ABANS FINANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2026

KPMG
(Chartered Accountants)
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABANS FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Abans 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 policies and other explanatory 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 our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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R. G. H. Raddella ACA,
W.W.J.C. Perera FCA
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Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F. R. Ziyard ACA, FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

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01. Allowances for Expected Credit losses - loans and advances and finance lease receivable

Refer to note 19 & 20 to these Financial Statements.

Risk Description	Our response
As at 31 March 2026, 81% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 17 Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 1.4 Bn as at the reporting date. Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR). SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. Management exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon. The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	Our audit procedures included; • Understanding and assessing the design and implementation and operating effectiveness of management key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment. • Assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default exposure at default, discount rate, adjustments for forward looking information and other management adjustments and assessing the reasonableness of key management judgement. • Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions, particularly in light of extreme volatility in economic scenarios caused by the current economic uncertainty and government responses. • Recalculating the amount of credit loss allowance for loans and advances and finance lease receivables to verify the calculation accuracy of the credit loss allowance.

	• We have involved our FRM specialist to assess the reasonability of the adjustments made by the Company to the forward looking macro-economic factors and assumptions used in the ECL model. • We involved our FRM specialist to assess the logic and compilation of the overdue information of loans and advances, finance lease receivables and hire purchase receivables. • Assessing the adequacy and the appropriateness of related disclosures in the financial statements using our understanding obtained from our testing and against the requirements of Sri Lanka Accounting Standards

02. IT systems and controls over financial reporting

Risk Description	Our response
The Company's businesses utilize many complex, interdependent Information Technology (IT) systems to process and record a high volume of transactions. The controls over access and changes to IT systems are critical to the recording of financial information and the preparation of financial statements which provides a true and fair view of the Company's financial position and performance. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems which link the technology-enabled business processes. Our further audit procedures included: • Assessing the design, implementation, and operating effectiveness of key internal controls over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations. • Examining the framework of governance over the Company's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls when required.

	• Evaluating the design, implementation and operating effectiveness of the significant accounts related to IT process controls by assessing the operating effectiveness of IT application controls by assessing the operating effectiveness of certain automated controls and system calculations which are relevant to the company's compliance activities and assessing the consistency of data transmission and data migration. • Assessing the availability and stability of key operating systems, taking into consideration the rapid development of business types and transactions volumes as well as IT projects that have a significant impact on business continuity. • On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. • On sample basis, testing the access rights given to staff by checking them to approved records and inspecting the reports over the granting and removal of access rights • Testing preventative controls designed to enforce segregation of duties between users within particular systems.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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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.

• 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.

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• 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 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
29 May 2026

ABANS FINANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,

	Notes	2026 Rs.	2025 Rs.
Income	5	4,672,931,273	3,457,209,812
Interest Income	5.1	4,213,725,906	3,032,532,615
Interest Expense	5.2	(1,146,048,790)	(941,158,915)
Net Interest Income		**3,067,677,116**	**2,091,373,700**
Fee and Commission Income	6.1	375,313,695	350,540,958
Fee and Commission Expense	6.2	(56,791,298)	(34,838,272)
Net Fee and Commission Income		**318,522,397**	**315,702,686**
Net Gain/(Loss) from Trading	7	8,823,845	39,151,386
Other Operating Income (net)	8	75,067,827	34,984,853
Total Operating Income		**3,470,091,185**	**2,481,212,625**
Credit Loss Expense on Financial Assets	9	(284,738,398)	(408,337,325)
Net Operating Income		**3,185,352,787**	**2,072,875,300**
Operating Expenses			
Personnel Costs	10	(861,585,806)	(620,951,326)
Depreciation & Amortization	11	(100,270,615)	(80,117,199)
Other Operating Expenses	12	(539,493,238)	(420,440,399)
Operating Profit before Taxes on Financial Services		1,684,003,128	951,366,376
Taxes on Financial Services	13	(404,146,689)	(247,738,710)
Profit before Taxation from Operations		1,279,856,439	703,627,666
Provision for Income Taxation	14.1	(422,753,397)	(277,872,043)
Profit for the Year		**857,103,042**	**425,755,623**
Other Comprehensive Income (OCI)			
Items that will not be reclassified to profit or loss			
Actuarial Gains/(Losses) on Defined Benefit Plan	36.1	(5,334,850)	(10,589,044)
Deferred Tax Effect on Actuarial Gains/(Losses)	14.1	1,600,455	3,176,713
Gain from Fair Value of Financial Assets Measured at FVOCI	22	2,424,728	
		(1,309,667)	**(7,412,331)**
Items that will be reclassified to profit or loss			
Losses from Revaluation of Property, Plant & Equipment	28.1	(3,572,500)	7,145,000
Deferred Tax Effect on Revaluation of Property, Plant & Equipment	14.1	1,071,750	(2,143,500)
		(2,500,750)	**5,001,500**
Other Comprehensive (Loss) /Profit for the Year, Net of Tax		(3,810,417)	(2,410,831)
Total Comprehensive Income for the Year		**853,292,625**	**423,344,792**
Earnings Per Share : Basic / Diluted (Rs.)	15.1	11.63	5.78

Accounting Policies and Notes from pages 11 to 78 form an integral part of these Financial Statements.

ABANS FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March,	Notes	2026 Rs.	2025 Rs.
Assets			
Cash and Bank Balances	16	688,959,509	315,577,083
Placement With Banks	17	479,664,558	469,476,605
Repurchase Agreements	18	212,083,868	4,403,264
Loans and Advances	19	2,285,858,574	1,272,403,552
Lease Rentals Receivable & Stock out on Hire	20	14,652,133,950	9,797,524,125
Financial Investments at Fair Value through P&L	21	1,647,762	317,071,437
Equity Instruments at Fair Value through OCI	22	2,505,128	80,400
Debt Instruments at Amortised Cost	23	928,051,561	631,753,297
Other Financial Assets	24	657,584,956	142,823,271
Real Estate Stock	25	39,483,688	39,483,688
Other Non Financial Assets	26	139,809,649	86,656,745
Intangible Assets	27	42,764,093	19,469,643
Property, Plant & Equipment	28	335,288,938	208,255,870
Right-of- use Assets	29	248,603,599	179,947,895
Deferred Tax Assets	30	92,772,057	-
Total assets		**20,807,211,890**	**13,484,926,875**
Liabilities			
Due to Banks	31	567,212,652	4,664,275
Due to Customers	32	11,037,171,800	8,449,847,230
Other Borrowed Funds	33	2,588,695,058	150,362,272
Other Financial Liabilities	34	1,915,532,297	958,596,511
Other Non Financial Liabilities	35	130,465,279	94,622,412
Current Tax Liabilities		342,310,832	265,712,395
Retirement Benefit Liability	36	70,513,552	58,658,560
Total Liabilities		**16,651,901,470**	**9,982,463,655**
Shareholders' Funds			
Stated Capital	37	1,321,097,699	1,321,097,699
Retained Earnings	38.1	2,399,938,400	1,741,428,099
Other Reserves	38.2	434,274,321	439,937,422
Total Shareholders' Funds		**4,155,310,420**	**3,502,463,220**
Total Liabilities and Shareholders' Funds		**20,807,211,890**	**13,484,926,875**

Accounting Policies and Notes from pages 11 to 78 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

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B.G.P.Samantha
Chief Financial Officer

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

.....
Director

.....
Director

27 May 2026
Colombo

ABANS FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March,

	Stated Capital	Statutory Reserve	Revaluation Reserve	Fair Value Reserve	Regulatory Loss Allowance Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2024	1,321,097,699	300,139,225	65,066,685	-	480,490,707	912,324,112	3,079,118,428
Total Comprehensive Income For the Year							
Net Profit for the year	-	-	-	-	-	425,755,623	425,755,623
Other Comprehensive Income net of tax	-	-	-	-	-	(7,412,331)	(7,412,331)
Transfer to Statutory Reserve Fund	-	21,287,781	-	-	-	(21,287,781)	-
Revaluation Gain From Land Revaluation	-	-	5,001,500	-	-	-	5,001,500
Transfer from Regulatory Risk Allowance Reserve	-	-	-	-	(432,048,476)	432,048,476	-
Balance as at 31 March 2025	**1,321,097,699**	**321,427,006**	**70,068,185**	-	**48,442,231**	**1,741,428,099**	**3,502,463,220**
Total Comprehensive Income For the Year							
Net Profit for the year	-	-	-	-	-	857,103,042	857,103,042
Dividends		-	-		-	(200,445,425)	(200,445,425)
Other Comprehensive Income net of tax	-	-	-	-		(3,734,395)	(3,734,395)
Transfer to Statutory Reserve Fund	-	42,855,152	-	-	-	(42,855,152)	-
Revaluation Loss From Land Revaluation	-	-	(2,500,750)	-	-	-	(2,500,750)
Other Comprehensive Income-Fair Value Measured at OCI	-	-	-	2,424,728	-	-	2,424,728
Transfer from Regulatory Risk Allowance Reserve	-	-	-	-	(48,442,231)	48,442,231	-
Balance as at 31 March 2026	**1,321,097,699**	**364,282,158**	**67,567,435**	**2,424,728**	-	**2,399,938,400**	**4,155,310,420**

Accounting Policies and Notes from pages 11 to 78 form an integral part of these Financial Statements.

ABANS FINANCE PLC

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Notes	2026 Rs.	2025 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		1,279,856,439	703,627,666
Adjustments for			
Depreciation	28.2	46,419,888	27,188,157
Amortization of Intangible Assets	27	6,697,547	7,253,603
Amortization of Right to use assets	29	47,153,180	45,675,440
Interest Expense on Borrowings	5.2	128,347,194	64,556,676
Interest Expense on Lease Liability	29.2	27,873,816	25,114,860
Loss/(Profit) on early termination of Lease Assets		(1,472,467)	(1,605,133)
Impairment charge/(reversal) for the year	9	284,738,398	408,337,325
Decrease / (Increase) in fair value of Real stock		-	789,700
Loss/(Profit) from Sale of Unit Trust	7	(8,576,325)	(38,922,821)
Loss/(Profit) on Disposal of Property & Equipment	8	(14,795,630)	-
Provision/(Reversal) for Defined Benefit Plans	10	16,550,312	13,115,855
Dividend Received		(247,520)	(228,565)
Operating Profit before Working Capital Changes		**1,812,544,832**	**1,254,902,763**
(Increase)/Decrease in Loans and Advances		(1,032,083,415)	(395,180,916)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		(5,120,719,830)	(3,392,062,295)
(Increase)/Decrease in Other Financial Assets		(514,761,686)	(45,013,136)
(Increase)/Decrease in Other Non Financial Assets		(53,152,904)	(24,217,831)
Increase/(Decrease) in Amounts Due to Customers		2,587,324,570	2,082,999,556
Increase/(Decrease) in Other Financial Liabilities		709,796,593	196,325,559
Increase/(Decrease) in Other Non Financial Liabilities		35,842,867	29,848,796
Cash Generated from / (used in) Operations		**(1,575,208,973)**	**(292,397,504)**
Interest Expense Paid		(110,045,407)	(185,598,309)
Retirement Benefit Liabilities Paid	36	(10,030,170)	(6,331,169)
Taxes Paid		(436,254,811)	(88,092,041)
Dividend Received		247,520	228,565
Net Cash (used in)/from Operating Activities		**(2,131,291,841)**	**(572,190,458)**
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	28.1	(180,911,325)	(39,089,551)
Acquisition of Intangible Assets	27	(29,991,997)	(4,550,692)
Proceeds from Sales of Property , Plant & Equipment		18,681,499	-
Cash Flow from /(used in) Fixed Deposits		(6,370)	5,609,180
Sale/(Purchase) of Debt Instruments		324,179,415	160,929,897
Net Cash Flows Generated from/(Used in) Investing Activities		**131,951,222**	**122,898,833**
Cash Flows from / (Used in) Financing Activities			
Cash Inflow from Bank Borrowings	31	600,063,830	-
Cash Outflow Bank Borrowings	31.1	(33,332,000)	-
Cash Inflow from Other Borrowings	33.2	2,526,405,088	-
Cash outflow from Other Borrowings	33.2	(168,000,000)	(368,738,095)
Lease Capital Paid	29.2	(33,409,731)	(37,331,015)
Net Cash Flows from/(Used in) Financing Activities		**2,891,727,187**	**(406,069,109)**
Net Increase in Cash and Cash Equivalents		892,386,568	(855,360,734)
Cash and Cash Equivalents at the beginning of the year		1,263,673,295	2,119,034,029
Cash and Cash Equivalents at the end of the year	16.1	**2,156,059,863**	**1,263,673,295**

Note: Dividend Income from Investing Activities reclassified to Operating Activities.

Accounting Policies and Notes from pages 11 to 78 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Abans Finance PLC is domiciled, public limited liability company incorporated in Sri Lanka on 08 April 2005 under the Companies Act No. 17 of 1982, The Company was reregistered under the Companies Act No.7 of 2007 on 15 June 2009. It is a Licensed Finance Company registered under the Finance Business Act No.42 of 2011.The Company was listed on the Colombo Stock Exchange in 2011.

The registered office of the Company is located at No. 498, Galle Road, Colombo 03 and the principal place of business is situated at No. 456, R.A. De Mel Mawatha, Colombo 03.

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing Acceptance of Fixed Deposits, Maintenance of saving Deposits, Providing Finance Leases, Hire Purchase, Mortgage Loans, Personal Loans and Other Credit Facilities.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent company is Abans PLC and the ultimate parent company is Abans International (Pvt) Limited which are incorporated in Sri Lanka.

1.4 Approval of Financial Statements by Directors

The Financial Statements of Abans Finance PLC for the year ended 31 March 2026 was authorized for issue in accordance with a resolution of the Board of Directors on 27 May 2026.

1.5 Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRSs (hereafter "SLFRS").

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position and Statement of profit or loss and other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2026 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) further, these statements compliance with the requirements of the Companies Act No. 07 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

2. BASIS OF PREPARATION(Continued)

2.2 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position.

- Financial Assets at fair value through other comprehensive income at fair value (Note 22)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation (Note 36)
- Financial Assets at Fair value through Profit or Loss (FVPL) (Note 21)
- Freehold land, which is measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation.

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment in which Abans Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 01 on "Presentation of Financial Statements". There was no change in the Company's presentation and functional currency during the year under review.

2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (noncurrent) is presented in Note 42.

2.5 Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately if they are material.

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

2.6 Comparative Information

The comparative information is re-classified whenever necessary to confirm the current year's presentation.

2.7 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognized. Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

2. BASIS OF PREPARATION(Continued)

2.8 Events After the Reporting Date

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.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, other than those disclosed in Note 46 to the Financial Statements.

2.9 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, 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.

a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based these assumptions and estimates on parameters available at the time Financial Statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are taken into consideration in the assumptions when they occur.

I. Going Concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

II. Defined Benefit Plans

The cost of defined benefit pension plan 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 and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date as disclosed in Note 36.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 36.5 to the Financial Statements.

2. BASIS OF PREPARATION (Continued)

2.9 Significant Accounting Judgements, Estimates and Assumptions (Continued)

III. Impairment losses on Loans and Advances (Finance Leases, Hire Purchases, Mortgage Loans, Revolving Loans and Business/ Personal Loans)

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, 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. These estimates driven by a number of factors, changes which can result in different levels of allowances.

Accordingly, 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 judgment was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

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 such as instrument type.

As per SLFRS 09, the Company's expected credit loss (ECL) calculations are output 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 accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so 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 fair values when their ECL is assessed on a collective basis
- Development of ECLs, models, including the various formulas and the choice of inputs 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).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

IV. Fair Value of Financial Instruments

The determination of fair value of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instrument is described in Note 40 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is also given in Note 40.1 to the Financial Statements.

2. BASIS OF PREPARATION (Continued)

2.9 Significant Accounting Judgements, Estimates and Assumptions (Continued)

V. Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception, into different accounting categories. The classification of financial instruments is given in Note 40 "Analysis of Financial Instruments by Measurement Basis".

VI. Useful life of Property, Plant and Equipment and Intangible Assets

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

VII. Taxation

The Company is subject to income tax and judgment 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 Company has adopted the requirements of the New Inland Revenue Act 24 of 2017 which was effective from 1 April 2018 and deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

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

VIII. Provisions, Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 43.2 for more details on Commitments and Contingencies.

IX. Revaluation of Free Hold Land (Property, Plant and Equipment)

Prior to 31st March 2021, the Company's accounting policy was to measure Free Hold Land under the cost model in LKAS 16 Property, Plant and Equipment (LKAS 16) whereby, after initial recognition, free hold land was carried at its historical cost less accumulated impairment losses, if any.

