12.2 ANNEXURE 2 – Audited Financial Statements 31 March 2025

JANASHAKTHI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2025

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF JANASHAKTHI LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Janashakthi Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2025, and the statement of profit and 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.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2025, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

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R. G. H. Radiella ACA,
W.W.J.C. Perera FCA
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R.H. Rajah FCA,
A.M.R.P. Alahakoon ACA

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

KPMG

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's and Group'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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

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.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
June 25, 2025

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Assets					
Property, plant & equipment	10	1,496,034	881,598	127,133	115,736
Investment property	11	5,660,397	5,677,937	2,953,340	2,907,000
Right of use of assets	12	724,731	916,232	228,240	131,148
Deferred tax assets	13	861,133	497,471	-	-
Intangible assets	14	4,415,784	4,382,678	-	-
Investment in subsidiaries	15	-	-	22,501,294	21,551,762
Investment in financial assets	16	123,448,487	96,576,891	379,773	204,497
Loans and receivables from customers	17	22,054,759	15,658,738	-	-
Loans to life policyholders and others	18	275,426	268,736	-	-
Inventories	19	20,306	12,465	-	-
Reinsurance receivables	20	19,620	26,815	-	-
Premium receivables	21	320,075	268,203	-	-
Amounts due from related parties	22	16,993	1,050,045	991,246	1,446,673
Trade, other receivables and advances	23	3,934,096	5,854,500	239,249	272,047
Derivative financial instruments	24	2,820	51,933	-	-
Assets classified as held for sale	25	42,416	42,416	-	-
Cash and cash equivalents	26	4,229,353	1,983,030	1,245,100	769,215
Total assets		167,522,430	134,149,688	28,665,375	27,398,078
Liabilities and equity					
Liabilities					
Debentures	27	3,908,443	3,573,447	2,139,115	1,058,299
Retirement benefit obligations	28	322,290	285,543	40,025	26,393
Interest bearing loans & borrowings	29	29,585,436	23,522,292	14,647,572	17,322,154
Deposits from customers	30	15,903,812	13,556,431	-	-
Insurance liability - Life	31	16,031,420	14,544,804	-	-
Reinsurance creditors	32	70,983	276	-	-
Liabilities related to equity accounted subsidiaries	15.1	-	-	13,054	292,411
Amount due to related parties	33	1,276,331	8,163	1,276,377	6,708
Trade and other payables	34	8,636,465	11,557,590	500,718	385,324
Derivative financial instruments	35	768	71,742	-	-
Securities sold under repurchase agreements	36	73,109,134	49,643,339	-	-
Bank overdrafts	26	1,391,740	2,082,924	422,960	112,432
Total liabilities		150,236,822	118,846,551	19,039,821	19,203,721



As at 31 March	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Equity					
Stated capital	37	4,300,000	4,300,000	4,300,000	4,300,000
Risk reserves	38	1,274,685	1,066,516	1,274,685	1,066,516
Reserve fund	39.1	220,261	202,891	220,261	202,891
Restricted regulatory reserve	39.2	1,336,414	1,336,414	1,336,414	1,336,414
Fair valuation reserve	39.3	43,157	186,654	43,157	186,654
Revaluation reserve	39.4	52,804	26,004	52,804	26,004
Regulatory loss allowance reserve	39.5	181,236	-	181,236	-
Retained Earnings		2,264,529	1,466,553	2,216,997	1,075,878
Total equity attributable owners of the Company		9,673,086	8,585,032	9,625,554	8,194,357
Non-controlling interests		7,612,522	6,718,104	-	-
Total equity		17,285,608	15,303,137	9,625,554	8,194,357
Total liabilities and equity		167,522,430	134,149,688	28,665,375	27,398,078

Figures in bracket indicate deductions.

The Notes to the Financial Statements on pages 13 to 116 form an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Thanushka Jayasundera
Group Chief Financial Officer

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

Chandana L. de Silva
Chairman

Ramesh Schaffter
Managing Director/ Group Chief Executive Officer

25th June 2025
Colombo.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Continuing Operations					
Revenue from contracts with customers		18,016,558	33,319,571	-	-
Revenue from insurance contracts		6,562,912	4,558,722	-	-
Dividend income		182,779	43,045	506	337
Total revenue	40	24,762,249	37,921,338	506	337
Revenue	40	24,762,249	37,921,338	506	337
Cost of sales and direct expenses		(10,009,657)	(12,783,838)	-	-
Gross profit		14,752,592	25,137,500	506	337
Benefits and losses					
Insurance claims and benefits (Net)	41	(3,938,349)	(3,405,033)	-	-
Underwriting and net acquisition cost	42	(1,662,727)	(1,162,592)	-	-
Change in contract liabilities - Life		(1,376,912)	(2,502,624)	-	-
		(6,977,988)	(7,070,249)	-	-
Other operating income	43	2,782,229	(580,253)	79,609	(576,232)
Change in fair value of financial assets - Fair value through profit or loss	43.3	3,938,746	5,349,425	(7,474)	6,542
		14,495,579	22,836,423	72,641	(569,353)
Operating expenses					
Selling & distribution expenses		(267,667)	(280,828)	(77,755)	(40,962)
Administrative & other operating expenses	44	(6,629,167)	(7,440,728)	(505,124)	(1,007,453)
Impairment charges	45	(17,085)	(19,500)	295,003	(273,330)
Profit / (Loss) from operations		7,581,460	15,095,367	(215,235)	(1,891,098)
Finance income	47	3,343,594	3,872,030	157,748	110,101
Finance cost	48	(2,248,074)	(3,587,711)	(2,500,904)	(4,880,882)
Net finance income/ (cost)		1,095,520	284,319	(2,343,156)	(4,770,781)
Share of profit/(loss) from equity accounted investee (net of tax)	15.2	-	-	6,573,156	10,952,867
Profit / (Loss) before income tax		8,676,980	15,379,686	4,014,765	4,290,988



