALUE MEASUREMENT (Contd...)

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	2026				2025			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non- financial assets	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, Plant and Equipment								
Land and buildings (note 19.3.1)	-	-	4,433,000	4,433,000	-	-	3,783,166	3,783,166
	-	-	4,433,000	4,433,000	-	-	3,783,166	3,783,166
Financial assets								
Financial investments- (FVOCI)								
Quoted investments	1,920,001	-	-	1,920,001	1,801,156	6.541	-	1,807,697
Unquoted investments (note 19.3.2)	-	-	70,427	70,427	-	-	70,427	70,427
Government debt securities	5,068,445	-	-	5,068,445	5,392,237	-	-	5,392,237
Financial investments- (FVTPL)								
Quoted investments	349,833	-	-	349,833	344,772	-	-	344,772
	7,338,279	-	70,427	7,408,706	7,538,165	6,541	70,427	7,615,133

19.3.1 The fair value of the land & buildings are based on the valuation done by a professionally qualified independent professional valuer on 31st March, 2025 & 31st March, 2026.

19.3.2 Value of unquoted shares as at 31st March, 2026 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 transfers between Level 1 and Level 2 during the year 2025 and 2026

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 Financial instruments not measured at fair value and fair value hierarchy (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		2026					2025				
	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total fair value Rs. '000	Total carrying amount Rs. '000
Financial assets											
Cash and cash equivalents		-	-	-	9,303,037	9,303,037	-	-	-	2,724,044	2,724,044
Placement with banks		-	-	-	37,059	37,059	-	-	-	37,254	37,254
Loans and receivables		-	73,471,938	-	73,471,938	72,166,154	-	30,092,429	-	30,092,429	27,972,014
Finance leases receivables		-	31,758,140	-	31,758,140	29,710,908	-	26,782,766	-	26,782,766	25,260,543
Hire purchase receivables		-	33,690	-	33,690	33,690	-	80,718	-	80,718	80,729
Other financial assets		-	-	311,007	311,007	311,007	-	-	284,228	284,228	284,228
Total financial assets		-	105,263,768	311,007	114,914,871	111,561,856	-	56,955,913	284,228	60,001,439	56,358,811
Financial liabilities											
Bank overdraft		-	-	-	912,248	912,248	-	-	-	687,242	687,242
Deposits due to customers		-	62,011,916	-	62,011,916	62,011,916	-	42,671,088	-	36,352,317	42,775,086
Debt instruments issued and other		-	45,496,293	-	45,496,293	45,496,293	-	11,418,919	-	11,418,919	11,418,919
Other financial liabilities		-	-	938,265	938,265	938,265	-	-	590,886	590,886	590,886
Total financial liabilities		-	107,508,209	938,265	109,358,722	109,358,722	-	54,090,007	590,886	49,049,364	55,472,133

19.5 Reclassification of financial assets

No transfers or reclassifications between fair value hierarchy levels were made during the financial years ended 31 March 2026 and 2025.

ERNST & YOUNG Chartered Accountants COLOMBO

20. CASH AND BALANCES WITH BANKS

Accounting policy

Cash and cash equivalents comprise of 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

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	2026 Rs.'000	2025 Rs.'000
Cash in hand	850,856	700,076
Balances with the banks	828,648	257,967
Money market balances	7,623,533	1,766,001
	9,303,037	2,724,044

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

For the purpose of the 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	2026 Rs.'000	2025 Rs.'000
Fixed deposit	37,059	37,254
	37,059	37,254

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).

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 ins in equity will be transferred to retained earning in the statement of changes in equity.



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

22.1 Government securities, Unit trust and quoted investments

As at 31st March	2026 Rs.'000	2025 Rs.'000
Government debt securities (Note 22.1.b)	5,068,445	5,392,237
Equities (Note 22.1.c)	1,920,001	1,801,156
Unit Trust Investment (Note 22.1.d)		6,541
	6,988,446	7,199,933
22.1 (a) Unquoted investments		
Equities (Note 22.1.e)	70,427	70,427
	70,427	70,427
Total financial investments	7,058,873	7,270,360

22.1 (b) Government Debt Securities

Treasury Bill - FVOCI	5,068,445	5,392,237
Treasury Bond - FVPL	344,703	341,776
	5,413,148	5,734,012

22.1.(c) Equities (quoted)

	2026			2025		
	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	648	70	132	648	70	95
Sampath Bank PLC	114,878	10,025	16,686	114,878	10,026	14,073
		10,095	16,818		10,096	14,168
Capital Goods						
Aitken Spence PLC	15,000	343	2,085	15,000	343	1,916
John Keells Holdings PLC	16,657,370	301,872	306,496	16,657,370	301,872	336,479
Hayleys PLC	-	-	-	636,893	72,205	87,254
ACL Cables PLC	489,792	19,811	41,632	245,406	29,778	29,940
		322,026	350,213		404,198	455,589
Consumer Services						
Royal Palms Beach Hotels PLC	8,576,700	124,582	433,981	8,576,700	124,582	283,031
Tangerine Beach Hotels PLC	3,899,644	26,343	394,839	3,899,644	26,343	272,975
Hayleys Leisure PLC	1,933,440	60,070	54,910	1,933,440	60,070	54,523
The Light House Hotel PLC	7,736,677	224,407	504,431	7,736,677	224,407	449,501
Hotel Sigiriya PLC	13,340	556	947	13,340	556	1,025
Palm Garden Hotel PLC	200,000	25,913	11,760	200,000	25,913	12,700
The Fortress Resorts PLC	100,000	2,844	2,160	100,000	2,844	2,450
		464,715	1,403,028		464,715	1,076,205



22. FINANCIAL INVESTMENTS -AT FAIR VALUE THROUGH OCI (Contd...)

		2026			2025		
		No of Shares	Cost Rs.'000	Market Value Rs.'000	No of Shares	Cost Rs.'000	Market Value Rs.'000
22.1.2 ('c)	**Diversified Financials**						
	Singer Finance (Lanka) PLC	296,760	14,357	13,681	296,760	14,357	7,093
	LOLC Holdings PLC	100,000	100,528	52,975	100,000	100,528	59,475
	LOLC Finance PLC	2,000,000	56,829	10,600	2,000,000	56,829	11,800
			171,714	77,256		171,714	78,368
	Food Beverage & Tobacco						
	Renuka Foods PLC	203	4	6	203	4	2
			4	6		4	2
	Insurance						
	HNB Life PLC	200,000	12,336	24,050	200,000	12,336	15,540
			12,336	24,050		12,336	15,540
	Material						
	Swisstek (Ceylon) PLC		-	-	250,000	11,623	11,650
			-	-		11,623	11,650
	Real Estate						
	East West Properties PLC		-	-	50,000	2,471	655
			-	-		2,471	655
	Retailing						
	United Motors Lanka PLC	1,500,000	18,701	45,000	150,000	18,701	12,780
	Odel PLC	300,000	11,943	3,630	300,000	11,943	3,210
			30,644	48,630		30,644	15,990
	Telecommunication services						
	Dialog Axiata PLC		-	-	9,300,000	102,123	132,990
			-	-		102,123	132,990
	Total		1,011,534	1,920,001		1,209,923	1,801,156

		2026		2025	
		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	2026			2025		
	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



22. FINANCIAL INVESTMENTS -AT FAIR VALUE THROUGH OCI (Contd...)

22.2 Financial assets measured at Fair Value Through Profit or Loss (FVTPL)

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

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

	2026			2025		
As at 31st March	**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
Diversified Financials						
Singer Finance (Lanka) PLC	111,285	2,949	5,130	-		
		2,949	5,130		2,568	2,996

22.3 Government Debt Securities

	2026 Rs.'000	2025 Rs.'000
Treasury Bond - FVPL	344,703	341,776
	344,703	341,776
Total Financial Investments at Fair Value through Profit and Loss (FVTPL)	349,833	344,772

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 was treated as 'day 1' difference and amortized as staff cost over the loan period by using the Effective Interest Rate (EIR). The staff loans were subsequently measured at amortized cost.

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 no 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	**2026 Rs.'000**	**2025 Rs.'000**
Gross loans and receivables	80,482,487	31,944,740
Uncarned interest	(7,439,487)	(3,338,373)
Allowance for impairment (Note 23.3)	(810,128)	(574,048)
Interest in suspense	(66,718)	(60,304)
Net loans and receivables	72,166,154	27,972,014

Chartered Accountants COLOMBO

23. LOANS AND RECEIVABLES (Contd...)

As at 31st March	2026 Rs.'000	2025 Rs.'000
23.1 Loans and receivables-within one year		
Gross loans and receivables	57,928,186	22,887,043
Unearned interest	(3,544,681)	(1,658,714)
Loans and receivables	54,383,505	21,228,329
23.2 Loans and receivables-from one to five years		
Gross loans and receivables	22,554,302	9,057,697
Unearned interest	(3,894,805)	(1,679,660)
Loans and receivables	18,659,497	7,378,037
23.3 Movement in allowance for impairment		
Balance at the beginning of the year	574,048	653,728
Bad debts written off during the year	(1,913)	(8,378)
Charge/(reversal) to the Statement of Profit or Loss and Other Comprehensive Income	237,993	(71,302)
Balance at the end of the year	810,128	574,048

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

23.3.1 Movement in Individual impairment		
Balance at the beginning of the year	256,905	362,447
Bad debt written off during the year	(1,913)	(8,378)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	59,808	(97,164)
Balance at the end of the year	314,800	256,905
23.3.2 Movement in Collective impairment		
Balance at the beginning of the year	317,143	291,281
Charge to the Statement of Profit or Loss and Other Comprehensive Income	178,185	25,862
Balance at the end of the year	495,328	317,143
23.4 Sector wise analysis of loans and receivables		
Agriculture	7,907,478	2,804,570
Industrial	9,445,965	3,068,618
Tourism	3,013,992	1,031,085
Trading	7,682,597	5,801,612
Construction	3,575,996	1,383,498
Services	33,601,902	12,765,422
Others	15,254,557	5,089,935
	80,482,487	31,944,740



24. FINANCE LEASE 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 lease 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	2026 Rs.'000	2025 Rs.'000
Gross finance leases receivables	40,857,972	34,117,540
Unearned interest	(9,854,548)	(7,764,932)
Allowance for impairment (note 24.3)	(1,108,363)	(939,037)
Interest in suspense	(184,153)	(153,028)
Net finance leases receivables	29,710,908	25,260,543
24.1 Finance leases receivable-within one year		
Gross finance leases receivables	17,396,201	14,981,172
Unearned interest	(5,646,554)	(4,737,586)
Finance leases receivables	11,749,647	10,243,586
24.2 Finance leases receivable-from one to five years		
Gross finance leases receivables	23,461,771	19,136,368
Unearned interest	(4,207,994)	(3,027,346)
Finance leases receivables	19,253,777	16,109,022
24.3 Movement in allowance for impairment		
Balance at the beginning the year	939,037	653,974
Bad debt written off during the year	(2,976)	(3,747)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	172,301	288,810
Balance at the end the year	1,108,362	939,037

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

24.3.1 Movement in individual impairment		
Balance at the beginning of the year	711,548	430,108
Bad debt written off during the year	(2,976)	(3,747)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	85,079	285,187
Balance at the end of the year	793,651	711,548

ERNST & YOUNG Chartered Accountants COLOMBO

24.	FINANCE LEASES RECEIVABLES (Contd...)	2026 Rs.'000	2025 Rs.'000
24.3.2	**Movement in collective impairment**		
	Balance at the beginning of the year	227,489	223,866
	Bad debt written off during the year	-	-
	Charge to the Statement of Profit or Loss and Other Comprehensive Income	87,224	3,623
	Balance at the end of the year	314,713	227,489
24.4	**Sector wise analysis of finance leases receivables**		
	Agriculture	6,210,996	4,488,133
	Industrial	5,086,954	4,120,036
	Tourism	1,124,452	1,097,012
	Trading	4,067,702	5,697,227
	Construction	1,839,976	1,855,713
	Services	18,120,660	15,309,432
	Others	4,407,232	1,549,987
		40,857,972	34,117,540

