SOFTLOGIC FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2026

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Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOFTLOGIC FINANCE PLC

Report on the audit of the Financial Statements

Opinion

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

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

Basis for opinion

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

Key Audit Matters

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

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

(Contd...2/)

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

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

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Key Audit Matter	How our audit addressed the key audit matter
Allowances for Expected Credit Losses of loans and lease receivables Allowances for expected credit losses of loans and lease receivables measured at amortized cost as stated in Notes 19 and 22 respectively, is determined by management based on the accounting policies described in Note 3.2 to the financial statements. This was a key audit matter due to • the involvement of significant management judgements, assumptions and level of estimation uncertainty involved in assessing the future recoverability of loans and lease receivables; and • the materiality of the reported amount of Allowances for expected credit losses. Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables included determining whether significant increase in credit risk has occurred, use of a broad range of forward-looking macroeconomic inputs and their associated weightages which are subject to inherently heightened levels of estimation uncertainty and subjectivity. Further information on the key estimates, assumptions and judgements is disclosed as in Note 2.12.	In addressing the allowances for expected credit losses of loans and lease receivables, our audit procedures included the following key procedures: • Assessed the alignment of the Company's allowances for expected credit losses computations with the underlying methodology and related accounting policies, based on the best available information up to the date of our report. • Assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. • Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by agreeing details to relevant source documents and accounting records of the Company. • Evaluated the reasonableness of qualitative and quantitative factors used in credit quality assessments and related stage classifications. • In addition to the above, the following procedures were performed: For loans and lease receivables assessed on an individual basis for impairment: • Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals. • Tested the arithmetical accuracy of the underlying individual impairment calculations.

(Contd..3/)

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Key Audit Matter	How our audit addressed the key audit matter
	For loans and lease receivables assessed on a collective basis for impairment: • Tested the key inputs and the calculations used in the impairment for expected credit losses. • Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. • Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario. • Assessed the adequacy of the related financial statement disclosures set out in notes 19-22 and 9.
Information Technology (IT) systems related internal controls over financial reporting Company's financial reporting process is significantly reliant on IT systems and with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by the IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: • Obtained an understanding of the internal control environment of the processes and tested relevant key controls relating to financial reporting and related disclosures. • Involved our internal specialized resources and; • Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls, including those related to user access and change management, and identified, evaluated and tested the design and operating effectiveness of IT system related internal controls over financial reporting, relating to user access and change management, and • Obtained a high-level understanding of the cybersecurity risks affecting the Finance Company and the actions taken to address these risks primarily through inquiry. • Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

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Other Information included in the Company's 2026 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2026 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

(Contd...5/)

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 8513.

Ernst & Young

09 July 2026
Colombo

Softlogic Finance PLC

INCOME STATEMENT

Year ended 31 March 2026

	Note	2026 Rs.	2025 Rs.
Gross Income	5	1,225,077,110	1,510,453,928
Interest income	5.1	920,623,086	1,133,204,770
Less: Interest expenses	5.2	(519,047,969)	(833,646,073)
Net interest income	6	401,575,117	299,558,698
Fee and commission income	7	68,758,076	55,490,221
Other operating income	8	235,695,949	321,758,937
Total operating income		706,029,141	676,807,856
Less: Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets	9	360,599,046	426,068,012
Net operating income		1,066,628,187	1,102,875,868
Less: Operating expenses			
Personnel expenses	10	(442,654,833)	(378,863,506)
Other operating expenses	11	(482,773,747)	(468,947,851)
Operating profit / (Loss) before taxes on financial		141,199,607	255,064,510
Less: Taxes on financial services	12	(100,669,835)	(109,932,087)
Profit / (Loss) before income tax		40,529,772	145,132,424
Less: Income tax expense	13	109,925,335	-
Profit / (Loss) for the year		150,455,107	145,132,424
Basic/Diluted earnings/ (loss) per share (Rs.)	14	0.16	0.15
Dividend per share (Rs.)	15	-	-

The Accounting policies and Notes to the Financial Statements from pages 11 to 80 form an integral part of these Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2026

	Note	2026 Rs.	2025 Rs.
Profit / (Loss) for the year		150,455,107	145,132,424
Other comprehensive income/ (expenses)		-	-
Other comprehensive income to be reclassified to profit or loss:			
Gain/(Loss) arising on remeasuring available for sale financial investments		-	-
Other comprehensive income that will not to be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit plan	32.3	(6,232,925)	472,528
Deferred tax effect on actuarial gain/(loss)		1,869,878	(141,758)
		(4,363,048)	330,770
Surplus from revaluation of property, plant & equipment		-	-
Deferred tax effect on revaluation surplus		-	-
		-	-
Other comprehensive income / (Expenses) for the year, net of tax		(4,363,048)	330,770
Total comprehensive income / (Loss) for the year, net of tax		146,092,059	145,463,193

The Accounting policies and Notes to the Financial Statements from pages 11 to 80 form an integral part of these Financial Statements.

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Sofilogic Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March 2026

	Note	2026 Rs.	2025 Rs.
Assets			
Cash and bank balances	17	224,724,345	297,129,594
Securities purchased under repurchase agreements	18	698,690,831	801,814,765
Financial Assets at Amortised Cost - Factoring receivables	19	5,885,058	14,553,693
Financial Assets at Amortised Cost - Gold loan receivables	20	3,212,398,698	1,830,574,174
Financial Assets at Amortised Cost - Loan receivables	21	1,016,212,569	1,405,799,320
Financial Assets at Amortised Cost - Lease and hire purchase receivables	22	738,914,088	1,485,514,985
Other assets	23	516,724,666	1,218,639,050
Equity Instruments at fair value through other comprehensive income	24	30,600	30,600
Property, plant & equipment	25	24,084,390	32,112,488
Intangible assets	25.5	59,836,562	71,786,205
Investment Property	26	-	103,237,000
Right of Use Assets	27	187,462,426	178,876,574
Deferred Tax	31	653,976,234	542,181,021
Total Assets		7,338,940,467	7,982,249,471
Liabilities			
Bank overdraft		44,771,207	92,003,501
Financial Liabilities at Amortised Cost - Due to other customers	28	3,738,423,692	4,273,387,713
Financial Liabilities at Amortised Cost - Other borrowed funds	29	-	3,577,581
Other payables	30	447,535,588	644,391,158
Retirement benefit obligations	32	27,755,712	34,527,309
Total Liabilities		4,258,486,199	5,047,887,262
Equity			
Stated capital	33	2,326,718,964	9,930,116,800
Statutory reserve fund	34	275,228,109	267,705,353
Non-Distributable Regulatory Loss Allowance Reserve	35	238,928,480	970,074,987
Retained earnings	36	239,578,716	(8,233,534,931)
Total Equity		3,080,454,268	2,934,362,209
Total Liabilities and Equity		7,338,940,467	7,982,249,471
Net asset value per share (Rs.)		3.20	3.05
Commitments and contingencies	40	85,068,828	53,260,393

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

R.J.K.I. Fernando
Chief Manager -Finance

D.R. Fonseka
Chief Executive Officer

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

A.K Pathirage
Chairman

U.K. Kaimal
Director

The Accounting policies and Notes to the Financial Statements from pages 11 to 80 form an integral part of these Financial Statements.

ERNST & YOUNG
09 July 2026
Chartered Accountants
COLOMBO

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2026

	Note	Stated Capital	Statutory Reserve Fund	Non-Distributable Regulatory Loss Allowance Reserve	Retained Earnings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2024		9,930,116,800	260,448,732	1,736,237,951	(9,137,904,468)	2,788,899,015
Profit for the year		-	-	-	145,132,424	145,132,424
Other comprehensive income, net of tax		-	-	-	330,770	330,770
Transfer to Non-Distributable Regulatory Loss Allowance Reserve	35	-	-	(766,162,965)	766,162,965	-
Transfer to Statutory Reserve Fund	34	-	7,256,621	-	(7,256,621)	-
Balance as at 31 March 2025		9,930,116,800	267,705,353	970,074,987	(8,233,534,931)	2,934,362,209
Balance as at 01 April 2025		9,930,116,800	267,705,353	970,074,987	(8,233,534,931)	2,934,362,209
Profit for the year		-	-	-	150,455,107	150,455,107
Other comprehensive income, net of tax		-	-	-	(4,363,048)	(4,363,048)
Reduction of Stated Capital As per section 59 of the Companies Act no 07 of 2007	38.6	(7,603,397,837)	-	-	7,603,397,837	-
Transfer to Non-Distributable Regulatory Loss Allowance Reserve	35	-	-	(731,146,507)	731,146,507	-
Transfer to Statutory Reserve Fund	34	-	7,522,755	-	(7,522,755)	-
Balance as at 31 March 2026		2,326,718,964	275,228,109	238,928,480	239,578,716	3,080,454,268

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The Accounting policies and Notes to the Financial Statements from pages 11 to 80 form an integral part of these Financial Statements.

Softlogic Finance PLC

STATEMENT OF CASH FLOWS

Year ended 31 March 2026

Accounting Policy

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

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 03 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).

	Notes	2026 Rs.	2025 Rs.
Cash flows from operating activities			
Profit before taxation		40,529,772	145,132,424
Depreciation	11.1	12,760,628	13,857,450
Amortization	11.1	12,757,943	20,085,650
Profit on disposal of property, plant & equipment		(1,024,000)	(5,656,673)
Profit /(Loss) from Derecognition of Financial Assets		(140,141,986)	(207,629,087)
Impairment charge	9.1	(360,599,045)	(426,068,012)
(Gain)/loss from disposal of Investment Property		(6,564,000)	-
(Gain)/loss from disposal of Real estate		(22,084,691)	-
Provision for defined benefit plans	10	6,181,253	7,939,840
Amortisation expenses on right-of-use assets	11.1	58,884,745	54,606,514
Interest Expenses	5.2	519,047,969	833,646,073
		79,218,815	290,781,755
Operating profit before working capital changes		119,748,587	435,914,179
(Increase)/Decrease in Financial Assets at Amortized Cost - lease and hire purchase receivables		838,704,153	2,668,039,384
(Increase)/Decrease in Financial Assets at Amortized Cost - factoring receivables		(6,062,457)	(28,905,422)
(Increase)/Decrease in Financial Assets at Amortized Cost - gold loan receivables		(1,386,749,506)	(464,468,729)
(Increase)/Decrease in Financial Assets at Amortized Cost - loan receivables		819,188,255	1,649,971,167
(Increase)/Decrease in Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)		-	378,632,877
(Increase)/Decrease in Placements with banks, Other Financial companies, Repo investments		97,924,934	(198,319,967)
(Increase)/Decrease in right of use assets		(67,470,597)	(171,205,843)
(Increase)/Decrease in other assets		40,821,545	15,216,723
Increase/(Decrease) in Financial Liabilities at Amortised Cost - due to other customers		(534,964,021)	(3,208,329,837)
Increase/(Decrease) in other payables		(110,476,784)	325,056,682
		(309,084,479)	965,687,034
Cash generated from operating activities		(189,335,892)	1,401,601,213
Interest expense paid		(519,047,969)	(833,646,073)
Gratuity paid	32.1	(19,185,775)	(7,444,025)
Net cash outflow from operating activities		(727,569,636)	560,511,115
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	25	(5,540,829)	(34,326,066)
Proceeds from the disposal of investment property	26	115,000,000	-
Proceeds from the disposal of Real estate		680,000,000	-
Proceeds from sale of property, plant and equipment		1,024,000	8,012,210
Net cash inflow/(outflow) from investing activities		790,483,171	(26,313,856)
Net cash outflow before financing activities		62,913,535	534,197,259
Cash flow from financing activities			
Repayments of bank loans and securitizations loans	29.1	-	(290,425,036)
Repayment commercial papers	29.1	(3,577,581)	(263,882,975)
Repayment of principal portion of lease liabilities	30.2	(84,508,911)	(86,079,025)
Net cash inflow from financing activities		(88,086,492)	(640,387,036)
Net increase/(decrease) in cash and cash equivalents		(25,172,957)	(106,189,777)
Cash & cash equivalents as at the beginning of the year		205,126,094	311,315,871
Cash and cash equivalents as at end of the year		179,953,137	205,126,094
Analysis of the cash and cash equivalents at the end of the year			
Cash and bank balances	17	224,724,345	297,129,594
Bank overdraft		(44,771,207)	(92,003,501)
		179,953,138	205,126,094

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The Accounting policies and Notes to the Financial Statements from pages 11 to 80 form an integral part of these Financial Statements.

Accounting policies pertaining to specific financial statement items are included within the relevant notes. Additional significant accounting policies and notes are provided below.

1. REPORTING RNTITY

1.1 Corporate Information

Softlogic Finance PLC ("The Company"), is a public limited liability Company incorporated and domiciled in Sri Lanka under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007 and it is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto and has listed in the Colombo Stock Exchange on 22 January 2009.

The registered office of the Company is located at JFI Tower 3, 6th floor, No. 75, Piyadasa Sirisena Mawatha, Colombo-10. The shares of the Company have a primary listing on the Colombo Stock Exchange. The staff strength of the Company as at 31 March 2026 was 243 (251 as at 31 March 2025).

