UB FINANCE PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2026

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF UB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

T.J.S. Rajakarier FCA
W.K.D.C. Abeyrathne FCA
Ms. B.K.D. I.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA
W.W.J.C. Perera FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
H.U.S.T Dayananda FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

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

KPMG

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

Refer to note 2.3.6.1 (Material Accounting policies) and Note 15 to these Financial Statements.

Risk Description	Our response
As at 31 March 2026, 86% of its total assets of the Company consisted of loans and advances and finance lease receivables amounting to Rs. 14.9Bn. Higher degree of complexity and judgement are involved in estimating Expected Credit loss (ECL) amounting to Rs. 902 Mn as at the reporting date. Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables and finance lease receivable balances to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances. These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR) SLFRS 9 Financial Instruments requires the Company to measure ECLs on a forward-looking basis reflecting a range of economic conditions. Post-model adjustments are made by the Company to address known ECL model limitations or emerging trends in the loan and lease receivable portfolios. Management exercise significant judgement when evaluating the economic scenarios used and the judgmental post model adjustments. The Company's criteria selected to identify a SICR are key areas of judgement within the Company's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company's customers, increasing our audit effort thereon. The disclosures regarding the Company's application of SLFRS 9 are key to explaining the key judgements and material inputs to the SLFRS 9 ECL results.	Our audit procedures included; • Understanding and assessing the design and implementation and operating effectiveness of management key internal controls over the approval, recording and monitoring of loans and advances and finance lease receivables, and the measurement of provisions for impairment. • Assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default exposure at default, discount rate, adjustments for forward looking information and other management adjustments and assessing the reasonableness of key management judgement. • Evaluating the model methodology and key assumptions by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. We substantially tested the completeness and accuracy of key inputs into models and assessed the appropriateness of assumptions, particularly in light of extreme volatility in economic scenarios caused by the current economic uncertainty and government responses. • Recalculating the amount of credit loss allowance for loans and advances and finance lease receivables to verify the calculation accuracy of the credit loss allowance.

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

Other Information

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

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

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

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

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.

KPMG

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

KPMG

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
27 June 2026

UB FINANCE PLC
INCOME STATEMENT

For the year ended 31 March,

	Notes	2026 Rs.	2025 Rs.
Income	4	2,784,321,433	2,239,464,962
Interest Income	4.1	2,554,562,369	2,026,092,229
Interest Expenses	4.2	(1,246,099,499)	(1,113,982,950)
Net Interest Income		**1,308,462,870**	**912,109,279**
Fee and Commission Income	4.3	150,687,854	91,525,363
Fee and Commission Expenses	4.3	(7,055,161)	(30,705,290)
Net Fee and Commission Income		**143,632,693**	**60,820,073**
Other Operating Income (Net)	5	79,071,210	121,847,370
Total Operating Income		**1,531,166,773**	**1,094,776,722**
Impairment Charges on Loans and Advances	6	(87,700,289)	(85,885,638)
Impairment Charge on Non Financial Assets	6.2	(19,031,563)	(16,666,000)
Net Operating Income		**1,424,434,921**	**992,225,084**
Staff Costs	7	(438,561,679)	(348,756,757)
Depreciation of Property, Plant and Equipment	20	(58,486,317)	(41,940,366)
Amotization of Right of Use Assets	21	(38,206,922)	(35,894,133)
Amortisation of Intangible Assets	19	(2,960,960)	(1,502,017)
Other Expenses	8	(462,430,306)	(382,438,887)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)		**423,788,737**	**181,692,924**
Value Added Tax on Financial Services (VAT on FS)		(146,383,291)	(90,165,483)
Social Security Contribution Levy (SSCL)		(21,163,453)	(12,522,984)
Profit/(Loss) Before Taxation		**256,241,993**	**79,004,457**
Tax Expense	9.1	(144,444,179)	(39,010,383)
Profit/(Loss) for the Year		**111,797,814**	**39,994,074**
Earnings per Share: Basic	10.2	0.035	0.013

The Accounting Policies and Notes on pages 11 through 76 form an integral part of these financial statements.

UB FINANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March,	Note	2026 Rs.	2025 Rs.
Profit for the Year		111,797,814	39,994,074
Other Comprehensive Income not to be reclassified to Income Statement			
Fair value changes on financial assets measured at FVOCI	16.1.1	13,738,933	4,786,903
Deferred Tax Charge on Fair value changes on financial assets measured at FVOCI	22	(4,121,680)	(1,436,071)
Actuarial gains /(losses) on Post Employment Liability	29.1	(3,537,740)	(3,293,503)
Deferred Tax (Charge) /Reversal impact on above	22	1,061,322	988,051
Other Comprehensive Income for the Year, net of taxes		**7,140,835**	**1,045,380**
Total Comprehensive Income for the Year		**118,938,649**	**41,039,454**

The Accounting Policies and Notes on pages 11 through 76 form an integral part of these financial statements.

UB FINANCE PLC
STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	2026 Rs.	2025 Rs.
Assets			
Cash in Hand and Balances with Banks	12	485,880,047	286,462,350
Financial Investments at Amortised Cost	13	697,333,023	877,702,548
Financial Investments at Fair Value through Profit or Loss	14	-	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	15	14,984,836,224	9,518,137,145
Financial Assets measured at Fair Value through Other Comprehensive Income	16	50,038,551	36,299,617
Investment in Real Estate	17	17,972,789	39,270,759
Other Assets	18	238,496,047	221,156,023
Intangible Assets	19	40,338,287	8,412,690
Property, Plant and Equipment	20	550,869,756	337,292,100
Right of Use Asset	21	264,715,006	222,485,950
Deferred Tax Assets	22	-	23,905,430
Total Assets		**17,330,479,730**	**12,076,223,992**
Liabilities			
Financial Liabilities at amortized cost			
Due to Banks	23	3,158,324,393	235,150,655
Due to Other Customers	24	7,785,618,231	7,160,617,321
Other Borrowed Funds	25	2,422,957,237	1,017,052,009
Financial Liabilities	26	191,837,997	210,457,745
Lease Liabilities	27	301,870,904	254,857,493
Other Non Financial Liabilities	28	97,404,234	58,703,474
Current Tax Liabilities		99,977,567	-
Post Employment Liability	29	48,558,068	39,405,151
Deferred Tax Liabilities	22	5,012,306	-
Total Liabilities		**14,111,560,937**	**8,976,243,848**
Equity			
Stated Capital	30	3,325,761,076	3,325,761,076
Statutory Reserve Fund	31	79,650,957	74,061,066
Fair Value Reserves		36,178,310	26,561,057
Revaluation Reserves		95,689,476	95,689,476
Regulatory Loss Allowance Reserves	32	-	142,438,631
Accumulated Loss	33	(318,361,026)	(564,531,162)
Total Shareholders' Equity		**3,218,918,793**	**3,099,980,144**
Total Equity and Liabilities		**17,330,479,730**	**12,076,223,992**

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

.....
Asanka Galbadaarachchi
Assistant General Manager - Finance

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

.....
Ransith Karunaratne
Director / Chief Executive Officer

.....
Sabry Ghouse
Chairman

The Accounting Policies and Notes on pages 11 through 76 form an integral part of these financial statements.

27 June 2026
Colombo

UB FINANCE PLC
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March,

	Note	Stated Capital	Statutory Reserve Fund	Fair Value Reserves	Revaluation Reserves	Regulatory Loss Allowance Reserves	Accumulated Profit/(Loss)	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2024		3,071,482,247	72,061,362	23,210,225	95,689,476	281,020,661	(738,802,110)	2,804,661,861
Right Issue		254,278,829	-	-	-	-	-	254,278,829
Profit for the year		-	-	-	-	-	39,994,074	39,994,074
Other Comprehensive Income/ (Expenses) (Net of deferred tax)		-	-	3,350,832	-	-	(2,305,452)	1,045,380
Transfer to regulatory loss allowance reserve	33	-	-	-	-	(138,582,030)	138,582,030	
Transfer to Statutory Reserve	31	-	1,999,704	-	-	-	(1,999,704)	-
Balance as at 31 March 2025		**3,325,761,076**	**74,061,066**	**26,561,057**	**95,689,476**	**142,438,631**	**(564,531,162)**	**3,099,980,144**
Profit for the year		-	-	-	-	-	111,797,814	111,797,814
Other Comprehensive Income/ (Expenses) (Net of deferred tax)		-	-	9,617,253	-	-	(2,476,418)	7,140,835
Transfer to regulatory loss allowance reserve	32	-	-	-	-	(142,438,631)	142,438,631	-
Transfer to Statutory Reserve	31	-	5,589,891	-	-	-	(5,589,891)	-
Balance as at 31 March 2026		**3,325,761,076**	**79,650,957**	**36,178,310**	**95,689,476**	**-**	**(318,361,026)**	**3,218,918,793**

The Accounting Policies and Notes on pages 11 through 76 form an integral part of these financial statements

UB FINANCE PLC
STATEMENT OF CASH FLOWS

For the year ended 31 March,

	Note	2026 Rs.	2025 Rs.
Cash Flow from Operating Activities			
Profit/(Loss) Before Taxation		256,241,993	79,004,457
Adjustments For			
Depreciation of Property, Plant and Equipment	20	58,486,317	41,940,366
Amotization of Right of Use Assets	21	38,206,922	35,894,133
Amortisation of Intangible Assets	19	2,960,960	1,502,017
Interest Expense on Borrowings	4.2	360,899,409	37,550,845
Interest Expense on Lease Liability	4.2	35,917,248	34,628,017
Impairment Charges on Loans and Advances	6.1	87,700,289	85,885,638
Impairment Charges on Non Financial Assets	6.2	19,031,563	16,666,000
Provision for Retirement Benefit Obligation	7	9,830,176	8,813,935
Profit on disposal of Property, Plant and Equipment	5	(5,786,172)	(2,814,999)
Fair Value Gain on Financial Investments at Fair Value through Profit or Loss	14	(26,855,931)	(5,099,380)
Interest Income on Treasury bonds	4.1	(61,915,972)	-
Provision for Bonus		20,766,070	12,000,000
Dividend Received	5	(605,348)	(691,157)
Operating Profit Before Changes in Operating Assets and Liabilities		**794,877,524**	**345,279,872**
(Increase)/Decrease in Operating Assets			
(Increase)/Decrease in Financial Assets at Amortised Cost-Loans and Receivables		(5,554,399,366)	(1,843,360,619)
(Increase)/Decrease in Other Financial Assets		27,689,657	1,693,271
(Increase)/Decrease in Investment in Real Estate		2,266,323	4,118,831
(Increase)/Decrease in Other Non Financial Assets		(18,182,856)	(69,593,511)
		(5,542,626,242)	**(1,907,142,028)**
Increase/(Decrease) in Operating Liabilities			
Increase/(Decrease) in Financial Liabilities at Amortised Cost - Due to Depositors		625,000,910	(366,916,638)
Increase/(Decrease) in Other Financial Liabilities		161,027,170	(71,186,755)
Increase/(Decrease) in Other Non Financial Liabilities		152,843,550	(7,426,063)
Cash generated from/(used in) Operations		938,871,630	(445,529,456)
Interest Expense Paid		(206,200,830)	(54,341,767)
Retirement Benefit Liabilities Paid	29	(4,035,000)	(6,062,500)
Income Tax Paid		(18,609,236)	-
Net Cash Generated from/ (used in) Operating Activities		**(4,037,722,155)**	**(2,067,795,879)**
Cash Flow from/(Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	20.1	(291,668,963)	(82,898,683)
Acquisition of Intangible Assets	19	(34,886,557)	(717,676)
Proceeds from Sale of Property, Plant and Equipment		24,850,000	3,857,542
Dividend Received	5	605,348	691,157
Net Investments in Government Securities		(684,917,050)	-
Net Cash from/(Used in) Investing Activities		**(986,017,222)**	**(79,067,660)**
Cash Flow from/(Used in) Financing Activities			
Loans Obtained during the year	23, 25	5,122,500,000	1,825,000,000
Loans Settled during the year	23, 25	(1,598,295,962)	(631,250,000)
Lease Rentals Paid	21	(19,508,128)	(16,742,510)
Issues of Shares	30	-	254,278,829
Net Cash from/(Used in) Financing Activities		**3,504,695,910**	**1,431,286,319**
Net (Decrease) / increase in Cash and Cash Equivalents		**(1,519,043,467)**	**(715,577,220)**
Cash and Cash Equivalents at Beginning of the Year		1,623,549,329	2,339,126,549
Cash and Cash Equivalents at End of the Year		**104,505,861**	**1,623,549,329**
Reconciliation of Cash and Cash Equivalents			
Cash in Hand		56,826,151	43,461,230
Balances with Banks (Net of Overdraft)		47,679,710	202,385,551
Financial Investments at Fair Value Through Profit or Loss		-	500,000,000
Financial Investments at Amortised Cost		-	877,702,548
		104,505,861	**1,623,549,329**

The Accounting Policies and Notes on pages 11 through 76 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

UB Finance PLC (UBF) is a public limited liability Company, incorporated and domiciled in Sri Lanka. The Company was originally incorporated as The Finance & Guarantee Company Limited on 12 July 1961 under the Companies Ordinance No.51 of 1938 and was re-registered as required under the provision of the Companies Act No.7 of 2007 on 26th December 2007. The Company being a Finance Company is also registered with the Central Bank of Sri Lanka under the Finance Business Companies' Act No. 42 of 2011 and Finance Leasing Act No.56 of 2000 of Sri Lanka.

Union Bank of Colombo PLC (Parent company) together with its US based strategic investment partner ShoreCap II acquired The Finance & Guarantee Co. Ltd. on 1st November 2011. The Company was restructured, rebranded & launched as UB Finance Co. Ltd. on 25 April 2012. In 2023, CG Capital Partners Global Pte. Ltd, one of the leading conglomerates in the Asia, became the main stake holder of the Company with the acquisition of Culture Financial Holdings Ltd, a majority shareholder in Union Bank of Colombo PLC. On August 14, 2023, UBF was listed on the Colombo Stock Exchange and changed its name to UB Finance PLC. The Company's Registered Office / Head Office is currently located at No.10, Daisy Villa Avenue Colombo 04.

1.2 Parent Entity and the Ultimate Controlling Parties

The Company's immediate parent is Union Bank of Colombo PLC and ultimate controlling party is CG Corp Panama which is registered in Panama.

1.3 Principal Activities and Nature of Operations

As a Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka, the principal business activities of the Company include mobilizing fixed deposits and savings accounts, providing financial services such as lease, hire purchase and loan facilities, Gold Loan facilities, working capital activities such as factoring. The Company also deals in real estate and other investment and credit activities. Being the first finance company to be backed by a commercial bank in the private sector, UB Finance PLC is uniquely positioned to offer its customers "The versatility of a finance company backed by the strength of a bank".

1.4 Date of Authorization for Issue

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

1.5 Director's Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of UB Finance PLC as per the requirements of the Sri Lanka Accounting Standards (LKAS/SLFRS) and the provision requirements of the Company Act No. 07 of 2007.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with Material Accounting Policies and notes (Financial Statements), as at 31 March 2026 and for the year then ended, have been prepared in accordance with Sri Lanka Accounting Standards as issued by The Institute of Chartered Accountants of Sri Lanka.
The Accounting standards comprise:

- Sri Lanka Financial Reporting Standards ("SLFRS");
- Sri Lanka Accounting Standards ("LKAS");
- Statement of Recommended Practices ("SoRPs");
- Statements of Alternate Treatment ("SoATs") and
- Financial Reporting Guidelines Issued by CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com.

2.1.2 Basis of Measurement

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

- Financial assets measured at fair value through profit or loss (FVTPL).
- Financial assets measured at fair value through other comprehensive income (FVOCI).
- Lands and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts.
- Liabilities for defined benefit obligations are recognized using an actuarial technique (projected unit credit method).

2.1.3 Functional and presentation currency

The financial statements are presented in Sri Lankan rupees which is the currency of the primary economic environment in which the Company operates.

