LOLC FINANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2026

Deloitte Partners
100 Braybrooke Place
Colombo 2
Sri Lanka

Tel: +94 11 771 9700,
+94 11 771 9838
Fax: +94 11 230 7237
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LOLC Finance PLC (the Company) which comprise the statement of financial position as at 31 March 2026, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2026, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants* issued by the Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka Code of Ethics") and we have fulfilled our other ethical responsibilities in accordance with the CA Sri Lanka 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.

C S Manoharan FCA, T U Jayasinghe FCA, M D B Boyagoda FCA, H A C H Gunarathne FCA, M P M T Gunasekara FCA, N R Gunasekera FCA, M S J Henry FCA, M M R Hilmy FCA, H P V Lakdeva FCA, K M D R P Manatunga ACA, M M M Manzeer FCA, L A C Tillekeratne ACA, D C A J Yapa ACA

Regd. Office: P.O. Box 918, 100 Braybrooke Place, Colombo 02, Sri Lanka. Reg. No.: w/4179

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Key Audit Matters (Contd)

Key audit matter	How our audit addressed the Key audit matter
Allowance for expected credit losses on loans and advances to customers **Refer accounting policy section 2.2.10 impairment losses on financial assets and Notes 8, 19 and 46.2 to the financial statements.** As at 31 March 2026, total gross amount of loans and advances to customers amounted to Rs. 423,054,809,508 with a total allowance for impairment of Rs. 7,522,456,812. Total net amount of loans and advances represent 74% of the total assets. Management's estimates relating to credit losses are highly subjective as a result of the significant uncertainty and judgement associated with the estimation of expected future credit losses. The complex assumptions in respect of the timing and measurement of expected credit losses (ECL), involved in this process include: • Determination of what constitutes significant increase in credit risk, and timely allocation of qualifying assets to the appropriate staged in accordance with SLFRS 9. • Modelling assumptions and data used to develop and run the models that calculate the ECL. • Judgements involved in the determination of the appropriateness of economic factors as forward-looking variables and the future forecasting of these variables. • Appropriateness, completeness and valuation of management overlays introduced to capture risks not identified by the impairment models.	The audit procedures performed to assess the adequacy of the allowance for expected credit losses on loans and advances to customers, included the following: • Obtained understanding, evaluated, and tested the design of key controls in lending and credit risk management process. • Assessed the appropriateness of the criteria used by management to determine whether customer credit exposures show significant increase in credit risk or are impaired. • Assessed the appropriateness of the design and implementation of the ECL model, including the reasonableness of significant judgements made and assumptions used by management which included, cash flow estimates, discount rates, expected recoveries when defaults occur and management overlays. • Checked the reasonability of the macro-economic and other forward-looking variables used by management, by comparing those against reliable publicly available information. • Checked the underlying calculations and data on a sample basis for accuracy and completeness; and • Assessed the adequacy of impairment related disclosures in the financial statements.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Key Audit Matters (Contd)

Key audit matter	How our audit addressed the Key audit matter
Measurement of provisioning for individually significant exposures including the assessment of expected future cashflows and the timing of these cashflows, probability weighting of cashflow scenarios and collateral valuations. The impairment of loans and advances to customers using the ECL model was considered as a key audit matter due to: • The complex calculations with key variables used in the ECL model requiring significant management judgment and the use of assumptions; and • The magnitude of the reported amounts of loans and advances to customers and the impairment allowances thereof.	
Information Technology (IT) system related internal controls over financial reporting The Company's financial reporting processes are highly dependent on a number of complex and integrated information systems. These systems process a high volume of transactions and are critical to the accurate recording, processing, and reporting of financial information. Given the significant reliance placed on these IT systems, together with the complexity of the IT environment, including multiple applications, interfaces, and automated processes, there is an inherent risk that deficiencies in IT controls could result in material misstatements in the financial statements. Accordingly, due to the aforementioned pervasive impact of IT systems on financial reporting and the degree of audit effort required, this area was considered a key audit matter.	Our audit procedures included the following key procedures: • Obtaining an understanding of the Company's IT environment, including key systems and related controls • Evaluating the design and testing the operating effectiveness of relevant IT general controls. • Involving our IT audit specialists to assist in testing automated controls and system interface configurations • Testing the completeness and accuracy of key system-generated reports used in the audit • Performing data validation procedures, including reconciliations and substantive testing of selected transactions • Assessing the impact of any identified control deficiencies and determining the nature, timing, and extent of additional audit procedures required

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Key Audit Matters (Contd)

Key audit matter	How our audit addressed the Key audit matter
	address these risks primarily through inquiry. • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations
Assessment of fair value of land buildings in investment properties . **Refer accounting policy section 2.4 and 26 investment property , 7.1 Sundry and other operating income. Investment Properties respectively to the financial statements.** The Company engaged independent valuers to determine the fair values of its investment properties Which include bare Land, Commercial Properties, Residencial Properties and apartments. As at 31 March 2026 the investment properties was carried at a fair value of Rs. 55,315,600,000. The fair value gain on investment properties amounting to Rs. 1,933,674,033 had been recognised in the financial statements for the year ended 31 March 2026. The valuation of investment properties involved significant judgement and were based on assumptions, including prices of comparable property transactions adjusted for differences in key attributes such as, property size, shape, legal restrictions, access to main roads, the physical condition of buildings and depreciated replacement cost per square foot. The valuation of investment properties were considered a key audit matter due to the significant judgement involved in the estimate of fair values and the significance of these assets to the financial statements.	Our audit approach included the following procedures: • Assessed the independence, qualifications and experience of the external valuer engaged by the management for the valuations. • Checked the completeness and accuracy of the data provided by management to the valuer. • Obtained the valuation reports and evaluated the appropriateness of the valuation methodology adopted by the external valuer by comparing with methods generally used in the valuation of similar properties; and • Evaluated the relevance and reasonableness of the significant assumptions used in the valuations by applying our knowledge and the publicly available information on the real estate market such as range of offer prices for real estates of similar nature and location. • Obtained services of an auditors expert to review the work of the management's valuation expert relating to a few selected properties. • Assessed the adequacy of the related disclosures made in the financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

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 auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions based on the circumstances.

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.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of LOLC Finance PLC (Contd)

Report on the Audit of the Financial Statements (Contd)

Auditor's Responsibilities for the Audit of the Financial Statements (Contd)

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 4084.

CHARTERED ACCOUNTANTS

COLOMBO

08 June 2026

Deloitte Partners CHARTERED ACCOUNTANTS

LOLC Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2026

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross income	**3**	**85,954,010,109**	**73,499,764,573**
Interest income	4.1	78,741,323,308	68,317,633,361
Interest expense	4.2	(28,808,645,803)	(26,211,477,746)
Net interest income		**49,932,677,505**	**42,106,155,615**
Fee and commission income	5.1	4,679,661,526	3,594,541,578
Less: Fee and commission expense	5.2	(1,508,049,576)	(1,052,011,108)
Net fee and commission income		**3,171,611,950**	**2,542,530,470**
Net (losses) / gains from trading	6	(159,875,012)	2,011,227,986
Net other operating income			
Sundry and other operating income	7.1	2,692,900,287	3,286,842,106
Derecognition loss on restructuring of SLISBs	7.2	-	(3,710,480,458)
Other operating income		**2,533,025,275**	**1,587,589,634**
Total operating income		**55,637,314,730**	**46,236,275,719**
Less: Impairment (charges) / reversal			
Loans and advances	8.1	1,053,732,628	(62,165,013)
Sri Lanka International Sovereign Bonds	8.2	24,007,168	7,311,700,500
Other financial assets and credit related commitments	8.3	(447,735,401)	477,534,701
Total impairment (charge) / reversal		**630,004,395**	**7,727,070,188**
Net operating income		**56,267,319,125**	**53,963,345,907**
Less: Expenses			
Personnel expenses	9	(9,536,656,435)	(7,940,798,668)
Depreciation and amortisation	10	(2,105,740,570)	(1,304,748,285)
Other operating expenses	11	(13,902,803,259)	(13,918,828,787)
Total operating expenses		**(25,545,200,264)**	**(23,164,375,740)**
Profit from operations before taxes on financial services		**30,722,118,861**	**30,798,970,167**
Taxes on financial services	12	(6,203,589,781)	(5,736,663,732)
Profit from operating activities		24,518,529,080	25,062,306,435
Share of profit of equity accounted investee	22.2	-	22,834,362
Profit before income tax expense		**24,518,529,080**	**25,085,140,797**
Income tax (expense) / reversal	13	2,887,402,159	-
Profit for the period		**27,405,931,239**	**25,085,140,797**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
(Loss) / gain arising on remeasurement of defined benefit liability	31.2	(485,183,301)	53,275,540
Less: Deferred tax effect on actuarial gains	27.2	145,554,990	(15,982,662)
Net actuarial gains on defined benefit plans		(339,628,311)	37,292,878
Revaluation gain on property, plant and equipment	23	-	2,037,975,138
Less: Deferred tax adjustment / effect on revaluation surplus	27.2	(97,529,357)	(27,324,939)
Net change in revaluation surplus		(97,529,357)	2,010,650,199
Net change in fair value (equity investments at FVOCI)	21	26,006,865	45,393,288
Total of items that will never be reclassified to profit or loss		**(411,150,803)**	**2,093,336,365**
Total other comprehensive income, net of tax		**(411,150,803)**	**2,093,336,365**
Total comprehensive income for the period		**26,994,780,436**	**27,178,477,162**
Basic earnings per share (Rs.)	**14**	**0.89**	**0.76**

Figures in brackets indicate deductions.

The annexed notes to the financial statements on pages 12 through 64 form an integral part of these financial statements.



LOLC Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31st March 2026

As at 31st March	Note	2026 Rs.	2025 Rs.
ASSETS			
Cash and cash equivalents	15	12,696,724,455	8,578,933,549
Placements with banks	16	15,229,187,243	2,794,250,923
Securities purchased under resale agreements		7,643,438,768	280,245,480
Derivative financial instruments	17	10,267,200	6,499,209
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	33,324,963,785
Financial assets at amortised cost – loans and advances to customers	19	415,532,352,695	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	20	14,284,100,082	14,828,164,580
Financial assets measured at fair value through other comprehensive income	21	349,727,598	323,720,733
Investment in associate	22	-	-
Property, plant and equipment	23	18,864,794,815	14,238,536,560
Intangible assets	24	41,045,967	60,107,649
Right-of-use assets	25	2,017,018,631	1,481,201,306
Investment properties	26	55,315,600,000	55,029,900,000
Other assets	28	2,127,676,020	1,278,500,866
Total assets		**558,552,494,011**	**429,734,164,397**
LIABILITIES			
Bank overdraft	15.1	5,457,264,687	8,516,663,167
Derivative financial instruments	17	17,587,900	1,937,593
Financial liabilities at amortised cost – due to depositors	29	271,500,745,426	225,717,328,979
Financial liabilities at amortised cost – borrowings	30	98,400,336,751	15,680,980,318
Retirement benefit obligation	31	1,370,774,632	752,325,774
Current tax liabilities	32	1,960,980,539	2,011,921,307
Deferred tax liabilities	27	-	2,992,430,886
Other liabilities	33	24,440,466,109	24,536,628,014
Total liabilities		**403,148,156,044**	**280,210,216,038**
EQUITY			
Stated capital	34	44,078,915,852	44,078,915,852
Reserves			
Statutory reserve fund	35.1	8,915,699,725	7,545,403,163
Merger reserve	35.2	-	-
Other reserves	35.3	9,337,260,070	9,154,257,762
Retained earnings	36	93,072,462,320	88,745,371,582
Total equity		**155,404,337,967**	**149,523,948,359**
Total liabilities and equity		**558,552,494,011**	**429,734,164,397**
Contingent liabilities and commitments	37	**47,549,312,552**	**32,967,663,778**
Net asset value per share	38	**5.26**	**4.52**

The annexed notes to the financial statements on pages 12 through 64 form an integral part of these financial statements.

Certification :
These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

……..
(Mr.) Buddhika Weeratunga
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board,

……..
(Mr.) Krishan Thilakaratne
Director / CEO

……...
(Mr.) Conrad Dias
Chairman / Non Executive Director

05th June 2026
Rajagiriya (Greater Colombo)

Deloitte Partners CHARTERED ACCOUNTANTS

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2026

	Note	Stated Capital	Statutory Reserve	Revaluation Reserve	Cash flow Hedge Reserve	Fair Value Reserve	Regulatory loss Allowance Reserve	Merger Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024		**306,993,805,501**	**6,291,146,123**	**1,247,187,997**	**41,014,495**	**302,199,666**	**6,816,123,553**	**(262,914,889,649)**	**63,568,883,511**	**122,345,471,197**
Total comprehensive income for the period										
Profit for the period		-	-	-	-	-	-	-	25,085,140,797	25,085,140,797
Other comprehensive income, net of income tax										
Remeasurements of defined benefit liability	36	-	-	-	-	-	-	-	37,292,878	37,292,878
Revaluation gain on property, plant and equipment	35.3 (a)	-	-	2,010,650,199	-	-	-	-	-	2,010,650,199
Revaluation gain on fair value through OCI investments	35.3 (c)	-	-	-	-	45,393,288	-	-	-	45,393,288
Total other comprehensive income for the period		-	-	2,010,650,199	-	45,393,288	-	-	37,292,878	2,093,336,365
Total comprehensive income for the period		-	-	2,010,650,199	-	45,393,288	-	-	25,122,433,675	27,178,477,162
Transactions recorded directly in equity										
Transferred to stated capital during the year	34	(262,914,889,649)	-	-	-	-	-	262,914,889,649	-	-
Transfer to Statutory Reserve Fund	35.1	-	1,254,257,040	-	-	-	-	-	(1,254,257,040)	-
Revaluation surplus transferred to retained earnings upon the disposal of fixed assets	35.3 (a)	-	-	(91,911,123)	-	-	-	-	91,911,123	-
Transferred to / (from) regulatory loss allowance reserve	35.3 (d)	-	-	-	-	-	(572,244,483)	-	572,244,483	-
Transferred to retained earnings during the year	36	-	-	(424,641,896)	(41,014,495)	(178,499,439)	-	-	644,155,830	-
Total transactions recorded directly in equity		**(262,914,889,649)**	**1,254,257,040**	**(516,553,019)**	**(41,014,495)**	**(178,499,439)**	**(572,244,483)**	**262,914,889,649**	**54,054,396**	**-**
Balance as at 31 March 2025		**44,078,915,852**	**7,545,403,163**	**2,741,285,177**	**-**	**169,093,515**	**6,243,879,070**	**-**	**88,745,371,582**	**149,523,948,359**
Balance as at 01 April 2025		**44,078,915,852**	**7,545,403,163**	**2,741,285,177**	**-**	**169,093,515**	**6,243,879,070**	**-**	**88,745,371,582**	**149,523,948,359**
Total comprehensive income for the period										
Profit for the period		-	-	-	-	-	-	-	27,405,931,239	27,405,931,239
Other comprehensive income, net of income tax										
Remeasurements of defined benefit liability	36	-	-	-	-	-	-	-	(339,628,311)	(339,628,311)
Deferred tax adjustment on revaluation surplus	35.3 (a)	-	-	(97,529,357)	-	-	-	-	-	(97,529,357)
Revaluation gain on fair value through OCI investments	35.3 (c)	-	-	-	-	26,006,865	-	-	-	26,006,865
Total other comprehensive income for the period		-	-	(97,529,357)	-	26,006,865	-	-	(339,628,311)	(411,150,803)
Total comprehensive income for the period		-	-	(97,529,357)	-	26,006,865	-	-	27,066,302,928	26,994,780,436
Transactions recorded directly in equity										
Repurchase of shares	34	-	-	-	-	-	-	-	(21,114,390,828)	(21,114,390,828)
Transfer to Statutory Reserve Fund	35.1	-	1,370,296,562	-	-	-	-	-	(1,370,296,562)	-
Transferred to / (from) regulatory loss allowance reserve	35.3 (d)	-	-	-	-	-	254,524,800	-	(254,524,800)	-
Total transactions recorded directly in equity		**-**	**1,370,296,562**	**-**	**-**	**-**	**254,524,800**	**-**	**(22,739,212,190)**	**(21,114,390,828)**
Balance as at 31 March 2026		**44,078,915,852**	**8,915,699,725**	**2,643,755,820**	**-**	**195,100,380**	**6,498,403,870**	**-**	**93,072,462,320**	**155,404,337,967**

The annexed notes to the financial statements on pages 12 through 64 form an integral part of these financial statements.



LOLC Finance PLC

STATEMENT OF CASH FLOWS

For the year ended 31st March 2026

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Cash flows from operating activities			
Profit before income tax expense		24,518,529,080	25,085,140,797
Adjustments for:			
Net mark-to-market gains - government & debt securities	6	214,405,342	(1,889,356,450)
Change in fair value of derivatives - forward contracts	6	11,882,316	(4,561,616)
Dividend income	6	(2,101,516)	(2,513,505)
Profit / (loss) on disposal of property, plant & equipment	7.1	72,776,890	75,712,207
Profit / (loss) on disposal of investment property	7.1	(67,955,792)	(49,495,000)
Fair value change in investment properties	7.1	(1,933,674,033)	(2,740,806,466)
Derecognition loss on restructuring of SLISBs	7.2	-	3,710,480,458
Depreciation & amortisation expenses	10	2,105,740,570	1,304,748,285
Impairment charges / (reversal)	8	(630,004,395)	(7,727,070,188)
Provision for defined benefit plans	31.2 (b)	209,462,596	175,551,424
Share of (profit)/loss of associate, net of tax	22.2 (a)	-	(22,834,362)
Investment income	4.1	(3,664,102,817)	(4,204,282,232)
Interest expense	4.2	28,808,645,803	26,211,477,746
Operating profit before changes in operating assets & liabilities		**49,643,604,044**	**39,922,191,098**
Change in other assets		(1,192,188,982)	2,711,503,888
Change in trade payables		(190,649,931)	1,893,751,162
Change in other liabilities		(810,436,678)	4,162,102,041
Change in amounts due to / due from related parties		127,690,956	548,027,175
Change in financial assets at amortised cost – loans and advances		(116,969,480,310)	(47,929,542,413)
Change in financial liabilities at amortised cost – due to depositors		45,548,864,033	21,846,681,188
Cash generated from / (used in) operations		**(23,842,596,868)**	**23,154,714,139**
Interest paid on deposits		(22,802,803,499)	(26,651,743,661)
Benefits paid on defined benefit plans	31	(76,197,039)	(80,911,060)
Income tax paid	32	(50,940,768)	(669,788,818)
Net cash from / (used in) operating activities		**(46,772,538,174)**	**(4,247,729,400)**
Cash flows from investing activities			
Purchase of property, plant and equipment / investment property	23 & 26	(5,815,167,288)	(7,826,438,197)
Proceeds from sale of property, plant & equipment / investment property		112,036,398	1,113,144,559
Purchase of government securities		(16,921,736,190)	(15,585,858,523)
Proceeds from sale of government securities		11,691,744,452	20,283,450,480
Net proceeds from placements with banks		(12,330,884,039)	1,167,980,595
Net proceeds from investments / debt securities		16,986,331,106	(183,423,165)
Net proceeds from the disposal of associate		-	272,777,655
Interest received from financial assets		3,678,587,455	4,370,399,315
Dividend received from financial assets		2,166,990	1,800,696
Net cash flows from / (used in) investing activities		**(2,596,921,116)**	**3,613,833,415**
Cash flows from financing activities			
Cash flows from interest bearing borrowings		93,400,411,276	31,937,195,314
Repurchase of shares	34.2	(21,114,390,828)	-
Repayment of interest bearing borrowings	30.2 & 30.1	(15,491,835,275)	(35,133,919,467)
Proceeds from issue of debentures	30.4	10,000,000,000	-
Redemption of debentures	30.4	(5,000,000,000)	-
Repayment of principal portion of lease liabilities		(493,354,980)	(414,378,532)
Interest paid on borrowings		(4,754,181,517)	(2,161,997,607)
Net cash flows from / (used in) financing activities		**56,546,648,676**	**(5,773,100,292)**
Net increase / (decrease) in cash and cash equivalents		**7,177,189,386**	**(6,406,996,277)**
Cash and cash equivalents at the beginning of the period		**62,270,382**	**6,469,266,659**
Cash and cash equivalents at the end of the period	**15.1**	**7,239,459,768**	**62,270,382**

The annexed notes to the financial statements on pages 12 through 64 form an integral part of these financial statements.



LOLC Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

1. GENERAL

1.1 REPORTING ENTITY

1.1.1 Corporate Information

LOLC Finance PLC ("the Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company's immediate parent is LOLC Ceylon Holdings Limited and ultimate parent undertaking and controlling entity is LOLC Holdings PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprise leasing, lending, margin trading, mobilization of public deposits, alternative financing, and the renting of properties. There were no significant changes in the nature of the Company's principal activities during the financial period under review.

1.1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility 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.

1.1.5 Number of Employees

The staff strength of the Company as at 31 March 2026 was 5,468 (March 2025 – 5,053).

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and amendments there to.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the period under review;
- a Statement of Financial Position providing the information on the financial position of the Company as at the period-end;
- a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2.

1.2.2 Date of authorization of issue

The Financial Statements were authorized for issue by the Board of Directors on 05th June 2026.

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Derivative financial instruments	Fair value	17
Financial assets recognised through profit or loss – measured at fair value	Fair value	18
Financial assets measured at fair value through other comprehensive income	Fair value	21
Investment property	Fair value	26
Land, buildings and motor vehicle	Revaluation	23
Retirement benefit obligation	Actuarially valued and recognized at the present value	31

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

1.2.4 Materiality and aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.5 Going concern basis of accounting

The management has formed reasonable judgement that the Company has adequate resources to continue its business operations for the foreseeable future monitoring its business performance and continuity by adopting risk mitigation initiatives. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.