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services, including the acceptance of fixed deposits and maintenance of savings accounts, together with a broad spectrum of lending and financing solutions. These include finance leases, hire purchase and vehicle financing facilities, mortgage loans, gold-backed lending, debt factoring, revolving credit, and business and personal loans. The Company also offers other credit facilities, complemented by digital financial services and value-added offerings.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent undertaking and controlling party is Softlogic Capital PLC (formerly known as Capital Holdings Ltd). In the opinion of the Board of Directors, the ultimate parent undertaking and controlling party is Softlogic Holdings PLC, a company incorporated in Sri Lanka.



2. BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of these annual financial statements are noted below.

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007. The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011, Listing Rules of the Colombo Stock Exchange and the CBSL guidelines.

These Financial Statements have been prepared on the accrual basis of accounting, except for the Statement of Cash Flows, which has been prepared using the cash flow basis as required by the applicable accounting standards. The Company has consistently applied accounting policies that comply with Sri Lanka Accounting Standards (SLFRSs/LKASs) and all relevant regulatory requirements governing the preparation and presentation of financial statements. Accordingly, no material departures from the requirements of these standards have been made in the preparation of these Financial Statements.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per Sri Lanka Accounting Standards (SLFRS/ LKAS) and the provisions of the Companies Act No.7 of 2007.

The Board of Directors acknowledges the responsibility in relation to the Financial Statements, as set out in the 'Directors' Responsibility for Financial Reporting, 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of the Annual Report.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company for the year ended 31 March 2026 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 09th July 2026.

2.4 Basis of Measurement

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

Item	Basis of Measurement	Note No.	Page No.
Financial assets measured at fair value through other comprehensive income	Fair Value	24	44
Investment property	Fair Value	26	50-51
Retirement benefit obligations	Fair Value	32	55-57

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs.), which is the currency of the primary economic environment in which Softlogic Finance PLC operates. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 45.

E.R.NESBIT & CO. (PVT) LTD. Chartered Accountants COLOMBO

2.7 Materiality and Aggregation

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

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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the Statement of Financial Position.

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

2.9 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 1 on "Presentation of Financial Statements".

2.10 Comparative Information

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

2.11 Foreign currency transactions

All foreign currency transactions are translated into the functional currency, which is Sri Lankan Rupees (LKR), using the exchange rates prevailing at the dates, the transactions were affected. Monetary assets and liabilities denominated in foreign currencies are retranslated at the middle exchange rate of the functional currency ruling, at the date of the Statement of Financial Position. The resulting gains and losses are accounted for in the Statement of Profit or Loss.

Non-monetary assets and liabilities that are measured on a historical cost basis in foreign currency are translated using the exchange rates prevailing at that date. Non- monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Unrealised exchange gains and losses are recognised in "Other Operating Income" in the Statement of Profit or Loss

2.12 Significant Accounting Judgments, Estimates and Assumptions

In applying the Company's accounting policies, Management is required to exercise judgment and make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, as well as the accompanying disclosures in the Financial Statements. These judgments, estimates and assumptions are based on historical experience, current conditions and other factors considered to be reasonable under the circumstances.

Management also makes assumptions regarding future events and other sources of estimation uncertainty at the reporting date. As a result, actual outcomes may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions are recognised prospectively in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, and those where assumptions and estimates are significant to the Financial Statements, are disclosed in the relevant notes. These areas may give rise to material adjustments to the carrying amounts of assets and liabilities in subsequent reporting periods.

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The following table includes the items that involve significant accounting judgements, estimates and assumptions in the preparations of the Financial Statements of the Company.

Notes to the Financial Statements	Note	Pages
Impairment charges	09	26-31
Income tax expense	13	34-35
Financial assets measured at Amortized cost	19-22	37-43
Financial assets measured at fair value through other comprehensive income	24	44
Property, plant & equipment	25	45-50
Intangible assets	25.5	49-50
Investment property	26	50-51
Right of use assets	27	51-52
Financial assets at amortised cost - debt and other instruments	29	53
Retirement benefit obligations	32	55-57

2.13 Going Concern-basis of accounting

The Board of Directors has assessed the ability to continue as a going concern and is satisfied that the Company possesses adequate resources to continue its operations for the foreseeable future. In making this assessment, the Board has considered the Company's financial position, liquidity, capital adequacy, business plans and other relevant factors.

A detailed assessment has been carried out by the directors based on which corrective measures have been approved by the board as summarised below.

a. **Divesting of a segment of the distressed portfolio currently held by the Company.**
Further details relating to the transfer of beneficial ownership of a portion of the Company's loan portfolio are disclosed in Note 38.5. Following this transfer, the Central Bank of Sri Lanka, by its letter dated 19 September 2025, informed the Company that the Governing Board of the Central Bank of Sri Lanka had approved the immediate removal of all regulatory restrictions imposed on the Company. Accordingly, the Company resumed its normal course of business, including the acceptance of deposits and disbursement of loans, with effect from September 2025.

b. **Rectification of Serious loss of Capital situation via Reduction of Stated Capital**
During the financial year, the Company rectified its serious loss of capital position through the reduction of stated capital carried out in accordance with Section 59 of the Companies Act No. 07 of 2007, as further described in Note 38.6.

c. **Operational Efficiency**
The Company is initiating a strategic realignment of its business model, involving a redefinition of the product mix, emphasizing a finance lease and gold loan driven approach. Notably there will be a deliberate discontinuation of other loan products, with the exception of vehicle loans and loans against deposits. This intentional shift in the business model is designed to improve the risk weighted assets position, facilitating gradual improvements in the capital ratios, net interest margin, and assets quality.

Based on the above strategies, the Board of Directors of the Company have 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, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the ability of the Company to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis of accounting.

3. ACCOUNTING POLICIES

The Company has consistently applied its accounting policies to all periods presented in these Financial Statements. No standard, interpretation or amendment issued but not yet effective has been early adopted by the Company.

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Material accounting policy information relevant to specific assets, liabilities, income and expense categories is disclosed within the respective notes to the Financial Statements. These policies have been applied consistently by the company, unless otherwise disclosed.

	Accounting Policy	Note	Pages
1.	**Material accounting policy information**		
	Financial Instruments		
2.	**Material accounting policy information - Recognition of income and expenses**		
	Revenue recognition policy	5	24
	Fee and Commission Income and Expenses	7	25
	Other Operating Income	8	25-26
	Impairment Charges/Reversals	9	26-31
	Personnel Expenses	10	31-32
	Other Operating Expenses	11	32-33
	Taxes on Financial Services	12	34
	Income Tax	13	34-35
3.	**Material accounting policy information - Recognition of assets and liabilities and Equity**		
	Basic/Diluted EPS	14	35
	Dividend Per Share	15	36
	Cash & Bank Balances	17	37
	Securities purchased under repurchase agreements	18	37
	Financial Assets at Amortized Cost – Loans and Advances to Customers	19	37-38
	Other Assets	23	43
	Financial Assets measured at Fair value through other comprehensive statement	24	44
	Property, Plant & Equipment	25	45-50
	Intangible Assets	25.5	49-50
	Investment Properties	26	50-51
	Right-of-Use Assets	27	51-52
	Financial liabilities at Amortized cost – Due to Customers	28	52
	Financial liabilities at Amortized cost – Other Borrowed Funds	29	53
	Other Payables	30	53-54
	Deferred tax Assets	31	54-55
	Retirement Benefit Obligations	32	55-57

3.1 Financial instruments

The Company applies the provisions of SLFRS 9 – Financial Instruments in determining the recognition, classification, measurement, reclassification and derecognition of financial instruments.

Date of recognition

The Company initially recognises loans and advances, deposits, subordinated liabilities and similar financial instruments on the date they are originated. All other financial instruments, including regular-way purchases and sales of financial assets, are recognised on the trade date, i.e. the date on which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual cash flow characteristics and the business model under which they are managed.

A financial asset or financial liability is initially measured at fair value, plus or minus transaction costs that are directly attributable to its acquisition or issue, except for financial assets and financial liabilities measured at fair value through profit or loss (FVTPL) in accordance with SLFRS 9, and trade receivables that do not contain a significant financing component as defined in Sri Lanka Accounting Standard – SLFRS 15, Revenue from Contracts with Customers.



Transaction costs relating to financial instruments classified at FVTPL are recognised in the Income Statement as incurred.

Trade receivables that do not contain a significant financing component are measured at their transaction price at initial recognition, in accordance with SLFRS 15.

Where the fair value of a financial instrument at initial recognition differs from the transaction price, the Company recognises a "Day 1" gain or loss, as described below.

Day 1 profit or loss
When the transaction price differs from the fair value at initial recognition, and fair value is based on a valuation technique using only observable market inputs, the difference is recognised immediately in net gains/(losses) from trading.

Where valuation techniques use inputs that are not fully observable, the difference between the transaction price and fair value is deferred. It is recognised in profit or loss only when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets and Liabilities
In accordance with SLFRS 9, the Company classifies its financial assets based on the business model for managing the assets and the contractual cash flow characteristics of the instruments. Accordingly, financial assets are measured at:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

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

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
   a. Financial liabilities held for trading
   b. Financial liabilities designated at fair value through profit or loss
(ii) Financial liabilities at amortized cost, when they are held for trading and derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. **Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)**
Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in Income Statement.

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

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

The subsequent measurement of financial assets/liabilities depends on their classification.

a) Business model assessment
The Company assesses the objective of a business model at a portfolio level rather than on an instrument-by-instrument basis, as this approach best reflects how the business is managed and how performance is reported to management.

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In making this assessment, the Company considers all relevant evidence, including how the performance of the assets is evaluated and reported to key management personnel, the risks affecting the performance of the assets and how those risks are managed, and the frequency, volume and timing of sales in prior periods together with expectations about future sales activity.

Based on the assessment, financial assets are classified and measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI), or Fair Value through Profit or Loss (FVTPL), as appropriate and in accordance with the requirements of SLFRS 9.

The business model assessment is based on reasonably expected scenarios, without considering worst-case or stress-case scenarios.

Where cash flows after initial recognition are realised in a manner different from original expectations, the Company does not restate the classification of remaining financial assets within that business model. However, such information is considered in assessing newly originated or newly purchased financial assets going forward.

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

As a second step in the classification process, the Company assesses whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (the "SPPI test").

For this purpose, **principal** is defined as the fair value of the financial asset at initial recognition and may change over the life of the instrument (for example, due to repayments of principal or amortisation of premium or discount).

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

Contractual terms that introduce exposure to risks or volatility in cash flows that are unrelated to a basic lending arrangement do not give rise to cash flows that are solely payments of principal and interest. In such cases, the financial asset is required to be measured at FVTPL.
In assessing whether contractual cash flows meet the SPPI criterion, the Company considers the contractual terms of the instrument, including.

- contingent events that may change the timing or amount of cash flows;
- leverage features
- prepayment and extension terms
- terms that limit the Company's claim to cash flows from specified assets and
- features that modify the time value of money element.

Reclassification of Financial Assets & liabilities
Financial assets are not reclassified subsequent to their initial recognition, except in rare circumstances where the Company changes its business model for managing those financial assets. Such changes may arise from events such as the acquisition, disposal, or termination of a business line.

In the event of a change in the business model, the Company reclassifies the affected financial assets prospectively from the reclassification date. Such changes are applied on a forward-looking basis, and comparative periods are not restated.

Financial liabilities are not reclassified, as reclassification is not permitted under SLFRS 9.

Derecognition of Financial Assets & Liabilities

a) Financial Assets
The Company derecognises a financial asset (or part thereof) when the contractual rights to the cash flows expire, or when the Company transfers its rights to receive the contractual cash flows and substantially all risks and rewards of ownership are transferred.

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

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

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

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

A transfer only qualifies for derecognition if either:

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

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

Derecognition is also applied when the Company neither transfers nor retains substantially all risks and rewards and does not retain control over the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.
Cumulative gains or losses recognised in OCI relating to equity investments designated at FVOCI are not reclassified to profit or loss on derecognition.

Any retained interest in transferred financial assets that qualifies for derecognition is recognised as a separate asset or liability.

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

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

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



b) Financial Liability
A financial liability is derecognised by the Company when the contractual obligation is discharged, cancelled, or has expired.

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

Modification of Financial Assets
Where the terms of a financial asset are modified, the Company assesses whether the cash flows of the modified asset are substantially different from those of the original financial asset.

If the cash flows are substantially different, the contractual rights to the cash flows from the original financial asset are deemed to have expired. In such cases, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Where the cash flows of a modified financial asset measured at amortised cost are not substantially different, the modification does not result in derecognition. In such cases, the Company recalculates the gross carrying amount of the financial asset and recognises any resulting adjustment as a modification gain or loss in profit or loss.

If the modification arises as a result of the borrower's financial difficulties, the resulting gain or loss is presented together with impairment losses measured using the pre-modification effective interest rate. In all other cases, it is presented within interest income.

Financial Guarantees and Undrawn Loan Commitments
The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and ECL Provision under SLFRS 9.

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

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. From These contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 40.

3.2 Fair Valuation of Assets and Liabilities

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

Where available, fair value is determined using quoted market prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to provide ongoing pricing information.