2.1.4 Going Concern

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. In making this assessment, the Board has considered a wide range of information relating to present and future conditions. The Directors assessed the future performance of the business and satisfied that it has the resources in place that are required to meet its ongoing regulatory and operational requirements. The assessment is based on the business plan which contains future projections of profitability, regulatory capital requirements and funding needs.

The business plan showed that the Company has sufficient capital in place to support its future business requirements. Accordingly, the Directors concluded that there is reasonable expectation that the Company has adequate resources to continue as a Going Concern for a period of at least

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (Continued)

12 months from the date of approval of the Financial Statements. Further, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a Going Concern basis.

2.1.5 Presentation of financial statements

The Company presents their Statement of Financial Position by grouping assets and liabilities by nature and listing in order that reflects relative liquidity and maturity pattern. An analysis regarding 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 36.20.3 to the financial statements.

2.1.6 Materiality and Aggregation

In compliance with 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, if they are material.

2.1.7 Offsetting

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

2.1.8 Comparative Information

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

2.1.9 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 1 on 'Presentation of Financial Statements'.

2.1.10 Changes in Material Accounting Policies

The Company has consistently applied the accounting policies set out in Notes 1 to 2 to all periods presented in these Financial Statements.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company is in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised on and in any future periods affected.

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,

- Impairment of non-financial assets
- Estimating incremental borrowing rate
- Classification of financial assets and liabilities
- Fair value of financial instruments
- Allowance of impairment losses
- Useful life time of property, plant and equipment
- Useful life time of intangible assets
- Current taxation
- Deferred tax assets and liabilities
- Post employment benefits liability

2.3 MATERIAL ACCOUNTING POLICIES

2.3.1 Financial Instruments

Recognition and Initial Measurement

The Company initially recognizes lease receivable, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1 Financial Instruments (Continued)

Day 01 Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a Day 01 Profit or Loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the Profit or Loss when the inputs become observable, or when the instrument is de-recognised. The Day 01 Loss is arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

Classification and Subsequent Measurement of Financial Assets

As per SLFRS 09, the Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms measured at either;

- Amortised Cost
- Fair Value Through Other Comprehensive Income (FVOCI)
- Fair Value Through Profit or Loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

2.3.1.1 Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

2.3.1.2 The Solely Payment of Principal and Interest (SPPI) Test

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.1 Financial Instruments (Continued)

2.3.1.3 Reclassification of Financial Assets and Financial Liabilities

As per SLFRS 09, Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the company changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line. During the year Company has not reclassified any financial assets.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

2.3.1.4 Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

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

2.3.1.5 Modification of Financial Assets and Financial Liabilities

If the terms of a financial asset are modified, an assessment needs to be performed to determine whether the modified terms are different from the existing terms. This assessment considers whether the cash flows of the modified asset are different. Where terms are different, the existing financial asset will be derecognised and a new financial asset will be recognised at fair value.

Where an existing financial liability is replaced by another from the same lender on different terms or the terms of an existing liabilities are modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value.

The Contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

2.3.2 Fair Value Measurement

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

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.2 Fair Value Measurement (Continued)

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 various valuation methodologies that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our fair value hierarchy assessment.

Level 1 : Inputs include quoted prices for identical instruments.
Level 2 : Inputs include quoted prices for similar instruments and observable inputs such as interest rates, currency exchange rates and yield curves.
Level 3 : Inputs include data not observable in the market and reflect management judgement about the assumptions market participants would use in pricing the instruments.

Valuation Framework

The Company has an established control framework for the measurement of fair values. Finance Department is responsible for the valuation of financial instruments. Obtaining input data, valuing of financial instruments and verifying the valuation models are being segregated within the Finance Department. Management reviews the inputs to the fair value measurements to ensure they are appropriately categorised within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognised as if they had taken place at the end of the reporting period.

Valuation Methodologies and Assumptions

Cash and Cash Equivalents

Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of three months or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as cash and cash equivalents. Time deposits and money market accounts that meet the above criteria are reported at par value on our Statement of Financial Position.

Loans and Receivables

We measure performing loans and receivables at fair value for purposes of disclosure using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to present value based on assumptions regarding credit losses, prepayment speed, and applicable spreads to approximate current rates. Our assumptions regarding prepayment speed and credit

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.2 Fair Value Measurement (Continued)

losses are based on historical performance. We use the fair value of collateral to determine the fair value of non-performing loans and receivables. The collateral for loans and receivables is the vehicle financed, real estate, gold or other property. The fair value of loans and receivables is categorised within Level 3 of the fair value measurement hierarchy.

Other Financial Assets

Since all the balances which are under other financial assets have short-term maturities, it is assumed that the carrying amounts of those balances approximate their fair values.

Due to Customers

We measure the fair value using internal valuation models. These models project future cash flows of fixed deposits based on scheduled maturities (including principal and interest) and pre-maturities of deposits. The projected cash flows are discounted to present value based on applicable spreads to approximate current deposit rates for each tenor. Our assumptions regarding pre-maturity speed and spreads are based on historical performance. Savings deposits without a specific maturity are assumed that the carrying amounts approximate their fair values. The fair value of Due to Customers is categorised within Level 3 of the hierarchy.

Due to Banks and Other Borrowed Funds

We estimate the fair value of bank borrowings and debt instruments using discounted cash flows and use the most recent transacted rate and/or unexpired offered rate of a similar instrument or borrowing. Debt instrument and bank borrowing do not carry prepayment or embedded options. The fair value of debt is categorised within Level 3 of the hierarchy.

Other Financial Liabilities

Since all the liabilities which are under other financial liabilities have short-term maturities, it is assumed that the carrying amounts of those liabilities approximate their fair values.

2.3.3 Cash and Cash Equivalents

Cash and cash equivalents includes cash and bank balances and money at call and short notice. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

2.3.4 Reverse Repurchased Agreements

Securities purchased under agreements to resell at a specified future date are recognized in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position net of impairment allowance, within "reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the Effective Interest Rate (EIR).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.5 Financial Investments at Fair Value Through Profit or Loss

The Company classifies financial assets recognize through profit or loss when they have been purchased primarily for short-term profit making through trading activities. Financial assets recognised through profit or loss are recorded and measured in the Statement of Financial Position at fair value. Changes in fair value are recognised in net trading income.

SLFRS 09 requires financial instruments to be classified based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. For financial assets that are debt instruments, held for trading is a business model objective that results in measurement at fair value through profit or loss.

The Company classifies the Unit Trust Investments under this category.

2.3.6 Financial Assets at Amortized Cost

The Company only measures Loans and advances to customers 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.

The company classified Reverse Repurchase, Treasury Bills, Loans and Advances to customers and other assets under this category (Refer Note 11).

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less allowance for impairment. The amortization is included in 'Interest income' and the losses arising from impairment are recognized in 'Impairment for loans and other losses' in the income statement.

2.3.6.1 Allowance for Impairment Losses

The measurement of impairment losses under SLFRS 09 across all categories of financial assets require judgement. These estimates are driven by number of factors and the changes of these factors can result in different levels of adjustments.

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles

The adoption of SLFRS 09 has fundamentally changed the Company's loan loss impairment method by replacing LKAS 39's incurred loss approach with a forward-looking Expected Credit Loss (ECL) approach. From 1 April 2018, the company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at Fair Value Through Profit or Loss (FVTPL), together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 09.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial Assets at Amortized Cost (Continued)

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles (Continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset. The 12 months ECL is the portion of Lifetime ECLs 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 Lifetime ECLs and 12 months ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The company has established a policy to perform an 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 such process company allocates loans into Stage 01, Stage 02, Stage 03 as described below;

Stage 01

When loans are first recognised, the company recognises an allowance based on 12 months ECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02. Facilities which are within 30 days are in Stage 01.

Stage 02

When a loan has shown a significant increase in credit risk since origination, the company records an allowance for the Lifetime ECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03. Facilities which are within 31 to 90 days due are in Stage 02.

Stage 03

When a loan is considered to be credit impaired/contain objective evidences of incurred loss, the Company records an allowance for the Lifetime ECLs. Facilities which are more than 90 days due are in Stage 03.

Definition of Default and Credit Impaired Assets

The company considers loans and advances to customers be defaulted when the borrower is unlikely to pay its obligations to the company in full, without recourse by the company to actions such as realising security (if any is held) or the borrower becomes 90 days past due on its contractual payments.

Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Company's historical experience and expert credit assessment and including forward looking information.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial Assets at Amortized Cost (Continued)

2.3.6.2 Overview of the Expected Credit Loss (ECL) Principles (Continued)

The Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due.

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

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

- Significant increase in credit risk on other financial instruments of the same borrower.
- Borrowers in sectors affected by the adverse macroeconomic environment, provided that it cannot be compensated by the underlying asset.
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems.
- Significant financial difficulty of the borrower or issuer.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for a security because of financial difficulties.
- The borrower is deceased and there are no assets.

2.3.6.3 Individually Significant Impairment Assessment and Loans which are Not Impaired Individually

Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 03. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 01 or Stage 02, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

2.3.6.4 Collective Impairment Assessment

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

The calculation of ECLs

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial Assets at Amortized Cost (Continued)

2.3.6.4 Collective Impairment Assessment (Continued)

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

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

- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Company has used the LGD rates published by the Central Bank of Sri Lanka for retail loans as the related products have inadequate credit history to compute their own LGDs.

Any financial asset, fully secured through a cash collateral, has not taken into the expected loss calculation.

Forward looking information

The Company incorporates forward looking information (through economic factor adjustment) into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating the ECL, the Company considers three economic scenarios (base case, best case and worse case). Quantitative economic factors are based on economic data and forecasts published by Central Bank of Sri Lanka and when such information is not available, forecasts published by International Monetary Fund and World Bank have been used. In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs, such as:

Quantitative factors	Qualitative factors
GDP growth rate	Status of industry/business
Inflation	Government policies
Interest rate	Management Outlook
Unemployment Rate	Regulatory impact

Scenario Probability Weightage applied in measuring Expected Credit Loss. The assigned probability weightage when measuring ECL for Best case, Base case and Worst cases are 5%, 40% and 55% (2025- 10%,10% and 80%).

Macro-economic factors information which was used in the ECL computation for the current year are 5 years average GDP: 0.9%, 5 years average of inflation: 14.1%, 5 years average of interest rate :13.6% and 5 years average of unemployment 4.6% (2025: -1.1%, 14.9%, 12.7%, and 5% respectively).

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial Assets at Amortized Cost (Continued)

2.3.6.4 Collective Impairment Assessment (Continued)

Company has built the management overlay as follows;

Criteria	Impairment Calculated
Contracts in arrears over 6 years except property backed loans for the working Capital Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 4 years except property backed loans for the Auto Loans	Company has provided fully for the net balance which has been considered as management overlay.
Contracts in arrears over 3 years and less than or equal to 4 years except property backed loans for the Auto Loans	Company has provided based on 1- recovery % of last 2 years which has been considered as management overlay.

The Company recognised Rs. 267,178,285/- as a management overlay during the year.

Reversals of Impairment

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

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are included in 'Other Operating Income' in the Income Statement.

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

Collateral Valuation

To the extent possible, the Company uses 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.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.6 Financial Assets at Amortized Cost (Continued)

2.3.6.4 Collective Impairment Assessment (Continued)

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL).

The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than 90 days past due, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received.

2.3.7 Financial Investments at Fair Value Through Other Comprehensive Income

The Company classifies financial instruments under SLRS 09 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, and foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity Instruments

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

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.7 Financial Investments at Fair Value Through Other Comprehensive Income (Continued)

The Company classifies Unquoted equity securities under this category (Refer Note 16). No strategic investments were disposed during the year, and there were no transfers of any cumulative gains or losses within equity relating to these investments.

2.3.8 Real Estate Property

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as real estate property and is measured at the lower of cost and net realizable value.

Cost includes:

- Freehold rights for land
- Amounts paid to contractors for developments
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs,

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of real estate property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.3.9 Other Assets

The Company classify all their other assets as 'Other financial assets' and 'Other non-financial assets'.

Refundable deposits are carried at the fair value. Advances and pre-payments are amortized during the period in which they are utilized and are carried at cost less provision for impairment.

The Day 1 difference is classified as 'Pre-paid staff cost' and is amortized over the loan period by using the EIR. The staff loans are subsequently measured at amortized costs.

2.3.10 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used for 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.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.10 Property, Plant and Equipment (Continued)

Basis of Recognition

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

Measurement

Property, plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses if any. Initially property, plant and equipment are measured at its cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their 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 that computer equipment.

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

Subsequent costs

The cost of replacing a part 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 the Company and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment which is calculated as the difference between the carrying amount and the net disposal proceeds is included in "Other operating income" in the income statement in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognized. Major inspection costs are capitalized at each such capitalization, the remaining carrying amount of the previous cost of inspections is de-recognized.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.10 Property, Plant and Equipment (Continued)

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation charges are determined separately for each significant part of an item of Property, plant and equipment and commence to depreciate when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognized. Depreciation doesn't cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The estimated depreciation rates of the assets by equal annual installments are as follows.

Building	2.5%
Leasehold Improvements	10%
Computer and Equipment	25%
Furniture and Fittings	7.5%
Motor Vehicles	15%
Office Equipment (Included under furniture & fittings)	15%

The asset's residual value, useful life and method of depreciation are reviewed at each statement of financial position date and adjusted prospectively, as changes in accounting estimates.

Cost model

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

Revaluation Model

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

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

The company revalues its land and buildings once every three years.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.10 Property, Plant and Equipment (Continued)

Useful lives of Property, Plant and Equipment

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

2.3.11 Right of Use Assets

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

Company acting as a lessee

At commencement or modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its stand-alone price. However, for lease of branches the Company has elected not to separate non-lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

Lease payments included in the measurement of lease liability includes;

- Fixed payments.
- Variable lease payments that depend on an index or rate.
- Amount expected to be payable under residual value guarantee.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.11 Right of Use Assets (Continued)

- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment. When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company presents the right-of-use asset and lease liabilities in the Statement of Financial Position as separate line item.

2.3.12 Intangible Assets

An intangible asset is an identifiable monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets include the value of acquired computer software.

Basis of Recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Software

Software acquired by the Company is stated at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure on software assets 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.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the Income Statement when the item is derecognised.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.12 Intangible Assets (Continued)

Useful economic lives, amortization and impairment

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

Intangible assets with finite lives and amortization

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

Estimated Useful Life of Intangible Assets with Finite Lives

Intangible	Amortization Period
Computer Software	Over 10 years from the date of Available to use

2.3.13 Impairment of non–Financial Assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

2.3.14 Deferred Tax Assets and Liabilities

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.14 Deferred Tax Assets and Liabilities (Continued)

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits, and unused tax losses (if any), to the extent that it is probable that taxable profit will be available against which these deductible temporary differences, unused tax credits, and unused tax losses can be utilized, based on the probable future taxable income as per the Company's budget.

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

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

Deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits as per the Company's budget, together with future tax planning strategies.

2.3.15 Classification and Subsequent Measurement of Financial Liabilities

As per SLFRS 09, the company classifies financial liabilities, other than financial guarantees and loan commitments into one of the following categories;

- Financial liabilities at fair value through profit or loss, and within this category as;
  - Held for trading; or
  - Designated at fair value through profit or loss
- Financial liabilities measured at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

2.3.15.1 Classification and Subsequent Measurement of Financial Liabilities at amortized cost

Financial liabilities issued by the Company that are not designated as fair value through profit or loss are classified as liabilities under 'due to banks', 'due to customers' and 'other borrowed funds' 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 another entity, or to exchange financial assets or financial liabilities with another entity, under conditions that are potentially unfavorable to the entity or settling the obligation by delivering variable number of entity's own equity instruments. The details of financial liabilities measured at amortized cost are given in Note 23-25 to the financial statements.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.15 Classification and Subsequent Measurement of Financial Liabilities (Continued)

2.3.15.1 Classification and Subsequent Measurement of Financial Liabilities at amortized cost (Continued)

Due to Banks

Due to Banks include overdraft facilities, term loans, other bank facilities. Due to bank balances are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

Due to Customers

Due to customers comprise of interest bearing savings deposits and fixed deposits. Customer deposits are initially recognised at fair value net of transactions cost. Subsequent to the initial recognition they are measured at their amortised cost using the effective interest rate method. Interest expense on these deposits is recognised to the Income Statement.