At the period ended 31 March 2021 the Company changed its accounting policy to measure the Company's free hold land from a cost model to revaluation model, where free hold land is measured at fair value less accumulated impairment losses recognized after the date of revaluation ("revaluation model"), in accordance

2. BASIS OF PREPARATION (Continued)

2.9 Significant Accounting Judgements, Estimates and Assumptions (Continued)

IX. Revaluation of Free Hold Land (Property, Plant and Equipment) (Continued)

with LKAS 16. The Company determined that the land constitute separate class of property, plant and equipment, based on their nature, characteristics and risks. The Company engages an independent valuation specialist to determine the fair value of freehold land in terms of Sri Lanka Accounting Standard of Fair Value Measurement (SLFRS 13).3.

The Company believes that a revaluation model provides more relevant information to the users of its financial statements as it is aligned to accounting practices adopted by its parent. In addition, available valuation techniques provide reliable estimates of the free hold land fair value where, the results of the revaluation were brought into the Financial Statements ensures that the carrying amount of such freehold land reflects the market price prevailed at that time.

Revaluation Model

The Company applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalue amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

3. MATERIAL ACCOUNTING POLICIES

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

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

3.1.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date. i.e.,the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trade means purchases or sales of financial assets within the time frame generally established by regulation or convention in the marketplace.

3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for "Day 1 profit or loss", as described below.

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement(Continued)

3.1.3 'Day 1'profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Income Statement when the inputs become observable, or when the instrument is derecognized.

3.1.4 Measurement categories of Financial Assets and Financial Liabilities

As per SLFRS 9, the Company classifies all its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either; On initial recognition, a financial asset is classified as measured at,

- Amortised Cost,
- Fair Value Through Other Comprehensive Income (FVOCI) or
- Fair value Through Profit or Loss. (FVPL)

The subsequent measurement of financial assets depends on their classification.

Financial liabilities are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.1.4 (a)(i).Financial Assets at Amortised cost:

The Company only measures loans, receivables, and other financial investments, at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial Assets consist of cash and bank balances, securities purchased under repurchase agreements, placement with banks, lease rentals receivable & stock out on hire, loan receivables, and other financial assets.

The details of the above conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as;

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement(Continued)

3.1.4 Measurement categories of Financial Assets and Financial Liabilities(Continued)

3.1.4 (a)(i).Financial Assets at Amortised cost (Continued)

Business model assessment (Continued)

- 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)
- 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.

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Company assesses the contractual terms of financial 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 amortization 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 of that introduce a more than de minimis 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.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.4 Measurement categories of Financial Assets and Financial Liabilities (Continued)

3.1.4 (a)(ii) Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.1.4 (a) (iii) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds ,and costs that are an integral part of the EIR. The company does not have a compound financial instrument which contains both a liability and an equity component and require separation as at the date of the issue. Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, debentures.

3.1.4 (a)(iv)Fair value Through Profit or Loss.(FVPL)

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs and net trading profit or loss are recognised in statement of profit or loss as incurred. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss and the net trading.

Financial assets at fair value through profit or loss comprises of unit trusts.

3.1.5 Cash and Bank balances

Cash and bank balances comprise cash in hand, balances with banks, loans at call and at short notice that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short–term commitments. Details of cash and bank balances are given in Note 16 to Financial Statements.

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement(Continued)

3.1.6 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
a) Financial liabilities held for trading

b) Financial liabilities designated at fair value through profit or loss

(ii) Financial liabilities at amortised cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement. No such liabilities as at the reporting date.

ii. Financial Liabilities at Amortised Cost

Financial liabilities issued by the Company that are not designated at FVTPL are classified as financial liabilities at amortised cost under "Due to banks", "Due to customers" and "Other borrowed fund, 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. After initial measurement, financial liabilities are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Currently, the Company has recorded Due to Banks & Other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans and securitizations.

3.1.7 Reclassifications of Financial assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.1.8 Derecognition of Financial Assets and Financial Liabilities

3.1.8 (a)Derecognition due to substantial modification of terms and conditions

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement(Continued)

- Introduction of an equity feature
- Change in counter party
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

3.1.8 (b)Derecognition other than for substantial modification

3.1.8 (b)(i)Derecognition of Financial Assets

A financial asset (or, where applicable, apart of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The company has transferred the financial asset, if and only if either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset
  Or
- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a'pass-through'arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company can not sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if 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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

involvement, in which case, the Company also recognizes as 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 the Company could be required to pay.
If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.1.8 (b)(ii)Derecognition – Financial Liabilities

A financial liability is derecognised 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 profit or loss.

3.1.9 Determination of Fair Value

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

-In the principal market for the asset or liability, or
-In the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3.1.9 Determination of Fair Value

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 —Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level2— Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
The disclosure of fair value of financial instruments is disclosed in Note 40 to the Financial Statements.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.10 Impairment of Financial Assets

3.1.10(i)a. Overview of the expected credit loss (ECL) principles

The Company recognizes expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 41.4.1(b)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the12months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company established a policy to perform as assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans in to Stage1, Stage2, Stage3 and POCI, as described below.

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12m ECLs. Stage 1loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

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.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion there of, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.10 Impairment of Financial Assets(Continued)

3.1.10(i)a. Overview of the expected credit loss (ECL) principles (Continued)

b.The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash short falls, discounted at an approximation to the EIR.A cash short fall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. 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 principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest 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 lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanisms of the ECL method are summarized below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible with in the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. For such facilities set at 100% PD has been applied.

The Company recognizes loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at Fair Value through Profit and Loss (FVTPL):

- financial assets that are debt instruments.
- finance lease receivables.
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.10 Impairment of Financial Assets (Continued)

c. Forward looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

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

Scenario Probability Weighting applied in measuring Expected Credit Loss. The assigned Probability Weightage when measuring ECL for Best case, Base case and Worst Case are 5%, 40% and 55% (2025 – 10%, 10% and 80%) respectively.

Macro-economic factors information which were used in the ECL computation for the current year are : 5 years average of GDP : 0.75% 5 years average of Inflation: 13.86%, 5 years average of Interest Rate: 13.57% and 5 years average of Unemployment 4.75%.

3.1.10 (ii)Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.1.10 (iii)Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Renegotiated loans may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms. It is the Company's policy to monitor renegotiated loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 renegotiated asset until it collected or written off.

3.1.10 (iv) Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3 MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.10 (v) Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have readily determinable market value are valued using models.

Nonfinancial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

3.1.10 (vi).Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

3.1.10 (vii).Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

Income and expenses are presented on a net basis only when permitted under LKAS/SLFRS, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

3.1.11 Other Financial Assets

Other Financial Assets includes the Other Receivables and Refundable Deposits. Refundable Deposits are initially recorded at Fair value and subsequently measured and amortized cost.

3.1.12 Other Financial Liabilities

Other Financial liabilities including Due to Customer (Deposits), Due to Banks, Other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the Effective Interest Rate method.

Amortised cost is calculated by taking in to account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement (Continued)

3.1.13 Borrowings

Borrowings obtained by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Borrowings', 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 own equity instruments. After initial measurement, borrowings are subsequently measured at amortised cost using the Effective Interest Rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

a. Leases

3.2.1 Identification of a Lease

The Company assesses at the inception of a contract, whether 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 as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used. After the assessment of whether a contract is, or contains, a lease, the Company determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3.2.1.1 Company as a lessee

As per SLFRS 16, when the Company has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. At the commencement date, the Company recognizes right-of-use of an asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. Lease payments are discounted using the Incremental Borrowing Rate.

Right-of-use assets

The Company recognises right-of- use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).The Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right of use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. Details of "Right-of-use asset" are given in Note29.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.2 Leases (Continued)

3.2.1 Identification of a Lease

3.2.1.1 Company as a lessor

Similar to above, at the commencement of the contract, the Company determines whether the contract contains a lease component and one or more additional lease components or non lease components. When there is one or more additional lease or non-lease component, the Company allocates consideration based on the guidelines given in SLFRS 15.

3.2.1.2.1 Finance leases–Company as a lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Company recognises assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in "interest income" over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

3.3 Real Estate Stock

Real Estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition.

Purchase Cost – Land Cost with Legal Charges.
Cost of
Conversion – Actual Development Costs.

Real Estate stocks are valued at the lower of cost and net realisable value, after making due allowances for slow moving items. Net realisable value is the price at which the real estate stocks can be sold in the ordinary course of business less estimated cost necessary to make the sale

3.4 Non–Financial Assets

3.4.1 Property, Plant & Equipment

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

Basis of Recognition and Measurement

- **Cost Model**

An item of property, plant & equipment that qualifies or recognition as an asset is initially measured at its costs. Costs include expenditure that is directly attributable to the acquisition of the asset and cost is incurred subsequently to add to or replace a part of it.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.4 Non–Financial Assets (Continued)

3.4.1 Property, Plant & Equipment (Continued)

Basis of Recognition and Measurement (Continued)

- **Cost Model (Continued)**

The cost of self - constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs.
When parts of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

The Company applies the cost model to property, plant & equipment except the freehold land and records at cost of purchase or construction together with any incidental expense thereon less accumulated depreciation and any accumulated impairment losses.

Changes in the expected useful life are accounted by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

- **Revaluation Model**

The Company applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalued amount, being the fair value at the date of revaluation less any subsequent accumulated impairment losses. Freehold land of the Company is revalued once in every year, if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date. The Company has revalued its freehold land as at 31.03.2026 and details of the revaluation are given in Note 28.7 to the Financial Statements.

On revaluation of an asset, any increase in the carrying amount is recognized in Other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Income Statement. In these circumstances, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognized as an expense in the Income Statement or debited to the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. 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.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing property, plant and equipment are charged to the Statement of Comprehensive Income.

Repairs and Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.4 Non–Financial Assets (Continued)

3.4.1 Property, Plant & Equipment (Continued)

Depreciation

The provision for depreciation is calculated by using the straight-line method over the useful life of the assets on cost or valuation of the Property & Equipment other than freehold land, commencing from when the assets are available for use. The rates of depreciations are given below;

	Asset Category	Rate of Depreciation (per annum)
•	Furniture & Fittings	12.5% -33.33%
•	Office Equipment	12.5%
•	Motor Vehicle	12.5%
•	Computer Equipment	25%

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

De-recognition

Property and equipment is derecognised on 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 operating income' in the income statement in the year the asset is derecognised.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

3.4.2 Intangible Assets

The Company's intangible assets include the value of computer software.

Basis of Recognition

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible Assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

Subsequent Expenditure

Subsequent expenditure on Intangible Asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic life, Amortization and Impairment

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. 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 amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.4 Non–Financial Assets(Continued)

Intangible Assets

Amortization

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual value over their estimated useful life as follows:

Asset Category	Useful life
Computer software	10 Years

The residual value of the intangible asset is zero.

The unamortized balances of Intangible assets with finite lives are reviewed for impairment whenever there is an indication for impairment and recognised in profit or loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their 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 recognised in the profit or loss in the year the asset is derecognised.

3.4.2 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or Cash Generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU 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.

3.5 Retirement Benefit Obligations

3.5.1 Defined Benefit Plan - Gratuity

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No.12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

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 projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The item is stated under other liabilities in the Statement of Financial Position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.5 Retirement Benefit Obligations (Continued)

Interest Cost

Interest cost is the expected increase due to interest during the period in the present value of the planned liabilities because the benefits are one year closer to settlement

Recognition of Past Service Cost (Applicable only when a plan has been changed)

Past Service Costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognized immediately.

Funding Arrangements

The Gratuity liability is not externally funded.

3.5.2 Defined Contribution Plans

The Company also contributes defined contribution plans. 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 under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's total earnings (as defined in the Employees' Provident Fund) to the Employees' Provident Fund.

Employees' Trust Fund

The Company contributes 3% of the employee's total earnings (as defined in the Employees' Trust Fund) to the Employees' Trust Fund.

3.6 Provisions

Provisions are recognized 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 a reliable estimate can be made of the amount of the obligation in accordance with Sri Lanka Accounting Standard–LKAS 37 on 'provision, contingent liabilities and contingent assets.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at that date.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.7 Recognition of Interest Income Interest Expense

3.7.1 Interest income and Interest Expense

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

The EIR (and therefore, the amortised cost of the asset/liability) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognizes interest income/expense using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges)

If expectations regarding the cash flows on the financial asset/liability are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Statement of Financial Position with an increase or reduction in interest income/interest expense. The adjustment is subsequently amortised through Interest income/Interest expense in the income statement.

When a financial asset becomes credit-impaired (asset out in Note 41 and is, therefore, regarded as 'Stage3', the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

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

3.7.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted when they are received.

3.8 Fee and Commission Income and Expenses

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Fee and Commission income – including account Credit related fees & commission, Service charge, Transfer Fees and other fees income – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Fees earned for the provision of services over a period of time are accrued over that period

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.9 Dividend Income

Dividend income is recognized when the right to receive income is established.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.10 Income from Government Securities and Securities purchased under Re-Sale Agreement

Discounts/ premium on Treasury bills & Treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreement is recognised in the Income Statement on an accrual basis over the period of the agreement.

3.11 Net Trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

3.12 Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised upon received.

3.13 Personnel Expenses

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit – sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

3.14 Other Operating Expenses

Other operating expenses are recognized in the Statement of Comprehensive Inçome on the basis of a direct association between the cost incurred and the earnings of the specific items of the income. All the expenditure incurred in the running business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income in arriving at the profit of the year.

3.15 Taxes

As per Sri Lanka Accounting Standard – LKAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

3.15.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantially enacted on the reporting date and any adjustment to the tax payable in respect of prior years.

Accordingly, The Company computed the income tax liability for the year of assessment 2025/2026 by applying the income tax rate of 30%.

3. MATERIAL ACCOUNTING POLICIES (Continued)

3.15.2 Deferred tax

Deferred tax is provided, using the liability method, on 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 recognised for all taxable temporary differences except where the deferred income 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 utilised except where the deferred income 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.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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. Deferred income tax relating to items recognized directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

3.15.3 Value Added Tax on Financial Services (VATFS) and Social Security Contribution Levy (SSCL)

VAT on Financial Services is calculated in accordance with Value Added Tax Act No 14 of 2002 and subsequent amendments there to. The base for the computation of Value Added Tax on Financial Services is the accounting profit before VATFS and income tax adjusted for the economic depreciation and emoluments of employees including cash, non-cash benefits and provisions relating to terminal benefits, computed on prescribed rate.

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 October 2022.SSCL is payable on 100% of the Value Addition attributable to financial services.

3.16 Segment Reporting

The Company's segmental reporting is based on the following operating segments identified based on products and services;

- Leasing
- Hire Purchase
- Term Loans
- Others

A segment is a distinguishable component of a Company that is engaged in providing products and services.(Business segment, which is subject to risks and rewards that are different from those of other segments). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

3. MATERIAL ACCOUNTING POLICIES(Continued)

3.17 Regulatory provisions

a. Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to Reserve Fund as required by Section 3 (b) ii of the said Direction.

b. Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Company's Act Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27 September 2010 and subsequent amendments there to all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32E of the Monetary Law Act with effect from 1st October 2010.The said scheme was renamed as the"Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No 1 of 2013.

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

a) Deposit liabilities to member institutions
b) Deposit liabilities to Government of Sri Lanka
c) Deposit liabilities to Directors, key management personnel and other related parties as defined in Banking Act Direction No 11 of 2007 on Corporate Governance of Licensed Commercial Banks
d) Deposit liabilities held as collateral against any accommodation granted
e) Deposit liabilities falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month

c. Crop Insurance Levy (CIL)

In terms Section 15 of the Finance Act No 12 of 2013 all institutions under the purview of Banking Act No 30 of 1988, Finance Companies Act No 78 of 1988 and Regulation of Insurance Industry Act No 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund Board effective from 01 April 2013.

d. Regulatory Loss Allowance Reserve

Where the loss allowances for expected credit loss falls below the regulatory provisions (i. e., provision and accrued interest in NPL) Company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through and appropriation of its retained earnings. The additional loss allowance shall be maintain in the RLAR at all times. When loss allowance for expected credit losses exceeds the regulatory provision, the Company may transfer the excess amount in the RLAR to its retained earnings. Company has provided the difference of regulatory provision and impairment provision as per SLFRS 09

3.18 Earnings per Share (EPS)

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary equity share holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary share holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Charted Accountants of Sri Lanka has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Company has not early adopted any of the new or amended standards in the preparation of the financial statements.

4.1 SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and is applicable for annual reporting periods beginning on or after 01st January 2027. The new accounting standard introduces the following key new requirements.

(a) Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
(b) Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
(c) Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements.

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

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

  SLFRS S1 General Requirements for disclosure of sustainability related financial information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

- SLFRS S2 Climate-related disclosures

  SLFRS S2 Climate-related Disclosures Climate-related disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

- These standards will become effective for the Company from 1st January 2027. No financial impact is expected on the Company except for additional disclosures.

4.2 Other accounting standards

Annual improvements to SLFRS Accounting Standards – Volume 11

The amendments apply for annual reporting periods beginning on or after 1st January 2026. These changes are not expected to have a significant impact on the Company's Financial Statements.