For the year ended 31 March	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Income tax expense	49	(3,432,615)	(7,418,666)	(516,256)	(146,668)
Net profit for the year		5,244,365	7,961,020	3,498,509	4,144,320
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Gain/(loss) on financial assets measured at fair value through other comprehensive income		426,323	338,254	-	-
Available For Sale Financial Assets transferred to Income statement		(625,381)	273,442	-	-
Revaluation of motor vehicle		35,000	-	-	-
Actuarial gain/ (loss) on retirement benefit obligations	30.2	30,154	(54,735)	812	(14,831)
Actuarial loss transferred to long term fund		(418)	4,207	-	-
Reimbursement of actuarial gain		(32,702)	10,003	-	-
Tax effect on other comprehensive income/ (expenses)		1,447	3,589	-	-
Share of other comprehensive income from equity accounted investee (net of tax)	15.2	-	-	(128,125)	462,971
Other comprehensive (loss) / income for the year net of tax		(165,577)	574,760	(127,313)	448,140
Total comprehensive (loss) / income for the year		5,078,788	8,535,780	3,371,196	4,592,460
Profit/ (Loss) attributable to:					
Owners of the Company		3,155,366	4,317,267	3,498,509	4,144,320
Non-Controlling Interests		2,088,999	3,643,753	-	-
		5,244,365	7,961,020	3,498,509	4,144,320
Total comprehensive income/ (expense) attributable to :					
Owners of the Company		3,028,051	4,765,407	3,371,196	4,592,460
Non - Controlling Interests		2,050,737	3,770,373	-	-
		5,078,788	8,535,780	3,371,196	4,592,460
Basic Profit per share	50	4.98	6.81	5.52	6.54

The Notes to the Financial Statements on pages 13 to 116 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the parent		
	Stated Capital LKR '000	Reserve Fund LKR '000	Risk Reserve LKR '000
Balance as at 01st April 2023	4,300,000	186,564	402,474
Adjustment to AFS Reserve Fund of Life Policyholders	-	-	-
Balance as at 01st April 2023	4,300,000	186,564	402,474
Total comprehensive income for the year			
Profit/(Loss) for the year	-	-	-
Share of equity investees other comprehensive Income/(Loss) for the year	-	-	-
Company's other comprehensive Income/(Loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfers			
Transfer to Reserve Fund	-	16,327	818,356
Total transfers	-	16,327	818,356
Transactions with owners of the company			
Loss on sale of FVTOCI Investments	-	-	-
Adjustment to change in share ownership	-	-	(154,314)
Dividends	-	-	-
Total transactions with owners of the Company	-	-	(154,314)
Balance as at 31st March 2024	4,300,000	202,891	1,066,516
Balance as at 01st April 2024	4,300,000	202,891	1,066,516
Profit/(Loss) for the year	-	-	-
Share of equity investees other comprehensive Income/(Loss) for the year	-	-	-
Company's other comprehensive Income/(Loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfers			
Transfer to Risk Reserve	-	17,370	208,169
Transfer to Regulatory Loss Reserve	-	-	-
Total transfers	-	17,370	208,169
Transaction with owners of the Company			
Loss on sale of FVTOCI Investments	-	-	-
Dividends	-	-	-
Total transaction with owners of the Company	-	-	-
Balance as at 31st March 2025	4,300,000	220,261	1,274,685

The Notes to the Financial Statements on pages 13 to 116 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



Attributable to equity holders of the parent								
Restricted Regulatory Reserve LKR '000	Revaluation Reserve LKR '000	Fair Value Reserve Fund of life Policyholders LKR '000	Fair Value Reserve LKR '000	Regulatory Loss Allowance Reserve LKR '000	Retained Earnings LKR '000	Total LKR '000	Non-Controlling Interest LKR '000	Total Equity LKR '000
1,363,393	26,004	(494,481)	(465,733)	-	(361,342)	4,956,879	5,519,190	10,476,069
-	-	494,481	-	-		494,481	36,246	530,727
1,363,393	26,004	-	(465,733)	-	(361,342)	5,451,360	5,555,436	11,006,796
-	-	-	-	-	4,317,269	4,317,269	3,643,753	7,961,021
-	-	-	481,271	-	(18,300)	462,971	126,621	589,592
-	-	-	-	-	(14,831)	(14,831)	-	(14,831)
-	-	-	481,271	-	4,284,137	4,765,409	3,770,373	8,535,782
-	-	-	-	-	(834,683)	-	-	-
-	-	-	-	-	(834,683)	-	-	-
-	-	-	175	-	(175)	-	-	-
(26,979)	-	-	170,941	-	70,198	59,847	(59,847)	-
-	-	-	-	-	(1,691,583)	(1,691,583)	(2,547,858)	(4,239,440)
(26,979)	-	-	171,116	-	(1,621,559)	(1,631,735)	(2,607,705)	(4,239,440)
1,336,414	26,004	-	186,655	-	1,466,553	8,585,033	6,718,104	15,303,137
1,336,414	26,004	-	186,655	-	1,466,553	8,585,033	6,718,104	15,303,137
-	-	-	-	-	3,155,366	3,155,366	2,088,999	5,244,365
-	26,800	-	(153,238)	-	(1,687)	(128,125)	(38,264)	(166,389)
-	-	-	-	-	812	812	-	812
-	26,800	-	(153,238)	-	3,154,491	3,028,053	2,050,735	5,078,788
-	-	-	-	-	(225,539)	-	-	-
-	-	-	-	181,236	(181,236)	-	-	-
-	-	-	-	181,236	(406,775)	-	-	-
-	-	-	9,740	-	(9,740)	-	-	-
-	-	-	-	-	(1,940,000)	(1,940,000)	(1,156,317)	(3,096,317)
-	-	-	9,740	-	(1,949,740)	(1,940,000)	(1,156,317)	(3,096,317)
1,336,414	52,804	-	43,157	181,236	2,264,529	9,673,086	7,612,522	17,285,608