Other Borrowed Funds

Other borrowed funds include borrowings from banking and non-banking institutions. Other borrowed funds are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the repayable amount (including interest) is recognised in the 'Interest expenses' in the Income Statement, over the period of the loan using effective interest rate method.

2.3.16 Other Liabilities

Other liabilities include other financial liabilities and other non-financial liabilities. These liabilities are recorded at amounts expected to be payable at the reporting date.

2.3.17 Provisions

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

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.18 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligations are measured based on the present value of projected future benefit payments for all participants for services rendered to date. The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "Employee Benefits". The measurement of projected future benefits is dependent on the stipulated formula, salary assumptions, demographics of the Company, and other key measurement assumptions. Due to the long-term nature of these plans, such estimates are subjected to significant uncertainty. 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 of the Company.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with Sri Lanka Accounting Standard LKAS 19 on 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Actuarial gains and losses in the period in which they occur have been recognise in the Other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Expected Return on Assets

Expected return on assets is zero as the plan is not pre-funded.

Funding Arrangements

The gratuity liability is not externally funded.

2.3.19 Commitments and Contingencies

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Refer Note 34 for more details on Commitments and Contingencies.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.20 Gross Income

Gross Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria for each type of gross income are given under the specific income classifications.

2.3.21 Net interest Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

The Company use the Effective Interest Rate (EIR) method for recognising the interest income and interest expenses of financial assets and financial liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 09. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The Company recognizes interest income and interest 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).

If expectations regarding the cash flows on the financial asset 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. The adjustment is subsequently amortized through Interest and similar income in the income statement.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than non-performing assets (NPA). When a financial asset becomes non performing the Company suspends the accrual of interest. If the financial assets cures and is no longer non performing, the Company reverts to calculating interest income on a gross basis.

2.3.22 Interest Income on Overdue Rentals

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.23 Fee and Commission Income

The Company earns fee and commission income from a diverse range of services provided to customers, including credit-related fees, service charges, and other transaction-based fees.

Fee and commission income is recognised in the Income Statement when the related service is performed. Income related to ongoing services is recognised over time, while income from one-time services is recognised at a point in time when the performance obligation is satisfied.

All fees and commissions are recognized in the Income Statement on a cash basis.

2.3.24 Fee and commission expenses

All the fee and commission expenses are expensed as the services are received. Fee and commission expenses are recognized on an accrual basis.

2.3.25 Other Operating Income

Income earned on other sources, which are not directly related to the normal operations of the Company is recognized as other operating income on accrual basis, such as profit on disposal of property, plant and equipment, gain from investments in real estate.

The profit/(loss) on disposal of property, plant and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item of other operating income in the financial year in which performance obligations are satisfied.

Revenue from the sale of real estate is recognized when the entity satisfies a performance obligation by transferring a promised good or service to the customer.

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

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

2.3.26 Impairment Charge

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

2.3.27 Personnel Expenses

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

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.27 Personnel Expenses (Continued)

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. The provisions for bonus is recognized if the Company has a present legal or constructive obligation to pay this amount, as a result of past services provided by the employee and the obligation can be estimated reliably.

Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in accordance with the respective statutes and regulations. The Company contributes 12% and 3% of gross salaries of employees to the Company's Employees' Provident Fund and the Employees' Trust Fund respectively.

Defined Benefit Plans

Contributions to defined benefit plans are recognized in the Income Statement based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19 - 'Employee Benefits'.

Day 01 Loss on Staff Loan

The 'Day 01 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is amortised using Effective Interest Rates (EIR) over the tenure of the loan.

2.3.28 Depreciation and Amortisation

Depreciation of Property, Plant and Equipment

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated.

Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms as defined in Note 2.3.10 and 2.3.11.

Amortisation of Intangible Assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use at the rates specified in Note 2.3.12.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.29 Other Expenses

Other expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement in arriving at the profit for the year. Provisions in respect of other expenses are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

2.3.30 Tax on Financial Services

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

Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with the Value Added Tax (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 benefits, non-cash benefits and provision related to terminal benefits. VAT on Financial Services was charged at 18% with effect from 1 January 2022.

Social Security Contribution Levy (SSCL) on Financial Services

As per the Social Security Contribution Levy (SSCL) Act No. 25 of 2022, effective from 1 October 2022, the Company is liable to pay SSCL on Financial Services at the rate of 2.5% on the value addition attributable to the supply of financial services.

2.3.31 Tax Expense

Income Tax

As per the Sri Lanka Accounting Standard - LKAS 12 - 'Income Taxes', the tax expense / income is the aggregate amount included in determination of profits or loss for the year in respect of income tax and deferred tax. The tax expense/income is recorded in the Income Statement except to the extent it relates to items recognized directly in Equity or Statement of Profit or Loss and Other Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

Provision for the taxation is based on the profit for the year adjusted for taxation purpose in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto and any adjustments to tax payable in respect to the previous years.

Note 09 represent the major components of income tax expense to the financial statements.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.31 Tax Expense (Continued)

Other Taxes

Withholding Tax (WHT) on Deposit Interest Payments

In accordance with the Inland Revenue Act effective from 1 January 2024, the Company deducts a 5% Withholding Tax (WHT) at source on interest payments made to eligible deposit holders. The WHT is remitted to the Inland Revenue Department as required by law. Interest expenses reported in these financial statements are presented gross of WHT.

2.3.32 Earnings per Share (EPS)

The Company presents Basic and Diluted Earnings per Share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares. The Company does not have any potentially dilutive shares. Details of earnings per share are given in Note 10.

2.3.33 Segment Reporting

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 chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. For management purposes, the Company has identified Three operating segments based on products and services, as follows:

- Leasing
- Loans & Advances
- Others

Other segments include treasury instruments and real estate related activities etc.

Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. During the year the segmentation information is rearranged for a better presentation and the previously reported information for the comparative year also rearranged accordingly.

2. BASIS OF PREPARATION & MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3.33 Segment Reporting (Continued)

There were no transactions between reportable segments in 2025/26 or 2024/25.
Income taxes are accounted for at the Company level and are not allocated to the operating segments. Expenses that cannot be directly attributed to a specific business segment are grouped under 'Other Segments".

No revenue from transactions with a single external customer or counter party amounted to 10% or more of Company's total revenue in 2025/26 and 2024/25 financial years.

Details of segment reporting are given in Note 41.

2.3.34 Cash Flow Statement

The Cash Flow Statement has been prepared by using 'The Indirect Method' in accordance with the Sri Lanka Accounting Standard - LKAS 07 (Statement of Cash Flows), whereby operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents consist of cash in hand, balances with banks and short-term liquid investments.

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE & NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

SLFRS 18 Presentation and Disclosures in Financial Statements

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

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

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

3. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE & NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

SLFRS 18 Presentation and Disclosures in Financial Statements (Continued)
The Company is in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements.

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

SLFRS S1 General requirements for disclosure of sustainability related financial information

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

SLFRS S2 Climate-related disclosures

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

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

Amendments to SLFRS 09 and SLFRS 07: Classification and Measurement of Financial Instruments

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended SLFRS 9 and SLFRS 7. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted and are related to settling financial liabilities using electronic payments system and assessing contractual Cash Flow characteristics of financial assets, including those with sustainability-linked features. The Company is in the process of assessing the potential impact of these amendments, including the review of financial instruments for any impact on classification, measurement and disclosure requirements. Based on the assessment performed to date, these amendments are not expected to have a material impact on the Financial Statements and any impact is expected to be limited to additional disclosures

Annual improvements to SLFRS Accounting Standards – Volume 11

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

4 INCOME	2026 Rs.	2025 Rs.
Interest Income (Note 4.1)	2,554,562,369	2,026,092,229
Fee and Commission Income (Note 4.3)	150,687,854	91,525,363
Other Operating Income (Note 5)	79,071,210	121,847,370
	2,784,321,433	**2,239,464,962**

4.1 Interest income	2026 Rs.	2025 Rs.
Reverse Repurchase Agreements	3,666,717	17,564,515
Treasury Bills	6,748,759	111,467,435
Treasury Bonds	61,915,972	-
Balances with Banks	6,124,994	4,743,489
Unit Trusts	26,855,931	9,190,616
Loans and Receivables to Other Customers	2,449,249,996	1,883,126,174
	2,554,562,369	**2,026,092,229**

4.2 Interest expense	2026 Rs.	2025 Rs.
Due to banks	360,899,409	37,550,845
Due to customers	849,282,842	1,041,804,088
Interest Expenses to Lease Liabilities - SLFRS-16 (Note 27)	35,917,248	34,628,017
	1,246,099,499	**1,113,982,950**
Net interest income	**1,308,462,870**	**912,109,279**

4.3 Net Fee and Commission Income	2026 Rs.	2025 Rs.
Fee and Commission Income	150,687,854	91,525,363
Fee and Commission Expenses	(7,055,161)	(30,705,290)
Net fee and commission income	**143,632,693**	**60,820,073**

4.3.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major types of services.

	2026 Rs.	2025 Rs.
Fee income		
Credit Related Fee & Comission	138,163,406	56,571,413
Service Charge	12,524,448	34,953,950
	150,687,854	**91,525,363**

5 OTHER OPERATING INCOME	2026 Rs.	2025 Rs.
Dividend Income	605,348	691,157
Gain on Disposal of Property, Plant and Equipment	5,786,172	2,814,999
Operating Profit on Real Estate (Note 17.1)	6,584,577	14,608,519
Income on Write off Recoveries	49,874,719	34,006,729
Others	16,220,394	69,725,966
	79,071,210	**121,847,370**

6 IMPAIRMENT CHARGE ON LOANS AND ADVANCES	2026 Rs.	2025 Rs.
Impairment on Balance Sheet Exposure	87,700,289	85,885,638
	87,700,289	**85,885,638**

6 IMPAIRMENT CHARGE ON LOANS AND ADVANCES (Contd...)

6.1 Financials assets at amortized cost loans and advances to customers

	2026 Rs.	2025 Rs.
Stage 1	16,014,770	(5,420,007)
Stage 2	9,455,971	1,489,396
Stage 3	62,229,548	89,816,249
	87,700,289	**85,885,638**

6.2 Impairement charge on non financial assets

	2026 Rs.	2025 Rs.
Impairment charge on real estate	19,031,563	16,666,000
	19,031,563	**16,666,000**

7 STAFF COSTS

	2026 Rs.	2025 Rs.
Salaries	338,821,032	252,309,456
Employee benefit - defined contribution plans (EPF/ETF)	45,824,159	34,902,571
Employee benefit - defined benefit plans	9,830,176	8,813,935
Staff related expenses	36,093,296	33,727,072
Amortisation of Staff Loan Day 01 Difference	6,006,781	17,127,235
Others	1,986,235	1,876,488
	438,561,679	**348,756,757**

Provision for the defined benefit plans have been made based on the actuarial valuation carried out as at 31 March 2026. Refer note 29 for detailed disclosure and assumptions on the Post Employment Liability.

8 OTHER EXPENSES

	2026 Rs.	2025 Rs.
Directors' emoluments	10,004,200	10,370,000
Auditors' remuneration	5,250,000	3,450,000
Professional and legal expenses	14,829,097	12,467,862
Advertising & Marketing expenses	94,382,086	64,610,622
Deposit Insurance Premium	10,706,952	10,691,612
Office administration and establishment expenses	324,665,308	277,824,783
Others	2,592,663	3,024,008
	462,430,306	**382,438,887**

Sri Lanka Deposit Insurance Scheme
Under the Regulation No. 02 of 2021 [Finance Companies (Insurance of Deposit Liabilities)] issued by the Central Bank of Sri Lanka and subsequent amendments thereto, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Monetary Board for compensation up to a maximum of Rs. 1,100,000/- for each depositor. The Company has paid Rs. 10,706,951/- as the premium of the said insurance scheme during the current financial year (2025 - Rs.10,691,612/-).

9 TAXATION

The components of income tax expense for the year ended 31 March,

	2026 Rs.	2025 Rs.
Current Tax (Note 9.1)	118,586,802	-
Deferred tax charge to the Income Statement (Note 22)	25,857,378	39,010,383
Deferred tax charge on other comprehensive income (Note 22)	3,060,358	448,020
	147,504,537	**39,458,403**

9.1 Reconciliation of current income tax expense

	2026 Rs.	2025 Rs.
Profit Before Tax	256,241,993	79,004,457
Add: Disallowable Expenses	429,575,029	339,685,333
Less: Tax Deductible Expenses	(212,109,027)	(174,801,982)
Statutory Income	**473,707,995**	**243,887,808**
Less: Deductions under Section 32		
: Tax Losses claimed	(78,418,657)	(243,887,808)
Taxable Income/ Loss	395,289,338	-

9 TAXATION (Cont'd...)

9.1 Reconciliation of current income tax expense (Cont'd...)

	2026 Rs.	2025 Rs.
Tax expense for the year		
Tax provision	118,586,802	-
Deferred tax charge/ (reversal) of temporary differences	25,857,378	39,010,383
	144,444,179	**39,010,383**
Effective Tax Rate	56.37%	49.38%
Effective Tax Rate (Excluding Deferred tax)	46.28%	0.00%

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

9.2 Tax losses carried forward

	2026 Rs.	2025 Rs.
Tax losses brought forward	91,775,535	396,936,448
Adjustment to the tax losses	(13,356,878)	(61,273,105)
Tax losses utilized during the year	(78,418,657)	(243,887,808)
Tax losses carried forward	-	**91,775,535**

10 EARNINGS PER SHARE

10.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

10.2 The following reflects the income and share details used in the computation of the Basic Earning per Share.

Earnings per Share: Basic	2026	2025
Amount used as the numerator		
Profit after tax for the year attributable to equity holders (Rs)	111,797,814	39,994,074
No. of ordinary shares used as the denominator		
Weighted average number of ordinary shares (Note 10.2.1)	3,178,485,367	3,072,535,855
Basic earnings (loss) per share	0.035	0.013
Diluted earnings (loss) per share	0.035	0.013

Diluted EPS is equal to the Basic Earning per Ordinary Share since the Company does not have any convertible securities as at the reporting date.

10.2.1 Weighted Average Number of Ordinary Shares for Basic EPS

	Outstanding No. of Shares		Weighted Average No. of Shares	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Number of shares in issue as at 1 April	3,178,485,367	2,754,687,318	3,178,485,367	2,754,687,318
Add : Number of shares issued under rights issue	-	423,798,049	-	317,848,537
Number of shares in issue / weighted average number of shares as at 31 March	**3,178,485,367**	**3,178,485,367**	**3,178,485,367**	**3,072,535,855**

10 EARNINGS PER SHARE (Cont'd...)

10.2.2 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.

10.2.3 There were no potentially dilutive shares as at 31 March 2026, and there were no bonus elements involved in the rights issues as at the reporting date that would require a restatement of EPS.

11 MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial instruments in the Statement of Financial Position are measured on an ongoing basis either at fair value or at amortised cost. The summary of material accounting policies describes how each category of financial asset and liabilities are measured and how income and expenses including fair value gains and losses are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in the Sri Lanka Accounting Standards - SLFRS 9: Financial instruments under headings of the statement of financial position.