25. FINANCIAL ASSETS AT AMORTISED COST - HIRE PURCHASE 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	2026 Rs.'000	2025 Rs.'000
Gross hire purchases receivables	275,763	287,388
Unearned interest	1,943	(486)
Allowance for impairment (note 25.3)	(216,009)	(176,853)
Interest in suspense	(28,007)	(29,320)
Net hire purchases receivables	33,690	80,729
25.1 Hire purchases receivable-within one year		
Gross hire purchases receivables	275,763	193,594
Unearned interest	1,943	-
Hire purchases receivables	277,706	193,594
25.2 Hire purchases receivable-from one to five years		
Gross hire purchases receivables		93,794
Unearned interest		(486)
Hire purchases receivables		93,308
25.3 Movement in allowance for impairment		
Balance at the beginning the year	176,853	191,193
Bad debt written off during the year	(787)	(6,381)
Charge to the Statement of Profit or Loss and Other Comprehensive Income	39,942	(7,959)
Balance at the end the year	216,009	176,853

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

ERNST & YOUNG Chartered Accountants COLOMBO

25. HIRE PURCHASES RECEIVABLES (Contd...)	2026 Rs.'000	2025 Rs.'000
25.3.1 Movement in individual impairment		
Balance at the beginning of the year	48,260	92,547
Bad debt written off during the year	(787)	(6,381)
Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	168,536	(37,906)
Balance at the end of the year	216,009	48,260
25.3.2 Movement in collective impairment		
Balance at the beginning of the year	128,593	98,646
Bad debt written off during the year	-	-
Charge/(reverse) to the Statement of Profit or Loss and Other Comprehensive Income	(128,593)	29,947
Balance at the end of the year	-	128,593

As at 31st March	2026 Rs.'000	2025 Rs.'000
25.4 Sector wise analysis of hire purchases receivables		
Agriculture	14,293	15,897
Industrial	28,869	22,324
Tourism	1,792	1,979
Trading	32,307	34,531
Construction	78,439	79,252
Services	104,829	118,683
Others	15,234	14,723
	275,763	287,389

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 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.

As at 31st March	2026 Rs.'000	2025 Rs.'000
Insurance receivables	52,730	229,177
Investments (Note 26.1)	9,307	9,307
Other receivables	248,970	45,744
	311,007	284,228

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 at after making an impairment provision of Rs 627 Million up to 31st March 2024. No additional provisions have been made thereafter up to 31st March 2026.



27. INVENTORIES

Accounting policy

Inventory consists of spare parts, lubricants, stationery 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 the weighted average cost formula. The cost of inventory is determined at actual cost.

As at 31st March	2026 Rs.'000	2025 Rs.'000
Spare parts	8,200	5,149
Lubricant and others	1,379	1,653
Stationary	12,792	10,767
Vehicle Stock	160,160	53,712
Maintenance Stock	2,218	2,558
	184,749	73,839

28. OTHER NON FINANCIAL 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	2026 Rs.'000	2025 Rs.'000
Other receivables	43,270	115,385
Deposits and prepayments	228,129	107,103
	271,399	222,488

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 the 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.

ERNST & YOUNG Chartered Accountants COLOMBO

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 retained investment and proceeds from disposal is recognized in the Statement of Comprehensive Income.

The Company has a 26.12% (2025-26.12%) holding in The Nuwara Eliya Hotels Company PLC which is a quoted public company and involved in the business of the hoteliering.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 is taxed at the rate of 30% .

As at 31st March	2026 Rs.'000	2025 Rs.'000
Investment in associates - quoted (29.1)	1,937,126	1,716,582
Total	1,937,126	1,716,582

29.1 Investment in associates - quoted

The Nuwara Eliya Hotels Company PLC		
Carrying value at the beginning of the year	1,716,582	1,404,225
Add: Share of associates Profit after tax (29.1.1)	212,050	199,266
Less : Dividend received from associates	-	-
Current year retained profit net of tax	212,050	199,266
Share of Other Comprehensive Income	8,494	113,091
Carrying value at the end of the year	1,937,126	1,716,582

Summary of associate's statement of financial position	As per audited financial statements	As per audited financial statements
As At 31st March	**2026 Rs.'000**	**2025 Rs.'000**
Current assets	3,809,998	3,136,715
Non-current assets	5,302,852	5,102,073
Current liabilities	(498,187)	(463,057)
Non-current liabilities	(1,198,407)	(1,203,824)
Net assets	7,416,256	6,571,907
Holding percentage of the company	26.12%	26.12%
Share of net assets of the company	1,937,126	1,716,582
Market value per share (Rs.)	4,499.25	2,185.75
Total market value of the investment (Rs.'000)	2,569,466	1,248,049

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

	2026 Rs.'000	2025 Rs.'000
29.1.1 Summary of Associate's Revenue and Profit after Tax		
Revenue	2,450,197	2,355,665
Profit after tax	811,831	762,885
Share of associate's Profit after tax	212,050	199,266

ERNST & YOUNG Chartered Accountants COLOMBO

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 the 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 up to the date of disposal. Estimated useful life of buildings classified as investment property ranges from 40 to 75 years.

De-recognition
Investment properties are derecognized when they are disposed, 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.

	2026 Rs.'000	2025 Rs.'000
Cost		
Balance at the beginning of the year	276,702	276,702
Disposals during the year	(5,000)	-
Balance at the end of the year	271,702	276,702
Less : Accumulated Depreciation		
Balance at the beginning of the year	18,311	16,646
Charge for the year	1,665	1,665
Provision for impairment	15,000	-
Balance at the end of the year	34,976	18,311
Carrying value	236,726	258,390

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	2026 Rs.'000	2025 Rs.'000
Rental income derived from investment properties	8,497	10,068
Direct operating expenses incurred generating rental income	(1,472)	(1,552)
Profit arising from investment properties	7,025	8,516

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.



30. INVESTMENT PROPERTY (Contd...)

30.1 Information on the investment property of the company

As At 31st March	Extent (Perches)	Building (Square Feet)	No of	2026		2025	
				Cost	Fair Value	Cost	Fair Value
Location			Buildings	Rs.'000	Rs.'000	Rs.'000	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	15,000	2,500	10,000
Peliyagoda							
151/3A Negombo Road, Peliyagoda.	-	-	-	-	-	5,000	10,000
Kollupitiya							
No 75A-23/2, Kollupitiya Road, Colombo 03.	-	2,636	1	83,234	161,000	83,234	126,900
Gampaha							
No 735/1,Jonikkuwatte Road,Kohalwila.	19.7	-	-	12,300	35,000	12,300	30,000
Nugegoda							
No 19,Sigiri Mawatha,Kohuwala,Nugegoda.	66	-	-	60,000	240,000	60,000	100,000
Kandana							
No 72, Theresa Mawatha, Kandana.	9.7	-	-	10,000	9,000	10,000	7,000
Nawagamuwa							
No 737/7,Sri Sumanatissa Mawatha,Kaduwela, Nawagamuwa.	47	-	-	10,168	30,000	10,168	15,000
Kelaniya							
No 108/1/A Old kandy road, Dalugama, Kelaniya	26.25	-	-	34,500	98,050	34,500	39,000
Total				271,702	675,650	276,702	425,500

The fair value of the investment properties as at 31st March, 2026 was based on market valuations carried out in the year 2025/2026 by a professionally qualified independent valuer Mr. E.G. Jayatissa, Chartered Valuation Surveyor, BSc (Hons) Estate Management, Panel Valuer at Banks & Institutes and Fellow Member of the Institute of Valuers of Sri Lanka.

30.2 Valuation technique

The following table shows the valuation techniques used in measuring fair value of investment property, as well as the significant unobservable input used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market Comparable Method	Value of a perch in the property portfolio	The estimated fair value would increase/ (decrease) if per perch value was higher/ (lower).
Cost Approach	Replacement cost and physical depreciation.	Higher replacement cost increases fair value. Higher depreciation or obsolescence adjustments decrease fair value.
Investment Method (Income Approach / DCF)	Discount rate, capitalization rate, long-term growth rate, expected rental income, occupancy rate, forecast cash flows	Higher projected cash flows, rental income, occupancy rates, or growth rates increase fair value. Higher discount rates or capitalization rates decrease fair value.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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 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 the 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, Plant and 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 them 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 Note 12 to the financial statements.

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 recognised in other comprehensive income and presented in the 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 recognised as income only to the extent of the previous write-down in value. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income or charged in other comprehensive income and presented in the 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 freehold land and building as at 31st March, 2026.



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

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, Plant 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 derecognition 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.

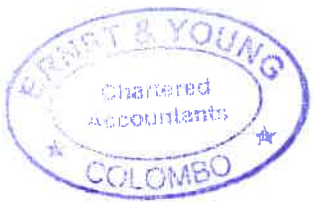
When replacement costs are recognized in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognized as required by Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment'.

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 the Company 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.



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

31.1 Carrying value of Property, Plant and Equipment

2026- Current year

	At valuation		At cost							
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in- progress	Total
Cost/ valuation	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)	(Rs' 000)
Balance as at 01.04.2025	2,615,000	1,191,931	450,188	62,583	303,555	297,584	300,757	9,500	-	5,231,098
Additions during the year	-	-	107,548	7,439	100,857	95,773	101,680	-	-	413,297
Disposals during the year	-	-	(41,276)	-	(2,354)	(88)	-	-	-	(43,718)
Derecognition	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of property	596,000	77,672	-	-	-	-	-	-	-	673,672
Transfers/ adjustments	-	(47,603)	-	-	-	-	-	-	0	(47,603)
Cost/ valuation as at 31.03.2026	3,211,000	1,222,000	516,460	70,022	402,058	393,269	402,437	9,500	-	6,226,746
Accumulated depreciation										
Balance as at 01.04.2025	-	23,765	213,408	50,200	216,970	102,278	102,645	9,500	-	718,766
Charge for the year	-	23,839	23,146	4,674	42,952	30,462	29,008	-	-	154,079
Disposals during the year	-	-	(23,928)	-	(2,154)	(83)	-	-	-	(26,165)
Derecognition	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	(47,603)	-	-	-	-	-	-	-	(47,603)
Accumulated depreciation at 31.03.2026	-	-	212,626	54,874	257,767	132,658	131,653	9,500	-	799,078
Net book value as at 31.03.2026	3,211,000	1,222,000	303,834	15,148	144,291	260,610	270,784	-	-	5,427,668

2025 - previous year

	At valuation		At cost							
	Land	Buildings	Motor vehicles	Plant and machinery	Computer hardware	Office equipment	Furniture, fixtures & fittings	Motor vehicle on operating leases	Capital work-in- progress	Total
Cost/valuation	(Rs' 000)	(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)
Surplus on revaluation of property	-	-	-	-	-	-	-	-	-	-
Transfers/ adjustments	-	-	-	-	-	-	-	-	-	-
Cost/ valuation as at 31.03.2025	2,615,000	1,191,931	450,189	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	236,781	12,383	86,588	195,305	198,112	(1)	-	4,512,331

Chartered Accountants COLOMBO

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

31.2 Revaluation of Property, Plant and Equipment

The land and buildings were revalued during the financial years 2024/2025 & 2025/2026 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 were incorporated in these financial statements as at 31st March, 2024. While no revaluation changes were made to land & buildings for the year ended 31st March 2026. 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 31.03.2026 (Rs. '000)	As a % of Total NBV As At 31.03.2026	Net Book Value As At 31.03.2025 (Rs. '000)	As a % of Total NBV As At 31.03.2025
Kollupitiya - No. 236, Galle Road, Colombo 03	32.56	46,777	1	561,000	895,000	1,456,000	32.84%	1,363,780	36.05%
Maharagama - No. 176, Lake Road, Maharagama	168.74	10,919	2	52,000	759,000	811,000	18.29%	598,960	15.83%
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama	104.00	17,359	3	61,000	364,000	425,000	9.59%	308,780	8.16%
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala	78.91	27,543	2	102,000	512,000	614,000	13.85%	547,080	14.46%
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala	17.80	1,700	1	10,000	62,000	72,000	1.62%	60,720	1.61%
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	9.46	6,264	1	89,000	137,000	226,000	5.10%	213,900	5.65%
Negombo - No. 36, Colombo Road, Negombo	13.87	3,961	1	47,000	42,000	89,000	2.01%	84,060	2.22%
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	-	1,210	1	74,000	-	74,000	1.67%	49,980	1.32%
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	-	3,583	1	226,000	-	226,000	5.10%	151,906	4.02%
Negombo - No. 36/1, Colombo Road, Negombo	16.22	-	-	-	40,000	40,000	0.90%	32,000	0.85%
Kollupitiya - 171 &173, Kollupitiya Road, Colombo 03	16.94	-	-	-	400,000	400,000	9.02%	372,000	9.83%
Total				1,222,000	3,211,000	4,433,000	100%	3,783,166	100%

