LANKA CREDIT AND BUSINESS FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2026

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Ernst & Young
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HLF/TP/DW

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LANKA CREDIT AND BUSINESS FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Credit and Business Finance PLC ("the Company"), which comprise the statements of financial position as at 31 March 2026, income statement, statements of changes in equity and statements 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 of the Company give a true and fair view of the financial position of the Company as at 31 March 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

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

(Contd...2/)

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

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

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Key audit matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of loans and lease receivables measured at amortised cost Allowances for expected credit losses of loans and lease receivables measured at amortised cost as stated in Notes 20 and 21 respectively, is determined by management on the accounting policies described in Note 3.1 to the financial statements. This was a key audit matter due to • the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and • the materiality of the reported amount of Allowances for expected credit losses. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and their associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed in Notes 3.1 and 42.	In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures: • Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, on the best available information up to the date of our report. • Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of credit quality assessments and related stage classifications. • In addition to the above, the following procedures were performed: - For loans and lease receivables assessed on an individual basis for impairment: • Tested the arithmetical accuracy of the underlying individual impairment calculations. • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. - For loans and lease receivables assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the impairment for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. • Assessed the adequacy of the related financial statement disclosures set out in notes 20, 21 and 42.

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

Other information included in the Company's 2026 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than 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.

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.

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Auditor's responsibilities for the audit of the financial statements

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

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

1. 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.

2. 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 controls.

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

4. 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.

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

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

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

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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 3755.



26 June 2026
Colombo

INCOME STATEMENT

Year ended 31 March 2026

	Note	31.03.2026 Rs.	31.03.2025 Rs.
Income	6	2,013,456,458	1,455,780,148
Interest Income	7	1,883,667,098	1,323,027,160
Less: Interest Expenses	8	(672,470,842)	(476,220,432)
Net Interest Income		1,211,196,256	846,806,728
Fee and Commission Income	9	75,283,474	67,030,809
Less: Fee and Commission Expenses		-	-
Net Fee and Commission Income		75,283,474	67,030,809
Net Other Operating Income/(Expense)	10	54,505,886	65,722,180
Total Operating Income		1,340,985,616	979,559,716
Impairment(Charge)/Reversal	11	(111,557,217)	(89,460,894)
Net Operating Income		1,229,428,399	890,098,821
Less : Operating Expenses			
Personnel Costs	12	(292,737,557)	(240,014,847)
Depreciation and Amortization	13	(106,708,661)	(95,356,881)
Other Operating expenses	14	(230,916,513)	(166,259,729)
		(630,362,731)	(501,631,457)
Operating Profit before Tax on Financial Services		599,065,668	388,467,365
Taxes on Financial Services	15	(159,591,000)	(105,782,057)
Profit before tax		439,474,668	282,685,308
Less: Income tax (expense)/Reversal	16	(157,644,506)	(78,171,567)
Profit for the Year		281,830,162	204,513,741
Basic earnings per share (Rs.)	17	0.36	0.26

The accounting policies and notes on page 11 to 75 form an integral part of the Financial Statements.

ERNST & YOUNG Chartered Accountants COLOMBO

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2026

	Note	31.03.2026 Rs.	31.03.2025 Rs.
Profit for the Year		281,830,162	204,513,741
Other Comprehensive Income/ (Expenses)			
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	36.2	190,499	(863,125)
Deferred tax effect on actuarial gain/(loss)	30.0	(57,150)	258,937
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	27.1	131,258,004	-
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	30.0	(39,377,401)	-
		92,013,952	(604,187)
Other Comprehensive Income for the Year, Net of Tax		92,013,952	(604,187)
Total Comprehensive Income for the Year, Net of Tax		373,844,114	203,909,554
Attributable to :			
Equity holders of the Company		373,844,114	203,909,554
		373,844,114	203,909,554

The accounting policies and notes on page 11 to 75 form an integral part of the Financial Statements.

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Lanka Credit and Business Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Note	31.03.2026 Rs.	31.03.2025 Rs.
ASSETS			
Cash and Cash Equivalent	18	905,746,595	216,952,568
Financial Investment at amortised Cost	19	669,603,996	578,160,999
Financial assets at amortised Cost - Loans and Receivables	20	8,534,594,506	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	21	1,761,405,794	1,779,857,440
Other Financial Assets	22	16,910,717	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	23	1,291,376	21,834,438
Financial Investment at Fair value through Other Comprehensive Income	24	315,813	315,813
Other Non Financial Assets	25	39,800,707	34,908,994
Investment Property	26	420,000,000	224,000,000
Property, Plant and Equipment	27	236,191,561	109,742,300
Right of Use Assets	28	251,609,680	141,634,869
Intangible Assets	29	33,295,541	34,042,201
Deferred Tax Asset	30	-	15,925,201
Total Assets		12,870,766,286	9,248,483,934
LIABILITIES			
Financial Liabilities at amortised Cost - Due to Banks	31	2,491,720,371	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	32	6,289,658,345	4,643,459,643
Financial Liabilities at amortised Cost - Debt Securities	33	202,438,629	-
Other Financial Liabilities	34	318,751,517	189,545,301
Other Non Financial Liabilities	35	173,422,456	213,538,118
Retirement Benefits Liabilities	36	11,032,650	8,565,688
Deferred Tax Liability	30	5,016,156	-
Total Liabilities		9,492,040,124	6,125,076,569
EQUITY			
Stated Capital	37	2,539,133,400	2,539,133,400
Reserves	38	181,551,258	75,579,147
Retained Earnings	39	658,041,504	508,694,818
Total Equity		3,378,726,162	3,123,407,365
Total Equity and Liabilities		12,870,766,286	9,248,483,934
Net asset Value per share	37.3	4.28	3.95

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

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Kelum Wannige
AGM - Finance & Strategic Planning

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

.....
K.G.Leelananda
Director/CEO

.....
Dushmantha Thotawatte
Chairman

The accounting policies and notes on page 11 to 75 form an integral part of the Financial Statements.

26 June 2026
Colombo

ERNST & YOUNG Chartered Accountants COLOMBO

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March 2026

	Stated Capital	Retained Earnings	Statutory Reserve	Asset Revaluation Surplus	Regulatory Loss Allowance	Total Equity
	Rs. (Note 36)	Rs. (Note 38)	Rs. (Note 37)	Rs.	Rs.	Rs.
Balance as at 01 April 2024	2,539,133,400	320,721,989	59,642,422	-	-	2,919,497,811
Net Profit / (Loss) for the Year	-	204,513,741	-	-	-	204,513,741
Other Comprehensive Income Net of Tax	-	(604,187)	-	-	-	(604,187)
Transfer to Statutory Reserve Fund	-	(10,225,687)	10,225,687	-	-	-
Regulatory Loss Allowance	-	(5,711,038)	-	-	5,711,038	-
Total Comprehensive Income for the Year, Net of Tax	-	187,972,829	10,225,687	-	5,711,038	203,909,554
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners						
Shares issue during the year	-	-	-	-	-	-
Dividend Paid	-	-	-	-	-	-
Total Transactions with Equity Holders	-	-	-	-		-
Balance as at 31 March 2025	2,539,133,400	508,694,818	69,868,109	-	5,711,038	3,123,407,365
Balance as at 01 April 2025	2,539,133,400	508,694,818	69,868,109	-	5,711,038	3,123,407,365
Net Profit / Loss) for the Year	-	281,830,162	-	-	-	281,830,162
Other Comprehensive Income Net of Tax	-	133,350	-	-	-	133,350
Transfer to Statutory Reserve Fund	-	(14,091,508)	14,091,508	-	-	-
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	131,258,004	-	131,258,004
Deferred tax effect on revaluation gain of Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	-	-	-	(39,377,401)	-	(39,377,401)
Total Comprehensive Income for the Year, Net of Tax	-	267,872,003	14,091,508	91,880,603	-	373,844,114
Transactions with Owners, Recognised Directly in Equity, Contributions and Distributions to Owners						
Dividend Paid	-	(118,525,317)	-	-	-	(118,525,317)
Total Transactions with Equity Holders	-	(118,525,317)	-	-	-	(118,525,317)
		-			-	
Balance as at 31 March 2026	2,539,133,400	658,041,504	83,959,617	91,880,603	5,711,038	3,378,726,162

ERNST & YOUNG Chartered Accountants COLOMBO

The accounting policies and notes on page 11 to 75 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2026

	Note	31.03.2026 Rs.	31.03.2025 Rs.
Cash Flows Used in Operating Activities			
Profit before tax from continuing operations		439,474,668	282,685,308
Adjustments for;			
Depreciation and Amortization	13	68,363,599	66,855,861
Amortization of right of use asset	28	38,345,062	28,501,020
Provision/(Reversal) for Defined Benefit Plans	36	3,375,189	2,292,623
(Gain)/Losses from Change in fair value of Investment Properties	10	(40,001,000)	(15,878,000)
Fair Value (Gain) / Loss from Share Investments & Unit Trust	10	(7,118,486)	(37,528,292)
(Gain)/Loss on Termination/Modification of ROU Assets	10	207,416	-
Impairment (Reversal)/Charges for Loans & receivable and Lease rentals receivables & Hire Purchases	11.3	111,557,217	89,460,894
Interest on Lease Liability		28,245,726	19,789,736
Interest Expenses on Borrowings	31.2	174,209,271	69,194,295
Impairment (Reversal)/Charges for Financial Investments		197,472	-
Write off balances		-	110,939,955
Operating Profit before Working Capital Changes		816,856,134	616,313,399
Working Capital Adjustments			
(Increase) / Decrease Lease Rentals Receivables and Hire Purchases		(20,471,369)	(1,092,221,360)
(Increase) / Decrease Loans and Receivables		(2,623,094,789)	(2,356,243,284)
(Increase) / Decrease Other Financial Assets		55,163,581	(51,450,380)
(Increase) / Decrease Other Non Financial Assets		(153,211,584)	(90,420,185)
Increase / (Decrease) in Other Liabilities		129,206,216	145,101,220
Increase / (Decrease) in Other Non Financial Liabilities		(40,115,662)	-
Increase / (Decrease) in Due to Customers		1,646,198,702	1,373,244,985
Cash Flow from/(used in) Operating Activities		(189,468,770)	(1,455,675,606)
Gratuity Paid	36	(908,225)	(1,392,975)
Income Tax Paid		(124,422,054)	(22,200,679)
Net Cash from Operating Activities		(314,799,049)	(1,479,269,260)
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	27.1	(53,384,758)	(32,438,709)
Acquisition of Intangible Assets	29	(9,423,437)	(3,541,255)
Proceeds from Sales of Investment Properties and PPE		-	2,858,348
Net Investment Acquisition		(91,442,997)	331,299,833
Acquisition of Investment Properties		(155,999,000)	(17,122,000)
Net Investments in Shares & Unit Trust		27,557,613	845,000,000
Dividend Received	10	631,125	1,842,124
Net Cash Flows from/(Used in) Investing Activities		(282,061,454)	1,127,898,341
Cash Flows from (used in) Financing Activities			
Proceeds from Issuance of Bond		195,000,000	-
Repayment of Interest of Bond		(3,636,300)	-
Dividend Paid		(118,525,317)	-
Proceeds from Interest Bearing Loans & Borrowings	31.2	4,758,704,990	1,166,600,000
Repayment of Interest Bearing Loans & Borrowings	31.2	(3,384,997,052)	(928,555,908)
Payment of Capital portion of Lease Liabilities	28.2	(45,662,033)	(37,637,907)
Net Cash used in Financing Activities		1,400,884,289	200,406,185
Net Increase in Cash and Cash Equivalents		804,023,786	(150,964,735)
Cash and Cash Equivalents at the beginning of the year		58,944,351	209,909,086
Cash and Cash Equivalents at the end of the year		862,968,137	58,944,351

The accounting policies and notes on page 11 to 75 form an integral part of the Financial Statements.

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1. CORPORATE INFORMATION

1.1 General

Lanka Credit and Business Finance PLC (formally known as City Finance Corporation Limited) (the "Company) was restructured as a result of an investment made by Lanka Credit and Business Limited under the guidance of the Central Bank of Sri Lanka in May 2018. The Company is a domiciled, public listed company incorporated in Sri Lanka and it was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto.

The registered office and the principle place of business of the Company is located at No.76, S De S Jayasinghe Mawatha, Kohuwala, Nugegoda.

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits and providing credit facilities such as finance lease, hire purchase, vehicle loan facilities, mortgage loans, gold loans, revolving loans business/personal loans and other credit facilities.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent and the controlling party is the Lanka Credit and Business Limited, which is incorporated in Sri Lanka.

1.4 Approval of Financial Statements by Directors

The Financial Statements of the Lanka Credit and Business Finance PLC for the year ended 31 March 2026 was authorized for issue in accordance with a Resolution of the Board of Directors on 26 June 2026.

1.5 Directors' Responsibility Statement

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

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2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, and Accounting policies and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007 and Finance Business Act No.42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2 Basis of Measurement

The Financial Statements of the Company have been prepared on a historical cost basis, and applied consistently, with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following.

- Financial Assets at fair value through profit or loss at fair value (Note 23)
- Financial Assets at fair value through other comprehensive income (applicable from 1stApril 2018) at fair value (Note 24)
- Investment properties, which is measured at cost at the time of acquisition subsequently, measured at fair value, which reflects market conditions at the reporting date (Note 26)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation based on actuarial valuation (Note 36)

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is also the Company's functional and presentation currency.

2.4 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non - current) is presented in Note 47.

2.5 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard -LKAS 01(Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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 settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by an Accounting Standard or interpretations and as specifically disclosed in the accounting policies.

ERNST & YOUNG Chartered Accountants COLOMBO

2.6 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's presentation as set out in the Financial Statements.

2.7 Statement of Cash Flow

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, Cash and cash equivalents include cash in hand, balances with banks net of unfavorable bank balances and securities purchased under repurchase agreement (less than three months).

2.8 Events after the Reporting Date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue.

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements, which is disclosed in Note 45 to the Financial Statements.