As at 31 March 2026 **ASSETS**	**Fair value through P&L** **Rs.**	**Fair value through OCI** **Rs.**	**Amortised cost** **Rs.**	**Total** **Rs.**
Cash in Hand and Balances with Banks	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	-	-	697,333,023	697,333,023
Financial Assets at amortised cost-loans and advances to customers	-	-	14,984,836,224	14,984,836,224
Financial Assets at fair value through other comprehensive income	-	50,038,551	-	50,038,551
Other Financial Assets	-	-	19,193,235	19,193,235
Total Financial Assets	**-**	**50,038,551**	**16,187,242,529**	**16,237,281,080**

LIABILITIES	**Fair value through P&L**	**Amortised cost**	**Total**
Due to Banks	-	3,158,324,393	3,158,324,393
Due to other Customers	-	7,785,618,231	7,785,618,231
Other Borrowed Funds	-	2,422,957,237	2,422,957,237
Financial Liabilities	-	191,837,997	191,837,997
Lease Liabilities	-	301,870,904	301,870,904
Total Financial Liabilities	**-**	**13,860,608,763**	**13,860,608,763**

As at 31 March 2025 **ASSETS**	**Fair value through P&L** **Rs.**	**Fair value through OCI** **Rs.**	**Amortised cost** **Rs.**	**Total** **Rs.**
Cash in Hand and Balances with Banks	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	-	-	877,702,548	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at amortised cost-loans and advances to customers	-	-	9,518,137,145	9,518,137,145
Financial Assets at fair value through other comprehensive income	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	5,702,715	5,702,715
Total Financial Assets	**505,099,380**	**36,299,617**	**10,688,004,758**	**11,229,403,755**

LIABILITIES	**Fair value through P&L**	**Amortised cost**	**Total**
Due to Banks	-	235,150,655	235,150,655
Due to other Customers	-	7,160,617,321	7,160,617,321
Other Borrowed Funds	-	1,017,052,009	1,017,052,009
Financial Liabilities	-	210,457,745	210,457,745
Lease Liabilities	-	254,857,493	254,857,493
Total Financial Liabilities	**-**	**8,878,135,223**	**8,878,135,223**

12 CASH IN HAND AND BALANCES WITH BANKS

	2026 Rs.	2025 Rs.
Cash in hand	56,826,151	43,461,230
Cash at Banks	429,053,896	243,001,120
	485,880,047	**286,462,350**

13 FINANCIAL INVESTMENTS AT AMORTISED COST

	2026 Rs.	2025 Rs.
Securities under Reverse Repurchase Agreements	-	203,451,307
Investment in Treasury Bills	-	674,251,241
Investment in Treasury Bonds	697,333,023	-
	697,333,023	**877,702,548**

14 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2026 Rs.	2025 Rs.
Investment in Units		
Balance as at 1 April	505,099,380	-
Purchased during the year	2,200,000,000	1,275,000,000
Withdrawed during year	(2,731,955,311)	(775,000,000)
Fair value gain/(loss)	26,855,931	5,099,380
Balance as at 31 March	-	505,099,380

15 FINANCIAL ASSETS AT AMORTIZED COST - LOANS AND ADVANCES TO CUSTOMERS

	2026 Rs.	2025 Rs.
Gross loans and receivables (Note 15.1)	15,887,135,729	10,449,577,561
Add/ (Less): Impairment for Loans and Advances - Individual (Note 15.4)	(265,952,532)	(369,742,970)
Add/ (Less): Impairment for Loans and Advances - Collective (Note 15.4)	(636,346,973)	(561,697,446)
Net loans and receivables	**14,984,836,224**	**9,518,137,145**

15.1 Stage wise classification of gross loans and receivables

	2026 Rs.	2025 Rs.
Stage 1	12,605,244,261	7,722,744,080
Stage 2	1,750,056,823	1,144,601,778
Stage 3	1,531,834,645	1,582,231,703
	15,887,135,729	**10,449,577,561**

15 LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.2 Gross Loans and Receivables from customers - By Product

	2026 Rs.	2025 Rs.
Leasing / Hire Purchase	5,141,100,771	4,095,938,264
Term loans	5,005,917,392	3,151,648,222
Easy Draft	2,420,734,293	1,209,827,058
Gold Loans	3,073,128,471	1,742,156,410
Factoring & Cheque Discounting	225,930,812	229,584,622
Housing Loans	20,323,990	20,422,985
	15,887,135,729	**10,449,577,561**

15.2.1 Maturities of Loans and Receivables from customers

As at 31 March 2026	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Loans and Receivables	8,301,040,722	7,443,424,413	142,670,594	15,887,135,729

As at 31 March 2025	Within one year Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Loans and Receivables	5,457,507,349	4,960,215,900	31,854,312	10,449,577,561

15.3 Gross Loans and Receivables to other customers - By Industry

	2026 Rs.	2025 Rs.
Services including Bank, finance and Insurance	5,176,967,818	3,760,852,501
Trading and Manufacturing	3,594,062,394	2,450,440,799
Construction and Transport	2,284,746,274	1,639,850,822
Agriculture	1,361,056,795	766,196,383
Other	3,470,302,448	1,832,237,056
	15,887,135,729	**10,449,577,561**

15.4 Movements in Impairment for Loans and Advances

Individual impairment charges	2026 Rs.	2025 Rs.
Balance as at 01 April	369,742,970	397,238,687
Charge to income statement	13,050,762	62,749,154
Write off during the year	(116,841,199)	(90,244,871)
Balance as at 31 March	**265,952,532**	**369,742,970**
Collective impairment charges		
Balance as at 01 April	561,697,446	538,560,962
Charge/(Reversal) to income statement	74,649,527	23,136,484
Balance as at 31 March	**636,346,973**	**561,697,446**

Loans & Advances with the contractual amount of Rs. 116,841,199/- written off during the year ended 31 March 2026 are being considered for enforcement activities.

15 LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.5 Stagewise Movement of Gross Loans and Receivables

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561
Transfers from Stage 1	(678,073,717)	549,764,864	128,308,853	-
Transfers from Stage 2	126,452,134	(219,540,910)	93,088,776	-
Transfers from Stage 3	9,273,000	5,520,778	(14,793,778)	-
Originated during the year	10,568,288,435	967,195,090	147,933,525	11,683,417,050
Settled during the year	(5,143,439,671)	(697,484,777)	(288,093,235)	(6,129,017,683)
Amounts written off	-	-	(116,841,199)	(116,841,199)
Balance as at 31 March	12,605,244,261	1,750,056,823	1,531,834,645	15,887,135,729

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	5,039,668,782	1,387,625,874	2,269,167,157	8,696,461,814
Transfers to Stage 1	(343,408,296)	289,213,751	54,194,545	-
Transfers to Stage 2	173,730,091	(246,666,657)	72,936,566	-
Transfers to Stage 3	17,865,962	28,748,933	(46,614,895)	-
Originated during the year	5,543,983,531	597,384,177	74,930,788	6,216,298,496
Settled during the year	(2,709,095,990)	(911,704,300)	(752,137,587)	(4,372,937,877)
Amounts written off	-	-	(90,244,871)	(90,244,872)
Balance as at 31 March	**7,722,744,080**	**1,144,601,778**	**1,582,231,703**	**10,449,577,561**

15.6 Stagewise Movement of Impairment

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	59,388,959	50,150,402	821,901,055	931,440,416
Transfers from Stage 1	(8,992,615)	7,374,808	1,617,807	-
Transfers from Stage 2	1,240,310	(6,060,422)	4,820,112	-
Transfers from Stage 3	57,214	242,621	(299,835)	-
Additions/(recovered) during the year	23,709,861	7,898,962	56,091,465	87,700,288
Amounts written off	-	-	(116,841,199)	(116,841,199)
Balance as at 31 March	**75,403,729**	**59,606,371**	**767,289,405**	**902,299,505**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	265,952,532	265,952,532
Collective Impairment	75,403,727	59,606,373	501,336,873	636,346,973
Total	**75,403,727**	**59,606,373**	**767,289,405**	**902,299,505**

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01 April	64,808,965	48,661,006	822,329,678	935,799,649
Transfers to Stage 1	(7,371,813)	5,470,043	1,901,770	-
Transfers to Stage 2	2,384,662	(5,051,217)	2,666,554	-
Transfers to Stage 3	398,381	1,100,675	(1,499,056)	-
Additions/(recovered) during the year	(831,237)	(30,105)	86,746,981	85,885,639
Amounts written off	-	-	(90,244,872)	(90,244,872)
Balance as at 31 March	**59,388,959**	**50,150,402**	**821,901,055**	**931,440,416**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Individual Impairment	-	-	369,742,970	369,742,970
Collective Impairment	59,388,958	50,150,402	452,158,086	561,697,446
Total	**59,388,958**	**50,150,402**	**821,901,056**	**931,440,416**

15 LOANS AND RECEIVABLES FROM CUSTOMERS (Contd...)

15.7 Loans and Receivables Include Loans Granted to Employees, Day 1 Prepaid Amortization Movement as Follows;

	2026 Rs.	2025 Rs.
Balance as at 01 April	8,749,268	20,066,103
Loans granted during the year	4,440,764	5,810,400
Amotization during the year	(6,006,781)	(17,127,235)
Balance as at 31 March	7,183,251	8,749,268

15.8 Sensitivity analysis of allowance for impairment losses

The Company has estimated the impairment provision as at 31 March 2026 based on various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position. The sensitivity of the impairment provision of the Company as at 31 March 2026 to a reasonably possible change in Probability of Defaults (PDs) and Loss Given Defaults (LGDs) are demonstrated in the following table.

Changed Criteria	Changed Factor	Sensitivity Effect on Statement of Financial Position [Increase/(Decrease)] in Impairment Provision				Sensitivity Effect on Income Statement
		Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Rs.
As of 31 March 2026						
Loss Given Default (LGD)	Increase by 1%	9,215,075	7,164,244	5,504,591	**21,883,910**	**21,883,910**
Probability of Default (PD)	Increase by 1%	6,892,882	1,839,512	-	**8,732,394**	**8,732,394**
Economic Factor Adjustment (EFA)	Increase by 1%	5,587,938	1,069,590	-	**6,657,528**	**6,657,528**
As of 31 March 2025						
Loss Given Default (LGD)	Increase by 1%	6,770,144	5,570,539	5,597,424	**17,938,107**	**17,938,107**
Probability of Default (PD)	Increase by 1%	4,116,378	1,245,873	-	**5,362,251**	**5,362,251**
Economic Factor Adjustment (EFA)	Increase by 1%	3,382,419	610,412	-	**3,992,831**	**3,992,831**

16 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2026 Rs.	2025 Rs.
Equity securities		
Unquoted (Note 16.1)	50,038,551	36,299,617
	50,038,551	**36,299,617**

16.1 Unquoted Investments

	2026			2025		
	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Credit Information Bureau	9	900	900	9	900	900
Finance House Consortium (Pvt) Ltd	20,000	200,000	200,000	20,000	200,000	200,000
CEG Education Holdings (Pvt) Ltd	22,500	15,425,321	49,837,651	22,500	15,425,321	36,098,717
		15,626,221	**50,038,551**		**15,626,221**	**36,299,617**

16.1.1 Reconciliation of Fair Value Measurement for Unquoted Equity Securities under Level 3 Hierarchy

	2026 Rs.	2025 Rs.
Balance as at 1 April	36,098,717	31,311,814
Remeasurement Recognised in Other Comprehensive Income	13,738,933	4,786,903
Balance as at 31 March	**49,837,651**	**36,098,717**

The Company received dividend income of Rs. 605,348/- from during the year (2025: Rs. 691,157/-).

	2026 Rs.	2025 Rs.
CEG Education Holdings (Pvt) Ltd	562,500	675,000
Credit Information Bureau	42,848	16,157
	605,348	**691,157**

Cost is assumed to be the best approximation for the fair value of unquoted equity shares due to the absence of most recent exit prices.

16.1.2 Valuation Techniques and Sensitivity of the Fair Value Measurement of the Unquoted Investments

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value
Net Assets Method	Net asset per share	Estimated fair value would increase/(decrease) if ; Net Assets per share value would increase/(decrease) as a result of changes in profit.

17	INVESTMENT IN REAL ESTATE	2026 Rs.	2025 Rs.
	Land		
	Balance as at 01 April	17,179,078	21,297,909
	Disposals	(2,266,323)	(4,118,831)
	Total Cost	**14,912,755**	**17,179,078**
	Less : Allowance for impairment	(3,300,410)	(3,300,410)
	Balance as at 31 March	**11,612,345**	**13,878,668**
	Housing Projects		
	Balance as at 01 April	4,875,190	4,875,190
	Disposals	-	-
	Total Cost	**4,875,190**	**4,875,190**
	Less : Allowance for impairment	(2,899,969)	(2,899,969)
	Balance as at 31 March	**1,975,221**	**1,975,221**
	Other Projects		
	Balance as at 01 April	170,492,900	170,492,900
	Disposals	-	-
	Total Cost	**170,492,900**	**170,492,900**
	Less : Allowance for impairment	(166,107,677)	(147,076,030)
	Balance as at 31 March	**4,385,223**	**23,416,870**
	Balance as at 31 March	**17,972,789**	**39,270,759**
17.1	**Operating profit on Real Estate**		
	Sales proceeds during the year	8,850,900	18,727,350
	Carrying amount of disposal	(2,266,323)	(4,118,831)
	Proceeds transferred to JV provision	-	-
	Operating Profit	**6,584,577**	**14,608,519**

18	OTHER ASSETS	2026 Rs.	2025 Rs.
	Other Financial Assets		
	Other Financial Assets	19,193,235	5,702,715
	Other Non Financial Assets		
	Advances	91,216,522	137,949,363
	Deposits and Prepayments	111,070,800	61,086,006
	Other Tax Receivable	17,015,490	16,417,939
		238,496,047	**221,156,023**

Other financial assets include refundable deposits.

19	INTANGIBLE ASSETS	2026 Rs.	2025 Rs.
	Cost		
	Balance as at 01 April	37,404,297	36,686,621
	Additions	34,886,557	717,676
	Balance as at 31 March	**72,290,854**	**37,404,297**
	(Less): Amortisation of Intangible Assets		
	Balance as at 01 April	28,991,607	27,489,590
	Amortisation for the year	2,960,960	1,502,017
	Balance as at 31 March	**31,952,567**	**28,991,607**
	Net book value at 31 March	**40,338,287**	**8,412,690**

19.1 Fully amortized Intangible assets

Company continues to use Intangible asset which are fully amortized amounting to Rs. 23,297,766/- as at 31 March 2026. (2025-Rs.23,297,766/-).

There were no restrictions on the title of the intangible assets as at the reporting date. Further there were no items pledged as securities for liabilities.

20 PROPERTY, PLANT AND EQUIPMENT

20.1 Property, Plant and Equipment

As at 31 March 2026 Cost or Valuation	Land and Buildings Rs.	Leasehold Improvements Rs.	Computer & Equipments Rs.	Furniture & Fittings Rs.	Motor Vehicles Rs.	Total Rs.
Balance as at 01 April 2025	178,400,000	128,692,025	70,224,393	133,796,052	81,063,397	592,175,867
Additions	-	15,927,713	99,944,867	31,834,383	143,962,000	291,668,963
Disposals	-	-	-	-	(43,025,000)	(43,025,000)
Write off	-	(541,162)	-	-	-	(541,162)
Balance as at 31 March 2026	**178,400,000**	**144,078,576**	**170,169,260**	**165,630,435**	**182,000,397**	**840,278,668**
(Less): Accumulated depreciation						
Balance as at 01 April 2025	5,765,283	66,470,892	53,966,224	84,653,041	44,028,327	254,883,767
Charge for the year	1,099,530	12,374,905	17,157,217	13,711,609	14,143,056	58,486,317
Disposals	-	-	-	-	(23,961,172)	(23,961,172)
Balance as at 31 March 2026	**6,864,813**	**78,845,797**	**71,123,441**	**98,364,650**	**34,210,211**	**289,408,912**
Net book value as at 31 March 2026	**171,535,187**	**65,232,779**	**99,045,819**	**67,265,785**	**147,790,186**	**550,869,756**

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

20.1 Property, Plant and Equipment (Contd...)

As at 31 March 2025

Property, Plant and Equipment	Land and Buildings	Leasehold Improvements	Computer & Equipments	Furniture & Fittings	Motor Vehicles	Total
Cost or Valuation	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Balance as at 01 April 2024	178,400,000	84,676,868	64,372,471	113,135,038	83,663,397	524,247,774
Additions	-	44,095,157	5,851,922	21,051,604	11,900,000	82,898,683
Disposals	-	-	-	(144,190)	(14,500,000)	(14,644,190)
Write off	-	(80,000)	-	(246,400)	-	(326,400)
Balance as at 31 March 2025	**178,400,000**	**128,692,025**	**70,224,393**	**133,796,052**	**81,063,397**	**592,175,867**
(Less): Accumulated depreciation						
Balance as at 01 April	4,665,753	56,345,727	47,435,623	73,021,036	45,306,047	226,774,186
Charge for the year	1,099,530	10,129,302	6,530,601	11,702,282	12,478,651	41,940,366
Disposals	-	(4,137)	-	(70,277)	(13,756,371)	(13,830,785)
Balance as at 31 March	5,765,283	66,470,892	53,966,224	84,653,041	44,028,327	254,883,767
Net book value as at 31 March 2025	**172,634,717**	**62,221,133**	**16,258,169**	**49,143,011**	**37,035,070**	**337,292,100**

20.2 Net Book Values - At Cost Model

Carrying value of revalued assets if measured at historical cost net of depreciation as follows;

	2026	2025
	Rs.	**Rs.**
Land and Buildings	45,058,114	46,157,643
	45,058,114	**46,157,643**

20.3 During the financial year, the Company has acquired Property, Plant and Equipment to the aggregate value of Rs. 291,668,963/- (2025- Rs.82,898,683/-).