ERNST & YOUNG Chartered Accountants COLOMBO

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

31.4. 1 Effective Date of Valuation as at 31st March, 2026

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2026 Land Rs. '000	NBV Before Revaluation As At 31 March, 2026 Buildings Rs. '000	Revalued Amount of Land Rs. '000	Revalued Amount of Buildings Rs. '000	Revaluation Gain/ (Loss) Recognized on Land Rs. '000	Revaluation Gain/ (Loss) Recognized on Buildings Rs. '000
Kollupitiya - No. 236, Galle Road, Colombo 03.	Open Market Basis Price per perch of land Price per square foot for building	 27,500,000 15,000	814,000	538,560	895,000	561,000	81,000	22,440
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 4,500,000 4,762	548,000	49,920	759,000	52,000	211,000	2,080
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 3,500,000 3,560	249,000	58,560	364,000	61,000	115,000	2,440
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis Price per perch of land Price per square foot for building	 6,500,000 5,307	404,000	140,160	512,000	102,000	108,000	(38,160)
Kohuwala - No. 30/8, Sunethra Devi Road, Kohuwala.	Open Market Basis Price per perch of land Price per square foot for building	 3,500,000 8,500	47,000	13,440	62,000	10,000	15,000	(3,440)
Borella - No. 219, Dr. N.M. Perera Mw, Colombo 08	Open Market Basis Price per perch of land Price per square foot for building	 16,000,000 16,800	111,000	100,800	137,000	89,000	26,000	(11,800)

ERNST & YOUNG
Chartered Accountants
COLOMBO

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

31.4. 1 Effective Date of Valuation as at 31st March, 2026

Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for unobservable inputs	NBV Before Revaluation As At 31 March, 2026		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 Price per perch of land Price per square foot for building	 3,000,000 12,000	38,000	45,120	42,000	47,000	4,000	1,880
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method Gross Annual Rentals Years purchase(Present value of 1 unit per period)	 4,200,000 23.5 Y.P	-	48,960	-	74,000	-	25,040
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method Gross Annual Rentals unit per period)	 6,800,000 23.5 Y.P	-	148,808	-	226,000	-	77,192
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis Price per perch of land Price per square foot for building	 2,500,000 -	32,000	-	40,000	-	8,000	-
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis Price per perch of land Price per square foot for building	 25,000,000 -	372,000	-	400,000	-	28,000	-
Total			2,615,000	1,144,328	3,211,000	1,222,000	596,000	77,672

ERNST & YOUNG Chartered Accountants COLOMBO

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

31.4. 2 Effective Date of Valuations as at 31st March, 2026

Narrative descriptions on the sensitivity of fair value measurement to changes in significant unobservable inputs are presented 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 derived from prevailing real estate market conditions.	· 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. PROPERTY, PLANT AND EQUIPMENT (Contd...)

31.4.3 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 Price per perch of land Price per square foot for building	 25,000,000 15,000	814,000	549,780	-	-	-	-
Maharagama - No. 176, Lake Road, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 3,250,000 4,762	548,000	50,940	-	-	-	-
Maharagama - No. 16, Batadombagahawatta Lane, Godigamuwa, Maharagama.	Open Market Basis Price per perch of land Price per square foot for building	 2,400,000 3,560	249,600	59,780	-	-	-	-
Kohuwala - No. 28, Sunethra Devi Road, Kohuwala.	Open Market Basis Price per perch of land Price per square foot for building	 4,750,000 5,307	404,000	143,080	-	-	-	-
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 8,500	47,000	13,720	-	-	-	-
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 16,800	111,000	102,900	-	-	-	-

ERNST & YOUNG Chartered Accountants COLOMBO

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

31.4.3 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 Price per perch of land Price per square foot for building	2,750,000 12,000	38,000	46,000	-	-	-	-
Kollupitiya - No. 75-17/4, Kollupitiya Road, Colombo 03	Investment Method Gross Annual Rentals period)	2,904,000 23.5 Y.P		49,980	-	-	-	-
Kollupitiya - No. 89-28/4 & 89-28/5, Kollupitiya Road, Colombo 03	Investment Method Gross Annual Rentals period)	8,500,000 23.5 Y.P	-	151,906	-	-	-	-
Negombo - No. 36/A, Colombo Road, Negombo	Open Market Basis Price per perch of land Price per square foot for building	2,000,000 -	32,000	-	-	-	-	-
Kollupitiya - 171 & 173, Kollupitiya Road, Colombo 03.	Open Market Basis Price per perch of land Price per square foot for building	22,000,000 -	372,000	-	-	-	-	-
Total			2,615,600	1,168,086	-	-	-	-

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

ERNST & YOUNG Chartered Accountants COLOMBO

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

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	2026			2025		
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	126,845	176,352	297,274	120,922	176,351
	457,795	126,845	336,873	457,795	120,922	336,872

31.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value (excluding capital work-in-progress) of Rs.413,296,962/- (2025 - Rs.277,496,732/-)

31.7 Property, Plant and Equipment include assets under operating leases, where the company is a lessor. The net carrying amount of those assets as at 31st March 2026 was nil. (2025 - Nil), on which the accumulated depreciation as at 31st March 2026 was Rs 9,500,000/- (2025 - Rs. 9,500,000/-) .

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 the Statement of financial position.

31.9 Fully depreciated Property, Plant and Equipment

The cost of Property, Plant and Equipment as at the reporting date includes the fully depreciated assets amounting to Rs. 612,836,134/- (2025- Rs.536,663,993/-)

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 Hatton National Bank PLC and National Development 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 the reporting date except for the properties at Sri Vajiragnana Mawatha, Maharagama and No.28, Sunethradevi Road, Kohuwala pledged as securities for overdraft facilities obtained from Hatton National Bank PLC and National Development Bank PLC respectively.



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

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

There were no compensation received or 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, 2026.

31.15 Right of use assets

Accounting policy
Basis of recognition
The Company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all leasehold 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 amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of Right of Use assets includes the amount of lease liabilities recognised, initial direct cost incurred , and lease payments made at or before the commencement date less any lease incentives received. Right of Use assets are amortised on straight-line basis over the lease term.

31.15.a Movement in right -of- use assets

	2026 Rs.'000	2025 Rs.'000
Cost		
Balance at the beginning of the year	684,644	513,475
Additions/renewal of operating leases during the year	410,852	209,332
Expiration during the year	(122,067)	(38,162)
Balance at the end of the year	973,429	684,644
Accumulated amortization and impairment		
Balance at the beginning of the year	357,205	298,168
Amortization for the year	138,629	97,199
Expiration during the year	(122,067)	(38,162)
At the end of the year	373,767	357,205
Net book value as at 31st March	599,662	327,439

32. LEASEHOLD PROPERTY

	2026 Rs.'000	2025 Rs.'000
Cost		
At the beginning of the year	46,354	46,354
At the end of the year	46,354	46,354
Accumulated amortzation and impairment		
At the beginning of the year	7,957	7,488
Amortization for the year	468	468
At the end of the year	8,425	7,957
Net book value as at 31st March	37,929	38,397

ERNST & YOUNG Chartered Accountants COLOMBO

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 benefits 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 for which 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/amortization rate of the computer software is disclosed in 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 their 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.

	2026 Rs.'000	2025 Rs.'000
Cost		
At the beginning of the year	230,229	181,061
Additions	57,030	49,168
Disposal	-	-
At the end of the year	287,259	230,229
Accumulated amortization and impairment		
At the beginning of the year	179,062	148,967
Amortisation for the year	40,153	30,095
Disposal	-	-
At the end of the year	219,215	179,062
Net book value as at 31st March	68,044	51,167

ERNST & YOUNG Chartered Accountants COLOMBO

33. INTANGIBLE ASSETS (Contd...)

33.1 Net book value of intangible assets reported as of 31st March 2026 solely comprised of computer software which was acquired from the market.

33.2 Fully amortized Intangible assets

The cost of intangible assets as at the reporting date includes the fully amortized assets amounting to Rs 174,597,374/- (2025- Rs. 146,691,304/-)

34. FINANCIAL LIABILITIES AT AMORTISED COST - 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 is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2026 Rs.'000	2025 Rs.'000
Fixed deposits (note 34.1)	61,820,174	42,539,201
Savings deposits	191,742	235,884
	62,011,916	42,775,086
34.1 Analysis of fixed deposits by maturity date		
01 to 90 days	16,855,209	4,602,172
91 to 365 days	30,796,434	23,676,503
More than 365 days	14,168,531	14,260,526
	61,820,174	42,539,201

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. 70,788,755/- as the insurance premium during the financial year (2024/2025: Rs. 54,252,263/-).

35. FINANCIAL LIABILITIES AT AMORTISED COST - DEBT 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	2026 Rs.'000	2025 Rs.'000
Bank loans - short-term (Note 35.1)	4,245,477	300,000
Bank loans - long-term (Note 35.2)	29,827,832	6,499,626
Securitizations	5,414,111	4,135,638
Unlisted, unsecured, subordinated term loan (Note 35.3)	4,592,499	-
Other borrowings	340,000	340,000
Interest payable	1,076,374	143,655
	45,496,293	11,418,919



35. DEBTS INSTRUMENTS ISSUED AND OTHER BORROWINGS (Contd...)

Reconciliation of opening to closing balance	2026 Rs.'000	2025 Rs.'000
Bank loans - short-term		
Opening Balance	300,000	-
Addition	18,520,000	300,000
Repayment	(14,574,523)	-
Closing Balance	4,245,477	300,000
Bank loans - long-term		
Opening Balance	6,499,626	1,637,900
Addition	29,750,000	5,480,613
Repayment	(6,421,794)	(618,887)
Closing Balance	29,827,832	6,499,626

35.1 Bank loans - short-term

	Terms of Repayment		2026 Rs.'000	2025 Rs.'000
	Period	Payment terms		
Hatton National Bank PLC	1 Year	Fixed Installment	-	300,000
Nations Trust Bank PLC	4 Months	At maturity	997,949	-
Seylan Bank PLC	1 Month	At maturity	499,999	-
DFCC Bank PLC	1 Month	At maturity	599,562	-
Commercial Bank of Ceylon PLC	1 Month	At maturity	200,000	-
Hatton National Bank PLC	3 Months	At maturity	250,000	-
Pan Asia Banking Corporation PLC	1 Year	At maturity	499,209	-
Cargills Bank PLC	3 Months	At maturity	500,000	-
Union Bank of Colombo PLC	3 Months	At maturity	698,758	-
			4,245,477	300,000

As at 31st March 2026, the company had available Rs.4,509 Million (2025-Rs.2,559 Million) of undrawn-borrowing facilities.