KPMG Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

Company	Stated Capital LKR '000	Reserve Fund LKR '000	Risk Reserve LKR '000
Balance as at 1st April 2023	4,300,000	186,564	402,474
Adjustment to AFS Reserve Fund of Life Policyholders	-	-	-
Balance as at 1st April 2023	4,300,000	186,564	402,474
Total comprehensive income for the year			
Profit/(Loss) for the year	-	-	-
Share of equity investees other comprehensive Income/(Loss) for the year	-	-	-
Company's other comprehensive Income/(Loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfers			
Transfer to Reserve Fund	-	16,327	818,356
Total transfers	-	16,327	818,356
Transactions with owners of the Company			
Loss on sale of FVTOCI Investments	-	-	-
Adjustment to change in share ownership	-	-	(154,314)
Dividends	-	-	-
Total transactions with owners of the Company	-	-	(154,314)
Balance as at 31st March 2024	4,300,000	202,891	1,066,516
Balance as at 1st April 2024	4,300,000	202,891	1,066,516
Profit/(Loss) for the year	-	-	-
Share of equity investees other comprehensive Income/(Loss) for the year	-	-	-
Company's other comprehensive Income/(Loss) for the year	-	-	-
Total comprehensive income for the year	-	-	-
Transfers			
Transfer to Risk Reserve	-	17,370	208,169
Transfer to Regulatory Loss Reserve	-	-	-
Total transfers	-	17,370	208,169
Transactions with owners of the Company			
Loss on sale of FVTOCI Investments	-	-	-
Dividends	-	-	-
Total transactions with owners of the Company	-	-	-
Balance as at 31st March 2025	4,300,000	220,261	1,274,685

The Notes to the Financial Statements on pages 13 to 116 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



Restricted Regulatory Reserve LKR '000	Revaluation Reserve LKR '000	Fair Value Reserve Fund of life Policyholders LKR '000	Fair Value Reserve LKR '000	Regulatory Loss Allowance Reserve LKR '000	Retained Earnings LKR '000	Total Equity LKR '000
1,363,393	26,004	(494,481)	(465,733)	-	(519,222)	4,798,999
-	-	494,481	-	-	-	494,481
1,363,393	26,004	-	(465,733)	-	(519,222)	5,293,480
-	-	-	-	-	4,144,320	4,144,320
-	-	-	481,271	-	(18,300)	462,971
-	-		-	-	(14,831)	(14,831)
-	-	-	481,271	-	4,111,189	4,592,460
-	-	-	-	-	(834,683)	-
-	-	-	-	-	(834,683)	-
-	-	-	175	-	(175)	
(26,979)	-	-	170,941	-	10,351	-
-	-	-	-	-	(1,691,582)	(1,691,582)
(26,979)	-	-	171,116	-	(1,681,406)	(1,691,582)
1,336,414	26,004	-	186,655	-	1,075,878	8,194,357
1,336,414	26,004	-	186,655	-	1,075,878	8,194,357
-	-	-	-	-	3,498,509	3,498,509
-	26,800	-	(153,238)	-	(1,687)	(128,125)
-	-	-	-	-	812	812
-	26,800	-	(153,239)	-	3,497,634	3,371,196
-				-	(225,539)	-
-	-	-	-	181,236	(181,236)	-
-	-	-	-	181,236	(406,775)	-
-	-	-	9,740	-	(9,740)	-
-	-	-	-	-	(1,940,000)	(1,940,000)
-	-	-	9,740	-	(1,949,740)	(1,940,000)
1,336,414	52,804	-	43,157	181,236	2,216,997	9,625,554

STATEMENT OF CASH FLOWS

For the year ended 31 March,	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Cash flows from operating activities					
Profit/(Loss) before tax expenses		8,676,980	15,379,686	4,014,765	4,290,988
Adjustments for					
Finance income	47	(3,343,594)	(3,872,030)	(157,748)	(110,101)
Finance cost	48	2,248,074	3,587,711	2,500,904	4,880,882
ROU Adjustment		128,672	-	(20,625)	-
Depreciation and amortization	46	534,866	388,341	47,898	12,222
Profit on disposal of property, plant and equipment		(2,233)	(339)	-	-
Fair value (gain)/loss on financial assets	43.3	(3,938,746)	(5,349,425)	7,474	(6,542)
Fair value loss on biological assets	43	-	498,900	-	498,900
Fair value (gain)/loss on investment properties	11	(34,489)	362,572	500	401,500
Exchange Loss	12	2,300	6,740	2,300	6,740
Change in effective holding percentage	16.2	-	234,685	-	234,685
Assets write off	10/14	-	427,013	-	427,013
Impairment charges	45	17,085	19,500	(295,003)	273,330
Gratuity provision	28	79,589	67,824	15,588	4,777
Share of profit from equity accounted investee (net of tax)		-	-	(6,573,156)	(10,952,867)
Gain on disposal of shares of equity accounted investees		-	-	-	(294,532)
Operating profit/(loss) before working capital changes		4,368,504	11,751,178	(457,103)	(333,005)
Change in inventories		(7,841)	2,253	-	-
Change in loans and advances to customers		(6,396,021)	(2,717,727)	-	-
Change in financial assets		(22,932,850)	(10,528,596)	(175,276)	(40,734)
Change in amount due from related parties		1,015,967	5,985,244	750,430	6,104,272
Change in premium and other receivables		(51,367)	185,981	-	-
Change in trade, other receivables and advances		1,920,404	(3,028,011)	32,798	(216,605)
Change in deposits from customers		2,347,381	2,796,932	-	-
Change in trade and other payables		(946,839)	3,884,858	24,382	197,008
Change in amount due to related parties		1,268,168	(32,351)	1,269,671	(33,703)
Change in life insurance fund		1,486,616	2,351,165	-	-
Change in securities sold under re-purchase agreements		23,465,795	3,312,750	-	-
Cash generated from/(used in) operations		5,537,917	13,963,675	1,444,902	5,677,233
Gratuity paid	28	(14,272)	(38,717)	(1,144)	(934)
Income taxes paid		(4,980,813)	(2,652,805)	-	-
Withholding tax on dividend declared from subsidiary companies		(730,793)	(1,360,307)	(516,256)	(146,668)
Finance costs paid		(2,117,435)	(3,587,711)	(2,490,066)	(4,880,882)
Net cash flows from/(used in) operating activities		(2,305,396)	6,324,135	(1,562,564)	648,749