In the absence of quoted prices in active markets, the Company applies appropriate valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The selected valuation techniques incorporate assumptions that market participants would use when pricing the asset or liability under current market conditions.

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Fair value measurements are based on the assumption that market participants act in their economic best interests when pricing an asset or liability. For non-financial assets, fair value reflects the asset's highest and best use from the perspective of market participants.

The Company classifies fair value measurements **using a fair value hierarchy** that reflects the significance of the inputs used in making the measurements. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period in which the change occurs.

Independent professionally qualified valuers are engaged, where appropriate, to determine the fair value of significant non-financial assets, including land and buildings. The valuation techniques and assumptions applied are reviewed periodically to ensure that fair values are determined in accordance with the requirements of SLFRS 13.

Fair Value Hierarchy
The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in determining fair values. The hierarchy comprises the following levels.

Level 1
Fair value measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date. An active market is one in which transactions occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2
Fair value measurements based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and valuation techniques where significant inputs are based on observable market data.

Level 3
Fair value measurements based on valuation techniques that incorporate significant inputs that are not observable in the market. These measurements require Management judgment and estimation and may include assumptions relating to discount rates, expected cash flows, market volatility, liquidity adjustments and other factors relevant to the valuation.

The Company applies valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Valuation methodologies commonly used include discounted cash flow models, net present value techniques and market-based valuation approaches.

Observable market inputs such as quoted equity prices, government security yields, benchmark interest rates and foreign exchange rates are used whenever available. The availability of observable inputs reduces the degree of estimation uncertainty associated with fair value measurements.

Valuation models may incorporate adjustments for factors such as bid-ask spreads, liquidity risk, credit risk and model limitations, where considered necessary. Any gains or losses arising on the initial recognition of financial instruments where fair value is determined using significant unobservable inputs are recognised in accordance with the relevant requirements of SLFRS 9 and SLFRS 13.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period in which the transfer occurs.

Assets and Liabilities measured at fair value and Fair value hierarchy
An analysis of assets and liabilities measured at fair value as at the reporting date is provided under Note no. 38 according to the levels within the fair value hierarchy. The fair value measurements correspond to the carrying amounts recognised in the Statement of Financial Position.

3.3 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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a. The Company as lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned

b. The Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Accounting policy on these assets are described under Note no.27 to the Financial Statements.

Lease liabilities

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

3.4 Borrowing Costs

The Company applies Sri Lanka Accounting Standard – LKAS 23 in accounting for borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets.

Qualifying assets are assets that require a substantial period of time to be brought to their intended use or sale. Borrowing costs not eligible for capitalisation are recognised in profit or loss as incurred.

3.5 Taxation

3.5.1 Current tax and deferred tax

Information on income tax expense and deferred tax assets and liabilities is disclosed in Note 13 & 31 to the Financial Statements.

3.5.2 Tax on Financial Services

Details relating to Value Added Tax (VAT) on financial services and Social Security Contribution Levy (SSCL) on financial services are provided in Note 12 to the Financial Statements.

3.5.3 Crop Insurance Levy

The Crop Insurance Levy (CIL), introduced under Section 14 of the Finance Act No. 12 of 2013 and payable to the National Insurance Trust Fund, is currently levied at 1% of profit after tax. The levy is recognised under other operating expenses in the Income Statement.

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3.5.4 Withholding Tax (WHT) on Dividends

The prevailing WHT/AIT rate on dividends distributed by the Company to residents/ non- residents is 15%. Withholding Tax arises from the distribution of dividends by the Company and is recognised at the time the liability to pay the related dividend is recognised.

Dividend paid by the Company will be exempt in the hands of shareholders to the extent that such dividend payment is attributable to, or derived from dividend received by the Company from another resident company. The company has not paid/proposed any dividend during the financial year 2025/2026.

3.5.5 Withholding Tax (WHT) on Deposit interest payment

Pursuant to the Inland Revenue Act effective 1 April 2025, the Company is required to withhold 10% tax on interest payments made to eligible deposit holders. This withholding tax (WHT) is remitted to the Inland Revenue Department in compliance with the law. The interest expense shown in these financial statements is reported before deduction of WHT.

3.6 Events After the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

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

3.7 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

3.8 Provisions

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

The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, taking into account the related risks and uncertainties. Where the effect of time value of money is material, the provision is calculated as the present value of the expected future cash flows.

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A provision for onerous contracts is recognised when the expected benefits from a contract are less than the unavoidable costs of fulfilling it. This provision is measured at the present value of the lower of the cost of terminating the contract and the net cost of continuing with it.

Before a provision is established, the company recognises any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the income statement net of any reimbursement.

4. SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 MARCH 2026

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards, which will become effective for future accounting periods. Early adoption of these standards is permitted; however, the Company has not early adopted any new or amended standards in the preparation of these Financial Statements.

Sri Lanka Accounting Standard – SLFRS 18 "Presentation and Disclosure in Financial Statements

SLFRS 18 is a new accounting standard relating to the presentation and disclosure of Financial Statements and will become effective from January 01, 2027. This Standard will replace LKAS 1 "Presentation of Financial Statements".

Under SLFRS 18, entities are required to classify income and expenses into five categories in the Statement of Profit or Loss, namely operating, investing, financing, discontinued operations, and income tax. The Standard also introduces a mandatory operating profit subtotal. However, the adoption of SLFRS 18 is not expected to impact the Company's overall net profit.

The Standard further requires the disclosure of Management-defined Performance Measures (MPMs) in a separate note to the Financial Statements and provides enhanced guidance on the aggregation and disaggregation of information presented in the Financial Statements.

In addition, entities presenting operating cash flows using the indirect method will be required to use operating profit as the starting point in the Statement of Cash Flows.

The Company is currently assessing the impact of adopting SLFRS 18, particularly on the presentation of the Income Statement, Statement of Cash Flows, and the additional disclosures required in relation to Management-defined Performance Measures (MPMs). The Company is also evaluating the impact on the grouping and presentation of information in the Financial Statements, including items currently presented under 'other' categories.

Sri Lanka Accounting Standard – SLFRS 19 "Subsidiaries without Public Accountability"

SLFRS 19 is a new accounting standard effective from January 01, 2027, which allows eligible subsidiaries to apply the recognition, measurement, and presentation requirements of full SLFRS Standards while adopting reduced disclosure requirements in their Financial Statements.

The Company currently does not have any subsidiary companies. Accordingly, the adoption of SLFRS 19 is not expected to have any impact on the Company's Financial Statements.



5. GROSS INCOME

Accounting Policy

Gross income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recorded at the fair value of consideration received or receivable, after deducting any applicable taxes, trade discounts, and rebates.

	2026 Rs.	2025 Rs.
Interest Income (Note 5.1)	920,623,086	1,133,204,770
Fee & Commission Income (Note 7)	68,758,076	55,490,221
Other Operating Income (Note 8)	235,695,949	321,758,937
	1,225,077,110	1,510,453,928

5.1 Interest Income

	2026 Rs.	2025 Rs.
Interest income on lease receivables	195,098,376	582,690,113
Interest income on hire purchase receivables	1,376,970	16,675
Interest income on factoring receivables	4,926,276	32,325,606
Interest income on SME and other loan receivables	203,323,040	148,962,518
Interest income on personal loan receivables	9,179,114	23,551,259
Interest income on gold loan receivables	468,839,082	294,325,693
Interest income on government securities	37,880,227	51,332,906
Total interest income	920,623,086	1,133,204,770

5.2 Interest Expenses

	2026 Rs.	2025 Rs.
Due to customers		
Interest expenses on time deposits	509,556,099	791,421,915
Interest expenses on savings deposits	2,516,693	2,995,432
Interest expenses on bank borrowings	6,940,975	11,512,971
Interest expenses on securitised borrowings	34,201	27,715,755
Total interest expenses	519,047,969	833,646,073
Net interest income	401,575,117	299,558,698

6. NET INTEREST INCOME

Accounting Policy

The Effective Interest Rate (EIR) method is used for recognising the interest income and interest expenses of Financial Assets and Financial Liabilities that are measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income under SLFRS 9 - Financial Instruments.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
> the gross carrying amount of the financial asset; or
> the amortised cost of the financial liability.

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6. NET INTEREST INCOME (Contd...)

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. For financial assets that become credit-impaired after initial recognition, interest income is recognised by applying the effective interest rate to the amortised cost of the asset. Where the asset subsequently ceases to be credit impaired, interest income is recognised on the gross carrying amount.

The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost.

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.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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

	2026 Rs.	2025 Rs.
Interest Income (Note 5.1)	920,623,086	1,133,204,770
Interest Expenses (Note 5.2)	(519,047,969)	(833,646,073)
	401,575,117	299,558,698

7. FEE AND COMMISSION INCOME

Accounting Policy

The Company recognises the fee and commission earned from the loans and receivables related services as per the requirements of SLFRS 9 - Financial Instruments. Fees and commission income and expense that are integral to the EIR of a financial asset or liability are capitalised and included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

	2026 Rs.	2025 Rs.
Documentation and processing fees	68,758,076	55,490,221
	68,758,076	55,490,221

8. OTHER OPERATING INCOME

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Comapany is recognised as Other Operating Income on an accrual basis.

Dividend income received from financial assets measured at fair value through other comprehensive income is recognised when the Company's right to receive the payment is established.

Profit from the sale of real estates represent the difference between the sales proceeds and the net book value of Investment property that is disposed during the year and the properties recorded under Land & Building stock disposed during the year.

Gain/ (Loss) on disposal of property, plant and equipment represent the difference between the sales proceeds and the net book value of property, plant & equipment that are disposed during the year.

Recoveries on amounts previously written off as bad and doubtful debts are recognised when received.

Income from derecognition of financial assets and other income is recognised once the contract is derecognised due to closure.

All other income including income from Money Market instruments is recognised on an accrual basis.

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8. OTHER OPERATING INCOME (Contd...)	2026 Rs.	2025 Rs.
Profit on disposal of property, plant and equipment	1,024,000	5,656,673
Profit from sale of real estates	28,648,691	-
Sundry Income	21,795,770	87,627,375
Recovery of bad debts written off	33,792,259	6,262,818
Income from hiring vehicles	676,667	(50,000)
Income on Money market investment / unit trust/ T bond	9,369,056	14,404,420
Dividend income	247,520	228,565
Profit /(Loss) from Derecognition of Financial Assets (Note 38.5)	140,141,986	207,629,087
	235,695,949	321,758,937

9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS

Accounting Policy

The Company recognises Expected Credit Losses (ECL) in accordance with SLFRS 9 on financial assets measured at amortised cost and debt instruments measured at FVOCI, as well as on certain off-balance-sheet exposures. These include cash and cash equivalents, placements with banks, loans and advances to customers, debt securities and loan commitments. No impairment allowance is recognised on equity investments.

Further, the Company also recognises an impairment loss when the carrying amount of a non-financial asset exceeds the estimated recoverable amount from that asset.

ECL represents an unbiased, probability-weighted estimate of credit losses and incorporates historical experience, current conditions, forward-looking macroeconomic information, and the time value of money.

Amounts recovered from debts previously written off / provisions made as bad or doubtful are recorded as a reduction of impairment charges or reversals.

Measurement of Expected Credit Losses

The Company assesses whether credit risk has increased significantly since initial recognition and classifies exposures into appropriate impairment stages.

The Company measures expected credit losses (ECL) on either an individual or collective basis.

Asset classes for which ECL is determined on an individual basis include credit-impaired facilities and exposures identified with significant increase in credit risk (SICR) that are assessed as impaired under individual assessment. Where a financial asset is assessed individually and determined to be credit-impaired, the impairment loss is measured as the difference between the asset's carrying amount and the present value of its estimated future cash flows.

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



9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS (Contd...)

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment on individually significant accounts is reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When ECLs are determined for individually significant financial assets, following factors are considered.

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
-The likely deduction of any costs involved in recovery of amounts outstanding;
-The likely dividend available on liquidation or bankruptcy

Financial assets for which no impairment provision is identified under individual assessment are subsequently assessed for ECL on a collective basis. Financial assets that are individually assessed but not identified as credit-impaired are subsequently included in groups of assets with similar credit risk characteristics and assessed collectively for impairment. Collective impairment assessments are performed to capture expected credit losses that may not be evident at the individual asset level.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. The elements of the ECL models that are considered accounting judgements and estimates include.
For collective ECL measurement, financial assets are grouped based on shared credit risk characteristics.

Both Lifetime ECL and 12-Month ECL are assessed either on an individual or collective basis, depending on predefined exposure thresholds and risk assessment criteria.

12 months ECL is the portion of life time ECLs that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company assesses significant increases in credit risk at each reporting date by comparing the risk of default at the reporting date with the risk of default at initial recognition over the remaining expected life of the financial instrument.

In compliance with SLFRS 9, the Company recognizes impairment using a three-stage expected credit loss model, whereby the measurement of loss allowances is determined by the extent of changes in credit risk since initial recognition.