35.2 Bank loans - long-term

As at 31st March

	Terms of Repayment			2026 Rs.'000	2025 Rs.'000
	Interest Rate	Period	Payment terms		
Sampath Bank PLC	Floating Rate	3 Years	Fixed monthly installment	53,600	221,000
Hatton National Bank PLC	Floating Rate	4 Years	Fixed monthly installment	-	48,500
Cargills Bank PLC	Floating Rate	3 Years	Fixed monthly installment	16,574	116,667
Cargills Bank PLC	Floating Rate	4 Years	Fixed monthly installment	156,119	258,333
Pan Asia Banking Corporation PLC	Floating Rate	3 Years	Fixed monthly installment	166,688	333,344
Hatton National Bank PLC	Floating Rate	4 Years	Variable Installment	404,600	593,000
Nations Trust Bank PLC	Floating Rate	3 Years	Variable Installment	206,995	375,000
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	438,649	776,000
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	527,791	861,115
National Savings Bank	Floating Rate	3 Years	Variable Installment	582,541	916,667
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	669,819	1,000,000
Hatton National Bank PLC	Fixed Rate	3 Years	Fixed Installment	663,576	1,000,000
Hatton National Bank PLC	Floating Rate	3 Years	Variable Installment	746,907	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	1,554,053	-
Sampath Bank PLC	Fixed Rate	3 Years	Fixed Installment	1,552,556	-
National Development Bank PLC	Floating Rate	3 Years	Variable Installment	1,211,834	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	1,662,313	-
Nations Trust Bank PLC	Floating Rate	2 Years	Variable Installment	1,494,253	-
Peoples Bank	Fixed Rate	2 Years	Fixed Installment	2,371,949	-
Cargills Bank PLC	Fixed Rate	2 Years	Fixed Installment	675,302	-
Bank of Ceylon	Fixed Rate	3 Years	Fixed Installment	1,884,356	-
Seylan Bank PLC	Floating Rate	3 Years	Variable Installment	1,883,691	-
National Development Bank PLC	Floating Rate	4 Years	Variable Installment	2,928,815	-
Commercial Bank of Ceylon PLC	Fixed Rate	3 Years	Fixed Installment	995,244	-
Hatton National Bank PLC	Floating Rate	3 Years	Variable Installment	1,996,756	-
Sampath Bank PLC	Floating Rate	4 Years	Variable Installment	4,982,852	-
				29,827,832	6,499,626

ERNST & YOUNG Chartered Accountants COLOMBO

35. DEBTS INSTRUMENTS ISSUED AND OTHER BORROWINGS (Contd...)

35.3 Unlisted, unsecured, subodinated term loan

The Company has obtained unlisted, unsecured, subordinated term loans amounting to Rs. 4,605 million with a maturity period of five years. The principal amount is repayable at maturity, while interest is payable annually. The facilities were obtained for the purpose of strengthening the Company's Tier 2 capital base in compliance with the applicable regulatory capital requirements.

Maturity analysis of borrowings and assets pledged details are given in note 51 and 54 to the financial statements respectively.

36. a) OTHER FINANCIAL LIABILITIES

As at 31st March	2026 Rs.'000	2025 Rs.'000
Vendor payable	13,326	37,689
Insurance payable	228,190	170,767
Stamp duty / WHT payable	66,264	76,961
Rentals received in advance	552,906	240,597
Other payable	77,579	64,871
	938,265	590,886

36. b) CURRENT TAX LIABILITIES

As at 31st March	2026 Rs.'000	2025 Rs.'000
Income tax payable	448,792	145,125
Financial Services VAT payable	84,065	49,143
	532,857	194,268

36. c) OTHER LIABILITIES

This mainly consists of unidentified deposits,cheque collected pending realization and RMV payable amounting to Rs 212 million (2026)and Rs 94 million (2025).

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

ERNST & YOUNG Chartered Accountants COLOMBO

37. DEFERRED TAX LIABILITIES (Contd...)

Accounting policy (Contd...)

- 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 is also recognized in equity, and not in the Statement of Profit or Loss and Other Comprehensive Income.

As at 31st March	2026		2025	
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	(2,285,294)	(685,588)	(2,500,548)	(750,165)
Amount originating/(reversing) during the year(Refer Note 15)	(927,752)	(278,326)	210,370	63,111
Deferred tax effect on revaluation surplus on PPE	673,672	202,102	-	-
Deferred tax effect on actuarial gain	(48,159)	(14,448)	4,884	1,465
Balance at the end of the year	(2,587,533)	(776,260)	(2,285,294)	(685,588)
Deferred tax asset				
Retirement benefit obligation	538,023	161,407	489,083	146,725
Unclaimed impairment provision	1,274,983	382,495	806,215	241,864
Lease Liability	(48,541)	(14,562)	74,559	22,368
	1,764,465	529,340	1,369,857	410,957
Deferred tax liability				
Accelerated depreciation for tax purpose - leased assets	(218,278)	(65,483)	(248,395)	(74,518)
Accelerated depreciation for tax purpose - owned assets	(991,417)	(297,425)	(264,454)	(79,336)
Deferred tax effect on revaluation surplus	(3,142,303)	(942,692)	(3,142,303)	(942,691)
	(4,351,998)	(1,305,600)	(3,655,151)	(1,096,545)
Net temporary difference and deferred assets/(tax liability)	(2,587,533)	(776,260)	(2,285,294)	(685,588)

37.1 Deferred tax (reversal)/ charged	2026 Rs.'000	2025 Rs.'000
Deferred tax charge to the statement of profit or loss	(96,983)	(63,111)
Deferred tax charge to the statement of Other comprehensive income	187,653	1,465
	90,670	(61,646)



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 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 annually.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with 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 a half month of last drawn salary for each number of years completed to the employees who completed 5 years upon termination of the employment.

	As at 31st March	2026 (Rs.'000)	2025 (Rs.'000)
38.1	**Provision for retirement benefit obligations**		
	Balance at the beginning of the year	489,083	396,405
	Income / Expenses recognized during the year (note 38.2)	149,096	151,725
	Payments made during the year	(51,997)	(59,047)
	Past service cost	-	-
	Balance at the end of the year	586,182	489,083
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	48,908	53,118
	Current service cost - Statement of Profit or Loss and Other Comprehensive Income	52,029	33,603
		100,937	86,721
	Actuarial loss - Other Comprehensive Income	48,159	65,004
		149,096	151,725

Actuarial valuation of the gratuity liability was carried out as at 31st March, 2026 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 has 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. (2025- 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 10%).

Salary increases

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

ERNST & YOUNG Chartered Accountants COLOMBO

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	
		2026	2025
Discount Rate	**Salary Escalation Rate**	**(Rs.'000)**	**(Rs.'000)**
1% Increase	As the Rate Above	563,677	467,898
1% Decrease	As the Rate Above	610,849	512,380
As the Rate Above	1% Increase	612,745	510,442
As the Rate Above	1% Decrease	561,514	469,282

38.5 Maturity profile of the Defined Benefit Obligation

	2026	2025
	(Rs.'000)	(Rs.'000)
Within the next 12 Months	118,520	48,311
Between 01 - 02 years	167,960	186,246
Between 02 - 05 years	146,808	116,834
Beyond 05 years	152,894	137,692
	586,182	489,083

Weighted Average duration of Defined Benefit Obligation as at 31st March 2026 is 4.9 years.(4.9 years in 2025)

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 10.28%. (2025 -11%)

	2026	2025
	Rs.'000	Rs.'000
Lease Liability (Note 39.1)	551,119	401,997

39.1 Movement in lease liabilities

	2026	2025
	Rs.'000	Rs.'000
Balance/Restated Balance as at 01st April	401,997	273,077
Additions/renewal operating leases during the year	276,562	209,332
Accretion of the Interest	56,998	50,271
Payment to lease creditors	(184,439)	(130,682)
Balance at the end of the year	551,119	401,997



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 31st March 2026.

	2026 Rs 000		2025 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	5,550	(1,535)	(6,292)	2,724
1bp Down	(5,502)	1,863	6,459	(2,888)

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	25,418	433,569	92,133	551,119

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	124,934	277,063	-	401,997

40. STATED CAPITAL

As at 31st March	2026 (Rs.'000)	2025 (Rs.'000)
Value		
Ordinary shares	36,000	36,000
	36,000	36,000

	2026 No's	2025 No's
Number of shares in issue		
Ordinary shares - pre-split	-	3,006,000
Ordinary shares - post-split	601,200,000	-
	601,200,000	3,006,000

The Company effected a subdivision of its Ordinary Shares in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares on 9 December 2025.

Prior to the share subdivision, the Company had 3,006,000 Ordinary Shares in issue ("Pre-Subdivision Shares"). Pursuant to the subdivision in the ratio of one (1) Ordinary Share into two hundred (200) Ordinary Shares, the number of issued Ordinary Shares increased to 601,200,000 Ordinary Shares ("Post-Subdivision Shares"), with no change in the stated capital of the Company.

ERNST & YOUNG Chartered Accountants COLOMBO

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.

		2026 (Rs.'000)	Restated 2025 (Rs.'000)
41.1	**Revaluation Reserve- Company**		
	Balance at the beginning of the year (previously reported)	2,279,152	2,279,152
	Prior year adjustment - Transfer of cumulative excess depreciation from revaluation reserve to retained earnings, net of deferred tax	(70,385)	(57,896)
	Balance at the beginning of the year (restated)	2,208,767	2,221,256
	Increase during the year due to revaluation	673,672	-
	Deferred tax effect	(202,102)	-
	Transfer of excess depreciation charge on revaluation to retained earnings	(12,541)	(12,489)
	Balance at the end of the year	2,667,796	2,208,767

During the year, the Company adopted a policy of transferring excess depreciation arising on revalued property, plant and equipment from the revaluation reserve to retained earnings in accordance with LKAS 16. Consequently, cumulative excess depreciation relating to prior years amounting to Rs. 57.896 million was transferred from the revaluation reserve to retained earnings as an opening equity adjustment as at 1 April 2024. The adjustment has no impact on profit or loss, total equity, net assets or cash flows. Refer to note 55 to the financial statements.

		2026 (Rs.'000)	2025 (Rs.'000)
41.2	**Associate Company Reserve**		
	Balance at the beginning of the year	718,388	605,297
	Increase during the year through FVOCI	8,493	113,091
	Transfer out realized gain on disposed revalued building	-	-
	Deferred tax effect	-	-
	Balance at the end of the year	726,881	718,388

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

42. STATUTORY RESERVE FUND

	2026 Rs.'000	2025 Rs.'000
Balance at the beginning of the year	941,400	887,400
Transfers during the year	229,800	54,000
Balance at the end of the year	1,171,200	941,400

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued under the Finance Companies Act (amended) applicable to Registered Finance Companies. In terms of the said Direction, every Registered Finance Company is required to maintain a reserve fund, out of the net profit for each year. A minimum of 5% of the net profit shall be transferred to the reserve fund where the capital funds are not less than 25% of total deposit liabilities. Where the capital funds are less than 25% of total deposit liabilities (but, not less than 10% thereof), a minimum of 20% of the net profit shall be transferred to the reserve fund.

Accordingly, the Company transferred 20% of its net profit to the statutory reserve fund during the year ended 31 March 2026, compared to 5% transferred during the comparative year.

43. GENERAL RESERVE

	2026 Rs.'000	2025 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.

Chartered Accountants COLOMBO

44. RETAINED EARNINGS

	2026 Rs.'000	2025 Rs.'000
Balance at the beginning of the year (previously reported)	4,829,865	3,122,457
Excess depreciation charge on revaluation, net of deferred tax (restatement)	70,384	57,896
Balance at the beginning of the year (restated)	4,900,249	3,180,354
Profit for the year	1,148,565	1,074,666
Other comprehensive income - Acturial gain / (Loss)	(33,711)	(63,539)
Transfer to statutory reserve	(229,800)	(54,000)
Transfer from OCI reserve	123,021	94,802
Transfer from/ (to) regulatory loss allowance reserve	336,894	730,628
Excess depreciation charge on revaluation	12,541	12,489
Dividend paid	(149,098)	(75,150)
Balance at the end of the year	6,108,661	4,900,249

During the year, the Company adopted a policy of transferring excess depreciation arising on revalued property, plant and equipment from the revaluation reserve to retained earnings in accordance with LKAS 16. Consequently, cumulative excess depreciation relating to prior years amounting to Rs. 57.896 million was transferred from the revaluation reserve to retained earnings as an opening equity adjustment as at 1 April 2024. The adjustment has no impact on profit or loss, total equity, net assets or cash flows. Please refer to note 55 to the financial statements.

45. REGULATORY LOSS ALLOWANCE RESERVE

In terms of Section 7.1.3 of Finance Business Act Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities issued by the Central Bank of Sri Lanka, a Licensed Finance Company is required to maintain a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings where the loss allowance for expected credit losses recognized under SLFRS 9 is lower than the regulatory provision requirement.

As at 31 March 2026, the loss allowance recognized under SLFRS 9 exceeded the regulatory provision requirement. Accordingly, no Regulatory Loss Allowance Reserve was required to be maintained as at the reporting date (2025: Rs. 336.89 million).

Consequently, the Regulatory Loss Allowance Reserve maintained as at 31 March 2025 amounting to Rs. 336.89 million was transferred to retained earnings during the year in accordance with Section 7.1.3 of the Direction.