1. GENERAL CONTD.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the period under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRSs/ LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

Critical Accounting estimate / judgment	Disclosure reference Note
Fair value measurement of financial instruments / investment properties / land and buildings	1.4.1 / 23.2 / 26.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on assets measured at fair value through profit or loss	1.4.4
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO. The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 22 – Investment property;
Note 23 – Property, plant and equipment; and
Note 2.2 & 2.2.4 – Financial instruments;

1.4.2 Financial assets and liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets and liabilities, the Company applies the requirements of SLFRS 9. Financial assets are classified based on the business model for managing the assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Accordingly, financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets held for trading or managed on a fair value basis are classified as FVTPL, as described in Note 2.2.1(b). Financial assets that the Company intends and is able to hold to collect contractual cash flows, and which meet the SPPI criterion, are classified at amortized cost, as required by SLFRS 9.



1. GENERAL CONTD.

1.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS CONTD.

1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to expected loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.2.10.

1.4.4 Impairment losses on assets measured at fair value through profit or loss

The Company reviews its debt securities classified as fair value through profit or loss at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on equity investments classified as fair value through profit or loss when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on fair value through profit or loss is disclosed in Note 2.2.10.

1.4.5 Impairment losses on other assets

The Company classifies certain debt and equity securities as fair value through profit or loss (FVTPL). These instruments are measured at fair value at each reporting date, and any gains or losses arising from changes in fair value are recognized directly in profit or loss. Accordingly, no separate impairment assessment is performed, as expected credit losses or value declines are reflected through fair value changes.

Specific Accounting Policies on impairment of non-financial assets are discussed in Note 2.6.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.7.3 for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

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



2. MATERIAL ACCOUNTING POLICIES

Set out below is an index of the material accounting policies, the details of which are available on the pages that follow:

Index	Accounting policy
2.1	Foreign currency transactions
2.2	Financial assets and financial liabilities
2.3	Leases
2.4	Investment property
2.5	Property plant and equipment
2.6	Impairment - non-financial assets
2.7	Employee benefits
2.8	Provisions
2.9	Equity movements
2.10	Capital commitments and contingencies
2.11	Events occurring after the reporting date
2.12	Interest income and interest expense
2.13	Fees, commission and other income
2.14	Dividends
2.15	Expenditure recognition
2.16	Income tax expense
2.17	Earnings per share
2.18	Cash flow statements
2.19	Related Party Transactions
2.20	Operating Segments
2.21	Fair value measurement
2.22	New accounting standards issued but not yet effective as at reporting date

2.1 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) are recognized in other comprehensive income.

MATERIAL ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

2.2 Financial assets and financial liabilities

2.2.1 Non-derivative financial assets

2.2.1 (a) Initial recognition of financial assets

Date of recognition

The Company initially recognizes loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets

The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

'Day 1' profit or loss on staff loan below market rate

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 'Interest Income and Personnel Expenses'.

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 profit or loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.2.1 (b) Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).



2. MATERIAL ACCOUNTING POLICIES CONTD.
2.2 Financial assets and financial liabilities contd.
2.2.1 (c) Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument.

For the purposes of this assessment,

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

"Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortized cost using the effective interest method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

- ***Cash and cash equivalents***
  Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date 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.
- ***Rentals receivable on leased assets***
  When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.
- ***Loans and advances***
  Advances and other loans to customers comprised of revolving loans and loans with fixed installment

  Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.
- ***Financial guarantees***
  Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

Instruments are measured at FVOCI, if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. This comprises equity securities and debt securities. Fair value is used for all equity instruments, and cost may be used as a fair value estimate only in limited cases. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortized 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 are recognized 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. Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortized cost.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss. Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

Deloitte Partners
CHARTERED ACCOUNTANTS

2. MATERIAL ACCOUNTING POLICIES CONTD.

2.2 Financial assets and financial liabilities contd.

2.2.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities

The Company initially recognizes non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortized cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortized cost using the effective interest method.

2.2.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges

ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedges.

2.2.3 (a) Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.2.4 Reclassification of financial assets and liabilities

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

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



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.2 Financial assets and financial liabilities contd.

2.2.5 Derecognition of financial assets and financial liabilities

Financial assets

The Company derecognizes a financial asset when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either.

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2.2.6 Modification of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses measured using pre modification interest rate. In other cases, it is presented as interest income.

Modification of financial liabilities

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. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.2.7 Offsetting of financial instruments

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 realize the assets and settle the liabilities simultaneously.

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

2.2.8 Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.2.9 Fair value measurement

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

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

2.2.10 Impairment

Overview of the expected credit loss (ECL) principles

SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.2 Financial assets and financial liabilities contd.

2.2.10 Impairment contd.

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. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due and loss to take place after 90 days in accordance with the rebuttable presumption in SLFRS 9.

Individually significant impairment assessment and loans which are not impaired individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:

- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated
- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet it's obligation
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment. Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR).

A cash shortfall 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 calculation are outlined below and the key elements are as follows:

- **Probability of Default (PD)**: PD 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 derecognised and is still in the portfolio.
- **Exposure at Default (EAD)**: EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.

- **Loss Given Default (LGD)**: LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs such as the following in its ECL model.

Quantitative inputs	**Qualitative inputs**
- GDP growth	- Changes in Lending Policies and Procedure
- Inflation	- Changes in Bankruptcy and lending related Legislations
- Unemployment	- Credit Growth
- Interest rates	- Position of the Portfolio within the Business Cycle
- Exchange rates	

Accordingly, under the collective assessment, customers operating in risk elevated industries including Tourism, Transportation and Construction were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business.

2.3 Leases

2.3.1 Company as a lessee

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.

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.



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.3 Leases contd.

2.3.1 Company as a lessee contd.

At the commencement date, the Company recognises 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. After initial recognition, the Company applies cost model for the right-of-use of an asset and depreciate the asset from commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Company depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the profit or loss.

2.3.2 Company as a lessor

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 Statement of Financial Position 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 at by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate of interest which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The Company's net investment in lease is included in Note 19 "Financial assets at amortised cost – loans and advances to customers". 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.

Operating leases

The Company recognises lease payments from operating leases as income on straightline basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Investment property

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

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.5 Property plant and equipment

2.5.1 Recognition and measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured. Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in other income/other expenses in profit or loss.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Company revalues its land, buildings and motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of land, buildings and motor vehicles, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.5.2 Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.5 Property plant and equipment contd.

2.5.3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. The estimated useful lives of each class of assets for the current period are disclosed in Note 10.

2.5.4 Right-of-Use Assets

Right-of-use assets of the Company include land, buildings, motor vehicle and computer equipment under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

2.6 Impairment - non-financial assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.7 Employee benefits

2.7.1 Short-term employee benefits

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 if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.7.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

2.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.9 Equity movements

2.9.1 Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.9.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.9 Equity movements contd.

2.9.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.10 Capital 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 recognised in the statement of financial position but are disclosed unless they are remote.

2.11 Events occurring 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 authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

MATERIAL ACCOUNTING POLICIES –RECOGNITION OF INCOME AND EXPENSES

2.12 Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortized cost, fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL) calculated on an effective interest basis.

2.12.1 Income from leases and term loans

At the commencement of a contract, the difference between the aggregate contract receivable and the cost of the underlying asset represents unearned income. In accordance with SLFRS 9, this unearned income is recognized as interest income over the term of the facility using the effective interest rate (EIR) method, starting from the month the facility is executed. Income is allocated in a manner that reflects a constant periodic rate of return on the net carrying amount of the receivable, resulting in a systematic recognition of interest income over the life of the facility.

2.12.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client’s current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.13 Fees, commission and other income

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

Other fees and commission income, including account servicing fees are recognized as the related services are performed. Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.14 Dividends

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

2.15 Expenditure recognition

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

2.15.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for specified items in the respective regulation on the prescribed rate. The VAT on financial service is recognized as expense in the period it becomes due.

2.15.2 Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the amount liable for VAT on financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.16 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Note 32 represent the major components of income tax expense to the financial statements.

2.16.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2.16.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The relevant disclosures are given in Note 27 to the financial statements.

2.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Specific disclosures are included in Note 14. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. The relevant disclosures are given in Note 14 to the financial statements.

MATERIAL ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.18 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

MATERIAL ACCOUNTING POLICIES – GENERAL

2.19 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 39 to the Financial Statements.

2.20 Operating Segments

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

The Company has five reportable segments, SME Finance, Personal Finance, Alternate Finance, Gold Loans and Others, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 43. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

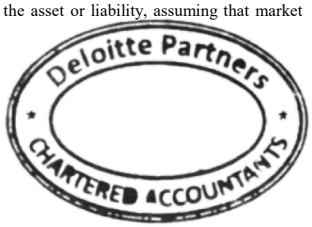
2.21 Fair value measurement

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



2. MATERIAL ACCOUNTING POLICIES CONTD.

2.21 Fair value measurement contd.

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. External professional valuers are involved for valuation of significant assets such as investment properties.

Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments. When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using;
(a) quoted market in active markets for similar instruments,
(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value. Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.22 New accounting standards issued but not yet effective as at reporting date

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to SLFRS 9 and SLFRS 7 - Classification and Measurement of Financial Instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These amendments further clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion.

These amendments add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 replaces LKAS 1, carrying forward many of the requirements in LKAS 1 unchanged and complementing them with new requirements. In addition, some LKAS 1 paragraphs have been moved to LKAS 8 and SLFRS 7.

SLFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements
- improve aggregation and disaggregation.

An entity is required to apply SLFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. SLFRS 18 requires retrospective application with specific transition provisions.

Annual improvements to IFRS – Volume 11

Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards; IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments; and IAS 7 Statement of Cash Flows. These annual improvements are effective for annual periods beginning on or after 1 January 2026 with earlier application permitted.

Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37- Disclosures about Uncertainties in the Financial Statements

The IASB has published the final version of a set of examples that illustrate the reporting of the effects of uncertainties in financial statements through climate-related fact patterns. The Examples demonstrate how to disclose the impacts of uncertainties within climate-related scenarios, but the principles and requirements are also applicable to disclosure of other uncertainties. The Examples do not add to or change requirements in IFRS Accounting Standards and therefore there are no transition requirements and effective date. Instead, these Examples will accompany the respective IFRS Accounting Standards to which they relate.



3. GROSS INCOME

ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before recognising revenue is discussed under Note 4 - Net Interest Income, Note 5 - Fee and Commission Income, Note 6 - Net gains / (losses) from trading and Note 7 - Other Operating Income.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Interest income	4.1	78,741,323,308	68,317,633,361
Fee and commission income	5	4,679,661,526	3,594,541,578
Net (losses) / gains from trading	6	(159,875,012)	2,011,227,986
Net other operating income	7	2,692,900,287	(423,638,352)
		85,954,010,109	**73,499,764,573**

4. NET INTEREST INCOME

ACCOUNTING POLICY

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method. Interest income and expense presented in the Income Statement include:

- Interest income on financial assets measured at amortised cost (AC) calculated using EIR method;
- Interest income on financial assets measured at fair value through profit or loss (FVTPL) calculated using EIR method;
- Interest expense on financial liabilities measured at amortised cost calculated using EIR method;

Effective interest rate (EIR)

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset; or the amortised cost of the financial liability. When calculating the EIR for financial instruments, the Company estimates future cash flows considering all contractual terms of the financial instrument. The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR.

When a financial asset becomes credit-impaired, the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Overdue interest on loans and advances is recognised on cash basis.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Interest income	4.1	78,741,323,308	68,317,633,361
Interest expense	4.2	(28,808,645,803)	(26,211,477,746)
Net interest income		**49,932,677,505**	**42,106,155,615**

4.1 Interest income

For the year ended 31st March	2026 Rs.	2025 Rs.
Placements with banks	486,691,125	286,945,839
Securities purchased under resale agreements	103,553,707	274,066,571
Financial assets recognised through profit or loss – measured at fair value	1,923,701,157	2,350,751,971
Financial assets at amortised cost – loans and advances to customers		
Leases receivables	17,847,275,549	16,578,668,066
Loans and advances	45,676,966,463	36,526,927,745
Credit card receivables	1,464,486,308	1,290,267,573
Margin trading	681,124,574	1,123,765,731
Factoring receivables	523,032,118	437,741,018
Interest on overdue rentals and others	8,884,335,479	8,155,980,996
Financial assets at amortised cost – debt and other financial instruments		
Government securities	1,133,380,363	1,020,943,189
Commercial papers	16,776,465	271,574,662
	78,741,323,308	**68,317,633,361**

4.2 Interest expense

For the year ended 31st March	2026 Rs.	2025 Rs.
Financial liabilities at amortised cost – due to depositors		
Fixed deposits	20,342,902,151	21,269,845,892
Savings deposits	606,246,890	469,039,124
Foreign currency deposits	256,878,068	246,094,716
Profit distributed to alternative finance deposit holders	1,831,328,804	2,169,185,595
Financial liabilities at amortised cost – borrowings		
Interest on loans & bank overdraft	5,386,995,699	1,817,933,797
Interest on finance lease	9,639,989	27,763,074
Interest expense on lease liabilities	374,654,202	211,615,548
	28,808,645,803	**26,211,477,746**

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CHARTERED ACCOUNTANTS

5. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

The Company generates fee and commission income from a wide range of services offered to its customers. These include credit-related fees and commission income. All such fees and commissions are recognized in the Income Statement on an accrual basis. Fees and commissions that form an integral part of the Effective Interest Rate (EIR) of a financial asset or liability are capitalized, incorporated into the EIR calculation, and recognized in the Income Statement over the expected life of the instrument. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Fee and commission income	5.1	4,679,661,526	3,594,541,578
Less: Fee and commission expense	5.2	(1,508,049,576)	(1,052,011,108)
Net fee and commission income		**3,171,611,950**	**2,542,530,470**

5.1 Fee and commission income

For the year ended 31st March	2026 Rs.	2025 Rs.
Loans and advances related services	1,410,516,117	1,123,539,075
Credit and debit cards related services	951,849,266	717,875,099
Deposits related services	282,151,597	185,550,445
Other financial services	2,035,144,546	1,567,576,960
Total	**4,679,661,526**	**3,594,541,578**

5.2 Fee and commission expense

For the year ended 31st March	2026 Rs.	2025 Rs.
Loans and advances related services	833,587,879	602,105,630
Credit and debit cards related services	459,198,726	292,912,881
Deposits related services	17,859,692	12,528,795
Other financial services	197,403,279	144,463,801
Total	**1,508,049,576**	**1,052,011,108**

6. NET (LOSSES) / GAINS FROM TRADING

ACCOUNTING POLICY

Net trading income comprises all gains and losses resulting from changes in the fair value of financial assets measured at fair value through profit or loss, along with dividend income. Dividend income is recognized when the Company's right to receive payment is confirmed. This category also includes foreign exchange differences arising from derivative contracts that are not designated as hedging instruments.

For the year ended 31st March	2026 Rs.	2025 Rs.
Financial assets recognised through profit or loss – measured at fair value		
Government Securities		
Net mark-to-market (losses) / gains	(513,602,068)	139,495,367
Net capital gains	-	188,316,295
Equity / debt securities		
Net mark-to-market gains	299,196,726	1,749,861,083
Net capital gains	-	60,102,345
Dividend income	2,101,516	2,513,505
Exchange gain / (loss)		
Change in fair value of derivatives - forward contracts	(11,882,316)	4,561,616
Net exchange gain / (loss)	64,311,130	(133,622,223)
	(159,875,012)	**2,011,227,986**

7. NET OTHER OPERATING INCOME

ACCOUNTING POLICY

Net other operating income includes gains / (losses) from disposal of property, plant and equipment, gains / (losses) from disposal of investment property, gains / (losses) from fair value change in investment properties, net (loss) / gain on derecognition of financial assets, rental income and other sundry income.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Sundry and other operating income	7.1	2,692,900,287	3,286,842,106
Derecognition loss on restructuring of SLISBs	7.2	-	(3,710,480,458)
		2,692,900,287	**(423,638,352)**

7.1 Sundry and other operating income

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Loss on disposal of property, plant & equipment		(72,776,890)	(75,712,207)
Profit on disposal of investment property		67,955,792	49,495,000
Fair value change in investment properties	26	1,933,674,033	2,740,806,466
Rental & other income		764,047,352	572,252,846
		2,692,900,287	**3,286,842,106**

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7. NET OTHER OPERATING INCOME CONTD.

7.2 Derecognition loss on restructuring of SLISBs

The restructuring of Sri Lanka International Sovereign Bonds (SLISBs) was completed in December 2024, and the related accounting impact was recognised in the previous financial year. Accordingly, the Company derecognised the SLISBs held as at the restructuring date and recognised the restructured instruments in line with the terms of the Local Option offered to domestic bondholders.

This derecognition resulted in a loss of Rs. 3,710 Mn, as previously disclosed in Note 7.2 to the Financial Statements. During the same period, the Company also reversed impairment provisions previously recognised on SLISBs amounting to Rs. 7,392 Mn, as disclosed in Note 8.2. The restructured instruments, comprising rupee-denominated Treasury Bonds, a USD-denominated Step-Up Bond, and a PDI Bond, were initially recognised at fair value and classified under amortised cost. These instruments were assessed under Stage 2, with an expected credit loss provision recognised on the PDI Bond (refer Note 8.2). Both USD and LKR bonds have been classified under Level 1 of the fair value hierarchy in Note 45 of the Financial Statements.

8. IMPAIRMENT CHARGES / (REVERSAL)

ACCOUNTING POLICY

The Company recognises the changes to the impairment provision which are assessed based on expected credit loss method in accordance with Sri Lanka Accounting Standard - SLFRS 09 (Financial Instruments).

For customers who are having exposures above the predefined threshold, the Company individually assesses for Significant Increase in Credit Risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Company determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairment along with the remaining portfolio.

The Company computes ECL using three main components; a Probability of Default (PD), a Loss Given Default (LGD) and the Exposure At Default (EAD) under the collective assessment. The Company updated its PD and LGD calculations using the most recent recovery data to determine the impairment provisions as of 31st March 2026. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information using the most recent data published by the Central Bank of Sri Lanka, the International Monetary Fund, and other relevant sources. Additionally, the weightings assigned to the best, base and worst-case scenarios were adjusted.

The methodology adopted by the Company is explained in the Note 2.2.10 to these Financial Statements. Additionally, recoveries of previously written off are offset against impairment charges.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Financial assets at amortised cost - loans & advances	8.1	(1,053,732,628)	62,165,013
Sri Lanka International Sovereign Bonds	8.2	(24,007,168)	(7,311,700,500)
Other financial assets and credit related commitments	8.3	447,735,401	(477,534,701)
		(630,004,395)	**(7,727,070,188)**

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

	Impairment charge / (reversal) to profit or loss Rs.	Net written-off during the year Rs.	Charge / (reversal) to profit or loss net of write-offs Rs.	Provision impact / (reversal) as per CBSL Rs.
Leases receivables	(1,200,136,409)	(359,367,977)	(840,768,432)	(531,918,082)
Loans and advances	(1,121,175,417)	(1,104,385,259)	(16,790,158)	(85,110,531)
Credit card receivables	1,361,523,335	635,127,678	726,395,656	684,719,940
Gold loans	15,730,818	(2,155,252)	17,886,070	(684,185)
Margin trading	(70,878,718)	27,889,724	(98,768,442)	(24,169,461)
Factoring receivables	(38,796,237)	(41,775,861)	2,979,624	(9,502,981)
Sri Lanka International Sovereign Bonds	(24,007,168)	-	(24,007,168)	(24,007,168)
Other financial assets	447,735,401	-	447,735,401	447,735,401
	(630,004,395)	**(844,666,947)**	**214,662,552**	**457,062,933**

8.1 Financial assets at amortised cost - loans & advances

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Leases receivables	8.1 (a)	(1,200,136,409)	587,211,453
Loans and advances	8.1 (a)	(1,121,175,417)	(628,646,869)
Credit card receivables	8.1 (a)	1,361,523,335	19,925,773
Gold loans	8.1 (a)	15,730,818	(17,792,932)
Margin trading	8.1 (a)	(70,878,718)	61,255,930
Factoring receivables	8.1 (a)	(38,796,237)	40,211,658
		(1,053,732,628)	**62,165,013**

8.1 (a) Analysis of impairment charges / (reversal)

For the year ended 31st March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Leases receivables	51,990,444	(42,929,167)	(1,209,197,686)	(1,200,136,409)
Loans and advances	71,095,691	(133,571,541)	(1,058,699,567)	(1,121,175,417)
Credit card receivables	30,490,622	(10,885,037)	1,341,917,750	1,361,523,335
Gold loans	10,355,815	(1,467,325)	6,842,328	15,730,818
Margin trading	-	-	(70,878,718)	(70,878,718)
Factoring receivables	12,579,213	2,981,385	(54,356,835)	(38,796,237)
	176,511,785	**(185,871,685)**	**(1,044,372,728)**	**(1,053,732,628)**

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8. IMPAIRMENT CHARGES / (REVERSAL) CONTD.

8.1 (a) Analysis of impairment charges / (reversal) contd.