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For the year ended 31 March,	Notes	Group 2025 LKR '000	Group 2024 LKR '000	Company 2025 LKR '000	Company 2024 LKR '000
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(1,020,891)	(621,151)	(32,647)	(110,630)
Acquisition of investment properties	11	(59,961)	(85,000)	(46,840)	(85,000)
Investment in subsidiary	15.2	-	-	-	(137,631)
Acquisition of intangible assets	14	(97,118)	(38,524)	-	-
Proceeds from disposal of property, plant and equipment		4,114	550	121	-
Proceeds from disposal of investment properties		-	84,072	-	-
Proceeds from disposal of right to use asset		-	87,001	-	87,001
Proceeds from disposal of biological assets		-	429,500	-	429,500
Finance income		3,343,594	3,872,030	157,748	110,101
Proceeds from disposal of subsidiary shares		52,588	-	52,588	3,754,587
Dividend received		42,101	42,101	-	-
Dividend income from equity accounted investee	15.2	-	-	5,163,554	5,320,402
Net cash flows generated from/(used in) investing activities		2,264,427	3,770,579	5,294,524	9,368,329
Cash flows from financing activities					
Net change in interest bearing loans and borrowings		6,063,144	(4,782,082)	(2,674,582)	(6,970,838)
Payment of lease liability		(323,346)	(268,113)	(32,836)	-
Net change in debentures		334,996	(157,747)	1,080,816	(720,074)
Dividend paid to equity holders		(1,940,000)	(1,691,583)	(1,940,000)	(1,691,583)
Dividend paid to minority shareholders		(1,158,317)	(2,547,858)	-	-
Net cash flows generated from financing activities		2,978,477	(9,447,382)	(3,566,602)	(9,386,686)
Net increase/(decrease) in cash and cash equivalents		2,937,508	647,332	165,358	630,393
Cash and cash equivalents at the beginning of the year		(99,895)	(747,227)	656,782	26,389
Cash and cash equivalents at the end of the year	26	2,837,613	(99,895)	822,140	656,782
Analysis of cash and cash equivalents					
Favorable balances					
Cash & bank balances	26	4,229,353	1,983,030	1,245,100	769,215
Unfavorable cash and cash equivalents balance					
Bank overdrafts	26	(1,391,740)	(2,082,924)	(422,960)	(112,432)
Total cash and cash equivalents		2,837,613	(99,894)	822,140	656,782

The Notes to the Financial Statements on pages 13 to 116 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Janashakthi Limited ("Company") is a limited liability Company incorporated and domiciled in Sri Lanka on May 1994 under the name of Acland Finance Limited. The registered office and place of business of the Company is No. 2, Deal Place, Colombo 03. The Company was re-registered under the Companies Act No. 07 of 2007.

The Company underwent two name changes between 1994 and 2002 prior to changing its name to Janashakthi Limited on 9th September 2004. The Company listed its Debentures on the Colombo Stock Exchange (CSE) on 1st December 2014 for its Debentures and underwent a further name change as a result to Janashakthi PLC on 29th January 2015. With effective from 17th December 2020, the Company has changed its name to Janashakthi Limited subsequent to delisting of debentures from Colombo Stock Exchange (CSE).

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2025 include the Company and its Subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Financial Statements of all companies in the Group have a common financial year which ends on 31 March except for the Janashakthi Insurance PLC which ends on 31 December.

1.1 Principal Activities

1.1.1 Company

The principal activity of the Company is investing in subsidiaries and providing related services.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

1.1.2 Subsidiaries

Name of subsidiary	Principal activities
Janashakthi Insurance PLC	Engages in providing life insurance solutions for both individual and corporate customers.
Janashakthi Finance PLC	Engages in providing finance leasing, hire purchasing, debt factoring, mobilization of deposits and pawning (gold loans) advances.
First Capital Holdings PLC	Investing in and management of subsidiaries
First Capital Limited	Engages in debt structuring, corporate finance and advisory services and investing in and management of subsidiaries.
First Capital Treasuries PLC	Engages in business operations as a primary dealer in government securities.
First Capital Markets Limited	Engages in general investments (fixed income securities) and fee-based activities.
First Capital Asset Management Limited	Engages in the management of clients' investment portfolios and the management of unit trust.
First Capital Equities (Private) Limited	Engages in stock brokering activities of listed securities.
First Capital Trustees (Private) Limited	Engages in the business of providing trustee services for corporate debt securities.
First Capital Advisory Services (Private) Limited	Engage in corporate finance advisory services
Janashakthi Corporate Services Limited	Engages in providing secretarial services
Janashakthi Capital Limited	Engages in investing activities.
Orient Capital Limited	Engages in investing activities.
Beckett Capital (Pvt) Ltd	Engages in providing fitness services.
Janashakthi Business Services (Pvt) Ltd	Engages in providing share service function to the Group.