2.9 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 - "Presentation of Financial Statements".

2.10 Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets and liabilities and the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur.

Estimates 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.

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The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows;

3.1 Impairment Losses on Loans and Receivables

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates driven by a number of factors, changes which can result in different levels of allowances.

Accordingly, the Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment was required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates were based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics.

As per SLFRS 09, the Company's expected credit loss (ECL) calculations are output of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their fair values and their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), Exposure at default (EADs) and loss given default (LGDs).
- Selection of forward –looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- It is the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary.

3.2 Fair Value of Financial Instruments

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

3.3 Taxation

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

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

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

3.4 Defined Benefit Plans

The cost of Defined Benefit Pension Plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables**.** Future salary increases are based on expected future inflation rates and expected future salary increase rate for the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 36 to the Financial Statements.

3.5 Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortization of property, plant, equipment and intangible assets at each reporting date. The judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.6 Provisions, Commitments and Contingencies

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 44 to the Financial Statements.

4. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

4.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

4.1.1 Date of Recognition

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

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4.1.2 Initial Measurement of Financial Instruments

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

4.1.3 'Day 1' Profit or Loss

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

4.1.4 Measurement Categories of Financial Assets and Financial Liabilities

On initial recognition, a financial asset is classified as measured at,

- Amortized cost,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss. (FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

a) Financial Assets at Amortized cost:

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

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

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

The details of the above conditions are outlined below.

Business Model Assessment

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair values of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

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

The SPPI Test

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

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

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

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

b) Equity Instruments at FVOCI

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

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

Previous years, the Company has recorded its non- quoted equity investments as FVPL. However current year onwards it has recorded as FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

c) Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

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Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and Reverse Repo.

4.1.5 Classification and Subsequent Measurement of Financial Liabilities

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

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

a) Financial liabilities held for trading
b) Financial liabilities designated at fair value through profit or loss

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

The subsequent measurement of financial liabilities depends on their classification.

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

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement.

ii. Financial Liabilities at Amortized Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortized cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortization is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are de recognized as well as through the EIR amortization process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortized Cost in the form of term loans, short term loans and debentures.

4.1.6 Reclassifications of Financial Assets and Financial Liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2018.

4.1.7 De recognition of Financial Assets and Financial Liabilities

a) De-recognition of Financial Assets

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

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

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

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

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

A transfer only qualifies for de recognition if either:

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

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

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

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Company's continuing involvement, in which case, the Company also recognizes as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

b) De-recognition - Financial Liabilities

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

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

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Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The disclosure of fair value of financial instruments is disclosed in Note 40 to the Financial Statements.

4.1.8 Impairment of Financial Assets

4.1.8.1 Expected Credit Loss Principles

a. Overview of the Expected Credit Loss (ECL) Principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 42.4.

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

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

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

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below.

Stage 1: When loans are first recognized, the Company recognizes allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

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

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

b. The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the 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 calculations are outlined below and the key elements are, as follows.

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

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

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

The mechanism of the ECL method is summarized below

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

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

Stage 3: For loans considered credit-impaired, the Company recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

c. Loan Commitments:

When estimating LTECLs for undrawn loan commitments, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For factoring receivables and revolving loans that include both a loan and an undrawn commitment. ECLs are calculated and presented with the loan.

d. Financial Guarantee Contracts:

The Company's liability under each guarantee is measured at the higher of the initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability – weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within provisions.

e. Debt Instruments Measured at Fair Value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the Statement of Financial Position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to Income Statement. The accumulated loss recognized in OCI is recycled to the profit or loss upon de recognition of the assets.

f. Debt Factoring and Revolving Loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behavior, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

g. Forward Looking Information

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

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

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

4.1.8.2 Reversals of Impairment

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

4.1.8.3 Renegotiated Loans

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

From 01 January 2018, when the loan has been renegotiated or modified but not de recognized, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 4.4.1. The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is de recognized as explained in Note 4.1.7(a).

4.1.8.4 Write-off of Financial Assets at Amortized Cost

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

4.1.8.5 Collateral Valuation

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

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral.

Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers, Audited Financial Statements and other independent sources.

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4.1.8.6 Collateral Repossessed

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

4.1.8.7 Offsetting Financial Assets and Liabilities

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

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

4.2 Leases

The Company applied Sri Lanka Accounting Standard -SLFRS 16 (Leases) with effect from 01 April 2019.

At the commencement date of a lease, the Company recognise a liability to make future lease payments (i.e., the lease liabilities) and an asset representing the right to use of the underlying asset during the lease term (i.e., the right-of-use asset), the interest expense on the lease liabilities and the depreciation expense on the right-of-use asset are recognized separately in line with the requirements of SLFRS 16-Leases.

Further the lease liabilities will be remeasured upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Company will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

(a) Separating Components of a Contract

The Company determines, the right to use an underlying asset is a separate lease component if both of the following criteria are met.

- The lessee can benefit from use of the asset either on its own or together with other resources that are available to the lessee.
- The underlying asset is neither dependent on, nor highly interrelated with, the other underlying assets in the contract.

For contracts in which the Company becomes the lessee, the consideration in the contract is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease components. On the other hand, when the Company is the lessor, the guidance given in Sri Lanka Accounting Standard – SLFRS 15 on "Revenue from Contracts with Customers" (SLFRS 15) is applied to allocate transaction price to separate components.

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(b) Determination of Lease Term

All lease liabilities are to be measured with reference to the estimate of lease term. Accordingly, the Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In this assessment, the Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, only upon the occurrence of a significant event or significant change in circumstances that are within the control of the Company as a lessee. In addition, as per SLFRS 16, the Company revises lease term only if there is a change in the non-cancellable period of lease.

(C) Amortization of Right to Use Asset

Company amortized it's Right to Use Assets over the lease period of the respective asset

4.3 Property, Plant &Equipment

4.3.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

4.3.2 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 cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

4.3.3 Cost Model

The Company applies cost model to property, plant and equipment class of Machinery, Fixture & Fittings and Name with any directly attributable expenses thereon less accumulated depreciation and any accumulated impairment losses.

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

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

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When parts of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant& equipment.

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

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

4.3.4 Revaluation Model

The Company applies the revaluation model to the Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments and Land and Buildings. Revaluation is performed frequently and if material value difference is observed such difference is taken to revaluation reserve. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments revalued by independent professional valuer or valuers, the company revalue all assets in every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss.

In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves.

Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Company revalued all of its Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments as at 31 March 2026.

4.3.5 Subsequent Cost

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

4.3.6 Repairs and Maintenance

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

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4.3.7 Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on 'Borrowing Costs', the company capitalizes the borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognized in the profit or loss in the period in which they occur.

4.3.8 De-recognition

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is de recognized.

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

4.3.9 Depreciation

Depreciation is recognized in income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant &equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The rates of depreciations based on the estimated useful lives are as follows:

Category of Asset	Rate of Depreciation (per annum)
Buildings	5%
Office Equipment	25%
Computer Equipment	20%
Office furniture & Fittings	20%
Motor vehicles	25%
Name Board	50%
Machinery	25%

4.3.10 Change in Estimates

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

4.4 Intangible Assets

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

4.4.1 Basis of Recognition

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

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

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4.4.2 Subsequent Expenditure

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

4.4.3 Useful Economic Life, Amortization and Impairment

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

Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year–end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

4.4.4 Amortization

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

The Class of Intangible Assets	Useful Life	Amortization Method
Computer software	04 Years	Straight line method
Computer software (new e-finance system)	10 Years	Straight line method

The residual value of the intangible asset is zero.

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

4.4.5 De-recognition

Intangible assets are de recognized on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on de recognition of the asset, Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the profit or loss in the year the asset is de recognized.

4.5 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount.

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A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Income Statement.

4.6 Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both, Investment properties are initially measured at cost and the fair value model is used for subsequent measurement in accordance with Sri Lanka Accounting Standard (LKAS 40) – Investment Property. The cost of the investment property comprises of its purchase price and any directly attributable expenditure.

Fair valuations of the properties are carried out by independent valuer/valuers having appropriate professional qualifications, the difference between the carrying amount of the item and its fair value is recognized directly to the Income Statement, if it is a gain or a decline in value

4.7 Dividend Payable

Dividends on ordinary shares are recognized as a liability and deducted in equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

4.8 Retirement Benefit Obligations

4.8.1 Defined Benefit Plan -Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No.12 of 1983, at the rate of one half of the Gross Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 05 years.

The Company measures the present value of the promised retirement benefits for gratuity which is a defined benefit plan with the advice of an independent professional actuary using projected unit credit actuarial cost method as required by Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

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

Recognition of Actuarial Gains and Losses

The Company recognizes the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in Other Comprehensive Income during the period in which it occurs.

Interest Cost

Interest cost is the expected increase due to interest at the end of the year. (The benefits are one year closer to settlement).

Funding Arrangements

The Gratuity liability is not externally funded.

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4.8.2 Defined Contribution Plans

The Company also contributes defined contribution plans. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

Employees' Provident Fund

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

Employees' Trust Fund

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

4.9 Statutory Reserve Fund

The reserves recorded in the equity on the Company's Statement of Financial Position includes the 'Statutory reserve fund' which has been created in accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by Central Bank of Sri Lanka. Accordingly, 5% of the net profit for the period is transferred to the Statutory reserve fund during the financial year.

4.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with Sri Lanka Accounting Standard – LKAS 37 on 'provision, contingent liabilities and contingent assets'.

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

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

4.11 Recognition of Interest Income and Interest Expense

4.11.1 Interest Income and Interest Expense

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

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

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

When a financial asset becomes credit-impaired (as set out in Note '42.4.1 and is, therefore, regarded as 'Stage 3', the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

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

4.11.2 Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

4.12 Fee and Commission Income and Expenses

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

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially in the scope of SLFRS 9 and partially in the scope of SLFRS 15. If this is the case, then the Company first applies SLFRS 9 to separate and measure the part of the contract that is in the scope of SLFRS 9 and then applies SLFRS 15 to the residual.

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

The Company earns a fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to two categories.

a) Fee Income Earned from Services that are Provided Over a Certain Period of Time

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

b) Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party.

4.13 Other Operating Income

(a) Dividend Income

Dividend income is recognized when the right to receive income is established. Usually, this is the ex- dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

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(b) Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognized when received.

(c) Other Income

Other income is recognized on an accrual basis.

4.14 Personnel Expenses

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

4.15 Taxes

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

4.15.1 Current Tax

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

Accordingly, provision for taxation is based on the profit for the year 2018 adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017(Inland Revenue Act No.10 of 2006 and amendments thereto up to 31 March 2018) and the amendment thereto, at the rate specified in Note 16 to the Financial Statements.

4.15.2 Deferred Tax

Deferred tax is recognized using the liability method in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 16 and Note 30 to the Financial Statements respectively.

4.15.3 Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No.14 of 2002 and subsequent amendments thereto. The base for the computation of value added tax on financial services is the accounting profit before VAT and income tax, adjusted for the economic depreciation and emoluments payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

4.15.4 Withholding Tax (WHT) on Dividends

Withholding tax on dividends distributed by the Company that arise from the distribution of dividends of the company is recognized at the time of liability to pay the related dividend is recognized. At present, the rate of 15 % is deducted at source.Regulatory provisions

4.16 Regulatory Provisions

4.16.1 Statutory Reserve Fund

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

4.16.2 Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 “Insurance of Deposit Liabilities” issued on 27 September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 01 October 2010.The said Scheme was renamed as the “Sri Lanka Deposit Insurance and Liquidity Support Scheme” as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

The deposits to be insured shall include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Silence
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No.3 of 2008 for Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

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

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4.16.3 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011, and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

4.17 Earnings per Share (EPS)

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

4.18 Segment Reporting

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

- Term Loans
- Leasing & Hire Purchase
- Others

A segment is a distinguishable component of a Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

4.19 Commitments and Contingencies

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

Financial Guarantees and Undrawn Loan Commitments

Currently the Company has issued financial guarantees. The company has established a policy to recognize and measure its financial guarantees and undrawn loan commitments, Accordingly, the financial guarantees are initially recognized in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and - under LKAS 39 - the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or - under SLFRS 9 - an ECL provision.

The premium received is recognized in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under LKAS 39, a provision was made if they were an onerous contract but, from 01 January 2018, these contracts are in the scope of the ECL requirements.

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The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

Currently the company has a commitment to settle the City Finance Fixed Deposits (FD) liability to its customers. It is required to settle the final 45% commencing from 30 September 2020.

5. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The new and amended standards and interpretations that are issued, but not yet effective, upto the date of issuance of Financial Statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 Accounting Standards Issued by the Institute of Chartered Accountants of Sri Lanka

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.

5.2 SLFRS 17 Insurance Contracts

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

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

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

5.3 Lack of Exchangeability – Amendments to LKAS 21

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

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

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

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5.4 New and Revised SLFRS Accounting Standards in Issue but Not Yet Effective

5.4.1 SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18, which replaces LKAS 1, introduces significant enhancements to the way financial information is organized and communicated. The standard establishes new categories and subtotals in the statement of profit or loss to improve consistency and comparability across entities. It also requires entities to disclose management-defined performance measures (as specified in the standard), together with clear explanations and reconciliations. In addition, SLFRS 18 introduces strengthened requirements regarding the location, aggregation, and disaggregation of financial information. These changes are designed to ensure that financial statements present information more transparently and in a way that enhances users' understanding of an entity's financial performance and position.

SLFRS 18, and consequential amendments to the other accounting standards, are effective for annual reporting periods beginning on or after 01 January 2027. Early application is permitted.

The potential impact of SLFRS 18 on the financial statements and the related notes is currently being identified and evaluated.

5.4.2 SLFRS 19 Subsidiaries Without Public Accountability: Disclosures

SLFRS 19 introduces reduced disclosure requirements for subsidiaries that do not have public accountability but continue to apply the full SLFRS recognition and measurement principles. Professional Practice, EY Sri Lanka Page 1 Standards issued but not yet effective YE 31 March 2026 The purpose of SLFRS 19 is to lessen the financial reporting burden on qualifying subsidiaries by simplifying disclosure requirements, while still ensuring that financial statements remain high-quality, consistent, and comparable for users.