Stage 1: Financial instruments that are not credit-impaired at initial recognition are classified in Stage 1. For these instruments, ECL is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months (12-month ECL). Stage 1 also include financial assets of which the credit risk has improved and hence reclassified from stage 2 and stage. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation of the original EIR.

Stage 2: Where a significant increase in credit risk (SICR) has occurred since initial recognition, the financial instrument is transferred to Stage 2, and a loss allowance is recognised based on lifetime expected credit losses (LTECL). Stage 2 also includes financial assets of which credit risk has improved and hence reclassified from stage 3. . The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: Financial assets that are credit-impaired are classified in Stage 3. For these assets, the Company recognises lifetime expected credit losses with a probability of default of 100%.

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9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS (Contd...)

Definition of Default and Cure

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

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

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

It is the Company's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria has been present. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The calculation of Expected Credit Loss (ECL)

The Company's ECL calculation methodology is based on the key risk parameters of Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The application of these parameters under the collective impairment assessment framework is described below.

• Probability of Default (PD -The likelihood that a borrower will default on its contractual obligations over a specified perio Days past due (DPD) is the primary factor in establishing the term structure of PD for exposures. DPD is measured by counting the number of days since the payment due date.

• Loss Given Default (LGD) -The proportion of the exposure expected to be lost in the event of default, after considerin recoveries and collateral realisation.

• Exposure at Default (EAD) -The expected outstanding exposure at the time of default, taking into account repayments an expected utilisation of committed facilities.

Movements between the stages

Financial assets may be transferred between impairment stages (other than purchased or originated credit-impaired (POCI) assets) based on changes in credit risk since initial recognition.

Financial instruments are transferred out of Stage 2 when they no longer demonstrate a significant increase in credit risk compared to initial recognition, based on the assessments and in accordance with the Company's Policy on Upgrading of Credit Facilities.

Financial instruments are transferred out of Stage 3 when they no longer exhibit objective evidence of credit impairment in line with the Company's Policy on Upgrading of Credit Facilities.

Restructured and rescheduled facilities are upgraded gradually, subject to satisfactory repayment performance over a defined period, in accordance with the policy and applying a prudent approach.

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9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS (Contd...)

Significant Increase in Credit Risk (SICR)

When assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative factors, based on historical experience, expert credit judgement, and forward-looking information.

The Company applies the rebuttable presumption under SLFRS 9 that credit risk has significantly increased when contractual payments are more than 30 days past due.

In addition, the Company performs individual assessments at each reporting date for loans and advances above a predefined threshold to determine whether a significant increase in credit risk has occurred prior to default

Such indicators include, but are not limited to:
- Financial assets that are 30 days or more past due
- Significant increase in Probability of Default (PD) compared to initial recognition
- Downgrade in internal credit risk grading
- Adverse changes in forward-looking macroeconomic conditions affecting specific customers, groups of customers, portfolios, or instruments
- Modification of contractual terms resulting in concessions due to credit deterioration, including extensions, deferments, or covenant waivers
- Significant decline in collateral value and/or doubts over the realisability of collateral
- Adverse financial ratios compared with industry benchmarks
- Frequent restructuring of credit facilities
- Adverse changes in the borrower's financial performance or cash flows
- Breach of loan covenants or contractual terms
- Deterioration in management quality or business outlook

Credit facilities or exposures exhibiting one or more of the above indicators are classified as having experienced a significant increase in credit risk and are accordingly assessed under Stage 2 in ECL calculations.

The Company regularly monitors the effectiveness of SICR indicators to ensure that they appropriately identify significant increases in credit risk prior to default.

The Company considers loans and advances to other customers to be in default when one or more of the following conditions are met:

- The borrower is considered unlikely to settle its obligations to the company in full, without the Company having to take actions such as realising collateral (if any is held);
- The borrower is more than 90 days past due on its contractual payments or
- The borrower is deceased or insolvent.

Reversal of Impairment

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



9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS (Contd...)

Renegotiated Loans

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

When the loan has been renegotiated or modified but not derecognized, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 40. The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised.

Loans and Advances to Customers

For collectively assessed portfolios, ECL is determined using internally developed models incorporating PD, LGD and EAD estimates, adjusted for forward-looking information. Credit-impaired facilities are assessed individually where appropriate, with impairment measured as the difference between the carrying amount and the present value of expected future cash flows.

Financial Investments

ECL is recognised on debt instruments measured at FVOCI and financial assets measured at amortised cost. PD estimates are derived from external credit rating and market information where available. LGD assumptions are determined in accordance with regulatory guidance and internal risk assessments.

Debt Factoring & Revolving Facilities

For Debt factoring & revolving credit facilities, ECL is generally measured on a 12-month basis, reflecting the Company's ability to review and amend credit limits periodically. EAD incorporates both utilised balances and expected future drawdowns using appropriate credit conversion factors.

Loan Commitments

ECL for undrawn loan commitments is based on expected future drawdowns and the resulting cash flow shortfalls

Forward-Looking Information

The Company incorporates forward-looking macroeconomic information in assessing significant increases in credit risk and measuring ECL. Key quantitative indicators include GDP growth, unemployment, interest rates, inflation and exchange rates, while qualitative factors include industry outlook, regulatory developments, government policies and collateral trends.
The Company applies scenario-based modelling using best-case, base-case and worst-case economic scenarios, with probability weightings determined through management judgement and periodic review.

Post-Model Adjustments (Management Overlay)

Management applies post-model adjustments where emerging risks or economic conditions are not fully captured by existing models. Such adjustments are based on detailed assessments of affected sectors, borrower groups and macroeconomic developments and are reviewed at each reporting date to ensure ECL provisions remain adequate and appropriate.



9. IMPAIRMENT (CHARGES) / REVERSALS AND OTHER CREDIT LOSSES ON FINANCIAL ASSETS (Contd...)

Collateral and Credit Enhancements

The Company uses collateral and other credit enhancements to mitigate credit risk exposure. Collateral may include cash, gold, real estate and other assets. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at inception and re-assessed on a regular basis.

Where available, the Company utilizes observable market data to determine the value of financial assets held as collateral. Financial assets for which market prices are not readily observable are valued using appropriate valuation techniques and models. Non-financial collateral, including real estate, is valued based on assessments provided by independent professional valuers and other qualified third-party specialists.

Collateral repossessed

The Company's accounting policy under SLFRS 9 remains same as it was under LKAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

9.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2026 recorded in the income statement.

	2026 Rs. Stage 1	2026 Rs. Stage 2	2026 Rs. Stage 3	2026 Rs. Total
Lease & Hire Purchase receivables	(2,301,388)	(4,337,498)	(85,464,370)	(92,103,256)
Gold Loans	2,287,624	1,235,893	1,401,466	4,924,983
Factoring	(215)	-	14,731,307	14,731,092
Loan receivables	16,518,154	(164,001)	(305,813,671)	(289,459,517)
Other Receivable	-	-	1,307,653	1,307,653
Write offs	-	-	-	-
	16,504,174	(3,265,606)	(373,837,615)	(360,599,045)

9.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year ended 31.03.2025 recorded in the income statement.

	2025 Rs. Stage 1	2025 Rs. Stage 2	2025 Rs. Stage 3	2025 Rs. Total
Lease & Hire Purchase receivables	(3,233,114)	(21,848,018)	(129,933,611)	(155,014,743)
Gold Loans	(5,073)	(6,228)	(1,332)	(12,633)
Factoring	(86,978)	-	34,630,342	34,543,364
Loan receivables	(3,093,979)	(2,114,555)	(389,062,337)	(394,270,871)
Other Receivable	-	-	85,114,943	85,114,943
Write offs	-	-	3,571,928	3,571,928
	(6,419,144)	(23,968,801)	(395,680,068)	(426,068,012)

10. PERSONNEL EXPENSES

Accounting Policy

Personnel expenses represent costs incurred in relation to the employment of staff and include salaries, vehicle allowances, bonuses and festival allowances, Terminal benefit charges, staff retirement benefits, staff incentives, overtime, staff compensation, staff development costs and medical expenses. Fees paid to Non-Executive Directors for their services are also recognized as Directors' emoluments. The Company had no Executive Directors during the financial year 2025/2026. These expenses are recognised in the income statement on an accrual basis as the related employee services are rendered.

A provision for bonus is recognised when it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. The provision is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

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10. PERSONNEL EXPENSES (Contd...)

Defined Contribution Plans

A defined contribution plan is a post-employment benefit arrangement under which the Company makes fixed contributions to a separate fund and has no legal or constructive obligation to make additional contributions if the fund does not hold sufficient assets to meet all employee benefit obligations relating to current and prior service periods, in accordance with LKAS 19 – Employee Benefits.

Employees' Provident Fund and Employees' Trust Fund

The Company and employees contribute 12% and 8%, respectively, of each employee's salary to the EPF. The Company contributes 3% of each employee's salary to the ETF. Contributions are recognised as an expense when due, and any unpaid amounts are recorded as a liability.

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Staff gratuity is classified as a defined benefit plan under LKAS 19. The defined benefit obligation is calculated annually using the Projected Unit Credit method as specified by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits" and valuation of the defined benefit obligation is carried out by a qualified actuary. Actuarial gains or losses are recognised in the Other Comprehensive Income in the period in which they arise.

The defined benefit obligation recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost. Gratuity payments are being made by the Company according to the Payment of Gratuity Act No. 12 of 1983.

As per the Company's current policy, employees are entitled to a gratuity payment equal to ½ month's basic salary for each year of service.

	2026 Rs.	2025 Rs.
Salaries and Bonus	343,712,858	297,702,654
Contribution to Defined Contribution Plan	39,087,520	32,797,894
Retirement Benefit Cost	6,181,253	7,939,840
Recovery incentives & staff development cost	22,172,400	1,471,371
Directors' Emoluments	18,371,577	11,925,010
Others	13,129,224	27,026,737
	442,654,833	378,863,506

11. OTHER OPEARATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Income Statement in the period in which they are incurred, based on the principle of matching costs with the related revenue streams where a direct relationship can be established. Expenditures that do not meet the criteria for capitalisation are expensed as incurred.

All costs associated with the day-to-day operations of the business, including those incurred to maintain property, plant and equipment at their intended operating capacity and efficiency, are recognised as expenses in the Income Statement in determining the profit for the financial year.

	2026 Rs.	2025 Rs.
Auditors' Remuneration	7,071,504	6,883,400
Professional & Legal Expenses	16,835,157	23,661,453
Deposit Insurance Premium	5,275,817	7,313,205
Secretarial Fee	6,412,966	6,393,307
Office Administration & Establishment Expenses	345,134,253	322,835,051
Depreciation & Amortization Expenses (Note 11.1)	84,403,315	88,549,614
[illegible] expenses	13,277,563	7,858,200
Other Expenses	4,363,172	5,453,621
	482,773,747	468,947,851

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11. OTHER OPEARATING EXPENSES (CONTD)

Accounting Policy

Depreciation of Property, Plant & Equipment

Depreciation is recognised on a straight-line basis over the estimated useful lives of the respective assets, commencing from the date the assets are available for use. The straight-line method is considered to best reflect the pattern in which the future economic benefits embodied in the assets are expected to be consumed. The resulting depreciation charge is recorded in the Income Statement. No depreciation is charged in the month of disposal, and freehold land is not depreciated.

Depreciation rates are determined separately for each significant component of an asset where applicable.

The Company reviews the residual values, useful lives, and depreciation methods of property, plant and equipment at each reporting date and adjusts them prospectively where appropriate. These estimates and assumptions are based on management's judgment and are therefore subject to inherent uncertainty.

Depreciation ceases at the earlier of the date the asset is classified as held for sale or the date it is derecognised. Depreciation does not cease when assets become idle or are withdrawn from active use, unless they are fully depreciated. Freehold land is not depreciated, as it is considered to have an indefinite useful life.

The estimated useful lives applied in determining depreciation for the years ended 31 March 2026 and 2025 are set out below.

Asset Class	Period (Years)	2026	2025
Buildings	20	5.00 % p.a.	5.00 % p.a.
Office Equipment	5	20.00 % p.a.	20.00 % p.a.
Furniture and fittings	6.67	15.00% p.a.	15.00% p.a.
Office Partitioning	5.88	17.00% p.a.	15.00% p.a.
Motor Vehicles	5	20.00% p.a.	20.00% p.a.
Computer Hardware	4	25.00 % p.a.	20.00 % p.a.

Amortization of Intangible Assets

Intangible assets are amortised on a straight-line basis over their estimated useful economic lives. The amortisation charge is calculated to allocate the cost of the intangible assets over their expected useful lives. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful lives applied for the years ended 31 December 2026 is set out below.

Asset Class	Period (Years)	Amortisation Method
Computer software	5	Straight line method
Core Computer Software	10	Straight line method

Depreciation of Right of Use Assets

Depreciation is recognised on a straight-line basis over the lease term of the respective assets and is charged to the Statement of Profit or Loss over that period. Depreciation is charged over the shorter of the asset's estimated useful life and the lease term.