20 PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.4 Fair Valuation Process and Key Valuation Assumptions

The company applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation.The Company engages independent professional valuers for revaluation of its freehold land and buildings as specified by the Direction No. 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka. Information on the freehold land and buildings as required by the Rule No 7.6 (viii) of the 'Continuing Listing Requirements' of the Colombo Stock Exchange.

As at 31 March			2026						2025
Location	Method of Valuation and Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Number of Buildings	Extent Perches	Buildings (Square Feet)	Fair Value (Rs.)	Net Book Value (Rs.)	Fair Value as a % of Net Book Value	Net Book Value (Rs.)
Negombo No 539, Colombo Road, Kurana, Negombo	Contractor's Method Price per Perch Price per Square Feet	Rs 4,000,000 p.p Rs 6,000 p.sq.ft	1	10.00	5,030	70,000,000	63,135,187	111	64,234,717
Battaramulla No 919/1D, Electricity Board Road, Battaramulla	Contractor's Method Price per Perch	Rs 2,500,000 p.p	-	11.75	-	18,400,000	18,400,000	100	18,400,000
Piliyandala No 226, J. D. Salaman Mawatha, Bokundara	Contractor's Method Price per Perch	Rs 750,000 p.p	-	120.00	-	90,000,000	90,000,000	100	90,000,000
						178,400,000	**171,535,187**	**104**	**172,634,717**

Valuation of freehold land and buildings of the Company was carried out as at 31 March 2024 by Vlr. D Jayawardana. AIV (Sri Lanka), B.Sc. Estate Mgt & Valuation (Special) Incorporated Valuer. Contractor's Test Method and Valuation on Investment Method have been used for the valuation.

Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

20 PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.4 Fair Valuation Process and Key Valuation Assumptions (Contd...)

20.4.1

Valuation Techniques and Sensitivity of the Fair Value Measurement of the Property, Plant and Equipment of the Company

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Value
Contractor's Test Method The contractors method of valuation involves estimating the cost of replacing the property with a similar property of the same size, quality and function. This estimate includes the cost of material, labour, and cost of equipment required to construct the property, as well as any site improvements and contingencies.	Cost per Perch for Land /Cost per Square Feet	Estimated fair value would increase/(decrease) if ; Cost per Perch for Land / Cost per Square Feet would increase/(decrease)
Investment method This method involves the capitalisation of the expected rental income over a specific period of time which is derived from the real estate market.	Gross Annual Rentals	Estimated fair value would increase (decrease) if; Gross Annual Rentals would be higher/lower

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

20.6 There were no significant temporarily idling assets as at 31 March 2026.

20.7 Company continues to use Property Plant and Equipment which are fully depreciated amounting to Rs. 150,796,346/- as at 31 March 2026 (2025 - Rs. 131,938,213/-).

20.8 There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date except as disclosed in note 38.

20.9 There were no compensation receivable from third parties for items of property, plant and equipment that were impaired, lost or given up as at the reporting date.

21 Right of Use Assets

	2026 Rs.	2025 Rs.
Cost		
Balance as at 01 April	343,604,091	317,002,844
Additions during the Year	80,435,979	26,601,247
Terminations during the Year	-	-
Balance as at 31 March	**424,040,069**	**343,604,091**
(Less): Accumulated Depreciation		
Balance as at 01 April	121,118,141	85,224,008
Charge for the year	38,206,922	35,894,133
Termination during the Year	-	-
Balance as at 31 March	**159,325,063**	**121,118,141**
Net Book Value	**264,715,006**	**222,485,950**
Amounts Recognised in Income Statement		
Depreciation expense on Lease Assets	38,206,922	35,894,133
Interest Expense on Lease Liabilities	35,917,248	34,628,017
Amounts Recognised in Statement of Çash Flows		
Lease Rentals Paid -Capital	19,508,128	16,742,510
Lease Rentals Paid -Interest	35,917,248	34,628,017

22 Deferred Tax Asset/(Liability)

22.1 Movement of Deferred Tax Assets/(Liabilities)

	2026 Rs.	2025 Rs.
Balance as at beginning of the year	23,905,430	63,363,833
Deferred tax (charged)/reversed recognised in Income Statement	(25,857,378)	(39,010,383)
Deferred Tax charged to the Other Comprehensive Income (Note 22.1.1)	(3,060,358)	(448,020)
Balance as at the year end	**(5,012,306)**	**23,905,430**

22.1.1 Deferred Tax charged to the Other Comprehensive Income

Deferred tax (charge)/reversal on acturial gains/(lossess) on Defined Benefit Plans	1,061,322	988,051
Deferred tax charge on fair value changes on financial assets measured at FVOCI	(4,121,680)	(1,436,071)
Deferred Tax Charge impact on revaluation reserve	-	-
	(3,060,358)	(448,020)

22.2 Composition of Deferred Tax Assets and Liabilities

Statement of Financial Position	As at 31 March 2026		As at 31 March 2025	
	Temporary Difference Rs.	Deferred Tax Effect Rs.	Temporary Difference Rs.	Deferred Tax Effect Rs.
Deferred Tax Assets				
Carried forward retained loss	-	-	91,735,532	27,520,660
Impairment allowance	114,311,334	34,293,400	96,989,580	29,096,874
Defined Benefit Plans	48,558,067	14,567,420	39,405,151	11,821,545
Lease Liability	301,870,904	90,561,271	258,684,774	77,605,432
Bonus Provision	13,275,346	3,982,604	13,763,370	4,129,011
	478,015,651	**143,404,695**	**500,578,406**	**150,173,522**
Deferred Tax Liability				
Property Plant and Equipment	(49,250,083)	(14,775,025)	(34,285,868)	(10,285,760)
Intangible Assets	(3,928,548)	(1,178,565)	(1,031,056)	(309,318)
Right of use assets	(264,715,006)	(79,414,502)	(222,485,950)	(66,745,785)
Revaluation Reserve	(126,791,147)	(38,037,344)	(126,791,147)	(38,037,344)
Fair Value Reserve	(50,038,551)	(15,011,565)	(36,299,618)	(10,889,885)
Capital Allowance on Lease Assets	-	-	-	-
	(494,723,334)	**(148,417,001)**	**(420,893,639)**	**(126,268,092)**
Net Deferred Tax Assets	**(16,707,683)**	**(5,012,306)**	**79,684,768**	**23,905,430**

Deferred tax assets and liabilities are measured at the tax rate of 30% (2025 - 30%).

Tax losses for which no deferred tax asset was recognised expire as follows.

23 DUE TO BANKS

	2026	2025
	Rs.	Rs.
Bank Overdraft	381,374,186	40,615,569
Bank Borrowings (Note 23.1)	2,776,950,207	194,535,086
	3,158,324,393	**235,150,655**

23.1 Movement

	As at 01 April 2025	Loan Obtained	Interest Recognised	Repayment		As at 31 March 2026
				Capital	Interest	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
DUE TO BANKS						
Commercial Bank of Ceylon PLC	194,535,086	-	15,542,077	75,000,000	15,771,218	119,305,945
Union Bank of Colombo PLC	-	322,500,000	6,419,203	150,000,000	6,363,625	172,555,578
DFCC Bank PLC	-	800,000,000	29,713,367	298,484,848	28,517,250	502,711,268
Cargills Bank PLC	-	150,000,000	10,756,419	37,500,002	10,582,062	112,674,355
Bank of Ceylon	-	500,000,000	22,703,200	69,444,444	21,535,392	431,723,364
People's Bank	-	1,500,000,000	18,225,482	525,200,000	14,850,009	978,175,472
SANASA Development Bank PLC	-	500,000,000	12,175,883	41,666,667	10,704,992	459,804,225
	194,535,086	**3,772,500,000**	**115,535,631**	###########	**108,324,547**	**2,776,950,207**

23.2 Maturity

	2026			2025		
	Amount repayable within 1 year	Amount repayable after 1 year	Total	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Borrowings	1,736,599,204	1,040,351,003	2,776,950,207	75,785,086	118,750,000	194,535,086
	1,736,599,204	**1,040,351,003**	**2,776,950,207**	75,785,086	118,750,000	194,535,086

24 DUE TO OTHER CUSTOMERS

	2026	2025
	Rs.	Rs.
At amortised cost (Note 24.1)	7,785,618,231	7,160,617,321
	7,785,618,231	**7,160,617,321**

24.1 Due to Other Customers - By Product

	2026	2025
	Rs.	Rs.
Savings deposits	54,841,798	9,808,866
Fixed deposits	7,730,776,433	7,150,808,455
	7,785,618,231	**7,160,617,321**

25 OTHER BORROWED FUNDS

	2026	2025
	Rs.	Rs.
Borrowings from Financial Institutions (Note 25.1)	2,422,957,237	1,017,052,009
	2,422,957,237	1,017,052,009

25.1 Movement

	As at 01 April 2025	Loan Obtained	Interest Recognised	Repayment		As at 31 March 2026
				Capital	Interest	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitised Borrowings						
M Power Capital Securities Ltd	512,102,968	600,000,000	83,761,338	301,000,000	44,067,679	850,796,628
Think Capital Partners (Pvt) Ltd	504,949,041	750,000,000	126,353,116	100,000,000	11,448,836	1,269,853,322
Safe Holding (Pvt) Ltd		600,000,000	8,749,808	300,000,000	6,442,521	302,307,288
	1,017,052,009	**1,950,000,000**	**218,864,263**	**701,000,000**	**61,959,035**	**2,422,957,237**

25.2 Maturity

	2026			2025		
	Amount repayable within 1 year	Amount repayable after 1 year	Total	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitised Borrowings	2,071,457,237	351,500,000	2,422,957,237	338,052,009	679,000,000	1,017,052,009

26 FINANCIAL LIABILITIES

	2026	2025
	Rs.	Rs.
Vendor Payables	39,528,162	77,711,720
Fees Payable	5,776,421	3,608,228
Sundry Creditors	45,375,141	37,741,542
Insurance Pemium Payable	62,802,244	45,575,446
Other Financial Liabilities	38,356,029	45,820,809
	191,837,997	**210,457,745**

27 LEASE LIABILITIES

	2026	2025
	Rs.	Rs.
Balance as at 01 April	254,857,493	244,998,755
Additions during the Year	66,521,539	26,601,248
Interest Charge for the Year	35,917,248	34,628,017
Lease Rental Payments for the Year	(55,425,376)	(51,370,527)
Balance as at 31 March	**301,870,904**	**254,857,493**

27	LEASE LIABILITY (Contd...)	2026 Rs.	2025 Rs.
27.1	**Contractual Maturity analysis of Lease Liability**		
	Lease Liability within one year	20,224,412	17,470,659
	Lease Liability within one to five year	138,914,374	80,772,481
	Lease Liability more than five year	142,732,118	156,614,353
		301,870,904	**254,857,493**
27.2	**Undiscounted Maturity analysis of Lease Liability**		
	Lease Liability within one year	56,512,905	51,219,079
	Lease Liability within one to five year	323,260,149	192,768,082
	Lease Liability more than five year	107,824,223	197,983,299
		487,597,277	**441,970,460**

28	NON FINANCIAL LIABILITIES	2026 Rs.	2025 Rs.
	Provisions & Accrued Expenses	43,437,251	40,270,909
	Other Payables	53,966,983	18,432,565
		97,404,234	**58,703,474**

29	POST EMPLOYMENT LIABILITY	2026 Rs.	2025 Rs.
29.1	The movement of the Post Employment Liability of the Company is given below;		
	Post Employment Liability as at 01 April	39,405,151	33,360,213
	Amount recognised in Income Statement (Note 29.2)	9,650,177	8,813,935
	Amount recognised in Other Comprehensive Income (Note 29.3)	3,537,740	3,293,503
	Payments Made During the year	(4,035,000)	(6,062,500)
	Post Employment Liability as at 31 March	**48,558,068**	**39,405,151**

29.2	**Amount recognised in Income Statement**	2026 Rs.	2025 Rs.
	Service cost	5,709,662	4,810,709
	Net interest on the net Post Employment Liability	3,940,515	4,003,226
		9,650,177	8,813,935

29.3	**Amount recognised in Other Comprehensive Income**	2026 Rs.	2025 Rs.
	Actuarial (Gain)/Loss resulting from changes in assumptions	3,537,740	(1,096,796)
	Actuarial (Gain)/Loss resulting from experience adjustments	-	4,390,299
		3,537,740	**3,293,503**

29.4	**The principal assumptions used in determining Post Employment Liability are shown below;**		
	Discount rate	9.50%	10.00%
	Salary increment rate	7.0%	7.0%
	Retirement age	60 Years	60 Years
	Mortality	Mortality Table	Mortality Table
	Weighted Average Future Working Life Time (Years)	2.90	2.78

29.5 Mr. K. Arumugam of Messers Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries has carried out an independent actuarial valuation of the defined benefit plan and accordingly compatible assumptions have been used in determining the cost of the retirement benefits.

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in term of final monthly salary and service.

29.6 The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

	2026			
Increase/(Decrease) in discount rate- %	+1%	-1%		
Increase/(Decrease) in salary increment rate - %			+1%	-1%
	1,236,936	(1,313,289)	(1,201,859	1,151,484
Sensitivity effect on Income Statement and Other Comprehensive Income				
Sensitivity effect on Post Employment Liability	(1,236,936)	1,313,289	1,201,859	(1,151,484)

As at 31 March,

29 POST EMPLOYMENT LIABILITY (Contd...)

29.7 The Expected Benefit payout in the future years of retirement gratuity

	2026 Rs.	2025 Rs.
Within Next 12 months	15,751,714	12,357,270
Between 1 and 5 years	23,419,449	20,779,990
Beyond 5 years	9,386,904	6,267,891
Total	**48,558,067**	**39,405,151**

30 STATED CAPITAL

The Company maintains capital in order 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.

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.

	2026 Rs.	2025 Rs.
Issued and fully paid ordinary share capital	3,325,761,076	3,071,482,247
Issue of ordinary shares through the Initial Publich Offering (IPO)	-	-
Rights Issue	-	254,278,829
	3,325,761,076	**3,325,761,076**
Number of ordinary shares issued as at 31 March	**3,178,485,367**	**3,178,485,367**

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at General Meetings of Company.

31 STATUTORY RESERVE FUND

Statutory reserve is a capital reserve which contains five percent of the profits after tax transferred as required by Section 3(b)(i) of Central Bank Direction No. 1 of 2003.