SLFRS 19 applies to Specified Business Enterprises, as defined in the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. Subsidiaries that fall within this category and do not have public accountability are eligible to apply SLFRS 19.

The Standard becomes effective for annual reporting periods beginning on or after 01 January 2027

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

The amendments introduce enhancements to the classification, measurement, derecognition, and disclosure requirements for financial instruments. Their objective is to strengthen transparency, promote greater consistency in financial reporting, and respond to emerging market developments - particularly features such as sustainability-linked terms and nature-dependent electricity contracts.

These amendments are effective for annual reporting periods beginning on or after 01 January 2026.

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6.	INCOME	31.03.2026 Rs.	31.03.2025 Rs.
	Interest Income (Note 7)	1,883,667,098	1,323,027,160
	Fee and Commission Income (Note 9)	75,283,474	67,030,809
	Other Operating Income (Note 10)	54,505,886	65,722,180
		2,013,456,458	1,455,780,148

7.	INTEREST INCOME	31.03.2026 Rs.	31.03.2025 Rs.
	Interest Income on Loans and Receivables (Note 7.1)	1,466,047,482	952,409,214
	Interest Income on Lease rentals receivables and Hire Purchases (Note 7.2)	306,095,477	245,282,813
	Interest Income on Financial Investments	55,469,568	83,114,310
	Penalty Interest	56,054,571	42,220,822
		1,883,667,098	1,323,027,160

7.1	Interest Income on Loans and Receivables		
	Interest Income on Term Loans	1,078,810,516	807,256,127
	Interest Income on Housing Loans	32,385,300	37,509,615
	Interest Income on Gold Loans	354,851,666	107,643,472
		1,466,047,482	952,409,214

7.2	Interest Income on Lease Rentals Receivables and Hire Purchases		
	Interest Income on Lease rentals receivables	306,091,406	244,276,221
	Interest Income on Hire Purchases	4,071	1,006,592
		306,095,477	245,282,813

8.	INTEREST EXPENSE	31.03.2026 Rs.	31.03.2025 Rs.
	Due to Banks	167,064,568	73,471,809
	Debt Instruments Issued and Other Borrowed Funds	11,074,929	-
	Due to Customers (Note 8.1)	466,085,619	382,958,887
	Interest Expenses on Lease Liability (Note 28.2)	28,245,726	19,789,736
		672,470,842	476,220,432

8.1	Due to Customers		
	Interest Expense on Fixed deposits	447,759,678	365,686,982
	Interest Expense on Savings	18,325,941	17,271,905
		466,085,619	382,958,887

9.	NET FEE AND COMMISSION INCOME	31.03.2026 Rs.	31.03.2025 Rs.
	Documentation and processing fees	75,283,474	67,030,809
		75,283,474	67,030,809

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10. NET OTHER OPERATING INCOME/(EXPENSE)	31.03.2026 Rs.	31.03.2025 Rs.
Foreign Currency Exchange Income	205,184	(63,226)
Dividend Income	631,125	1,842,124
Other Income	4,172,006	4,448,808
Fair Value gain/(loss) from Share Investments	4,294,315	2,503,699
Adjustment for change in fair value of Unit trust	2,824,172	35,024,593
Gain/(Loss) from change in fair value of Investment Properties	40,001,000	15,878,000
Gain/(Loss) on Termination of ROU Assets	(207,416)	476,529
Gain/(Loss) on Disposal of Fixed Assets	-	3,001,652
Rent Income	2,585,500	2,610,000
	54,505,886	65,722,180

11. IMPAIRMENT CHARGE/(REVERSAL)

11.1 Collective		31.03.2026 Rs.	31.03.2025 Rs.
Loans and Receivables	20.2	56,161,665	24,324,166
Lease rentals receivables and Hire Purchases	21.3	8,853,645	16,460,860
		65,015,310	40,785,026
11.2 Individual			
Loans and Receivables		24,426,444	5,085,455
Lease Rentals Receivable & Hire Purchases		30,069,369	43,590,413
Other Financial Assets		(7,953,906)	-
		46,541,907	48,675,868
Total Impairment charges/ (Reversal) for Loans and Receivables, Cash at Bank & Other Financial assets		111,557,217	89,460,894

11.3 The Table below Shows the Allowance for Impairment on Financial Instruments for the Year 2025/2026 Recorded in the Income Statement

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	26,111,161	20,956,580	9,093,924	24,426,444	80,588,109
Lease rentals receivables and Hire Purchases	(3,525,663)	7,699,560	4,679,749	30,069,369	38,923,015
Write off Debtors - Loans and Receivables	-	-	-	-	-
Write off Debtors - Lease rentals receivables and Hire Purchases	-	-	-	-	-
Other Financial Assets	131,739	-	-	(8,085,645)	(7,953,906)
	22,717,237	28,656,139	13,773,673	46,410,168	111,557,217

11.4 The Table below Shows the Allowance for Impairment on Financial Instruments for the Year 2024/2025 Recorded in the Income Statement

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Individually Rs.	Total Rs.
Loans and Receivables	27,216,781	(17,251,833)	(6,141,471)	(13,258,332)	(9,434,854)
Lease rentals receivables and Hire Purchases	4,544,287	10,904,816	(2,137,499)	(25,355,811)	(12,044,207)
Write off Debtors - Loans and Receivables	5,512,161	-	14,988,528	18,343,787	38,844,475
Write off Debtors - Lease rentals receivables and Hire Purchases	-	-	3,149,255	68,946,224	72,095,479
Other Receivables	-	-	-	-	-
	37,273,230	(6,347,017)	9,858,813	48,675,868	89,460,894

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12. PERSONNEL COSTS

	31.03.2026 Rs.	31.03.2025 Rs.
Salaries and Other Related Expenses	257,064,370	209,247,889
Defined Contribution Plan cost EPF and ETF	23,197,499	18,414,335
Directors' Emoluments	8,910,000	10,060,000
Gratuity Charge for the Year	3,565,688	2,292,623
	292,737,557	240,014,847

13. DEPRECIATION AND AMORTIZATION

	31.03.2026 Rs.	31.03.2025 Rs.
Depreciation of Property Plant & Equipment	58,193,501	58,916,843
Amortization of intangible assets	10,170,098	7,939,018
Depreciation of ROU Assets	38,345,062	28,501,020
	106,708,661	95,356,881

14. OTHER OPERATING EXPENSES

	31.03.2026 Rs.	31.03.2025 Rs.
Audit Related Fees and Expenses	3,752,678	1,750,000
Professional & Legal Expenses	5,516,292	4,979,672
Office Administration & Establishment Expenses	164,406,975	120,368,118
Advertising & Business Promotion Expenses	36,742,594	24,574,301
Other Operating Expenses	20,497,974	14,587,638
	230,916,513	166,259,729

15. TAXES ON FINANCIAL SERVICES

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with 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 and SSCL on Financial Services and income tax adjusted for the economic depreciation and emoluments payable to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits.

VAT on Financial Services is charged as 18% with effect from 01 January 2022.

Social Security Contribution Levy

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 01 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

	31.03.2026 Rs.	31.03.2025 Rs.
Value Added Tax on Financial Services	140,611,250	93,790,461
Social Security Contribution Levy on Financial Services	18,979,750	11,991,596
	159,591,000	105,782,057

16. TAXATION

16.1 The Major Components of Income Tax Expense for the Years Ended 31 March are as follows;

(A) Statement of Profit or Loss	31.03.2026 Rs.	31.03.2025 Rs.
Current Income Tax		
Income Tax for the year	189,134,004	85,791,087
Under/(Over) Provision of Current Taxes in respect of Previous Years	(13,255,240)	-
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 30)	(18,234,257)	(7,619,520)
	157,644,507	78,171,568

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16. TAXATION (Contd…)

16.1 The Major Components of Income Tax Expense for the Years Ended 31 March are as follows; (Contd…)

		31.03.2026 Rs.	31.03.2025 Rs.
(B)	**Other Comprehensive Income**		
	Deferred Tax		
	Deferred Taxation Charge/ (Reversal) (Refer Note 30)	39,434,551	(258,937)
		39,434,551	(258,937)
(C)	**Total Tax Expense for the Year**	197,079,058	77,912,630

16.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2026 and 2025 is as follows.

		31.03.2026 Rs.	31.03.2025 Rs.
Accounting Profit Before Income Taxation		439,474,668	282,685,308
Adjustments			
Non-Taxable (Income)/ Losses		(47,750,611)	(52,484,317)
Disallowable Expenses		394,046,705	297,520,920
Allowable Expenses		(155,324,082)	(241,751,621)
Total Statutory Income		630,446,680	285,970,291
Claim on Carried Forward Tax Losses		-	-
Taxable Income		630,446,680	285,970,291
Income Tax Rate (%)	Note 16.2 (A)	30%	30%
Income Tax		189,134,004	85,791,087
Deferred Taxation Charge/(Reversal)	(Note 30)	(18,234,257)	(7,878,457)
Total Tax Expense		170,899,747	77,912,630
Effective tax rate		39%	28%

16.2 (A) Inland Revenue (Amendment) Act, No. 45 of 2022 certified on December 19, 2022 effected several tax changes including increase in corporate tax rates with effect from 01st October 2022. the income tax rate applicable on the domestic period is 30% for the year of assessment 2025/2026.

17. EARNINGS PER ORDINARY SHARE

The Company presents basic Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary equity share holders of the Company by the weighted average number of ordinary shares outstanding during the year.

		31.03.2026 Rs.	31.03.2025 Rs.
17.1	Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as at 01 April	790,168,780	790,168,780
	Add : Weighted Average Number of shares issued under private placement	-	-
	Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as 31 March	790,168,780	790,168,780
	Weighted Average Number of Ordinary Shares for Basic/Diluted EPS as 31 March (After consolidation of shares)	790,168,780	790,168,780
	Profit Attributable to Ordinary share holders	281,830,162	204,513,741
	Basic/Diluted Earnings per Ordinary Share (Rs.)	0.36	0.26

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18.	CASH AND CASH EQUIVALENT	31.03.2026 Rs.	31.03.2025 Rs.
	Cash in hand	48,186,866	60,763,021
	Balances with banks	857,745,443	156,235,231
	Securities purchased under repurchase agreement maturing with in 03 months	-	-
	Cash and Cash Equivalent before impairment	905,932,309	216,998,252
	Less: Allowance for Impairment	(185,714)	(45,684)
	Cash and Cash Equivalent after impairment	905,746,595	216,952,568

18.1	Cash and Cash Equivalent - Cash Flow Purpose		
	Cash and Cash Equivalent before allowance for impairment	905,932,309	216,998,252
	Bank Overdraft	(42,964,172)	(158,053,901)
		862,968,137	58,944,351

19.	FINANCIAL INVESTMENTS AT AMORTISED COST	31.03.2026 Rs.	31.03.2025 Rs.
	Fixed Deposits & Commercial Papers	50,620,112	47,216,310
	Treasury Bills	52,962,497	471,764,780
	Reverse Repurchase Agreements	566,033,145	59,199,957
	Less: Allowance for Impairment Losses	(11,758)	(20,049)
		669,603,996	578,160,999

20.	FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES	31.03.2026 Rs.	31.03.2025 Rs.
	Term Loans	6,077,436,528	5,004,030,494
	Housing Loans	189,058,946	202,013,224
	Gold Loans	2,673,649,447	1,130,698,746
	Factoring Loans	-	-
	Staff Loans	23,114,612	30,369,268
		8,963,259,533	6,367,111,731
	Less : Allowance for Impairment Losses **(Note 20.1)**	(428,665,027)	(348,076,918)
	Less : Day 1 loss Moratorium interest income **(Note 20.1)**	-	-
		8,534,594,506	6,019,034,814

20.1 Analysis of Loans and Receivables on Maximum Exposure to Credit Risk as at 31 March 2026

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	617,379,794	569,621,890	529,228,786	1,716,230,470
Loans and Receivables subject to Collective Impairment	5,999,241,570	1,038,920,878	208,866,615	7,247,029,063
Allowance for Impairment Losses	(113,208,933)	(48,480,695)	(266,975,399)	(428,665,027)
	6,503,412,431	1,560,062,073	471,120,002	8,534,594,506

Analysis of Loans and Receivables on Maximum Exposure to Credit Risk as at 31 March 2025	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Loans and Receivables	-	250,876,483	575,800,304	826,676,787
Loans and Receivables subject to Collective Impairment	4,764,197,770	528,517,841	247,719,333	5,540,434,945
Allowance for Impairment Losses	(82,037,577)	(14,247,906)	(251,791,435)	(348,076,918)
	4,682,160,193	765,146,418	571,728,203	6,019,034,814

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20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES (Contd…)

20.2 Allowance for Impairment Losses

	31.03.2026 Rs.	31.03.2025 Rs.
Movement in Individual Impairment Allowance for Loans and Receivables		
As at 01 April	196,799,030	210,057,362
Net Impairment Charge / (Reversal) for the year	24,426,443	5,085,455
Write off during the year	-	(18,343,787)
Balance as at 31 March	221,225,473	196,799,030
Movement of Collective Impairment Allowance for Loans and Receivables		
As at 01 April	151,277,888	147,454,411
Net Impairment Charge / (Reversal) for the year	56,161,666	24,324,166
Write off during the year	-	(20,500,689)
Balance as at 31 March	207,439,554	151,277,888
Individual Impairment	221,225,473	196,799,030
Collective Impairment	207,439,554	151,277,888
	428,665,027	348,076,918

20.3 Movement in Allowance for Impairment Losses

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	82,037,576	14,247,906	251,791,435	348,076,917
Charge/(Reversal) to Income Statement (Note 11.3)	31,171,357	34,232,789	15,183,964	80,588,110
Amounts written off	-	-	-	-
Balance as at 31 March 2026	113,208,933	48,480,695	266,975,399	428,665,027