11.1 Depreciation & Amortization Expenses

	2026 Rs.	2025 Rs.
Depreciation on property, plant and equipment	12,760,628	13,857,450
Amortization of intangible assets	12,757,943	20,085,650
Depreciation expenses on Right of Use Assets	58,884,745	54,606,514
	84,403,315	88,549,614

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12. TAXES ON FINANCIAL SERVICES

Accounting Policy

Taxes on financial services comprise Value Added Tax (VAT) and the Social Security Contribution Levy (SSCL) levied on financial services.

12.1 Value Added Tax (VAT) on Financial Services

VAT on Financial Services is computed in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before VAT on Financial Services, Social Security Contribution Levy (SSCL) on supply of financial services and Income Tax adjusted for economic depreciation and emoluments to employees including cash benefits, non-cash benefits and provisions relating to terminal benefits. VAT on Financial Services rates applied for the current financial year is 18% (2024/2025-18%)

12.2 Social Security Contribution Levy (SSCL) on Financial Services

The Company is liable to pay Social Security Contribution Levy (SSCL) on financial services in accordance with the Social Security Contribution Levy Act No. 25 of 2022, effective from 1 October 2022 and subsequent adjustments thereto. SSCL is charged at a rate of 2.5% on the value addition attributable to the supply of financial services.

For the purposes of SSCL, the value addition is determined using the attributable method set out under Chapter IIIA of the Value Added Tax Act No. 14 of 2002. The levy is payable on 100% of the value addition arising from financial services. In addition, non-financial services supplied by the Company are also subject to SSCL at the same rate of 2.5% on the applicable turnover as specified under the Act.

	2026 Rs.	2025 Rs.
Value added tax on financial services	88,246,377	96,525,735
Social Security Contribution Levy	12,423,458	13,406,352
	100,669,835	109,932,087

13. INCOME TAX EXPENSE

Accounting Policy

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

The determination of the total provision for current and deferred taxes involves significant judgment. At the time of preparing these Financial Statements, uncertainties may exist regarding the interpretation and application of tax laws. The Company recognizes assets and liabilities for current and deferred taxes based on management's best estimates of whether additional taxes will be payable. Any differences between the final tax outcomes and the amounts initially recorded will be recognized in the period in which such determinations are made, impacting the reported income and deferred tax balances.

Current Tax

Current tax represents the expected tax payable to, or recoverable from, the taxation authorities in respect of the current year, together with adjustments to tax liabilities or assets relating to prior years. The tax rates and tax laws used in determining the current tax charge are those enacted or substantively enacted at the reporting date. Accordingly, the provision for taxation is based on profit for the year, adjusted for tax purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, as amended, and at the rates specified in the relevant Notes to the Financial Statements.

Deferred Tax

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 31 to these Financial Statements.

13. INCOME TAX EXPENSE (Contd...)

13.1 The major components of income tax expense for the year ended 31st March are as follows.

Income statement	2026 Rs.	2025 Rs.
Current tax expense		
Income tax for the year	-	-
Under/ (Over) provision of current taxes in respect of previous years	-	32,915,847
	-	32,915,847
Deferred tax expense		
Effect of changes in income tax rates	-	-
Deferred taxation charge/Reversal (refer note 31)	(109,925,335)	(32,915,847)
	(109,925,335)	-

13.2 **A reconciliation of the Accounting Profit to Current Tax Expense is as follows.**

	2026 Rs.	2025 Rs.
Profit Before Income Tax	40,529,772	145,132,424
Less : Exempt Amounts, Final withholding payments & Other Sources	(10,572,201)	(5,885,238)
Add : Non deductible Expenses	(149,024,658)	(184,223,209)
Less : Tax Deductible Expenses	(138,750,063)	273,610,565
Add : Assessable Charges on disposal Assets	1,024,000	-
Less : Allowable Credits	-	-
Assessable Income	(256,793,149)	228,634,542
Less : Qualifying Payments	-	-
Less : C/F Lossess /claimed	(256,793,149)	(228,634,542)
Taxable Income	-	-

Current Income Tax Expense @ 30% FY 2025/26 (2024/25- 30%)

14. EARNINGS / (LOSS) PER ORDINARY SHARE - BASIC/DILUTED (Rs.)

Accounting Policy

The Company presents both basic and diluted earnings per share (EPS) for its ordinary shares in accordance with Sri Lanka Accounting Standard LKAS 33 (Earnings Per Share). Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by dividing the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares.

The diluted earnings per ordinary share is equal to the basic earnings per ordinary share, as the Company has no convertible securities or other potentially dilutive instruments outstanding at the reporting date.

	2026	2025
Profit attributable to ordinary shareholders (Rs.)	150,455,107	145,132,424
Weighted average number of ordinary shares during the	962,573,191	962,573,191
Basic/Diluted earnings/(Loss) per ordinary share (Rs.)	0.16	0.15

14.1 **Weighted Average Number of Ordinary Shares (basic)**

	Outstanding No: of Shares		Weighted Average No: of Shares	
	2026	2025	2026	2025
Number of shares in issue as at 01 April	962,573,191	962,573,191	962,573,191	962,573,191
Add: New shares from Rights Issue	-	-	-	-
Number of shares in issue/weighted average number of ordinary shares at 31st March	962,573,191	962,573,191	962,573,191	962,573,191

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

15. DIVIDEND PAID

Accounting Policy

Provision for dividend is recognised in the financial statement at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However, an interim cash dividend is recognised in the financial statement when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard – LKAS 10 on 'Events after the reporting period'. The company has not declared any dividend for the financial year 2025/2026 up to the of authorization of these financial statements.

	2026 Rs.	2025 Rs.
Number of Ordinary Shares	962,573,191	962,573,191
Dividends per Ordinary Share (Rs.)	-	-

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Accounting Policy

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Significant Accounting Policies describes how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table provides a reconciliation between line items in the Statement of Financial Position and categories of financial instruments.

16.1 Analysis of Financial Instruments by Measurement Basis

As at 31 March 2026	Financial Assets Recognized through Profit or Loss Rs.	Financial Assets Recognized through OCI Rs.	Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and bank balances	-	-	224,724,345	224,724,345
Securities purchased under repurchase agreements	-	-	698,690,831	698,690,831
Financial Assets at Amortised Cost - Factoring receivables	-	-	5,885,058	5,885,058
Financial Assets at Amortised Cost - Gold loan receivables	-	-	3,212,398,698	3,212,398,698
Financial Assets at Amortised Cost - Loan Receivables	-	-	1,016,212,569	1,016,212,569
Lease & hire purchase receivables	-	-	738,914,088	738,914,088
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	141,464,298	141,464,298
Total Financial Assets	-	30,600	6,038,289,887	6,038,320,487
Financial Liabilities				
Bank overdraft			44,771,207	44,771,207
Financial Liabilities at Amortised Cost - Due to other customers			3,738,423,692	3,738,423,692
Other payables			447,535,588	447,535,588
Total Financial Liabilities			4,230,730,487	4,230,730,487

As at 31 March 2025	Financial Assets Recognized through Profit or Loss Rs.	Financial Assets Recognized through OCI Rs.	Amortised Cost Rs.	Total Rs.
Financial Assets				
Cash and bank balances	-	-	297,129,594	297,129,594
Securities purchased under repurchase agreements	-	-	801,814,765	801,814,765
Financial Assets at Amortised Cost - Factoring receivables	-	-	14,553,693	14,553,693
Financial Assets at Amortised Cost - Gold loan receivables	-	-	1,830,574,174	1,830,574,174
Financial Assets at Amortised Cost - Loan Receivables	-	-	1,405,799,320	1,405,799,320
Lease & hire purchase receivables	-	-	1,485,514,985	1,485,514,985
Equity instruments at fair value through OCI	-	30,600	-	30,600
Other Assets	-	-	795,918,743	795,918,743
Total Financial Assets	-	30,600	6,631,305,275	6,631,335,875
Financial Liabilities				
Bank overdraft	-	-	92,003,501	92,003,501
Financial Liabilities at Amortised Cost - Due to other customers	-	-	4,273,387,713	4,273,387,713
Financial Liabilities at Amortised Cost - Other borrowed funds	-	-	3,577,581	3,577,581
Other payables	-	-	644,391,158	644,391,158
Total Financial Liabilities	-	-	5,013,359,953	5,013,359,953

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17. CASH AND BANK BALANCES

Accounting Policy

Cash and cash equivalents comprise cash on hand, balances held with banks on demand, money at call and short notice, and other highly liquid financial assets with original maturities of three months or less from the date of acquisition. These assets are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are maintained for the purpose of meeting the Company's short-term cash commitments rather than for investment or other purposes. They are recognised initially at fair value and subsequently measured at amortised cost in the Statement of Financial Position, where applicable.

	2026 Rs.	2025 Rs.
Cash in hand	53,434,736	48,821,510
Balances with local banks	171,289,609	248,308,084
	224,724,345	297,129,594

18. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENTS

Accounting Policy

Securities purchased under repurchase agreements ("reverse repos") are transactions in which the Company purchases securities and simultaneously agrees to resell the same or similar securities at a predetermined price on a specified future date. These arrangements are accounted for as collateralised financing transactions rather than outright purchases of the underlying securities, as the risks and rewards of ownership remain substantially with the counterparty.

The consideration paid and accrued interest are recorded in the Statement of Financial Position reflecting the transaction's economic substance as a financing asset. Interest income is recognised in profit or loss over the life of the agreement using the effective interest rate method. Expected credit losses are assessed in accordance with the Company's impairment policy.

	2026 Rs.	2025 Rs.
Securities purchased under repurchase agreements	698,690,831	801,814,765
	698,690,831	801,814,765

19. FINANCIAL ASSETS AT AMORTISED COST

Accounting Policy

Loans and advances to customers comprise loans and advances granted by the Company and finance lease receivables.

In accordance with SLFRS 9, these financial assets are measured at amortised cost when they are held within a business model whose objective is to collect contractual cash flows, and where the contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest on the outstanding principal amount.

Where the company acts as a lessor under finance lease arrangements that substantially transfer the risks and rewards incidental to ownership of the leased asset to the lessee, the related lease receivables are recognised within "Loans and Advances to Customers". Finance lease receivables are presented net of initial rentals received, unearned lease income and impairment allowances.

Subsequent to initial recognition, loans and advances to customers are measured at amortised cost using the Effective Interest Rate (EIR) method, less any impairment allowances recognised in accordance with the Company's expected credit loss model. The EIR incorporates all fees, transaction costs, premiums and discounts that are integral to the effective yield of the instrument. Interest income is recognised using the EIR method, while impairment losses are recognised in the Statement of Profit or Loss under "Impairment (Charges) / Reversals and Other Credit Losses on Financial Assets'.

Write-off of Financial Assets at Amortised Cost

Financial Assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. If the amount to be written off is greater than the accumulated impairment, the difference is first treated as an addition to the impairment that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the Income Statement. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

Financial Assets At Amortised Cost - Factoring Receivables	2026 Rs.	2025 Rs.
Factoring receivable (Note 19.1 & 19.2)	152,029,117	117,710,994
Less : Allowance for expected credit losses/ individual impairment (Note 19.3)	(20,379,487)	(5,972,774)
Less : Allowance for expected credit losses/ collective impairment (Note 19.4)	(125,764,572)	(97,184,527)
	5,885,058	14,553,693

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19. FINANCIAL ASSETS AT AMORTISED COST (Contd...)

Financial Assets At Amortised Cost - Factoring Receivables (Contd...)