2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of Companies Act No. 7 of 2007. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting. These SLFRSs and LKASs are available at www.casrilanka.com. The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.2 Responsibility for Financial Statements

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

The Board of Directors acknowledges their responsibility for Financial Statements as set out in these Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising significant accounting policies and other explanatory information.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2025 (including comparatives for 2024), were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 25th June 2025.

2.4 Basis of Measurement

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

Category	Basis of measurement	Note
Derivative financial assets/ liabilities	Fair value	7.1.3
Financial assets measured at fair value though profit or loss	Fair value	7.1.4.1
Financial assets measured at fair value though other comprehensive income	Fair value	7.1.4.3
Financial assets at amortized cost	Amortized cost	7.1.4.2
Right of use of assets & lease liabilities	Present value of future lease rental payments	7.5
Retirement benefit obligations	Projected unit credit method	7.17.1
Investment property	Fair value	11

2.5 Functional and Presentation Currency

Items included in these Financial Statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "Functional Currency"). There was no change in the Group's presentation and functional currency during the year under review. These Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency.

2.6 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements" and amendments to the LKAS 01 on "Disclosure initiative", which was effective from 01st January 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group.



NOTES TO THE FINANCIAL STATEMENTS

2.8 Offsetting

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

Income and expenses are not offset in the Statement of Profit or Loss and Other Comprehensive income, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the significant accounting policies of the Group.

2.9 Rounding

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

2.10 Comparative Information

Comparative 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.

2.11 Use of Judgements and Estimates

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the Consolidated Financial Statements are included in the following Notes to these Financial Statements.

Critical accounting estimate/judgement	Disclosure Note
Going concern	2.12
Fair value of financial instruments	2.13
Impairment of goodwill	4.1.2
Equity accounted investee	4.1.9
Deferred tax on unutilized tax losses	6.6
Classification of financial assets and liabilities	7.1.2
Impairment losses on financial assets	7.1.7
Useful lives of property, plant and equipment	7.2.3
Non-current assets held for sale	7.4
Useful lives of intangible assets	7.6
Impairment of non-financial assets	7.8
Provisions for liabilities, commitments and contingencies	7.14
Retirement benefit obligation	7.18.1
Insurance contract liability	8.5.3
Liability adequacy test	8.5.3

2.12 Going Concern

The Group's 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. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis. The management has formed judgment that the Company, its subsidiaries, and affiliates have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

2.13 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 in the principal or, in the absence, in the most advantageous market to which the Group has the access at that date. The fair value of a liability reflects its non-performance risk.

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

Level 1

Inputs that are quoted (unadjusted) market prices in active markets for identical assets or liabilities.



When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- quoted prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable.

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices of similar instruments for which significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

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

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ("Day 1" profit or loss) is deferred and recognized only when the inputs become observable or on derecognition of the instrument.

Further information about the assumptions made in measuring fair values is included in following notes:

- Note 11.3: Investment Property
- Note 16.1: Financial Assets

2.14 **Useful Lifetime of the Property, Plant & Equipment**

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

2.15 **Provisions for Liabilities, Commitments and Contingencies**

The Group receives legal claims in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions.

The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

2.16 **Revaluation and Fair Valuation of property, plant & equipment and investment properties**

The land and buildings are measured at revalued amounts with changes in fair value being recognized in the statement of equity. The investment properties are measured at fair value, with changes in fair value being recognized in the statement of profit or loss.

2.17 Life Insurance contract liabilities

The liability for life insurance contracts is based on assumptions established at inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect the best current estimates of future cash flows.

The main assumptions used relate to mortality, longevity, and discount rates. The Company bases mortality on standard tables published by the Institute of Actuaries of United Kingdom (A 67/70 and A 49/52). Discounts rates are based on the guidelines provided by the Insurance Regularity Commission of Sri Lanka (IRCSL) and are in line with SLFRS 4 Insurance Contracts.

3. CHANGE IN MATERIAL ACCOUNTING POLICIES

3.1 **Deferred tax related to assets and liabilities arising from a single transaction**

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g.

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NOTES TO THE FINANCIAL STATEMENTS

leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised (see Note 14).

3.2 Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure (see Note 13). The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

3.3 Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group. Comparative information has where necessary been reclassified to confirm the current year's presentation.

4.1 Basis of Consolidation

4.1.1 General

The Group's financial statements comprise, consolidated Financial Statements of the Group and its subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on 'Consolidated Financial Statements. Thus, the consolidation Financial Statements present financial information about the Group as a single economic entity distinguishing the equity attributable to the parent (controlling interest) and attributable to minority shareholders with Non-Controlling Interests.

4.1.2 Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in statement of profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in statement of profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in statement of profit or loss.



Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any Non-Controlling Interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in statement of profit or loss.

4.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entities. Details of the Group's Subsidiaries are set out in Notes 1.1 and 15.

The Company accounts for investment in subsidiaries using equity method. The investment is initially recognized at cost. Subsequent to initial recognition share of profit or loss and other comprehensive income of the subsidiaries are capitalized to the investment. The Dividends received from subsidiaries are treated as reduction of investment.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

The Consolidated Financial Statements are prepared to common financial year end of 31st March except for Janashakthi Insurance PLC which has a year-end of 31st December.

Where Subsidiaries have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition. Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any Non-Controlling Interest and the other components of equity related to the subsidiary.