21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES

	31.03.2026 Rs.	31.03.2025 Rs.
Gross Rentals Receivables	2,485,502,772	2,416,111,369
-Lease Rentals Receivables	2,484,593,275	2,440,147,086
-Amounts Receivable from Hire Purchases	909,497	1,150,055
	2,485,502,772	2,441,297,141
Less: Unearned Income	(625,443,249)	(601,708,987)
Net Rentals Receivables	1,860,059,523	1,839,588,154
Less : Allowance for Impairment Losses (Note 21.1)	(98,653,729)	(59,730,715)
Total Net Rentals Receivable	1,761,405,794	1,779,857,440

21.1 Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2026

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	4,552,094	179,363,455	107,937,881	291,853,430
Lease Rentals Receivable & Hire Purchases subject to Collective Impairment	976,558,644	541,046,643	50,600,805	1,568,206,093
Allowance for Impairment Losses	(29,394,615)	(29,912,773)	(39,346,341)	(98,653,729)
	951,716,122	690,497,326	119,192,345	1,761,405,794

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21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES (Contd…)

21.2 Analysis of Lease Rentals Receivables & Hire Purchases on Maximum Exposure to credit Risk as at 31 March 2025

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Individually Impaired Lease Rentals Receivables & Hire Purchases	803,466	148,749,095	27,830,678	177,383,240
Lease Rentals Receivables & Hire Purchases subject to Collective Impairment	1,232,048,951	392,658,343	37,497,622	1,662,204,915
Allowance for Impairment Losses	(28,232,137)	(16,493,163)	(15,005,415)	(59,730,715)
	1,204,620,279	524,914,276	50,322,885	1,779,857,440

21.3 Allowance for Impairment Losses

Movement In Individual Impairment Allowance For - Lease Rentals Receivables & Hire Purchases

	31.03.2026 Rs.	31.03.2025 Rs.
As at 01 April	8,407,270	33,763,081
Net Impairment Charge / (Reversal) for the year	30,069,369	43,590,413
Write off during the year	-	(68,946,224)
Balance as at 31 March	38,476,639	8,407,270

Movement in Collective Impairment Allowance for- Lease Rentals Receivables & Hire Purchases

As at 01 April	51,323,445	38,011,840
Net Impairment Charge / (Reversal) for the year	8,853,645	16,460,860
Write off during the year	-	(3,149,255)
Balance as at 31 March	60,177,090	51,323,445
Individual Impairment	38,476,639	8,407,270
Collective Impairment	60,177,091	51,323,445
	98,653,730	59,730,715

21.4 As at 31 March 2026	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
Gross Rentals Receivables				
-Lease Rentals Receivables	446,449,625	2,038,143,650	-	2,484,593,275
-Amounts Receivable from Hire Purchases	909,497	-	-	909,497
	447,359,122	2,038,143,650	-	2,485,502,772
Less: Unearned Income	(15,220,400)	(610,222,849)	-	(625,443,249)
Net Rentals Receivables	432,138,722	1,427,920,801	-	1,860,059,523
Less : Rental Received In Advance				
Less : Suspended VAT				
				1,860,059,523
Less : Allowance for Impairment Losses				(98,653,730)
Total Net Rentals Receivable				1,761,405,793

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21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES & HIRE PURCHASES (Contd…)

21.5 Movement in Allowance for Impairment Losses

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2025	28,232,137	16,493,163	15,005,415	59,730,715
Charge/(Reversal) to Income Statement (Note 11.3)	1,162,478	13,419,610	24,340,926	38,923,014
Balance as at 31 March 2026	29,394,615	29,912,773	39,346,341	98,653,729

22. OTHER FINANCIAL ASSETS

	31.03.2026 Rs.	31.03.2025 Rs.
Other Receivables	16,910,717	72,074,298
	16,910,717	72,074,298

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OF LOSS

	31.03.2026 Rs.	31.03.2025 Rs.
Unit Trust	1,291,376	3,467,204
Investment in Shares	-	18,367,234
	1,291,376	21,834,438

24. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31.03.2026 Rs.	31.03.2025 Rs.
Investment in CRIB	315,813	315,813
	315,813	315,813

25. OTHER NON FINANCIAL ASSETS

	31.03.2026 Rs.	31.03.2025 Rs.
WHT Receivable	3,190,464	4,904,085
Advance & Prepayments	28,036,744	17,702,780
Stationary and Gift stock	8,573,499	7,020,708
Other Non Financial Assets	-	5,281,420
	39,800,707	34,908,994

26. INVESTMENT PROPERTY

	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 1st April	224,000,000	191,000,000
Additions;		
On Acquisition	155,999,000	16,000,000
On Improvements	-	1,122,000
Net Gain/(Losses) from change in fair value	40,001,000	15,878,000
Balance as at 31st March	420,000,000	224,000,000

Investment Properties includes land and building acquired by the Company from clients who defaulted on accommodations granted. These properties were held by the Company for Capital appreciation and rental purposes.

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26. INVESTMENT PROPERTY (Contd…)

26.1 Measurement of Fair Values

1.) Fair Value Hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31st March 2026.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation Technique

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

Valuation Technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Input and Fair Value Measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio is depicted in note no.2.1 below	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used. (Note 2.1)	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

2.1) Value

Property	Name of the Valuer	Description	Initial Recognition	2026 Direct Cost	2026 Fair Value Change	2026 Market value	2025 Market value
			Rs.	Rs.	Rs.	Rs.	Rs.
01. Commercial Building Situated in Rathgama.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	102,615,980	-	5,000,000	150,000,000	145,000,000
02. Commercial Building Situated in Karandeniya.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	56,927,000	-	11,000,000	74,000,000	63,000,000
03. Commercial Building Situated in Walallavita.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	16,000,000	-	-	16,000,000	16,000,000
04. Commercial Building Situated in Galle.	Vlr Gunasekara.A.A.P.D AIV (Sri Lanka) Incorporated Valuer	Land & Building	155,999,000	-	24,001,000	180,000,000	-
			331,541,980	**-**	**40,001,000**	**420,000,000**	**224,000,000**

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27. PROPERTY, PLANT AND EQUIPMENT

27.1 The Movement in Property, Plant & Equipment

As at 31 March 2026	Motor Vehicles	Machinery	Office Equipment	Furniture and Fittings	Fixture & Fittings	Name Board	Computer Equipment & Accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April 2025	25,936,895	42,603,828	43,163,185	97,201,719	2,793,919	53,555,132	41,363,206	306,617,883
Additions during the year	21,453,100	36,000	10,798,543	9,337,580	487,090	6,091,584	5,180,861	53,384,758
Disposal during the year	-	-	-	-	-	-	-	-
Revaluation gain/(losses)	40,809,897	-	39,146,959	31,462,436	-	-	19,838,712	131,258,004
Balance as at 31 March 2026	88,199,892	42,639,828	93,108,686	138,001,735	3,281,009	59,646,716	66,382,779	491,260,645
(Less) : Accumulated depreciation								
Balance as at 01 April 2025	18,224,656	32,869,482	26,856,529	51,773,786	1,649,660	41,957,495	23,543,975	196,875,583
Charge during the year	4,295,235	9,361,875	9,339,384	15,502,667	563,691	12,278,046	6,852,602	58,193,501
Disposal during the year	-	-	-	-	-	-	-	-
Balance as at 31 March 2026	22,519,892	42,231,357	36,195,913	67,276,453	2,213,351	54,235,541	30,396,577	255,069,084
Net Book Value at 31 March 2026	65,680,000	408,471	56,912,773	70,725,282	1,067,658	5,411,175	35,986,202	236,191,561

As at 31 March 2025	Motor Vehicles	Machinery	Office Equipment	Furniture and Fittings	Fixture & Fittings	Name Board	Computer Equipment & Accessories	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation								
Balance as at 01 April 2024	23,377,015	42,603,828	37,856,456	85,348,106	2,763,919	50,532,342	36,703,009	279,184,675
Additions during the year	7,359,880	-	5,306,729	11,853,613	30,000	3,022,790	4,865,697	32,438,709
Disposal during the year	(4,800,000)	-	-	-	-	-	(205,500)	(5,005,500)
Revaluation gain/(losses)	-	-	-	-	-	-	-	-
Balance as at 31 March 2025	25,936,895	42,603,828	43,163,185	97,201,719	2,793,919	53,555,132	41,363,206	306,617,883
(Less) : Accumulated depreciation								
Balance as at 01 April 2024	17,293,961	22,333,409	18,967,480	37,946,596	1,163,306	25,100,318	17,300,821	140,105,892
Charge during the year	2,898,867	10,536,072	7,889,048	13,827,190	486,354	16,857,178	6,422,133	58,916,843
Disposal during the year	(1,968,172)	-	-	-	-	-	(178,980)	(2,147,152)
Balance as at 31 March 2025	18,224,656	32,869,482	26,856,529	51,773,786	1,649,660	41,957,496	23,543,975	196,875,582
Net Book Value at 31 March 2025	7,712,239	9,734,346	16,306,656	45,427,933	1,144,259	11,597,637	17,819,231	109,742,301

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

As at 31st March	2026			2025		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Assets						
Motor Vehicles	47,389,995	22,519,892	24,870,103	25,936,895	18,224,656	7,712,239
Office Equipment	53,961,728	36,195,913	17,765,815	43,163,185	26,856,529	16,306,656
Furniture and Fittings	106,539,299	67,276,453	39,262,846	97,201,719	51,773,786	45,427,933
Computer Equipment & Accessories	46,544,066	30,396,577	16,147,490	41,363,206	23,543,975	17,819,231
	254,435,088	156,388,834	98,046,254	207,665,004	120,398,945	87,266,059

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27. PROPERTY, PLANT AND EQUIPMENT (Contd…)

27.3 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 53,384,758/- (2024/25- Rs. 32,438,709/-).

27.4 Cost of fully depreciated assets of the company as at 31 March 2026 is Rs. 163,459,454/- (2024/25 - Rs. 83,853,961/-).

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

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

27.7 There were no property plant and equipment retired from active use as at the reporting date.

27.8 There were no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

27.9 There were no any properties pledge as a security as at 31 March 2026.

27.10 The Company applies the revaluation model to the Motor Vehicles, Computer & Accessories, Furniture & Fittings, Office Equipments as at 31 March 2026

28. RIGHT OF USE ASSETS

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

28.1 Cost

	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 01 April	205,941,220	145,291,835
Additions and Improvements	151,359,633	104,332,441
Adjustment on Terminations & Modifications	(36,859,486)	(43,683,056)
Cost as at 31 March	320,441,367	205,941,220
Accumulated Amortisation		
Balance as at 01 April	(64,306,351)	(77,768,059)
Charge for the year	(38,345,062)	(28,501,020)
Adjustment on Terminations & Modifications	33,819,724	41,962,728
Accumulated Amortisation as at 31 March	(68,831,687)	(64,306,351)
Net Book Value as at 31 March	251,609,680	141,634,869

28.2 Lease Liability

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

	31.03.2026 Rs.	31.03.2025 Rs.
Balance as at 01 April	149,275,327	70,745,414
Additions	136,439,633	98,412,441
Accretion of Interest	28,245,726	19,789,736
Payments	(45,662,033)	(37,637,907)
Derecognition on Termination	(2,832,347)	(2,034,357)
Balance as at 31 March	265,466,306	149,275,327

28.3 Maturity Analysis of Lease Liability

	31.03.2026 Rs.	31.03.2025 Rs.
As at 31 March		
Less than 01 year	23,759,133	14,453,814
02 to 05 years	133,727,680	63,110,085
More than 05 years	107,979,493	71,711,428
	265,466,306	149,275,327

28.4 Undiscounted Maturity Analysis of Lease Liability

Up to 03 Months	13,047,270	9,159,450
03 to 12 Months	43,508,340	25,904,750
01 to 03 Years	120,917,938	69,994,280
03 to 05 Years	101,265,839	71,842,324
Over 05 Years	138,119,460	63,692,212
Total	416,858,847	240,593,016

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

Sensitivity to Discount Rates

1% increase/(Decrease) in discount rate as at 31 March 2026 would have impact the lease liability by approximately Rs.8,288,279/(Rs.7,896,881) respectively with a similar increase/(decrease) in the Right- of-use Assets. The impact on company's profit before tax for the year would (decrease)/increase by approximately (Rs.184,860)/Rs. 221,338 respectively.