5. INCOME

	2026 Rs.	2025 Rs.
Interest Income	4,213,725,906	3,032,532,615
Fee & Commission Income	375,313,695	350,540,958
Net Gain/(Loss) from Trading	8,823,845	39,151,386
Other Operating Income	75,067,827	34,984,853
	4,672,931,273	**3,457,209,812**

5.1 Interest Income

Loans and Advances	244,898,609	178,590,386
Lease Rentals Receivable & Stock out on Hire	3,850,320,959	2,711,888,243
Financial Investments in Government Securities	56,087,557	78,646,389
Interest Income on Debt Securities	3,462,482	-
Other Financial Assets	34,814	13,825
Placement with Banks	58,921,485	63,393,772
Total Interest Income	**4,213,725,906**	**3,032,532,615**

5.2 Interest Expenses

	2026 Rs.	2025 Rs.
Due to Banks	3,176,935	198,583
Due to Customers	989,827,780	851,487,379
Other Borrowed Funds	125,170,259	64,358,093
Leased Assets (Note 29.2)	27,873,816	25,114,860
Total Interest Expenses	**1,146,048,790**	**941,158,915**

6. NET FEE AND COMMISSION INCOME

6.1 Fee and Commission Income

	2026 Rs.	2025 Rs.
Credit Related Fees and Commissions	223,335,774	191,766,771
Service Charge	103,889,587	115,209,005
Transfer Fees	47,559,441	42,987,289
Other Fees	528,893	577,893
Total Fee and Commission Income	**375,313,695**	**350,540,958**

6.2 Fee and Commission Expenses

Brokerage Fees	56,791,298	34,838,272
Total Fee and Commission Expenses	56,791,298	34,838,272
Net Fee and Commission Income	**318,522,397**	**315,702,686**

7. Net Gain/(Loss) from Fair Value Changes

	2026 Rs.	2025 Rs.
7.1 Net Gain/(Loss) from Fair Value Through OCI		
Dividend Income from Financial Investments	247,520	228,565
7.2 Net Gain/(Loss) from Fair Value Through PL		
Income- Unit trust investments	8,576,325	38,922,821
	8,823,845	**39,151,386**

8. OTHER OPERATING INCOME

	2026 Rs.	2025 Rs.
Profit on disposal of Property & Equipment	14,795,630	-
Bad Debt Recoveries	30,972,515	13,352,111
Others	29,299,682	21,632,742
Total Other Operating Income	**75,067,827**	**34,984,853**

9. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

9.1 The table below shows the expected credit loss (ECL) charges for Financial Instruments for the year 2025/2026 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	6,784,191	10,005,364	1,838,838	18,628,393
Lease Rentals Receivable & Stock Out on Hire	35,984,699	17,256,812	212,868,494	266,110,005
	42,768,890	**27,262,176**	**214,707,332**	**284,738,398**

9.2 The table below shows the expected credit loss (ECL) charges for Financial Instruments for the year 2024/2025 recorded in the income statement.

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Loans and Advances	743,288	(6,138,668)	43,782,512	38,387,132
Lease Rentals Receivable & Stock Out on Hire	67,808,029	(2,607,013)	304,749,177	369,950,193
	68,551,317	**(8,745,681)**	**348,531,689**	**408,337,325**

10. PERSONNEL COSTS

	2026 Rs.	2025 Rs.
Salaries and Bonus	555,877,623	415,491,241
Employer's Contribution to EPF	46,280,503	36,402,038
Employer's Contribution to ETF	11,570,126	9,100,510
Gratuity Charge/ (Reversals) for the Year (Note 36.1)	16,550,312	13,115,855
Other Allowances & Staff Related Expenses	231,307,242	146,841,682
	861,585,806	**620,951,326**

11. DEPRECIATION & AMORTIZATION

	2026 Rs.	2025 Rs.
Depreciation of Property Plant & Equipment	46,419,888	27,188,157
Amortization of intangible assets	6,697,547	7,253,602
Depreciation of Leased Assets (Note 29.1)	47,153,180	45,675,440
	100,270,615	**80,117,199**

12. OTHER OPERATING EXPENSES

		2026 Rs.	2025 Rs.
Directors' Emoluments		24,710,000	13,305,000
Auditors Remuneration	- Audit	3,516,096	3,174,000
	-Non Audit	1,555,759	5,297,302
Professional & Legal Expenses		19,733,696	6,067,212
Office Administration & Establishment Expenses		281,924,440	252,756,786
Advertising & Business Promotion Expenses		37,385,211	20,374,497
Deposit Insurance premium		13,869,650	10,331,773
Others		156,798,386	109,133,829
		539,493,238	**420,440,399**

13. TAXES ON FINANCIAL SERVICES

	2026 Rs.	2025 Rs.
Value added tax on financial services for the year	345,653,968	208,356,638
Under/ (Over) provision of current taxes in respect of previous years	-	1,139,308
	345,653,968	209,495,946
Social Security Contribution Levy	58,492,721	38,242,764
	404,146,689	**247,738,710**

14. TAXATION

14.1 The major components of income tax expense for the years ended 31 March are as follows.

		2026 Rs.	2025 Rs.
(A)	**Statement of Profit or Loss**		
	Current Income Tax		
	Income Tax for the year	512,853,248	299,847,532
	Under/ (Over) provision of current taxes in respect of previous years	-	(4,514,147)
	Deferred Tax		
	Deferred Taxation Charge/ (Reversal) (Note 30)	(90,099,851)	(17,461,342)
		422,753,397	**277,872,043**
(B)	**Other Comprehensive Income**		
	Deferred Tax		
	Deferred Taxation Charge/ (Reversal) (Note 30)	(2,672,205)	(1,033,213)
		(2,672,205)	(1,033,213)
(C)	**Total Tax Expense for the year**	**420,081,192**	**276,838,830**

14.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by the tax rate as per the Inland Revenue Act for the Years ended 31 March 2026 and 2025 is as follows.

	2026 Rs.	2025 Rs.
Accounting Profit Before Income Taxation	1,279,856,439	703,627,666
At the statutory income tax rate of 30%	383,956,932	211,088,300
Tax Effect on		
Disallowable Expenses	241,486,350	223,090,621
Tax Deductible Expenses	(105,504,191)	(134,262,819)
Non-taxable Income/ Losses	(7,085,843)	(68,570)
Claim on Carried Forward Tax Losses	-	-
Income Tax	512,853,248	299,847,532
Under/ (Over) provision of current taxes in respect of previous years	-	(4,514,147)
Deferred Taxation Charge/(Reversal) (Note 30)	(90,099,851)	(17,461,342)
Total Tax Expense (Note 14.1 (A))	**422,753,397**	**277,872,043**
Effective tax rate	33%	39%

15. EARNINGS PER ORDINARY SHARE

The Company presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity share holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares if any.

15.1 Earnings per Share: Basic / Diluted

	2026 Rs.	2025 Rs.
Amount used as the numerator		
Profit after tax for the year attributable to equity holders (Rs.)	857,103,042	425,755,623
No. of ordinary shares used as the denominator		
Number of ordinary shares (Note 37.1)	73,693,171	73,693,171
Basic / diluted earnings per ordinary share (Rs.)	**11.63**	**5.78**

There were no potentially diluted shares as at 31st March 2026 and as at 31st March 2025 and there have been no transaction involving ordinary shares / potential ordinary shares as at reporting date which would require restatement of EPS.

As at 31 March,

16. CASH AND BANK BALANCES

	2026 Rs.	2025 Rs.
Cash in Hand	62,226,587	43,173,867
Balances with Banks	626,732,922	272,403,216
	688,959,509	**315,577,083**

16.1 Cash and Cash Equivalents in the Cash Flow Statement

	2026 Rs.	2025 Rs.
Cash and Bank Balances	688,959,509	315,577,083
Bank Overdrafts	-	(4,664,275)
Treasury Bills and Repurchase Agreements	734,283,369	483,386,196
Placement with Banks	479,555,874	469,374,291
Investment in Debt Securities	253,261,111	-
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	**2,156,059,863**	**1,263,673,295**

As at 31 March,

17. PLACEMENT WITH BANKS

	2026 Rs.	2025 Rs.
Fixed Deposit Investments	479,664,558	469,476,605
	479,664,558	**469,476,605**

Fixed Deposit Investments include Investments amounting to Rs.106,651.68/- that have been Pledged for facilities obtained from Banks.

18. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

	2026 Rs.	2025 Rs.
Repurchased Agreements	212,083,868	4,403,264
	212,083,868	**4,403,264**

19. LOANS AND ADVANCES

	2026 Rs.	2025 Rs.
Real Estate Loans	-	47,513
Mortgage Loans	136,581,142	139,230,662
Personnel Loans	29,688,924	57,751,196
Loans against Fixed Deposits	150,791,194	151,953,132
Staff Loans	17,364,651	31,865,359
Revolving Loans	53,985,156	71,883,469
Auto draft	643,240,716	525,695,431
Business Loans	22,205,738	188,077,270
Gold Loan	856,962,309	29,083,192
Other Loans	575,308,843	454,016,973
	2,486,128,673	1,649,604,197
Other Charges Receivable	34,408,109	44,619,189
	2,520,536,782	1,694,223,386
Less : Allowance for Impairment Losses (Note 19.2)	(234,678,208)	(421,819,834)
Net Loans and Advances	**2,285,858,574**	**1,272,403,552**

The growth in loans and advances during the year was mainly driven by the expansion of the gold loan portfolio, which was introduced towards the end of the previous financial year.

19.1 Analysis of Loans and Advances on Maximum Exposure to credit Risk as at 31 March 2026

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Advances	-	-	175,527,601	175,527,601
Loans and Advances subject to Collective Impairment	1,683,765,204	538,697,930	122,546,047	2,345,009,181
Allowances for Expected Credit Losses	(25,295,822)	(18,471,218)	(190,911,168)	(234,678,208)
	1,658,469,382	**520,226,712**	**107,162,480**	**2,285,858,574**

Analysis of Loans and Advances on Maximum Exposure to credit Risk as at 31 March 2025

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Advances	-	-	368,544,913	368,544,913
Loans and Advances subject to Collective Impairment	958,211,208	202,662,410	164,804,855	1,325,678,473
Allowances for Expected Credit Losses	(18,511,631)	(8,465,854)	(394,842,349)	(421,819,834)
	939,699,577	**194,196,556**	**138,507,419**	**1,272,403,552**

19.2 Allowance for Impairment Losses

	2026	2025
As at 01 April	421,819,834	382,638,025
Reclassification during the year	-	794,677
Charge / (Reversal) for the year	18,628,393	38,387,132
Amounts written off	(205,770,019)	-
As at 31 March	**234,678,208**	**421,819,834**
Individual Impairment	101,893,138	258,506,591
Collective Impairment	132,785,070	163,313,243
	234,678,208	**421,819,834**
	175,527,601	**368,544,913**

Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance.

19. LOANS AND ADVANCES (Contd...)

19.3 Movement in Allowance for Expected Credit Loss (ECL)	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	18,511,632	8,465,854	394,842,348	421,819,834
Charge/(Reversal) to Income Statement	6,784,191	10,005,364	1,838,838	18,628,393
Amounts written off	-	-	(205,770,019)	(205,770,019)
Balance as at 31 March 2026	**25,295,823**	**18,471,218**	**190,911,167**	**234,678,208**

Expected credit loss amounting to Rs.159,618,733 /- is associated with legal enforcement activities as at 31 March 2026.

Movement in Allowance for Expected Credit Loss (ECL)	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2024	17,768,344	14,604,522	350,265,159	382,638,025
Reclassification during the year	-	-	794,677	794,677
Charge/(Reversal) to Income Statement	743,288	(6,138,668)	43,782,512	38,387,132
Balance as at 31 March 2025	**18,511,632**	**8,465,854**	**394,842,348**	**421,819,834**

In 2024/2025, the company had reclassified the provision on aged facilities amounting to Rs.794,677/- to the allowance for expected credit loss which was previously presented under interest suspense under loan and advances.

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE	2026 Rs.	2025 Rs.
Gross rentals receivables		
-Lease Rentals	21,740,003,134	14,564,962,465
-Amounts Receivable form Hirers	19,276,024	21,998,135
	21,759,279,158	14,586,960,600
Unearned Income	(6,216,451,572)	(3,980,424,810)
Net rentals receivables	**15,542,827,586**	**10,606,535,790**
	15,542,827,586	10,606,535,790
Other Charges Receivable	233,527,579	219,642,221
	15,776,355,165	10,826,178,011
Allowance for Impairment Losses (Note 20.1)	(1,124,221,215)	(1,028,653,886)
Total Net Rentals Receivable	**14,652,133,950**	**9,797,524,125**

20.1 Analysis of Lease Rental Receivable & Stock Out on Hire on Maximum Exposure to credit Risk as at 31 March 2026

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Receivables	-	-	102,635,997	102,635,997
Lease Rental Receivable & Stock out of Hire subject to Collective Impairment	11,837,090,537	2,416,606,034	1,420,022,597	15,673,719,168
Allowances for Expected Credit Losses	(233,054,251)	(88,570,260)	(802,596,704)	(1,124,221,215)
	11,604,036,286	**2,328,035,774**	**720,061,890**	**14,652,133,950**

Analysis of Lease Rental Receivable & Stock Out on Hire on Maximum Exposure to credit Risk as at 31 March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Receivables	-	-	94,838,255	94,838,255
Lease Rental Receivable & Stock out of Hire subject to Collective Impairment	7,533,443,784	1,702,443,322	1,495,452,650	10,731,339,756
Allowances for Expected Credit Losses	(197,069,552)	(71,313,448)	(760,270,886)	(1,028,653,886)
	7,336,374,232	**1,631,129,874**	**830,020,019**	**9,797,524,125**

As at 31 March,

20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE (Contd...)

20.2 Allowance for Impairment Losses

	2026 Rs.	2025 Rs.
As at 01 April	1,028,653,886	855,579,354
Reclassification during the year	-	30,437,719
Charge / (Reversal) for the year	266,110,005	369,950,193
Amounts written off	(170,542,675)	(227,313,380)
As at 31 March	**1,124,221,216**	**1,028,653,886**
Individual Impairment	93,566,996	81,634,620
Collective Impairment	1,030,654,220	947,019,266
	1,124,221,216	**1,028,653,886**
	102,635,997	**94,838,255**

Gross amount of lease and hire purchase rental receivables individually determined to be impaired, before deducting the individually assessed impairment allowance

20.3 Movement in Allowance for Expected Credit Loss (ECL)

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2025	197,069,553	71,313,448	760,270,885	1,028,653,886
Charge/(Reversal) to Income Statement	35,984,699	17,256,812	212,868,494	266,110,005
Amounts written off	-	-	(170,542,675)	(170,542,675)
Balance as at 31 March 2026	**233,054,252**	**88,570,260**	**802,596,704**	**1,124,221,216**

Expected credit loss amounting to Rs.342,419,722 /- is associated with legal enforcement activities as at 31 March 2026.

Movement in Allowance for Expected Credit Loss (ECL)	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2024	129,261,523	73,920,461	652,397,370	855,579,354
Reclassification during the year	-	-	30,437,718	30,437,718
Charge/(Reversal) to Income Statement	67,808,029	(2,607,013)	304,749,177	369,950,194
Amounts written off	-	-	(227,313,380)	(227,313,380)
Balance as at 31 March 2025	**197,069,552**	**71,313,448**	**760,270,885**	**1,028,653,886**

In 2024/2025, the company had reclassified the provision on aged facilities amounting to Rs.30,437,719/- to the allowance for expected credit loss which was previously presented under interest suspense under loan and advances.

20.4

As at 31 March 2026	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
-Lease Rentals	10,447,532,571	11,292,470,563	-	21,740,003,134
-Amounts Receivable form Hirers	19,276,024	-	-	19,276,024
	10,466,808,595	11,292,470,563	-	21,759,279,158
Less: Unearned Income	(3,431,949,583)	(2,784,501,989)	-	(6,216,451,572)
Net rentals receivables	**7,034,859,012**	**8,507,968,574**	-	**15,542,827,586**
				15,542,827,586
Other Charges Receivable				233,527,579
				15,776,355,165
Less : Allowance for Impairment Losses				(1,124,221,215)
Total net rentals receivable				**14,652,133,950**

As at 31 March 2025	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross rentals receivables				
-Lease Rentals	7,651,590,547	6,913,371,918	-	14,564,962,465
-Amounts Receivable form Hirers	21,155,249	842,886	-	21,998,135
	7,672,745,796	6,914,214,804	-	14,586,960,600
Less: Unearned Income	(2,356,894,090)	(1,623,530,719)	-	(3,980,424,809)
Net rentals receivables	**5,315,851,706**	**5,290,684,085**	-	**10,606,535,791**
Other Charges Receivable				219,642,220
				10,826,178,011
Less : Allowance for Impairment Losses				(1,028,653,886)
Total net rentals receivable				**9,797,524,125**

As at 31 March,

21. FINANCIAL INVESTMENTS -FAIR VALUE THROUGH PROFIT AND LOSS

	2026 Rs.	2025 Rs.
Unit trust investments	1,647,762	317,071,437
	1,647,762	**317,071,437**

21.1 Movement of Financial Investments -Fair Value Through Profit And Loss

	2026 Rs.	2025 Rs.
As at 01 April	317,071,437	591,848,876
Purchases	300,000,000	766,298,740
Fair value gain	8,576,325	38,923,821
Withdrawal	(624,000,000)	(1,080,000,000)
As at 31 March	**1,647,762**	**317,071,437**

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI

	No.Ordinary Shares	2026 Rs.	2025 Rs.
Credit Information Bureau-Unquoted Equities *	100	2,505,128	80,400
		2,505,128	**80,400**

The net asset value per share of the investment is considered to represent the fair value of unquoted equity shares as at 31 March 2026. In 2024/2025, purchasing cost had been used as an approximation to the fair value.