During the year, Janashakthi Limited being the parent company of Beckett Capital Pvt Ltd sold its entire stake of 100% on 31st January 2025. Details of this disposal is presented in Note 15.

4.1.3.1 Step Acquisitions

The Group elects the remeasurement approach for step acquisition that result in significant influence being exerted in a Group. Under this approach, the previously held interest is remeasured to fair value through statement of profit or loss. Obtaining significant influence is seen as an economic event that changes the nature of the investment, which is also consistent with the approach for the loss of significant influence.

When significant influence is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in statement of profit or loss. The amount that was recognized in other comprehensive income, is recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Previously held interests will in almost all cases have been fair value through other comprehensive income investments and therefore already at fair value and as a result, no remeasurement in the statement of financial position arises in practice, but because the investment is treated as sold there is reclassification to statement of profit or loss of the fair value through other comprehensive income revaluation reserve.

4.1.4 Non-Controlling Interests

Non-Controlling Interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

For each business combination, the Group elects to measure any Non-Controlling Interest in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in statement of profit or loss.

4.1.5 Acquisitions of Non-Controlling Interest

Acquisition of Non-Controlling Interest is accounted for as transactions with equity holders. Therefore, no goodwill is recognized as a result of such transactions. A list of Subsidiaries within the Group is provided.



NOTES TO THE FINANCIAL STATEMENTS

4.1.6 Goodwill and Gain from a Bargain Purchase arose on the Acquisition of Subsidiaries

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired. When the excess is negative (bargain purchase), it is recognized immediately in statement of profit or loss.

Goodwill on the acquisition of subsidiaries is presented as intangible assets and stated at cost less accumulated impairment loss. Goodwill is tested for impairment as described in LKAS 36 – Impairment of Assets.

4.1.7 Loss of Control

On the loss of control, the Group de-recognizes the assets and liabilities of the subsidiary, any Non-Controlling Interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently, that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

4.1.8 Transactions Eliminated on Consolidation

Intra-Group balances, and income and expenses arising from intra-Group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

4.1.9 Interest in Equity Accounted Investees

The Group's interest in equity accounted investee comprises interest in associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using equity method. They are initially recognized at cost.

Subsequent to initial recognition the Consolidated Financial Statements include the Group's share of profit or loss and Other Comprehensive Income of equity accounted investees, until the date on which significant influence ceases.

The Group has no associate as of the reporting date.

4.1.10 Material Gains or Losses, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognized during the year in respect of business combinations that took place in previous periods.

4.1.11 Unconsolidated Structured Entities

The Group manages and administrates assets held in unit trusts on behalf of investors. These are entities which are not consolidated because the Group does not control them through voting rights, contract, funding agreements, or other means.

The extent of the Group's interests to consolidated structured entities will vary depending on the type of structured entities.

The details relating to unconsolidated structured entities are disclosed in Note 51 to the Financial Statements.

5 FOREIGN CURRENCY

5.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency (Sri Lankan Rupees - LKR) of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate (Closing rate) at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in statement of profit or loss.

6. RECOGNITION OF INCOME AND EXPENSES

6.1 Revenue Recognition and Expenses

The revenue is recognized based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognized the revenue either over the time of the contract or point in time upon analysis of each sale of goods under separate divisions.

6.1.1 Gross Premium

Gross recurring premiums on life and investment contracts with Discretionary Participating Feature (DPF) are recognized as revenue when payable by the



policyholder. For single premium business, revenue is recognized on the date on which the policy is effective. Any premium received in advance is not recorded as revenue at time of receipt but recorded as a liability until the premium is due and transferred to the revenue.

6.1.2 Reinsurance Premium

Reinsurance Premiums are recognized as an expense on the earlier of the due date or on the date on which the policy is effective.

6.1.3 Interest Income and expense

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

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

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis; and
- interest on financial assets measured at fair value through other comprehensive income are calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income as gain on fair valuation of other financial instruments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

6.1.4 Gain on Sale of Financial Investments measured at fair value through profit or loss

Gain on sale of financial instruments held for trading comprises realized trading gains on disposal of government securities, quoted shares and listed debentures, are presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

6.1.5 Gain/(Loss) on Redemption of Units

Gain/(loss) on redemption of units comprises realized trading gain/(loss) on disposal of investment in unit trust, is presented in direct income as sale of financial investments at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

6.1.6 Gain/(Loss) on Disposal of Financial Investments – Fair Value through Other Comprehensive Income

Gain/(loss) on disposal of financial investments measured at fair value through other comprehensive income comprises realized capital gain/ (loss) on disposal of investment in equity securities classified as financial assets measured at fair value through other comprehensive income, is presented in other comprehensive income.

6.1.7 Fee and Commission Income

Policy administration services, surrenders and other contract fees, investment management fees and placement fees are recognized as the related services are performed. Fee and commission expenses are recognized on an accrual basis.

Commission income on dealing/ brokering in listed shares is recognized as the related services are performed. Commission expenses are recognized on an accrual basis.

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

6.1.8 Dividend Income

Dividend income from financial investments held for trading is recognized in statement of profit or loss on an accrual basis when the Company's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividends are presented in net trading income or net gain/ (loss) from financial investments based on the underlying classification of the equity investment.

6.1.9 Construction and selling of houses

Revenue from construction and selling of houses is recognized when construction is completed, 100% sales proceeds are collected, and Certificate of Conformity is obtained.

6.1.10 Sale of Land

Revenue from sale of land is recognized only when 100% sales proceeds are collected, and the control is transferred to the customers upon the transfer of property deed.



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6.1.11 Rental Income and Expenses

Rental income and expense are recognized in statement of profit or loss and other comprehensive income on an accrual basis.