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29. INTANGIBLE ASSETS

Computer Software	31.03.2026 Rs.	31.03.2025 Rs.
Cost		
As at 01 April	65,567,318	62,026,062
Additions	9,423,437	3,541,255
Cost as at End of the Year	74,990,755	65,567,318
Amortisation & Impairment		
As at 01 April	(31,525,116)	(23,586,098)
Charge for the year	(10,170,098)	(7,939,018)
Amortisation as at end of the year	(41,695,214)	(31,525,116)
Net book value as at end of the year	33,295,541	34,042,201

Nature and Amortization Method

The Company is having Rs.7,923,536 /- fully amortised assets available within the Company as at the reporting date. (2024/25 - Rs.6,723,536 /-)

Intangible Assets represent acquisition of computer softwares from third parties. These softwares are amortized over the estimated useful life as mentioned in the accounting policies in note no. 4.4.4

30. DEFERRED TAXATION

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

	Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
Deferred Tax Liability	**31.03.2026 Rs.**	**31.03.2025 Rs.**	**31.03.2026 Rs.**	**31.03.2025 Rs.**	**31.03.2026 Rs.**	**31.03.2025 Rs.**
Capital Allowances for Tax Purposes						
- Property Plant & Equipment	4,819,593	9,202,559	-	-	(4,382,966)	(1,769,612)
- Intangible Assets	6,525,796	7,682,162	-	-	(1,156,366)	(1,028,044)
Revaluation gain on Motor Vehicles, Computer & Accessories, Furniture & Fittings and Office Equipments	39,377,401	-	39,377,401	-	-	-
Define Benefit Plan- Other Comprehensive Income	57,150	258,937	57,150	258,937	-	(261,223)
Investment Property	26,200,806	14,200,506	-	-	12,000,300	4,763,400
	76,980,746	31,344,164	39,434,551	258,937	6,460,968	1,704,522
Deferred Tax Assets						
Right of Use Assets	4,156,989	2,292,137	-	-	1,864,851	1,325,646
Allowance for Impairment Losses	64,554,956	42,666,458	-	-	21,888,498	7,987,440
Defined Benefit Plans	3,252,645	2,310,769	-	-	941,876	269,894
	71,964,590	47,269,364	-	-	24,695,225	9,582,979
Deferred Income Tax Charge/(Reversal)			39,434,551	(258,937)	(18,234,257)	(7,878,457)
Net Deferred Tax Liability/ (Asset)	5,016,155	(15,925,200)				

31. DUE TO BANKS

	31.03.2026 Rs.	31.03.2025 Rs.
Bank Overdrafts	42,964,172	158,053,901
Securitised Borrowings and Other Bank Facilities (Note 31.2)	2,448,756,199	911,913,918
	2,491,720,371	1,069,967,819

Due to Banks

	31.03.2026			31.03.2025		
	Amount repayable within 1 year	**Amount repayable after 1 year**	**Total**	**Amount repayable within 1 year**	**Amount repayable after 1 year**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Bank Overdrafts	42,964,172	-	42,964,172	158,053,901	-	158,053,901
Term Loan facilities from Banks	888,955,820	1,559,800,379	2,448,756,199	371,267,209	540,646,709	911,913,918
	931,919,991	1,559,800,379	2,491,720,371	529,321,110	540,646,709	1,069,967,819

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31. DUE TO BANKS (Contd…)

31.2 Term Loan Facilities from Banks

Direct Bank Borrowings	As at 01.04.2025 Rs.	Loans Transferred Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2026 Rs.	Period Rs.	Security Rs.
Term Loans									
Term Loan 01 - Sampath Bank PLC	200,264,247	-	45,500,000	23,806,389	(55,628,353)	(23,747,361)	190,194,922	05 Years	Personal Guarantee
Term loan 02-Sampath Bank PLC	-	-	300,000,000	12,166,985	(33,333,333)	(11,619,040)	267,214,612	03 Years	Personal Guarantee
Term Loan 03-Sampath Bank PLC	-	-	400,000,000	136,986	-	-	400,136,986	04 Years	Personal Guarantee
Pan Asia Bank	209,629,808	-	-	19,729,884	(84,000,000)	(20,500,185)	124,859,507	03 years	Loan / Lease Portfolio
DFCC Bank - Revolving Loan	200,000,000	-	800,000,000	20,884,932	(800,000,000)	(20,884,932)	200,000,000	01 Year	Loan Portfolio Mortga
DFCC Bank - Term Loan	302,019,863		-	35,871,224	(60,000,000)	(36,801,224)	241,089,863	05 Years	Loan Portfolio Mortga
Tempory Loan-FC (REPO Loan-RF20250401-017)	-	-	200,000,000	3,204,990	(200,000,000)	(3,204,990)	0	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20250402-009)	-	-	100,000,000	3,100,198	(100,000,000)	(3,100,198)	-	01 Year	Repo
Tempory Loan-FC (REPO Loan-RF20250402-013)	-	-	153,204,990	621,032	(153,204,990)	(621,032)	(0)	01 Year	Repo
Tempory Loan-FC (REPO Loan-RF20250613-002)	-	-	150,000,000	274,726	(150,000,000)	(274,726)	0	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20250403-001)	-	-	100,000,000	3,071,990	(100,000,000)	(3,071,990)	(0)	01 Year	Repo
Tempory Loan -FC (RF20251010-012)	-	-	150,000,000	258,904	(150,000,000)	(258,904)	(0)	01 Year	Repo
Tempory Loan -FC (RF20251021-003)	-	-	100,000,000	303,753	(100,000,000)	(303,753)	0	01 Year	Repo
Tempory Loan -FC (RF20251118-017)	-	-	50,000,000	160,403	(50,000,000)	(160,403)	0	01 Year	Repo
Tempory Loan -FC (RF20251125-002)	-	-	120,000,000	183,453	(120,000,000)	(183,453)	(0)	01 Year	Repo
Tempory Loan -Wealth Trust(REPO Loan-RF20251022-012)	-	-	100,000,000	246,680	(100,000,000)	(246,680)	(0)	01 Year	Repo
HNB Bank - Revolving Loan	-	-	500,000,000	3,613,836	(500,000,000)	(3,613,836)	0	06 Months	Clean
Tempory Loan -FC (RF20251222-001)	-	-	200,000,000	98,630	(200,000,000)	(98,630)	0	01 Year	Repo
HNB Bank Loan	-	-	500,000,000	23,538,474	(62,400,000)	(22,413,902)	438,724,572	04 Years	Loan / Lease Portfolio
HNB Bank Loan	-	-	200,000,000	6,303,985	(200,000,000)	(6,303,985)	-	04 Months	Clean
Cargills Bank Loan	-	-	300,000,000	4,205,101	(5,000,000)	(4,021,151)	295,183,950	05 Years	Loan / Lease Portfolio
BOC 150Mn Term Loan	-	-	150,000,000	671,425	-	-	150,671,425	03 Years	Lease Portfolio Mortg
BOC 140Mn Term Loan	-	-	140,000,000	680,362	-	-	140,680,362	03 Years	Lease Portfolio Mortg
	911,913,918	-	4,758,704,990	163,134,343	(3,223,566,677)	(161,430,375)	2,448,756,199		
Repurchase Agreements (REPO)	-	-	-	-	-	-	-		
Bank Overdrafts	-	-	-	-	-	-	-		
	911,913,918	-	4,758,704,990	163,134,343	(3,223,566,677)	(161,430,375)	2,448,756,199		

Direct Bank Borrowings	As at 01.04.2024 Rs.	Loans Transferred Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Repayments Interest Rs.	As at 31.03.2025 Rs.	Period Rs.	Security Rs.
Term Loans									
Term Loan 01 - Sampath Bank PLC	175,833,285	-	66,600,000	21,393,585	(42,500,020)	(21,062,603)	200,264,247	05 Years	Personal Guarantee
Term Loan 01 - Cargills Bank	6,664,800	-	-	185,482	(6,664,800)	(185,482)	-	05 years	Personal Guarantee
Pan Asia Bank	84,920,635	-	-	5,005,057	(84,920,635)	(5,005,057)	-	03 years	Loan / Lease Portfolio
Secutization Loan	337,256,812	-	-	23,125,585	(287,000,000)	(73,382,397)	-	14 Months	Lease/HP Portfolio M
Pan Asia Bank	-	-	250,000,000	14,300,515	(42,000,000)	(12,670,707)	209,629,808	04 years	Loan/Lease Portfolio
DFCC Bank - Revolving Loan	-	-	200,000,000	-	-	-	200,000,000	01 Year	Loan Portfolio Mortg
DFCC Bank - Term Loan	-	-	300,000,000	2,019,863	-	-	302,019,863	05 Years	Loan Portfolio Mortg
Tempory Loan (REPO Loan-RF20251218-018)	-	-	150,000,000	1,560,815	(150,000,000)	(1,560,815)	-	01 Year	Repo
Tempory Loan (REPO Loan-RF20260218-008)	-	-	50,000,000	503,339	(50,000,000)	(503,339)	-	01 Year	Repo
Tempory Loan (REPO Loan-RF20260227-008)	-	-	150,000,000	1,100,055	(150,000,000)	(1,100,055)	-	01 Year	Repo
	604,675,532	-	1,166,600,000	69,194,295	(813,085,455)	(115,470,454)	911,913,918		
Repurchase Agreements (REPO)	-	-	-	-	-	-	-		
Bank Overdrafts	-	-	-	-	-	-	-		
	604,675,532	-	1,166,600,000	69,194,295	(813,085,455)	(115,470,454)	911,913,918		

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32. FINANCIAL LIABILITIES AT AMORTISED COST- DUE TO CUSTOMERS	31.03.2026 Rs.	31.03.2025 Rs.
Fixed Deposits	5,690,500,046	3,946,634,793
Savings Deposits	355,715,233	472,105,901
Interest Payable	243,443,066	224,718,949
	6,289,658,345	4,643,459,643

33. FINANCIAL LIABILITIES AT AMORTISED COST - DEBT SECURITIES	31.03.2026 Rs.	31.03.2025 Rs.
High Yield Bond	195,000,000	-
High Yield Bond Interest Payable	7,438,629	-
	202,438,629	-

33.1 Listed, Rated, Unsecured, Subordinated, Redeemable High Yield Bonds

The Company issued One Million Nine Hundered Fifty Thousand (1,950,000) Tier 2, Listed, Rated, Unsecured, Subordinated, Redeemable 5 Year High Yield Bonds on 23 September 2025 (Date of allotment is 17 October 2025 and the date of maturity is 17 October 2030), at the par value of Sri Lankan Rupees one hundred (LKR 100/-) each and raised Sri Lankan Rupees One Hundered and Ninty Five Million (LKR 195,000,000/-) which has been recorded under Debt Securites in Statement of Financial Position as at 31 March 2026.

Type	Amount raised Rs.	Type of Interest	Type of Interest	Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Payment Frequency
A	80,000,000	Fixed Rate	Fixed Rate	12.60%	13.00%	Semi-Annual
B	115,000,000	Fixed Rate	Fixed Rate	12.41%	13.00%	Quarterly

Interest Rates

Type	Type of Interest	Tenure	31st March 2026		31st March 2025	
			Interest Rate (per annum)	Annual Effective Rate (AER)	Interest Rate (per annum)	Annual Effective Rate (AER)
A	Fixed Rate	05 year	12.60%	13.00%	N/A	N/A
B	Fixed Rate	05 year	12.41%	13.00%	N/A	N/A

Market Values

Type	Highest (Rs.)		Lowest (Rs.)		Period End (Rs.)	
	31st March 2026	31st March 2025	31st March 2026	31st March 2025	31st March 2026	31st March 2025
A	Not traded	N/A	Not traded	N/A	Not traded	N/A
B	Not traded	N/A	Not traded	N/A	Not traded	N/A

34. OTHER FINANCIAL LIABILITIES	31.03.2026 Rs.	31.03.2025 Rs.
Lease Creditors (Note 28.2)	265,466,307	149,275,327
Other Payables	42,338,421	32,641,591
Provisions and Accruals (Note 33.1)	10,946,789	7,628,383
	318,751,517	189,545,301

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34. OTHER FINANCIAL LIABILITIES (Contd…)

34.1 Provisions and Accruals	**31.03.2026 Rs.**	**31.03.2025 Rs.**
Salary Payable	3,463,753	2,013,178
Professional Fee Payable	4,341,892	2,771,433
Other Expenses Payable	3,141,144	2,843,773
	10,946,789	7,628,383

35. OTHER NON FINANCIAL LIABILITIES	**31.03.2026 Rs.**	**31.03.2025 Rs.**
EPF/ETF/APIT Payable	3,478,149	3,256,508
Income Tax Payable	120,365,514	71,590,025
VAT on Financial Services & SSCL Payable	9,891,541	11,989,722
Other Tax Payable	3,510,277	3,274,641
Other Payable	36,176,975	123,427,222
	173,422,456	213,538,118

36. RETIREMENT BENEFIT OBLIGATIONS	**31.03.2026 Rs.**	**31.03.2025 Rs.**
Balance at the beginning of the year	8,565,688	6,802,916
Past Service Cost	-	(217,546)
Current Service Cost	2,623,463	1,693,819
Payments made during the year	(908,225)	(1,392,975)
Interest Charged/(Reversed) for the year	942,225	816,350
(Gain)/Loss arising from changes in the assumption	(190,499)	863,124
Balance at the end of the year	11,032,650	8,565,688

36.1 Expenses on Defined Benefit Plan	**31.03.2026 Rs.**	**31.03.2025 Rs.**
Current Service Cost for the year	2,623,463	1,693,819
Interest Charge for the year	942,225	816,350
Past Service Cost	-	(217,546)
	3,565,688	2,292,623

36.2 Amount Recognized in the Other Comprehensive Income	(190,499)	863,124
(Gain)/Loss arising from changes in the assumption (Note 36)	(190,499)	863,124

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

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36. RETIREMENT BENEFIT OBLIGATIONS (Contd…)

		31.03.2026	31.03.2025
36.3	**Assumptions**		
36.3.1	**Financial Assumptions**		
	Discount Rate	10.00%	11.00%
	Salary Increment Rate	6%	8%
36.3.2	**Demographic Assumptions**		
	Staff Turnover	20%	19%
	Retirement Age	65 years	60 years
	Mortality	A 1967/70 Mortality table	A 1967/70 Mortality table

Expected average future working life of the active participants is 4.9 years (2025: 4.1 years)

36.4 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation

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

		2026		2025	
Increase/ (Decrease) in Discount Rate	**Increase/ (Decrease) in Salary Increment Rate**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**	**Sensitivity Effect on Statement of Comprehensive Income**	**Sensitivity Effect on Defined Benefit Obligation**
1%	-	(460,892)	460,892	(402,695)	402,695
-1%	-	498,231	(498,231)	437,827	(437,827)
-	1%	564,602	(564,602)	411,364	(411,364)
-	-1%	(529,478)	529,478	(385,194)	385,194

36.5 Maturity Profile of the Defined Benefit Obligation Plan

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

	31.03.2026 Years	31.03.2025 Years
Weighted Average Duration of the Defined Benefit Obligation	4.66	4.92
Average Time to Benefit Payout	4.74	5.40
(Maturity Profile of Defined Benefit Obligation)-Present Value of Expected benefit Payments		
within the next 12 months	1,340,398	841,476
between 02 to 05 years	3,938,192	2,913,565
between 06 to 10 years	5,039,798	4,054,295
beyond 10 years	714,263	756,351
	11,032,650	8,565,687

37. STATED CAPITAL	31.03.2026		31.03.2025	
	No. of Shares	**Rs.**	**No. of Shares**	**Rs.**
37.1 Issued and Fully Paid-Ordinary Shares				
At the Beginning of the Year	790,168,780	2,539,133,400	790,168,780	2,539,133,400
At the End of the Year	790,168,780	2,539,133,400	790,168,780	2,539,133,400

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37. STATED CAPITAL (Contd…)

37.2 Rights of Shareholders

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 meetings. All shares rank equally with regard to the Company's residual assets.