	2026 Rs.	2025 Rs.
Balance as at 1 April	74,061,066	72,061,362
Transfer during the year	5,589,891	1,999,704
Balance as at 31 March	**79,650,957**	**74,061,066**

32 REGULATORY LOSS ALLOWANCE RESERVE

	2026 Rs.	2025 Rs.
Balance as at 1 April	142,438,631	281,020,661
Transfer to retained earnings	(142,438,631)	(138,582,030)
Balance as at 31 March	**-**	**142,438,631**

In accordance with Section 7.1 of the Finance Business Act Directions (Classification and Measurement of Credit Facilities) No. 01 of 2020, a non-distributable regulatory loss allowance reserve must be established through an appropriation of retained earnings whenever the loss allowance for expected credit loss (impairment) is less than the regulatory provision. Consequently, the company has transferred Rs.142.44 Mn from regulatory loss allowance reserve to retained earnings during the year.

33 ACCUMULATED LOSS

	2026 Rs.	2025 Rs.
Balance as at 1 April	(564,531,162)	(738,802,110)
Profit for the year	111,797,814	39,994,074
Other Comprehensive Income for the year	(2,476,418)	(2,305,452)
Transfer to Statutory Reserve Fund	(5,589,891)	(1,999,704)
Transfer to regulatory loss allowance reserve	142,438,631	138,582,030
Balance as at 31 March	**(318,361,026)**	**(564,531,162)**

34 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company incurs certain contingent liabilities. This consists mainly of undrawn commitments to lend.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

34.1 Capital commitments

	2026 Rs.	2025 Rs.
Undrawn loan commitments	-	-
Lease Commitments	487,597,277	441,970,460

34 COMMITMENTS AND CONTINGENCIES (Contd...)

34.2 Litigation

Litigation is a common occurrence in the Company industry due to the nature of the business undertaken. The Company has an established legal protocol for dealing with such legal claims. Once professional advice has been obtained on the certainty of the outcome and the amount of damages reasonable estimated, the Company makes adjustments to account for any adverse effect which the claims may have on its financial standing. Set out below are unresolved legal claims against the Company as at the year end for which adjustments to the Financial Statements have not been made due to the uncertainty of it's outcome.

Litigations against UB Finance PLC

	Legal Status	Case No.
a.	**Cases filed against the Company over the repossession of vehicles and loan facilities (In relation to movable assets)**	
	- District Court - Colombo	DSP/222/10 , DMR 925/17, DMR 3085/22, DMR 1017/24, DTR 04/ 2025
	- District Court - Kandy	DMR/830/20
	- District Court - Elpitiya	1966-M
	- District Court- Gampaha	SPL 120/2022
	- District Court- Galle	SP 4034
	- Civil Appellate High Court - Western Province	WP/HCCA/COL/101/19(F)(Appeal Case of DSP 222/10)
	- District Court- Warakapola	1056 M
b.	**Actions filed against the Company regarding construction matters, advance payments, possession of project properties and unpaid bills.**	
	- Commercial High Court- Colombo	CHC/Civil/177/10
	- District Court - Colombo	DMR/1615/17, DLM 148/2017
	- District Court - Negombo	8164/L, SPL 3579/17
	- District Court - Kurunegala	9369/23 L
	- Supreme Court - Colombo	SC/CHC/APPEAL/54/2019 (Appeal Case of HC/Civil/177/10)
c.	**Cases filed against the Company over the Fixed Deposit matters and matters relating to shares of Company**	
	- District Court - Colombo	DTS/279/08
	- Commercial High Court - Colombo	CHC/503/15MR, CHC/533/15MR, CHC/535/15MR, CHC/536/15MR
	- Supreme Court - Colombo	SC/ Appeal/53/23 (Appeal of DC Case no.DTS 279/08)
d.	**Actions filed against the Company with respect to mortgaged property, court orders, title of property**	
	- District Court - Panadura	2121/P
	- District Court - Attanagalla	1547/L, 1558/20/L
e.	**Cases Filed Against the Company by the employees**	
	- Magistrate Court - Fort	LB 76305
	- Before Labour Commissioner	CE/D6/04/61/2016
f.	**Cases Filed by Company on title / possession of project properties**	
	- District Court - Kaduwela	L/533/15

34.3 Capital Commitments

The Company has no commitments for acquisition of Property Plant & Equipments to the ordinary course of Business.

35 FAIR VALUE OF ASSETS AND LIABILITIES

35.1 Assets and liabilities measured at fair value - fair value hierarchy

The following table shows an analysis of assets and liabilities recorded at fair value by level of the fair value hierarchy into which the fair value measurement is catergorised. The amounts are based on the value recognised in the statement of financial position in the financial statements.

	31 March 2026			
	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
Assets measured at fair value				
Financial Investments at fair value through Profit or Loss				
Investments in Units Trust	-	-	-	-
Financial Investments at fair value through other comprehensive income				
Equity Securities	-	-	50,038,551	50,038,551
Non Financial Assets				
Land and buildings	-	-	171,535,187	171,535,187
	-	-	**221,573,738**	**221,573,738**

The methods used to determine fair value of the financial instruments categorised under level 3 are stated in Note 16.1.2
The methods used to determine fair value of Non financial assets - land and buildings categorized under level 3 are stated in Note 20.4

	31 March 2025			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value	Rs.	Rs.	Rs.	Rs.
Financial Investments at fair value through Profit or Loss				
Investments in Units Trust	505,099,380	-	-	505,099,380
				-
Financial Investments at fair value through other comprehensive income				-
Equity Securities	-	-	36,299,617	36,299,617
				-
Non Financial Assets				-
Land and buildings	-	-	172,634,717	172,634,717
	505,099,380	-	**208,934,334**	**714,033,714**

35.2 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies & assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts which do not have a specific maturity.

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 prevailing money–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. For notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

35 FAIR VALUE OF ASSETS AND LIABILITIES (Contd...)

Fixed rate financial instruments (contd...)

Set out below is a comparison of the carrying amounts & fair values of the Company's financial instruments by classes, that are not carried at fair value in the financial statements. This table does not include the fair values of non–financial assets & non–financial liabilities.

	31 March 2026				
	Fair Value			Fair	Carrying
	Level 01	Level 02	Level 03	value	amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Financial Investments at amortised cost	704,717,000	-	-	704,717,000	697,333,023
Financial Assets at Amortized Cost - Loans and Advances to Customers	-	-	15,320,456,672	15,320,456,672	15,887,135,729
	704,717,000	-	**15,320,456,672**	**16,025,173,672**	**16,584,468,752**
Financial Liabilities					
Due to Banks- Bank Borrowings	-	-	2,441,884,367	2,441,884,367	2,776,950,207
Due to Other Customers	-	-	7,749,521,435	7,749,521,435	7,785,618,231
Other Borrowed Funds	-	-	1,976,087,443	1,976,087,443	2,422,957,237
Lease Liabilities	-	-	326,450,520	326,450,520	301,870,904
	-	-	**12,493,943,766**	**12,493,943,766**	**13,287,396,580**

	31 March 2025				
	Fair Value			Fair	Carrying
	Level 01	Level 02	Level 03	value	amount
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets					
Financial Investments at amortised cost	884,451,307	-	-	884,451,307	877,702,548
Financial Assets at amortized cost - Loans and Advances to Customers	-	-	10,064,599,253	10,064,599,253	10,449,577,561
	884,451,307	-	**10,064,599,253**	**10,949,050,560**	**11,327,280,109**
Financial liabilities					
Due to Banks- Bank Borrowings	-	-	170,428,568	170,428,568	194,535,086
Due to other customers	-	-	7,428,729,702	7,428,729,702	7,160,617,321
Other Borrowed funds	-	-	1,003,770,346	1,003,770,346	1,017,052,009
Lease Liabilities	-	-	208,096,796	208,096,796	254,857,493
	-	-	**8,811,025,412**	**8,811,025,412**	**8,627,061,909**

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

	Carrying amount	
	2026	2025
	Rs.	Rs.
Assets		
Cash in Hand and Balances with Banks	485,880,047	286,462,350
Financial Assets	19,193,235	5,702,715
Liabilities		
Due to Banks- Bank Overdraft	381,374,186	40,615,569
Financial Liabilities	191,837,997	210,457,745

36 RISK MANAGEMENT

36.1 Introduction

Risk is inherent in the company's activities, but is 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 companies continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities. The company is exposed to credit risk, liquidity risk and market risk. It is also subject to country risk and various operating risks.

The business risks such as changes in the environment, technology and industry are primarily addressed through the company's strategic planning process. Industry specific changes are also reviewed and presented on a need basis by the Management and are tabled at the Board Integrated Risk Management Committee (BIRMC).

36 RISK MANAGEMENT (Contd...)

36.2 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed a Board Sub Committee called "Board Integrated Risk Management Committee (BIRMC)" which has the responsibility to monitor the overall risk process within the company.

The BIRMC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. BIRMC is also responsible for managing risks and monitoring risk levels and reports on monthly/quarterly basis to the Board.

Exceptions are reported on daily/ monthly/ quarterly basis, where necessary, to the IRMC or its sub committees, and the relevant actions are taken to address exceptions and any areas of weakness.

Asset Liability Committee (ALCO) are responsible for managing the company's assets and liabilities and the overall financial structure.

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

36.3 Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the company. These limits reflect the business strategy and market environment of the company as well as the level of risk that the company is willing to accept, with additional emphasis on selected industries. In addition, the company's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors and Integrated Risk Committee. These reports include aggregate credit exposures, credit concentration, operational risk, market risk and liquidity ratios. Management assess the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all necessary information to assess and conclude on the risks of the Company.

Risk related policies are documented and made available to all staff at all levels for a comprehensive understanding of the Company's risk appetite and the overall risk management of the Company. Workshops are held to share knowledge of potential risk events and keep the staff abreast with the latest changes. Briefings are also given to other relevant members of the company on the utilization of market limits, proprietary investments and liquidity, plus any other risk developments.

36.4 Risk mitigation

As part of its overall risk management, the company uses various instruments to manage exposures resulting from credit risks, changes in interest rates, equity risks, and exposures arising from transactions.

The company actively uses collateral to reduce its credit risks.

36.5 Excessive risk concentration

In order to avoid excessive concentrations of risk, the company monitors concentration levels to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

36 RISK MANAGEMENT (Contd...)

36.6 Credit Risk

The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of borrowers, including regular collateral revisions. Company uses a risk rating process to rate the borrowers according to its risk profile. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

A structured and standardized credit appraisal and approval process is in place. Credit Authority lies with the Board of Directors, Board Credit Committee and members of the management as per the assigned limits on delegated credit authority. Company's systems for credit evaluation and decision making are independent from collateralization albeit collateral helps to mitigate credit risk.

Credit Operation Department reviews credit facilities before and after sanctioning of facilities. A Credit Policy approved by the Board of Directors is in place.

In the post sanctioning review of credit facilities, the Board Credit Committee reviews among other things, the disbursements, perfection of collaterals and repayments are in accordance with the terms of approval.

36.7 Impairment Assessment

The methodology of the impairment assessment is explained in the note 2.3.6.1 under summary of material accounting policies.

36.8 Significant Changes in the Gross Carrying amount of financial assets

Following table provides an explanation of how significant changes in gross carrying amount of financial instruments contributed to changes in Expected Credit Loss,

	31 March 2026 Impact: Increase/ (Decrease)	31 March 2025 Impact: Increase/ (Decrease)
Financial Assets at Amortised Cost- Loans and Advances Receivables		
Increase in Lending Portfolio	100,699,289	72,595,236
Loans and Advances Recoveries	(171,510,405)	(214,535,123)
Write-off	(116,841,199)	(90,244,871)

36.9 Credit Quality by Class of Financial Assets

The company manages the credit quality of financial assets by categorising its credit exposure by class of financial asset, line of business and geographic region. It is the company's policy to maintain accurate and consistent risk profile across the credit portfolio. The table below shows the credit quality for all financial assets exposed to credit risk, based on the company's internal credit rating system.

As at 31 March 2026	Neither Past Due Nor Individually Impaired	Past Due But Not Individually Impaired	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Cash in hand and balances with Banks	485,880,047	-	-	485,880,047
Financial Investments at amortised cost	697,333,023	-	-	697,333,023
Financial Assets at Amortized Cost - Loans and Advances to Customers	9,686,509,683	5,670,781,656	529,844,389	15,887,135,728
Financial Assets measured at Fair Value through Other Comprehensive Income	50,038,551	-	-	50,038,551
Other Financial Assets	19,193,235	-	-	19,193,235
Total Financial Assets	**10,938,954,539**	**5,670,781,656**	**529,844,389**	**17,139,580,584**

36.10 Credit Quality by Class of Financial Assets (Contd...)

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 But Not Individually Impaired *				
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	Total
Loans and receivables from customers	4,669,534,846	258,387,191	57,170,441	685,689,177	5,670,781,656

As at 31 March 2025	Neither Past Due Nor Individually Impaired	Past Due But Not Individually Impaired	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash in hand and balances with Banks	286,462,350	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	877,702,548
Financial investments at fair value through profit or loss - measured at fair value	505,099,380	-	-	505,099,380
Financial Assets at amortized cost - Loans and Receivables to Customers	6,257,192,272	3,548,897,753	643,487,536	10,449,577,561
Financial assets measured at fair value through Other Comprehensive Income	36,299,617	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	5,702,715
Total Financial Assets	**7,968,458,882**	**3,548,897,753**	**643,487,536**	**12,160,844,171**

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 But Not Individually Impaired *				
	Less than 3 Months	3 to 6 Months	6 to 12 Months	More than 12 Months	Total
Loans and receivables from customers	2,611,216,532	109,401,500	49,541,609	778,738,112	3,548,897,753

* Past due but not Individually Impaired Loans and Receivable include the Loans and Receivables that are collectively impaired.

36 RISK MANAGEMENT (Contd...)

36.11 Analysis of Credit Risk Exposure

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, vehicles, gold, letters of guarantees, properties. The fair value of collateral is generally assessed, at a minimum, at inception.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers.

The table below represents Company's maximum exposure to credit risk for its recognised and contingent financial instruments as at 31 March 2026, before taking into account any collateral held or other credit risk mitigation. For recognised instruments, the maximum exposure to credit risk is the carrying amount reported in the Statement of Financial Position. For contingent instruments, the maximum exposure to credit risk generally represents the contractual notional amounts.

As at 31 March,	2026		2025	
	Maximum Exposure to Credit Risk	Net Exposure Credit Risk	Maximum Exposure to Credit Risk	Net Exposure Credit Risk
	Rs.	Rs.	Rs.	Rs.
Cash in Hand and Balances with Banks	485,880,047	485,880,047	286,462,350	286,462,350
Financial Investments at amortised cost	697,333,023	697,333,023	877,702,548	877,702,548
Financial Investments at fair value through profit or loss	-	-	505,099,380	505,099,380
Financial Assets at Amortized Cost - Loans and Advances to Customers	15,887,135,729	648,272,162	10,449,577,561	318,015,109
Financial Assets measured at Fair Value through Other Comprehensive Income	50,038,551	50,038,551	36,299,617	36,299,617
Other Financial Assets	19,193,235	19,193,235	5,702,715	5,702,715
Total Financial Assets	17,139,580,585	1,900,717,018	12,160,844,172	2,029,281,719

36.12 Exposure to Credit Risk

The table below set out information about credit quality of financial assets and allowance for impairment / expected credit losses held by the Company against those assets

Credit Quality Analysis	2026 Stage 1 Rs.	2026 Stage 2 Rs.	2026 Stage 3 Rs.	2026 Total Rs.	2025 Total Rs.
Financial Assets at Amortised Cost : Loans and Advances					
Gross Loans and Advances	12,605,244,261	1,750,056,823	1,531,834,645	15,887,135,729	10,449,577,561
Expected Credit Loss Allowance	(75,403,729)	(59,606,371)	(767,289,405)	(902,299,505)	(931,440,415)
Total Net Loans and Advances	**12,529,840,532**	**1,690,450,452**	**764,545,240**	**14,984,836,224**	**9,518,137,146**
Financial Investments at amortised cost					
Securities under Reverse Repurchase Agreements	-	-	-	-	203,451,307
Investment in Treasury Bills	697,333,023	-	-	697,333,023	674,251,241
Total Financial Investments Measured at Amortised Cost	**697,333,023**	-	-	**697,333,023**	**877,702,548**
Expected Credit Loss Allowance	-	-	-	-	-
Net Financial Investments Measured at Amortised Cost	**697,333,023**	-	-	**697,333,023**	**877,702,548**
Financial investments at fair value through profit or loss					
Investment in Units	-	-	-	-	505,099,380
Expected Credit Loss Allowance	-	-	-	-	-
Net Financial investments at fair value through profit or loss	-	-	-	-	**505,099,380**
Financial assets measured at fair value through Other Comprehensive Income					
Equity securities	50,038,551	-	-	50,038,551	36,299,617
Expected Credit Loss Allowance	-	-	-	-	-
Net financial assets measured at fair value through other comprehensive Income	**50,038,551**	-	-	**50,038,551**	**36,299,617**
Other Financial Assets					
Other Financial Assets	19,193,235	-	-	19,193,235	5,702,715
Expected Credit Loss Allowance	-	-	-	-	-
Net Other Financial Assets	**19,193,235**	-	-	**19,193,235**	**5,702,715**
Cash and Cash Equivalents					
Cash in hand	56,826,151	-	-	56,826,151	43,461,230
Cash at Banks	429,053,896	-	-	429,053,896	243,001,120
Total Balances with Banks	485,880,047	-	-	485,880,047	286,462,350
Expected Credit Loss Allowance	-	-	-	-	-
Net Balances with Banks	**485,880,047**	-	-	**485,880,047**	**286,462,350**
Total Financial Assets	**13,857,689,116**	**1,750,056,823**	**1,531,834,645**	**17,139,580,584**	**12,160,844,171**
Total Expected Credit Loss Allowance	**(75,403,729)**	**(59,606,371)**	**(767,289,405)**	**(902,299,505)**	**(931,440,415)**
Net Financial Assets	**13,782,285,388**	**1,690,450,452**	**764,545,240**	**16,237,281,079**	**11,229,403,756**

36.13 Credit–related commitment risks

Such commitment risks are mitigated by regular review of unfunded limits and exposures similar to review of funded limits and exposures.