	2026 Rs.'000	2025 Rs.'000
Balance at the beginning of the year	336,894	1,067,521
Transfer from retained earnings	(336,894)	(730,628)
Balance at the end of the year	-	336,894



46. FAIR VALUE THROUGH OCI RESERVE

	2026 Rs.'000	2025 Rs.'000
Balance at the beginning of the year	608,405	80,812
Transfer to retained earning	(123,021)	(94,802)
Net gain / (losses) on remeasuring of FVOCI (note 46.1)	433,409	622,395
Balance at the end of the year	918,793	608,405

46.1 Net gain / (losses) on remeasuring of FVOCI

Government securities unrealised gain / (losses)	(6,848)	(8,600)
Equity investments gain / (losses)	440,257	630,994
	433,409	622,395

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 2026.

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 their 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 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 there are no 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.

ERNST & YOUNG Chartered Accountants COLOMBO

49. TRUST ACTIVITIES

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

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 arm's length basis.

50.1 Parent and ultimate controlling party

The Company does not have an identifiable parent.

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 directors) 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 purposes. Current year depreciation Rs. 3.02Mn (FY 2025 - 3.02Mn)

For the year ended 31st March	**2026 Rs.'000**	**2025 Rs.'000**
Short - term employee benefits	189,090	163,234
Other cost - Directors	33,187	43,505
	222,276	206,739
As at 31st March		
Retirement benefit obligations	167,167	140,126

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 the KMP.

Statement of financial position	**2026 Rs.'000**	**2025 Rs.'000**
Liabilities		
Deposits	728,439	812,763
Borrowings	340,000	340,000
Interest Payable	2,267	2,267
	1,070,706	1,155,030
Statement of profit or loss and other comprehensive income		
Interest expenses	51,510	122,379
Other Expenses	6,033	239
Other transactions		
Dividend paid on shareholding	65,983	36,346

ERNST & YOUNG Chartered Accountants COLOMBO

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	2026 Rs.'000	2025 Rs.'000
Assets		
Loan & Advances	4,259	5,515
Insurance commision receivable	52,730	35,839
Other Receivables	17,294	7,655
Total	74,283	49,009
Accommodation as a % of capital funds	0.72%	0.41%
Liabilities		
Deposits	1,317,187	2,201,206
Insurance premium payable	199,613	170,767
Accrued expenses	4,758	3,258
	1,521,558	2,375,231

Statement of profit or loss and other comprehensive income	2026 Rs.'000	2025 Rs.'000
For the year ended 31st March		
Interest Income on Loans & Advances	559	189
Rent Income	8,400	8,760
Insurance Commision Income	109,803	92,626
Other Income	4,245	9,063
Interest Expenses on Fixed Deposit	70,384	186,634
Security Expenses	52,469	40,649
Other Expenses	1,341	2,186
Other Transactions		
Dividend Paid on shareholdings	51,373	31,214

50.4.2 Transactions with Associate

Statement of financial position

As at 31st March	2026 Rs.'000	2025 Rs.'000
Assets		
Other Receivables	799	153
Liabilities		
Deposits	1,811,999	1,568,398

Statement of profit or loss and other comprehensive income	2026 Rs.'000	2025 Rs.'000
For the year ended 31st March		
Interest expenses on fixed deposits	154,546	129,967
Rent income	1,800	1,800
Other income	4,275	2,094
Other Expenses	607	9

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

During the year the Company has entered into 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 (Rs.000)	Aggregate value of Related Party Transactions as a % of Gross Revenue	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.	2,149,413	12.94%	Premium paid at market rate

ERNST & YOUNG Chartered Accountants COLOMBO

51. ASSETS PLEDGED

The following assets have been pledged as security for banking and other secured borrowings.

Nature of the assets	Nature of the liabilities	Included under	As at 31.03.2026 (Rs. 000)	As at 31.03.2025 (Rs. 000)
Loans and advances	Financial liabilities at amortised cost - Debt instruments issued and other borrowings + bank overdrafts	Financial assets at amortised cost - Loans and advances	37,601,491	9,124,517
Finance lease receivable		Financial assets at amortised cost - Finance lease receivables	15,739,685	3,819,450
Freehold land and building		Property, Plant and Equipment	614,000	517,080
Investment in quoted shares		Financial assets measured at Fair Value Through Other Comprehensive Income(FVOCI) - quoted	309,711	190,246

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 in 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, except for the following.

a) Rights Issue completed in May 2026

On 11 February 2026, the Board of Directors of the Company resolved to issue up to 33,400,000 ordinary shares by way of a Rights Issue to raise Rs. 1,102 million, subject to shareholder approval. Shareholder approval for the Rights Issue was subsequently obtained at the Extraordinary General Meeting held on 21 April 2026. The Rights Issue was undertaken with the objective of strengthening the Company's capital base and enhancing its capital adequacy ratios in line with projected business expansion and regulatory capital requirements.

The shares were offered at a price of Rs. 33/- per ordinary share on the basis of 1 (one) new ordinary share for every 18 (eighteen) ordinary shares held by existing shareholders.

The Company received subscription proceeds amounting to Rs. 1,107 million from shareholders during May 2026, and the Rights Issue was completed on 25th May 2026 with the final allotment of shares.

Following the completion of the Rights Issue, the stated capital of the Company increased from Rs. 36 million represented by 601,200,000 ordinary shares to Rs. 1,138 million represented by 634,600,000 ordinary shares.

The new ordinary shares issued under the Rights Issue were listed on 4 June 2026.



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, 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 have been identified based on the products and services offered by the company whose level of risk and rewards are significantly different from one another and management believes that information about the segment would be useful to users of the financial statements.

The operating businesses 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 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 and rewards and the materiality criteria.

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

Business Segments

The following table presents the income, profit, assets and liability information on the Company business segments for the year ended 31st March, 2026 and comparative figures for the year ended 31st March, 2025.



53. 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	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
External operating income												
Interest income	6,478,338	5,867,619	3,573	-	8,775,916	4,511,297	574,276	619,790	-	-	15,832,103	10,998,708
Interest expenses	3,210,862	2,735,364	1,654	-	4,299,718	2,112,913	277,289	305,817	65,905	52,046	7,855,428	5,206,140
Net interest income/(expenses)	3,267,476	3,132,255	1,919	-	4,476,198	2,398,384	296,988	313,973	(65,905)	(52,046)	7,976,676	5,792,568
Fee and commission income	39,027	169,742	-	-	511,930	267,867	-	-	115,371	92,626	666,329	530,235
Capital gains/ (losses)	-	-	-	-	-	-	(10,334)	-	-	-	(10,334)	(8)
Dividends	-	-	-	-	-	-	35,034	75,557	-	-	35,034	75,557
Others	-	-	-	-	-	-	-	-	87,594	104,403	87,594	104,403
Total operating income	3,306,504	3,301,997	1,919	-	4,988,128	2,666,251	321,688	389,530	137,060	144,983	8,755,299	6,502,755
Impairment charge/(reversal) for loans and receivables / Equity Investments	172,301	288,810	39,942	(7,959)	237,993	(71,302)	-	-	25,662	15,099	475,898	224,648
Net operating income	3,134,203	3,013,186	(38,024)	7,959	4,750,135	2,737,554	321,688	389,530	111,398	129,884	8,279,401	6,278,107
Personnel expenses	1,043,577	1,079,303	572	-	1,487,193	854,375	95,910	124,308	32,499	35,223	2,659,751	2,093,207
Commission			-				-	-	21,214	21,238	21,214	21,238
Depreciation and amortisation	131,438	131,747	72	-	187,312	104,291	12,080	15,174	4,093	4,300	334,995	255,511
Disallowed VAT on expenses	48,935	60,444	27	-	69,737	47,848	4,497	6,962	1,524	1,973	124,720	117,226
Other overheads	848,311	848,321	465	-	1,208,921	671,529	77,964	97,704	26,418	27,685	2,162,079	1,645,238
	2,072,261	2,119,815	1,136	-	2,953,162	1,678,042	190,450	244,148	85,749	90,418	5,302,759	4,132,420
Operating profit before value added tax on financial services	1,061,942	893,371	(39,160)	7,959	1,796,973	1,059,512	131,237	145,382	25,649	39,466	2,976,642	2,145,687
Value added tax and NBT on financial services	415,669	380,334	228	-	592,366	301,071	38,202	43,805	12,945	12,412	1,059,410	737,622
Operating profit after value added tax on financial services	646,274	513,037	(39,387)	7,959	1,204,607	758,440	93,035	101,578	12,704	27,054	1,917,232	1,408,066
Share of associate company's profit before taxation											212,050	199,266
Profit before taxation from operations											2,129,282	1,607,331
Income tax expenses											(980,716)	(532,665)
Profit for the year											1,148,565	1,074,666
Segment assets	29,710,908	25,260,543	33,690	80,729	72,166,154	27,972,014	9,382,932	9,027,981	16,440,181	8,833,311	127,733,865	71,174,574
Segment liabilities	26,055,421	20,372,097	29,545	64,984	63,287,177	22,523,733	8,228,501	7,266,964	14,417,460	7,110,267	112,018,104	57,338,041
Net assets	3,655,487	4,888,446	4,145	15,745	8,878,977	5,448,281	1,154,431	1,761,017	2,022,721	1,723,044	15,715,761	13,836,533



54. 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	2026			2025		
	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	9,303,037	-	9,303,037	2,724,044	-	2,724,044
Placement with banks	37,059	-	37,059	37,254	-	37,254
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - quoted	5,063,315	1,925,131	6,988,446	6,173,641	1,026,292	7,199,933
Financial assets measured at Fair Value Through Profit or Loss (FVTPL)	349,833	-	349,833	344,772	-	344,772
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquote	-	70,427	70,427	-	70,427	70,427
Financial assets at amortised cost - Loans and advances	54,200,519	17,965,635	72,166,154	20,193,083	7,778,931	27,972,014
Financial assets at amortised cost - Finance lease receivables	11,839,926	17,870,982	29,710,908	9,771,279	15,489,264	25,260,543
Financial assets at amortised cost - Hire purchase receivables	33,690	-	33,690	3,209	77,520	80,729
Other financial assets	-	311,007	311,007	-	284,228	284,228
Total financial assets	80,827,380	38,143,182	118,970,562	39,247,282	24,726,662	63,973,944
Non-financial assets						
Inventories	184,749	-	184,749	-	73,839	73,839
Investment in associates	-	1,937,126	1,937,126	-	1,716,582	1,716,582
Other non financial assets	-	271,399	271,399	-	222,488	222,488
Property, plant and equipment	-	5,427,668	5,427,668	-	4,512,330	4,512,330
Leasehold property	-	37,929	37,929	-	38,397	38,397
Intangible assets	-	68,045	68,045	-	51,167	51,167
Investment property	-	236,726	236,726	-	258,390	258,390
Right-of-use assets	-	599,661	599,661	-	327,439	327,439
Total non-financial assets	184,749	8,578,554	8,763,303	-	7,200,632	7,200,632
Total assets	81,012,129	46,721,735	127,733,865	39,247,282	31,927,294	71,174,574
Liabilities						
Financial liabilities						
Bank overdraft	912,248	-	912,248	687,242	-	687,242
Financial liabilities at amortised cost - Deposits due to customers	47,847,258	14,164,658	62,011,916	33,595,432	9,179,654	42,775,086
Financial liabilities at amortised cost - Debt instruments issued and other borrowings	19,229,288	26,267,005	45,496,293	4,920,614	6,498,306	11,418,919
Other financial liabilities	938,265	-	938,265	-	590,886	590,886
Total financial liabilities	68,927,058	40,431,663	109,358,723	39,203,287	16,268,845	55,472,132
Non-financial liabilities						
Current tax liabilities	532,858	-	532,858	194,269	-	194,269
Deferred tax liability	-	776,260	776,260	-	685,588	685,588
Other liabilities	212,961	-	212,961	-	94,972	94,972
Retirement benefit obligation	-	586,182	586,182	-	489,083	489,083
Lease Liability	-	551,119	551,119	-	401,997	401,997
Total non-financial liabilities	745,819	1,913,561	2,659,380	194,269	1,671,640	1,865,909
Total liabilities	69,672,878	42,345,224	112,018,104	39,397,556	17,940,485	57,338,041
Net assets/ liabilities	11,339,251	4,376,509	15,715,761	(150,274)	13,986,809	13,836,533

ERNST & YOUNG
Chartered Accountants
COLOMBO

55. RESTATEMENT OF FINANCIAL STATEMENTS

Voluntary change in Accounting Policy

During the year ended 31 March 2026, the Company revised its accounting policy as permitted under LKAS 16 – Property, Plant and Equipment, whereby the excess depreciation arising on revalued property, plant and equipment is transferred from the Revaluation Reserve to Retained Earnings as the related assets are utilized.