37.3 Net Asset Value per Share

The Net Asset Value (NAV) per ordinary share of the Company was as follows:	2026 Rs.	2025 Rs.
As at 31st March		
Equity Holders Funds	3,378,726,162	3,123,407,365
Total No. of Shares	790,168,780	790,168,780
Net Asset Value per ordinary share	4.28	3.95

37.4 Market Price per Share

The market price per ordinary share of the Company during the year was as follows:

	2026	2025
Description		
Highest	9.90	11.40
Lowest	7.00	2.50
Closing	7.60	8.10

38. RESERVES

38.1 Statutory Reserve Fund

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

38.2 Revaluation Reserve Fund

The Revaluation Reserve Fund is a capital reserve which contains the revaluation surplus resulted from revaluing the Company’s Property, Plant & Equipment with net of differed tax on revaluation.

38.3 Regulatory Loss Allowance

A Regulatory Loss Allowance Reserve (RLAR) is a non-distributable capital reserve. It ensures that if the institution's accounting-based Expected Credit Loss (ECL) falls short of the minimum thresholds set by central regulators, the institution holds additional capital to protect against risky loans.

38.4

	Statutory Reserve Rs.	Revaluation Reserve Fund Rs.	Regulatory Loss Allowance Rs.	Total Rs.
As at 01 April 2024	**59,642,422**	**-**	**5,711,038**	**65,353,460**
Transfers During the Year	10,225,687	-	-	10,225,687
As at 31 March 2025	**69,868,109**	**-**	**5,711,038**	**75,579,147**
Transfers During the Year	14,091,508	-	-	14,091,508
Revaluation of Computer & Accessories, Furniture & Fittings , Motor Vehicles, Office Equipments	-	91,880,603	-	91,880,603
As at 31 March 2026	**83,959,617**	**91,880,603**	**5,711,038**	**181,551,258**

39. RETAINED EARNINGS

	2026 Rs.	2025 Rs.
Balance as at 01 April	508,694,818	320,721,989
Dividend Paid	(118,525,317)	-
Profit for the Year	281,830,162	204,513,741
Other Comprehensive Income not to be Reclassified to Profit or Loss	133,350	(604,187)
Transfers During the Year	(14,091,508)	(10,225,687)
Regulatory Loss Allowance	-	(5,711,038)
Capital Reduction from existing capital	-	-
Balance as at 31 March	658,041,504	508,694,818

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

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40. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are not already recorded at fair value in the financial statements.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.
Level 2: Valuation technique using observable inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets are valued using models where all significant inputs are observable.
Level 3: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Key methodologies and assumptions used are as follows.

Assets for Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity Instruments at Fair Value Through OCI

Equity instruments at fair value through OCI primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices.

Variable rate Financial Instruments

Variable rate is a fair measure which reflects market movements. Hence the carrying value represents the fair value of the variable rate instruments.

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

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

	31-Mar-26 Rs. Fair value measurement using					31-Mar-25 Rs. Fair value measurement using				
	Carrying value	**Level 01**	**Level 02**	**Level 03**	**Total**	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**
FINANCIAL ASSETS										
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	1,291,376	-	1,291,376	21,834,438	-	21,834,438	-	21,834,438
Financial Investments at Fair Value through Other Comprehensive Income	315,813	-	-	315,813	315,813	315,813	-	-	315,813	315,813
Total Financial Assets	1,607,189	-	1,291,376	315,813	1,607,189	22,150,251	-	21,834,438	315,813	22,150,251

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40. FAIR VALUE OF ASSET AND LIABILITIES (Contd…)

Set out below is the comparison, by class, of the carrying amounts and fair values of the Company's Financial Instruments that are not carried at fair value in the Financial Statements.

	31-Mar-26 Rs. Fair value measurement using					31-Mar-25 Rs. Fair value measurement using				
	Carrying value	**Level 01**	**Level 02**	**Level 03**	**Total**	**Carrying value**	**Level 01**	**Level 02**	**Level 03**	**Total**
FINANCIAL ASSETS										
Financial Investment at amortised Cost	669,603,996	-	669,603,996	-	669,603,996	578,160,999	-	578,160,999	-	578,160,999
Financial assets at amortised Cost - Loans and Receivables	8,534,594,506	-	-	-	-	6,019,034,814	-	-	-	-
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,761,405,794	-	-	-	-	1,779,857,440	-	-	-	-
NON-FINANCIAL ASSETS										
Property, plant and equipment										
Motor Vehicles	65,680,000			65,680,000	65,680,000	7,712,239				-
Machinery	408,471				-	9,734,346				-
Office Equipment	56,912,773			56,912,773	56,912,773	16,306,656				-
Furniture and Fittings	70,725,282			70,725,282	70,725,282	45,427,933				-
Fixture & Fittings	1,067,658				-	1,144,259				-
Name Board	5,411,175				-	-				-
Computer Equipment & Accessories	35,986,202			35,986,202	35,986,202	17,819,231				-
	11,201,795,857	-	669,603,996	229,304,258	898,908,254	8,475,197,916	-	578,160,999	-	578,160,999
FINANCIAL LIABILITIES										
Due to Customers	6,289,658,345	-	-	-	-	4,643,459,643	-	-	-	-
	6,289,658,345	-	-	-	-	4,643,459,643	-	-	-	-

The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair values because, for example, they are short term in nature or re-priced to current market rates frequently.

	2026		2025	
	Carrying Amount Rs.	**Fair Value Rs.**	**Carrying Amount Rs.**	**Fair Value Rs.**
Financial Assets				
Cash and Cash Equivalent	905,746,595	905,746,595	216,952,568	216,952,568
Financial Investment at amortised Cost	669,603,996	669,603,996	578,160,999	578,160,999
Other Financial Assets	16,910,717	16,910,717	114,240,209	114,240,209
Total Financial Assets	1,592,261,308	1,592,261,308	909,353,776	909,353,776
Financial Liabilities				
Financial Liabilities at amortised Cost - Due to Banks	2,491,720,371	2,491,720,371	1,069,967,819	1,069,967,819
Other Financial Liabilities	318,751,517	318,751,517	189,545,301	189,545,301
	2,810,471,887	2,810,471,887	1,259,513,120	1,259,513,120

The management of the company believes that the fair value of the financial assets which matured within one year is equal to its amortized cost.

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41. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

	2026 Rs.	2025 Rs.
Nature of Assets		
Loan Lease Portfolio	3,379,900,000	962,000,000

42. RISK MANAGEMENT

42.1 Introduction

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

The Company is mainly exposed to Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk, Legal, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

42.2 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 delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. Integrated Risk Management committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, continuously updates and maintains a disciplined and constructive control environment, in which all employees are assigned and made to understand their respective roles and responsibilities.

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 3 Directors, Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

In addition to the BIRM Committee, Risk Management function is managed by Risk Management Department (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Department works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

Above committees closely monitors any developments related to face for the economic crisis and reviews measures undertaken by the company in response to resulting risk. These actions has helped the company mitigating any adverse effect on its asset liability position that may arise due to the continuously evolving nature of the economic crisis.

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42. RISK MANAGEMENT (Contd…)

42.3 Risk Measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defence". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigates suggested.

Financial Risks		Risk Measures	Key Risk Mitigation Controls
Credit Risk	**1.Default Risk** Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations **2. Concentration Risk** Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)	· Probability of Default · Loss Given Default · Sector / Asset / Client / Branch Concentrations of Lending Portfolio · Concentrations in Repossessed assets · Macro Credit Portfolio risk measures such as a) Provision Coverage b) Net NPL as a % of Equity Funds	· Board approved credit policies/ procedures/ framework and annual review · Delegated authority levels/ segregation of duties · Setting Prudential limits on maximum exposure - Overall NPL Ratio setting based on risk appetite - Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios - Concentration limits for clients/ groups, asset types · Monitoring of exposures against the limits · Trend analysis reported to BIRMC Strict compliance with CBSL Guidelines
Interest rate risk	Adverse effect on Net Interest Income	· Net Interest Yield and Movement in Net Interest Yield · Lending to Borrowing Ratio · Tracking of Movements in Money Market rates · Marginal Cost of funds / Risk based Pricing · Gaps in asset Liability Re-Pricing · Cumulative Gaps as a % of Cumulative Liabilities	· Setting of Marginal Pricing with Risk Premiums for Different classes of Lending · Setting of Lending to Borrowing ratios · Gaps limits for structural · Liquidity contingency planning and Limits of minimum stocks of high quality
Liquidity Risk	Inability to meet obligations as they fall due	· Gaps in dynamic liquidity flows · Stocks of high quality liquid assets	· Volatile Liability · Balance sheet ratios

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42. RISK MANAGEMENT (Contd…)

42.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

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

Stressed macroeconomic conditions in 2022 have an impact on the Credit risk of the company. Since importers continued to be stymied by the restriction of non-essential imports, while the ban on the import of chemical fertilisers had a direct impact on some of the agriculture sector customers. At the same time, construction sector ,Transport sector and consumer sector customers appeared to be under stress due to the prolonged economic downturn attributed.For the mittigation of Credit risk arise due to the above stress situation the management has decided to reduce 50% monthly Credit disbursement and further limit to disburse to stress sectors while increasing interest rates.

Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. In determining the borrower's credit risk the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility the equity contribution, security cover and guarantors are taken in to consideration.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

42.4.1 Assessment of Expected Credit Losses

The methodology of the impairment assessment is explained in Note 4.1.8 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

42.4.1 (a) Definition of Default and Cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

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

* Internal assessment of the borrower indicating default or near-default
* The borrower requesting emergency funding from the Company
* The borrower having past due liabilities to public creditors or employees
* The borrower is deceased
* A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral

* A material decrease in the borrower's turnover or the loss of a major customer
* A covenant breach not waived by the Company
* The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
* Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

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

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42. RISK MANAGEMENT (Contd…)

42.4.1 (b) Significant Increase in Credit Risk

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

42.4.1 (c) Analysis of the Total Allowance for Expected Credit Losses is as follows;

As at 31st March	2026			
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Cash and Cash Equivalent	197,472	-	-	197,472
Term loan Personal Guarantees	48,013,768	4,891,436	106,416,723	159,321,927
Term loan Property Mortgage	36,404,652	28,068,744	155,052,646	219,526,042
Gold Loans	3,288,335	2,525,494	148,200	5,962,029
Factoring Loans	-	-	-	-
Government Undertake Loan	25,502,178	12,995,020	5,357,831	43,855,029
Lease rentals receivables and Hire Purchases	29,394,615	29,912,773	39,346,341	98,653,729
Sundry Debtors	-	-	-	-
Total allowance for expected credit losses	142,801,021	78,393,467	306,321,740	527,516,228

The methodology used in the determination of expected credit losses is explained in Note 4.1.8 to Financial Statements.

42.4.1 (d) Movement of the Total Allowance for Expected Credit Losses During the Period

	2026 Rs.
Balance as at 01st April 2025	408,373,367
Net Charge/(Reversal) Profit and loss	119,142,862
Balance as at 31 Mar 2026	527,516,229

42.4.1 (e) Sensitivity Analysis : Impact of Staging of Loans on Collective Allowance for Expected Credit Losses

The following table illustrates the impact of staging of loans by comparing the allowance, if all performing financial assets were in stage 1 or if all such assets were in stage 2 to the actual expected credit loss recorded on these assets.

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 1	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	220,997,016	182,939,808	(38,057,207)

	Stage 1 and 2 Actual ECL	ECL - If all performing loans in Stage 2	Impact of staging
	Rs.	Rs.	Rs.
Total allowance for expected credit losses	220,997,016	310,807,429	89,810,413

The management believes that a movement of the entire stage 1 loan portfolio to stage 2 is highly unlikely.

42.4.1 (f) A loan is considered past due when a counterparty has not made a payment by the contractual due date. The following table presents the carrying value of loans that are contractually past due.

As at 31st March	2026				
	0-30 Days	31- 60 Days	61- 90 Days	Above 90	Total
	Rs.	Rs.	Rs.		Rs.
Gold loan receivables	2,424,921,470	153,866,209	91,513,210	3,339,700	2,673,640,589
Term loan Personal Guarantees	1,527,502,819	61,424,373	10,458,760	235,063,024	1,834,448,977
Term loan Property Mortgage	1,752,035,213	301,464,970	316,211,641	468,203,947	2,837,915,770
Government Undertake	570,650,736	194,272,909	186,234	8,746,384	773,856,262
Lease rentals receivables and Hire Purchases	1,048,213,721	386,032,533	278,386,284	147,426,984	1,860,059,522
Cash Margin Loan	843,397,936	-	-		843,397,936
	8,166,721,894	1,097,060,994	696,756,129		10,823,319,056

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42. RISK MANAGEMENT (Contd…)

42.4.1 (g) Overview of Rescheduled / Restructured Loans and Advances (Except Individually Impaired Loans and Advances)

As at 31st March	2026								
	Gross Carrying Value				Allowance for ECL				Net Carrying Value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loan Property Mortgage	10,886,707	14,076,398	16,856,242	41,819,348	342,076	760,677	4,284,212	5,386,965	36,432,382
Term loan Personal Guarantees	-	9,420,161	7,033,344	16,453,505	-	891,539	2,510,911	3,402,451	13,051,054
	10,886,707	23,496,559	23,889,586	58,272,853	342,076	1,652,217	6,795,123	8,789,416	49,483,437

As at 31st March	2025								
	Gross Carrying Value				Allowance for ECL				Net Carrying Value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term loan Property Mortgage	7,317,625	9,849,484	50,106,787	67,273,897	235,471	484,628	10,292,827	11,012,927	56,260,970
Term loan Personal Guarantees	989,638	176,651	9,562,853	10,729,143	32,147	10,186	2,816,937	2,859,270	7,869,873
	8,307,263	10,026,135	59,669,641	78,003,040	267,618	494,815	13,109,764	13,872,196	64,130,843

42.4.1(h) Sensitivity of Impairment Provision on Loans and Advances to Customers

The Company has estimated the impairment provision on Loan and advances to customers as at 31st March 2026,subject to various assumptions. The Changes to such assumption may lead to changes in the Impairment provision recorded in the Financial Position.