19.1 Movement in gross Factoring receivables during the year (Under SLFRS 9)

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2025	85,937	-	117,625,057	117,710,994
New assets originated or purchased	-	-	6,112,464	6,112,464
Assets derecognised or repaid (Excluding write offs)	(50,007)	-	-	(50,007)
Transfers/Movements	-	-	28,255,666	28,255,666
Gross carrying amount as at 31st March 2026	35,931	-	151,993,187	152,029,117

19.2 Movement in gross Factoring receivables during the year (Under SLFRS 9)

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2024	13,014,940	-	75,790,631	88,805,571
New assets originated or purchased	-	-	41,834,426	41,834,426
Assets derecognised or repaid (Excluding write offs)	(7,448,859)	-	-	(7,448,859)
Transfers/Movements	(5,480,143)	-	-	(5,480,143)
Gross carrying amount as at 31st March 2025	85,938	-	117,625,057	117,710,994

19.3 Allowance for Expected Credit Losses/Impairment Provision

	2026 Rs.	2025 Rs.
Subject to collective impairment		
Balance as at 01st April	5,972,774	2,058,304
Charge/ (Reversal) to income statement	9,584,438	3,914,470
Transfer/Movements	4,822,276	-
Balance as at 31st March	20,379,487	5,972,774

19.4 Allowance for Expected Credit Losses/Impairment Provision

	2026 Rs.	2025 Rs.
Subject to Individual impairment		
Balance as at 01st April	97,184,527	66,555,632
Charge/ (Reversal) to income statement	5,146,654	30,628,895
Transfer/Movements	23,433,390	-
Balance as at 31st March	125,764,572	97,184,527

19.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2025	294	-	103,157,007	103,157,301
Charge/ (Reversal) to income statement (Note 9.1)	(215)	-	14,731,307	14,731,092
Transfer/Movements	-	-	28,255,666	28,255,666
Balance as at 31st March 2026	79	-	146,143,980	146,144,059

19.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2024	87,272	-	68,526,665	68,613,937
Charge/ (Reversal) to income statement (Note 9.2)	(86,978)	-	34,630,342	34,543,364
Balance as at 31st March 2025	294	-	103,157,007	103,157,301

19.7 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	35,931	-	151,993,187	152,029,117
Allowance for expected credit losses(ECL)	(79)	-	(146,143,980)	(146,144,059)
	35,852	-	5,849,206	5,885,058

19.8 Analysis of Factoring Receivables on Maximum Exposure to Credit Risk

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross factoring receivable	85,937	-	117,625,057	117,710,994
Allowance for expected credit losses (ECL)	(294)	-	(103,157,007)	(103,157,301)
	85,644	-	14,468,049	14,553,693

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20. FINANCIAL ASSETS AT AMORTISED COST - GOLD LOAN RECEIVABLES

	2026 Rs.	2025 Rs.
Gold loan receivables	3,219,189,166	1,830,578,973
Less : Allowance for expected credit losses/ collective impairment (Note 20.3)	(6,790,468)	(4,799)
	3,212,398,698	1,830,574,174

20.1 Movement in gross Gold Loan receivables during the year (Under SLFRS 9)

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2025	1,432,707,980	376,099,912	21,771,081	1,830,578,973
New assets originated or purchased	13,019,763,146	21,396,574	-	13,041,159,720
Assets derecognised or repaid (Excluding write offs)	(11,652,955,329)	-	(1,454,885)	(11,654,410,214)
Transfers/Movements	-	-	1,860,687	1,860,687
Transfer to Stage 1	(139,777)	139,777	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Gross carrying amount as at 31st March 2026	2,799,376,020	397,636,263	22,176,883	3,219,189,166

20.2 Movement in gross Gold Loan receivables during the year (Under SLFRS 9)

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2024	881,925,583	452,378,789	31,805,872	1,366,110,244
New assets originated or purchased	1,432,351,347	374,403,561	6,950,378	1,813,705,286
Assets derecognised or repaid (Excluding write offs)	(880,400,120)	(452,029,564)	(16,358,118)	(1,348,787,802)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1,099,366)	1,347,126	-	247,760
Transfer to Stage 3	(69,464)	-	(627,051)	(696,515)
Gross carrying amount as at 31st March 2025	1,432,707,980	376,099,912	21,771,081	1,830,578,973

20.3 Allowance for Expected Credit Losses/Impairment Provision

Subject to collective impairment	2026 Rs.	2025 Rs.
Balance as at 01st April	4,799	17,432
Charge/ (Reversal) to income statement	4,924,983	(12,633)
Transfers/Movements	1,860,687	-
Balance as at 31st March	6,790,468	4,799

20.4 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2025	2,908	1,607	284	4,799
Charge/ (Reversal) to income statement (Note 9.1)	2,287,624	1,235,893	1,401,466	4,924,983
Transfers/Movements	-	-	1,860,687	1,860,687
Balance as at 31st March 2026	2,290,531	1,237,500	3,262,437	6,790,468

20.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2024	7,980	7,835	1,616	17,432
Charge/ (Reversal) to income statement (Note 9.2)	(5,073)	(6,228)	(1,332)	(12,633)
Balance as at 31st March 2025	2,908	1,607	284	4,799

20.6 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	2,799,376,020	397,636,263	22,176,883	3,219,189,166
Allowance for expected credit losses (ECL)	(2,290,531)	(1,237,500)	(3,262,437)	(6,790,468)
	2,797,085,489	396,398,763	18,914,446	3,212,398,698

20.7 Analysis of Gold Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross Gold loan receivable subject to collective impairment	1,432,707,980	376,099,912	21,771,081	1,830,578,973
Allowance for expected credit losses(ECL)	(2,908)	(1,607)	(284)	(4,799)
	1,432,705,072	376,098,305	21,770,797	1,830,574,174

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21. FINANCIAL ASSETS AT AMORTISED COST - LOAN RECEIVABLES

	2026 Rs.	2025 Rs.
Revolving loan receivables	116,640,226	795,249,065
Vehicle loan receivables	206,381,131	28,769,178
Personal/Business loan receivables	3,400,047,288	5,180,340,325
Gross loan receivables	3,723,068,645	6,004,358,569
Less :Derecognition of Financial Assets	(1,668,646,599)	(2,573,293,356)
Gross loan receivables after derecognition of Financial Assets	2,054,422,045	3,431,065,212
Less : Allowance for expected credit losses/ individual impairment (Note 21.3)	(910,383,635)	(1,294,870,240)
Less : Allowance for expected credit losses/ collective impairment (Note 21.4)	(127,825,841)	(730,395,652)
	1,016,212,569	1,405,799,320

21.1 Movement in gross Loan & Receivables during the year (Under SLFRS 9)

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2025	286,877,609	5,129,623	3,139,057,980	3,431,065,212
New assets originated or purchased	185,906,730	-	-	185,906,730
Assets derecognised or repaid (Excluding write offs)	-	(3,889,698)	(1,829,323,461)	(1,833,213,159)
Transfers/Movements	-	-	270,663,263	270,663,263
Transfer to Stage 1	(1,740,749)	681,801	1,058,948	-
Transfer to Stage 2	197,993	(1,120,525)	922,532	-
Transfer to Stage 3	7,093,039	25,996	(7,119,035)	-
Gross carrying amount as at 31st March 2026	478,334,623	827,197	1,575,260,226	2,054,422,046

21.2 Movement in gross Loan & Receivables during the year (Under SLFRS 9)

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2024	453,411,151	21,920,557	5,871,102,783	6,346,434,491
New assets originated or purchased	203,381,551	-	241,440,304	444,821,855
Assets derecognised or repaid (Excluding write offs)	(357,426,681)	(8,255,448)	(2,980,765,978)	(3,346,448,107)
Transfer to Stage 1	1,511,370	(3,226,628)	(5,133,389)	(6,848,647)
Transfer to Stage 2	(5,985,842)	2,839,592	-	(3,146,250)
Transfer to Stage 3	(8,013,941)	(8,148,449)	12,414,259	(3,748,131)
Gross carrying amount as at 31st March 2025	286,877,609	5,129,623	3,139,057,980	3,431,065,212

21.3 Allowance for Expected Credit Losses/Impairment

	2026 Rs.	2025 Rs.
Individually impaired loans		
Balance as at 01st April	1,294,870,239	2,110,698,526
Charge/ (Reversal) to income statement	(250,519,820)	(152,940,382)
Transfers to SPV	(385,738,406)	(662,887,905)
Transfer/Movements	251,771,622	-
Balance as at 31st March	910,383,635	1,294,870,239

21.4 Allowance for Expected Credit Losses/Impairment

	2026 Rs.	2025 Rs.
Loans subject to collective impairment		
Balance as at 01st April	730,395,652	1,781,865,436
Charge/ (Reversal) to income statement	(38,939,696)	(241,330,489)
Transfers to SPV	(582,521,755)	(810,139,295)
Transfer/Movements	18,891,641	-
Balance as at 31st March	127,825,841	730,395,652

21.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2025	779,199	217,177	2,024,269,515	2,025,265,891
Derecognition of financial assets	-	-	(968,260,161)	(968,260,161)
Charge/ (Reversal) to income statement (Note 9.1)	16,518,154	(164,001)	(305,813,671)	(289,459,517)
Transfer/Movements	29,849	24,595	270,608,819	270,663,263
Balance as at 31st March 2026	17,327,202	77,772	1,020,804,502	1,038,209,476

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21. FINANCIAL ASSETS AT AMORTISED COST - LOAN RECEIVABLES (CONTD)

21.6 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2024	3,873,178	2,331,732	3,886,359,053	3,892,563,963
Derecognition of financial assets	-	-	(1,473,027,201)	(1,473,027,201)
Charge/ (Reversal) to income statement (Note 9.2)	(3,093,979)	(2,114,555)	(389,062,337)	(394,270,871)
Balance as at 31st March 2025	779,199	217,177	2,024,269,515	2,025,265,891

21.7 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	478,364,471	851,792	3,243,852,381	3,723,068,645
Less :Derecognition of Financial Assets	-	-	(1,668,646,599)	(1,668,646,599)
Allowance for expected credit losses(ECL)	(17,327,202)	(77,772)	(1,020,804,502)	(1,038,209,476)
	461,037,269	774,021	554,401,280	1,016,212,569

21.8 Analysis of Loan Receivables on Maximum Exposure to Credit Risk

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross loan receivables- subject to collective impairment	286,877,609	5,129,623	5,712,351,336	6,004,358,569
Less :Transfer/Movement	-	-	(2,573,293,356)	(2,573,293,356)
Allowance for expected credit losses(ECL)	(779,199)	(217,177)	(2,024,269,515)	(2,025,265,891)
	286,098,411	4,912,446	1,114,788,465	1,405,799,321

22. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES

	2026 Rs.	2025 Rs.
At Amortized cost		
Total lease & hire purchase rentals receivable	1,238,048,497	2,058,895,826
Less: Unearned interest income	(96,421,358)	(215,713,677)
Gross lease & hire purchase receivable	1,141,627,140	1,843,182,148
Less: Allowance for expected credit losses/ collective impairment (Note 22.3 & 22.4)	(402,713,052)	(357,667,164)
Net lease receivable (Note 22.6 & 22.7)	738,914,088	1,485,514,985

22.1 Maturity Analysis of net Lease & Hire Purchase Receivable

	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
As at 31 March 2026				
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	906,228,165	331,820,332	-	1,238,048,497
Less: Unearned lease interest income	(20,443,184)	(75,978,173)	-	(96,421,358)
Gross lease receivable	885,784,981	255,842,159	-	1,141,627,140
Less: Allowance for expected credit losses				(402,713,051)
Net lease receivable				738,914,088

22.2 Maturity Analysis of net Lease & Hire Purchase Receivable

As at 31 March 2025	1 Year Rs.	1- 5 Year Rs.	Over 5 Years Rs.	Total Rs.
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	1,482,379,898	576,515,928	-	2,058,895,826
Less: Unearned lease interest income	(159,872,548)	(55,841,130)	-	(215,713,677)
Gross lease receivable	1,322,507,350	520,674,798	-	1,843,182,148
Less: Provision for collective impairment				(357,667,164)
Net lease receivable				1,485,514,985

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22. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES (CONTD)

22.3 Allowance for Expected Credit Losses/Impairment

Loans subject to collective impairment	2026 Rs.	2025 Rs.
Collective Impairment		
Balance as at 01st April	149,752,777	208,364,444
Credit loss Expense/(Reversal) on Financial Assets	(60,489,220)	(58,611,668)
Transfers / Movements	85,507,644	-
Balance as at 31st March	174,771,200	149,752,777
Individual Impairment		
Balance as at 01st April	207,914,387	304,317,462
Charge/ (Reversal) to income statement	(31,614,036)	(96,403,075)
Write off during the year	-	-
Transfers / Movements	51,641,500	-
Balance as at 31st March	227,941,851	207,914,387

22.4 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2025	3,692,543	4,564,838	349,409,782	357,667,164
Charge/ (Reversal) to income statement (Note 9.1)	(2,301,388)	(4,337,498)	(85,464,370)	(92,103,256)
Transfers / Movements	6,226	6,249	137,136,668	137,149,144
Balance as at 31st March 2026	1,397,381	233,590	401,082,080	402,713,052

22.5 Movement in Allowance for Expected Credit Losses

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2024	6,925,657	26,412,857	479,343,393	512,681,907
Charge/ (Reversal) to income statement (Note 9.2)	(3,233,114)	(21,848,018)	(129,933,611)	(155,014,744)
Transfers / Movements	-	-	-	-
Balance as at 31st March 2025	3,692,543	4,564,838	349,409,782	357,667,164

22.6 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	335,272,785	22,772,094	783,582,260	1,141,627,140
Allowance for expected credit losses (ECL)	(1,397,381)	(233,590)	(401,082,080)	(402,713,052)
	333,875,404	22,538,504	382,500,180	738,914,088

22.7 Analysis of Lease & Hire purchase Receivables on Maximum Exposure to Credit Risk

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross receivables- subject to collective impairment	649,765,235	215,517,577	977,899,336	1,843,182,148
Allowance for expected credit losses (ECL)	(3,692,543)	(4,564,838)	(349,409,782)	(357,667,164)
	646,072,692	210,952,739	628,489,554	1,485,514,985

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22. FINANCIAL ASSETS AT AMORTISED COST - LEASE & HIRE PURCHASE RECEIVABLES (Contd...)