6.1.12 Interest on overdue rentals

Overdue interest is charged on loans and advances which are not paid on the due date and accounted for on the cash basis.

6.1.13 Recovery of bad and doubtful debts written off

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

6.1.14 Interest Rate Swap Income

Interest rate swap income comprises realized gain on interest rate swap contracts, is presented in direct income as interest rate swap income in the statement of profit or loss and other comprehensive income.

6.1.15 Other income and expenses

Other income and expenses are recognized on an accrual basis.

6.2 Expenses Recognition

Expenses are recognized in the statement of profit or loss and other comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the statement of profit or loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Group's performance, and hence such presentation method is adopted.

6.3 Benefits, claims & Insurance expenses recognition

Claims of Life insurance include claims on death or maturity and are charged against revenue on notification of death or on expiry of the term. Claims on participating business include bonus payable and interest. Survival benefit payments are recognized on the due date or on notification and surrenders are accounted for only at the time of settlement.

6.3.1 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

6.4 Borrowing Costs

All Borrowing Costs are expensed as and when they are incurred except where they are directly attributable to the acquisition or construction of a qualified asset as required by LKAS 23 - Borrowing Costs.

6.5 Income Tax Expense

6.5.1 Income Tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in statement of other comprehensive income (OCI).

Current tax assets and liabilities and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

6.5.2 Current Tax

Current tax assets and liabilities consists of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and the amendment thereto, at the rates specified in the Financial Statements.

6.6 Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill; and
- taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.



Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.7 Tax Exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

6.8 Uncertainty Over Income Tax Treatments

The Group has accounted for the uncertainty over tax treatments under IFRIC 23. An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. If it is not probable that the taxation authority will accept an uncertain tax treatment, effect of uncertainty shall be reflected in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The effect of uncertainty for each uncertain tax treatment shall be reflected by using either of the most likely amount or the expected value methods, depending on which method the Group expects to better predict the resolution of the uncertainty.

6.9 Withholding Tax on Dividends Distributed by the Company, Subsidiaries

6.9.1 Withholding Tax on Dividends Distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized.

6.9.2 Withholding Tax on Dividends Distributed by the Subsidiaries

Dividends received by the Company from its Subsidiaries, have attracted a 15% deduction at source.

6.10 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. VAT on financial services is computed on the prescribed rate

6.11 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013, and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

7. RECOGNITION OF ASSETS & LIABILITIES

7.1 Financial Instruments

7.1.1 Initial Recognition, Classification and Subsequent Measurement

7.1.1.1 Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

7.1.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

7.1.2 Classification and Subsequent Measurement of Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair value through other comprehensive income or Fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at Fair value through profit or loss:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are assessment of whether contractual cash flows are Solely Payments of Principal and Interest ("SPPI").



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A debt instrument is measured at Fair value through other comprehensive income only if it meets both of the following condition and is not designated as at Fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis. All other financial assets are classified as measured at Fair value through profit or loss.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at as at Fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

7.1.2.1 Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to Management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at Fair value through profit and loss because they are neither held to collect contractual cashflows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



Financial assets measured at Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.
Debt investments at Fair value through comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to statement of profit or loss.
Equity investments at Fair value through comprehensive income	These assets are subsequently measured at fair value. Dividend is recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to statement of profit or loss.

7.1.3 **Derivatives recorded at fair value through profit or loss**

7.1.3.1 Derivatives held for risk management purposes

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

7.1.3.2 Other Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognized immediately in statement of profit or loss as a component of net income from other financial instruments at Fair value through profit or loss.

7.1.4 **Financial Assets**

Financial assets are classified appropriately as financial assets recognized through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets at amortized cost.

All the financial assets are recognized at fair value at its initial recognition.

7.1.4.1 Financial assets measured at - fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognized in statement of profit or loss as incurred.

Financial assets at fair value through profit or loss are measured at fair value, and subsequent therein are recognized in statement of profit or loss.

Following assets represent financial assets at fair value though profit or loss,

- Investment in government securities
- Investment in listed debentures
- Investment in listed equity securities
- Investment in unit trusts

7.1.4.2 Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost of the Group comprise of the followings,

- Lending
- Investment in corporate debt securities
- Fixed deposits
- Staff loans
- Reverse repurchase agreements

7.1.4.3 Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income (FVTOCI) are non-derivative financial assets that are designated FVTOCI and that are not classified in any of the previous categories of financial assets. FVTOCI are recognized initially at fair value plus any directly attributable transaction costs.



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Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment in debt instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to statement of profit or loss.

Financial assets measured at FVTOCI comprise, government securities and unquoted equities.

7.1.4.4 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand, cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

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

7.1.5 Financial Liabilities

The Group initially recognizes debt securities and borrowings on the date that they are originated. All other financial liabilities are recognized at initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instruments.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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

Financial liabilities comprise;

- Bank overdrafts
- Securities sold under re-purchase agreements
- Short term borrowings
- Long term borrowings
- Borrowing on listed debentures

7.1.5.1 Recognition and measurement of financial liabilities

Group classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortized cost; and
- Financial liabilities at fair value through profit or loss.

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial liability is at fair value or amortized cost. The amortized cost of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount.

7.1.5.1.1 Classification and subsequent measurement of financial liabilities

The subsequent measurement of financial liabilities depends on their classification.

7.1.5.2 Financial liabilities at amortized cost

Financial liabilities issued by the Group that are not designated at fair value through profit or loss are recognized initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The effective interest rate amortization is included in "Interest expense" in the statement of profit or loss. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

7.1.5.3 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

7.1.6 Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group's changes its objective of the business model for managing such financial assets. Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

7.1.7 Impairment of Financial Assets

7.1.7.1 Recognition of ECL

The Group recognizes allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan and receivable to customers
- other lending
- financial guarantee contracts issued; and
- undrawn credit commitments.