The following table demonstrates the sensitivity of Impairment provision of the company as at 31st March 2026 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity Effect on Statement of Financial Position Increase/Decrease in Impairment Provision				Sensitivity Impact of Income statement
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Rs.
PD/LGD	-	-	-	-	-
PD 1% Increment across all Buckets	8,038,553	1,531,478	-	9,570,031	(9,570,031)
PD 1% Decrease across all Buckets	(8,038,553)	(1,531,478)	-	(9,570,031)	9,570,031
LGD 5% Increment	22,197,832	9,913,047	10,490,631	42,601,511	(42,601,511)
LGD 5% Decrease	(22,197,832)	(9,913,047)	(10,490,631)	(42,601,511)	42,601,511

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42. RISK MANAGEMENT (Contd…)

42.4.1(h) Sensitivity of Impairment Provision on Loans and Advances to Customers (Contd…)

	Sensitivity Effect on Statement of Financial Position Increase/Decrease in Impairment Provision				Sensitivity Impact of Income statement
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Rs.
Probability Weighted forward looking Macro Economic Indicators				-	
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	(41,029)	(36,380)	(1,849)	(79,258)	79,258
				-	-
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	41,029	36,380	1,849	79,258	(79,258)

42.4.1(i) Sensitivity of Impairment Provision on Lease and Hire Purchases to Customers

The Company has estimated the impairment provision on Lease and Hire Purchases to customers as at 31st March 2026, subject to various assumptions. The Changes to such assumption may lead to changes in the Impairment provision recorded in the Financial Position.

The following table demonstrates the sensitivity of Impairment provision of the company as at 31st March 2026 to feasible changes in PD LGD and forward looking macro economic information.

	Sensitivity Effect on Statement of Financial Position Increase/Decrease in Impairment Provision				Sensitivity Impact of Income statement
	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.	Rs.
PD/LGD	-	-	-	-	-
PD 1% Increment across all Buckets	1,937,634	1,104,519	-	3,042,153	(3,042,153)
PD 1% Decrease across all Buckets	(1,937,634)	(1,104,519)	-	(3,042,153)	3,042,153
LGD 5% Increment	5,542,557	5,427,304	2,530,040	13,499,901	(13,499,901)
LGD 5% Decrease	(5,542,557)	(5,427,304)	(2,530,040)	(13,499,901)	13,499,901
Probability Weighted Forward Looking Macro Economic Indicators					
Best Case 10% increase, Worst case 5% decrease and base case 5% decrease	-	(40,440)	-	(40,440)	40,440
Best Case 10% decrease, Worst case 5% increase and base case 5% increase	-	40,440	-	40,440	(40,440)
				-	-

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42. RISK MANAGEMENT (Contd…)

42.4.2 Credit Quality by Class of Financial Assets

	31 March 2026					31 March 2025				
	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total	Percentage	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total	Percentage
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.	
Assets										
Cash and bank balances	905,746,595	-	-	905,746,595	7.62%	216,952,568	-	-	216,952,568	2.49%
Financial instruments at amortised cost	669,603,996	-	-	669,603,996	5.63%	578,160,999	-	-	578,160,999	6.62%
Financial assets at amortised Cost - Loans and Receivables	5,214,863,543	2,031,890,049	1,716,505,941	8,963,259,533	75.39%	4,495,113,552	1,045,321,392	826,676,787	6,367,111,732	72.93%
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	638,396,450	929,673,596	291,989,478	1,860,059,523	15.64%	930,445,298	731,759,617	177,383,240	1,839,588,154	21.07%
Other Financial Assets	16,910,717	-	-	16,910,717	0.14%	114,240,209	-	-	114,240,209	1.31%
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	1,291,376	0.01%	21,834,438	-	-	21,834,438	0.25%
Financial Investment as Fair Value through Other Comprehensive Income	315,813	-	-	315,813	0.00%	315,813	-	-	315,813	0.00%
Allowance for impairment				(527,318,756)	-4.44%				(407,807,633)	-4.67%
Total	7,447,128,489	2,961,563,644	2,008,495,419	11,889,868,796	100.00%	6,357,062,878	1,777,081,008	1,004,060,027	8,730,396,280	100.00%

* **Past Due but Not Impaired Leases & Loans**

Past due but not impaired Leases & Loans are those for which contractual interest or principal payments are past due up to 90 days, however as per the Company's assessment do not need to be impaired.

* **Past Due and Impaired Leases & Loans**

Past due and impaired Leases & Loans are those for which contractual interest or principal payments are past due over 90 days, however as per the Company's assessment need to be impaired.

42.4.2.1 Aging analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans by class of financial assets

	Past due					Past due				
	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total	Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total
	2026 Rs.	2026 Rs.	2026 Rs.	2026 Rs.	2026 Rs.	2025 Rs.	2025 Rs.	2025 Rs.	2025 Rs.	2025 Rs.
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	390,585,668	386,032,533	278,386,284	147,426,984	1,202,431,469	319,682,161	308,910,410	241,876,410	63,859,647	909,142,856
Financial assets at amortised Cost - Loans and Receivables	1,529,999,447	1,097,060,994	696,756,129	862,780,038	4,186,596,608	437,406,235	448,885,786	225,543,790	777,142,507	1,871,998,179
	1,920,585,116	1,483,093,527	975,142,413	1,010,207,022	5,389,028,078	757,088,396	757,796,196	467,420,200	841,002,154	2,823,306,947

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42. RISK MANAGEMENT (Contd…)

42.4.3 Maximum Exposure to Credit Risk

The following tables shows the maximum exposure to credit risk by class of financial assets. It further shows the net exposure to credit risk.

As at 31 March	Note	2026		2025	
		Maximum Exposure To Credit Risk	Net Exposure	Maximum Exposure To Credit Risk	Net Exposure
		Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and Cash Equivalent	18	905,746,595	905,746,595	216,952,568	216,952,568
Financial Investment at amortised Cost	19	669,603,996	669,603,996	578,160,999	578,160,999
Financial assets at amortised Cost ;					
Loans & Receivables	20	8,534,594,506	2,804,127,981	6,019,034,814	1,311,325,162
Lease rentals receivables and Hire Purchases	21	1,761,405,794	701,376	1,779,857,440	754,246,056
Other Financial Assets	22	16,910,717	16,910,717	72,074,298	114,240,209
Financial Assets Measured at Fair value through Profit or Loss	23	1,291,376	1,291,376	21,834,438	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	24	315,813	315,813	315,813	315,813
Total Financial Assets		11,889,868,796	4,398,697,853	8,688,230,369	2,997,075,246

Expected credit losses in respect of cash margin loans are not recognized, as such exposures are fully collateralized and the risk of loss is considered negligible. Consequently, no allowance for impairment has been recorded against the outstanding cash margin loan balance.

42.4.4 Offsetting Financial Assets and Liabilities

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed as follows;

As at 31 March	Notes	2026			2025		
		Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount	Gross amount	Amount subject to netting but do not qualify for offsetting	Net amount
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Financial assets at amortised Cost - Loans and Receivables		843,397,936	1,114,397,080	(270,999,144)	587,738,508	826,856,788	(239,118,279)
		843,397,936	1,114,397,080	(270,999,144)	587,738,508	826,856,788	(239,118,279)
Financial Liabilities							
Repurchase Agreements (REPO)		-	-	-	-	-	-
		-	-	-	-	-	-

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42. RISK MANAGEMENT (Contd…)

42.4.5 Analysis of Risk Concentration

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

As at 31 March 2026 **Rs.**

	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and Cash Equivalent	-	-	-	-	-	-	-	-	905,746,595	-	-	905,746,595
Financial Investment at amortised Cost	-	-	-	-	-	-	-	-	669,603,996	-	-	669,603,996
Financial assets at amortised Cost - Loans and Receivables	399,987,199	159,781,464	493,954,600	888,508,525	916,379,605	94,424,136	235,830,876		2,483,198,012	2,453,061,805	838,133,310	8,963,259,533
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	147,099,456	114,112,719	111,602,539	177,977,323	150,577,493	692,772,084	30,902,431		31,699,657	384,930,326	18,385,495	1,860,059,523
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	16,910,717	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	-	-	-	1,291,376	-	-	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-	315,813	-	-	315,813
Allowance for Impairment												(527,318,756)
Total	547,086,655	273,894,183	605,557,139	1,066,485,848	1,066,957,098	787,196,220	266,733,307	-	4,091,855,449	2,837,992,131	873,429,522	11,889,868,796

As at 31 March 2025 **Rs.**

	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	216,952,568	-	-	216,952,568
Financial Investment at amortised Cost	-	-	-	-	-	-	-	-	578,160,999	-	-	578,160,999
Financial assets at amortised Cost - Loans and Receivables	254,720,233	109,102,708	300,293,239	622,259,222	629,478,392	3,982,581	2,319,478,191	-	-	-	2,127,797,164	6,367,111,732
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	153,053,303	150,543,907	103,319,702	192,086,710	77,104,884	391,627,620	670,843,613	-	-	-	101,008,416	1,839,588,154
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	#REF!	#REF!
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	-	-	-	21,834,438	-	-	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-	315,813	-	-	315,813
Allowance for Impairment												(407,807,633)
Total	407,773,536	259,646,615	403,612,941	814,345,932	706,583,276	395,610,202	2,990,321,805	-	817,263,818	-	#REF!	#REF!

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42. RISK MANAGEMENT (Contd…)

42.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company is affected by movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing brands. ALCO is the monitoring body for compliance with these limits and assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

42.5.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Income Statement & Equity.

Rs'000

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2026	2026	2026
Long Term Loans linked to AWPLR	1/ (-1)	20,043/(20,043)	0.61%
	0.5 / (0.5)	10,021/(10,021)	0.30%
	0.25 / (0.25)	5,010/(5,010)	0.15%

Rs'000

Currency of Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2025	2025	2025
Long Term Loans linked to AWPLR	1/ (-1)	4,079/(4,079)	0.13%
	0.5 / (0.5)	2,039/(2,039)	0.07%
	0.25 / (0.25)	1,019/(1,019)	0.03%

The base ratio considers in the Interest Rate Sensitivity Analysis is the existing Loan rates. Since only 82% (2025-45%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

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42. RISK MANAGEMENT (Contd…)

42.5.2 Interest Rate Risk (Contd..)

Interest Rate Risk Exposure on Non Trading Financial Assets & Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets & liabilities. The Company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31 March 2026	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Cash and cash Equivalents	857,559,729	-	-	-	-	48,186,866	905,746,595
Financial Investment at amortised Cost	349,776,360	319,827,636	-	-	-	-	669,603,996
Financial assets at amortised Cost - Loans and Receivables	2,488,815,364	3,954,224,867	1,785,296,747	231,931,629	74,325,899	-	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	334,950,704	478,092,860	788,101,763	160,260,468	-	-	1,761,405,794
Other Financial Assets	-	-	-	-	-	16,910,717	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	1,291,376	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	4,031,102,157	4,752,145,362	2,573,398,510	392,192,097	74,325,899	66,704,772	11,889,868,797
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	420,620,470	511,748,259	1,199,163,367	360,188,275	-	-	2,491,720,371
Financial Liabilities at amortised Cost - Due to customers	2,572,683,037	2,933,234,003	728,925,918	54,815,387	-	-	6,289,658,345
Financial Liabilities at amortised Cost - Debt Securities	7,438,629			195,000,000			202,438,629
Other Financial Liabilities	4,527,284	19,231,850	66,855,696	66,871,984	107,979,493	53,285,210	318,751,517
Total Financial Liabilities	3,005,269,420	3,464,214,111	1,994,944,981	676,875,647	107,979,493	53,285,210	9,302,568,862
Interest Sensitivity Gap	1,025,832,737	1,287,931,251	578,453,529	(284,683,550)	(33,653,594)	13,419,561	2,587,299,936

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets							
Cash and cash Equivalents	156,189,547	-	-	-	-	60,763,021	216,952,568
Financial Investment at amortised Cost	331,464,439	246,696,559	-	-	-	-	578,160,998
Financial assets at amortised Cost - Loans and Receivables	2,092,572,463	1,921,144,345	1,564,425,891	349,712,488	91,179,627	-	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	188,642,718	670,359,652	666,489,653	254,365,417	-	-	1,779,857,440
Other Financial Assets	-	-	-	-	-	72,074,298	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	-	-	-	-	-	21,834,438	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	-	315,813	315,813
Total Financial Assets	2,768,869,168	2,838,200,556	2,230,915,543	604,077,905	91,179,627	154,987,570	8,688,230,370
Financial Liabilities							
Financial Liabilities at amortised Cost - Due to Banks	411,364,559	147,990,015	336,473,245	174,140,001	-	-	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	2,735,729,837	1,718,344,173	130,165,086	59,220,546	-	-	4,643,459,643
Other Financial Liabilities	3,802,079	10,651,735	35,617,846	50,008,225	49,195,442	40,269,975	189,545,301
Total Financial Liabilities	3,150,896,475	1,876,985,923	502,256,176	283,368,773	49,195,442	40,269,975	5,902,972,764
Interest Sensitivity Gap	(382,027,307)	961,214,633	1,728,659,367	320,709,132	41,984,185	114,717,595	2,785,257,607

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42. RISK MANAGEMENT (Contd…)

42.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The key elements of the Company's liquidity strategy are as follows.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.

- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.

- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

Management of the Company has been maintaining a stable liquidity position to meet strongly any liquidity shock will arise due to any economic crises since the COVID 19 pandemic period and closely monitoring the position on daily basis and taking necessary measures to ensure the safeguard of the entity. The company introduced more rigor to the processes already in place to manage its liquid assets. These actions taken will help to maintain suitable liquidity position while ensuring the interest of company's stakeholders despite of disruptive effect on liquidity that may arise due to the continuously evolving nature of the pandemic.