For the year ended 31st March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Leases receivables	19,772,894	50,655,721	516,782,838	587,211,453
Loans and advances	(3,491,459)	124,900,430	(750,055,840)	(628,646,869)
Credit card receivables	(314,415)	1,613,492	18,626,696	19,925,773
Gold loans	1,604,478	(5,171,168)	(14,226,242)	(17,792,932)
Margin trading	-	-	61,255,930	61,255,930
Factoring receivables	2,707,018	(239,697)	37,744,337	40,211,658
	20,278,516	**171,758,778**	**(129,872,281)**	**62,165,013**

8.2 Sri Lanka International Sovereign Bonds

The Company recognised an impairment reversal of Rs. 24 Mn for the year ended 31 March 2026 on PDI bonds acquired during the previous financial year. An impairment reversal of Rs. 7,312 Mn was recognised in 2025, arising from the reversal of brought-forward impairment provisions on restructured SLISBs, net of an impairment charge of Rs. 81 Mn recognised on PDI bonds.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Stage 1	20.1	-	-
Stage 2	20.1	(24,007,168)	81,227,434
Stage 3	20.1	-	(7,392,927,934)
		(24,007,168)	**(7,311,700,500)**

8.3 Other financial assets and credit related commitments

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial assets			
Stage 1	28.2	104,776,861	64,597,906
Stage 3	28.2	355,082,960	(554,328,169)
Credit related commitments			
Stage 2	37.1	(12,124,420)	12,195,563
		447,735,401	**(477,534,701)**

9. PERSONNEL EXPENSES

ACCOUNTING POLICY

Personnel expenses comprise salaries, bonuses, contributions to defined contribution and benefit plans, as well as other staff-related costs. These other costs include medical and hospitalization expenses, training and recruitment costs, and staff welfare activities. Short-term employee benefits are recognized on an undiscounted basis and expensed as the related services are rendered. A liability for short-term bonuses is recognized when the company has a legal or constructive obligation and the amount can be reliably measured. The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

Defined Contribution Plans - In a defined contribution plan, the company makes fixed contributions to a separate entity with no further obligation. Contributions to Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) are 12% and 3% of salaries, respectively, and are recognized as expenses in the relevant period.

Defined Benefit Plans - A defined benefit plan covers post-employment benefits other than defined contributions. The company's obligation is actuarially assessed and discounted to present value using the projected unit credit method. Actuarial gains and losses are recorded in other comprehensive income. As per the Payment of Gratuity Act No. 12 of 1983, gratuity liability arises after five years of continuous service and is not externally funded.

For the year ended 31st March 2026	Note	2026 Rs.	2025 Rs.
Salaries & bonus		8,058,947,260	6,588,271,836
Contributions to EPF & ETF	31.1	593,823,856	485,575,401
Amortisation of pre-paid staff cost	28.1	20,564,126	21,649,811
Provision on gratuity	31.2 (b)	209,462,596	175,551,424
Staff welfare and others		653,858,597	669,750,197
		9,536,656,435	**7,940,798,668**



LOLC Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

10. DEPRECIATION AND AMORTISATION

ACCOUNTING POLICY

Depreciation of Property, Plant and Equipment

Depreciation is charged from the date the asset is available for use until the date of disposal or derecognition. It is calculated on a straight-line basis over the estimated useful lives of the assets, reflecting the pattern in which the Company expects to consume the future economic benefits. Depreciation rates are reviewed periodically to reflect any changes in the expected pattern of consumption. Freehold land is not depreciated.

Amortisation of Intangible Assets

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful economic lives, commencing from the date the asset is available for use. The amortisation reflects the pattern in which the asset's economic benefits are expected to be consumed by the Company. The Company assumes no residual value for intangible assets. Useful lives are reviewed periodically, and adjustments are made where appropriate.

Amortisation of Right-of-Use Assets

Right-of-use assets are amortised from lease commencement to the earlier of the asset's useful life or lease term, consistent with the useful lives of comparable owned assets.

Class of asset	Depreciation % Per Annum	Useful lives (years)
Freehold and leasehold buildings	2.00 - 2.50	40 - 50 Years
Motor vehicles	12.50 - 25.00	4 - 8 Years
Furniture & fixtures	10.00 - 20.00	5 - 10 Years
Office equipment	12.50 - 25.00	4 - 8 Years
Computer equipment	12.50 - 25.00	4 - 8 Years
Computer software	20.00	5 Years

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Depreciation of property, plant and equipment	23	1,460,554,312	819,733,126
Amortisation of intangible assets	24	36,364,025	2,268,551
Amortisation of right-of-use assets	25	608,822,233	482,746,608
		2,105,740,570	**1,304,748,285**

11. OTHER OPERATING EXPENSES

ACCOUNTING POLICY

These expenses are recognised in the Statement of Profit or Loss when there is a direct correlation between the costs incurred and the generation of specific income items. All operating expenses, including those related to running the business and in maintenance of property, plant and equipment to ensure operational efficiency, are charged to the Statement of Profit or Loss as incurred.

Directors' Emoluments

Directors' emoluments comprise remuneration paid to both Executive and Non-Executive Directors, including fees and other benefits attributable to their roles within the Company.

Crop Insurance Levy

In accordance with Section 14 of the Finance Act No. 12 of 2013, the Company is liable to pay a Crop Insurance Levy effective from 1 April 2013. This levy, currently applicable at a rate of 1% on profit after tax, is payable to the National Insurance Trust Fund.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Directors' emoluments		29,894,682	19,694,894
Auditors' remuneration	11.1	18,903,068	22,820,000
Operating lease expenses		99,890,499	98,261,631
Crop insurance levy		272,595,639	219,873,422
Professional & legal expenses		1,035,604,536	738,973,895
Insurance expenses		1,729,536,629	1,335,902,237
Marketing & business promotion expenses		4,641,446,887	4,549,784,952
Office administration expenses		5,814,835,094	6,496,677,180
Other overhead expenses		260,096,225	436,840,576
		13,902,803,259	**13,918,828,787**

11.1 Auditors' remuneration

For the year ended 31st March	2026 Rs.	2025 Rs.
Audit fees	15,075,000	17,750,000
Audit related fees & expenses	3,828,068	5,070,000
	18,903,068	**22,820,000**



12. TAXES ON FINANCIAL SERVICES

ACCOUNTING POLICY

Tax on Financial Services include Value Added Tax on Financial Services and Social Security Contribution Levy on Financial Services.

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services and income tax adjusted for specified items in the respective regulation. VAT on Financial Services is charged at 18%.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the amount liable for VAT on financial services. Further the non-financial services are also made liable on the turnover at the rate of 2.5%.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
VAT on Financial Services		5,688,183,322	5,033,498,000
Social Security Contribution Levy (SSCL)		515,406,459	703,165,732
Total taxes on financial services		**6,203,589,781**	**5,736,663,732**

13. INCOME TAX (EXPENSE) / REVERSAL

ACCOUNTING POLICY

Income tax expense comprises of current taxation 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 in OCI.

Current Taxation

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 substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, at the rates specified in Note 13.1 to the Financial Statements.

Deferred Taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities as per Statement of Financial Position and the amount of such assets or liabilities considered for taxation purposes. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are recognised for deductible temporary, carried forward unused tax losses and carried forward unused tax credits to the extent that it is probable that future taxable profits will be available, against which they can be used. Deferred tax assets are reassessed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax asset or liability is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as at the reporting date. The measurement of deferred tax reflects the tax consequences to the Company as at the reporting date in relation to temporary difference in carrying amount of its assets and liabilities recorded in the Statement of Financial Position and the tax base.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Current tax expense			
Current tax based on profit for the year	13.1	-	-
Capital gain tax paid on disposal of investment property		57,003,094	-
Dividend tax paid on disposal of investment	13.1	-	49,932,000
Total current tax expense		**57,003,094**	**49,932,000**
Deferred tax expense			
Due to change in temporary differences	13.1	(2,944,405,253)	(49,932,000)
Total deferred tax expense / (reversal)		**(2,944,405,253)**	**(49,932,000)**
Total income tax expense / (reversal)		**(2,887,402,159)**	**-**
Effective tax rate		**(11.78%)**	**0.00%**

13.1 Reconciliation of accounting profit to income tax expense / (reversal)

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Profit before income tax		**24,518,529,080**	**25,085,140,797**
Income tax expense at the statutory tax rate		7,355,558,724	7,525,542,239
Tax effect on			
Disallowable expenses		2,806,236,997	2,160,504,490
Tax deductible expenses		(925,312,246)	(494,500,697)
Exempt income		(875,153,064)	(947,242,934)
Qualifying payments		(8,361,330,411)	(8,244,303,098)
Current tax based on profit for the year		**-**	**-**
Capital gain tax paid on disposal of investment property		57,003,094	-
Dividend tax paid on disposal of investment		-	49,932,000
Deferred tax expense due to change in temporary differences	27.2	(2,944,405,253)	(49,932,000)
Total income tax expense / (reversal)		**(2,887,402,159)**	**-**
Applicable income tax rate		**30.00%**	**30.00%**

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14. EARNINGS PER SHARE

ACCOUNTING POLICY

The Company presents basic and diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share). Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. The Company did not have any dilutive potential ordinary shares as at 31st March 2025.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Amount used as the numerator			
Profit after tax for the year attributable to equity holders		27,405,931,239	25,085,140,797
No. of ordinary shares used as the denominator			
Weighted average number of ordinary shares	14.1	30,726,741,357	33,079,212,299
Basic / diluted earnings per ordinary share (*)		**0.89**	**0.76**

(*) There were no potential dilution at the year end. Therefore, diluted earnings per share is the same as basic earnings per share shown above.

14.1 Weighted Average Number of Ordinary Shares for Basic / Diluted EPS

For the year ended 31st March	Outstanding No. of Shares		Weighted Average No. of Shares	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Number of shares in issue as at 1st April	33,079,212,299	33,079,212,299	33,079,212,299	33,079,212,299
Less : Number of ordinary shares repurchased	(3,519,065,138)	-	(2,352,470,942)	-
Number of shares in issue as at 31st March	29,560,147,161	33,079,212,299	30,726,741,357	33,079,212,299

15. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents comprise cash in hand, balances with banks that are subject to an insignificant risk of changes in their value. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position and used by the Company in the management of its short-term commitments.

For the year ended 31st March	2026 Rs.	2025 Rs.
Notes and coins held	3,380,106,745	2,333,386,205
Balances with banks	9,316,617,710	6,245,547,344
Cash and cash equivalents	**12,696,724,455**	**8,578,933,549**

15.1 Net cash and cash equivalents for the purpose of the cash flow statement

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Cash and cash equivalents	15	12,696,724,455	8,578,933,549
Bank overdraft		(5,457,264,687)	(8,516,663,167)
Net cash and cash equivalents		**7,239,459,768**	**62,270,382**

16. PLACEMENTS WITH BANKS

For the year ended 31st March	2026 Rs.	2025 Rs.
Placements with banks	15,229,187,243	2,794,250,923
Less: Provision for impairment	-	-
Net placements with banks	**15,229,187,243**	**2,794,250,923**

17. DERIVATIVE FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

The Company uses forward foreign exchange contracts as derivatives. Derivative financial instruments are recorded at fair value. Changes in the fair value of derivatives are included in “Net gains / (losses) from trading” in the Income Statement.

The Company entered into forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. Forward contracts involve an agreement to exchange financial instruments at a future date for a predetermined price. These forward contracts are recognised as derivative assets or liabilities in the Statement of Financial Position, depending on the net position at the reporting date. The Company measures these contracts at fair value, with changes in fair value recognised in Income Statement, consistent with the accounting treatment of derivatives under SLFRS 9. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Forward foreign exchange contracts			
Derivative financial assets		10,267,200	6,499,209
Derivative financial liabilities		(17,587,900)	(1,937,593)
Net derivative assets / (liabilities)		**(7,320,700)**	**4,561,616**
Notional amount		**3,485,773,100**	**865,838,050**

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18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE

ACCOUNTING POLICY

Under SLFRS 9, financial assets are classified based on the business model for managing the assets and the contractual cash flow characteristics. Financial assets that are held for short-term profit-taking, actively traded, or managed on a fair value basis are classified as measured at fair value through profit or loss (FVTPL).

Financial assets measured at fair value through profit or loss are presented in fair value in the SOFP. Interest and dividend income are recorded in "Interest income" and "Net gains / (losses) from trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established. This includes instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling in the near term. Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Government securities	18.1	12,233,133,568	14,238,507,080
Equity securities	18.2	2,207,426,969	2,179,234,036
Unit trusts	18.3	-	16,907,222,669
Total		**14,440,560,537**	**33,324,963,785**

18.1 Government securities

Treasury bonds

For the year ended 31st March	2026 Rs.	2025 Rs.
Amortised cost	9,795,255,851	11,287,027,296
Gain / (loss) from mark to market valuation as at 1st April 2025, 2024	2,951,479,785	2,811,984,417
Movement during the year	(513,602,068)	139,495,367
Gain / (loss) from mark to market valuation as at 31st March	2,437,877,717	2,951,479,785
Market value	**12,233,133,568**	**14,238,507,080**

18.2 Equity securities

For the year ended 31st March	2026			2025		
Company name	**No. of Shares**	**Cost of Investment Rs.**	**Market Value Rs.**	**No. of Shares**	**Cost of Investment Rs.**	**Market Value Rs.**
Equity securities - Quoted						
Access Engineering PLC	10,000	269,990	670,000	10,000	269,990	396,000
ACL Cables PLC	165,480	1,653,448	14,065,800	55,160	1,653,448	6,839,840
Aitken Spence Hotel Holdings PLC	3,800	403,468	348,080	3,800	403,468	304,000
Chemical Industries Colombo PLC (NV)	180	-	4,320	36	-	2,912
Colombo Dockyard PLC	3,300	106,682	403,425	600	106,682	46,200
Commercial Bank of Ceylon PLC	6,262	713,656	1,279,014	6,190	713,656	889,813
Commercial Bank of Ceylon PLC (NV)	5,669	125,982	1,116,793	5,596	125,982	665,924
Laugfs Gas PLC (NV)	21,500	798,342	855,700	21,500	798,342	406,350
Merchant Bank of Sri Lanka	5,000	79,874	54,000	5,000	79,874	30,500
Nations Lanka Finance PLC	81,000	181,666	8,100	81,000	181,666	24,300
Nations Trust Bank PLC (NV)	20,352	1,528,176	5,886,816	20,178	1,528,176	3,843,909
Peoples Leasing & Finance PLC	211,210	2,443,373	4,731,104	205,907	2,443,373	3,747,507
Piramal Glass Ceylon PLC	141,000	603,484	7,346,100	141,000	603,484	5,104,200
Renuka Agri Foods PLC	172,675	790,758	2,158,437	172,675	790,758	604,362
Sampath Bank PLC	7,381	469,738	1,072,090	7,381	469,738	852,506
Seylan Bank PLC (NV)	159,855	1,876,908	11,285,763	159,855	1,876,908	8,184,576
Softlogic Finance PLC	23,900	1,233,775	148,180	23,900	1,233,775	126,670
Swisstek (Ceylon) PLC	51,790	602,195	4,117,305	51,790	602,195	2,501,457
The Lanka Hospitals Corporation PLC	10,000	502,566	1,000,000	10,000	502,566	770,000
Union Bank of Colombo Limited	700	17,500	9,030	700	17,500	7,280
United Motors Lanka PLC	50,000	495,407	1,500,000	5,000	495,407	448,000
Total equity securities - Quoted		**14,896,988**	**58,060,057**		**14,896,988**	**35,796,306**
Equity securities - Unquoted*						
LOLC Myanmar Micro Finance Co. Ltd	6,584,931	861,125,000	1,808,613,642	6,584,931	861,125,000	1,805,739,090
LOLC El-Oula Microfinance Egypt	152,750	348,075,272	340,753,270	152,750	348,075,272	337,698,640
Total equity securities - Unquoted		**1,209,200,272**	**2,149,366,912**		**1,209,200,272**	**2,143,437,730**
Total equity securities		**1,224,097,260**	**2,207,426,969**		**1,224,097,260**	**2,179,234,036**
Gain / (loss) from mark to market valuation as at 1st April 2025 & 2024		955,136,776			946,980,080	
Mark to market gains / (losses)		28,192,933			8,156,696	
Gain / (loss) from mark to market valuation as at 31st March		983,329,709			955,136,776	
Market value		**2,207,426,969**			**2,179,234,036**	



18. FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS – MEASURED AT FAIR VALUE CONTD.

18.2 Equity securities contd.

***Valuation technique - Equity securities (Unquoted)**

The fair value measurement of the above unquoted equity securities has been classified under Level 3 of the fair value hierarchy, as it is based on unobservable inputs used in valuation techniques. The Company has applied the Residual Income Approach to determine the fair value of these investments. The key unobservable inputs used in the valuation include; cost of equity, terminal growth rate, exchange rate and forecasted cash flows. These inputs reflect management's best estimates based on historical data, market trends, and internal projections. The interrelationships between significant unobservable inputs and the fair value measurement are as follows:

- A lower / (higher) cost of equity increases / (decreases) the fair value.
- A higher / (lower) terminal growth rate, exchange rate or forecasted cash flows increases / (decreases) the fair value.

18.3 Unit trusts

For the year ended 31st March	2026 Rs.	2025 Rs.
Amortised cost	-	16,500,000,000
Gain / (loss) from mark to market valuation as at 1st April	407,222,669	272,388,291
Movement during the year	(407,222,669)	134,834,378
Gain / (loss) from mark to market valuation as at 31st March	-	407,222,669
Market value	**-**	**16,907,222,669**

19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS

ACCOUNTING POLICY

Financial assets at amortised cost – loans and advances to customers includes, Loans and Advances and Lease Receivables of the Company.
As per SLFRS 9, "Loans and advances to customers" are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

When the Company is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment, are classified as lease receivable and are presented within "Loans and advances to customers" in the Statement of Financial Position.

After initial measurement, "Loans and advances to customers" are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Company designates loans and advances at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income", while the losses arising from impairment are recognised in "Impairment (charges) / reversal" in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross loans and advances		**423,054,809,507**	**305,240,662,250**
Stage 1		361,016,246,947	208,074,151,859
Stage 2		40,793,863,584	69,260,581,114
Stage 3		21,244,698,976	27,905,929,277
Less: Provision for impairment		**(7,522,456,812)**	**(7,731,522,493)**
Stage 1	19.2	(513,323,653)	(336,811,868)
Stage 2	19.2	(232,854,765)	(418,726,450)
Stage 3	19.2	(6,776,278,394)	(6,975,984,175)
Net loans and advances		**415,532,352,695**	**297,509,139,757**

19.1 Analysis of financial assets at amortised cost – loans and advances to customers

19.1 (a) By product

For the year ended 31st March	2026 Rs.	2025 Rs.
Overdrafts / Speed drafts	98,087,171,065	63,732,794,336
Finance lease receivable	81,815,813,715	71,107,219,176
Credit cards	7,143,425,544	6,889,568,113
Gold Loan	70,236,343,556	39,367,336,123
Staff loans	366,140,130	435,481,449
Housing development loans	2,125,616,990	2,231,365,078
Personal loans	25,942,245,886	17,002,768,157
Individual loans / Group loans	6,026,560,087	6,125,200,232
Factoring	5,215,384,449	3,727,382,041
Loans against fixed deposits	10,509,519,291	8,563,109,648
Margin trading	5,166,546,868	4,184,372,895
Alternate finance portfolio - Other receivables (Murabaha, Musharakah etc.)	39,185,722,406	28,578,336,533
Term loans		
Short term	81,977,997	68,642,074
Long term	71,152,341,523	53,227,086,394
Total	**423,054,809,507**	**305,240,662,250**



19. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS CONTD.

19.1 Analysis of financial assets at amortised cost – loans and advances to customers contd.

19.1 (b) By industry

For the year ended 31st March	2026 Rs.	2025 Rs.
Agriculture and fishing	40,893,198,453	35,572,454,586
Arts, entertainment and recreation	1,066,314,790	1,000,843,676
Construction	52,219,997,412	30,838,953,159
Education	5,118,092,551	4,733,328,675
Financial services	10,510,030,614	12,182,113,077
Healthcare, social services and support services	60,348,859,319	20,816,428,135
Information technology and communication services	2,047,689,520	2,325,462,367
Infrastructure development	3,653,691,693	2,594,822,533
Consumption	70,236,343,556	39,367,336,123
Manufacturing	18,907,761,988	19,304,054,383
Plantation	14,685,068,978	14,088,311,388
Professional, scientific and technical activities	5,712,083,073	7,163,270,929
Tourism	10,919,997,053	7,423,188,760
Transport and storage	47,568,072,664	33,022,322,625
Wholesale and retail trade	67,108,555,689	52,103,547,658
Others	12,059,052,154	22,704,224,176
Total	**423,054,809,507**	**305,240,662,250**

19.2 Movement in provision for impairment during the year

For the year ended 31st March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Charge / (reversal) to the Income Statement	176,511,785	(185,871,685)	(1,044,372,728)	(1,053,732,628)
Net write-off during the year	-	-	844,666,947	844,666,947
Balance as at March 31, 2026	**513,323,653**	**232,854,765**	**6,776,278,394**	**7,522,456,812**

For the year ended 31st March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Charge / (reversal) to the Income Statement	20,278,516	171,758,778	(129,872,281)	62,165,013
Net write-off during the year	-	-	(1,061,038,264)	(1,061,038,264)
Balance as at March 31, 2025	**336,811,868**	**418,726,450**	**6,975,984,175**	**7,731,522,493**

19.3 Finance lease receivable

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Total lease rentals receivable		114,441,576,595	94,678,052,801
Unearned lease interest income		(32,625,762,880)	(23,570,833,625)
Gross lease receivable		**81,815,813,715**	**71,107,219,176**
Less: Provision for impairment		(3,027,926,460)	(3,753,286,355)
Stage 1		(174,502,214)	(122,511,771)
Stage 2		(112,598,875)	(155,528,042)
Stage 3		(2,740,825,371)	(3,475,246,542)
Net lease receivable		**78,787,887,255**	**67,353,932,821**
Gross lease receivable within one year	19.3 (a)	50,884,991,006	32,537,683,554
Gross lease receivable after one year	19.3 (b)	27,902,896,249	34,816,249,267
		78,787,887,255	**67,353,932,821**

19.3 (a) Finance lease receivable within one year

For the year ended 31st March	2026 Rs.	2025 Rs.
Total lease rentals receivable within one year from reporting date	71,952,649,860	47,321,772,890
Unearned lease interest income	(19,033,919,540)	(12,863,932,065)
Gross lease receivable within one year	**52,918,730,320**	**34,457,840,825**
Less: Provision for impairment	(2,033,739,314)	(1,920,157,270)
Net lease receivable within one year	**50,884,991,006**	**32,537,683,554**

19.3 (b) Finance lease receivable after one year

For the year ended 31st March	2026 Rs.	2025 Rs.
Total lease rentals receivable after one year from reporting date	42,488,926,735	47,356,279,911
Unearned lease interest income	(13,591,843,340)	(10,706,901,560)
Gross lease receivable after one year	**28,897,083,395**	**36,649,378,351**
Less: Provision for impairment	(994,187,146)	(1,833,129,085)
Net lease receivable after one year	**27,902,896,249**	**34,816,249,267**

Additional information on loans and advances are given in Note 46 to the Financial Statements (Risk Management), including the movement of the gross carrying amount of amortised cost and expected credit losses (ECL), sensitivity of ECL to key variables used in the ECL calculation etc.