36 RISK MANAGEMENT (Contd...)

36.14 Credit Risk by Ratings

Financial asset at amortised cost - Loan and advances to other customers	12 Month ECL (Stage 1)	Lifetime ECL- Not Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)
Rating 0-4 : Investment grade	12,605,244,261	1,750,056,823	330,312,647
Rating 5-6 : Moderate risk	-	-	65,030,943
Rating 7-8 : High risk	-	-	190,111,591
Rating 9 : Extreme risk	-	-	946,379,463
Gross Carrying amount	12,605,244,261	1,750,056,823	1,531,834,644
Provision for impairement	75,403,727	59,606,373	767,289,405
Net Carrying amount	12,529,840,534	1,690,450,450	764,545,239

36.15 Collateral and other credit enhancements:

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
-For commercial lending, charges over real estate properties, inventory and trade receivables etc
-For retail lending, mortgages over residential properties, absolute ownership of vehicles etc
- Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.
-It is the company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.
-The company also makes use of netting agreements with borrowers with whom a significant volume of transactions are undertaken.

Although on the balance sheet netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same borrower will be settled after the assets are realized
- The documentation are legally enforceable.

36.16 Fair Value of Collateral and Credit Enhancements held

The Company endeavors to obtain adequate collateral to secure its credit facilities. The Company continuously monitor the quality of such collateral to mitigate credit losses. A reasonable margin of safety is maintained in collateral values to absorb fall in value of collateral. In general, Company has obtained cash deposits, machinery, equipment and vehicles as collateral. The Company uses collateral to mitigate its risks on financial assets. The collateral comes in various forms such vehicles, letters of guarantees and fixed deposit certificates. The fair value of collateral is generally assessed at the inception 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. Repossession of collaterals is resorted to in extreme situations where the action is necessitated to recover the dues. The repossessed assets are disposed, in an orderly and transparent manner through public auctions, and the proceeds are used to reduce or recover the outstanding claims. The amount recovered in excess of the dues is refunded to the customer. The following table shows the fair value of collateral and credit enhancements held by the Company as at 31st March 2026.

Fair value of collateral held and Net exposure of credit impaired assets as at 31 March 2026	Fair Value of Collateral (Rs.)	Net Exposure to Credit Risk (Rs.)
Net Exposure to Credit Risk (Rs.)	29,122,030,041	648,272,162
Credit impaired assets	2,886,700,069	207,344,138

The collateral held as security on financial assets that are credit-impaired at the reporting date amounts to Rs. 2.8Bn and therefore, net exposure of those credit impaired assets as at 31 March 2026 is Rs.207.3Mn.

36.17 Collateral and Other Credit Enhancements - Loans and Receivables

The below tables provide an analysis of the values of collateral held and credit enhancements for Stage 03 assets. The values in the tables represent the expected market value on an open market basis. No adjustment has been made to the collateral for any expected costs of recovery.

As at 31 March	2026 Rs.	2025 Rs.
Maximum Exposure to Credit Risk	15,887,135,729	10,449,577,561
Less - Collateral		
Movable Securities	10,309,238,147	6,574,795,253
Immovable Securities	706,419,162	737,550,925
Gold Loan & FD	4,304,763,833	2,909,209,370
Total Collateral	**15,320,421,141**	**10,221,555,547**
Net Exposure	566,714,588	228,022,013
Associated ECL	125,754,286	125,597,726

The table below sets out principal types of collateral that are held against different types of financial assets.

Product Type	Principal Type of Collateral Held for Secured Lending
Leasing / Hire Purchase	Motor vehicles
Term loans	Motor vehicles/Property/FD
Easy Draft	Motor vehicles/Property/FD
Gold Loans	Gold Articles
Factoring & Cheque Discounting	Motor vehicles/Property/Cheques/Invoices
Housing Loans	Property

36 RISK MANAGEMENT (Contd...)

36 Collateral and Other Credit Enhancements - Loans and Receivables (Contd...)

Repossessed Collateral Details;

Nature of the Collateral	Quality of the Collateral	Loss Allowance
Movable Security (Repossessed vehicles.)	Good in condition	Impairment allowance made based on the CBSL direction for collateral

There are no changes to Company's policy on collaterals

There are no significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period;

Credit Quality By Class of Financial Assets

		Subject to ECL				
As at 31 March 2026	**Not Subject to ECL (Rs)**	**Stage 01 (Rs)**	**Stage 02 (Rs)**	**Stage 03 (Rs)**	**ECL (Rs)**	**Carrying Amount (Rs)**
Cash and Cash Equivalents	485,880,047	-	-	-	-	485,880,047
Financial Assets Recognised Through Profit or Loss	-	-	-	-	-	-
Financial Investments at amortised cost	697,333,023	-	-	-	-	697,333,023
Financial Assets at Amortised Cost-Loans and Advances	-	12,605,244,261	1,750,056,823	1,531,834,645	(902,299,505)	14,984,836,224
Financial assets measured at fair value through Other Comprehensive Income	50,038,551	-	-	-	-	50,038,551
Other Financial Assets	19,193,235	-	-	-	-	19,193,235
Total Financial Assets	**1,252,444,856**	**12,605,244,261**	**1,750,056,823**	**1,531,834,645**	**(902,299,505)**	**16,237,281,080**

		Subject to ECL				
As at 31 March 2025	**Not Subject to ECL (Rs)**	**Stage 01 (Rs)**	**Stage 02 (Rs)**	**Stage 03 (Rs)**	**ECL (Rs)**	**Carrying Amount (Rs)**
Cash and Cash Equivalents	286,462,350	-	-	-	-	286,462,350
Financial Assets Recognised Through Profit or Loss	505,099,380	-	-	-	-	505,099,380
Financial Investments at amortised cost	877,702,548	-	-	-	-	877,702,548
Financial Assets at Amortised Cost-Loans and Advances	-	7,722,744,080	1,144,601,778	1,582,231,703	(931,440,416)	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	36,299,617	-	-	-	-	36,299,617
Other Financial Assets	5,702,715	-	-	-	-	5,702,715
Total Financial Assets	**1,711,266,610**	**7,722,744,080**	**1,144,601,778**	**1,582,231,703**	**(931,440,416)**	**11,229,403,755**

Age Analysis of Loans and Receivables

	Stage 01 (Rs)	**Stage 02 (Rs)**	**Stage 03 (Rs)**	**Total (Rs)**
As at 31 March 2026				
Current	9,686,608,597	-	-	9,686,608,597
Overdue < 30 days	2,918,635,664	-	-	2,918,635,664
Overdue 30 to 90 days	-	1,750,056,823	-	1,750,056,823
Overdue > 90 days	-	-	1,531,834,645	1,531,834,645
Total	**12,605,244,261**	**1,750,056,823**	**1,531,834,645**	**15,887,135,729**

	Stage 01 (Rs)	**Stage 02 (Rs)**	**Stage 03 (Rs)**	**Total (Rs)**
As at 31 March 2025				
Current	6,257,192,271	-	-	6,257,192,271
Overdue < 30 days	1,465,551,809	-	-	1,465,551,809
Overdue 30 to 90 days	-	1,144,601,778	-	1,144,601,778
Overdue > 90 days	-	-	1,582,231,703	1,582,231,703
Total	7,722,744,080	1,144,601,778	1,582,231,703	10,449,577,561

The following table summarizes the Credit quality of the cash at bank balances

Credit rating of the Bank/ Financial institutions	2026 Rs.	2025 Rs.
AA, AA-, A+, A, A-	201,840,976	144,637,863
BBB+, BBB, BBB-, BB+	227,212,920	98,363,257
	429,053,896	**243,001,120**

36 RISK MANAGEMENT (Contd...)

36.18 Analysis of risk concentration

The following table shows the risk concentration by industry for the components of the statement of the financial assets.

As at 31 March 2026	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash in hand and balances with Banks	-	-	-	485,880,047	-	485,880,047
Financial Investments at amortised cost	-	-	-	697,333,023	-	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	1,304,313,419	2,078,375,184	3,145,405,658	5,064,594,157	3,392,147,806	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	50,038,551	-	50,038,551
Other Financial Assets	-	-	-	-	19,193,235	19,193,235
Total Financial Assets	**1,304,313,419**	**2,078,375,184**	**3,145,405,658**	**6,297,845,778**	**3,411,341,041**	**16,237,281,080**

As at 31 March 2025	Agriculture	Construction & Transport	Trading & Manufacturing	Services Including Financial Services	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash in Hand and Balances with Banks	-	-	-	286,462,350	-	286,462,350
Financial Investments at amortised cost	-	-	-	877,702,548	-	877,702,548
Financial investments at fair value through profit or loss	-	-	-	505,099,380	-	505,099,380
Financial Assets at amortized cost - Loans and Receivables to other Customers	699,455,034	1,433,131,236	1,978,583,930	3,667,014,513	1,739,952,432	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	36,299,617	-	36,299,617
Other Financial Assets	-	-	-	-	5,702,715	5,702,715
Total Financial Assets	**699,455,034**	**1,433,131,236**	**1,978,583,930**	**5,372,578,408**	**1,745,655,147**	**11,229,403,755**

36 RISK MANAGEMENT (Contd...)

36.19 Liquidity risk and funding management

Liquidity risk is defined as the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity consistently through a Management Committee. 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.

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 lines of credit that it can access to meet urgent liquidity needs. In addition, the company maintains Treasury bond investments with the Central Bank of Sri Lanka greater than 10% of customer deposits. Net liquid assets consist of cash, short-term company deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

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 due, under both normal and stressed conditions, without incurring unacceptable losses to the Company.

Company Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Company Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to company to ensure that sufficient liquidity is maintained within the Company as a whole. The liquidity requirements of business units and subsidiary are met through short-term loans from Bank and Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company.
The Company relies on deposits from customers , and other debt securities and subordinated liabilities as its primary sources of funding.

The liquidity ratios during the year were, as follows:

Liquid Asset Ratios	**2026**	**2025**
Year End	14%	16%
Maximum	28%	29%
Minimum	12%	14%
Average	16%	20%

Advances to Deposit Ratios

The company stresses the importance of fixed deposit and savings accounts as sources of funds to finance lending to customers. (Advance to Deposit Ratio)

	2026	**2025**
Year End	2.0	1.5
Maximum	2.0	1.5
Minimum	1.5	1.1
Average	1.8	1.3

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows, including estimated interest payments of the company's financial assets and liabilities as at 31 March 2026. Contractual maturities of undiscounted cash flows of financial assets and liabilities are shown in the table below;

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

As at 31 March 2026	**On Demand**	**Less Than 3 Months**	**3 to 12 Months**	**1 to 5 years**	**Over 5 Years**	**Total Balances**	**Carrying Amount**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets							
Cash in hand and balances with Banks	485,880,047	-	-	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	-	-	-	697,333,023	-	697,333,023	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	-	5,134,966,341	4,825,977,229	9,230,362,205	164,223,128	19,355,528,902	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	-	50,038,551	50,038,551	50,038,551
Other Financial Assets	-	810,000	1,518,235	2,520,000	14,345,000	19,193,235	19,193,235
	485,880,047	**5,135,776,342**	**4,827,495,464**	**9,930,215,228**	**228,606,678**	**20,607,973,758**	**16,237,281,080**
Liabilities							
Due to banks	389,370,355	899,025,759	829,577,276	1,040,351,002	-	3,158,324,393	3,158,324,393
Due to other customers	346,426,59	1,248,324,460	2,032,078,476	3,141,500,290	1,391,850	6,423,641,502	7,785,618,231
Other Borrowed funds	171,650,749	734,950,033	1,441,162,953	434,718,393	-	2,782,482,129	2,422,957,237
Financial Liabilities	-	158,182,604	33,655,394	-	-	191,837,998	191,837,997
Lease Liability	-	6,643,608	13,580,805	138,914,374	142,732,117	301,870,904	301,870,904
	561,367,531	**3,047,126,463**	**4,350,054,904**	**4,755,484,060**	**144,123,967**	**12,858,156,926**	**13,860,608,763**

36 RISK MANAGEMENT (Contd...)

36.19 Liquidity risk and funding management (Contd..)

As at 31 March 2025	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 years	Over 5 Years	Total Balances	Carrying Amount
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash in Hand and Balances with Banks	286,462,350	-	-	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	-	884,451,307	-	-	-	884,451,307	877,702,548
Financial investments at fair value through profit or loss	-	509,432,164	-	-	-	509,432,164	505,099,380
Financial Assets at amortized cost - Loans and Receivables to other Customers	-	3,972,638,311	2,549,153,286	6,430,349,384	35,989,315	12,988,130,296	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	36,299,617	36,299,617	36,299,617
Other Financial Assets	-	568,675	1,121,311	610,584	3,402,145	5,702,715	5,702,715
	286,462,350	**5,367,090,457**	**2,550,274,597**	**6,430,959,968**	**75,691,077**	**14,710,478,449**	**11,229,403,755**
Liabilities							
Due to Banks	41,400,655	23,281,548	67,129,767	127,509,192	-	259,321,162	235,150,655
Due to Other Customers	-	2,780,772,669	2,190,128,064	3,141,500,290	-	8,112,401,023	7,160,617,321
Other Borrowed Funds	-	2,817,342	360,495,784	790,952,740	-	1,154,265,866	1,017,052,009
Financial Liabilities	-	185,040,131	25,417,614	-	-	210,457,745	210,457,745
Lease Liability	-	13,160,649	38,058,431	192,768,082	197,983,298	441,970,460	254,857,493
	41,400,655	**3,005,072,340**	**2,681,229,660**	**4,252,730,303**	**197,983,298**	**10,178,416,256**	**8,878,135,223**

36.20 Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As such interest rate risk is a key risk exposure of the Company due to unanticipated movements in the future interest rates which arises from the core business activities, granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk is mitigated principally through minimizing the interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the company conducts periodic reviews and re-prices its assets particularly by the means of following.

- Effective policies and procedures designed to control the nature and amount of IRR, including clearly defined IRR limits and lines of responsibility and authority.
- Appropriate risk-measurement, monitoring, and reporting systems.
- Systematic internal controls that include the internal or external review and audit of key elements of the risk-management process.