Excess depreciation represents the difference between depreciation calculated based on the revalued carrying amount of the asset and depreciation calculated based on its original historical cost. In accordance with paragraph 41 of LKAS 16, such transfers may be made directly from the Revaluation Reserve to Retained Earnings and are recognized entirely within equity without affecting profit or loss.

Accordingly, cumulative excess depreciation amounting to Rs. 57.896 million relating to prior years has been recognized as an opening equity adjustment as at 1 April 2024. The same adjustment for the year ended 31 March 2025 is Rs. 12.489 million. The adjustment resulted in a decrease in the Revaluation Reserve and a corresponding increase in Retained Earnings. The adjustment had no impact on profit or loss, total equity, net assets or cash flows.

55.1 Impact on the Statement of Financial Position as at 31st March 2025

	Previously Reported Rs'000	Adjustment Rs'000	Restated Rs'000
Assets			
Cash and balances with banks	2,724,044	-	2,724,044
Placement with banks at Amortized cost	37,254	-	37,254
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	27,972,014	-	27,972,014
Financial assets at amortised cost - Finance lease receivables	25,260,543	-	25,260,543
Financial assets at amortised cost - Hire purchase receivables	80,729	-	80,729
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	70,427
Other financial assets	284,228	-	284,228
Inventories	73,839	-	73,839
Other assets	222,488	-	222,488
Investment in associates	1,716,582	-	1,716,582
Investment Property	258,390	-	258,390
Property, Plant and Equipment	4,512,330	-	4,512,330
Right-of-use assets	327,439	-	327,439
Leasehold property	38,397	-	38,397
Intangible assets	51,167	-	51,167
Total assets	71,174,574	-	71,174,574
Liabilities			
Bank overdrafts	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	11,418,919	-	11,418,919
Other financial liabilities	590,886	-	590,886
Current tax liabilities	194,269	-	194,269
Deferred tax liabilities	685,588	-	685,588
Other liabilities	94,972	-	94,972
Retirement benefit obligations	489,083	-	489,083
Lease Liability	401,997	-	401,997
Total liabilities	57,338,041	-	57,338,041
Shareholders' funds			
Stated capital	36,000	-	36,000
Revaluation reserve - Land and Buildings	2,279,152	(70,385)	2,208,767
Revaluation reserve - Associate Company reserve	718,388	-	718,388
Statutory reserve fund	941,400	-	941,400
General reserves	4,086,430	-	4,086,430
Retained earnings	4,829,864	70,385	4,900,249
Regulatory loss allowance reserve	336,894	-	336,894
Fair Value through OCI reserve	608,405	-	608,405
Total shareholders' funds	13,836,533	-	13,836,533
Total liabilities and shareholders' funds	71,174,574	-	71,174,574

55. RESTATEMENT OF FINANCIAL STATEMENTS (Contd...)

55.2 Impact on the Statement of Financial Position as at 01 April 2024

	Previously Reported	Adjustment	Restated
	Rs'000	Rs'000	Rs'000
Assets			
Cash and balances with banks	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	6,427,831	-	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	16,591,202	-	16,591,202
Financial assets at amortised cost - Finance lease receivables	20,302,868	-	20,302,868
Financial assets at amortised cost - Hire purchase receivables	101,631	-	101,631
Financial assets measured at Fair Value Through Other Comprehensive Income (FVOCI) - unquoted	70,427	-	70,427
Other financial assets	289,256	-	289,256
Inventories	101,181	-	101,181
Other assets	179,494	-	179,494
Investment in associates	1,404,225	-	1,404,225
Investment Property	260,056	-	260,056
Property, Plant and Equipment	4,391,241	-	4,391,241
Right-of-use assets	215,306	-	215,306
Leasehold property	38,866	-	38,866
Intangible assets	32,094	-	32,094
Total assets	53,230,714	-	53,230,714
Liabilities			
Bank overdrafts	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
Current tax liabilities	236,812	-	236,812
Deferred tax liabilities	750,164	-	750,164
Other liabilities	114,914	-	114,914
Retirement benefit obligations	396,405	-	396,405
Lease Liability	273,077	-	273,077
Total liabilities	41,065,644	-	41,065,644
Shareholders' funds			
Stated capital	36,000	-	36,000
Revaluation reserve - Land and Buildings	2,279,153	(57,896)	2,221,256
Revaluation reserve - Associate Company reserve	605,297	-	605,297
Statutory reserve fund	887,400	-	887,400
General reserves	4,086,430	-	4,086,430
Retained earnings	3,122,457	57,896	3,180,353
Regulatory loss allowance reserve	1,067,522	-	1,067,522
Fair Value through OCI reserve	80,812	-	80,812
Total shareholders' funds	12,165,070	-	12,165,070
Total liabilities and shareholders' funds	53,230,714	-	53,230,714



56. RECLASSIFICATIONS

(a). Fee and Commission Income and Fee and Commission Expenses

The following reclassification has been made to more appropriately reflect the nature of the underlying revenue. Accordingly, comparative figures for the year ended 31 March 2025 have been reclassified as follows:

	Previously reported 2025 Rs.'000	Adjustments 2025 Rs.'000	Reclassified 2025 Rs.'000
Interest income	11,643,483	(644,775)	10,998,708
Fee and commission income	92,626	437,610	530,236
Other operating income	215,892	(35,941)	179,951
Other operating expense	1,976,395	(213,931)	1,762,464
Interest Expense	5,256,552	(50,413)	5,206,139
Fee and commission expense	-	21,237	21,237

(b). Financial Assets at amortised cost and Financial liabilities

Excess installment payment made by customers in respect of loans and advances, lease receivables and hire purchase receivables of the company has been reclassified in comparative information for better presentation as follows,

	Previously reported 2025 Rs.'000	Adjustments 2025 Rs.'000	Reclassified 2025 Rs.'000
Financial assets at amortised cost - Loans and advances	27,931,006	41,008	27,972,014
Financial assets at amortised cost - Finance lease receivables	25,060,964	199,579	25,260,543
Financial assets at amortised cost - Hire purchase receivables	80,718	11	80,729
Other financial liabilities	350,288	240,598	590,886



57. FINANCIAL RISK MANAGEMENT

57.1 RISK INDEX

Note Re	Description	
57.1	**RISK INDEX**	
57.2	**INTRODUCTION**	
57.2.1	Board's Role in Risk Management	91
57.2.2	Risk Measurement and Reporting	91
57.2.3	MI's Integrated Risk Management Framework	91
	KEY RISK CONSIDERATIONS:	
57.3	**CREDIT RISK**	
57.3.1	Credit quality by class of financial assets	92
57.3.2	Credit Impaired Financial Assets	98
57.3.3	Sensitivity of impairment provision on loans and advances to other customers	99
57.3.4	Types of Collateral Taken to Minimise Credit Exposure	100
57.3.5	Analysis of Risk Concentration	101
57.4	**LIQUIDITY RISK**	
57.4.1	Exposure to liquidity risk	102
57.4.2	Financial assets and liabilities by remaining contractual maturities	102
57.4.3	Performance in statutory liquidity position	104
57.4.4	Key definitions related to liquidity risk management	104
57.4.5	Daily liquidity management	104
57.5	**MARKET RISK**	
57.5.1	Interest rate risk	104
57.5.2	Equity risk	107
57.6	**OPERATIONAL RISK**	
57.6.1	Nature of relationship between the associate and the company	108
57.6.2	Defined benefit plan associated risks	108
57.7	**CAPITAL MANAGEMENT RISK**	
57.7.1	Capital Management Objectives	108
57.7.2	New Basel II Capital Adequacy(CAR) Framework	108
57.7.3	Prompt Corrective Action Framework (PCA)	109
57.7.4	Total Capital Base Computation	110

57.2 Introduction

To manage evolving risks from on-going business growth and industry dynamics led risk environment , MI ('Mercantile Investments and Finance PLC') board has established a strong approach to risk management. Additional measures were taken to strengthen the framework and governance to ensure effective proactive measures are instilled in a prompt manner to avoid losses and impacts. 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.



57. FINANCIAL RISK MANAGEMENT (Cont....)

57.2.1 Board's Role in Risk Management

MI's Risk Management overseeing from Board level is carried out through the 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), Information Security committee (ISC), 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 assist the BIRMC directly or indirectly in ensuring sound risk governance prevails across key functions of MI's business operation.

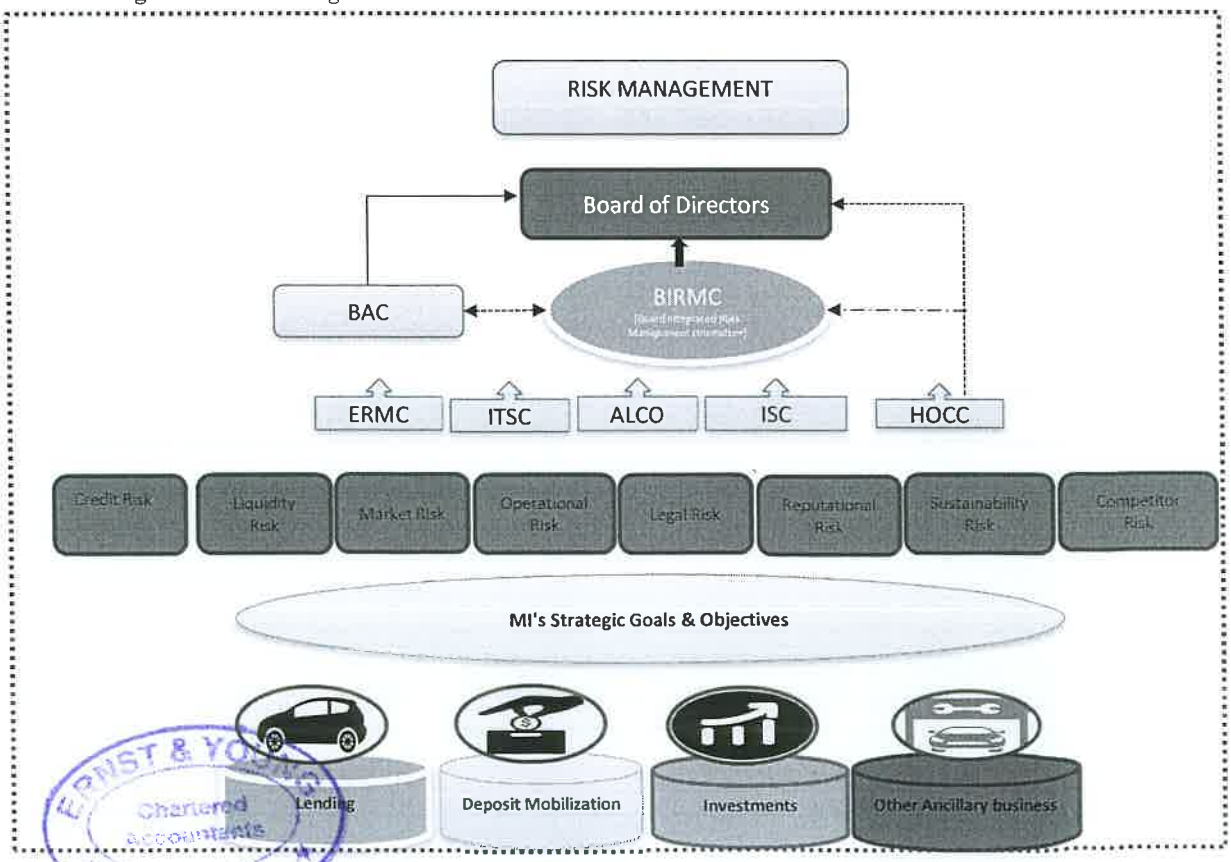
MI's risk management policies and procedures are properly aligned to our overall businesses strategy to safeguard and counter against material risks, in keeping to sound governance practices and finance industry standards, Based on proper understanding of our operating context, management has established 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.