20. FINANCIAL ASSETS AT AMORTISED COST – DEBT AND OTHER FINANCIAL INSTRUMENTS

ACCOUNTING POLICY

As per SLFRS 9, financial assets are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these assets are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment (charges) / reversal" in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Government securities		**13,826,430,458**	**14,268,464,890**
Treasury bills		-	345,567,000
Treasury bonds		6,064,732,452	6,658,815,674
Sri Lanka International Sovereign Bonds	20.1	7,761,698,006	7,264,082,216
Commercial papers		514,889,890	640,927,123
Gross debt & other financial instruments		**14,341,320,348**	**14,909,392,014**
Less: Provision for impairment	20.1 (a)	(57,220,266)	(81,227,434)
Total		**14,284,100,082**	**14,828,164,580**

20.1 Sri Lanka International Sovereign Bonds

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its International Sovereign Bonds (SLISBs). As a result, the Company reversed the impairment provision of Rs 7.4 Bn, pertains to the SLISBs classified under amortised cost is disclosed in Note 8.2 to the financial statements. The impairment reversal of Rs. 24 Mn recognised during the year represents the reduction in the provision for PDI bonds for the year ended 31 March 2026.

20.1 (a) Movement in provision for impairment during the year

For the year ended 31st March 2026	Note	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2025		-	81,227,434	-	81,227,434
Charge / (reversal) to the Income Statement	20.1	-	(24,007,168)	-	(24,007,168)
Balance as at March 31, 2026		**-**	**57,220,266**	**-**	**57,220,266**

For the year ended 31st March 2025	Note	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2024		-	-	7,392,927,934	7,392,927,934
Charge / (reversal) to the Income Statement	20.1	-	81,227,434	(7,392,927,934)	(7,311,700,500)
Balance as at March 31, 2025		**-**	**81,227,434**	**-**	**81,227,434**

20.2 Analysis of debt and other financial instruments based on exposure to credit risk

For the year ended 31st March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Government securities	**6,064,732,452**	**7,761,698,006**	**-**	**13,826,430,458**
Treasury bonds	6,064,732,452	-	-	6,064,732,452
Sri Lanka International Sovereign Bonds	-	7,761,698,006	-	7,761,698,006
Commercial papers	514,889,890	-	-	514,889,890
Gross debt & other financial instruments	**6,579,622,342**	**7,761,698,006**	**-**	**14,341,320,348**
Less: Provision for impairment	-	(57,220,266)	-	(57,220,266)
Total	**6,579,622,342**	**7,704,477,740**	**-**	**14,284,100,082**

For the year ended 31st March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Government securities	**7,004,382,674**	**7,264,082,216**	**-**	**14,268,464,890**
Treasury bills	345,567,000	-	-	345,567,000
Treasury bonds	6,658,815,674	-	-	6,658,815,674
Sri Lanka International Sovereign Bonds	-	7,264,082,216	-	7,264,082,216
Commercial papers	640,927,123	-	-	640,927,123
Gross debt & other financial instruments	**7,645,309,798**	**7,264,082,216**	**-**	**14,909,392,014**
Less: Provision for impairment	-	(81,227,434)	-	(81,227,434)
Total	**7,645,309,798**	**7,182,854,782**	**-**	**14,828,164,580**

20.3 Analysis of debt and other financial instruments

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
By collateralisation		**14,341,320,348**	**14,909,392,014**
Pledged as collateral		-	-
Unencumbered		14,341,320,348	14,909,392,014
By currency		**14,341,320,348**	**14,909,392,014**
Sri Lankan Rupee		6,579,622,342	7,645,309,798
Other currency		7,761,698,006	7,264,082,216

Deloitte Partners CHARTERED ACCOUNTANTS

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

ACCOUNTING POLICY

As per SLFRS 9, this comprises equity instruments designated at FVOCI. Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, as equity instruments at FVOCI when they meet the 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 or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

For the year ended 31st March		2026			2025	
Company name	**No. of Shares**	**Cost of Investment Rs.**	**Market Value Rs.**	**No. of Shares**	**Cost of Investment Rs.**	**Market Value Rs.**
Equity securities - Unquoted						
Credit Information Bureau of Sri Lanka	510	608,468	608,468	510	608,468	608,468
Finance House Association of Sri Lanka	40,000	200,000	200,000	40,000	200,000	200,000
Equity Investments Lanka Limited	16,875	168,750	168,750	16,875	168,750	168,750
LOLC Global (Pvt) Ltd	1,000,000	153,650,000	348,750,380	1,000,000	153,650,000	322,743,515
Total equity securities - Unquoted		**154,627,218**	**349,727,598**		**154,627,218**	**323,720,733**
Gain / (loss) from mark to market valuation as at 1st April 2025 & 2024		169,093,515			123,700,227	
Mark to market gains / (losses)		26,006,865			45,393,288	
Gain / (loss) from mark to market valuation as at 31st March		195,100,380			169,093,515	
Market value		**349,727,598**			**323,720,733**	

Except for the equity investment in LOLC Global (Pvt) Ltd, the Company has used cost as the best approximation of fair value for its unquoted equity securities, due to the absence of recent market transactions or observable exit prices.

22. INVESTMENT IN ASSOCIATE

ACCOUNTING POLICY

Associates are those entities in which the Company has significant influence, but not control, over the variable returns through its power over the investee. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures".

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Accordingly, under the Equity Method, investments in associates are carried at cost plus post acquisition changes in the Company's share of net assets of the associates and are reported as a separate line item in the Statement of Financial Position. The Income Statement reflects the Company's share of the results of operations of the associates.

For the year ended 31st March			2026		2025	
Company name	**Ownership interest %**	**No. of Shares Rs.**	**Cost of Investment Rs.**	**Carrying Value Rs.**	**Cost of Investment Rs.**	**Carrying Value Rs.**
Unquoted						
Commercial Insurance Brokers (Pvt) Ltd	40.00	240,000	-	-	-	-
Total			**-**	**-**	**-**	**-**

On March 31, 2025, the Company disposed of its entire equity stake in Commercial Insurance Brokers (Pvt) Ltd for a total consideration of Rs. 332,880,000.

22.1 Reconciliation of summarised financial information

Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Statements is as follows:

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Commercial Insurance Brokers (Pvt) Ltd			
Cost of investments		-	-
Add: Share of profit applicable to the Company			
Investment in associate – as at April 01, 2025 & 2024		-	249,943,293
Total comprehensive income		-	22,834,362
Share of profit/(loss) of associate, net of tax	22.2	-	16,155,187
Share of other comprehensive income/(expense) of associate, net of tax	22.2	-	6,679,175
Dividend received		-	-
Disposal of investment		-	(272,777,655)
Balance as at March 31,		-	-



22. INVESTMENT IN ASSOCIATE CONTD.

22.2 Summarised financial information in respect of the associate is set out below:

22.2 (a) Summarised Income Statement

For the year ended 31st March	2026 Rs.	2025 Rs.
Commercial Insurance Brokers (Pvt) Ltd		
Revenue	-	258,127,814
Expenses	-	(198,471,312)
Income tax	-	(19,268,534)
Profit/(loss) from continuing operations, net of tax	**-**	**40,387,967**
Company's share of profit/(loss) from continuing operations, net of tax	**-**	**16,155,187**
Other comprehensive income/(expense), net of tax	-	16,697,937
Company's share of Other Comprehensive Income/(expense) from continuing operations, net of tax	**-**	**6,679,175**
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income	**-**	**22,834,362**

23. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on "Property, plant and equipment" in accounting for its owned assets which are held for and used in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

Basis of recognition - Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

Basis of measurement - An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs directly attributable to bringing the asset to a working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost model -The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Company applies the revaluation model for the entire class of land, buildings and motor vehicles for measurement after initial recognition. These are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the income statement. Any decrease in the carrying amount is recognised as an expense in the income statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset. The Company revalued its land, buildings and motor vehicles as at March 31, 2025. Methods and significant assumptions including unobservable market inputs employed in estimating the fair value are given in Note 23.2 and Note 23.3.

Subsequent expenditure - Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Derecognition - The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

	Freehold lands	Freehold buildings	Freehold motor vehicles	Office equipment, furniture and fixtures	Computer equipment	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation						
Balance as at April 01, 2025	6,649,200,000	3,306,000,000	2,971,324,998	3,464,732,071	1,810,239,199	**18,201,496,268**
Additions & improvements	-	-	5,480,118,384	9,123,256	277,008,738	**5,766,250,378**
Transfer from / (to) investment properties	368,300,000	133,000,000	-	-	-	**501,300,000**
Disposals during the year	-	-	(160,675,000)	(8,772,801)	(392,228,879)	**(561,676,680)**
Reclassification	-	-	-	61,673,605	(78,975,948)	**(17,302,343)**
Transfers / adjustments	-	-	-	-	227,660,267	**227,660,267**
Balance as at March 31, 2026	**7,017,500,000**	**3,439,000,000**	**8,290,768,382**	**3,526,756,131**	**1,843,703,377**	**24,117,727,890**
Accumulated depreciation						
Balance as at April 01, 2025	-	-	-	2,481,008,081	1,481,951,627	**3,962,959,708**
Charge for the year	-	110,797,450	945,614,489	323,717,387	80,424,986	**1,460,554,312**
Disposals during the year	-	-	(16,463,504)	(6,522,355)	(352,489,326)	**(375,475,185)**
Transfers / adjustments	-	-	-	-	204,894,240	**204,894,240**
Balance as at March 31, 2026	**-**	**110,797,450**	**929,150,985**	**2,798,203,113**	**1,414,781,527**	**5,252,933,075**
Net book value as at March 31, 2026	**7,017,500,000**	**3,328,202,550**	**7,361,617,397**	**728,553,018**	**428,921,850**	**18,864,794,815**
Net book value as at March 31, 2025	**6,649,200,000**	**3,306,000,000**	**2,971,324,998**	**983,723,991**	**328,287,572**	**14,238,536,560**

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23. PROPERTY, PLANT AND EQUIPMENT CONTD.

	Freehold lands	Freehold buildings	Freehold motor vehicles	Office equipment, furniture and fixtures	Computer equipment	Capital work-in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / valuation							
Balance as at April 01, 2024	5,574,150,000	2,914,382,639	2,193,614,896	2,669,116,994	1,775,999,078	32,280,218	**15,159,543,824**
Additions & improvements		103,026,810	629,225,266	654,171,887	120,012,246	191,614,034	**1,698,050,242**
Surplus on revaluation	623,050,000	275,293,752	344,629,836	-	-	-	**1,242,973,587**
Transfer from investment properties	452,000,000	-	-	-	-	-	**452,000,000**
Disposals during the year	-	-	(194,245,000)	(35,314,236)	(85,675,000)	(32,280,218)	**(347,514,454)**
Transfers / adjustments	-	13,296,800	(1,900,000)	176,757,426	(97,124)	(191,614,034)	**(3,556,932)**
Balance as at March 31, 2025	**6,649,200,000**	**3,306,000,000**	**2,971,324,998**	**3,464,732,071**	**1,810,239,199**	**-**	**18,201,496,268**
Accumulated depreciation							
Balance as at April 01, 2024	-	145,957,768	479,721,106	2,232,349,236	1,238,661,887	-	**4,096,689,997**
Charge for the year	-	91,233,066	142,227,229	275,047,397	311,225,435	-	**819,733,126**
Depreciation on revaluation	-	(237,190,834)	(557,810,716)	-	-	-	**(795,001,550)**
Disposals during the year	-	-	(64,137,619)	(26,485,677)	(67,838,570)	-	**(158,461,866)**
Transfers / adjustments	-	-	-	97,124	(97,124)	-	-
Balance as at March 31, 2025	**-**	**-**	**-**	**2,481,008,081**	**1,481,951,627**	**-**	**3,962,959,708**
Net book value as at March 31, 2025	**6,649,200,000**	**3,306,000,000**	**2,971,324,998**	**983,723,991**	**328,287,572**	**-**	**14,238,536,560**
Net book value as at March 31, 2024	**5,574,150,000**	**2,768,424,871**	**1,713,893,790**	**436,767,757**	**537,337,191**	**32,280,218**	**11,062,853,827**

23.1 The carrying amount of Company's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

For the year ended 31st March	2026			2025		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Class of asset						
Freehold lands	4,134,473,802	-	4,134,473,802	3,766,173,802	-	3,766,173,802
Freehold buildings	2,040,436,408	298,372,740	1,742,063,668	1,907,436,408	214,509,547	1,692,926,862
Freehold motor vehicles	7,531,063,903	1,516,996,007	6,014,067,896	2,050,945,548	1,511,629,037	539,316,511
Total	**13,705,974,113**	**1,815,368,747**	**11,890,605,366**	**7,724,555,758**	**1,726,138,584**	**5,998,417,175**



23. PROPERTY, PLANT AND EQUIPMENT CONTD.

23.2 Measurement of fair values

The fair value of the freehold land, buildings and motor vehicles were assessed by independent, professionally qualified external valuers with expertise in the relevant class of assets and geographic locations. The valuation, completed as of 31 March 2025, was carried out in accordance with recognized valuation standards. All freehold land, buildings and motor vehicless were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

23.3 Valuation techniques and sensitivity of the fair value measurement of the freehold land, buildings and motor vehicles of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per perch for land The value of a perch ranges from Rs.44,000 to Rs.28,500,000 in the Colombo area and Rs.25,000 to Rs.13,000,000 outside Colombo.	Estimated fair value would increase / (decrease) if; – Price per perch for land would increase / (decrease)
Depreciated replacement cost method		
The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	Price per square foot for building Depreciation rate for building The value per sq.ft ranges from Rs.2,000 to Rs.180,000 in the Colombo area and Rs.1,500 to Rs.16,000 outside Colombo.	Estimated fair value would increase / (decrease) if; – Price per square foot for building would increase / (decrease) – Depreciation rate for building would (decrease) / increase

23.4 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

23.5 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

23.6 Fully-depreciated property, plant and equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use is as follows:

For the year ended 31st March	2026 Rs.	2025 Rs.
Class of asset		
Office equipment, furniture and fixtures	2,200,653,423	2,050,050,602
Computer equipment	870,900,922	924,848,549

23.7 Temporarily idle property, plant and equipment

There were no temporary idle property, plant and equipment of the Company as at the reporting date.

24. INTANGIBLE ASSETS

ACCOUNTING POLICY

The Company's intangible assets include computer software. Cost of purchased all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortisation.

Basis of recognition

An intangible asset is 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 the Sri Lanka Accounting Standard – LKAS 38 on "Intangible Assets". Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation.

Subsequent expenditure - Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. There were no restrictions on the title of the intangible assets of the Company as at the reporting date. Further, there were no items pledged as securities for liabilities.

For the year ended 31st March	2026 Rs.	2025 Rs.
Cost		
Balance as at April 01, 2025 & 2024	68,618,555	72,116,765
Additions & improvements	-	26,643,650
Disposals during the year	-	(30,141,860)
Reclassification	17,302,343	-
Balance as at March 31,	**85,920,898**	**68,618,555**
Accumulated amortisation		
Balance as at April 01, 2025 & 2024	8,510,906	32,534,012
Charge for the year	36,364,025	2,268,551
Disposals during the year	-	(26,291,657)
Balance as at March 31,	**44,874,931**	**8,510,906**
Net book value as at March 31,	**41,045,967**	**60,107,649**

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25. RIGHT-OF-USE ASSETS

ACCOUNTING POLICY

Right-of-use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2025	29,082,956	2,338,302,080	54,961,000	227,660,267	**2,650,006,303**
Additions & improvements	3,050,537	838,928,520	-	-	**841,979,057**
Expiration / terminations during the year	-	(259,697,578)	-	-	**(259,697,578)**
Transfers / adjustments	(4,585,384)	340,870,041	-	(227,660,267)	**108,624,390**
Balance as at March 31, 2026	**27,548,109**	**3,258,403,063**	**54,961,000**	**-**	**3,340,912,172**
Accumulated amortisation					
Balance as at April 01, 2025	6,320,225	1,011,226,411	11,613,679	139,644,682	**1,168,804,997**
Charge for the year	2,301,171	534,053,913	746,310	71,720,839	**608,822,233**
Expiration / terminations during the year	-	(242,368,168)	-	(6,471,281)	**(248,839,449)**
Transfers / adjustments	-	-	-	(204,894,240)	**(204,894,240)**
Balance as at March 31, 2026	**8,621,396**	**1,302,912,156**	**12,359,989**	**-**	**1,323,893,541**
Net book value as at March 31, 2026	**18,926,713**	**1,955,490,908**	**42,601,011**	**-**	**2,017,018,631**
Net book value as at March 31, 2025	**22,762,731**	**1,327,075,669**	**43,347,321**	**88,015,585**	**1,481,201,306**

	Leasehold lands Rs.	Leasehold buildings Rs.	Leasehold motor vehicles Rs.	Computer equipment Rs.	Total Rs.
Cost					
Balance as at April 01, 2024	14,963,050	2,325,939,329	54,961,000	227,660,267	**2,623,523,647**
Additions & improvements	23,188,936	824,697,744	-	-	**847,886,680**
Expiration / terminations during the year	(9,069,030)	(812,334,994)	-	-	**(821,404,024)**
Balance as at March 31, 2025	**29,082,956**	**2,338,302,080**	**54,961,000**	**227,660,267**	**2,650,006,303**
Accumulated amortisation					
Balance as at April 01, 2024	9,408,657	1,307,891,630	8,845,067	37,197,562	**1,363,342,916**
Charge for the year	5,075,295	372,455,581	2,768,612	102,447,120	**482,746,608**
Expiration / terminations during the year	(8,163,727)	(669,120,800)	-	-	**(677,284,527)**
Balance as at March 31, 2025	**6,320,225**	**1,011,226,411**	**11,613,679**	**139,644,682**	**1,168,804,997**
Net book value as at March 31, 2025	**22,762,731**	**1,327,075,669**	**43,347,321**	**88,015,585**	**1,481,201,306**
Net book value as at March 31, 2024	**5,554,393**	**1,018,047,699**	**46,115,933**	**190,462,705**	**1,260,180,731**

25.1 Lease liability

Set out below are the carrying amounts of lease liabilities (included under "Other liabilities" in Note 33) and the movements.

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	1,515,845,166	1,201,205,928
Additions	754,413,154	742,215,610
Adjustments	336,284,657	-
Terminations	(23,152,231)	(130,186,343)
Accretion of interest	374,654,202	211,615,548
Payments	(729,226,821)	(509,005,577)
Balance as at March 31,	**2,228,818,127**	**1,515,845,166**

25.2 Future minimum lease payments under non-cancellable leases

For the year ended 31st March	2026 Rs.	2025 Rs.
Maturity analysis of contractual undiscounted cash flows		
Less than 1 year	541,624,642	492,452,520
1 to 5 years	1,790,120,926	1,257,156,406
More than 5 years	1,085,467,438	456,880,702
Total undiscounted lease liabilities	**3,417,213,006**	**2,206,489,628**

25.3 Sensitivity of right-of-use assets / lease liability to key assumptions

25.3 (a) Sensitivity to discount rates

1% increase / (decrease) in discount rate as at 31st March 2026 would have (decreased) / increased the lease liability by approximately Rs. 84 Mn with a similar (decrease) / increase in the right-of-use asset. Had the Company increased / (decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs. 2.8 Mn.

25.3 (b) Sensitivity to lease term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31st March 2026 would have increased by Rs. 407.5 Mn, with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 47.6 Mn.



26. INVESTMENT PROPERTIES

ACCOUNTING POLICY

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. This includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the net other operating income.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		**55,029,900,000**	**48,313,343,393**
Additions and improvements:			
Additions		-	4,847,050,141
Additions resulting from acquisitions		-	78,000,000
Improvements		48,916,911	-
Disposals / returned to clients		(975,500,000)	(497,300,000)
Transfer (to) / from PPE	23	(501,300,000)	(452,000,000)
Adjustment		(220,090,944)	-
Change in fair value during the year	7.1	1,933,674,033	2,740,806,466
Balance as at March 31,		**55,315,600,000**	**55,029,900,000**

During the year ended 31 March 2026, the Company earned rental income of Rs. 228.1 million (2024/25: Rs.202.2 million) from its investment properties. Correspondingly, property maintenance expenses amounted to Rs. 126.1 million (2024/25: Rs.134.5 million).

26.1 Measurement of fair values

The fair value of the investment property portfolio was assessed by independent, professionally qualified external valuers with expertise in the relevant property types and geographic locations. The valuation, completed as of 31 March 2026, was carried out in accordance with recognized valuation standards. All investment properties were measured using Level 3 fair value inputs under the fair value hierarchy, reflecting the use of unobservable market data and significant management judgment in the valuation process.