The Company designated the investments as equity securities at FVOCI because these equity securities represents that the Company intended to hold for the long term for strategic purposes and net gains and losses are recognized in OCI .

*No Strategic investments were disposed of during 2025/2026.

* During the period the amounting to Rs.247,520/- dividends has been received.

23. DEBT INSTRUMENTS AT AMORTISED COST

	2026 Rs.	2025 Rs.
Government of Sri Lanka Treasury Bills	674,790,449	631,753,297
Investment in Debt Securities	253,261,112	-
	928,051,561	**631,753,297**

23.1 MOVEMENT OF DEBT INSTRUMENTS AT AMORTISED COST

	2026 Rs.	2025 Rs.
As at 01 April	631,753,297	430,455,264
Purchases	643,557,430	2,186,914,603
Int. Income	19,174,019	69,559,483
Derecognition	(619,694,297)	(2,055,176,052)
As at 31 March	**674,790,449**	**631,753,298**

The Company did not have any defaults of principal or interest or breaches with respect to its debt securities during the year ended 31 March 2026 and 31 March

24. OTHER FINANCIAL ASSETS

	2026 Rs.	2025 Rs.
Repossessed Stock	37,268,224	31,221,535
Other Receivables	611,247,355	106,918,458
	648,515,579	138,139,993
Less : Allowance for Impairment Losses (Note 24.1)	(37,268,224)	(31,221,535)
	611,247,355	106,918,458
Deposit	22,989,278	26,489,998
Due From Related Parties	23,348,323	9,414,815
	657,584,956	**142,823,271**

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

24.1 Allowance for Impairment Losses

	2026 Rs.	2025 Rs.
As at 01 April	31,221,535	50,241,961
Charge / (Reversal) for the year	376,312,694	227,313,380
Amounts written off	(370,266,005)	(246,333,806)
As at 31 March	**37,268,224**	**31,221,535**
Individual Impairment	-	-
Collective Impairment	37,268,224	50,241,961
	37,268,224	**50,241,961**

The Contractual amount outstanding on financial assets of Rs.370,266,005/- written off during the year ended 31 March 2026 are being considered for enforcement activities.

As at 31 March,

24. OTHER FINANCIAL ASSETS (Contd...)

24.2 Movement in Allowance for Expected Credit Loss (ECL)	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	31,221,535	31,221,535
Charge/(Reversal) to Income Statement	376,312,694	376,312,694
Amounts written off	(370,266,005)	(370,266,005)
Balance as at 31 March 2026	**37,268,224**	**37,268,224**

Movement in Allowance for Expected Credit Loss (ECL)	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2024	50,241,961	50,241,961
Charge/(Reversal) to Income Statement	227,313,380	227,313,380
Amounts written off	(246,333,806)	(246,333,806)
Balance as at 31 March 2025	**31,221,535**	**31,221,535**

25. REAL ESTATE STOCK

	2026 Rs.	2025 Rs.
Real Estate Stocks	39,483,688	39,483,688
	39,483,688	**39,483,688**

26. OTHER NON FINANCIAL ASSETS

	2026 Rs.	2025 Rs.
Advances	68,118,102	43,535,331
Pre-paid Staff Cost (Note 26.1)	7,665,182	13,597,182
Other Receivables	1,155,250	-
Pre-Paid Expenses	62,871,115	29,524,232
	139,809,649	**86,656,745**

26.1 The movement in the Pre-Paid Staff Cost(Staff Loan IFRS Adjustment)

	2026 Rs.	2025 Rs.
Balance as at 1 April	13,597,182	21,158,135
Adjustment for new grants (net of settlements)	(2,330,646)	(3,079,528)
Charge to Personnel Expenses	(3,601,354)	(4,481,425)
Balance as at 31 March	**7,665,182**	**13,597,182**

27. INTANGIBLE ASSETS

	Computer Software 2026 Rs.	Computer Software 2025 Rs.
Cost		
Cost as at 01 April	95,279,330	90,728,638
Additions	29,991,997	4,550,692
As at 31 March	**125,271,327**	**95,279,330**
Amortisation & Impairment:		
As at 1 April	75,809,687	68,556,084
Amortisation Charge for the year	6,697,547	7,253,603
As at 31 March	**82,507,234**	**75,809,687**
Net book value:		
As at 31 March	**42,764,093**	**19,469,643**

Nature and Amortization Method

Intangible Assets represent acquisition of computer software from third parties. These software are amortized over the estimated useful life of 10 years on a straight line basis.

During the financial year, the Company acquired intangible assets value of Rs.29,991,997 /- (Computer Software) (2024/2025 - Rs.4,550,692 /-).

As at 31 March,

28. PROPERTY, PLANT AND EQUIPMENT

28.1 Gross Carrying Amounts

Cost /Valuation	Balance As at 31.03.2025 Rs.	Additions Rs.	Revaluation (Loss) / Gain Rs.	Disposals Rs.	Balance As at 31.03.2026 Rs.
Freehold Assets					
Land	125,037,500	-	(3,572,500)	-	121,465,000
Furniture & Fittings	98,246,387	49,925,016	-	(5,301,020)	142,870,383
Office Equipment	37,774,669	34,884,564	-	(3,703,834)	68,955,399
Motor Vehicles	9,924,000	22,101,356	-	(9,800,000)	22,225,356
Computer Hardware	128,459,878	74,000,389	-	(2,460,004)	200,000,263
Total Value of Depreciable Assets	**399,442,434**	**180,911,325**	**(3,572,500)**	**(21,264,858)**	**555,516,401**

Gross Carrying Amounts Cost /Valuation	Balance As at 31.03.2024 Rs.	Additions Rs.	Revaluation Gain/(Loss) Rs.	Disposals Rs.	Balance As at 31.03.2025 Rs.
Freehold Assets					
Land	117,892,500	-	7,145,000	-	125,037,500
Furniture & Fittings	83,803,208	14,443,179	-	-	98,246,387
Office Equipment	27,804,659	9,970,010	-	-	37,774,669
Motor Vehicles	9,924,000	-	-	-	9,924,000
Computer Hardware	113,783,516	14,676,362	-	-	128,459,878
Total Value of Depreciable Assets	**353,207,883**	**39,089,551**	**7,145,000**	**-**	**399,442,434**

28.2 Depreciation

	Balance As at 31.03.2025 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2026 Rs.
Furniture & Fittings	(71,416,340)	(16,765,855)	5,301,020	(82,881,175)
Office Equipment	(19,683,281)	(4,617,899)	3,697,132	(20,604,048)
Motor Vehicles	(4,968,458)	(1,744,501)	5,920,833	(792,126)
Computer Hardware	(95,118,485)	(23,291,633)	2,460,004	(115,950,114)
	(191,186,564)	**(46,419,888)**	17,378,989	**220,227,463**

Depreciation	Balance As at 31.03.2024 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2025 Rs.
Furniture & Fittings	(63,049,860)	(8,366,480)	-	(71,416,340)
Office Equipment	(16,957,920)	(2,725,361)	-	(19,683,281)
Motor Vehicles	(3,727,958)	(1,240,500)	-	(4,968,458)
Computer Hardware	(80,262,669)	(14,855,816)	-	(95,118,485)
	163,998,407	**(27,188,157)**	-	**(191,186,564)**

28.3 Net Book Values

	2026 Rs.	2025 Rs.
At Cost/Valuation		
Land	121,465,000	125,037,500
Furniture & Fittings	59,989,208	26,830,047
Office Equipment	48,351,351	18,091,388
Motor Vehicles	21,433,230	4,955,542
Computer Hardware	84,050,149	33,341,393
Total Carrying Amount of Property, Plant & Equipment	**335,288,938**	**208,255,870**

28.4 The useful lives of the assets are estimated as follows;

	2026	2025
Furniture & Fittings	3 - 8 Years	3 - 8 Years
Office Equipment	8 Years	8 Years
Motor Vehicles	8 Years	8 Years
Computer Hardware	4 years	4 years

28.5 During the Financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 180,911,324 /- (2024/2025 - Rs. 39,089,551/-)

28.6 Cost of fully depreciated assets of the company as at 31 March 2026 is Rs. 201,419,568.73/-(2024/2025-Rs. 161,714,895.88/-)

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

28.7 Fair value related disclosures of freehold land

Fair value of the land was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the dates of revaluation on 31 March 2026, the lands' fair values are based on valuations performed by H.R De Silva, a professionally qualified independent valuer.

Reconciliation of carrying amount	**2026 Rs.**
Revalued amount (carrying value) as at 31.03.2025	125,037,500
Revaluation gain recognized during the year	-
Revaluation losses recognized during the year	(3,572,500)
Carrying Value and fair value as at 31 March 2026	**121,465,000**

	2025 Rs.
Revalued amount (carrying value) as at 31.03.2024	117,892,500
Revaluation gain recognized during the year	7,145,000
Revaluation losses recognized during the year	-
Carrying Value and fair value as at 31 March 2025	**125,037,500**

Fair value hierarchy

The fair value the Company's freehold land was determined using the market comparable method. This means that valuations performed are based on prices of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of freehold land, as well as the significant unobservable inputs used.

Name of the Professional Valuer/Location	**Extent**	**Method of Valuation and Significant Unobservable Inputs**	**Valued in 31 March 2026 Rs.**
H.R De Silva			
Freehold land at Awissawella Road,Galwana,Mulleriyawa	71.45 perches	Market Comparable Method-Estimated price per perch: Rs.1,700,000/-	121,465,000

The carrying value of Company's revalued freehold land, if it was carried at cost, would be as follows.

	2026 Cost Rs.	**2026 Carrying Value Rs.**	**2025 Cost Rs.**	**2025 Carrying Value Rs.**
Freehold Land	24,940,093	24,940,093	24,940,093	24,940,093
	24,940,093	**24,940,093**	**24,940,093**	**24,940,093**

28.8 There were no items of property plant and equipment pledge as security for liabilities of the company as at the reporting date.

28.9 There was no temporarily ideal property plant and Equipment as at 31 March 2026.

As at 31 March,

29. RIGHT-OF-USE-ASSETS

Set out below are the carrying amounts of right-of-use-assets recognised and movements during the year.

29.1 Cost	2026 Rs.	2025 Rs.
Balance as at 01 April	429,164,343	363,976,574
Additions and Improvements	117,778,520	104,810,984
Derecognize	(15,179,906)	(39,623,215)
Cost as at 31 March	**531,762,957**	**429,164,343**
Accumulated Amortisation		
Balance as at 01 April	249,216,448	221,527,460
Charge for the year (Note 11)	47,153,180	45,675,440
Derecognize	(13,210,270)	(17,986,452)
Accumulated Amortisation as at 31 March	**283,159,358**	**249,216,448**
Net Book Value as at 31 March	**248,603,599**	**179,947,895**

29.2 Lease Liability

Set out below are the carrying amounts of Lease Liabilities (Included under Other Financial Liabilities in Note 34) and movements during the year.

	2026 Rs.	2025 Rs.
Balance as at 01 April	213,523,501	169,285,428
Additions & Derecognize	80,103,499	81,569,088
Accretion of Interest (Note 5.2)	27,873,816	25,114,860
Payments- Interest	(27,873,816)	(25,114,860)
Capital	(33,409,731)	(37,331,015)
Balance as at 31 March	**260,217,269**	**213,523,501**

29.3 Maturity Analysis of Lease Liability

As at 31 March	2026 Rs.	2025 Rs.
Less than 01 year	1,582,035	1,756,813
01 to 05 years	59,713,657	84,940,043
More than 05 years	198,921,577	126,826,645
	260,217,269	**213,523,501**

29.4 Sensitivity of Right-of use Assets /Lease Liability to Key Assumptions

Sensitivity to Discount Rates

1% increase/(Decrease) in discount rate as at 31 March 2026 would have increased/(decreased) the lease liability by approximately Rs.7,864,042/- with a similar increase/(decrease) in the Right- of-use Assets. Had the Company increased/(decreased) the discount rate by 1% the Company's profit before tax for the year would have increased/(decreased) by approximately Rs.119,702/-

29.5 Amounts Recognised in Profit or Loss	2026 Rs.	2025 Rs.
Depreciation expense on Lease Assets	47,153,180	45,675,440
Interest Expense	27,873,816	25,114,860

As at 31 March,

30. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings

		Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
		2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Deferred Tax Liability							
Capital Allowances for Tax Purposes							
	-Property Plant & Equipment	7,206,324	4,507,822	-	-	2,698,502	659,727
	Intangible Assets	3,639,222	4,101,001			(461,779)	(1,427,034)
	-Leased Asset	425,941	464,040	-	-	(38,099)	(57,442)
Revaluation of Land-Previous Year		30,029,222	30,029,222	-		-	-
Revaluation of Land -Current Year		-	-	-	-	-	-
Right-of-use-assets		74,581,080	53,984,369			20,596,711	11,249,634
Define Benefit Plan- Other Comprehensive Income		-	-	-	-	-	-
		115,881,789	93,086,454	-	-	22,795,335	10,424,886
Deferred Tax Assets							
Defined Benefit Plans- Income Statement		(17,524,463)	(15,568,420)	-	-	(1,956,042)	(3,182,971)
Define Benefit Plan- Other Comprehensive Income		(3,629,603)	(2,029,148)	(1,600,455)	(3,176,713)	-	-
Provision for Impairment on Financial Assets		-	-	-	-	-	-
Leased Assets-SLFRS 16		(78,065,181)	(64,057,050)	-	-	(14,008,130)	(13,271,422)
Revaluation of Land -Current Year		(1,071,750)		(1,071,750)			
Brought Forward Tax Losses		-	-	-	-	-	-
Provision for impairment on loan and lease receivables		(108,362,849)	(11,431,835)	-	-	(96,931,014)	(11,431,835)
		(208,653,846)	(93,086,454)	(2,672,205)	(3,176,713)	(112,895,186)	(27,886,228)
Deferred income tax charge/(reversal)				(2,672,205)	(3,176,713)	(90,099,851)	(17,461,342)
Net Deferred Tax Liability/ (Asset)		92,772,057	-				

Deferred Tax Assets and Liabilities are Measured at the Tax Rate of 30% (2024/2025-30%)

31. DUE TO BANKS

	2026 Rs.	2025 Rs.
Bank Overdrafts	-	4,664,275
Bank Facilities(Notes 31.1)	567,212,652	-
	567,212,652	4,664,275

31.1 Bank Facilities

	As at 01.04.2025	Loans Obtained	Interest Recognized	Repayments Capital	Repayments Interest	As at 31.03.2026
Bank Facilities	-	600,063,830	14,265,012	33,332,000	13,784,190	567,212,652
	-	600,063,830	14,265,012	33,332,000	13,784,190	567,212,652

32. DUE TO CUSTOMERS

	2026 Rs.	2025 Rs.
Fixed Deposits	10,964,211,641	8,344,633,322
Savings Deposits	72,960,159	105,213,908
	11,037,171,800	8,449,847,230

As at 31 March,

33. OTHER BORROWED FUNDS

	2026	2025
	Rs.	Rs.
Securitization Loan (Note 33.2)	1,973,436,976	150,362,272
Borrowings on Commercial Papers(Note 33.2)	615,258,082	-
	2,588,695,058	**150,362,272**

33.1 Other Borrowed Funds

	2026			2025		
	Amount repayable within 1 year	Amount repayable after 1 year	Total	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitized Borrowings	841,110,512	1,132,326,465	1,973,436,976	54,252,980	96,109,292	150,362,272
Borrowings on Commercial Papers	615,258,082	-	615,258,082	-	-	
	1,456,368,594	**1,132,326,465**	**2,588,695,058**	**54,252,980**	**96,109,292**	**150,362,272**

33.2 Other Borrowed Funds

	As at 01.04.2025	Loans Obtained	Interest Recognized	Repayments		As at 31.03.2026	Period	Security
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitized Borrowings 13	150,362,272	1,405,088	1,974,389	125,000,000	28,741,749	-	19 Months	Lease Portfolio
Securitized Borrowings 14	-	500,000,000	29,996,387	43,000,000	2,235,800	484,760,587	24 Months	Lease Portfolio
Securitized Borrowings 15	-	750,000,000	43,109,523	-	-	793,109,523	36 Months	Lease Portfolio
Securitized Borrowings 16	-	675,000,000	20,566,866	-	-	695,566,866	32 Months	Lease Portfolio
Borrowings on Commercial Papers	-	600,000,000	15,258,082	-	-	615,258,082	Below 12 Months	Unsecured
	150,362,272	**2,526,405,088**	**110,905,247**	**168,000,000**	**30,977,549**	**2,588,695,058**		