36 RISK MANAGEMENT (Contd...)

36.20 Interest Rate Risk (Contd...)

36.20.1 Interest Rate Risk Exposure on Financial Assets and 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 repricing or maturity dates.

As at 31 March 2026	Up to 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2026 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	485,880,047	485,880,047
Financial Investments at amortised cost	672,587,575	-	-	-	24,745,448	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	4,239,677,219	3,520,346,075	7,089,265,235	135,547,695	-	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	-	50,038,551	50,038,551
Financial Assets	-	-	-	-	19,193,235	19,193,235
	4,912,264,794	**3,520,346,075**	**7,089,265,235**	**135,547,695**	**579,857,281**	**16,237,281,080**
Financial Liabilities						
Due to Banks	1,280,399,946	829,577,276	1,040,351,002	-	7,996,169	3,158,324,393
Due to Customers	1,929,271,323	2,501,923,604	3,354,423,304	-	-	7,785,618,231
Other Borrowed funds	697,307,288	1,202,500,000	351,499,200	-	171,650,749	2,422,957,237
Financial Liabilities	-	-	-	-	191,837,997	191,837,997
Lease Liability	6,643,608	13,580,805	138,914,374	142,732,117	-	301,870,904
	3,913,622,164	**4,547,581,685**	**4,885,187,880**	**142,732,117**	**371,484,916**	**13,860,608,762**
Interest Sensitivity Gap	**998,642,630**	**(1,027,235,609)**	**2,204,077,355**	**(7,184,422)**	**208,372,365**	**2,376,672,318**

As at 31 March 2025	Up to 03 Months Rs.	03-12 Months Rs.	01-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31 March 2025 Rs.
Financial Assets						
Cash and Bank Balances	-	-	-	-	286,462,350	286,462,350
Financial Investments at amortised cost	852,957,100	-	-	-	24,745,448	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	-	505,099,380
Financial Assets at amortised cost - Loans and Receivables to other Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	-	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	-	36,299,617	36,299,617
Financial Assets	-	-	-	-	5,702,715	5,702,715
	4,536,533,275	**1,677,515,344**	**4,632,958,995**	**29,186,011**	**353,210,130**	**11,229,403,755**
Financial Liabilities						
Due to Banks	39,726,610	67,129,767	127,509,192	-	785,086	235,150,655
Due to Customers	2,636,651,876	1,976,318,972	2,547,646,473	-	-	7,160,617,321
Other Borrowed funds	-	321,000,000	679,000,000	-	17,052,009	1,017,052,009
Financial Liabilities	-	-	-	-	210,457,745	210,457,745
Lease Liability	13,160,649	38,058,431	192,768,082	197,983,298	-	441,970,460
	2,689,539,135	**2,402,507,170**	**3,546,923,747**	**197,983,298**	**228,294,840**	**9,065,248,190**
Interest Sensitivity Gap	**1,846,994,140**	**(724,991,826)**	**1,086,035,248**	**(168,797,287)**	**124,915,290**	**2,164,155,565**

36 RISK MANAGEMENT (Contd...)

36.20 Interest Rate Risk (Contd...)

36.20.2 Interest Rate Sensitivity

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

Net Interest Income (NII) Sensitivity by Interest Rate Change

	2026		2025	
Parallel Increase/Decrease of Rate	(+/-) 1%	(+/-) 2%	(+/-) 1%	(+/-) 2%
Annual Impact on NII (Rs.)	(+/-) 23,472,278	(+/-) 46,944,556	(+/-) 2,097,319	(+/-) 4,194,639

36.20.3 Current and Non Current Analysis of Assets and Liabilities

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

As at 31 March 2026	**Less Than 3 Months**	**3 to 12 Months**	**1 to 5 years**	**Over 5 Years**	**Total Balances**
Assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash in hand and balances with Banks	485,880,047	-	-	-	485,880,047
Financial Investments at amortised cost	697,333,023	-	-	-	697,333,023
Financial investments at fair value through profit or loss	-	-	-	-	-
Financial Assets at Amortized Cost - Loans and Advances to Customers	4,239,677,219	3,520,346,075	7,089,265,235	135,547,695	14,984,836,224
Financial Assets measured at Fair Value through Other Comprehensive Income	-	-	-	50,038,551	50,038,551
Investment in Real Estate	5,000,000	12,972,789	-	-	17,972,789
Other Assets	56,428,489	55,839,622	111,654,867	14,573,069	238,496,047
Intangible assets	-	-	-	40,338,287	40,338,287
Property, plant and equipment	-	-	-	550,869,756	550,869,756
Right of Use Asset	931,987	1,545,316	37,879,137	224,358,566	264,715,006
Deferred tax assets	-	-	-	-	-
	5,485,250,766	**3,590,703,802**	**7,238,799,239**	**1,015,725,923**	**17,330,479,730**
Liabilities					
Due to banks	1,288,396,116	829,577,276	1,040,351,002	-	3,158,324,393
Due to other customers	1,929,271,323	2,501,923,604	3,354,423,304	-	7,785,618,231
Other Borrowed funds	868,958,037	1,202,500,000	351,499,200	-	2,422,957,237
Financial Liabilities	158,182,604	33,655,394	-	-	191,837,998
Lease liability	6,643,608	13,580,805	138,914,374	142,732,117	301,870,904
Other Non Financial Liabilities	68,112,669	134,281,438	-	-	202,394,107
Post Employment Liability	-	15,751,714	23,419,449	9,386,905	48,558,068
	4,319,564,356	**4,731,270,231**	**4,908,607,329**	**152,119,022**	**14,111,560,937**
Equity	-	-	-	3,218,918,793	3,218,918,793
Total Equity & Liabilities	**4,319,564,356**	**4,731,270,231**	**4,908,607,329**	**3,371,037,815**	**17,330,479,730**

36 RISK MANAGEMENT (Contd...)

36.20.3 Current and Non Current Analysis of Assets and Liabilities (Contd..)

As at 31 March 2025	Less Than 3 Months	3 to 12 Months	1 to 5 years	Over 5 Years	Total Balances
Assets	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Cash in hand and balances with Banks	286,462,350	-	-	-	286,462,350
Financial Investments at amortised cost	877,702,548	-	-	-	877,702,548
Financial investments at fair value through profit or loss	505,099,380	-	-	-	505,099,380
Financial Assets at amortized cost - Loans and Receivables to other Customers	3,178,476,795	1,677,515,344	4,632,958,995	29,186,011	9,518,137,145
Financial assets measured at fair value through Other Comprehensive Income	-	-	-	36,299,617	36,299,617
Investment in Real Estate	5,000,000	15,000,000	19,270,759	-	39,270,759
Other Assets	33,101,243	172,147,513	12,505,112	3,402,154	221,156,023
Intangible assets	-	-	-	8,412,690	8,412,690
Property, Plant and Equipment	229,251	5,581,004	45,449,193	286,032,652	337,292,100
Right of Use Asset	49,184	1,878,935	7,195,589	213,362,243	222,485,950
Deferred tax assets	-	23,905,430	-	-	23,905,430
	4,886,120,752	**1,896,028,226**	**4,717,379,648**	**576,695,367**	**12,076,223,992**
Liabilities					
Due to banks	60,150,655	56,250,000	118,750,000	-	235,150,655
Due to other customers	2,636,651,876	1,976,318,972	2,547,646,473	-	7,160,617,321
Other Borrowed funds	17,052,009	321,000,000	679,000,000	-	1,017,052,009
Financial Liabilities	185,040,131	25,417,614	-	-	210,457,745
Lease Liability	4,488,722	12,981,938	80,772,481	156,614,352	254,857,493
Other Non Financial Liabilities	23,443,124	35,260,350	-	-	58,703,474
Post Employment Liability	-	12,357,270	20,779,990	6,267,891	39,405,151
	2,926,826,517	**2,439,586,144**	**3,446,948,944**	**162,882,243**	**8,976,243,848**
Equity	-	-	-	3,099,980,144	3,099,980,144
Total Equity & Liabilities	**2,926,826,517**	**2,439,586,144**	**3,446,948,944**	**3,262,862,387**	**12,076,223,992**

37 EVENTS AFTER THE REPORTING PERIOD

There were no material events that took place since 31 March 2026, that require adjustment to, or disclosure in the Financial Statements.

38 ASSETS PLEDGED

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

Name of the bank/Institution	Nature of the facility	Facility Amount (Rs.)	Facility outstanding as at 31.03.2026 (Rs.)	Securities/ mortgages	Exposure Requirement
Commercial Bank of Ceylon PLC	Term Loan	225,000,000	118,750,000	Lease Receivables	1.50
DFCC Bank PLC	Term Loan	650,000,000	501,515,152	Lease Receivables	1.50
Cargills Bank PLC	Term Loan	150,000,000	112,500,000	Lease Receivables	1.50
Bank of Ceylon	Term Loan	500,000,000	430,555,556	Lease Receivables	1.50
People's Bank	Term Loan	1,000,000,000	974,800,000	Lease Receivables	2.00
SANASA Development Bank PLC	Term Loan	500,000,000	458,333,333	Gold Receivables	1.30
Union Bank of Colombo PLC	Term Loan	172,500,000	172,500,000	Lease Receivables	1.20
Commercial Bank of Ceylon PLC	Overdraft	25,000,000	25,000,000	Lease Receivables	1.50
DFCC Bank PLC	Overdraft	50,000,000	48,114,865	Lease Receivables	1.50
Union Bank of Colombo PLC	Overdraft	172,500,000	171,382,408	Property Mortgage	1.50
M Power Capital Securities Limited	Securitization	1,100,000,000	797,418,402	Lease Receivables / Gold Receivables	1.30
Think Capital Partners (Pvt) Ltd	Securitization	1,250,000,000	1,150,000,000	Lease Receivables	1.30

39 CAPITAL ADEQUACY

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

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

Capital Adequacy ratio As at 31 March 2026	**2026** **%**	**2025** **%**
Tier 1 Capital ratio	21.98%	28.72%
Total Capital ratio	21.98%	28.72%

40 RELATED PARTY DISCLOSURES

The company carries out transactions in the ordinary course of business with related parties. Details of significant related party disclosures are as follows.

40.1 Transactions with Key Management Personnel

Related party include Key Management Personal defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

40.2 Key Management Personnel Compensation

	2026	2025
	Rs.	Rs.
Short-term employment benefits	67,381,052	44,499,433
Post Employment Benefit	9,545,720	6,197,874
Directors' emoluments	10,004,200	10,370,000
	86,930,972	**61,067,307**

Contribution to defined contribution plan in 31 March 2026 is Rs. 20,340,804/- (in 2025 - Rs.12,253,653/-).

In addition to the above, the Company has also provided non cash benefits such as vehicles, insurance for Key Management Personnel in line with the approved benefit plan of the Company.

40.3 Transactions, arrangements and agreements with Key Management Personnel and their close members of the family of the company

The company enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with key management personnel for the relevant financial year.

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

Statement of Financial Position	**Reported Under**	**2026**	**2025**
Assets		**Rs.**	**Rs.**
Loans and Receivables	Financial Assets at amortized cost - Loans and Advances to Customers	932,978	2,365,000
Liabilities			
Fixed Deposits	Due to Customers	64,810,644	28,259,108
Statement of Comprehensive Income			
Interest Income	Interest Income	187,443	541,083
Interest Expense on Customer Deposits	Interest Expenses	4,288,689	4,199,056

40.4 Transactions with Other Related Parties

40.4.1 Transactions with parent company - Union Bank of Colombo PLC

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with Parent Company

Statement of Financial Position	**Reported Under**	**2026**	**2025**
		Rs.	**Rs.**
Liabilities			
Borrowings *	Other Borrowed Funds	172,555,578	-
		172,555,578	-
Statement of Comprehensive Income			
Interest Expense on Borrowings	Interest Expense	6,419,203	2,728,026
Interest Income	Interest Income	4,611,130	2,905,701
Borrowings from Parent Company			
Borrowings Obtained during the Year		322,500,000	600,000,000
Borrowings settled during the Year		(150,000,000)	(600,000,000)

41 SEGMENT INFORMATION

For the Management purposes, the company is organised in to five operating segments based on the services offered to customers. The following table presents income, profit and certain asset and liability information regarding the company's operating segments.

2026	Leasing Rs.	Loans & Advances Rs.	Others Rs.	Total Rs.
Interest Income	1,004,458,118	1,444,791,878	105,312,373	2,554,562,369
Interest Expenses	(346,384,328)	(839,987,105)	(59,728,066)	(1,246,099,499)
Net Interest Income	658,073,790	604,804,773	45,584,307	1,308,462,870
Fee and Commission Income	34,698,355	108,729,754	7,259,745	150,687,854
Fee and Commission Expenses	(5,331,654)	(1,723,507)	-	(7,055,161)
Net Fee and Commission Income	29,366,701	107,006,247	7,259,745	143,632,693
Other Operating Income (Net)	14,580,859	37,146,079	27,344,272	79,071,210
Total Operating Income	702,021,350	748,957,099	80,188,324	1,531,166,773
Impairment Charges on Loans and Advances	(58,184,064)	(29,516,225)	-	(87,700,289)
Impairment Charge on Non Financial Assets	-	-	(19,031,563)	(19,031,563)
Net Operating Income	643,837,287	719,440,873	61,156,761	1,424,434,921
Operating Expenses	(278,154,478)	(674,528,713)	(47,962,993)	(1,000,646,184)
Operating Profit before Value Added Tax on Financial Services (VAT on FS)	365,682,809	44,912,160	13,193,768	423,788,737
Value Added Tax on Financial Services (VAT on FS)	-	-	-	(146,383,291)
Social Security Contribution Levy (SSCL)	-	-	-	(21,163,453)
Profit / (Loss) Before Taxation	365,682,809	44,912,160	13,193,768	256,241,993
Tax Expense	-	-	-	(144,444,179)
Profit/(Loss) for the Year	365,682,809	44,912,160	13,193,768	111,797,814
Segment Assets	**4,817,437,591**	**11,682,357,232**	**830,684,907**	**17,330,479,730**
Segment Liabilities	**3,861,653,634**	**9,343,783,330**	**906,123,971**	**14,111,560,936**

41 SEGMENT INFORMATION

SEGMENT INFORMATION

2025	Leasing Rs.	Loans & Advances Rs.	Others Rs.	Total Rs.
Interest Income	834,815,187	1,048,310,987	142,966,055	2,026,092,229
Interest Expenses	(370,304,181)	(595,765,922)	(147,912,847)	(1,113,982,950)
Net Interest Income	464,511,006	452,545,065	(4,946,792)	912,109,279
Fee and Commission Income	31,373,623	53,765,960	6,385,780	91,525,363
Fee and Commission Expenses	(13,271,090)	(17,434,200)	-	(30,705,290)
Net Fee and Commission Income	18,102,533	36,331,760	6,385,780	60,820,073
Other Operating Income (Net)	12,102,052	27,034,907	82,710,411	121,847,370
Total Operating Income	494,715,591	515,911,732	84,149,399	1,094,776,722
Impairment Charges on Loans and Advances	(111,018,546)	25,132,908	-	(85,885,638)
Impairment Charge on Non Financial Assets	-	-	(16,666,000)	(16,666,000)
Net Operating Income	383,697,045	541,044,640	67,483,399	992,225,084
Operating Expenses	(269,432,712)	(433,478,304)	(107,621,144)	(810,532,160)
Operating Profit before Value Added Tax (VAT) on Financial Services	114,264,333	107,566,337	(40,137,745)	181,692,924
Value Added Tax (VAT) on Financial Services	-	-	-	(90,165,483)
Social Security Contribution Levy (SSCL)	-	-	-	(12,522,984)
Profit / (Loss) Before Taxation	114,264,333	107,566,337	(40,137,745)	79,004,457
Tax Expense	-	-	-	(39,010,383)
Profit for the Year	114,264,333	107,566,337	(40,137,745)	39,994,074
Segment Assets	**4,014,313,000**	**6,458,449,585**	**1,603,461,407**	**12,076,223,992**
Segment Liabilities	**2,963,755,893**	**4,763,499,186**	**1,248,988,770**	**8,976,243,848**