26.2 Valuation techniques and sensitivity of the fair value measurement of the investment properties of the Company

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below:

Valuation technique	Significant unobservable inputs	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property.	Price per perch for land The value of a perch ranges from Rs.80,000 to Rs.29,000,000 in the Colombo area and Rs.30,000 to Rs.10,000,000 outside Colombo.	Estimated fair value would increase / (decrease) if; – Price per perch for land would increase / (decrease)
Depreciated replacement cost method The depreciated replacement cost method is used to estimate the fair value of property for which there is no active market. Fair value is determined based on the current replacement cost of a comparable asset, adjusted for accumulated depreciation, obsolescence, and physical deterioration to reflect its current condition and remaining useful life.	Price per square foot for building Depreciation rate for building The value per sq.ft ranges from Rs.2,500 to Rs.126,500 in the Colombo area and Rs.1,250 to Rs.18,000 outside Colombo.	Estimated fair value would increase / (decrease) if; – Price per square foot for building would increase / (decrease) – Depreciation rate for building would (decrease) / increase

27. DEFERRED TAX ASSETS AND LIABILITIES

ACCOUNTING POLICY

There is no legally enforceable right to set off deferred tax assets against the deferred tax liabilities if it does not relates to the same taxable entity or the same taxation authority. Therefore, net deferred tax assets and liabilities of different entities / authorities are separately recognised in the Statement of Financial Position.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Recognised under deferred tax assets	27.2	13,315,441,557	9,485,561,344
Recognised under deferred tax liabilities	27.2	(13,315,441,557)	(12,477,992,230)
Net deferred tax assets / (liabilities)		**-**	**(2,992,430,886)**

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27. DEFERRED TAX ASSETS AND LIABILITIES CONTD.

27.1 Summary of net deferred tax assets / (liabilities)

For the year ended 31st March	2026		2025	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	Rs.	Rs.	Rs.	Rs.
Balance at the beginning of the year	(9,974,769,621)	(2,992,430,886)	(9,996,850,951)	(2,999,055,285)
Impact on origination / (reversal) of temporary differences to Statement of Profit or Loss	9,814,684,177	2,944,405,253	166,440,000	49,932,000
Impact on origination / (reversal) of temporary differences to Statement of Other Comprehensive Income	160,085,444	48,025,633	(144,358,670)	(43,307,601)
Balance as at March 31,	**-**	**-**	**(9,974,769,621)**	**(2,992,430,886)**

27.2 Reconciliation of net deferred tax assets / (liabilities)

	Statement of financial position		Profit or loss		Other comprehensive income	
For the year ended 31st March	2026	2025	2026	2025	2026	2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred tax assets on:						
Post employment benefit obligation	411,232,390	225,697,732	39,979,667	28,392,109	145,554,990	(15,982,662)
Provision for impairment charges	210,034,649	219,146,653	(9,112,005)	62,852,524	-	-
Lease liability	668,645,438	454,753,550	213,891,888	94,391,771	-	-
Carried forward qualifying payment (Note 27.3)	12,025,529,080	8,585,963,409	3,439,565,672	1,140,290,367	-	-
	13,315,441,557	**9,485,561,344**	**3,684,325,222**	**1,325,926,771**	**145,554,990**	**(15,982,662)**
Deferred tax liabilities on:						
Accelerated depreciation for tax purposes	425,846,040	383,472,888	42,373,152	387,446,659	-	-
Lease receivables	1,717,829,277	1,717,829,277	-	-	-	-
Right-of-use assets	611,935,398	444,360,392	167,575,005	66,306,173	-	-
Revaluation surplus on freehold buildings	267,215,456	169,686,099	-	-	97,529,357	(468,286,745)
Revaluation surplus on freehold land	299,852,100	299,852,100	-	-	-	299,852,100
Revaluation surplus on freehold motor vehicle	565,970,652	565,970,652	-	-	-	195,759,584
Forward exchange contracts (net)	-	-	-	-	-	-
Revaluation gain on investment property	9,426,792,634	8,896,820,822	529,971,812	822,241,940	-	-
	13,315,441,557	**12,477,992,230**	**739,919,969**	**1,275,994,771**	**97,529,357**	**27,324,939**
Deferred tax effect on profit or loss and other comprehensive income for the year			**2,944,405,253**	**49,932,000**	**48,025,633**	**(43,307,601)**
Net deferred tax assets / (liabilities) as at March 31,	**-**	**(2,992,430,886)**				

27.3 Cost of acquisition of subsidiary and unrecognized deferred tax assets

During the financial year 2017/18, the Company paid Rs.12,291,200,000 to acquire 100% of LOLC Micro Credit Limited. In addition, during the financial year 2021/22 and 2022/23, the Company paid purchase consideration of Rs.198,818,947,542 and Rs.95,412,357,959 to be merged with Commercial Leasing and Finance PLC and LOLC Development Finance PLC respectively. Since this was inline with the Central Bank of Sri Lanka's consolidation program, the Company is able to claim the purchase consideration as a qualifying payment in calculating the income tax liability.

During the year Rs. 27,871,101,370 was claimed keeping inline with the requirements of the Inland Revenue Act. The Company expects to claim the remaining amount over the future year based on the profitability of the Company. On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the future years and expects to recover Rs.40,085,096,934 over such year and a deferred tax asset of Rs. 12,025,529,080 was recognized during the year.

The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Unrecognized deferred tax asset

For the year ended 31st March	Note	2026	2025
		Rs.	Rs.
Remaining amount to be claimed at the beginning of the year		238,034,817,396	264,624,944,578
Consideration paid to acquire subsidiary		-	-
Previous year adjustment		(1,032,105,106)	890,883,146
Amount claimed during the year		(27,871,101,370)	(27,481,010,327)
Remaining amount to be claimed in future years		**209,131,610,920**	**238,034,817,396**
Tax rate		30.00%	30.00%
Deferred tax asset on remaining amount		62,739,483,276	71,410,445,219
Recognized deferred tax asset	27.2	(12,025,529,080)	(8,585,963,409)
Unrecognized deferred tax asset		**50,713,954,196**	**62,824,481,810**



28. OTHER ASSETS

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial assets			
Amount due from related companies		173,611,600	56,700,133
Insurance premium receivables		1,045,888,689	982,319,226
Sundry debtors		58,068,260	86,499,133
Less: Provision for impairment	28.2	(1,050,022,875)	(590,163,054)
		227,545,674	**535,355,438**
Other non-financial assets			
Deposits and prepayments		865,608,759	294,528,449
Pre-paid staff cost	28.1	19,687,510	29,830,589
Other receivables		1,014,834,077	418,786,390
		1,900,130,346	**743,145,428**
Net other assets		**2,127,676,020**	**1,278,500,866**

28.1 The movement in the Pre-paid staff cost

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		29,830,589	37,318,316
Add: Adjustment for new grants (net of settlements)		10,421,047	14,162,083
Charge to personnel expenses	9	(20,564,126)	(21,649,811)
Balance as at March 31,		**19,687,510**	**29,830,589**

28.2 Movement in provision for impairment during the year

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	590,163,054	1,079,893,318
Charge / (reversal) to the Income Statement	459,859,821	(489,730,263)
Stage 1	104,776,861	64,597,906
Stage 2	-	-
Stage 3	355,082,960	(554,328,169)
Balance as at March 31,	**1,050,022,875**	**590,163,054**

The impairment allowance was recognized against insurance premium receivable and other financial assets.

29. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS

ACCOUNTING POLICY

These include savings deposits and fixed deposits. Subsequent to initial recognition deposits are measured at amortised cost using the EIR method. Interest paid / payable on these deposits is recognised in "Interest expense" in the Income Statement.

For the year ended 31st March	2026 Rs.	2025 Rs.
Local currency deposits	**266,153,475,744**	**221,927,375,676**
Savings deposits	16,066,107,055	14,031,260,049
Fixed deposits	250,087,368,689	207,896,115,627
Foreign currency deposits	**5,347,269,682**	**3,789,953,303**
Savings deposits	315,815,025	272,704,509
Fixed deposits	5,031,454,657	3,517,248,794
Total	**271,500,745,426**	**225,717,328,979**

The maturity analysis of financial liabilities at amortised cost – due to depositors is given in Note 44.

29.1 Analysis of due to depositors

29.1 (a) By product

For the year ended 31st March	2026 Rs.	2025 Rs.
Savings deposits - Conventional	13,893,062,941	11,941,713,277
Savings deposits - Alternate finance	2,173,044,114	2,089,546,772
Savings deposits - Foreign currency	315,815,025	272,704,509
Fixed deposits - Conventional	226,068,160,045	186,176,305,615
Fixed deposits - Alternate finance	24,019,208,644	21,719,810,012
Fixed deposits - Foreign currency	5,031,454,657	3,517,248,794
Total	**271,500,745,426**	**225,717,328,979**

29.1 (b) By currency

For the year ended 31st March	2026 Rs.	2025 Rs.
Sri Lankan Rupee	266,153,475,744	221,927,375,676
United States Dollar	3,030,920,657	2,173,067,941
Great Britain Pound	1,005,086,526	697,624,276
Euro	484,424,825	377,525,795
Australian Dollar	826,837,674	541,735,291
Total	**271,500,745,426**	**225,717,328,979**



29. FINANCIAL LIABILITIES AT AMORTISED COST – DUE TO DEPOSITORS CONTD.

29.1 Analysis of due to depositors contd.

29.1 (c) By institution / customers

For the year ended 31st March	2026 Rs.	2025 Rs.
Deposits from banks	3,014,347,194	1,012,721,611
Deposits from other customers	268,486,398,232	224,704,607,368
Total	**271,500,745,426**	**225,717,328,979**

30. FINANCIAL LIABILITIES AT AMORTISED COST – BORROWINGS

ACCOUNTING POLICY

This includes interest-bearing borrowings from banks and financial institutions. Subsequent to initial recognition, these are measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost reflects the impact of any discounts, premiums, or directly attributable transaction costs. The EIR amortisation is recognised under interest expenses in the Income Statement.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Short-term borrowings	30.1	46,463,406,735	6,096,436,048
Long-term borrowings	30.2	41,645,227,603	4,444,723,945
Finance leases	30.3	6,746,342	127,745,867
Debentures	30.4	10,284,956,071	5,012,074,458
Total		**98,400,336,751**	**15,680,980,318**

30.1 Short-term loans

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	6,096,436,048	5,379,596,823
Loans obtained	46,260,602,740	30,000,000,000
Repayments	(8,561,040,818)	(29,749,091,498)
Interest accrued during the year	2,667,408,765	465,930,723
Balance as at March 31,	**46,463,406,735**	**6,096,436,048**

30.2 Long-term borrowings

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		4,444,723,945	9,075,079,559
Loans obtained		42,130,450,000	-
Repayments		(6,930,794,457)	(5,384,827,970)
Interest accrued during the year		2,000,848,115	754,472,356
Balance as at March 31,		**41,645,227,603**	**4,444,723,945**
Long-term borrowings - current		10,330,747,937	3,479,665,243
Long-term borrowings - non-current	30.2 (a)	31,314,479,666	965,058,702
Total		**41,645,227,603**	**4,444,723,945**

30.2 (a) Analysis of non-current portion of long-term borrowings

Repayable within 1-3 years		23,892,374,666	842,400,000
Repayable after 3 years		7,422,105,000	122,658,702
Total		**31,314,479,666**	**965,058,702**

30.3 Finance leases

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Gross lease rentals payable at the beginning of the year		137,648,496	282,495,962
Interest accrued during the year		9,639,989	27,763,074
Lease rentals paid		(140,279,502)	(172,610,540)
Gross lease rentals payable at the end of the year		**7,008,983**	**137,648,496**
Less: Interest in suspense		(262,641)	(9,902,630)
Balance at the end of the year / present value of minimum lease payments		**6,746,342**	**127,745,867**

30.3 (a) Analysis of finance leases

Repayable within one year	30.3 (b)	6,746,342	120,999,524
Repayable within 1-5 years	30.3 (c)	-	6,746,342
Total		**6,746,342**	**127,745,867**

30.3 (b) Repayable within one year

Gross lease rentals payable	7,008,983	130,639,513
Less: interest in suspense	(262,641)	(9,639,989)
	6,746,342	**120,999,524**

30.3 (c) Repayable within 1-5 years

Gross lease rentals payable	-	7,008,983
Less: interest in suspense	-	(262,641)
	-	**6,746,342**

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30. FINANCIAL LIABILITIES AT AMORTISED COST – BORROWINGS CONTD.

30.4 Debentures

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance at the beginning of the year	5,012,074,458	5,011,996,675
Debenture issued	10,000,000,000	-
Debenture redeemed	(5,000,000,000)	-
Interest accrued during the year	609,950,516	593,706,762
Interest paid	(337,068,903)	(593,628,979)
Balance as at March 31,	**10,284,956,071**	**5,012,074,458**

30.4 (a) Details of debentures issued

These represent listed, rated, senior, unsecured, redeemable debentures amounting to 100 million units, issued in December 2025. The debentures are listed on the Colombo Stock Exchange and are rated A+ (Stable) by Lanka Rating Agency.

Instrument type	No. of debentures	Face value Rs.	Rate of interest % (p.a)	Interest frequency	Maturity date	2026 Rs.	2025 Rs.
Type A - 5 Years Tenor	33,712,500	3,371,250,000	10.50	Semi-Annually	23-Sep-25	-	3,379,008,493
Type B - 5 Years Tenor	16,287,500	1,628,750,000	19.63	Semi-Annually	23-Sep-25	-	1,633,065,965
	50,000,000	**5,000,000,000**				**-**	**5,012,074,458**
Type A - 5 Years Tenor	80,414,500	8,041,450,000	11.25	Annually	10-Dec-30	8,319,045,260	-
Type B - 5 Years Tenor	20,000	2,000,000	10.95	Semi-Annually	10-Dec-30	2,067,200	-
Type C - 5 Years Tenor	19,565,500	1,956,550,000	10.53	Annually	10-Dec-30	1,963,843,611	-
	100,000,000	**10,000,000,000**				**10,284,956,071**	**-**

31. RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

The accounting policies pertaining to "Retirement benefit obligation" are given in Note 9 to the Financial Statements.

31.1 Defined contribution plans

For the year ended 31st March	2026 Rs.	2025 Rs.
Employees' Provident Fund		
Employers' contribution	474,789,147	385,690,229
Employees' contribution	316,526,098	257,126,820
Employees' Trust Fund	119,034,709	99,885,171

31.2 Defined benefit plan

31.2 (a) Movement of defined benefit obligation during the year

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Provision for Gratuity			
Balance at the beginning of the year		752,325,774	710,960,950
Expense recognised in Profit or Loss	31.2 (b)	209,462,596	175,551,424
Benefits paid from plan		(76,197,039)	(80,911,060)
Actuarial (gains) / losses recognized during the year	31.2 (c)	485,183,301	(53,275,540)
Balance as at March 31,		**1,370,774,632**	**752,325,774**

31.2 (b) Expense recognised in Profit or Loss

For the year ended 31st March	2026 Rs.	2025 Rs.
Current service cost	123,755,326	83,126,501
Interest cost	85,707,270	92,424,923
Total expense recognised in profit or loss	**209,462,596**	**175,551,424**

31.2 (c) Actuarial (gains) / losses recognised in other comprehensive income

For the year ended 31st March	2026 Rs.	2025 Rs.
Cumulative (gain) / loss at the beginning of the year	19,774,766	73,050,306
Actuarial (gains) / losses due to changes in assumptions	(56,713,162)	(8,276,549)
Actuarial experience (gains) / losses during the year	541,896,463	(44,998,991)
Cumulative (gain) / loss as at March 31,	**504,958,067**	**19,774,766**

An actuarial valuation of the gratuity fund of the Company was carried out as at 31st March 2026 by Mr Jayaraman Muthukrishnan (Fellow of the Institute and Faculty of Actuaries - UK) of Units Actuaries & Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the Projected Unit Credit Method, as recommended by Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

31.2 (d) Actuarial assumptions

For the year ended 31st March	2026	2025
Financial assumptions		
Discount rate	10.00%	12.00%
Future salary increment rate	8.00%	10.00%
Demographic assumptions		
Mortality (Mortality Table)	IALM 2006–08	RP 2000
Retirement age	60 years	60 years



31. RETIREMENT BENEFIT OBLIGATION CONTD.

31.2 Defined benefit plan contd.

31.2 (d) Actuarial assumptions contd.

The expected average future working life of the active participants is 9.3 years (2024/25: 11.2 years).

The discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. The future salary increment rate was also revised to align with the decrease in market interest rates. The Company adjusted the staff turnover rates used in 2025 based on the actual turnover rates during the period.

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service under the Payment of Gratuity Act No. 12 of 1983. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service. The obligation is not externally funded.

31.2 (e) Sensitivity of assumptions employed in defined benefit obligation

Reasonably possible changes to one of the significant actuarial assumptions at the reporting date, while holding other assumptions constant, would have affected the gratuity liability / Statement of Comprehensive Income by the amounts shown below.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
The defined benefit obligation under current assumptions	31.2 (a)	**1,370,774,632**	**752,325,774**
The defined benefit obligation if the discount rate increased by 100 basis points		1,267,266,683	681,278,288
The defined benefit obligation if the discount rate reduced by 100 basis points		1,489,933,281	834,376,728
The defined benefit obligation if the salary increment rate increased by 1%		1,497,663,967	842,947,813
The defined benefit obligation if the salary increment rate reduced by 1%		1,258,965,695	673,385,357
The change in the defined benefit obligation if the discount rate increased by 100 basis points		*(103,507,949)*	*(71,047,486)*
The change in the defined benefit obligation if the discount rate reduced by 100 basis points		*119,158,649*	*82,050,955*
The change in the defined benefit obligation if the salary increment rate increased by 1%		*126,889,335*	*90,622,040*
The change in the defined benefit obligation if the salary increment rate reduced by 1%		*(111,808,937)*	*(78,940,417)*

31.2 (f) The expected payouts in the future years on defined benefit obligation

For the year ended 31st March	2026 Rs.	2025 Rs.
Within the next 12 months	143,194,882	82,532,261
Between 1 - 2 years	200,978,893	82,461,389
Between 2 - 5 years	238,768,862	297,292,060
Beyond 5 Years	787,831,995	833,903,267
Total	**1,370,774,632**	**1,296,188,977**

32. CURRENT TAX LIABILITIES

ACCOUNTING POLICY

The accounting policies pertaining to "Current tax liabilities" are given in Note 12 to the Financial Statements.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		2,011,921,307	2,681,710,125
Provision for the year	13.1	-	-
Under / (over) provision		-	-
Payment of tax		(50,940,768)	(669,788,818)
Balance as at March 31,		**1,960,980,539**	**2,011,921,307**

33. OTHER LIABILITIES

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Other financial liabilities			
Trade payables		1,805,970,673	1,996,620,604
Insurance premium payables		122,315,943	381,699,446
Amount due to related companies		1,070,266,163	825,663,740
Lease liability	25.1	2,228,818,127	1,515,845,166
Payable on matured deposits		63,481,022	59,469,840
		5,290,851,928	**4,779,298,796**
Other non-financial liabilities			
Excess payments received from clients		1,543,621,016	1,548,910,940
Stamp duty payable		25,536,521	33,759,347
Value Added Tax (VAT) / other tax payable		14,174,401,064	15,655,778,063
Crop Insurance Levy Payable		197,604,581	175,860,350
Other payables		3,206,670,996	2,329,116,095
Impairment provision in respect of off-balance sheet credit exposures	37.1	1,780,003	13,904,423
		19,149,614,181	**19,757,329,218**
Net other liabilities		**24,440,466,109**	**24,536,628,014**

Deloitte Partners CHARTERED ACCOUNTANTS

34. STATED CAPITAL

ACCOUNTING POLICY

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue cost.

For the year ended 31st March	Note	2026 No. of shares	2026 Rs.	2025 No. of shares	2025 Rs.
Balance at the beginning of the year		33,079,212,299	44,078,915,852	33,079,212,299	306,993,805,501
Capital reduction - transfer from merger reserve	34.1	-	-	-	(262,914,889,649)
Repurchase of shares	34.2	(3,519,065,138)	-	-	-
Balance as at March 31,		**29,560,147,161**	**44,078,915,852**	**33,079,212,299**	**44,078,915,852**

Rights, preferences and restrictions of classes of capital

The holders of ordinary shares have the right to receive dividends as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

34.1 Capital reduction

At the Extraordinary General Meeting held on July 29, 2024, the shareholders of the Company approved a resolution for a capital reduction in accordance with the Companies Act No. 7 of 2007. The purpose of this capital reduction was to eliminate the negative merger reserve arising from amalgamations conducted in previous years. The capital reduction involved offsetting the negative merger reserve of Rs. 262,914,889,649 against the existing stated capital of Rs. 306,993,805,501. This adjustment did not affect the company's equity, and it entailed no movement of cash or assets. Additionally, there was no impact on the number of shares outstanding for the Company.

34.2 Repurchase of shares

The Company successfully completed the share repurchase approved by the Board of Directors at a price of Rs. 6.00 per share. The offer period commenced on 30th June 2025 and closed on 8th July 2025, with payments to shareholders made on 23rd July 2025 and the effective date of the transaction being 30th July 2025.

A total of 3,519,065,138 ordinary shares were repurchased under the offer, amounting to a total consideration of Rs. 21,114,390,828. The repurchase was carried out in accordance with the provisions of Section 64 of the Companies Act No. 07 of 2007 and the guidelines issued by the Central Bank of Sri Lanka relating to profit distributions by Licensed Finance Companies. As required by Section 64(2) of the Act, the Company obtained a Solvency Certificate and a Fair Value Opinion from its external auditors prior to execution.

The Board of Directors confirmed that the repurchase was in the best interests of the Company, with the objective of optimising its capital structure while maintaining regulatory compliance, and that the consideration offered to shareholders was fair and reasonable. The repurchased shares were subsequently cancelled, and the number of shares in issue and retained earnings were adjusted accordingly to reflect the repurchase. The transaction was accounted for in accordance with LKAS 1 Presentation of Financial Statements and LKAS 33 Earnings per Share, and the impact on earnings per share is disclosed in Note 14.1.

35. RESERVES

ACCOUNTING POLICY

Several statutory and voluntary reserves are maintained by the Company in order to meet various legal and operational requirements. The details of these reserves including the nature and purpose of maintaining them are given below.