57.2.2 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. For each type of Risk the actual reach level versus level down tolerance limits with deviations is illustrated in the Statement of Risk Appetites 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 illustrated provides an insight on various risks MI is exposed due to its types of business and how the derived respective risk measurement outputs are monitored and escalated upward from Chief Risk Officer (CRO) through Board Integrated Risk Management Committee (BIRMC) to the Board.

57.2.3 MI's Integrated Risk Management Framework



ERNST & YOUNG
Chartered Accountants
COLOMBO

57. FINANCIAL RISK MANAGEMENT (cont....)

57.3 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 importance and a vital element in MI's overall risk management strategy. As the company's loan book exceeds Rs. 100 billion it is therefore necessary to maintain a strong monitoring system and deploy effective, preemptive and prompt actions , including measures to maintain asset quality where it is threatened.

Management takes into account of all indicators of credit risk exposures (This includes product risk, individual borrowers 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)

57.3.1 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 2025/26 in keeping to SLFRS 9.

57.3.1. A Credit Quality by Class of Financial Assets - As at 31st March 2026 (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	9,303,037	-	-	-	9,303,037
Placements with banks	37,059	-	-	-	37,059
Financial Assets Measured at FVOCI (quoted)	6,988,446	-	-	-	6,988,446
Financial Assets Measured at FVPL	349,833	-	-	-	349,833
Loans & Receivables	-	50,604,543	21,367,356	1,071,351	73,043,249
Finance Lease Receivables	-	12,998,334	15,986,841	2,018,249	31,003,423
Hire Purchase Receivables	-	3,986	-	273,720	277,706
Financial Assets Measured at FVOCI (unquoted)	70,427	-	-	-	70,427
Other Financial Assets	311,007	-	-	-	311,007
	17,059,809	**63,606,862**	**37,354,197**	**3,363,319**	**121,384,188**

Commentary
Out of MI's total loan portfolio, 61% comprises of ECL stage 1 assigned loans and receivables, (FY 2024/25 -79%) comprising of loans contracts not credit impaired and deemed higher credit quality standing, based on day's post due basis adopted to identify staging level. Despite the growth in loan book , stage 3 ECL credit impaired improved to 3% compared to 5% in the year before, indicating controlled non performing movement.

57. FINANCIAL RISK MANAGEMENT (cont....)

57.3.1.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 2026 (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	22,947,085	27,657,457	21,367,356	1,071,351
Finance Lease Receivables	8,675,975	4,322,359	15,986,841	2,018,249
Hire Purchase Receivables	58	3,928	-	273,720
	31,623,117	**31,983,745**	**37,354,197**	**3,363,319**

Commentary
30% of MI's loan book was classified under the "high grade performing" category with no past due amounts, compared to 58% recorded in previous year. The reduction was observed due to contracts shifting mainly to stage 1 and 2 ,deemed temporary on accounts of economic impact immerging from 'Ditwa' , middle east conflicts and Domestic factors.

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.
- **Impairment:** The amount by which the recoverable amount of an asset is less than its carrying amount.
- **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.
- **Collective Impairment:** All the lending contracts other than contracts which are considered for Individual Impairment, are assessed under collective basis.
- **Past Due:** MI considers any amount uncollected one day or more beyond their contractual due date are 'past due'.
- **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.

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (cont....)

57.3.1.C 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	2,724,044	-	-	-	2,724,044
Placements with banks	37,254	-	-	-	37,254
Financial Assets Measured at FVOCI (quoted)	7,199,933	-	-	-	7,199,933
Financial Assets Measured at FVTPL	344,772	-	-	-	344,772
Loans & Receivables		24,539,639	3,308,489	717,232	28,565,360
Finance Lease Receivables	-	18,724,565	5,735,738	1,692,726	26,153,029
Hire Purchase Receivables	-	310	-	286,582	286,892
Financial Assets Measured at FVOCI (unquoted)	70,427	-	-	-	70,427
Commentary	284,228	-	-	-	284,228
The Company has adhered to CBSL Directions issued on motor vehicles	**10,660,657**	**43,264,514**	**9,044,227**	**2,696,540**	**65,665,938**

57.3.1.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 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**

ERNST & YOUNG Chartered Accountants COLOMBO

56. FINANCIAL RISK MANAGEMENT (cont....)

57.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2026

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, 2025	2,724,044	2,724,044	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	6,578,993	6,578,993	-	-	-
Financial assets derecognized or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2026	**9,303,037**	**9,303,037**	-	-	-
Placements with banks					
Gross carrying amount as at April 1, 2025	37,254	37,254	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	(195)	(195)	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
As at March 31, 2026	**37,059**	**37,059**	-	-	-
Financial assets measured at FVOCI (quoted)					
Gross carrying amount as at April 1, 2025	7,199,933	7,199,933	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	(211,487)	(211,487)	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	-	-	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	**6,988,446**	**6,988,446**	-	-	-
Financial assets measured at FVPL					
Gross carrying amount as at April 1, 2025	344,772	344,772	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	5,061	5,061	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	**349,833**	**349,833**	-	-	-
Financial assets at amortised cost – Loans & Receivables					
Gross carrying amount as at April 1, 2025	28,565,360	-	24,539,639	3,308,489	717,232
Transfer to Stage	(0.0)	-	(2,392,533)	2,158,838	233,694
New assets originated or purchased	85,526,734	-	57,876,587	27,057,526	592,621
Financial assets derecognised or repaid (excluding write-offs)	(41,046,931)	-	(29,419,150)	(11,157,497)	(470,283)
Write-offs	(1,913)	-	-	-	(1,913)
As at March 31, 2026	**73,043,249**	-	**50,604,543**	**21,367,356**	**1,071,351**

Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (cont....)

57.3.1.E Credit Exposure Movement - ECL Stage Wise (as per SLFRS 9)- As at 31st March 2026 (cont....)

Financial assets at amortised cost – Finance lease receivables					
Gross carrying amount as at April 1, 2025	26,153,029	-	18,724,565	5,735,738	1,692,726
Transfer to Stage	0	-	(5,414,670)	4,869,267	545,403
New assets originated or purchased	24,078,549	-	11,025,471	12,873,461	179,616
Financial assets derecognised or repaid (excluding write-offs)	(19,225,178)	-	(11,337,032)	(7,491,625)	(396,520)
Write-offs	(2,976)	-	-	-	(2,976)
As at March 31, 2026	**31,003,423**	-	**12,998,334**	**15,986,841**	**2,018,249**
Financial assets at amortised cost – Hire Purchase receivables					
Gross carrying amount as at April 1, 2025	286,892	-	310	-	286,582
Transfer to Stage	-	-	3,676	-	(3,676)
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	(8,399)	-	-	-	(8,399)
Write-offs	(787)	-	-	-	(787)
As at March 31, 2026	**277,706**	-	**3,986**	-	**273,720**
Financial assets measured at FVOCI (unquoted)					
Gross carrying amount as at April 1, 2025	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, 2026	**70,427**	**70,427**	-	-	-
Other Financial Assets					
Gross carrying amount as at April 1, 2025	284,228	284,228	-	-	-
Transfer to Stage	-	-	-	-	-
New assets originated or purchased	-	-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)	26,779	26,779	-	-	-
Write-offs	-	-	-	-	-
As at March 31, 2026	**311,007**	**311,007**	-	-	-

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cond...)

57.3.1.F Provision for Impairment (ECL) Movement (as per SLFRS 9)- As at 31st March 2026

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, 2025			107,230	50,850	415,970	574,050
Transfer to Stage			(37,764)	14,291	23,473	-
Net remeasurement of impairment			122,029	88,638	423	211,091
New assets originated or purchased			58,299	191,540	60,690	310,529
Financial assets derecognised or repaid (excluding write-offs)			(95,399)	(133,854)	(54,376)	(283,629)
Write offs and Recoveries			-	-	(1,913)	(1,913)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	**23**	50	**154,395**	**211,465**	**444,267**	**810,128**
Financial assets at amortised cost – Finance lease receivables						
Provision for impairment (ECL) as at April 1, 2025			64,471	52,195	822,380	939,046
Transfer to Stage			(80,995)	38,091	42,904	-
Net remeasurement of impairment			48,102	95,192	117	143,410
New assets originated or purchased			56,948	82,855	15,536	155,339
Financial assets derecognised or repaid (excluding write-offs)			(15,568)	(60,414)	(50,474)	(126,456)
Write offs and Recoveries			-	-	(2,976)	(2,976)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	**24**	52	**72,958**	**207,919**	**827,486**	**1,108,363**
Financial assets at amortised cost – Hire Purchase receivables						
Provision for impairment (ECL) as at April 1, 2025			23,274	-	153,579	176,853
Transfer to Stage			3,676	-	(3,676)	-
Net remeasurement of impairment			(26,900)	-	66,844	39,944
New assets originated or purchased			-	-	-	-
Financial assets derecognised or repaid (excluding write-offs)			-	-	-	-
Write offs and Recoveries			-	-	(787)	(787)
Unwinding of Discount			-	-	-	-
Other Movements			-	-	-	-
As at March 31, 2026	**25**	54	**50**	-	**215,959**	**216,009**

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Contd....)

57.3.2 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, 2026	Rs'000	Rs'000	Rs'000	Rs'000
Stage 3 loans and advances of customers as at April 1,	717,232	1,692,727	286,582	2,696,541
Newly classified as impaired loans and advances during the year	592,621	179,616	-	772,238
Net change in already impaired loans and advances during the year	233,694	545,403	(3,676)	775,421
Net payment, write-off and recoveries and other movement during the year	(472,197)	(399,497)	(9,186)	(880,880)
Impaired loans and advances of customers as at March 31,	**1,071,351**	**2,018,250**	**273,720**	**3,363,320**

	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**	**1,692,727**	**286,582**	**2,696,541**

Stage 3 loans comprise of contracts with over 90 days past due status deemed impaired in accordance with the ECL methodology adopted by the company in adhering to SLFRS/LKAS.

ERNST & YOUNG
Chartered Accountants
COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.3.3 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 2026 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 2026 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	8,902	9,161	407	18,470	(18,470)
PD 1% decrease across all age buckets *	(8,902)	(9,161)	(407)	(18,470)	18,470
LGD 5% increase	55,212	174	33	55,419	(55,419)
LGD 5%decrease	(55,212)	(174)	(33)	(55,419)	55,419
Probability weighted Economic Scenarios					
Base case 10% increase, worst case 5% decrease and best case 5% decrease	98	270	80	448	(448)
Base case 10% decrease, worst case 5% increase and best case 5% increase	(98)	(270)	(80)	(448)	448

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

Commentary
Based on the "Sensitivity analysis carried out on impairment parameters and its effects, the Statement of Financial Position [Increase/ (Decrease) in impairment provision]", Rs. 18.5 Million and Rs.55.4 Million charge respectively will have to be accounted in the Income Statement. Accordingly, the impact to the Capital Adequacy Ratio would be negligible and ratio would stand at ....%, well above the minimum regulatory limit of 14%.

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.3.4 Types of Collateral Taken to Minimise Credit Exposure

57.3.4.A Collateral Held

Type of Lending	Collateral generally obtained
Lease & Hire Purchase	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	Personal Guarantees from Individual and/or Corporate guarantees. Any movable and non movable property
Micro Finance, Cheque Loans	Promissory notes and Personal Guarantees
Gold Loans	Gold articles

57.3.4.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 2025/26 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							
	2025/26				2024/25			
LTV Ratio %	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total	Loans & Receivables	Finance lease receivables	Hire Purchase receivables	Total
	-	1,447,021	-	1,447,021				
0-20	515,338	88,698	-	604,036	375,744	162,005	-	537,749
20-40	3,735,543	773,846	-	4,509,389	2,130,199	1,115,768	-	3,245,967
40-60	16,202,329	3,436,871	-	19,639,200	6,207,398	4,274,241	-	10,481,639
60-70	30,279,841	11,236,676	-	41,516,517	9,302,571	9,764,387	-	19,066,958
70-80	15,936,689	2,892,642	-	18,829,330	24,702,536	4,476,152	-	29,178,688
80-90	6,307,274	-	-	6,307,274	-	-	-	-
90-100	2,597	-	-	2,597	1,048,000	-	-	1,048,000
	72,979,610	**19,875,753**	**-**	**92,855,364**	**43,766,447**	**19,792,553**	**-**	**63,559,000**

Commentary
LTV remained below 80% for approximately 92% of new lending business carried out during the year, indicating adequate collateral backing to cover against the remaining credit exposure. The Company strictly adhere to CBSL Directions issued on motor vehicles. The Company strictly adhere to CBSL Directions issued on motor vehicles.