	As at 01.04.2024	Loans Obtained	Interest Recognized	Repayments		As at 31.03.2025	Period	Security
				Capital	Interest			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitized Borrowings 12	380,201,426	-	30,122,887	268,738,095	141,586,218	-	20 Months	Lease Portfolio
Securitized Borrowings 13	234,825,716	-	34,235,207	100,000,000	18,698,651	150,362,272	19 Months	Lease Portfolio
	615,027,142	**-**	**64,358,094**	**368,738,095**	**160,284,869**	**150,362,272**		

As at 31 March,

34. OTHER FINANCIAL LIABILITIES

	2026 Rs.	2025 Rs.
Trade Payables - Related Parties (Note 34.1)	133,138,550	36,709,815
Non Trade Payables - Related Parties (Note 34.2)	3,944,061	3,152,445
Trade Payables - Other Parties	706,765,194	341,644,641
Lease Liability (Note 29.2)	260,217,269	213,523,501
Accrued Expenses	811,467,223	363,566,109
	1,915,532,297	**958,596,511**

34.1 Trade Payables to Related Parties

	Relationship	2026 Rs.	2025 Rs.
Abans PLC	Parent Company	1,163,005	637,400
Abans Auto (Pvt)Ltd	Affiliate Company	131,975,545	36,072,415
		133,138,550	**36,709,815**

34.2 Non Trade Payables to Related Parties

		2026 Rs.	2025 Rs.
Abans PLC	Parent Company	1,397,684	357,359
Abans Environmental Services	Affiliate Company	121,026	587,660
ABS Gardner Dixon Hall International (Pvt) Ltd	Affiliate Company	614,959	723,882
AB Securitas (Pvt) Ltd	Affiliate Company	1,526,850	1,229,565
ABS Courier (Pvt) Ltd	Affiliate Company	283,542	253,978
		3,944,061	**3,152,444**

35. OTHER NON FINANCIAL LIABILITIES

	2026 Rs.	2025 Rs.
VAT on Financial Services & NBT	88,843,138	63,394,700
VAT Payable	9,682,341	11,328,894
SSCL Payable	15,558,584	13,162,676
Others	16,381,216	6,736,142
	130,465,279	**94,622,412**

36. RETIREMENT BENEFIT OBLIGATIONS

Retirement Benefit Obligations - Gratuity

	2026 Rs.	2025 Rs.
Balance at the beginning of the year	58,658,560	41,284,829
Current Service Cost	10,097,870	8,161,676
Payments made during the year	(10,030,170)	(6,331,168)
Interest Charged/(Reversed) for the year	6,452,442	4,954,179
Due to change in Demographic Assumptions	81,895	2,825,648
Due to change in Financial Assumptions	3,617,970	964,592
Experience Adjustment	1,634,985	6,798,804
Balance at the end of the year	**70,513,552**	**58,658,560**

As at 31 March,

36.	RETIREMENT BENEFIT OBLIGATIONS (Contd...)	2026 Rs.	2025 Rs.
36.1	**Expenses on Defined Benefit Plan**		
	Current Service Cost for the year	10,097,870	8,161,676
	Interest Charge for the year	6,452,442	4,954,179
		16,550,312	**13,115,855**
	Amount Recognized in the Other Comprehensive Income		
	(Gain)/Loss arising from changes in the assumption (Note 36.2)	5,334,850	10,589,044
		5,334,850	**10,589,044**
36.2	**(Gain) / Loss arising from the changes in the assumption**		
	Due to change in Demographic Assumptions	81,895	2,825,648
	Due to change in Financial Assumptions	3,617,970	964,592
	Experience Adjustment	1,634,985	6,798,804
		5,334,850	**10,589,044**

36.3 Actuarial valuation of Retiring Gratuity Obligation as at 31 March 2026 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Project Unit Credit Method" as recommended by LKAS 19- 'Employee Benefits'.

36.4 Assumptions	2026	2025
Discount Rate	10.00%	11.00%
Salary Increment Rate	10.00%	10.00%
Staff Turnover	17.00%	14.00%
Retirement Age	60 Years	60 Years

Assumptions regarding future mortality are based on 1967/70 Mortality Table and issued by the Institute of Actuaries, London.

**The minimum retirement age has been extended up to 60 years with effect from 17 November 2021 as per the "Minimum Retirement Age of Workers Act, No. 28 of 2021" .

**The long term bond rate has been used to discount the future liabilities taking into consideration remaining working life of employees.

36.5 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligations measurement. The sensitivity of the Statement of Financial position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retiring Gratuity obligation for the year.

		2026		2025	
Increase/(Decrease) in Discount Rate	**Increase/(Decrease) in Salary Escalation Rate**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**
1%		3,624,423	(3,624,423)	2,591,084	(2,591,084)
-1%		(4,033,195)	4,033,195	(2,850,882)	2,850,882
	1%	(4,328,380)	4,328,380	(3,129,420)	3,129,420
	-1%	3,957,655	(3,957,655)	2,891,826	(2,891,826)

36.6 Maturity Profile of the Defined Benefit Obligation Plan

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below;

	2026 Years	2025 Years
Weighted Average Duration of the Defined Benefit Obligation	5.90	5.00
Average Time to Benefit Payout	5.50	4.90

As at 31 March,

36. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

36.7 Distribution of Defined Benefit Obligation Over Future Lifetime

The following table demonstrates distribution of the future working lifetime of the Defined Benefit Obligation as at the reporting period.

	2026	2025
	Rs.	Rs.
Less than 1 year	10,311,124	10,760,836
Between 1-5 years	27,484,014	25,108,728
Between 5-10years	18,352,779	13,521,050
Over 10 years	14,365,635	9,267,947
	70,513,552	**58,658,561**

37. STATED CAPITAL

	2026		2025	
37.1 Issued and Fully Paid-Ordinary shares	**No. of Shares**	**Rs.**	**No. of Shares**	**Rs.**
As at 31 March	73,693,171	1,321,097,699	73,693,171	1,321,097,699
	73,693,171	**1,321,097,699**	**73,693,171**	**1,321,097,699**

37.2 Rights of Shareholders

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

38. RETAINED EARNINGS AND OTHER RESERVES

	2026	2025
38.1 Retained Earnings	Rs.	Rs.
As at 01 April	1,741,428,099	912,324,112
Dividends	(200,445,425)	-
Profit /(Loss) for the Year	857,103,042	425,755,623
Other Comprehensive Income net of tax	(3,734,395)	(7,412,331)
Transfers to Statutory Reserve Fund	(42,855,152)	(21,287,781)
Transfers from Regulatory Risk Allowance Reserve	48,442,231	432,048,476
As at 31 March	**2,399,938,400**	**1,741,428,099**

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

	2026	2025
38.2 Other Reserves	Rs.	Rs.
Statutory Reserve Fund	364,282,158	321,427,006
Revaluation Reserve	67,567,435	70,068,185
Regulatory Risk Allowance Reserve	-	48,442,231
Fair Value Reserves	2,424,728	
	434,274,321	**439,937,422**

38.2.1 Statutory Reserve Fund

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly 5% of the net profit for the year transferred to Reserve Fund as required by Section 3(b) ii of the said Direction.

	2026	2025
	Rs.	Rs.
Balance as at 01 April	321,427,006	300,139,225
Transfers to/(from) during the year	42,855,152	21,287,781
Balance as at 31 March	**364,282,158**	**321,427,006**

38.2.2 Revaluation Reserve

	2026	2025
	Rs.	Rs.
Balance as at 01 April	70,068,185	65,066,685
Revaluation Losses (Net of Tax)	(2,500,750)	5,001,500
Balance as at 31 March	**67,567,435**	**70,068,185**

*Revaluation losses is the result of land revaluation.

38.2.3 Regulatory Risk Allowance Reserve

In terms of the section 7.0 on Classification and Measurement of Credit Facilities Direction No. 01 of 2020, ensure the following.

Section 7.1.3

Where the loss allowances for expected credit loss falls below the regulatory provisions (i.e., provision and accrued interest in NPL), Company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLRA) through an appropriation of its retained earnings. The additional loss allowance shall be maintained in the RLAR at all times. When loss allowance for expected credit losses exceeds the regulatory provision, the Company may transfer the excess amount in the RLAR to its retained earnings.The aggregate ECL allowance as at 31.03.2026 exceeds the regulatory provision.Accordingly ,the Company not require to provided the difference to regulatory provision .

	2026	2025
	Rs.	Rs.
As at 01 April	48,442,231	480,490,707
Transfer/ (Reversal) to Regulatory Risk Allowance Reserve for the year	(48,442,231)	(432,048,476)
As at 31 March	-	**48,442,231**

As at 31 March,

39. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

39.1 As at 31 March 2026

	Amortised Cost	Financial Investments FVP&L	Equity Instruments - FVOCI	Total
	Rs.		Rs.	Rs.
Assets				
Cash and Bank Balances	688,959,509	-	-	688,959,509
Placement With Banks	479,664,558	-	-	479,664,558
Repurchase Agreements	212,083,868	-	-	212,083,868
Loans and Advances	2,285,858,574	-	-	2,285,858,574
Lease rentals receivable & Stock out on Hire	14,652,133,950	-	-	14,652,133,950
Financial Investments at Fair Value through P&L	-	1,647,762	-	1,647,762
Equity instruments at fair value through OCI	-	-	2,505,128	2,505,128
Debt Instruments at Amortised Cost	928,051,561	-	-	928,051,561
Other Financial Assets	657,584,956	-	-	657,584,956
Total Financial Assets	**19,904,336,976**	**1,647,762**	**2,505,128**	**19,908,489,866**
Liabilities				
Due to Banks	567,212,652	-	-	567,212,652
Due to Customers	11,037,171,800	-	-	11,037,171,800
Other Borrowed Funds	2,588,695,058	-	-	2,588,695,058
Other Financial Liabilities	1,915,532,297	-	-	1,915,532,297
Total Financial Liabilities	**16,108,611,807**	-	-	**16,108,611,807**

There were no reclassifications or transfers of Financial Assets during the year.

39.2 As at 31 March 2025

	Amortised Cost	Financial Investments FVP&L	Equity Instruments - FVOCI	Total
	Rs.		Rs.	Rs.
Assets				
Cash and Bank Balances	315,577,083	-	-	315,577,083
Placement With Banks	469,476,605	-	-	469,476,605
Repurchase Agreements	4,403,264	-	-	4,403,264
Loans and Advances	1,272,403,552	-	-	1,272,403,552
Lease rentals receivable & Stock out on Hire	9,797,524,125	-	-	9,797,524,125
Financial Investments at Fair Value through P&L	-	317,071,437	-	317,071,437
Equity instruments at fair value through OCI	-	-	80,400	80,400
Debt Instruments at Amortised Cost	631,753,297	-	-	631,753,297
Other Financial Assets	142,823,271	-	-	142,823,271
Total Financial Assets	**12,633,961,197**	**317,071,437**	**80,400**	**12,951,113,034**
Liabilities				
Due to Banks	4,664,275	-	-	4,664,275
Due to Customers	8,449,847,230	-	-	8,449,847,230
Other Borrowed Funds	150,362,272	-	-	150,362,272
Other Financial Liabilities	958,596,511	-	-	958,596,511
Total Financial Liabilities	**9,563,470,288**	-	-	**9,563,470,288**

Other than disclosed in Notes 19.2 and 20.2 there were no reclassifications or transfers of Financial Assets during the year.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the financial instruments.

The unit trust investments are valued based on the market value which is published by the unit trust itself on daily basis.

40.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 :Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.

Level 2: Valuation technique using observerable inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets and are valued using models where all significant inputs are observable.

Level 3: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Assets and Liabilities Measured at Fair Value - Fair Value Hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

As at 31 March 2026	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments at Fair Value through P&L				
Investment in Unit trust	1,647,762	-	-	1,647,762
Equity Instruments at Fair Value through OCI				
Unquoted Equities	-	-	2,505,128	2,505,128
Total Financial Assets measured at fair value	**1,647,762**	**-**	**2,505,128**	**4,152,890**
Non Financial Assets				
Freehold land & buildings (included under Property, Plant& Equipment)	-	-	125,037,500	125,037,500
Total Non - Financial Assets measured at fair value	**-**	**-**	**125,037,500**	**125,037,500**

As at 31 March 2025	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments at Fair Value through P&L				
Investment in Unit trust	317,071,437	-	-	317,071,437
Equity Instruments at Fair Value through OCI				
Unquoted Equities	-	-	80,400	80,400
Total Financial Assets	**317,071,437**	**-**	**80,400**	**317,151,837**
Non Financial Assets				
Freehold land & buildings (included under Property, Plant& Equipment)	-	-	125,037,500	125,037,500
Total Non - Financial Assets measured at fair value	**-**	**-**	**125,037,500**	**125,037,500**

There were no financial liabilities recorded at fair value as at 31 March 2026 & 2025.

There were no transfers between Level 1 and Level 2 during 2026 & 2025.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

40.2 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

Set out below is the comparison, by class, of the carrying amounts of Fair Values of the Company's Financial Instruments that are not carried at Fair Value in the Financial Statements. This table does not include the Fair Values of Non-Financial Assets and Non- Financial Liabilities.

	2026					2025				
	Carrying Amount	Fair Value				Carrying Amount	Fair Value			
		Level 01	Level 02	Level 03	Total		Level 01	Level 02	Level 03	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Advances	2,285,858,574	-	-	2,417,206,051	2,417,206,051	1,272,403,552	-	-	1,671,820,216	1,671,820,216
Lease rentals receivable & Stock out on Hire	14,652,133,950	-	-	14,728,892,690	14,728,892,690	9,797,524,125	-	-	10,494,199,969	10,494,199,969
Debt instruments at amortised cost	928,051,561	-	-	928,051,561	928,051,561	631,753,297	-	-	631,753,297	631,753,297
Other Financial Assets	657,584,956	-	-	657,584,956	657,584,956	142,823,271	-	-	142,823,271	142,823,271
	18,523,629,040	-	-	**18,731,735,258**	**18,731,735,258**	**11,844,504,245**	-	-	**12,940,596,753**	**12,940,596,753**
Financial Liabilities										
Due to Banks										
Due to Banks	567,212,652	-	-	576,315,867	576,315,867	4,664,275	-	-	4,664,275	4,664,275
Due to Customers	11,037,171,800	-	-	11,109,764,912	11,109,764,912	8,449,847,230	-	-	8,747,911,345	8,747,911,345
Other Borrowed Funds	2,588,695,058	-	-	2,669,159,936	2,669,159,936	150,362,272	-	-	150,362,272	150,362,272
	14,193,079,510	-	-	**14,355,240,715**	**14,355,240,715**	**8,604,873,777**	-	-	**8,902,937,892**	**8,902,937,892**

The following describes the methodologies and assumptions used to determine the Fair Values for those Financial Assets & Liabilities which are not already recorded at fair value in the Financial Statements.

Fixed Rate Financial Instruments

Carrying amounts are considered as Fair Values for short term credit facilities. All credit facilities with fixed interest rates were fair valued using market rates at which fresh credit facilities were granted during the last month of the reporting year. Conversely, fixed deposits with remaining tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the last month of the reporting year.

Assets & Liabilities for which Fair Value Approximates Carrying Value

The Following is a list of Financial Investments whose carrying amount is a reasonable approximation of Fair Value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

Assets
Cash and Bank Balances
Placement With Banks
Repurchase Agreements

Liabilities
Other Financial Liabilities

Reclassification of Financial Assets

There have been no reclassifications during 2025/2026.

As at 31 March,

41. RISK MANAGEMENT DISCLOSURES

41.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

41.2 Risk Management Structure

The Board is primarily responsible for risk management initiatives. Integrated Risk Management Committee (IRMC), which is a sub-committee of the Board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the Company is willing to accept is decided at the IRMC level, and the decisions made by this Committee are communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

The Committee consists of Five Non Executive Directors and the Chairman of the committee is an Independent Non executive Director who is one of Three members.

IRMC is supported by two sub committees such as Assets and Liabilities Committee (ALCO) and Credit Committee (CC). ALCO is entrusted with the identification and managing of Market Risk and Liquidity Risk where as CC is responsible for managing Assets Quality and credit policy of the Company.

The Company's policy is to ensure that risk management processes throughout the Company are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

41.3 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

41.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.10 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

41.4.1 (a) Definition of default and Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and expert credit assessment and including forward looking information. The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due.

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

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and interbank balances defaulted and takes immediate action when the required intra day payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

* Internal assessment of the borrower indicating default or near-default
* The borrower requesting emergency funding from the Company
* The borrower having past due liabilities to public creditors or employees
* The borrower is deceased
* A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
* A material decrease in the borrower's turnover or the loss of a major customer
* A covenant breach not waived by the Company
* The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
* Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

This approach ensures the volume of exposures in stage 2 reflects a forward-looking view of the economy and not just what is observable as at the reporting date.