22.8 Movement in gross lease and hire purchase receivables during the year (Under SLFRS 9)

As at 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2025	649,765,235	215,517,577	977,899,336	1,843,182,148
New assets originated or purchased	301,221,776	-	-	301,221,776
Assets derecognized or repaid (Excluding write offs)	(651,810,598)	(173,846,516)	(314,268,814)	(1,139,925,929)
Transfer to Stage 1	(8,193,772)	8,114,063	79,710	(0)
Transfer to Stage 2	29,018,413	(32,619,338)	3,600,925	-
Transfer to Stage 3	15,265,505	5,600,059	(20,865,565)	-
Transfers / Movements	-	-	137,149,144	137,149,144
Gross carrying amount as at 31st March 2026	335,266,559	22,765,844	783,594,736	1,141,627,140

22.9 Movement in gross lease and hire purchase receivables during the year (Under SLFRS 9)

As at 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross carrying amount as at 1st April 2024	1,542,249,015	1,158,242,763	1,810,729,754	4,511,221,532
Assets derecognized or repaid (Excluding write offs)	(933,926,909)	(690,128,460)	(867,832,142)	(2,491,887,511)
Transfer to Stage 1	183,771,884	(260,295,114)	(29,712,301)	(106,235,531)
Transfer to Stage 2	(126,743,797)	96,182,917	(7,167,606)	(37,728,486)
Transfer to Stage 3	(15,524,957)	(88,484,530)	71,881,631	(32,127,855)
Gross carrying amount as at 31st March 2025	649,825,235	215,517,577	977,899,336	1,843,242,148

23. OTHER ASSETS

Other assets primarily include financial assets, such as repossessed vehicles, real estate held for sale, amounts due from related parties, and other receivables net of provisions, as well as non-financial assets, including deposits and prepayments, inventories, and tax receivables, net of applicable provisions.

Accounting Policy

Other financial assets are initially recognized at fair value, net of transaction costs directly attributable to their acquisition. After initial recognition, these assets are measured at amortised cost using the Effective Interest Rate (EIR) method. Any difference between the proceeds (net of transaction costs) and the receivable amount, including interest income, is recognised in the Income Statement over the life of the asset using the EIR method, in accordance with Sri Lanka Financial Reporting Standard (SLFRS 9) Financial Instruments.

The Company assesses its financial assets for impairment at each reporting date using the Expected Credit Loss (ECL) model, as required under SLFRS 9.

Other non-financial assets include the inventories such as gold stock & Stationary stock, deposits, advances and prepayments, etc. These assets are non interest earning and recorded at the amounts that are expected to be received. Inventories are valued at cost or net realisable value whichever is lower. The cost of an inventory is the purchase price. Net realisable value is the estimated realisable value less estimated cost necessary to make the sale.

		2026 Rs.	2025 Rs.
Financial Assets			
Repossessed vehicle stock		5,754,104	446,792,042
Real Estate stock		148,841,845	801,066,081
Amount due from Related Companies	Note 23.3	1,064,222	100,909
Other receivables		5,618,281	9,664,488
Less: Provision for Financial Assets		(19,814,154)	(461,704,778)
		141,464,298	795,918,743
Non Financial Assets			
Deposits & Prepayments		111,402,887	84,327,138
Inventories		3,770,873	3,339,041
Income tax receivable		254,052,137	254,052,137
Taxes receivable		88,670,752	195,120,932
Less: Provision for Non - Financial Assets		(82,636,282)	(114,118,941)
		375,260,368	422,720,307
		516,724,666	1,218,639,050

23. OTHER ASSETS (Contd...)

23.1 Provision for Repossessed Stock

	2026 Rs.	2025 Rs.
Balance as at 01st April	446,795,764	334,679,080
Charge/ (Reversal) to income statement	26,380,278	112,116,683
Write off during the year	(467,421,938)	-
Balance as at 31st March	5,754,103	446,795,764

23.2 Impairment for Real State Stock

	2026 Rs.	2025 Rs.
Balance as at 01st April	14,909,014	21,571,775
Charge/ (Reversal) to income statement	(848,963)	(3,090,833)
Write off during the year	-	(3,571,928)
Balance as at 31st March	14,060,051	14,909,014

23.3 Amount due from Related Companies

	2026 Rs.	2025 Rs.
Softlogic Retail (Pvt) Ltd	-	22,243
Softlogic Life PLC	275,398	78,667
SR One (Pvt) Ltd	788,824	-
	1,064,222	100,909

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Accounting Policy

Financial assets measured at FVOCI comprise debt instruments and equity instruments that meet the classification criteria specified under SLFRS 9 Financial Instruments.

Debt Instruments at FVOCI

Debt instruments are measured at FVOCI when they are held within a business model whose objective is achieved through both the collection of contractual cash flows and the sale of financial assets, and where the contractual cash flows represent solely payments of principal and interest on the outstanding principal amount.

Subsequent to initial recognition, these instruments are measured at fair value. Changes in fair value are recognised in Other Comprehensive Income (OCI), while interest income, foreign exchange gains or losses, and expected credit losses (ECL), including reversals, are recognised in the Income Statement. Upon derecognition, the cumulative gains or losses previously recognised in OCI are reclassified to the Income Statement.

Equity Instruments at FVOCI

The Company may irrevocably designate certain equity investments held for strategic purposes as FVOCI on initial recognition, provided they meet the definition of an equity instrument under LKAS 32 Financial Instruments: Presentation and are not held for trading.

Subsequent changes in fair value are recognised in OCI and are not subsequently reclassified to the Income Statement upon disposal. Instead, cumulative gains or losses recognised in OCI are transferred directly to retained earnings upon derecognition. Dividend income is recognised in the Income Statement when the Company's right to receive payment is established. These investments are not subject to impairment assessment under the expected credit loss model.

	Notes	2026 Rs.	2025 Rs.
Equity instruments at fair value through OCI - Unquoted	24.1	30,600	30,600
		30,600	30,600

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24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Contd...)

24.1 Financial Instruments -Un.Quoted

	2026		
	No. of Shares	Rs. Cost	Market Value
Credit Information Bureau of Sri Lanka	100	30,600	30,600

	2025		
	No. of Shares	Rs. Cost	Market Value
Credit Information Bureau of Sri Lanka	100	30,600	30,600

In financial year 2025/2026, the Company received dividends of Rs.247,520/- (Financial year 2024/2025 - Rs. 228,565/-) from these unquoted equity investments, and recorded as other operating income.

25. PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

The Company accounts for property, plant and equipment in accordance with Sri Lanka Accounting Standard – LKAS 16, Property, Plant and Equipment.

Property, plant and equipment comprise tangible assets owned by the Company and held for use in the provision of services, rental to others, or administrative purposes, and are expected to be utilised over more than one reporting period.

Basis of Recognition

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

Right- of -use assets are presented separately in the Statement of Financial Position.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located.

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

a) Cost Model

The Company applies the Cost Model to all property, plant & equipment other than freehold land and buildings and record at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

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

b) Revaluation Model

The Company adopts the revaluation model for the entire class of freehold land and buildings which are revalued every three years by independent professional valuers in accordance with Central Bank of Sri Lanka guidelines. As at the reporting date, the Company does not hold any freehold land or buildings. Accordingly, these assets are carried at their revalued amounts, being the fair value determined at the date of revaluation, less subsequent accumulated depreciation (where applicable) and accumulated impairment losses. Revaluations are performed with sufficient regularity to ensure that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Revaluation increases are recognized in equity (revaluation reserve) or to the extent of a previous decrease charged to profit or loss. Decreases are recognized in profit or loss unless offset by a revaluation surplus, in which case the decrease is recorded in other comprehensive income. Balances in the revaluation reserve are transferred to retained earnings upon disposal of the asset.

All other property, plant, and equipment, including motor vehicles, are stated at cost less accumulated depreciation and impairment.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day-to-day servicing of property, plant and equipment are charged to the Income Statement as incurred. Costs incurred in using or redeploying an item is not included under carrying amount of an item.

Repairs and Maintenance

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

Capital work in progress

Capital work-in-progress comprises expenditure directly attributable to the acquisition, construction, or development of assets that are not yet ready for their intended use. Such expenditure includes costs incurred on building projects, major plant and equipment, and system development initiatives.

Capital work-in-progress is carried at cost in the Statement of Financial Position and is not depreciated until the related asset is available for use. Upon completion and when the asset is ready for its intended use, the accumulated costs are transferred to the appropriate category of property, plant and equipment or intangible assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset in accordance with LKAS 23 – 'Borrowing Costs'. A qualifying asset is one that requires a substantial period of time to be ready for its intended use. Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the asset for its intended use are complete. There was no capitalised borrowing cost related to the acquisition of property, plant and equipment during the year.

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2025/2026.

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

Depreciation

The accounting policies, significant judgments, assumptions and estimates applied in determining the depreciation and amortisation of property, plant and equipment are disclosed in Note 25.

Impairment

Property, plant and equipment are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such indicators may include physical damage, obsolescence, or other adverse changes affecting the use of the asset.

Where an indication of impairment exists, the recoverable amount of the asset is estimated and compared with its carrying amount. An impairment loss is recognised in the income statement to the extent that the carrying amount exceeds the recoverable amount.

During the current and preceding financial periods, no impairment losses were recognised on property, plant and equipment, as no indicators of impairment were identified.

De-recognition

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

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

When the cost of replacing a component of an item of property, plant and equipment is capitalised, the carrying amount of the component that has been replaced is derecognised. Major inspection costs are also capitalised, and any remaining carrying amount of the previous inspection cost is derecognised at the time of such capitalisation.

Title Restriction on Property, Plant and Equipment
As at the reporting date, there were no restrictions on the title of the Company's property, plant, and equipment.

Property, Plant and Equipment Pledged as Security for Liabilities
There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

Compensation from Third Parties for Items of Property, Plant and Equipment
As at the reporting date, no compensation was receivable from third parties for any property, plant, and equipment that was impaired, lost, or disposed of.

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

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

Fully depreciated property, plant and equipment
As at the reporting date, the Company holds fully depreciated assets with a carrying value of Rs. 1,855 Mn (2025: Rs. 516.32 Mn).

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

25.1 Cost / Valuation

	Balance as at 31.03.2025	Additions / Reclassifications	Revaluation surplus/ Transfers	Disposals	Balance as at 31.03.2026
	Rs.	Rs.	Rs.	Rs.	Rs.
Owned Assets					
Officer Partitioning	98,173,117	-	-	(1,516,236)	96,656,880.12
Furniture & Fittings	83,250,661	24,225	-	(249,000)	83,025,885.65
Office equipment	284,625,954	4,708,304	-	(903,776)	288,430,481.94
Motor vehicles	13,852,504	-	-	-	13,852,504.18
Sub Total	479,902,235	4,732,529	-	(2,669,013)	481,965,751.67
Total Assets	479,902,235	4,732,529	-	(2,669,013)	481,965,751.67

25.2 Accumulated Depreciation

	Balance as At 31.03.2025	Charge for the year	Disposals /Transfers	Balance as at 31.03.2026
	Rs.	Rs.	Rs.	Rs.
Owned Assets				
Officer Partitioning	89,518,697	2,254,365	(1,516,236)	90,256,825.36
Furniture & Fittings	78,645,772	1,081,176	(249,000)	79,477,948.35
Office equipment	267,488,773	8,567,087	(903,776)	275,152,084.12
Motor vehicles	12,136,504	858,000	-	12,994,504.12
Total Cost/ Valuation	447,789,747	12,760,628	(2,669,012)	457,881,361.95
Total Depreciation	447,789,747	12,760,628	(2,669,012)	457,881,361.95

25.3 Net Book Values

	2026	2025
	Rs.	Rs.
Officer Partitioning	6,400,055	8,654,419
Furniture & Fittings	3,547,937	4,604,889
Office equipment	13,278,398	17,137,180
Motor vehicles	858,000	1,716,000
Total carrying amount of Owned Assets	24,084,390	32,112,488
Total carrying amount of Assets	24,084,390	32,112,488

25.4 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs. 5.54 Mn (2024/2025 Rs.34.33 Mn).

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

25.5 Intangible Assets

Accounting Policy

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

Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

An intangible asset is initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

Computer software

Intangible assets comprise computer software acquired by the Company to be used in its operation. Computer software licences used by the company, which are not integral to the related hardware and can be separately identified, reliably measured, and are expected to generate future economic benefits, are recognised as intangible assets in the Statement of Financial Position. These assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Research and Development Costs

Research expenditure is recognised as an expense when incurred. Development expenditure incurred on individual projects is capitalised as an intangible asset when the Company can demonstrate.

- Technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Intention to complete the asset and ability to use or sell it;
- The likelihood that the asset will generate probable future economic benefits;
- Availability of adequate technical, financial and other resources to complete the development and to use or sell the asset;
- Ability to reliably measure the expenditure attributable to the asset during its development; and
- Ability to use the intangible asset once development is completed

Development costs that do not meet the above criteria are recognised as an expense when incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

As at the reporting date, the Company had no internally generated intangible assets arising from capitalised development costs.

Useful Economic life

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

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

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

25.5 Intangible Assets (Ccontd...)

Amortization

The Company assesses intangible assets with indefinite useful lives and intangible assets that are not yet available for use for impairment at least annually, or more frequently if indicators of impairment exist. The impairment assessment is performed by comparing the carrying amount of the asset with its recoverable amount.

Intangible assets recognised during the current reporting period are tested for impairment before the end of the reporting period, irrespective of whether any indication of impairment exists. Any impairment loss identified is recognised immediately in the Statement of Profit or Loss.

The accounting policies, significant judgments, assumptions and estimates applied in determining the useful lives, amortisation methods and impairment assessments of intangible assets are disclosed in Note .....