35.1 Statutory reserve fund

In accordance with Direction No. 1 of 2003 issued under the Finance Business Act No. 42 of 2011, the Company is required to maintain a statutory reserve fund and transfer a percentage of its net profits after tax and provisions each year, based on its capital adequacy position. The Company is transferring annually 5% of its net profits, after making provision for taxation and bad and doubtful debts, to a statutory reserve fund, as the capital funds exceed 25% of its total deposit liabilities.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		7,545,403,163	6,291,146,123
Transfer during the year	36	1,370,296,562	1,254,257,040
Balance as at March 31,		**8,915,699,725**	**7,545,403,163**

35.2 Merger reserve

The merger reserve comprises the costs of the mergers with Commercial Leasing and Finance PLC as of 31 March 2022 and LOLC Development Finance PLC as of 31 January 2023, which exceeded the carrying amounts of the identifiable net assets of the acquiree. During the financial year 2024/25 as mentioned in the Note 34.1, this reserve is transferred to stated capital through a resulution of a capital reduction.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		-	(262,914,889,649)
Transfer during the year	34	-	262,914,889,649
Balance as at March 31,		**-**	**-**

35.3 Other reserves

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Revaluation reserve	35.3 (a)	2,643,755,820	2,741,285,177
Cash flow hedge reserve	35.3 (b)	-	-
Fair value reserve	35.3 (c)	195,100,380	169,093,515
Regulatory loss allowance reserve	35.3 (d)	6,498,403,870	6,243,879,070
		9,337,260,070	**9,154,257,762**

Deloitte Partners CHARTERED ACCOUNTANTS

35. RESERVES CONTD.

35.3 Other reserves contd.

35.3 (a) Revaluation reserve

The revaluation reserve relates to the revaluation of freehold land, buildings and motor vehicles and represents the fair value changes of the land, buildings and motor vehicles, as at the date of revaluation.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		2,741,285,177	1,247,187,997
Surplus on revaluation of freehold land, buildings and motor vehicles	23	-	2,037,975,138
Deferred tax effect on revaluation surplus on freehold land, buildings and motor vehicles	27.2	(97,529,357)	(27,324,939)
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	36	-	(91,911,123)
Transfer to retained earnings	36	-	(424,641,896)
Balance as at March 31,		**2,643,755,820**	**2,741,285,177**

During the year, the Company identified that deferred tax related to the revaluation reserve had been under-provided in the previous financial year. Accordingly, a net deferred tax adjustment of Rs. 97,529,357 was recognised in equity during the current year, in accordance with the relevant accounting requirements.

35.3 (b) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedge cash flows affect profit or loss.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		-	41,014,495
Transfer to retained earnings	36	-	(41,014,495)
Balance as at March 31,		**-**	**-**

35.3 (c) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		169,093,515	302,199,666
Net fair value gains / (losses) on remeasuring equity investments at FVOCI	21	26,006,865	45,393,288
Transfer to retained earnings	36	-	(178,499,439)
Balance as at March 31,		**195,100,380**	**169,093,515**

35.3 (d) Regulatory loss allowance reserve

In accordance with Section 7.1.3 of the Finance Business Act Direction No. 01 of 2020, where the loss allowance for expected credit losses under SLFRS 9 falls below the regulatory provision, the Company is required to maintain the difference as an additional loss allowance in a non-distributable Regulatory Loss Allowance Reserve (RLAR) through an appropriation of retained earnings. In compliance with this requirement, the Company has transferred the required additional loss allowance from retained earnings to the RLAR during the year.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		6,243,879,070	6,816,123,553
Transfer from / (to) retained earnings	36	254,524,800	(572,244,483)
Balance as at March 31,		**6,498,403,870**	**6,243,879,070**

36. RETAINED EARNINGS

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		88,745,371,582	63,568,883,511
Profit for the year		27,405,931,239	25,085,140,797
Gains on remeasurement of defined benefit liability	31.2	(485,183,301)	53,275,540
Deferred tax effect on remeasurement of defined benefit liability	27.2	145,554,990	(15,982,662)
Transfer to statutory reserve fund	35.1	(1,370,296,562)	(1,254,257,040)
Transfer from / (to) regulatory loss allowance reserve	35.3 (d)	(254,524,800)	572,244,483
Revaluation surplus transferred to retained earnings upon the disposal of freehold vehicles	35.3 (a)	-	91,911,123
Transfer during the year	35.3 (a), (b) & (c)	-	644,155,830
Repurchase of shares	34.2	(21,114,390,828)	-
Balance as at March 31,		**93,072,462,320**	**88,745,371,582**



37. CONTINGENT LIABILITIES AND COMMITMENTS

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote. These mainly consist of financial guarantees and undrawn loan commitments to lend. Additionally, the contingencies include nominal amounts related to forward exchange contract commitments to purchase.

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Contingencies			
Guarantees issued to banks and other institutions - backed by deposits held with the Company		716,688,000	577,980,000
Commitments			
Forward exchange contracts (commitment to purchase)		3,485,773,100	865,838,050
Undrawn credit facilities		43,348,631,455	31,537,750,151
Provision for impairment - Undrawn credit facilities	37.1	(1,780,003)	(13,904,423)
Total		**47,549,312,552**	**32,967,663,778**

37.1 Movement in provision for impairment during the year

For the year ended 31st March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2025	-	13,904,423	-	13,904,423
Charge / (reversal) to the Income Statement	-	(12,124,420)	-	(12,124,420)
Net write-off during the year	-	-	-	-
Balance as at March 31, 2026	**-**	**1,780,003**	**-**	**1,780,003**

For the year ended 31st March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at April 01, 2024	-	1,708,861	-	1,708,861
Charge / (reversal) to the Income Statement	-	12,195,563	-	12,195,563
Net write-off during the year	-	-	-	-
Balance as at March 31, 2025	**-**	**13,904,423**	**-**	**13,904,423**

38. NET ASSET VALUE PER SHARE

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Amount used as the numerator			
Total equity attributable to equity holders of the Company		155,404,337,967	149,523,948,358
No. of ordinary shares used as the denominator			
Total number of shares as at March 31,	34	29,560,147,161	33,079,212,299
Net asset value per share		**5.26**	**4.52**

39. RELATED PARTY DISCLOSURES

ACCOUNTING POLICY

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures", other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

39.1 Parent and ultimate controlling party

The Company's immediate parent is LOLC Ceylon Holdings Limited and ultimate parent undertaking and controlling entity is LOLC Holding PLC.

39.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures", KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, KMP comprise the members of the Board of Directors and identified senior management personnel of the Company, as well as those of its ultimate parent, LOLC Holdings PLC. Close Family Members (CFM) of a KMP are defined as those family members who may be expected to influence, or be influenced by, that individual in their transactions with the Company.

39.2 (a) Compensation to KMP

For the year ended 31st March	2026 Rs.	2025 Rs.
Short-term employment benefits (*)	237,411,928	222,996,980
Total	**237,411,928**	**222,996,980**

(*) The short-term employment benefits include only the directors fees and emoluments paid to Directors & KMPs. This is also included under Note 9 & 11.

39.2 (b) Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner. CFM too have been identified as Related Parties of the Company. All transactions have been carried out on an arm's length basis, and the details of such transactions are disclosed below.



39. RELATED PARTY DISCLOSURES CONTD.

39.2 Transactions with Key Management Personnel (KMP) contd.

39.2 (b) Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM) contd.

For the year ended 31st March	Reported Under	Note	2026 Rs.	2025 Rs.
Statement of Financial Position				
Assets				
Outstanding on facilities granted to KMPs	Financial assets at amortised cost – loans and advances		183,585,716	158,194,811
Liabilities				
Deposits held with the Company	Financial liabilities at amortised cost – due to depositors		2,267,159,906	1,758,096,101
Interest payable	Financial liabilities at amortised cost – due to depositors		272,548,458	167,890,521
Statement of Profit or Loss				
Interest income	Interest income		28,299,633	120,987,389
Interest expense	Interest expense		217,220,383	262,019,061
Compensation to KMP	Other operating expenses	39.2 (a)	237,411,928	222,996,980
Other Information				
Loans granted during the period			96,224,944	132,614,525
Rental collections			32,893,608	280,909,594
Accommodation outstanding as a percentage of the Company's Capital Funds			0.16%	0.15%

No impairment losses have been recorded against balances outstanding with KMP and CFM. There were no significant transactions, arrangements and agreements during the year involving entities that are controlled, and/or jointly controlled by KMP or their CFM.

39.3 Transactions with related entities

Aggregate value of transactions with related entities are disclosed below.

For the year ended 31st March Description of Transaction	Reported Under	2026 Rs.	2025 Rs.
(a) Ultimate Parent			
Statement of Financial Position			
Liabilities			
Inter-company payable	Other liabilities	429,266,870	579,863,972
Deposits	Financial liabilities at amortised cost – due to depositors	327,591,917	302,007,197
Statement of Profit or Loss			
Income			
Rent income	Sundry and other operating income	59,248,700	62,842,522
Expenses			
Interest expense	Interest expense	10,532,975	4,967,996
Fund transfer interest	Interest expense	37,143,213	20,160,478
Reimbursement of expenses	Other operating expenses	2,689,090,624	3,472,210,006
Asset hire charges	Other operating expenses	4,005,818	6,835,818
Show back charges	Other operating expenses	427,954,078	541,032,485
Rent expense	Other operating expenses	256,510,392	167,510,544
Other Information			
Net funds granted / (settled) to the Parent during the period (excluding opening balance)		(3,512,931,173)	(3,713,937,190)
(b) Fellow Subsidiaries			
Statement of Financial Position			
Assets			
Outstanding on facilities granted	Financial assets at amortised cost – loans and advances	7,807,740,499	9,818,173,881
Inter-company receivable	Other Assets	173,611,600	56,700,133
Liabilities			
Deposits	Financial liabilities at amortised cost – due to depositors	664,718,118	256,785,079
Long term loan	Financial liabilities at amortised cost – borrowings	349,860,900	328,782,000
Interest payable	Financial liabilities at amortised cost – borrowings	85,307,749	60,167,106
Inter-company payable	Other Liabilities	640,999,293	245,799,768
Statement of Profit or Loss			
Income			
Interest income	Interest income	1,371,518,285	2,134,190,928
Rent Income	Sundry and other operating income	96,625,191	118,673,509
Franchise fee income	Fee and commission income	1,276,210,313	880,439,503
Fee and commission income	Fee and commission income	47,386,400	34,295,451
Expenses			
Interest expense	Interest expense	25,978,647	8,922,503
IT service fee	Other operating expenses	1,332,461,168	1,143,787,597
Services / Maintenance fee	Other operating expenses	392,478,535	125,354,792
Other operating expenses	Other operating expenses	28,053,918	375,433,553
Insurance premium expense	Other operating expenses	7,685,654,559	619,539,480
Other Information			
Loan / lease granted	Disbursements	-	6,300,000,000
Rental collections	Collections	1,530,274,468	10,134,861,962
Accommodation outstanding as a percentage of the Company's Capital Funds		6.92%	9.03%

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39. RELATED PARTY DISCLOSURES CONTD.

39.4 Recurrent related party transactions

There are no recurrent related party transactions which in aggregate exceeds more than 10% of the gross revenue of the Company.

39.5 Non-recurrent related party transactions

There are no non-recurrent related party transactions which exceeds 10% of equity or 5% of total assets, which ever is lower.

40. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

For the year ended 31st March **Nature of Assets**	**Nature of Liability**	**2026 Rs.**	**2025 Rs.**
Loans & advances	Short-term borrowing	45,925,587,500	10,007,103,744
Placements with banks	Long-term / short-term borrowing	11,256,660,962	-

The financial assets have been pledged as collateral against the borrowings obtained by the Company. In the event of non-payment or default, the lender retains the right to claim against the pledged assets to recover the outstanding obligations.

41. COMPARATIVE INFORMATION

Comparative information may be reclassified to conform to the current year presentation, where necessary. No information has been restated.

42. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements.

43. OPERATING SEGMENTS

ACCOUNTING POLICY

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

The Company has the following strategic divisions, which are identified as reportable operating segments:

- SME Finance
- Personal Finance
- Alternate Finance
- Gold Loan
- Others

Segment performance is evaluated based on operating profits or losses, which, in certain respects, may be measured differently from those presented in the Financial Statements. The following table presents the income, profit, and asset and liability information of the Company's strategic business divisions for the year ended March 31, 2026, along with comparative figures for the year ended March 31, 2025.



LOLC Finance PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

43. OPERATING SEGMENTS CONTD.

For the year ended 31st March 2026

Item	SME Finance Rs.	Personal Finance Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations) / Unallocated Rs.	Total / Consolidated Rs.
Interest income	48,132,512,118	9,172,659,833	9,275,160,029	8,628,722,128	5,434,078,849	(1,901,809,648)	78,741,323,308
Interest expense	(18,164,113,651)	(2,247,577,583)	(2,722,890,974)	(3,902,823,484)	(1,506,066,290)	(265,173,821)	(28,808,645,803)
Net interest income	**29,968,398,467**	**6,925,082,250**	**6,552,269,055**	**4,725,898,644**	**3,928,012,559**	**(2,166,983,470)**	**49,932,677,505**
Net fee and commission income	1,431,544,836	180,330,752	322,303,448	320,492,894	101,390,156	815,549,865	3,171,611,950
Net gains / (losses) from trading	-	-	-	-	-	(159,875,012)	(159,875,012)
Net other operating income	491,876,443	61,961,349	60,430,144	110,120,829	34,837,490	1,933,674,033	2,692,900,287
Total other operating income	**1,923,421,279**	**242,292,100**	**382,733,591**	**430,613,723**	**136,227,646**	**2,589,348,886**	**5,704,637,225**
Net operating income	**31,891,819,746**	**7,167,374,350**	**6,935,002,647**	**5,156,512,367**	**4,064,240,205**	**422,365,416**	**55,637,314,730**
Less: Expenses							
Impairment (charge) / reversal	1,860,009,721	1,102,693,424	(40,888,100)	(13,385,421)	(1,854,696,997)	(423,728,233)	630,004,395
Total operating expenses	(15,331,116,067)	(3,052,219,522)	(2,933,268,641)	(2,325,303,957)	(2,106,050,614)	202,758,537	(25,545,200,264)
VAT and other taxes on financial services	(3,761,285,598)	(1,048,895,407)	(809,302,886)	(566,394,666)	(179,229,142)	161,517,918	(6,203,589,781)
Profit before income tax expense	**14,659,427,801**	**4,168,952,846**	**3,151,543,019**	**2,251,428,323**	**(75,736,548)**	**362,913,639**	**24,518,529,080**
Other information							
Depreciation and amortisation	964,615,612	121,993,663	213,769,894	240,406,516	64,126,307	500,828,578	**2,105,740,570**
Capital expenditure - Property Plant and equipment	2,640,030,386	333,881,157	588,166,993	657,962,094	175,505,555	1,370,704,194	**5,766,250,378**
Total assets	255,728,672,879	32,341,667,541	56,973,270,167	63,734,028,935	17,000,487,134	132,774,367,356	**558,552,494,011**
Total liabilities	182,734,804,005	23,110,229,341	44,737,109,952	45,542,117,569	12,147,956,071	94,875,939,106	**403,148,156,044**

For the year ended 31st March 2025

Item	SME Finance Rs.	Personal Finance Rs.	Alternate Finance Rs.	Gold Loans Rs.	Others Rs.	(Eliminations) / Unallocated Rs.	Total / Consolidated Rs.
Interest income	46,980,876,349	7,527,208,796	7,260,301,427	5,880,873,514	5,160,043,698	(4,491,670,422)	68,317,633,361
Interest expense	(17,263,420,963)	(2,071,013,210)	(2,233,625,831)	(2,924,156,716)	(1,610,252,765)	(109,008,261)	(26,211,477,746)
Net interest income	**29,717,455,386**	**5,456,195,586**	**5,026,675,597**	**2,956,716,797**	**3,549,790,933**	**(4,600,678,683)**	**42,106,155,615**
Net fee and commission income	1,130,123,354	135,948,856	228,595,855	200,167,335	88,376,087	759,318,983	2,542,530,470
Net gains / (losses) from trading	-	-	-	-	-	2,011,227,986	2,011,227,986
Net other operating income	373,474,184	44,927,297	32,278,621	66,149,710	29,205,827	(969,673,992)	(423,638,352)
Total other operating income	**1,503,597,538**	**180,876,154**	**260,874,476**	**266,317,045**	**117,581,914**	**1,800,872,977**	**4,130,120,104**
Net operating income	**31,221,052,924**	**5,637,071,739**	**5,287,550,073**	**3,223,033,842**	**3,667,372,847**	**(2,799,805,706)**	**46,236,275,719**
Less: Expenses							
Impairment (charge) / reversal	(1,102,906,550)	1,211,440,201	(63,976,950)	17,919,997	(124,641,711)	7,789,235,201	7,727,070,188
Total operating expenses	(14,487,362,863)	(2,782,261,416)	(2,222,990,608)	(1,981,976,624)	(1,562,441,222)	(127,343,007)	(23,164,375,740)
VAT and other taxes on financial services	(3,367,042,399)	(875,516,055)	(629,904,172)	(262,148,199)	(381,091,948)	(212,236,567)	(5,736,663,732)
Profit from operating activities	**12,263,741,112**	**3,190,734,469**	**2,370,678,342**	**996,829,017**	**1,599,197,965**	**4,649,849,920**	**25,062,306,435**
Share of profit of equity accounted investee	-	-	-	-	-	22,834,362	22,834,362
Profit before income tax expense	**12,263,741,112**	**3,190,734,469**	**2,370,678,342**	**996,829,017**	**1,599,197,965**	**4,672,684,282**	**25,085,140,797**
Other information							
Depreciation and amortisation	604,675,077	75,769,058	77,903,517	114,996,448	46,321,470	385,082,714	**1,304,748,285**
Capital expenditure - Property Plant and equipment	759,994,492	95,231,421	156,072,902	144,534,926	58,219,800	483,996,700	**1,698,050,242**
Total assets	192,335,650,616	24,100,697,504	39,498,158,857	36,578,184,781	14,733,979,338	122,487,493,301	**429,734,164,397**
Total liabilities	123,127,599,775	15,428,554,337	30,392,657,233	23,416,272,968	9,432,258,166	78,412,873,559	**280,210,216,038**



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For the year ended 31st March 2026

44. MATURITY ANALYSIS

(i) Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets employed by the Company is detailed below:

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	No contractual maturity Rs.	Total as at 31.03.2026 Rs.	Total as at 31.03.2025 Rs.
Assets								
Cash and cash equivalents	12,696,724,455	-	-	-	-	-	**12,696,724,455**	**8,578,933,549**
Placements with banks	4,226,896,995	11,002,290,247	-	-	-	-	**15,229,187,243**	**2,794,250,923**
Securities purchased under resale agreements	7,643,438,768	-	-	-	-	-	**7,643,438,768**	**280,245,480**
Derivative financial instruments	10,267,200	-	-	-	-	-	**10,267,200**	**6,499,209**
Financial assets measured at fair value through profit or loss	3,076,617,212	-	5,165,394,339	3,939,188,672	2,259,360,313	-	**14,440,560,537**	**33,324,963,785**
Financial assets at amortised cost – loans and advances to customers	76,578,273,774	128,410,339,977	161,837,995,861	48,287,216,224	418,526,859	-	**415,532,352,695**	**297,509,139,757**
Financial assets at amortised cost – debt and other financial instruments	950,098,097	-	1,536,834,501	1,622,377,084	10,174,790,400	-	**14,284,100,082**	**14,828,164,580**
Financial assets measured at fair value through OCI	349,727,598	-	-	-	-	349,727,598	**349,727,598**	**323,720,733**
Property, plant and equipment	-	-	-	-	-	18,864,794,815	**18,864,794,815**	**14,238,536,560**
Intangible assets	-	-	-	-	-	41,045,967	**41,045,967**	**60,107,649**
Right-of-use assets	76,761,803	278,556,363	627,302,603	508,993,204	-	525,404,658	**2,017,018,631**	**1,481,201,306**
Investment properties	-	-	-	-	-	55,315,600,000	**55,315,600,000**	**55,029,900,000**
Other assets	221,860,066	1,905,815,954	-	-	-	-	**2,127,676,020**	**1,278,500,866**
Total assets as at 31.03.2026	**105,830,665,968**	**141,597,002,541**	**169,167,527,305**	**54,357,775,184**	**12,852,677,573**	**75,096,573,038**	**558,552,494,010**	**429,734,164,397**
Total assets as at 31.03.2025	**92,711,636,274**	**85,705,750,730**	**127,097,903,870**	**41,040,599,380**	**13,184,953,076**	**69,993,321,066**		**429,734,164,397**

(ii) Remaining contractual period to maturity as at the date of Statement of Financial Position of the liabilities and equity employed by the Company is detailed below:

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	No contractual maturity Rs.	Total as at 31.03.2026 Rs.	Total as at 31.03.2025 Rs.
Liabilities								
Bank overdraft	5,457,264,687	-	-	-	-	-	**5,457,264,687**	**8,516,663,167**
Derivative financial instruments	17,587,900	-	-	-	-	-	**17,587,900**	**1,937,593**
Financial liabilities at amortised cost – due to depositors	106,811,362,162	104,897,939,916	52,136,208,033	7,655,235,314	-	-	**271,500,745,426**	**225,717,328,979**
Financial liabilities at amortised cost – borrowings	38,702,043,805	17,315,707,000	23,892,374,667	18,490,211,279	-	-	**98,400,336,751**	**15,680,980,318**
Retirement benefit obligation	-	-	-	1,370,774,632	-	-	**1,370,774,632**	**752,325,774**
Current tax liabilities	-	1,960,980,539	-	-	-	-	**1,960,980,539**	**2,011,921,307**
Deferred tax liabilities	-	-	-	-	-	-	**-**	**2,992,430,886**
Other liabilities	5,126,377,209	17,355,755,755	202,956,484	872,829,814		882,546,847	**24,440,466,109**	**24,536,628,014**
Total liabilities as at 31.03.2026	**156,114,635,763**	**141,530,383,210**	**76,231,539,184**	**28,389,051,040**	**-**	**882,546,847**	**403,148,156,044**	**280,210,216,038**
Total liabilities as at 31.03.2025	**130,364,065,440**	**104,043,151,327**	**40,191,231,853**	**5,270,711,294**	**-**	**341,056,124**		**280,210,216,038**
Equity								
Stated capital	-	-	-	-	-	44,078,915,852	**44,078,915,852**	**44,078,915,852**
Reserves								
Statutory reserve fund	-	-	-	-	-	8,915,699,725	**8,915,699,725**	**7,545,403,163**
Other reserves	-	-	-	-	-	9,337,260,070	**9,337,260,070**	**9,154,257,762**
Retained earnings	-	-	-	-	-	93,072,462,320	**93,072,462,320**	**88,745,371,582**
Total equity as at 31.03.2026	**-**	**-**	**-**	**-**	**-**	**155,404,337,967**	**155,404,337,967**	**149,523,948,358**
Total equity as at 31.03.2025	**-**	**-**	**-**	**-**	**-**	**149,523,948,359**		**149,523,948,359**
Total liabilities and equity as at 31.03.2026	**156,114,635,763**	**141,530,383,210**	**76,231,539,184**	**28,389,051,040**	**-**	**156,286,884,813**	**558,552,494,010**	**429,734,164,396**
Total liabilities and equity as at 31.03.2025	**130,364,065,440**	**104,043,151,327**	**40,191,231,853**	**5,270,711,294**	**-**	**149,865,004,483**		**429,734,164,397**

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45. FAIR VALUE OF ASSETS & LIABILITIES

ACCOUNTING POLICY

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of fair value measurement of financial and non-financial assets and liabilities is provided below:

Level 1

Inputs that are quoted market prices (unadjusted) in an active market for identical instruments. When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations, without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
This category includes instruments valued using;
(a) quoted prices in active markets for similar instruments,
(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.
This category includes financial instruments valued using techniques that rely on significant unobservable inputs. These may involve adjustments to quoted prices of similar instruments or models such as discounted cash flows. Key inputs and assumptions include interest rates, risk premiums, market prices, exchange rates, and price volatilities.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and Government Securities such as Treasury Bills and Treasury Bonds. Availability of observable prices and model inputs reduces the need for Management judgement and estimation while reducing uncertainty associated in determining the fair values

For the year ended 31st March 2026

Item	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalents	-	12,696,724,455	-	12,696,724,455	12,696,724,455
Placements with banks	-	15,229,187,243	-	15,229,187,243	15,229,187,243
Securities purchased under resale agreements	-	7,643,438,768	-	7,643,438,768	7,643,438,768
Derivative financial instruments	-	10,267,200	-	10,267,200	10,267,200
Financial assets - fair value through profit or loss	12,291,193,625	-	2,149,366,912	14,440,560,537	14,440,560,537
Financial assets at amortised cost – loans and advances	-	414,852,071,761	-	414,852,071,761	415,532,352,695
Financial assets at amortised cost – debt instruments	12,542,485,906	514,889,890	-	13,057,375,796	14,284,100,082
Financial assets - fair value through OCI	-	349,727,598	-	349,727,598	349,727,598
Other financial assets	-	227,545,674		227,545,674	227,545,674
Total financial assets	**24,833,679,531**	**451,523,852,589**	**2,149,366,912**	**478,506,899,031**	**480,413,904,252**
Financial Liabilities					
Bank overdraft	-	5,457,264,687	-	5,457,264,687	5,457,264,687
Derivative financial instruments	-	17,587,900	-	17,587,900	17,587,900
Financial liabilities at amortised cost – due to depositors	-	271,956,161,326	-	271,956,161,326	271,500,745,426
Financial liabilities at amortised cost – borrowings	-	97,963,928,969	-	97,963,928,969	98,400,336,751
Other financial liabilities	-	5,290,851,928	-	5,290,851,928	5,290,851,928
Total financial liabilities	**-**	**380,685,794,810**	**-**	**380,685,794,810**	**380,666,786,692**

For the year ended 31st March 2025

Item	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and cash equivalents	-	8,578,933,549	-	8,578,933,549	8,578,933,549
Placements with banks	-	2,794,250,923	-	2,794,250,923	2,794,250,923
Securities purchased under resale agreements	-	280,245,480	-	280,245,480	280,245,480
Derivative financial instruments	-	6,499,209	-	6,499,209	6,499,209
Financial assets - fair value through profit or loss	31,181,526,055	-	2,143,437,730	33,324,963,785	33,324,963,785
Financial assets at amortised cost – loans and advances	-	297,486,139,772	-	297,486,139,772	297,509,139,757
Financial assets at amortised cost – debt instruments	13,263,650,655	640,927,123	-	13,904,577,778	14,828,164,580
Financial assets - fair value through OCI	-	323,720,733	-	323,720,733	323,720,733
Other financial assets	-	535,355,438		535,355,438	535,355,438
Total financial assets	**44,445,176,710**	**310,646,072,227**	**2,143,437,730**	**357,234,686,667**	**358,181,273,453**
Financial Liabilities					
Bank overdraft	-	8,516,663,167	-	8,516,663,167	8,516,663,167
Derivative financial instruments	-	1,937,593	-	1,937,593	1,937,593
Financial liabilities at amortised cost – due to depositors	-	230,572,571,747	-	230,572,571,747	225,717,328,979
Financial liabilities at amortised cost – borrowings	-	15,542,959,060	-	15,542,959,060	15,680,980,318
Other financial liabilities	-	4,779,298,796	-	4,779,298,796	4,779,298,796
Total financial liabilities	**-**	**259,413,430,363**	**-**	**259,413,430,363**	**254,696,208,853**

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CHARTERED ACCOUNTANTS

46. FINANCIAL RISK MANAGEMENT

As a licensed finance company, we are exposed to following risks from its use of financial instruments:

- Credit risk,
- Liquidity risk and
- Market risks

Effective risk management is essential for maintaining financial stability and optimizing value within our defined risk appetite. The Company's risk management function is focused on identifying, assessing, and mitigating key risks, while also ensuring sound capital management practices.

46.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management (ERM) and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by ERM. ERM undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

46.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

46.2 (a) Management of credit risk

Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.
2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.
3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries.
5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.
6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.
7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2026 (March 2025: no collateral held).

46.2 (b) Assessment of Expected Credit Losses

46.2 (b) (i) Analysis of the total impairment for expected credit losses

For the year ended 31st March 2026

	Note	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19	513,323,653	232,854,765	6,776,278,394	7,522,456,812
Finance lease receivable	19.3	174,502,214	112,598,875	2,740,825,371	3,027,926,460
Loans and advances		338,821,439	120,255,890	4,035,453,022	4,494,530,352
Financial assets at amortised cost – debt and other financial instruments		-	57,220,266	-	57,220,266
Sri Lanka International Sovereign Bonds	20.1	-	57,220,266	-	57,220,266
Other debt securities	20.1	-	-	-	-
Other financial assets and credit related commitments		-	1,780,003	1,050,022,875	1,051,802,878
Insurance premium receivables	28.2	-	-	1,050,022,875	1,050,022,875
Credit related commitments	37.1	-	1,780,003	-	1,780,003
		513,323,653	**291,855,034**	**7,826,301,269**	**8,631,479,957**

Deloitte Partners CHARTERED ACCOUNTANTS

46. FINANCIAL RISK MANAGEMENT CONTD.

46.2 Credit Risk contd.

46.2 (b) Assessment of Expected Credit Losses contd.

46.2 (b) (i) Analysis of the total impairment for expected credit losses contd.

For the year ended 31st March 2025	Note	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial assets at amortised cost – loans and advances	19.0	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Finance lease receivable	19.3	122,511,771	155,528,042	3,475,246,542	3,753,286,355
Loans and advances		214,300,098	263,198,408	3,500,737,632	3,978,236,138
Financial assets at amortised cost – debt and other financial instruments		-	81,227,434	-	81,227,434
Sri Lanka International Sovereign Bonds	20.1	-	81,227,434	-	-
Other debt securities	20.1	-	-	-	-
Other financial assets and credit related commitments		-	13,904,423	590,163,054	604,067,478
Insurance premium receivables	28.2	-	-	590,163,054	590,163,054
Credit related commitments	37.1	-	13,904,423	-	13,904,423
		336,811,868	**513,858,307**	**7,566,147,229**	**8,416,817,405**

46.2 (b) (ii) Movement of the total allowance for expected credit losses during the period

For the year ended 31st March	Note	2026 Rs.	2025 Rs.
Balance at the beginning of the year		8,416,817,405	17,204,925,857
Charge / (reversal) to the Income Statement		(630,004,395)	(7,727,070,188)
Stage 1	19.2, 20.1, 28.2 & 37.1	176,511,785	84,876,422
Stage 2	19.2, 20.1, 28.2 & 37.1	(222,003,273)	265,181,775
Stage 3	19.2, 20.1, 28.2 & 37.1	(584,512,907)	(8,077,128,385)
Net write-off during the year	19.2	844,666,947	(1,061,038,264)
Balance as at March 31,		**8,631,479,957**	**8,416,817,405**

46.2 (b) (iii) Sensitivity of factors used to determine impairment provisions

Determination of impairment allowance for loans and advances involves significant management judgement. Key assumptions such as PD, LGD and property foreclosure periods for individually significant exposures are subject to estimation uncertainty. Variations in these assumptions could materially impact the level of impairment recognised. The tables below illustrate the sensitivity of the Company's impairment allowance to changes in these key variables as at 31st March 2026 and 31st March 2025.

For the year ended 31st March 2026

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss (increase/(decrease) in impairment provision)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Probability of Default (PD)				
Increase existing PD by 1% across all age buckets	5,133,237	2,328,548	-	7,461,784
Decrease existing PD by 1% across all age buckets	(5,133,237)	(2,328,548)	-	(7,461,784)
Loss Given Default (LGD)				
5% increase	16,254,179	15,009,062	291,625,801	322,889,042
5% decrease	(16,254,179)	(15,009,062)	(291,625,801)	(322,889,042)
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	-	157,094,931	157,094,931
Decrease by 1 year	-	-	(109,024,781)	(109,024,781)

For the year ended 31st March 2025

Sensitivity effect on Statement of Financial Position and Statement of Profit or Loss (increase/(decrease) in impairment provision)

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Probability of Default (PD)				
Increase existing PD by 1% across all age buckets	3,368,119	4,187,265	-	7,555,383
Decrease existing PD by 1% across all age buckets	(3,368,119)	(4,187,265)	-	(7,555,383)
Loss Given Default (LGD)				
5% increase	16,270,120	20,933,804	248,888,718	286,092,643
5% decrease	(16,270,120)	(20,933,804)	(248,888,718)	(286,092,643)
Property foreclosure period for individually significant impaired customers				
Increase by 1 year	-	9,514,268	135,924,444	145,438,713
Decrease by 1 year	-	-	(88,143,800)	(88,143,800)

46.2 (b) (iv) Sensitivity Analysis: Impact of staging of loans and advances on collective impairment

If all loans and advances currently in stage 2, were moved to stage 1, the ECL provision of the Company as at 31st March 2026 would have reduced by approximately 1% (2025 - 4%). The total loans and advances in stage 2 as at 31st March 2026 amounts to Rs 41 Bn..

If all loans and advances currently in stage 1, were moved to stage 2, the ECL provision of the Company as at 31st March 2026 would have further increased by approximately 14% (2025 - 8%). The total loans and advances in stage 1 as at 31st March 2026 amounts to Rs 356 Bn. The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is remote, based on current credit risk assessments and portfolio performance.

The increase/decrease in impairment has been calculated excluding the allowance for overlay recognised as at the reporting date.

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46. FINANCIAL RISK MANAGEMENT CONTD.

46.2 Credit Risk contd.

46.2 (c) Collateral and Other Credit Enhancements

46.2 (c) (i) Net exposure to credit risk

The Comany does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by treasury bills and treasury bonds. Except for the above, the Company has recognised ECL for all other financial assets measured at amortised cost, wherever necessary.

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

For the year ended 31st March		2026		2025	
	Note	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Financial Assets					
Cash and cash equivalents	15	12,696,724,455	12,696,724,455	8,578,933,549	8,578,933,549
Placements with banks	16	15,229,187,243	15,229,187,243	2,794,250,923	2,794,250,923
Securities purchased under resale agreements		7,643,438,768	7,643,438,768	280,245,480	280,245,480
Derivative financial instruments	17	10,267,200	10,267,200	6,499,209	6,499,209
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	12,002,682,820	33,324,963,785	30,373,484,000
Financial assets at amortised cost – loans and advances	19	423,054,809,507	519,559,513	305,240,662,250	3,036,628,382
Financial assets at amortised cost – debt and other financial instruments	20	14,341,320,348	8,276,587,896	14,909,392,014	7,905,009,339
Other financial assets	28	1,277,568,549	227,545,674	1,125,518,492	535,355,438
		489,042,626,987	**56,954,743,949**	**366,583,209,217**	**53,833,149,835**
Credit related commitments and contingencies		47,551,092,555	35,231,247,360	32,981,568,201	19,254,065,452

46.2 (c) (ii) Stage-wise analysis of collateral held against loans & advances

The following table sets out the principle types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

For the year ended 31st March	2026		2025	
	Mix %	Amortised Cost Rs.	Mix %	Amortised Cost Rs.
Stage 1				
Deposits held with the Company	3.21	11,594,409,888	2.49	4,016,648,588
Gold	18.65	67,338,139,668	22.39	36,103,512,109
Motor vehicle	64.21	231,824,728,227	59.10	95,322,074,683
Immovable property	6.35	22,911,720,980	4.05	6,532,153,265
Quoted & unquoted shares	1.43	5,150,141,597	2.52	4,067,101,342
Other securities (*)	6.02	21,746,708,340	9.19	14,826,102,856
Unsecured	0.12	450,398,246	0.25	409,475,075
	100.00	**361,016,246,947**	**100.00**	**161,277,067,918**
Stage 2				
Deposits held with the Company	3.44	1,401,895,299	3.94	4,532,287,418
Gold	6.75	2,752,148,053	2.55	2,931,101,891
Motor vehicle	84.56	34,495,783,552	77.86	89,536,137,610
Immovable property	2.92	1,190,009,193	7.82	8,991,970,023
Quoted & unquoted shares	-	-	-	-
Other securities (*)	2.33	948,787,683	7.80	8,966,564,641
Unsecured	0.01	5,239,803	0.04	43,495,622
	100.00	**40,793,863,584**	**100.00**	**115,001,557,206**
Stage 3				
Deposits held with the Company	0.40	84,017,561	1.70	449,090,345
Gold	0.69	146,055,834	1.26	332,722,123
Motor vehicle	62.40	13,256,778,616	69.18	18,263,877,171
Immovable property	26.75	5,682,760,724	20.80	5,491,707,765
Quoted & unquoted shares	0.08	16,405,271	0.44	117,271,553
Other securities (*)	9.39	1,994,759,506	6.53	1,723,710,485
Unsecured	0.30	63,921,465	0.09	23,670,439
	100.00	**21,244,698,976**	**100.00**	**26,402,049,880**

(*) Other securities include inventories, trade receivable, personal guarantees and corporate guarantees etc.

46.2 (c) (iii) Concentrations of credit risk

The Company actively monitors credit risk concentrations by large exposures, industry, product etc, as detailed in Note 19.1 & 46.2 (c) (iii) to the financial statements. In order to manage and mitigate potential credit concentration risks, the Company maintains an acceptable level of risk diversification across its lending portfolio. These risk concentrations limits are continuously monitored to ensure adherence and alignment with the Company's overall risk management strategy.

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46. FINANCIAL RISK MANAGEMENT CONTD.

46.2 Credit Risk contd.

46.2 (c) Collateral and Other Credit Enhancements contd.

46.2 (c) (iii) Concentrations of credit risk contd.

Provincial breakdown for loans & advances

For the year ended 31st March	2026 Rs.	2025 Rs.
Central	46,112,104,894	34,041,654,932
Eastern	31,077,912,029	22,313,272,926
North Central	37,656,093,612	26,512,123,995
North Western	36,443,875,336	25,568,006,568
Northern	33,239,137,859	23,596,757,485
Sabaragamuwa	23,978,827,450	16,648,038,435
Southern	42,852,607,461	27,907,149,411
Uva	16,578,808,628	11,571,787,457
Western	155,115,442,238	117,081,871,041
Total	**423,054,809,507**	**305,240,662,250**

46.2 (d) Stage-wise movement of loans & advances

Changes in the gross carrying amount of loans & advances and commitments & contingencies during the period that contributed to the changes in impairment provisions is given below.

46.2 (d) (i) Stage-wise movement of gross carrying values of loans and advances

	Stage 1 12-month ECL Rs.	Stage 2 Lifetime ECL but not credit impaired Rs.	Stage 3 Lifetime ECL credit impaired Rs.	Total Rs.
Balance as at April 01, 2025	208,074,151,859	69,260,581,114	27,905,929,277	305,240,662,250
New assets originated or purchased	260,747,741,286	23,113,815,277	1,354,724,792	285,216,281,355
Changes in the gross carrying amount				
Transfer to stage 1	20,548,802,100	(19,063,969,485)	(1,484,832,615)	-
Transfer to stage 2	(9,382,465,920)	10,131,884,254	(749,418,334)	-
Transfer to stage 3	(1,689,468,020)	(2,878,868,239)	4,568,336,259	-
Financial assets that have been derecognised	(174,689,786,891)	(46,258,389,476)	(11,929,566,064)	(232,877,742,432)
Write-offs during the year	-	-	(1,799,728,128)	(1,799,728,128)
Changes to contractual cash flows due to modifications	57,407,272,533	6,488,810,140	3,379,253,790	67,275,336,463
Balance as at March 31, 2026	**361,016,246,947**	**40,793,863,584**	**21,244,698,976**	**423,054,809,508**
Balance as at April 01, 2024	177,933,791,182	40,288,417,162	40,149,949,758	258,372,158,102
New assets originated or purchased	281,772,538,249	48,912,245,269	2,208,881,482	332,893,665,000
Changes in the gross carrying amount				
Transfer to stage 1	6,201,397,832	(5,214,560,885)	(986,836,947)	-
Transfer to stage 2	(17,934,851,727)	19,231,271,649	(1,296,419,922)	-
Transfer to stage 3	(7,339,432,705)	(5,597,085,623)	12,936,518,328	-
Financial assets that have been derecognised	(271,251,593,106)	(41,271,234,720)	(26,567,949,600)	(339,090,777,426)
Write-offs during the year	-	-	(3,713,966,624)	(3,713,966,624)
Changes to contractual cash flows due to modifications	38,692,302,134	12,911,528,261	5,175,752,803	56,779,583,198
Balance as at March 31, 2025	**208,074,151,859**	**69,260,581,114**	**27,905,929,277**	**305,240,662,250**

46.2 (d) (ii) Stage-wise movement of impairment for loans and advances

	Stage 1 12-month ECL Rs.	Stage 2 Lifetime ECL but not credit impaired Rs.	Stage 3 Lifetime ECL credit impaired Rs.	Total Rs.
Provision for impairment as at April 01, 2025	336,811,868	418,726,450	6,975,984,175	7,731,522,493
Net impairment charge for the year due to:				
New assets originated or purchased	333,467,566	124,614,196	90,923,530	549,005,292
Changes in the gross carrying amount				
Transfer to stage 1	40,753,181	(34,896,868)	(5,856,313)	-
Transfer to stage 2	(54,595,109)	60,273,933	(5,678,824)	-
Transfer to stage 3	(114,694,858)	(282,561,769)	397,256,627	-
Net remeasurement of impairment	101,287,843	108,770,739	823,686,602	1,033,745,184
Financial assets that have been derecognised	(129,706,838)	(162,071,916)	(2,344,704,349)	(2,636,483,103)
Net write-offs during the year	-	-	844,666,947	844,666,947
Provision for impairment as at March 31, 2026	**513,323,653**	**232,854,765**	**6,776,278,394**	**7,522,456,812**
Provision for impairment as at April 01, 2024	316,533,353	246,967,672	8,166,894,720	8,730,395,745
Net impairment charge for the year due to:				
New assets originated or purchased	205,676,328	498,252,842	467,722,487	1,171,651,657
Changes in the gross carrying amount				
Transfer to stage 1	127,496,218	(42,413,607)	(85,082,611)	-
Transfer to stage 2	(65,403,809)	150,616,936	(85,213,127)	-
Transfer to stage 3	(50,568,982)	(73,835,231)	124,404,213	-
Net remeasurement of impairment	(52,921,030)	(237,563,695)	3,262,436,692	2,971,951,967
Financial assets that have been derecognised	(144,000,209)	(123,298,467)	(3,814,139,935)	(4,081,438,611)
Net write-offs during the year	-	-	(1,061,038,264)	(1,061,038,264)
Provision for impairment as at March 31, 2025	**336,811,868**	**418,726,450**	**6,975,984,175**	**7,731,522,493**

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46. FINANCIAL RISK MANAGEMENT CONTD.
46.2 Credit Risk contd.
46.2 (d) Stage-wise movement of loans & advances contd.

46.2 (d) (iii) Credit-impaired loans and advances

Reconciliation of changes in the net carrying amount of lifetime ECL credit impaired (Stage 3) loans and advances as detailed below:

For the year ended 31st March	2026 Rs.	2025 Rs.
Balance of credit impaired loans and advances to other customers at the beginning of the year	27,905,929,277	40,149,949,758
Newly classified as impaired loans and advances during the year	5,923,061,051	15,145,399,810
Net change in already impaired loans and advances during the year	(14,163,817,013)	(28,851,206,469)
Net payment, write-off and recoveries and other movements during the year	1,579,525,662	1,461,786,179
Balance of credit impaired loans and advances to customers as at March 31,	**21,244,698,976**	**27,905,929,277**

46.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations, make sure receipt of funds when they are due and to ensure the availability of adequate funding to fulfill those needs at the appropriate time, under both normal and stressed conditions.