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

The post-model adjustments considered evaluating management overlays by assessing the aged facilities with the age of more than 3 years for the 100% provisioning . The post model adjustment as at 31 March 2025 increased the loss-allowance by Rs. 514,120,699/- in previous year. The management's policy for recognition of 100% impairment on aged facilities has been modified to 3 years in arrears from 8 years in arrears during the financial year 31 March 2025. As a result additional provision amount into Rs.346,477,880 has been charged in 2025.

As at 31 March,

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.1 (c) Assessment of Expected Credit Losses

41.4.1(c) Analysis of the total allowance for expected credit losses is as follows.

	2026			
	Stage 01	Stage 02	Stage 03	Total
	Rs.	Rs.	Rs.	Rs.
Loans and Advances	(25,295,822)	(18,471,218)	(190,911,168)	(234,678,208)
Lease Rentals Receivable & Stock Out on Hire	(233,054,251)	(88,570,260)	(802,596,704)	(1,124,221,215)
Other Debtors			(37,268,224)	(37,268,224)
Total Allowance for Expected Credit Losses	(258,350,073)	(107,041,478)	(1,030,776,096)	(1,396,167,647)

	2025			
	Stage 01	Stage 02	Stage 03	Total
	Rs.	Rs.	Rs.	Rs.
Loans and Advances	(18,511,632)	(8,465,854)	(394,842,348)	(421,819,834)
Lease Rentals Receivable & Stock Out on Hire	(197,069,552)	(71,313,448)	(760,270,886)	(1,028,653,886)
Other Debtors	-	-	(31,221,535)	(31,221,535)
Total Allowance for Expected Credit Losses	(215,581,184)	(79,779,302)	(1,186,334,769)	(1,481,695,255)

The methodology used in the determination of expected credit losses is explained in Note 3.1.10 to Financial Statements.

41.4.1(d) Analysis of gross carrying amount contribution to the change in ECL allowance

	STAGE 1		STAGE 2		STAGE 3		TOTAL	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Balance as at 01 April 2025	8,491,805,293	215,581,184	1,905,105,731	79,779,303	2,123,490,373	1,186,334,770	12,520,401,399	1,481,695,255
New assets originated or purchased	10,047,664,175	186,311,686	1,727,533,208	61,876,562	220,128,546	72,201,786	11,995,325,929	292,330,332
Payments and assets derecognised	(4,067,015,198)	(137,267,085)	(1,189,331,497)	(39,645,509)	(592,222,680)	141,260,956	(5,848,569,375)	(450,961,724)
Write-off	-	-	-	-	(370,266,005)	(370,266,005)	(370,266,005)	(740,532,010)
Transfers to stage 1	482,639,942	32,209,445	(454,257,407)	(21,675,411)	(28,382,535)	(10,534,034)	-	(38,916,569)
Transfers to stage 2	(1,182,890,862)	(31,691,048)	1,212,224,732	38,114,112	(29,333,870)	(6,423,064)	-	(35,756,934)
Transfers to stage 3	(251,347,609)	(6,794,108)	(245,970,803)	(11,407,578)	497,318,412	18,201,686	-	515,520,098
Balance as at 31 March 2026	13,520,855,741	258,350,074	2,955,303,964	107,041,479	1,820,732,241	1,030,776,095	18,296,891,947	1,396,167,648

	STAGE 1		STAGE 2		STAGE 3		TOTAL	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Balance as at 1.4.2024	4,441,446,897	147,029,866	1,453,688,901	88,524,984	3,034,103,372	1,052,904,490	8,929,239,171	1,288,459,340
New assets originated or purchased	6,784,399,002	171,441,633	1,189,072,671	54,777,898	224,421,557	74,400,482	8,197,893,230	300,620,013
Payments and assets derecognised	(2,445,230,267)	(116,516,538)	(943,250,419)	(68,606,358)	(971,916,511)	324,072,605	(4,360,397,196)	138,949,708
Write-off					(246,333,806)	(246,333,806)	(246,333,806)	(246,333,806)
Transfers to stage 1	443,503,112	39,345,000	(360,181,252)	(22,369,254)	(83,321,859)	(16,975,745)	-	-
Transfers to stage 2	(630,516,193)	(22,108,405)	704,493,180	36,772,341	(73,976,987)	(14,663,936)	-	-
Transfers to stage 3	(101,797,258)	(3,610,372)	(138,717,350)	(9,320,308)	240,514,607	12,930,680	-	-
Balance as at 31 March 2025	8,491,805,293	215,581,184	1,905,105,731	79,779,303	2,123,490,373	1,186,334,770	12,520,401,399	1,481,695,255

41.4.1(e) Movement of the total allowance for expected credit losses during the period

	2026	2025
	Rs.	Rs.
Balance as at 01 April	1,481,695,255	1,288,459,340
Charge/(Reversal) to Income Statement (Note 9)	284,738,398	408,337,325
Reclassification	-	31,232,396
Write- off during the year	(370,266,005)	(246,333,806)
Balance as at 31 March	1,396,167,648	1,481,695,255

41.4.1(f) Sensitivity Analysis : Impact of increase/(Decrease) of loss rate by 1% on collective allowance for expected credit losses

If the loss rates used by the Company in determining collective impairment has increased / decreased by below mentioned rates, ECL provision of the company as at 31 March 2026 would have increased / decreased as follows.

Scenario	Increase to the ECL provision	Decreased to the ECL provision
Changing of loss rate used by the Company - 1%	40,268,819	(40,268,819)
Changing of loss rate used by the Company - 2%	80,537,638	(80,537,638)

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.1(g) Loans past due but not impaired

A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due but not classified as impaired because they are less than 90 days past due. Loans past due 30 days or less are not presented in this analysis as they are not administratively considered past due.

As at 31 March 2026	2026		
	31-60 Days	61-89 Days	Total
	Rs.	Rs.	Rs.
Loans and Advances	421,018,788	117,679,143	538,697,931
Lease Rentals Receivable & Stock Out on Hire	1,622,282,508	794,323,526	2,416,606,034
	2,043,301,296	**912,002,669**	**2,955,303,965**

As at 31 March 2025	2025		
	31-60 Days	61-89 Days	Total
	Rs.	Rs.	Rs.
Loans and Advances	131,744,660	70,917,747	202,662,407
Lease Rentals Receivable & Stock Out on Hire	1,142,708,504	559,734,817	1,702,443,322
	1,274,453,164	**630,652,564**	**1,905,105,728**

41.4.1(h) Overview of rescheduled loans and advances (except individually impaired loans and advances)

As at 31 March 2026	2026				
	Gross Carrying Value		Allowance for ECL		Net Carrying Value
	Stage 3	Total	Stage 3	Total	
Loans and Advances	15,958,139	15,958,139	10,292,560	10,292,560	5,665,579
Lease Rentals Receivable & Stock Out on Hire	95,254,778	95,254,778	39,940,899	39,940,899	55,313,879
	111,212,917	**111,212,917**	**50,233,459**	**50,233,459**	**60,979,458**

As at 31 March 2025	2025				
	Gross Carrying Value		Allowance for ECL		Net Carrying Value
	Stage 3	Total	Stage 3	Total	
Loans and Advances	33,007,105	33,007,105	17,883,424	17,883,424	15,123,681
Lease Rentals Receivable & Stock Out on Hire	183,910,797	183,910,797	50,840,950	50,840,950	133,069,847
	216,917,901	**216,917,902**	**68,724,374**	**68,724,374**	**148,193,528**

As at 31 March,

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.2 Maximum Exposure to Credit risk

The following table shows the maximum exposure to credit risk by class of Financial Asset and the value of Financial Assets covered by the collateral.

Type of Collateral As at 31 March 2026	Percentage of Exposure that is subject to %	Maximum Exposure to Credit Risk Rs.	Fair Value of Collateral Held Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets * Rs.	Other ** Rs.	Total Collateral Value Rs.	Net Exposure to Credit Risk Rs.
Cash and Bank Balances (Excluding cash in hand)	-	626,732,922	-	-	-	-	-	626,732,922
Placement With Banks	-	479,664,558	-	-	-	-	-	479,664,558
Repurchase Agreements	-	212,083,868	-	-	-	-	-	212,083,868
Loans and Advances	99	2,520,536,782	381,539,117	526,673,000	3,573,991,665	496,685,684	4,978,889,466	-
Lease rentals receivable & Stock out on hire	100	15,776,299,391	-	-	28,542,853,431	1,365,000	28,544,218,431	-
Equity instruments at fair value through OCI	-	2,505,128	-	-	-	-	-	2,505,128
Debt instruments at amortised cost	-	928,051,561	-	-	-	-	-	928,051,561
Other Financial assets		657,584,956	-	-	-	-	-	657,584,956
		21,203,459,167	381,539,117	526,673,000	32,116,845,096	498,050,684	33,523,107,897	2,906,622,993

41.4.2.1 Collateral of credit impaired assets

	Exposure to Credit Risk Rs.	Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets * Rs.	Other ** Rs.	Total Value Rs.	Net Exposure to Credit Risk Rs.
As at march 2026	278,163,598	-	436,700,000	624,637,142	369,625,000	1,430,962,142	-
As at march 2025	463,383,168	-	253,975,000	24,275,000	26,400,000	304,650,000	194,771,191

Type of Collateral As at 31 March 2025	Percentage of Exposure that is subject to %	Maximum Exposure to Credit Risk Rs.	Fair Value of Collateral Held Cash / Near Cash Rs.	Property Mortgages Rs.	Moveable Assets * Rs.	Other ** Rs.	Total Collateral Value Rs.	Net Exposure to Credit Risk Rs.
Cash and Bank Balances (Excluding cash in hand)	-	272,403,216	-	-	-	-	-	272,403,216
Placement With Banks	-	469,476,605	-	-	-	-	-	469,476,605
Repurchase Agreements	-	4,403,264	-	-	-	-	-	4,403,264
Loans and Advances	99	1,694,223,386	348,374,351	616,510,000	2,216,522,811	664,919,844	3,846,327,006	-
Lease rentals receivable & Stock out on hire	100	10,826,122,237	-	-	18,590,271,849	37,055,220	18,627,327,069	-
Equity instruments at fair value through OCI	-	80,400	-	-	-	-	-	80,400
Debt instruments at amortised cost	-	631,753,297	-	-	-	-	-	631,753,297
Other Financial assets	-	142,823,271	-	-	-	-	-	142,823,271
		14,041,285,676	348,374,351	616,510,000	20,806,794,660	701,975,064	22,473,654,075	1,520,940,053

* Movable assets includes absolute ownership/ mortgage over motor vehicles and Machineries & Equipments.

** Other collateral includes secured by consumer durables & title deed transfers (Real Estate Loans).

41.4.2.2 Financial Investments

(a) Placement with Banks

As at 31st March	2026 Rating	2025 Rating	2026 Rs.	2025 Rs.
Seylan Bank	A+	A+	479,555,875	256,116,164
BOC Bank	AA-	AA-	108,683	102,314
DFCC Bank		A	-	101,017,123
People's Leasing & Finance		A	-	101,017,123
Sampath Bank		AA-	-	11,223,881
			479,664,558	469,476,605

(b) Cash and Bank Balances

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

Bank	Rating
BOC	AA-
CARGILS	A
COMMERCIAL	AA-
DFCC	A
HNB	AA-
NDB	A
NTB	A
PABC	BBB
SAMPATH	AA-
SEYLAN	A+
UNION	BBB-
PEOPLES	AA-
HDFC	BB+

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.3 Credit Quality by Class of Financial Assets

The amounts presented are gross of Impairment allowances.

As at 31 March 2026	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	688,959,509	-	-	688,959,509
Placement With Banks	479,664,558	-	-	479,664,558
Repurchase Agreements	212,083,868	-	-	212,083,868
Loans and Advances	1,218,198,890	1,126,810,291	175,527,601	2,520,536,782
Lease Rentals Receivable & Stock Out on Hire	8,623,546,630	7,050,172,538	102,635,997	15,776,355,165
Debt instruments at amortised cost	928,051,561	-	-	928,051,561
Other Financial Assets	611,247,355	37,268,224	-	648,515,579
Total	**12,761,752,371**	**8,214,251,053**	**278,163,598**	**21,254,167,022**

As at 31 March 2025	Neither Past Due nor Individually Impaired Rs.	Past Due Not Individually Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	315,577,083	-	-	315,577,083
Placement With Banks	469,476,605	-	-	469,476,605
Repurchase Agreements	4,403,264	-	-	4,403,264
Loans and Advances	633,373,116	692,305,357	368,544,913	1,694,223,386
Lease Rentals Receivable & Stock Out on Hire	5,324,394,896	5,406,944,859	94,838,255	10,826,178,011
Debt instruments at amortised cost	631,753,297	-	-	631,753,297
Other Financial Assets	106,918,458	31,221,535	-	138,139,993
Total	**7,485,896,719**	**6,130,471,751**	**463,383,168**	**14,079,751,638**

41.4.3.1 Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of Financial Assets as at the end of the relevant financial period.

As at 31 March 2026	Past Due but Not Individually Impaired				
	1 to 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Advances	320,025,268	344,181,196	344,181,196	118,422,631	1,126,810,291
Lease Rentals Receivable & Stock Out on Hire	3,242,225,640	1,610,468,734	792,298,926	1,405,179,238	7,050,172,538
Other Financial Assets				37,268,224	37,268,224
	3,562,250,908	**1,954,649,930**	**1,136,480,122**	**1,560,870,093**	**8,214,251,053**

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets as at the previous financial period.

As at 31 March 2025	Past Due but Not Individually Impaired				
	1 to 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and Advances	324,838,095	131,744,660	70,917,747	164,804,855	692,305,357
Lease Rentals Receivable & Stock Out on Hire	2,209,048,888	1,142,708,504	559,734,817	1,495,452,650	5,406,944,859
Other Financial Assets				31,221,535	31,221,535
	2,533,886,983	**1,274,453,164**	**630,652,564**	**1,691,479,040**	**6,130,471,751**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.4 CREDIT RISK (Contd...)

41.4.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2026

Purpose wise Breakdown	Cash and Bank Balances	Placement With Banks	Securities Purchased under Repurchase Agreement	Loans and Advances	Lease rentals receivable & Stock Out on Hire	Financial Investment at fair value through P&L	Equity instruments at fair value through OCI	Debt instruments at amortised cost	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	285,187,666	2,926,292,476	-	-	-	-	3,211,480,142
Manufacturing	-	-	-	234,781,617	2,025,306,037	-	-	-	-	2,260,087,654
Construction	-	-	-	91,506,882	1,213,628,945	-	-	-	-	1,305,135,827
Financial Services	688,959,509	479,664,558	-	164,517,985	157,282,979	1,647,762	2,505,128	-	-	1,494,577,921
Trading	-	-	-	212,716,714	1,374,620,043	-	-	-	-	1,587,336,757
Government	-	-	212,083,868	-	-	-	-	928,051,561	-	1,140,135,429
Hotels	-	-	-	48,543,375	525,395,475	-	-	-	-	573,938,850
Services	-	-	-	342,435,649	1,580,397,938	-	-	-	-	1,922,833,588
Others	-	-	-	1,140,846,894	5,973,431,272	-	-	-	657,584,957	7,771,863,123
Total	**688,959,509**	**479,664,558**	**212,083,868**	**2,520,536,782**	**15,776,355,165**	**1,647,762**	**2,505,128**	**928,051,561**	**657,584,957**	**21,267,389,290**

As at 31 March 2025

Purpose wise Breakdown	Cash and Bank Balances	Placement With Banks	Securities Purchased under Repurchase Agreement	Loans and Advances	Lease rentals receivable & Stock Out on Hire	Financial Investment at fair value through P&L	Equity instruments at fair value through OCI	Debt instruments at amortised cost	Other Financial Assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	22,424,492	1,326,648,025	-	-	-	-	1,349,072,517
Manufacturing	-	-	-	89,734,928	658,953,508	-	-	-	-	748,688,436
Construction	-	-	-	109,225,743	585,137,853	-	-	-	-	694,363,596
Financial Services	315,577,083	469,476,605	-	34,011,109	70,898,711	317,071,437	80,400	-	-	1,207,115,345
Trading	-	-	-	114,247,224	378,216,237	-	-	-	-	492,463,461
Government	-	-	4,403,264	-	-	-	-	631,753,297	-	636,156,561
Hotels	-	-	-	15,308,272	134,015,709	-	-	-	-	149,323,981
Services	-	-	-	396,423,609	561,059,796	-	-	-	-	957,483,405
Others	-	-	-	912,848,009	7,111,248,172	-	-	-	142,823,271	8,166,919,452
Total	**315,577,083**	**469,476,605**	**4,403,264**	**1,694,223,386**	**10,826,178,011**	**317,071,437**	**80,400**	**631,753,297**	**142,823,271**	**14,401,586,754**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.5 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and / or the fair values of financial instruments. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.

- Yield curve risk arising from unanticipated shifts of the market yield curve.