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42. RISK MANAGEMENT (Contd…)

42.6 Liquidity Risk (Contd...)

42.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013 and Direction No.07 of 2020.

The Company's liquid asset ratio is 32.69% of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction). Such Liquid assets are maintained in the form of Sri Lanka Government securities.

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

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 March 2026.

As at 31 Mar 2026	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	905,746,595	-	-	-	-	905,746,595
Financial Investment at amortised Cost	352,942,561	329,760,994	-	-	-	682,703,555
Financial assets at amortised Cost - Loans and Receivables	2,702,247,412	4,384,845,806	2,150,077,935	295,605,541	89,770,604	9,622,547,297
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	431,013,977	705,997,420	1,056,329,471	181,917,262	-	2,375,258,130
Other Financial Assets	16,910,717	-	-	-	-	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	-	-	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	4,410,152,637	5,420,604,220	3,206,407,406	477,522,803	90,086,417	13,604,773,482
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	233,289,269	666,080,889	1,404,275,147	375,224,029	-	2,678,869,335
Financial Liabilities at amortised Cost - Due to customers	2,683,199,148	3,290,362,375	1,053,421,207	81,924,714	-	7,108,907,444
Financial Liabilities at amortised Cost - Debt Securities	13,526,504	18,263,625	73,054,500	209,205,042	-	314,049,671
Other Financial Liabilities	13,047,270	43,508,340	120,917,938	101,265,839	138,119,460	416,858,847
Total Financial Liabilities	2,943,062,191	4,018,215,230	2,651,668,793	767,619,624	138,119,460	10,518,685,297
Net Financial Asset/Liabilities	1,467,090,446	1,402,388,990	554,738,613	(290,096,821)	(48,033,043)	3,086,088,185

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42. RISK MANAGEMENT (Contd…)

42.6 Liquidity Risk (Contd...)

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

As at 31 Mar 2025	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Financial Assets						
Cash and cash equivalents	216,952,568	-	-	-	-	216,952,568
Financial Investment at amortised Cost	95,048,180	494,019,355	-	-	-	589,067,535
Financial assets at amortised Cost - Loans and Receivables	2,300,223,343	3,462,443,349	2,039,026,930	445,370,183	122,022,182	8,369,085,986
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	268,509,100	873,072,463	942,832,985	291,413,804	-	2,375,828,352
Other Financial Assets	72,074,298	-	-	-	-	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	-	-	-	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Financial Assets	2,974,641,927	4,829,535,166	2,981,859,915	736,783,987	122,337,995	11,645,158,991
Financial Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	284,513,588	379,379,061	500,398,903	280,889,600	-	1,445,181,153
Financial Liabilities at amortised Cost - Due to customers	2,689,653,423	1,851,378,747	206,416,293	68,636,761	-	4,816,085,224
Other Financial Liabilities	49,429,424	25,904,750	69,994,280	71,842,324	63,692,212	280,862,990
Total Financial Liabilities	3,023,596,435	2,256,662,559	776,809,476	421,368,685	63,692,212	6,542,129,367
Net Financial Asset/Liabilities	(48,954,507)	2,572,872,608	2,205,050,439	315,415,302	58,645,783	5,103,029,624

42.7 Exchange Rate Risk

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies. Exchange risk could materialize as an indirect risk too, affecting local gold prices resulting in exaggerated commodity risk.

However, the impact on Exchange rate risk is minimal as the company does not have a material foreign currency position.

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43. MATURITY ANALYSIS

An analysis of financial assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2026	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and bank balances	905,746,595	-	-	-	-	905,746,595
Financial Investment at amortised Cost	349,776,360	319,827,636	-	-	-	669,603,996
Financial assets at amortised Cost - Loans and Receivables	2,488,815,364	3,954,224,867	1,785,296,747	231,931,629	74,325,899	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	334,950,704	478,092,860	788,101,763	160,260,468	-	1,761,405,794
Other Financial Assets	16,910,717	-	-	-	-	16,910,717
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	-	-	-	1,291,376
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	4,097,491,116	4,752,145,362	2,573,398,510	392,192,097	74,641,712	11,889,868,797
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	420,620,470	511,748,259	1,199,163,367	360,188,275	-	2,491,720,371
Financial Liabilities at amortised Cost - Due to customers	2,572,683,037	2,933,234,003	728,925,918	54,815,387	-	6,289,658,345
Financial Liabilities at amortised Cost - Debt Securities	7,438,629	-	-	195,000,000	-	202,438,629
Other Financial Liabilities	57,812,494	19,231,850	66,855,696	66,871,984	107,979,493	318,751,517
Total Liabilities	3,058,554,630	3,464,214,111	1,994,944,981	676,875,647	107,979,493	9,302,568,862

As at 31 March 2025	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total Rs.
Assets						
Cash and bank balances	216,952,568	-	-	-	-	216,952,568
Financial Investment at amortised Cost	331,464,439	246,696,559	-	-	-	578,160,999
Financial assets at amortised Cost - Loans and Receivables	2,092,572,463	1,921,144,345	1,564,425,891	349,712,488	91,179,627	6,019,034,814
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	188,642,718	670,359,652	666,489,653	254,365,417	-	1,779,857,440
Other Financial Assets	72,074,298	-	-	-	-	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	21,834,438	-	-	-	-	21,834,438
Financial Investment as Fair Value through Other Comprehensive Income	-	-	-	-	315,813	315,813
Total Assets	2,923,540,925	2,838,200,556	2,230,915,543	604,077,905	91,495,440	8,688,230,370
Liabilities						
Financial Liabilities at amortised Cost - Due to Banks	411,364,559	147,990,015	336,473,245	174,140,001	-	1,069,967,819
Financial Liabilities at amortised Cost - Due to customers	2,735,729,837	1,718,344,173	130,165,086	59,220,546	-	4,643,459,643
Other Financial Liabilities	44,072,053	10,651,735	35,617,846	50,008,225	49,195,442	189,545,300
Total Liabilities	3,191,166,449	1,876,985,923	502,256,176	283,368,773	49,195,442	5,902,972,763

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44. COMMITMENTS AND CONTINGENCIES

As at 31st March	2026					2025				
	Rs.					Rs.				
	On Demand	With in 01 year	1-5 years	More than 5 years	Total	On Demand	With in 01 year	1-5 years	More than 5 years	Total
Commitments										
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Contingencies										
Letter of Guarantees Granted	2,500,000	-	-	-	2,500,000	33,500,000	-	-	-	33,500,000
Total Commitments & Contingencies	2,500,000	-	-	-	2,500,000	33,500,000	-	-	-	33,500,000

44.1 Capital Commitments

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

44.2 Litigation Filed by the Company/ Against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigation against the Company as at 31st Mar 2026 which would have a material impact on the Financial Statements.

45. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Reporting date that require adjustments to or disclosure in the Financial Statements

46. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with the parties who are defined as Related Parties in Sri Lanka Accounting Standard No.24, Related Party Disclosure, details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

46.1 Parent and Ultimate Controlling Party

The Company is 54.99% owned by Lanka Credit and Business Limited. Hence, Lanka Credit and Business Limited is the parent company and the ultimate controlling party.

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46. RELATED PARTY TRANSACTIONS (Contd...)

46.2 Transactions with Key Managerial Personnel

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

	2026 Rs.	2025 Rs.
Short Term Employee Benefits		
Remuneration and other expenses of directors	18,120,000	25,391,500
Other Benefits		
Terminal Benefits		
Post- employment benefits	1,381,500	1,381,500
Total	**19,501,500**	**26,773,000**

46.3 Transactions, Arrangements and Agreements involving KMPs and their Close Family Members (CFMs)

46.3.1 Loans and advances granted to KMPs are Detailed Below	2026 Rs.	2025 Rs.
Loans granted during the year	-	10,733,000
Loans held at the end of the year	732,540	10,812,548
Interest received on Loans	211,190	1,471,212

46.3.2 Deposits and Borrowings from KMPs are Detailed Below	2026 Rs.	2025 Rs.
Term/Savings deposits accepted during the year	12,420,444	20,505,165
Term/Savings deposits held at the end of the year	9,256,591	16,150,377
Interest payable on Term/Savings deposits	85,527	545,657
Interest paid on Term/Savings deposits	517,111	1,093,854

46.4 Transactions, Arrangements and Agreements involving with Related Entities of KMPs and their CMFs

46.4.1 Loans and Advances	2026 Rs.	2025 Rs.
Loans granted during the year	-	-
Loans held at the end of the year	-	-
Interest received on Loans	-	-

46.4.2 Deposits and Borrowings	2026 Rs.	2025 Rs.
Term/Savings deposits accepted during the year	10,675,000	
Term/Savings deposits held at the end of the year	19,945,826	-
Interest payable on Term/Savings deposits	746,622	-
Interest paid on Term/Savings deposits	969,555	-

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47. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31st March	2026			2025		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Cash Equivalent	905,746,595	-	905,746,595	216,952,568	-	216,952,568
Financial Investment at amortized Cost	669,603,996	-	669,603,996	578,160,999	-	578,160,999
Financial assets at amortized Cost - Loans and Receivables	6,443,040,231	2,091,554,275	8,534,594,506	4,013,716,808	2,005,318,006	6,019,034,814
Financial assets at amortized Cost - Lease rentals receivables and Hire Purchases	813,043,563	948,362,231	1,761,405,794	859,002,370	920,855,070	1,779,857,440
Other Financial Assets	16,910,717	-	16,910,717	72,074,298	-	72,074,298
Financial Assets Measured at Fair value through Profit or Loss	1,291,376	-	1,291,376	21,834,438	-	21,834,438
Financial Investment at Fair value through Other Comprehensive Income	-	315,813	315,813	-	315,813	315,813
Other Non Financial Assets	39,800,707	-	39,800,707	34,908,994	-	34,908,994
Investment Property	-	420,000,000	420,000,000	-	224,000,000	224,000,000
Property, Plant and Equipment	-	236,191,561	236,191,561	-	109,742,300	109,742,300
Right of Use Assets	-	251,609,680	251,609,680	-	141,634,869	141,634,869
Intangible Assets	-	33,295,541	33,295,541	-	34,042,201	34,042,201
Deferred Tax Asset	-	-	-	-	15,925,201	15,925,201
Total Assets	8,889,437,186	3,981,329,101	12,870,766,287	5,796,650,475	3,451,833,460	9,248,483,935
Liabilities						
Financial Liabilities at amortized Cost - Due to Banks	932,368,728	1,559,351,642	2,491,720,371	559,354,574	510,613,245	1,069,967,819
Financial Liabilities at amortized Cost - Due to customers	5,505,917,040	783,741,305	6,289,658,345	4,454,074,010	189,385,633	4,643,459,643
Financial Liabilities at amortised Cost - Debt Securities	7,438,629	195,000,000	202,438,629	-	-	-
Other Financial Liabilities	77,044,344	241,707,173	318,751,517	54,723,788	134,821,513	189,545,300
Other Non Financial Liabilities	173,422,457	-	173,422,457	213,538,118	-	213,538,118
Retirement Benefits Liabilities	-	11,032,650	11,032,650	-	8,565,688	8,565,688
Deferred Tax Liability	5,016,156	-	5,016,156	-	-	-
Total Liabilities	6,701,207,354	2,790,832,771	9,492,040,125	5,281,690,490	843,386,079	6,125,076,569
Maturity Gap	2,188,229,832	1,190,496,330	3,378,726,162	514,959,986	2,608,447,381	3,123,407,366
Cumulative Gap	2,188,229,832	3,378,726,162	-	514,959,986	3,123,407,366	-

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48. SEGMENTAL ANALYSIS

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 management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Company has identified operating segments based on products and services. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on turnover.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company's total revenue in 2026 or 2025.

There were no transactions between reportable segments in 2026 or 2025.

	Loans		Lease & Hire Purchase		Others		Total	
For the Year ended 31st March	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Income								
Interest Income	1,502,767,780	983,896,098	325,429,750	256,016,751	55,469,568	83,114,310	1,883,667,098	1,323,027,160
Other Income	61,882,579	53,190,312	13,400,894	13,840,497	54,505,886	65,722,180	129,789,360	132,752,989
Total Income	1,564,650,359	1,037,086,410	338,830,644	269,857,248	109,975,454	148,836,490	2,013,456,458	1,455,780,148
Unallocated Expenses							(1,573,981,790)	(1,173,094,839)
Profit / (Loss) Before Tax							439,474,667	282,685,309
Income Tax (Expense)/Reversal							(157,644,506)	(78,171,567)
Net Profit / (Loss) for the period							281,830,161	204,513,742
Segment Assets	8,534,594,506	6,019,034,814	1,761,405,794	1,779,857,440	670,895,372	599,995,437	10,966,895,672	8,398,887,690
Unallocated Assets							1,903,870,614	849,596,244
Total Assets	8,534,594,506	6,019,034,814	1,761,405,794	1,779,857,440	670,895,372	599,995,437	12,870,766,286	9,248,483,934
Unallocated Liabilities							9,492,040,124	6,125,076,569
Total Liabilities							9,492,040,124	6,125,076,570

49. CAPITAL

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

Capital Management

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

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka (CBSL)sets and monitors capital requirements for licensed finance companies. Accordingly finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

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50. RE - CLASSIFICATION OF COMPARATIVES

Statement of Financial Position

During the current financial year, the company reclassified prior year figures of the lending portfolio & other assets in the Statement of Financial Position as reported below;

	As at 31 March 2025			
	Prior Classification Rs.	**Re-classification Rs.**	**Re-classified Rs.**	**As at 31 March 2026 Rs.**
Financial assets at amortised Cost - Loans and Receivables	6,002,054,674	16,980,140	6,019,034,814	8,534,594,506
Financial assets at amortised Cost - Lease rentals receivables and Hire Purchases	1,754,671,668	25,185,772	1,779,857,440	1,761,405,794
Other assets	114,240,209	(42,165,911)	72,074,298	16,910,717

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