46.3 (a) Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

46.3 (b) Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments
46.3 (b) (i) Contractual maturities of undiscounted cash flows of financial assets and financial liabilities

The tables below summarise the maturity profile of the undiscounted cash flows of the Company's financial assets and financial liabilities as at 31st March 2026 and 31st March 2025. Although the cash outflows have been considered based on the earliest date of repayment, it is believed that most of the customers would not expect the repayments on the earliest possible date. Therefore, the behavioural maturity profile would be different to the contractual maturities shown in the below tables.

For the year ended 31st March 2026

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	12,696,724,455	-	-	-	-	**12,696,724,455**
Placements with banks	4,257,695,782	11,308,070,663	-	-	-	**15,565,766,445**
Securities purchased under resale agreements	7,648,894,315	-	-	-	-	**7,648,894,315**
Derivative financial instruments	1,548,186,600	-	-	-	-	**1,548,186,600**
Financial assets - fair value through profit or loss	3,029,439,417	18,454,025	4,794,699,579	3,116,203,000	1,634,565,224	**12,593,361,245**
Financial assets at amortised cost – loans and advances	81,499,151,000	150,935,306,807	186,329,717,514	51,988,855,209	450,304,235	**471,203,334,764**
Financial assets at amortised cost – debt and other financial instruments	1,487,557,985	10,031,892	2,089,208,193	3,821,206,143	11,355,320,995	**18,763,325,209**
Financial assets measured at fair value through other comprehensive income	-	-	-	-	349,727,598	**349,727,598**
Other financial assets	173,611,600	58,068,260	1,045,888,689	-	-	**1,277,568,549**
Total financial assets	**112,341,261,154**	**162,329,931,647**	**194,259,513,975**	**58,926,264,352**	**13,789,918,052**	**541,646,889,180**
Financial Liabilities						
Bank overdraft	5,457,264,687	-	-	-	-	**5,457,264,687**
Derivative financial instruments	1,937,586,500	-	-	-	-	**1,937,586,500**
Financial liabilities at amortised cost – due to depositors	110,891,336,608	116,130,909,826	57,774,859,883	7,569,506,734	-	**292,366,613,052**
Financial liabilities at amortised cost – borrowings	40,138,579,482	19,241,144,272	27,141,401,843	18,042,077,336	-	**104,563,202,933**
Other financial liabilities	3,201,453,692	402,204,751	1,002,378,280	787,742,646	1,085,467,438	**6,479,246,807**
Total financial liabilities	**161,626,220,969**	**135,774,258,850**	**85,918,640,006**	**26,399,326,716**	**1,085,467,438**	**410,803,913,979**
Total net financial assets/(liabilities)	**(49,284,959,815)**	**26,555,672,797**	**108,340,873,969**	**32,526,937,636**	**12,704,450,614**	**130,842,975,201**

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CHARTERED ACCOUNTANTS

46. FINANCIAL RISK MANAGEMENT CONTD.

46.3 Liquidity Risk contd.

46.3 (b) Maturity analysis of financial assets, financial liabilities, contingent liabilities and commitments contd.

46.3 (b) (i) Contractual maturities of undiscounted cash flows of financial assets and financial liabilities contd.

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	8,578,933,549	-	-	-	-	**8,578,933,549**
Placements with banks	2,671,093,632	93,241,940	-	-	-	**2,764,335,572**
Securities purchased under resale agreements	280,245,479	-	-	-	-	**280,245,479**
Derivative financial instruments	375,505,100	-	-	-	-	**375,505,100**
Financial assets - fair value through profit or loss	19,889,551,544	720,475,973	3,123,930,389	5,324,961,000	2,438,774,637	**31,497,693,544**
Financial assets at amortised cost – loans and advances	65,903,228,926	102,532,035,303	141,424,972,015	35,689,281,592	154,719,797	**345,704,237,633**
Financial assets at amortised cost – debt and other financial instruments	2,025,352,170	596,852,878	2,092,870,432	3,497,726,143	11,985,673,818	**20,198,475,441**
Financial assets measured at fair value through other comprehensive income	-	-	-	-	323,720,733	**323,720,733**
Other financial assets	56,700,133	86,499,133	982,319,226	-	-	**1,125,518,492**
Total financial assets	**99,780,610,533**	**104,029,105,227**	**147,624,092,063**	**44,511,968,735**	**14,902,888,985**	**410,848,665,543**
Financial Liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	**8,516,663,167**
Derivative financial instruments	490,332,950	-	-	-	-	**490,332,950**
Financial liabilities at amortised cost – due to depositors	112,052,082,575	76,002,091,052	39,106,748,544	4,131,063,564	-	**231,291,985,736**
Financial liabilities at amortised cost – borrowings	4,492,353,325	10,317,817,531	1,627,257,942	-	-	**16,437,428,797**
Other financial liabilities	3,388,758,302	367,147,848	773,382,296	483,774,110	456,880,702	**5,469,943,258**
Total financial liabilities	**128,940,190,318**	**86,687,056,431**	**41,507,388,782**	**4,614,837,674**	**456,880,702**	**262,206,353,908**
Total net financial assets/(liabilities)	**(29,159,579,785)**	**17,342,048,796**	**106,116,703,280**	**39,897,131,061**	**14,446,008,283**	**148,642,311,635**

46.3 (b) (ii) Contractual maturities of commitments & contingencies

The table below shows the the remaining maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

For the year ended 31st March 2026

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	716,688,000	-	-	-	-	**716,688,000**
Commitments						
Forward exchange contracts - (commitment to purchase)	-	3,485,773,100	-	-	-	**3,485,773,100**
Undrawn credit facilities	43,348,631,455	-	-	-	-	**43,348,631,455**
Total	**44,065,319,455**	**3,485,773,100**	**-**	**-**	**-**	**47,551,092,555**

For the year ended 31st March 2025

Item	On demand Rs.	Less than 3 months Rs.	3 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Contingent liabilities						
Guarantees issued - backed by deposits held with the Company	577,980,000	-	-	-	-	**577,980,000**
Commitments						
Forward exchange contracts - (commitment to purchase)	-	865,838,050	-	-	-	**865,838,050**
Undrawn credit facilities	31,537,750,151	-	-	-	-	**31,537,750,151**
Total	**32,115,730,151**	**865,838,050**	**-**	**-**	**-**	**32,981,568,201**



46. FINANCIAL RISK MANAGEMENT CONTD.

46.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, commodity prices and equity prices. The Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division.

46.4 (a) Exposure to market risk – Trading and non-trading portfolio

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

For the year ended 31st March 2026 Item	Note	Carrying amount Rs.	Market risk measurement Trading portfolios Rs.	 Non-trading portfolios Rs.
Assets subject to market risk				
Cash and cash equivalents	15	12,696,724,455	-	12,696,724,455
Placements with banks	16	15,229,187,243	-	15,229,187,243
Securities purchased under resale agreements		7,643,438,768	-	7,643,438,768
Derivative financial instruments	17	10,267,200	10,267,200	-
Financial assets recognised through profit or loss – measured at fair value	18	14,440,560,537	14,440,560,537	-
Financial assets at amortised cost – loans and advances	19	415,532,352,695	-	415,532,352,695
Financial assets at amortised cost – debt and other financial instruments	20	14,284,100,082	-	14,284,100,082
Financial assets measured at fair value through other comprehensive income	21	349,727,598	-	349,727,598
Other financial assets	28	227,545,674	-	227,545,674
Total		**480,413,904,252**	**14,450,827,737**	**465,963,076,515**
Liabilities subject to market risk				
Bank overdraft	15.1	5,457,264,687	-	5,457,264,687
Derivative financial instruments	17	17,587,900	17,587,900	-
Financial liabilities at amortised cost – due to depositors	29	271,500,745,426	-	271,500,745,426
Financial liabilities at amortised cost – borrowings	30	98,400,336,751	-	98,400,336,751
Other financial liabilities	33	5,290,851,928	-	5,290,851,928
Total		**380,666,786,692**	**17,587,900**	**380,649,198,792**

For the year ended 31st March 2025 Item	Note	Carrying amount Rs.	Market risk measurement Trading portfolios Rs.	 Non-trading portfolios Rs.
Assets subject to market risk				
Cash and cash equivalents	15	8,578,933,549	-	8,578,933,549
Placements with banks	16	2,794,250,923	-	2,794,250,923
Securities purchased under resale agreements		280,245,480	-	280,245,480
Derivative financial instruments	17	6,499,209	6,499,209	-
Financial assets recognised through profit or loss – measured at fair value	18	33,324,963,785	33,324,963,785	-
Financial assets at amortised cost – loans and advances	19	297,509,139,757	-	297,509,139,757
Financial assets at amortised cost – debt and other financial instruments	20	14,828,164,580	-	14,828,164,580
Financial assets measured at fair value through other comprehensive income	21	323,720,733	-	323,720,733
Other financial assets	28	535,355,438	-	535,355,438
Total		**358,181,273,453**	**33,331,462,994**	**324,849,810,459**
Liabilities subject to market risk				
Bank overdraft	15.1	8,516,663,167	-	8,516,663,167
Derivative financial instruments	17	1,937,593	1,937,593	-
Financial liabilities at amortised cost – due to depositors	29	225,717,328,979	-	225,717,328,979
Financial liabilities at amortised cost – borrowings	30	15,680,980,318	-	15,680,980,318
Other financial liabilities	33	4,779,298,796	-	4,779,298,796
Total		**254,696,208,853**	**1,937,593**	**254,694,271,260**

46.4 (b) Exposure to interest rate risk – Sensitivity analysis

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments and hence expose the Company to fluctuations of Net interest income (NII) give rise to interest rate risk. The Company's policy is to continuously monitor portfolios and adopt hedging strategies to ensure that interest rate risk is maintained within prudent levels.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows. The Company's assets and liabilities are included at carrying amounts and categorised by the earlier of contractual re-pricing or maturity dates.



46. FINANCIAL RISK MANAGEMENT CONTD.

46.4 Market risk contd.

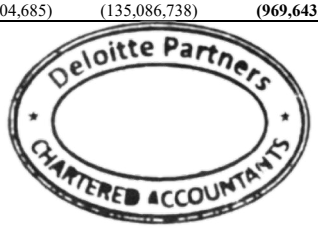
46.4 (b) Exposure to interest rate risk – Sensitivity analysis contd.

For the year ended 31st March 2026

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	4,226,896,995	11,002,290,247	-	-	-	**15,229,187,243**
Securities purchased under resale	7,643,438,768	-	-	-	-	**7,643,438,768**
Financial assets - fair value through profit or loss	869,190,244	-	5,165,394,339	3,939,188,672	2,259,360,313	**12,233,133,568**
Financial assets at amortised cost – loans and advances	76,578,273,774	128,410,339,977	161,837,995,861	48,287,216,224	418,526,859	**415,532,352,695**
Financial assets at amortised cost – debt and other financial instruments	950,098,097	-	1,536,834,501	1,622,377,084	10,174,790,400	**14,284,100,082**
Total interest earning assets	**90,617,625,476**	**139,412,630,224**	**168,540,224,701**	**53,848,781,980**	**12,852,677,573**	**465,271,939,954**
Interest bearing liabilities						
Bank overdraft	5,457,264,687	-	-	-	-	**5,457,264,687**
Financial liabilities at amortised cost – due to depositors	106,811,362,162	104,897,939,916	52,136,208,033	7,655,235,314	-	**271,500,745,426**
Financial liabilities at amortised cost – borrowings	38,702,043,805	17,315,707,000	23,892,374,667	18,490,211,279	-	**98,400,336,751**
Total interest bearing liabilities	**150,988,258,554**	**122,213,646,916**	**76,028,582,700**	**26,145,446,594**	**-**	**375,375,934,764**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	**(60,370,633,078)**	**17,198,983,308**	**92,511,642,001**	**27,703,335,386**	**12,852,677,573**	**89,896,005,190**
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualized effect	(603,706,331)	171,989,833	925,116,420	277,033,354	128,526,776	**898,960,052**
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualized effect	603,706,331	(171,989,833)	(925,116,420)	(277,033,354)	(128,526,776)	**(898,960,052)**

For the year ended 31st March 2025

Item	Up to 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	3 - 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Interest earning assets						
Placements with banks	2,699,465,246	94,785,677	-	-	-	**2,794,250,923**
Securities purchased under resale	280,245,481	-	-	-	-	**280,245,481**
Financial assets - fair value through profit or loss	17,763,046,084	748,942,867	3,693,830,323	5,895,582,587	3,044,327,889	**31,145,729,750**
Financial assets at amortised cost – loans and advances	59,682,264,222	82,828,934,991	121,645,391,616	33,209,013,321	143,535,607	**297,509,139,757**
Financial assets at amortised cost – debt and other financial instruments	1,367,462,869	615,971,392	1,253,600,119	1,594,040,619	9,997,089,580	**14,828,164,580**
Total interest earning assets	**81,792,483,901**	**84,288,634,926**	**126,592,822,059**	**40,698,636,528**	**13,508,673,809**	**346,881,251,223**
Interest bearing liabilities						
Bank overdraft	8,516,663,167	-	-	-	-	**8,516,663,167**
Financial liabilities at amortised cost – due to depositors	112,413,378,196	74,127,680,240	35,440,761,244	3,735,509,299	-	**225,717,328,979**
Financial liabilities at amortised cost – borrowings	4,238,263,757	9,783,439,109	1,536,618,750	122,658,702	-	**15,680,980,318**
Total interest bearing liabilities	**125,170,242,713**	**83,911,119,348**	**36,977,379,994**	**3,858,168,001**	**-**	**249,916,910,057**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	**(43,377,758,812)**	**377,515,578**	**89,615,442,064**	**36,840,468,527**	**13,508,673,809**	**96,964,341,166**
Effect on profitability by 1% increase in interest rates - increase / (decrease) in profits - annualized effect	(433,777,588)	3,775,156	896,154,421	368,404,685	135,086,738	**969,643,412**
Effect on profitability by 1% decrease in interest rates - increase / (decrease) in profits - annualized effect	433,777,588	(3,775,156)	(896,154,421)	(368,404,685)	(135,086,738)	**(969,643,412)**



46. FINANCIAL RISK MANAGEMENT CONTD.

46.5 Currency risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. The Company has established limits on position by currency and these positions are monitored on a daily basis. The table below indicates the currencies to which the Company had significant exposures as at March 31, 2026 and March 31, 2025 and the exposure as a percentage of the total capital funds.

In December 2024, the Government of Sri Lanka successfully completed the restructuring of its Sri Lanka International Sovereign Bonds (SLISBs). As a result, the Company's foreign currency exposure reduced significantly by approximately Rs. 7 billion, primarily due to the conversion of certain bonds to Sri Lanka Rupee (LKR) denominated instruments and the derecognition of previously held ISBs, as further detailed in Note 7.2.

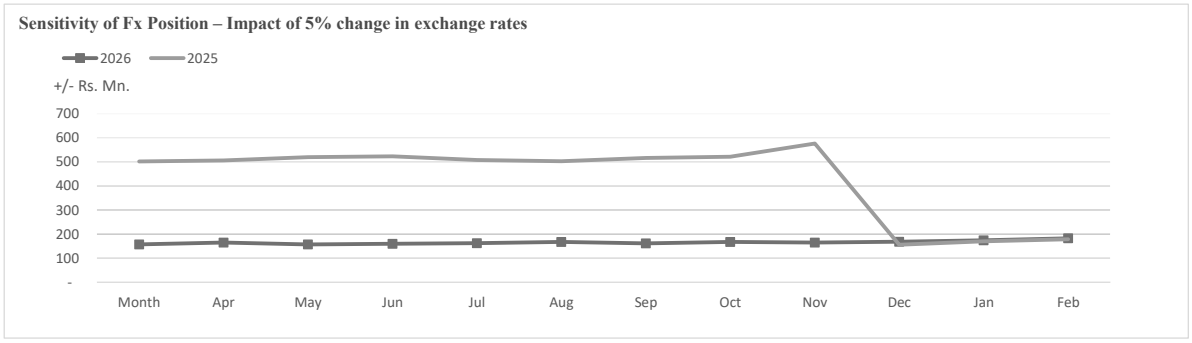
Foreign exchange position as at March 31, 2026

Currency	Spot assets in FCY	Spot liabilites in FCY	Net spot assets / (liabilities) in FCY	Forward contracts in FCY	Net open position in FCY	Overall exposure in Rs.
United States Dollar	73,367,828	62,532,463	10,835,365	830,000	11,665,365	**3,676,806,503**
Great Britain Pound	48,339	2,473,951	(2,425,612)	2,480,000	54,388	**22,692,276**
Euro	62,827	1,336,934	(1,274,108)	1,350,000	75,892	**27,498,780**
Australian Dollar	63,674	3,810,487	(3,746,814)	3,380,000	(366,814)	**(79,594,883)**
Total exposure						**3,647,402,675**
Total capital funds (capital base) as per the audited computation						112,845,522,422
Total exposure as a percentage of total capital funds (%)						3.23%

Foreign exchange position as at March 31, 2025

Currency	Spot assets in FCY	Spot liabilites in FCY	Net spot assets / (liabilities) in FCY	Forward contracts in FCY	Net open position in FCY	Overall exposure in Rs.
United States Dollar	30,757,354	17,753,361	13,003,993	(1,000,000)	12,003,993	**3,555,582,759**
Great Britain Pound	580,949	1,821,616	(1,240,667)	1,506,000	265,333	**101,614,456**
Euro	1,067,794	1,182,947	(115,153)	-	(115,153)	**(36,750,082)**
Australian Dollar	2,641,721	2,906,305	(264,584)	-	(264,584)	**(49,318,549)**
Total exposure						**3,571,128,585**
Total capital funds (capital base) as per the audited computation						108,785,840,866
Total exposure as a percentage of total capital funds (%)						3.28%

The Company regularly carries out sensitivity analysis on Net Open Position (NOP) to assess the exposure to foreign exchange (Fx) risk due to possible changes in the exchange rates. An appropriate shock based on historical exchange rates are applied on the NOP which is measured against the approved threshold limits.



46.6 Equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The Company conducts mark-to-market calculations on a daily, quarterly and on a need basis to identify the impact due to changes in equity prices.

The table below summarises the impact (both to Income Statement and to equity) due to a change of 10% on equity prices.

	2026			2025		
	Financial assets recognised through profit or loss	Financial assets at fair value through other comprehensive income	Total	Financial assets recognised through profit or loss	Financial assets at fair value through other comprehensive income	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Market value of equity securities as at March 31,	2,207,426,969	349,727,598	2,557,154,567	2,179,234,036	323,720,733	2,502,954,768
Stress Level	**Impact on Income Statement**	**Impact on OCI**	**Impact on Equity**	**Impact on Income Statement**	**Impact on OCI**	**Impact on Equity**
Shock of 10% on equity prices						
Upward	220,742,697	34,972,760	255,715,457	217,923,404	32,372,073	250,295,477
Downward	(220,742,697)	(34,972,760)	(255,715,457)	(217,923,404)	(32,372,073)	(250,295,477)

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46. FINANCIAL RISK MANAGEMENT CONTD.

46.7 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

46.7 (a) Regulatory Capital

The Company manages its capital in line with regulatory capital requirements set by the Central Bank of Sri Lanka (CBSL). As of 31st March 2026, the Company is required to maintain a minimum Total Tier I Capital Adequacy Ratio of 10% and a minimum Total Capital Adequacy Ratio of 17%.

For the year ended 31st March	2026 Rs.	2025 Rs.
Tier I capital	**115,061,526,190**	**111,007,759,229**
Stated capital	44,078,915,852	44,078,915,852
Non-cumulative, Non-redeemable Preference Shares	-	-
Reserve fund	8,915,699,725	7,545,403,163
Audited retained earnings/(losses)	65,666,531,081	63,660,230,785
(less) Revaluation gains/surplus of investment property	(31,005,551,706)	(29,361,931,368)
General and other disclosed reserves	-	-
Current year's profit(losses)	27,405,931,239	25,085,140,797
Total Adjustments to Tier I capital	**1,128,524,868**	**1,141,013,006**
Goodwill (net)	-	-
Other intangible assets (net)	41,045,967	60,107,649
Other comprehensive Income losses	-	-
Deferred tax assets (net)	-	-
Shortfall of the cumulative impairment to total provisions and interest in suspense	-	-
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,087,478,901	1,080,905,357
Shortfall of capital in financial subsidiaries	-	-
Tier I Capital (after adjustments)	**113,933,001,322**	**109,866,746,223**
Tier 2 Capital	**-**	**-**
Instruments Qualified as Tier 2 Capital	-	-
Revaluation gains	-	-
General provisions / collective impairment allowances	-	-
Eligible Tier 2 Capital	**-**	**-**
Total Adjustments to eligible Tier 2 Capital	**1,087,478,901**	**1,080,905,357**
50% of investment in banking and financial subsidiary companies	-	-
50% of investment in other banking and financial institutions	1,087,478,901	1,080,905,357
Eligible Tier 2 Capital after adjustments	**1,087,478,901**	**1,080,905,357**
Total Capital	**112,845,522,422**	**108,785,840,866**
Total Risk Weighted Assets (RWA)	**484,047,608,396**	**419,673,370,979**
Risk Weighted Assets Amount for Credit Risk	436,329,723,851	374,493,187,081
Risk Weighted Assets Amount for Operational Risk	47,717,884,545	45,180,183,898
Tier I Capital Ratio, %	**23.54%**	**26.18%**
Total Capital Ratio, %	**23.31%**	**25.92%**