Assets and Liabilities Committee of the company is having the primary responsibility of managing the Interest Rate Risk. Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

.The company borrowings rate with associated with the fixed rate.

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.5 INTEREST RATE RISK (Contd...)

41.5.2 Interest Rate Risk

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount categorized by the earlier of contractual reprising or maturity dates as at the end of the relevant financial period.

ASSETS	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non interest bearing Rs.	Total as at 31 March 2026 Rs.
Cash and Bank Balances	416,498,968	-	-	-	-	272,460,541	688,959,509
Placement with Banks	479,555,876	108,683	-	-	-	-	479,664,558
Securities Purchased under Repurchase Agreement	212,083,868	-	-	-	-	-	212,083,868
Loans and Advances	1,692,768,405	189,785,675	259,413,012	141,265,179	2,626,303	-	2,285,858,574
Lease Rentals Receivable & Stock out on Hire	1,881,835,092	4,490,539,109	7,333,312,357	946,447,393	-	-	14,652,133,950
Financial Investments at Fair Value through P&L	1,647,762	-	-	-	-	-	1,647,762
Debt instruments at amortised cost	775,460,613	152,590,949	-	-	-	-	928,051,561
Other Financial Assets	-	-	-	-	-	657,584,956	657,584,956
TOTAL FINANCIAL ASSETS	**5,459,850,583**	**4,833,024,416**	**7,592,725,369**	**1,087,712,572**	**2,626,303**	**930,045,497**	**19,905,984,739**
LIABILITIES							
Due to Banks	50,122,933	150,177,308	300,232,411	66,680,000	-	-	567,212,652
Due to Customers	2,928,970,668	3,196,379,279	4,202,048,492	709,773,362	-	-	11,037,171,801
Other Borrowed Funds	-	197,761,642	1,750,614,822	640,318,594	-	-	2,588,695,058
Other Financial Liabilities	-	-	-	-	-	1,915,532,297	1,915,532,297
TOTAL FINANCIAL LIABILITIES	**2,979,093,601**	**3,544,318,229**	**6,252,895,725**	**1,416,771,956**	**-**	**1,915,532,297**	**16,108,611,808**
TOTAL INTEREST SENSITIVITY GAP	**2,480,756,983**	**1,288,706,187**	**1,339,829,644**	**(329,059,384)**	**2,626,303**	**(985,486,799)**	**3,797,372,931**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.5 INTEREST RATE RISK (Contd...)

41.5.2.1 Interest Rate Risk

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on non- trading financial assets & liabilities. The Company's assets & liabilities are included at carrying amount categorized by the earlier of contractual reprising or maturity dates as at the end of the previous financial period.

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non interest bearing	Total as at 31 March 2025
ASSETS	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash and Bank Balances	162,963,860	-	-	-	-	152,613,223	315,577,083
Placement with Banks	469,374,292	102,314	-	-	-	-	469,476,605
Securities Purchased under Repurchase Agreement	4,403,264	-	-	-	-	-	4,403,264
Loans and Advances	839,875,213	97,080,213	218,196,147	114,014,552	3,237,427	-	1,272,403,551
Lease Rentals Receivable & Stock out on Hire	1,811,489,709	2,930,760,105	4,465,251,915	590,022,397	-	-	9,797,524,126
Financial Investments at Fair Value through P&L	317,071,437	-	-	-	-	-	317,071,437
Debt instruments at amortised cost	478,982,810	152,770,487	-	-	-	-	631,753,297
Other Financial Assets	-	-	-	-	-	142,823,271	142,823,271
TOTAL FINANCIAL ASSETS	**4,084,160,585**	**3,180,713,119**	**4,683,448,062**	**704,036,948**	**3,237,427**	**295,436,494**	**12,951,032,634**
LIABILITIES							
Due to Banks	4,664,275	-	-	-	-	-	4,664,275
Due to Customers	2,533,675,021	4,060,711,090	1,442,925,092	412,536,028	-	-	8,449,847,231
Other Borrowed Funds	-	150,362,272	-	-	-	-	150,362,272
Other Financial Liabilities	-	-	-	-	-	958,596,511	958,596,511
TOTAL FINANCIAL LIABILITIES	**2,538,339,296**	**4,211,073,361**	**1,442,925,092**	**412,536,028**	**-**	**958,596,511**	**9,563,470,288**
TOTAL INTEREST SENSITIVITY GAP	**1,545,821,289**	**(1,030,360,243)**	**3,240,522,970**	**291,500,921**	**3,237,427**	**(663,160,017)**	**3,387,562,346**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet the demand on deposits and new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity. The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk, and maintains an adequate margin of safety in liquid assets.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

41.6.1 Statutory Liquid Asset Ratio

As per the requirements of Finance companies (Liquid Assets) Direction No.4 of 2013 the Company has to maintain minimum liquid assets comprises of 10% of Time Deposits and Certificates of Deposits at the close of the business on such day and 15% of Savings Deposits at the close of the business on such day. In addition to the above, with effect from 01st July, 2014 the company needs to maintain 10% on Borrowings which are not included in the Tier –II capital base and borrowings which are not secured by mortgage of any assets. Further the Company has to maintain liquid assets in the form of Sri Lanka Government Securities not less than 7.5% of average month end total deposit liabilities and the above said borrowings of twelve months of the preceding financial year.

The Company maintained a healthy statutory liquid asset ratio throughout the year. The Company considers cash balances, Favorable Balances held with Commercial Banks on demand deposits, Placement with banks in the form of Time Deposits and Savings, Investment in Treasury Bills, Securities Purchased under Repurchase Agreement are considered as Liquid Assets for the purpose Statutory Liquid Asset Ratio calculation.

	Statutory Liquid Asset Ratio	
	2026	2025
Maximum	21.21%	28.47%
Minimum	14.48%	13.34%
Average	17.33%	22.39%
Closing	17.63%	15.92%

41.6.2 Advances to Deposits ratio

The Company stresses the importance of maintaining an adequate Customer Deposit Base such as Time and Savings Deposits as sources of funds to finance Loans and Advances. They are monitored using the Advances to Deposits ratio which comprises accommodations to customers as a percentage of customer deposits.

	Advances to Deposits Ratio	
	2026	2025
Maximum	165.60%	138.53%
Minimum	130.99%	122.48%
Average	146.72%	132.02%
Closing	153.51%	132.32%

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

41.6.3.1 The table below analyses the maturity profile of the undiscounted cash flows of the Company's Financial Assets & Liabilities as at the end of relevant financial period.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-02 Years	02-03 Years	03-04 Years	04-05 Years	Over 05 Years	Total as at 31 March 2026
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			Rs.
Cash and Bank Balances	688,959,509	-	-	-	-	-	-	-	688,959,509
Placement With Banks	-	486,576,341	113,851	-	-	-	-	-	486,690,192
Securities Purchased under Repurchase Agreement	-	212,083,868	-	-	-	-	-	-	212,083,868
Loans and Advances	1,284,630,780	433,510,517	253,989,505	202,392,098	152,731,068	102,600,429	61,010,889	2,797,350	2,493,662,636
Lease rentals receivable & Stock out on Hire	386,511,117	2,027,123,492	7,162,923,291	6,721,145,877	3,247,138,855	938,406,020	177,532,806	-	20,660,781,458
Financial Investments at Fair Value through P&L	1,647,762	-	-	-	-	-	-	-	1,647,762
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	2,505,128	2,505,128
Debt instruments at amortised cost	-	2,535,371	165,000,000	-	-	-	-	-	167,535,371
Other Financial Assets	-	25,229,729	613,377,355	6,146,793	-	1,100,000	11,195,000	536,080	657,584,957
Total Financial Assets	**2,361,749,168**	**3,187,059,318**	**8,195,404,002**	**6,929,684,768**	**3,399,869,923**	**1,042,106,449**	**249,738,695**	**5,838,558**	**25,371,450,881**
LIABILITIES									
Due to Banks	63,830	44,807,671	1,361,621,091	485,877,225	270,142,317	-			2,162,512,134
Due to Customers	72,960,159	2,885,748,833	3,341,567,600	1,816,634,746	2,864,725,163	390,263,043	337,722,985	-	11,709,622,529
Other Borrowed Funds	-	21,660,546	893,228,151	228,435,316	112,262,460	69,234,709	-	-	1,324,821,182
Other Financial Liabilities	-	58,340,813	1,173,888,504	330,156,079	15,600,343	20,746,356	22,757,342	93,597,435	1,715,086,872
Total Financial Liabilities	**73,023,989**	**3,010,557,863**	**6,770,305,346**	**2,861,103,366**	**3,262,730,283**	**480,244,108**	**360,480,327**	**93,597,435**	**16,912,042,717**
	2,288,725,179	**176,501,455**	**1,425,098,656**	**4,068,581,402**	**137,139,640**	**561,862,341**	**(110,741,633)**	**(87,758,878)**	**8,459,408,164**

41. RISK MANAGEMENT DISCLOSURES (Contd...)

41.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

41.6.3.2 The table below analyses the maturity profile of the undiscounted cash flows of the Company's Financial Assets & Liabilities as at the end of previous financial period.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-02 Years	02-03 Years	03-04 Years	04-05 Years	Over 05 Years	Total as at 31 March 2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	315,577,083	-	-	-	-	-	-	-	315,577,083
Placement With Banks	-	469,374,291	102,314	-	-	-	-	-	469,476,605
Securities Purchased under Repurchase Agreement	-	4,403,264	-	-	-	-	-	-	4,403,264
Loans and Advances	798,403,042	61,784,408	148,920,454	169,686,993	126,040,914	90,644,358	38,236,222	3,461,854	1,437,178,245
Lease rentals receivable & Stock out on Hire	813,595,482	1,721,583,419	4,578,538,273	4,104,414,286	1,886,545,171	549,647,142	146,437,976	-	13,800,761,749
Financial Investments at Fair Value through P&L	317,071,437	-	-	-	-	-	-	-	317,071,437
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	478,982,810	152,770,487	-	-	-	-	-	631,753,297
Other Financial Assets	-	10,650,715	107,293,458	3,160,000	12,116,793	900,000	2,085,000	6,617,305	142,823,271
Total Financial Assets	**2,244,647,044**	**2,746,778,907**	**4,987,624,986**	**4,277,261,279**	**2,024,702,878**	**641,191,500**	**186,759,198**	**10,159,559**	**17,119,125,351**
LIABILITIES									
Due to Banks	4,664,275	-	-	-	-	-	-	-	4,664,275
Due to Customers	105,213,908	2,458,848,510	4,250,504,038	1,173,694,469	337,115,711	273,646,595	149,693,092	-	8,748,716,323
Other Borrowed Funds	-	150,362,272	-	-	-	-	-	-	150,362,272
Other Financial Liabilities	-	14,948,529	598,189,183	231,706,384	32,534,677	18,771,617	21,464,361	105,462,303	1,023,077,053
Total Financial Liabilities	**109,878,183**	**2,624,159,311**	**4,848,693,221**	**1,405,400,853**	**369,650,388**	**292,418,212**	**171,157,453**	**105,462,303**	**9,926,819,923**
	2,134,768,861	**122,619,596**	**138,931,765**	**2,871,860,426**	**1,655,052,490**	**348,773,288**	**15,601,745**	**(95,302,744)**	**7,192,305,428**

41.7 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

41.8 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company, as at the reporting date, do not hold 'Financial instruments' denominated in currencies other than its functional / reporting currency, hence do not get exposed to currency risk arising from translation of such balances in to the functional / reporting currency, which is Sri Lankan Rupees.

42. MATURITY ANALYSIS (CONTRACTUAL)

42.1 An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining term at the date of the Statement of Financial Position to the respective contractual maturity dates are given below.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2026
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	688,959,509	-	-	-	-	-	688,959,509
Placement With Banks	-	479,555,875	108,683	-	-	-	479,664,558
Securities Purchased under Repurchase Agreement	-	212,083,868	-	-	-	-	212,083,868
Loans and Advances	1,284,630,780	408,137,626	189,785,675	259,413,012	141,265,178	2,626,303	2,285,858,574
Lease rentals receivable & Stock out on Hire	386,511,117	1,495,323,974	4,490,539,109	7,333,312,357	946,447,393	-	14,652,133,950
Financial Investments at Fair Value through P&L	1,647,762	-	-	-	-	-	1,647,762
Equity instruments at fair value through OCI	-	-	-	-	-	2,505,128	2,505,128
Debt instruments at amortised cost	-	775,460,613	152,590,948	-	-	-	928,051,561
Other Financial Assets	-	25,229,729	613,377,355	6,146,793	12,295,000	536,080	657,584,956
Real Estate Stock	-	-	-	39,483,688	-	-	39,483,688
Other Non Financial Assets	-	51,087,744	59,260,209	29,461,696	-	-	139,809,649
Property, Plant & Equipment	-	16,480,625	42,526,170	88,093,253	37,630,046	150,558,844	335,288,938
Intangible Assets	-	1,782,298	5,347,803	12,334,007	8,146,349	15,153,636	42,764,093
Right-of- use Assets	-	86,305,279	32,272,078	48,399,739	35,669,301	45,957,203	248,603,599
Deferred tax assets	-	-	-	-	-	92,772,056	92,772,057
Total Assets	**2,361,749,168**	**3,551,447,631**	**5,585,808,030**	**7,816,644,545**	**1,181,453,267**	**310,109,250**	**20,807,211,890**
LIABILITIES							
Due to Banks	63,830	50,059,103	150,177,308	300,232,411	66,680,000	-	567,212,652
Due to Customers	72,960,159	2,856,010,509	3,196,379,278	4,202,048,492	709,773,362	-	11,037,171,800
Other Borrowed Funds	-	197,761,642	1,750,614,822	640,318,594	-	-	2,588,695,058
Other Financial Liabilities	-	258,786,238	1,173,888,504	345,756,422	43,503,698	93,597,435	1,915,532,297
Other Non Financial Liabilities	-	130,465,280	-	-	-	-	130,465,279
Current Tax Liabilities	-	150,000,000	192,310,832	-	-	-	342,310,832
Retirement Benefit Liability	-	-	10,311,124	27,484,014	18,352,779	14,365,635	70,513,552
Total Liabilities	**73,023,989**	**3,643,082,772**	**6,473,681,869**	**5,515,839,933**	**838,309,839**	**107,963,070**	**16,651,901,470**

42. MATURITY ANALYSIS (CONTRACTUAL) (Contd...)

42.1 (a) LKAS 1 requirements: The entity is required to disclose the amount expected to be recovered or settled within 12 months and after 12 months for each asset and liability line item that combines amounts expected to be recovered or settled:

	Within 12 months		After 12 months		As at 31 March 2026	As at 31 March 2025
	2026	2025	2026	2025		
ASSETS	Rs.		Rs.		Rs.	
Cash and Bank Balances	688,959,509	315,577,083	-	-	688,959,509	315,577,083
Placement With Banks	479,664,558	469,476,605	-	-	479,664,558	469,476,605
Securities Purchased under Repurchase Agreement	212,083,868	4,403,264	-	-	212,083,868	4,403,264
Loans and Advances	1,882,554,081	936,955,427	403,304,493	335,448,125	2,285,858,574	1,272,403,552
Lease rentals receivable & Stock out on Hire	6,372,374,200	4,742,249,813	8,279,759,750	5,055,274,312	14,652,133,950	9,797,524,125
Financial Investments at Fair Value through P&L	1,647,762	317,071,437	-	-	1,647,762	317,071,437
Equity instruments at fair value through OCI	-	-	2,505,128	80,400	2,505,128	80,400
Debt instruments at amortised cost	928,051,561	631,753,297	-	-	928,051,561	631,753,297
Other Financial Assets	638,607,084	117,944,174	18,977,873	24,879,098	657,584,957	142,823,272
Real Estate Stock	-	-	39,483,688	39,483,688	39,483,688	39,483,688
Other Non Financial Assets	110,347,953	76,437,365	29,461,696	10,219,380	139,809,649	86,656,745
Property, Plant & Equipment	59,006,795	-	276,282,143	208,255,870	335,288,938	208,255,870
Intangible Assets	7,130,101	-	35,633,992	19,469,642	42,764,093	19,469,642
Right-of- use Assets	118,577,356	41,793,149	130,026,243	138,154,746	248,603,599	179,947,895
Deferred tax assets	-	-	92,772,056	-	92,772,056	-
Total Assets	**11,499,004,828**	**7,653,661,614**	**9,308,207,062**	**5,831,265,261**	**20,807,211,890**	**13,484,926,875**
LIABILITIES						
Due to Banks	200,300,241	4,664,275	366,912,411	-	567,212,652	4,664,275
Due to Customers	6,125,349,946	6,594,386,110	4,911,821,854	1,855,461,120	11,037,171,800	8,449,847,230
Other Borrowed Funds	1,948,376,464	150,362,272	640,318,594	-	2,588,695,058	150,362,272
Other Financial Liabilities	1,432,674,742	596,968,610	482,857,555	361,627,901	1,915,532,297	958,596,511
Other Non Financial Liabilities	130,465,280	94,622,412	-	-	130,465,280	94,622,412
Current Tax Liabilities	342,310,832	265,712,395	-	-	342,310,832	265,712,395
Retirement Benefit Liability	10,311,124	10,760,836	60,202,428	47,897,724	70,513,552	58,658,560
Total Liabilities	**10,189,788,629**	**7,717,476,910**	**6,462,112,842**	**2,264,986,745**	**16,651,901,471**	**9,982,463,655**