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The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Group does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Group assesses financial assets under three stages in determining ECL.

- Stage 1 : financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, a 12-months ECL is recognized.
- Stage 2 : financial instruments that have experienced a significant increase in credit risk since initial recognition but for which the exposure is not yet defaulted. For these assets, lifetime ECLs are recognized, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.
- Stage 3 : financial instruments which are deemed to be credit impaired. This is where a credit loss has already been suffered on the assets. For these assets, lifetime ECLs are recognized, representing the expected credit losses that result from all possible default events over the expected life of the financial asset.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

7.1.7.2 Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment including forward looking information. The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in SLFRS 9.

The Group individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include, inter alia:

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of a customer/group of customers, portfolios or instruments
- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers or instruments
- When the value of collateral is significantly reduced and/or realizability of collateral is doubtful
- When a customer is subject to litigation that significantly affects the performance of the credit facility
- Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants
- When the customer is deceased/insolvent
- When the Group is unable to contact or find the customer

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with significant increase in credit risk and assessed accordingly in ECL computations. The Group regularly monitors the effectiveness of the criteria used to identify significant increase in credit risk to confirm that the criteria is capable of identifying significant increase in credit risk before an exposure is in default.

For debt instruments having an external credit rating, which are measured at amortized cost or at FVOCI, the Group determines significant increase in credit risk based on the generally accepted investment/non-investment grade



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definitions published by international rating agencies. Debt instruments are moved to stage 2 if their credit risk increases to the extent that they are no longer considered investment grade.

7.1.7.3 Credit-Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVTOCI are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market or a security because of financial difficulties.

7.1.7.4 Movement between the stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments. Financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above.

7.1.7.5 Grouping financial assets measured on collective basis

The Group calculates ECLs either on a collective or an individual basis. Asset classes where the Group calculates ECL on individual basis include credit impaired facilities of individually significant customers.

Those financial assets for which, the company determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on a collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to customers are grouped into homogeneous portfolios, based on a combination of product and customer characteristics.

7.1.7.6 The calculation of Expected Credit Loss Principle (ECL)

The Group calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: Exposure At Default is the estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw down on committed facilities and accrued financing income from missed payments.
- LGD: 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 lenders would expect to receive, including realization of any collateral.

7.1.7.7 Forward-looking information

The Group incorporates forward-looking information into both its assessments as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

7.1.7.8 Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the loss allowance is charged to statement of profit or loss and is recognized in other comprehensive income.

7.1.7.9 Write-off

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 Group 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 "provision for impairment of financial assets at amortized cost" in the statement of profit or loss.



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

7.1.8 Derecognition of Financial Assets and Financial Liabilities

7.1.8.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass– through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

7.1.8.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in statement of profit or loss and other comprehensive income.

7.1.9 Offsetting financial instruments

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

7.1.10 Amortized cost measurement

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

7.2 Property, Plant and Equipment

The Group applies the requirements of the Sri Lanka Accounting Standard– LKAS 16 on 'Property, Plant & Equipment' in accounting for assets which are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

7.2.1 Recognition and Measurement

Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be reliably measured. The Group applies the cost model to all property, plant & equipment except for freehold land and buildings and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-to-day servicing).

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

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

7.2.1.1 Cost Model

The Group applies the cost model to property, plant and equipment except for freehold land and buildings and records them at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

7.2.1.2 Revaluation Model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every three years on a roll over



NOTES TO THE FINANCIAL STATEMENTS

basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.

7.2.2 Subsequent Costs

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

7.2.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the statement of profit or loss. Land is not depreciated.

The estimated useful lives of significant items of property and equipment are as follows:

Asset Type	Lifetime (Years)
Building	20 - 50
Improvements on buildings under lease	5 - 10
Office equipment	3 - 6
Computer hardware	3 - 5
Motor vehicles	3 - 5
Plant and machinery	2 - 20
Furniture, fixtures & fittings	3 - 8

The depreciation rates are determined separately for each significant part of an item of property, plant & equipment depreciation of asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is de- recognized.

7.2.4 Change in depreciation rate

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted, if required.

7.2.5 De-recognition

An item of property, plant & equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognized in 'Other Income' in statement of profit or loss in the year the asset is de-recognized. When replacement costs are recognized in the carrying amount of an item of property, plant & equipment, the remaining carrying amount of the replaced part is derecognized as required by Sri Lanka Accounting Standard – LKAS 16 on 'property, plant & equipment'.

7.3 Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or for both. They are not properties held for sale in the ordinary course of business, used in the production or supply of goods or service or for administrative services.

7.3.1 Basis of recognition

Investment property is recognized as an asset if it is probable that future economic benefits that are associated with the investment property will flow to the Group and if the cost of the investment property can be measured reliably.

7.3.2 Measurement

An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The carrying amount includes the cost of replacing part of an existing investment property at the time that the cost is incurred if the recognition criteria are met and excludes the cost of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. The Group fair value the investment property at least once in three years.

7.3.3 Derecognition

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising on the retirement or disposal of an investment property are recognized in the statement of profit and loss in the year of retirement or disposal.

7.4 Non-current Assets held for Sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as "Held for Sale" once identified that the carrying amount will be recovered principally through a sale transaction rather than through continuing use. These are assets which are available for immediate sale in their present condition, subject to only the terms that are usual and customary for sale of such assets and their sale is highly probable.

Non-current assets held for sale are presented separately on the face of the statement of financial position at the lower of its carrying amount and fair value less costs to sell.

Assets classified as Non-Current Assets held for Sale are neither amortized nor depreciated.