57. FINANCIAL RISK MANAGEMENT (Contd...)

57.3.4. 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 2026		31st March 2025	
	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	9,303,037	9,303,037	2,724,044	2,724,044
Placements with banks	37,059	37,059	37,254	37,254
Financial Assets Measured at FVOCI (quoted)	6,988,446	6,988,446	7,199,933	7,199,933
Financial Assets Measured at FVPL	349,833	349,833	344,772	344,772
Loans & Receivables	72,166,154	-	27,972,014	-
Finance Lease Receivables	29,710,908	-	25,260,543	-
Hire Purchase Receivables	33,690	-	80,729	-
Financial Assets Measured at FVOCI (unquoted)	70,427	70,427	70,427	70,427
Other Financial Assets	311,007	311,007	284,228	284,228
	118,970,562		**63,973,942**	

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. As an additional safeguard, guarantors are required particularly for lease and hire purchase contracts.

Measurement Assumptions

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

57.3.5 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.

57.3.5. A. Sector Wise Analysis

Sector wise analysis of loans and receivables

Sector	Rs.'000
Agriculture	7,907,478
Industrial	9,445,965
Tourism	3,013,992
Trading	7,682,597
Construction	3,575,996
Services	33,601,902
Others	15,254,557
Total	**80,482,487**

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.4 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.

57.4.1 Exposure to Liquidity Risk

Ratio	2026	2025
Net Loans & Advances /Customer Deposits	164%	124%
Net Loans & Advances /Total Assets	80%	75%

Commentary
The rapid loan book growth was sourced from primarily deposit mobilization and in parallel relatively higher funding contribution derived from borrowings resulting in the Net Loan and Advance to customer Deposit Ratio moving up. From the envisaged shift in greater deposit mobilization from branches. Management expects this ratio to move down in the medium term.

57.4.2 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 2026.

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	9,303,037	-	-	-	-	-	-	9,303,037
Placement with Banks	-	37,059	-	-	-	-	-	37,059
Financial Investments FVOCI	-	496,831	4,566,484	-	-	-	1,925,131	6,988,446
Financial Investments FVPL	-	13,032	-	336,801	-	-	-	349,833
Loans and Receivables	6,461,463	15,581,066	32,157,991	12,789,119	5,176,516			72,166,154
Finance Lease Receivables	1,765,179	2,488,154	7,586,593	14,932,218	2,938,764			29,710,908
Hire Purchase Receivables	33,690							33,690
Other Financial Assets	-	311,007	-	-	-	-	-	311,007
Total Financial Assets	**17,563,369**	**18,927,149**	**44,311,068**	**28,058,138**	**8,115,280**	**-**	**1,925,131**	**118,900,135**

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.4.2 Financial Assets and Liabilities by Remaining Contractual Maturities (Cont....)

Financial Liabilities								
Bank Overdraft	912,248	-	-	-	-	-	-	912,248
Financial liabilities at amortised cost - Deposits due to customers	1,081,073	15,969,751	30,796,433	12,822,720	1,341,939	-	-	62,011,916
Debt Instruments Issued and Other Borrowings	-	8,055,150	11,511,231	18,459,210	7,470,702	-	-	45,496,293
Other Financial Liabilities	552,906	385,358	-	-	-	-	-	938,265
Total Financial Liabilities	2,546,227	24,410,260	42,307,665	31,281,930	8,812,641	-	-	109,358,722
Total Net Financial Assets/Liabilities	**15,017,142**	**(5,483,111)**	**2,003,403**	**(3,223,792)**	**(697,360)**	-	**1,925,131**	**9,541,413**
Cumulative of Net Financial Assets/Liabilities	**15,017,142**	**9,534,031**	**11,537,434**	**8,313,642**	**7,616,282**	**7,616,282**	**9,541,413**	**9,541,413**

Measurement Assumptions

- Liquidity gap analysis is prepared based on the contractual maturity of assets and liabilities as at 31st March 2026.
- 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.
- In the case of variable future interest income and expenses, the higher of 31st March 2026 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 2.7 billion (FY 2024/25 - Rs. 3.9 Bn). From assets side, the disbursement of higher levels of shorter tenor credit through Gold Loans , I product, and other shorter tenor lending , helped maintain a positive assets and liability positions was better managed this year.



57. FINANCIAL RISK MANAGEMENT (Cont....)

57.4.3 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 13.63% 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.

57.4.4 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 2026	Actual as at 31st March 2026	CBSL minimum requirement as at 31st March 2025	Actual as at 31st March 2025
Total liquid assets (Rs.000)	6,697,362	14,558,838	4,323,445	8,546,627
Statutory liquid assets ratio (%)	10.00	21.76	10.00	19.82
Minimum approved securities (Rs.000)	2,977,712	5,413,148	2,519,039	5,734,012

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 21.76% well above the regulatory minimum of 10%

57.4.5 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 92 MI locations.

57.5 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.

57.5.1 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.

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.5.1. 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 2026. 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	37,059	-	-	-	-	-	37,059
Financial Investments -at FVOCI	1,925,131	2,324,258	2,744,188	-	-	-	6,993,576
Financial Investments -at FVTPL	-	5,130	-	344,703	-	-	349,833
Loans and Receivables	23,363,700	34,564,236	16,749,779	5,804,772	-	-	80,482,487
Finance Lease Receivables	7,816,493	9,579,397	20,158,358	3,303,724	-	-	40,857,972
Hire Purchase Receivables	277,706	-	-	-	-	-	277,706
Total Financial Assets	**33,420,090**	**46,473,020**	**39,652,325**	**9,453,198**	**-**	**-**	**128,998,633**
Financial Liabilities							
Bank Overdraft	912,248	-	-	-	-	-	912,248
Deposits Due to Customers	16,855,210	30,796,433	12,826,187	1,341,939	-	-	61,819,769
Debt Instruments Issued and Other Borrowings	9,095,106	14,010,377	21,798,965	7,877,369	-	-	52,781,817
Total Financial Liabilities	**26,862,564**	**44,806,811**	**34,625,152**	**9,219,308**	**-**	**-**	**115,513,834**
Total Interest Sensitivity Gap	**6,557,526**	**1,666,210**	**5,027,172**	**233,891**	**-**	**-**	**13,484,799**
Cumulative of Total Interest Sensitivity Gap	**6,557,526**	**8,223,736**	**13,250,909**	**13,484,799**	**13,484,799**	**13,484,799**	**13,484,799**

Measurement Assumptions

- ☐ 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.
- ☐ The market rates are predicted with no material changes in the foreseeable future.
- ☑ The lending and deposit volumes are assumed to remain unchanged.
- ☐ Non interest earning assets and liabilities are excluded.

Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.5.1. B Interest Rate Sensitivity Analysis

Given below is a sensitivity analysis carried out as at 31st March 2026 that demonstrates possible impact to the company's Net Interest Income applying 5% and 10% increase and decrease by parallel rate shocks with in one year 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	2,333,415	(2,333,415)	3,795,460	(4,666,830)
Effect on Rate sensitive Liabilities	(2,014,359)	2,014,359	(2,854,486)	4,028,717
Sensitivity/ effect to Net Interest Income	319,056	(319,056)	940,974	(638,112)

Graph 09: Interest Rate Sensitivity Analysis
The sensitivity rates applied + or (-) to parallel static over the total financial assets and financial liabilities contractual tenor till maturity

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

Commentary
MI possesses interest rate sensitive assets of Rs.128.9 billion and rate sensitive liabilities of Rs. 115.5 billion. Based on the sensitivity analysis (with in a year), an interest rate fluctuation of 10%+ or (10%) will result in a worse case Rs. 435 Million impact to Net Interest Income. This moderate impact will not result in negative profitability and minimal impact to of 5% total capital position.

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.5.2 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.1.9 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.

57.5.2.A Analysis on Exposure to Equity Price Risk

The table below summarises 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 2 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	7,884	8,934	1.14
Capital Goods	280,805	69,408	8.86
Consumer services	779,539	623,489	79.59
Diversified Financials	51,527	30,859	3.94
Food Beverage	1	5	0.00
Insurance	11,060	12,990	1.66
Materials	-	-	-
Real Estate	-	-	-
Retailing	10,950	37,680	4.81
Telecommunication	-	-	-
	1,141,766	783,365	100

Commentary Based on the estimated stressed impact , any fall in share prices to last 2 years lowest will result in an impact of Rs.783 Mn to the OCI. However this worse case scenario impact will not lower the regulatory capital adequacy ratios as the impact will be recorded under OCI reserves which is excluded for regulatory purposes.

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

	2025/26	2024/25
	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)	192,513	180,116
Shock of 10% on equity price (downward)	(192,513)	(180,116)

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 prevailing 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 2026 with no impact to regulatory capital adequacy ratios.



57. FINANCIAL RISK MANAGEMENT (Cont....)

57.6 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.

57.6.1 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.

57.6.2 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.

57.7 Capital Management Risk

57.7.1 Capital Management Objectives

As a finance company, Capital Adequacy remains a pivotal 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.

57.7.2 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 above Rs 100 Billion.

Components of Capital	FY 24/25	FY 25/26
Asset Base	Audited Total Assets Base Below 100 Bn	Audited Total Assets Base Above 100 Bn
Tier 1 Capital	8.50%	10.00%
Total Capital	12.50%	14.00%

ERNST & YOUNG Chartered Accountants COLOMBO

57. FINANCIAL RISK MANAGEMENT (Cont....)

57.7.2 New Basel II Capital adequacy(CAR) frame Work (Cont....)

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 2026 (with comparison) and the capital adequacy ratio position is given in Note 55.7.4

57.7.3 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 above Rs 100 Billion.

PCA capital category	Capital Adequacy Ratio (CAR)
Well capitalized	CAR>=16%
Adequately capitalized	14%<=CAR<16%
Undercapitalized	10%<=CAR<14%
Significantly undercapitalized	7%<=CAR<10%
Critically undercapitalized	CAR<7%



57. FINANCIAL RISK MANAGEMENT (Contd...)

57.7.4 Total Capital Base Computation

Item	31st March 2026	31st March 2025
Tier 1 Capital	**11,402,291**	**9,893,694**
Stated Capital/assigned capital	36,000	36,000
Non-cumulative, Non-redeemable Preference Shares	-	
Reserve fund	1,171,200	941,400
Audited retained earnings/(Losses)	6,108,661	4,829,864
(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	**103,185**	**75,467**
Goodwill (net)	-	
Other intangible assets (net)	68,045	51,167
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	35,140	24,300
Shortfall of capital in Financial subsidiaries	-	
Tier 1 Capital (after adjustments)	**11,299,106**	**9,818,227**
Tier 2 Capital	**5,685,172**	**1,080,172**
Instruments Qualifying Tier 2 capital	4,605,000	
Revaluation gains	1,080,172	1,080,172
General provisions/ Collective impairment allowance	-	
Eligible Tier 2 Capital	**5,685,172**	**1,080,172**
Total adjustment to eligible Tier 2 Capital	**35,140**	**24,300**
50% Investment in banking & financial subsidiary companies	-	-
50% of investment in other banking & financial institutions	35,140	24,300
Eligible Tier 2 Capital after adjustments	**5,650,032**	**1,055,872**
Total Capital	**16,949,138**	**10,874,099**

57.7.4.1 Capital Adequacy Ratios

As at 31st March		Regulatory Ratios %	2026 %	2025 %
Core Capital Ratio =	Tier 1 Capital / Risk Weighted Assets	10.00	10.69	15.60
Total Risk Weighted Capital Ratio =	Capital Base / Risk Weighted Assets	14.00	16.04	17.27

Commentary:
Based on current and projected performance targets and plans for Tier 1 and Tier 2 Capital Infusions, MI is confident of maintaining its Tier 1 and Total Risk Weighted Capital Ratios well above the minimum requirment to maintain MI's 'A' Grade level capitalized status.