42. MATURITY ANALYSIS (CONTRACTUAL) (Contd...)

42.2 An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining term at the end of the previous financial period to the respective contractual maturity dates are given below

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	315,577,083	-	-	-	-	-	315,577,083
Placement With Banks	-	469,374,291	102,314	-	-	-	469,476,605
Securities Purchased under Repurchase Agreement	-	4,403,264	-	-	-	-	4,403,264
Loans and Advances	798,403,042	41,472,172	97,080,213	218,196,147	114,014,551	3,237,427	1,272,403,552
Lease rentals receivable & Stock out on Hire	813,595,482	997,894,226	2,930,760,105	4,465,251,915	590,022,397	-	9,797,524,125
Financial Investments at Fair Value through P&L	317,071,437	-	-	-	-	-	317,071,437
Equity instruments at fair value through OCI	-	-	-	-	-	80,400	80,400
Debt instruments at amortised cost	-	478,982,810	152,770,487	-	-	-	631,753,297
Other Financial Assets		10,650,715	107,293,458	15,276,793	2,985,000	6,617,305	142,823,271
Real Estate Stock	-	-	-	39,483,688	-	-	39,483,688
Other Non Financial Assets	-	58,362,244	18,075,121	10,219,380	-	-	86,656,745
Property, Plant & Equipment		-	-		-	208,255,870	208,255,870
Intangible Assets		-	-	681,668	9,803,542	8,984,432	19,469,642
Right-of- use Assets	-	11,263,579	30,529,570	62,402,358	26,312,010	49,440,378	179,947,895
Total Assets	**2,244,647,044**	**2,072,403,301**	**3,336,611,268**	**4,811,511,949**	**743,137,500**	**276,615,812**	**13,484,926,874**
LIABILITIES							
Due to Banks	4,664,275	-					4,664,275
Due to Customers	105,213,908	2,428,461,113	4,060,711,089	1,442,925,092	412,536,028	-	8,449,847,230
Other Borrowed Funds		150,362,272	-	-	-		150,362,272
Other Financial Liabilities	-	10,590,045	586,378,565	242,215,564	25,099,257	94,313,080	958,596,511
Other Non Financial Liabilities	-	94,622,412	-	-	-	-	94,622,412
Current Tax Liabilities	-	-	265,712,394	-	-	-	265,712,394
Retirement Benefit Liability	-	-	10,760,836	25,108,728	13,521,050	9,267,946	58,658,560
Deferred Tax Liabilities	-	-	-	-	-	-	-
Total Liabilities	**109,878,183**	**2,684,035,842**	**4,923,562,885**	**1,710,249,384**	**451,156,335**	**103,581,026**	**9,982,463,654**

43. COMMITMENTS AND CONTINGENCIES

43.1 Commitments

There were no significant capital commitments which have been approved or contracted for by the Company as at the reporting date except for the following.

Operating Lease Commitments		
As at 31st March	2026	2025
	Rs.	Rs.
Future Rentals of Operating Lease	**426,822,282**	**350,053,016**

43.2 Contingent Liabilities

There is no Contingent Liabilities as at 31st March 2026.

43.3 Capital Commitments

The Company has no commitments for acquisition of Property, Plant & Equipment and Intangible assets incidental to the ordinary course of business.

44. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

44.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company has complied with all capital-related regulatory requirements applicable under the previous regulatory framework as at 31 March 2026.

44.2 Capital Adequacy

Capital adequacy is a measure of financial institution's financial strength and stability. This is a widely accepted concept, tries to specify the limit up to which a business can expand in terms of its risk-weighted assets. Finance companies in pursuit of business expansion, could engage themselves in activities that regularly change their risk profile. In light of this, regulatory capital requirements have been established to avoid undue expansion beyond specified limits keeping a hold on company's exposure to risk. Capital serves as a comfort to absorb unexpected losses, providing a degree of security to depositors and other key stakeholders.

This measure has been introduced by the Central Bank of Sri Lanka to protect the interest of the various stakeholders of the Company while ensuring the maintenance of confidence and stability of the financial system.

The Capital Adequacy ratio is calculated as a percentage on company's capital to its risk weighted assets as specified by the direction No 03 of 2018 with effect from 1st July 2018 .

Based on the Direction No. 03 of 2018 the Listed Finance Companies which are having asset base less than 100 Billion need to be have minimum Core Capital Ratio (Tier-I) of 8.5% and a Total Capital Ratio of 12.5% with effect from 1st July 2022.

The Core Capital represents the permanent shareholders', equity and reserves created or increase by appropriations of retained earnings or other surpluses and the total capital includes in addition to the core capital, the revaluation reserves, general provisions and other hybrid capital instruments and unsecured subordinated debts.

The Risk Weighted Assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Central Bank of Sri Lanka.

Capital Adequacy ratio	**2026**	**2025**
As at 31 March 2026	**%**	**%**
Core Capital ratio	18.30	22.68
Total Capital ratio	18.30	22.68

45. ASSETS PLEDGED

Total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 March '2026 and '2025 is shown as follows,

Carrying Amount of Pledged Assets

Nature of Assets	**Nature of Liability**	**2026**	**2025**	**Included Under**
		Rs.	**Rs.**	
Placement With Banks	Lien	106,652	65,860,533	Placement With Banks
	Securitized Borrowings	2,493,620,974	333,439,988	
Lease & Hire Purchase Receivables	Bank Borrowings	1,033,149,169	-	Lease Rental Receivables and Stock Out on Hire
	Bank Overdraft	277,688,553	-	
		3,804,565,348	**399,300,521**	

**The Company has received collaterals that it is permitted to sell or repledge in the absence of default.

46. EVENTS AFTER THE REPORTING DATE

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date of the financial statements are authorised for issue.

Except for matters disclosed in Note 46.1 and 46.2 to the Financial Statements, there are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements.

46.1 Interim Dividend Subsequent to the reporting date

The Board of Directors has recommended a interim dividend of Rs.2.72 Per share for the financial year ended 31st March 2026 subject to regulatory approvals. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors for the interim dividend. In accordance with the Sri Lanka Accounting Standard – LKAS 10 (Events After the Reporting Period), this proposed interim dividend has been recognised as a liability as at 31 March 2026. Further, the regulatory approval has been received on 22/4/2026 and the company has announced 4th May 2026 as the XD date, 5th May 2026 as the record date and 21st May 2026 as the payment date.

46.2 Debenture Issue Subsequent to the reporting date

Subsequent to the reporting date and prior to the authorization of these financial statements for issue, the Company issued senior unsecured redeemable debentures amounting to Rs.1,338,400,000 on 30th April 2026.

The debentures carry an fixed interest rate of 12.50% p.a value amounting Rs.1,336,380,000 and floating coupon rate of AWPLR+2.00% p.a value amounting Rs.2,020,000 and interest paid on periodically and capital paid at maturity after 5 year. The proceeds of the issue will be utilized for accelerating the expansion of the Company's lending portfolio in alignment with its future growth strategy.

The above event is considered a non-adjusting event after the reporting period in terms of LKAS 10 – Events after the Reporting period and therefore has not been recognized in the financial statements as at 31 March 2026.

47. RELATED PARTY TRANSACTIONS

The Company carried out transactions with key management and their related concerns and other related entities in the ordinary course of its business with the parties who are defined as Sri Lanka Accounting Standard No.24 Related Party Disclosure, details of which are reported below. such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

Outstanding balances as at the year-end are unsecured, interest free, and due on demand. There have been no guarantees provided or received for any related party receivables or payables.

Details of related party transactions during the year are as follows:

47.1 The Parent

Abans PLC owns 50.22% (2025- 50.22%) shareholding of the Company.

47.2 The Ultimate Parent

Abans International (Pvt) Ltd is the ultimate parent of Abans Finance PLC.

47.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard-LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all of the three activities mentioned in the above definition (i.e. planning, directing and controlling the activities of the entity). Such KMPs include the Board of Directors of the Company and Chief Executive Officer (CEO) and the KMPs of Abans PLC.

Other related parties include CFMs of the KMPs who are family members who may be expected to influence or be influenced by that KMP in their dealings with the entity.

Compensation to Key Management Personnel	**2026**	**2025**
	Rs.	**Rs.**
Short Term Employee Benefits	35,000,360	35,399,748
Post-employment benefits	4,620,000	2,250,000
	39,620,360	37,649,748

Other transactions with Key Management Personnel		**2026**	**2025**
		Rs.	**Rs.**
For the year ended 31 March	Reported Under		
Statements of Financial Position			
Assets			
Loans and Advances granted			
Outstanding on facilities granted to KMPs	Loans and Advances	2,208,271	-
Liabilities			
Deposits held with the Company	Due to Customers	216,558,352	205,982,515
Statements of Profit or Loss			
Interest income	Interest income	246,650	-
Interest expense	Interest expense	17,584,092	12,909,400

In addition to the above, the Company has also provided non-cash benefits such as vehicle & fuel allowance to Key Management Personnel in line with the approved employment benefits of the Company.

47. RELATED PARTY TRANSACTIONS (Contd..)

47.4 Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close member of family, or shareholders who have either control, significant influences or joint control over entity.

	Abans PLC Parent Company		Abans Auto (Pvt) Ltd Affiliate Company		Abans Transport (Pvt) Ltd Affiliate Company		Other Related Parties **		Total	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Nature of Transaction	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Fixed Deposits Accepted during the year	-	-	-	-	-	-	4,500,000	15,000,000	4,500,000	15,000,000
Fixed Deposits held at the end of the year	-	-	-	-	-	-	63,258,063	58,758,063	63,258,063	58,758,063
As at 1 April	8,420,055	3,846,487	36,072,415	41,484,377	-	4,121,209	(2,795,086)	(3,082,027)	29,679,636	34,352,299
Purchase of Motor Bikes - Lease Granting	-	-	1,426,208,105	895,286,619	-	-	-	-	1,426,208,105	895,286,619
Collections made on behalf of Abans Finance	838,176,456	502,186,038	-	-	-	-	-	-	838,176,456	502,186,038
Expense on collection commission	(11,196,021)	(2,529,409)	-	-	-	-	-	-	(11,196,021)	(2,529,409)
Support Services Expenses	-	-	-	-	-	-	(23,535,223)	(21,378,357)	(23,535,223)	(21,378,357)
Rent Income Recognized & Expense Recoveries	(4,483,722)	(3,379,845)	-	-	-	-	-	-	(4,483,722)	(3,379,845)
Settlements Paid/(Received)	(810,129,133)	(491,703,216)	(1,330,304,975)	(900,698,582)	-	(4,121,209)	23,783,931	21,665,298	(2,116,650,177)	(1,374,857,710)
As at 31 March	**20,787,635**	**8,420,055**	**131,975,545**	**36,072,414**	**-**	**-**	**(2,546,377)**	**(2,795,086)**	**138,199,054**	**29,679,636**

Included in	2026 Rs.	2025 Rs.
Loans and Advances	-	-
Other Financial Assets	23,348,323	9,414,815
Other Financial Liabilities	(137,082,611)	(39,862,260)
	(113,734,288)	**(30,447,445)**

****Other Related Parties include the following companies**

Abans Graphics (Pvt) Ltd
Abans Retail (Pvt) Ltd
Abans Electricals PLC (Service Department)
AB Logistics (Pvt) Ltd
ABS Gardiner Dixon Hall International (Pvt) Ltd
Abans Environment Services (Pvt) Ltd
ABS Courier (Pvt) Ltd
Abans Office Automation (Pvt) Ltd
AB Creation (Pvt) Ltd
Add Outdoor Advertising (Pvt) Ltd
Advantage Technologies (Pvt) Ltd
Abans Marketing (Pvt) Ltd
Ironwood Investments Holdings (Pvt) Ltd
Elizabeth Moir School
ATARAH CAPITAL (PVT) LTD
Abans Logistics (Pvt) Ltd

Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personnel.

48. FINANCIAL REPORTING BY SEGMENT

	Leasing		Hire purchase		Term Loans		Others		Total	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Interest Income	3,848,919,834	2,711,455,154	1,401,125	433,089	244,898,609	178,590,386	118,506,338	142,053,986	4,213,725,906	3,032,532,615
Fee Based Income & Others	349,107,658	311,929,173	5,585,604	13,736,550	14,310,415	9,429,493	6,557,537	15,674,306	375,561,214	350,769,522
Unallocated Income	-	-	-	-	-	-	83,644,153	73,907,675	83,644,153	73,907,675
Total Revenue	**4,198,027,492**	**3,023,384,327**	**6,986,729**	**14,169,639**	**259,209,024**	**188,019,879**	**208,708,028**	**231,635,967**	**4,672,931,273**	**3,457,209,812**
Interest Expenses	(900,904,806)	(682,811,521)	(1,466,557)	(1,670,800)	(131,325,920)	(90,367,598)	(112,351,506)	(166,308,996)	(1,146,048,790)	(941,158,915)
Fee Based Expenses & Others	(9,969,125)	(5,120,366)	-	-	2,098,100	226,065	(48,920,272)	(29,943,971)	(56,791,298)	(34,838,272)
Impairment Reversal / (Provision)	(265,782,839)	(369,193,827)	(327,166)	(756,366)	(18,628,393)	(38,387,132)	-	-	(284,738,398)	(408,337,325)
Net Operating Income	**3,021,370,722**	**1,966,258,613**	**5,193,006**	**11,742,473**	**111,352,810**	**59,491,214**	**47,436,250**	**35,383,000**	**3,185,352,787**	**2,072,875,300**
Unallocated Expenses									(1,905,496,348)	(1,369,247,634)
Profits/ (Loss) before Tax									1,279,856,439	703,627,666
Income Tax expenses									(422,753,397)	(277,872,043)
Net Profit /(Loss) for the period									**857,103,042**	**425,755,623**
Other Comprehensive Income									(3,810,417)	(2,410,831)
Total Comprehensive Income for the Year									**853,292,625**	**423,344,792**
Segment Assets	14,632,941,605	9,776,980,249	19,192,345	20,543,876	2,285,858,574	1,272,403,552	1,621,447,749	1,422,704,602	18,559,440,272	12,492,632,279
Unallocated Assets	-	-	-	-	-	-	-	-	2,247,771,617	992,294,596
Total Assets	**14,632,941,605**	**9,776,980,249**	**19,192,345**	**20,543,876**	**2,285,858,574**	**1,272,403,552**	**1,621,447,749**	**1,422,704,602**	**20,807,211,889**	**13,484,926,875**
Unallocated Liabilities									16,651,901,470	9,982,463,655
Total Liabilities									**16,651,901,470**	**9,982,463,655**

For the Year ended 31 March	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
Additions to non-current assets	139,820,416	36,184,071	183,386	76,032	21,841,794	4,709,096	15,493,228	5,265,352	177,338,825	46,234,551
Additions to intangible assets	23,646,787	3,561,462	31,015	7,484	3,693,940	463,499	2,620,254	518,249	29,991,997	4,550,692
Additions to right of use assets	92,860,893	82,027,142	121,795	172,360	14,506,097	10,675,242	10,289,735	11,936,241	117,778,520	104,810,984
Cash flows from operating activities	(1,680,388,449)	(447,807,530)	(2,203,972)	(940,955)	(262,498,850)	(58,278,924)	(186,200,570)	(65,163,048)	(2,131,291,841)	(572,190,458)
Cash flows from investing activities	104,035,170	96,183,049	136,451	202,105	16,251,666	12,517,531	11,527,935	13,996,148	131,951,222	122,898,833
Cash flows from financing activities	2,279,943,492	(317,797,689)	2,990,339	(667,772)	356,157,259	(41,359,080)	252,636,096	(46,244,569)	2,891,727,187	(406,069,109)

48. COMPARATIVE FIGURES

The presentation and classification for the financial statements of the previous years have been amended,where relevant for better presentation and to be coparable with those of the current year.The management has reclassified certain balances as elaborated in the table given below.

There are no any material prior year adjustments should be identfied on the retained earnings due to above reclassification.

The following comparative figures have been reclassified for cosistency with the current year presentation.

	Note	As reported previously	Adjustments	Current presentation
		Rs.	Rs.	Rs.
Personnel Costs	10	569,215,317	51,736,009	620,951,326
		569,215,317	51,736,009	620,951,326
Other Operating Expenses	12	472,176,408	(51,736,009)	420,440,399
		472,176,408	(51,736,009)	420,440,399

48.1 During the year, the Company reassessed the classification of Manager incentive and ME incentive which were presented under other operating expenses for the year ended 31 march 2025. As a result an amount of Rs. 51,736,009 /- was reclassified from Other "operating expenses" to "personnel costs".