Derecognition

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

Title Restriction on Intangible Assets
As at the reporting date, the Company's intangible assets are free from any title restrictions.

Intangible Assets Pledged as Security for Liabilities
There were no items of Intangible assets pledged as securities for liabilities as at the reporting date.

	2026 Rs.	2025 Rs.
Cost as at 01April	292,443,948	272,186,315
Additions, improvements & Transfers	808,300	20,257,633
Cost as at 31 March	293,252,248	292,443,948
Amortisation as at 01 April	220,657,743	200,572,093
Amortisation for the year	12,757,943	20,085,650
Accumulated amortisation as at 31 March	233,415,686	220,657,743
Net book value as at 31 March	59,836,562	71,786,205

26. INVSTMENT PROPERTY

Investment Properties are those which are held either to earn rental income or for capital appreciation or for both.

Accounting Policy

Basis of Recognition

An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property is reliably measured.

The Company assesses each property individually to determine whether it qualifies as an investment property. A property is classified as an investment property when it is held to earn rental income, for capital appreciation, or for both, and generates cash flows largely independently of the Company's other assets.

Where a property comprises, portions held for investment purposes and portions occupied for operational or administrative use, the portions are accounted for separately if they can be sold or leased independently. If the portions cannot be separately sold or leased, the property is classified as an investment property only when the owner-occupied portion is insignificant in relation to the property as a whole.

26. INVSTMENT PROPERTY (Contd...)

Measurement

Cost Model Investment properties are initially recognized at cost, which includes the purchase price and any directly attributable transaction costs. Subsequent to initial recognition, they are measured under the cost model and carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with LKAS 40 – Investment Property.

During the financial year under review, no direct operating expenses, including repairs and maintenance, were incurred in relation to the investment property. In addition, no depreciation or impairment losses were recognized for the period.

Derecognition

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Any gain or loss arising on derecognition is recognised in the Statement of Profit or Loss in the period in which the property is disposed of or retired from use.

	2026 Rs.	2025 Rs.
Balance as at the Beginning of the Year	-	103,237,000
Balance as at the End of the Year	-	103,237,000

Investment property was disposed at a consideration of Rs. 115 million during the Financial year. Further there is no direct operating expenses, including repairs and maintenance, were incurred for the investment property during the financial year under review. Additionally, no depreciation or impairment charges were recognized for the period.

27. RIGHT OF USE ASSETS

Accounting Policy

Basis of Recognition

The Company applies Sri Lanka Accounting Standard – SLFRS 16, Leases, in accounting for all leasehold rights. Short-term leases, which are held for use in the provision of services, are recognised on a straight-line basis over the lease term and are not recognised as right-of-use assets or lease liabilities.

Basis of Measurement

The Company recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost, which comprises the present value of lease payments, any initial direct costs incurred, lease payments made at or before the commencement date, and less any lease incentives received.

Subsequently, right-of-use assets are measured at cost less accumulated amortisation and any accumulated impairment losses, and are adjusted for any remeasurement of lease liabilities, where applicable. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset.

Lease Liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The Company has applied the modified retrospective approach in accordance with SLFRS 16, Leases, in accounting for right-of-use assets and lease liabilities arising from operating leases.

Interest expense on lease liabilities and depreciation of right-of-use assets are recognised separately in the Statement of Profit or Loss, in accordance with SLFRS 16.

Lease liabilities are subsequently remeasured when there is a change in the lease term or a change in future lease payments arising from a change in an index or rate used to determine such payments. The Company generally recognises the amount of the remeasurement as an adjustment to the carrying amount of the related right-of-use asset.

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27. RIGHT OF USE ASSETS (Contd...)

Significant Accounting Judgments, Estimates and Assumptions

The Company applies judgment in determining whether lease arrangements give rise to the recognition of right-of-use assets in accordance with SLFRS 16, Leases.

In estimating the incremental borrowing rate used to measure lease liabilities, the Company considers the interest rate applicable to housing loans with similar terms, collateral, and economic conditions.

Lease liabilities arising from operating leases are measured at the present value of lease payments, discounted using the Company's weighted average incremental borrowing rate, being the rate at which the Company would be able to borrow funds for a similar term and with similar security to obtain an asset of similar value.

	2026 Rs.	2025 Rs.
Cost as at 01April	489,156,089	317,950,246
Additions and improvements	67,470,597	171,205,843
Cost as at 31 March	556,626,686	489,156,089
Accumulated Amortisation as at 01 April	310,279,515	255,673,001
Amortisation expenses for the year	58,884,744	54,606,514
Accumulated amortisation as at 31 March	369,164,260	310,279,515
Net book value as at 31 March	187,462,426	178,876,574

28. FINANCIAL LIABILITIES AT AMORTISED COST - DUE TO OTHER CUSTOMERS

These include interest-bearing deposits such as savings deposits and term deposits payable on demand,

Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest rate (EIR) method, except where the Company designates financial liabilities at fair value through profit or loss.

Interest payable on these deposits is recognised as "Interest expense" in the Statement of Profit or Loss.

Deposit insurance scheme

In accordance with Direction No. 17 of 2023 (Banking Special Provision) issued by the Central Bank of Sri Lanka and subsequent amendments, all eligible deposit liabilities of the Company are insured under the Sri Lanka Deposit Insurance Scheme implemented by the Monetary Board. This scheme provides compensation of up to a maximum of Rs. 1,100,000/- per depositor.

Softlogic Finance PLC is required to pay an insurance premium calculated at the rate of 0.15% per annum payable monthly for all eligible deposits as at the end of the month.

During the current financial year, the Company has paid Rs. 5,275,817.16/- as the premium for the said insurance scheme (2024/25 : Rs. 7,313,205.10/-).

	2026 Rs.	2025 Rs.
Fixed deposits	3,627,109,033	4,163,405,675
Saving deposits	111,314,659	109,982,038
	3,738,423,692	4,273,387,713

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29. FINANCIAL LIABILITIES AT AMORTISED COST - OTHER BORROWED FUNDS

Accounting Poloicy

Borrowings comprise loans from financial institutions, securitisation arrangements, commercial papers, and other types of borrowings.

These borrowings are initially recorded at fair value, net of any directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the Effective Interest Rate (EIR) method.

The amortised cost is calculated by including any initial discount or premium that forms part of the EIR. Interest expense on these borrowings is recognised in the Statement of Profit or Loss over the relevant period.

As at the reporting date, the Company's borrowings from banks consist solely of a bank overdraft. There are no other outstanding borrowings, as amounts due to commercial paper holders and other lenders were fully settled during the year.

	2026 Rs.	2025 Rs.
Commercial Papers	-	3,577,581
	-	3,577,581

The company has not had any default of principal, interest or other breaches with regard to any liability during 2025 & 2026.

29.1 Movement in other Borrowed Funds

	2025 Rs.	Granting/ Accrual Rs.	Repayments Rs.	2026 Rs.
Commercial Papers	3,550,000	-	3,550,000	-
Capital outstanding of debt issued and other	3,550,000	-	3,550,000	-
Interest Payable	27,581	-	27,581	-
Total Borrowings	3,577,581	-	-	-

30. OTHER PAYABLES

Accounting Policy

Other payables mainly comprise accrued expenses, related party payable, Deposit insurance premium payable, tax related payments and etc.

These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

A provision is recognised if, as a result of past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

	2026 Rs.	2025 Rs.
Non-Financial Liabilities		
Accrued Expenses	36,100,032	40,451,780
Related Party Payables (Note 30.1)	2,080,390	1,974,178
Deposit Insurance Premium	466,606	534,044
Lease Liability (Note 30.2)	203,896,355	197,844,733
Tax Related Payables	103,502,252	195,471,808
Other Payables	101,489,952	208,114,615
	447,535,588	644,391,158

30. OTHER PAYABLES

30.1 Related Party Payables

	2026 Rs.	2025 Rs.
Softlogic Retail (Pvt) Ltd	467,481	-
Central Hospitals Ltd	22,400	-
Softlogic Supermarkets (Pvt) Ltd	11,140	-
Softlogic Holdings PLC	999,522	-
SR One (Pvt) Ltd	579,847	1,974,178
	2,080,390	1,974,178

30.2 Movement of Lease Liabilities During the Year is as Follows

	2026 Rs.	2025 Rs.
Balance as at 01 April	197,844,733	75,979,132
Additions	57,846,779	167,429,321
Accretion of interest	32,713,753	40,515,306
Payments during the year	(84,508,911)	(86,079,025)
Balance as at 31 March	203,896,355	197,844,733

30.3 Gross Maturity Analysis of Lease Liabilities

	2026 Rs.	2025 Rs.
Less than one year	83,248,152	75,465,949
One to five years	181,210,135	188,657,765
More than five years	-	-
Total lease liabilities as at 31 March	264,458,287	264,123,715

31. DEFERRED TAX ASSET/ (LIABILITIES)

Accounting Policy

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Accordingly, Deferred tax assets/liabilities have been computed at the revised income tax rate of 30%.

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



31. DEFERRED TAX ASSET/ (LIABILITIES) (Contd...)

	2026 Rs.	2025 Rs.
Deferred tax assets	661,631,342	543,234,752
Deferred tax liabilities	(7,655,107)	(1,053,731)
Total net deferred tax	653,976,234	542,181,021

Summary of Net Deferred Tax Liability	**2026**		**2025**	
	Temporary Difference	**Tax Effect**	**Temporary Difference**	**Tax Effect**
Deferred tax assets on:				
Gratuity Provision As At 31st March	27,755,712	8,326,714	34,527,309	10,358,193
Disallowed Impairment provision	22,564,055	6,769,216	7,956,043	2,386,813
Unutilised Tax Losses	2,120,822,192	636,246,658	1,787,248,368	536,174,510
Right of use assets	16,433,929	4,930,179	(18,949,213)	(5,684,764)
	2,187,575,888	656,272,766	1,810,782,507	543,234,752
Deferred tax liabilities on:				
Accelerated depreciation for tax purpose - Own assets	7,655,107	2,296,532	3,512,436	1,053,731
Revaluation of land & building	-	-	-	-
Accelerated depreciation for tax purpose - Lease assets	-	-	-	-
	7,655,107	2,296,532	3,512,436	1,053,731
Net Deferred tax liabilities/assets	2,179,920,780	653,976,234	1,807,270,071	542,181,021

32. RETIREMENT BENEFIT OBLIGATIONS

Accounting Policy

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

The Company measures its defined benefit obligation for gratuity using the present value of projected future benefit payments, discounted to reflect the time value of money, in respect of employee services rendered up to the reporting date. An actuarial valuation of the gratuity obligation is carried out annually by a qualified independent actuary.

An independent actuarial valuation of the Company's gratuity obligation was performed as at 31 March 2026 by Messrs. Actuarial & Management Consultants (Pvt) Limited. The valuation was carried out using the Projected Unit Credit Method in compliance with Sri Lanka Accounting Standard – LKAS 19 (Employee Benefits).

In determining the discount rate, management uses yields on Sri Lanka Government Bonds with durations consistent with the estimated term of the defined benefit obligation. Mortality assumptions are based on publicly available actuarial tables. Salary escalation rates incorporate both expected inflation and future salary growth expectations.

The liability recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as at the reporting date.

The expense recognised in profit or loss comprises the current service cost and the net interest cost on the defined benefit obligation.

Remeasurements comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in Other Comprehensive Income (OCI) and are not reclassified to profit or loss in subsequent periods.

Funding arrangements

The gratuity liability is not externally funded.

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32. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

32.1 Defined Benefit Obligation Reconciliation

		2026 Rs.	2025 Rs.
Balance as at 01st April		34,527,309	34,504,021
Amount recognised in the income statement	32.2	6,181,253	7,939,840
Amounts recognised in other comprehensive income	32.3	6,232,925	(472,528)
Benefits paid by the plan		(19,185,775)	(7,444,025)
Balance as at 31st March		27,755,712	34,527,309

32.2 Amount Recognised in the Income Statement

	2026 Rs.	2025 Rs.
Current service cost for the year	3,107,458	3,799,358
Interest on the defined benefit liability	3,073,795	4,140,483
	6,181,253	7,939,840

32.3 Amounts Recognised In Other Comprehensive Income (OCI)

	2026 Rs.	2025 Rs.
Actuarial (gain)/loss due to changes in assumptions		
- Experience adjustment (Financial and Demographic)	4,766,009	(2,467,535)
- Financial Assumptions	1,466,916	1,953,157
- Demographic Assumptions	-	41,851
- Liability experience (gain) losses arising during the year	-	-
Total amount recognized in OCI	6,232,925	(472,528)

32.4 Assumptions

	2026	2025
Discount rate *	9.00%	9.00%
Future salary increment rate *	10.00%	8.00%
Mortality	A 1967/70 Mortality Table	A 1967/70 Mortality Table
Retirement age **	60	60
Expected average future working life of the active participants (in years)	2.0	2.0
The weighted average duration of the defined benefit obligation	2.5	2.0

*The same discount rate was used for the actuarial valuation as calculated during the previous year. Future salary increment rate was revised to increase in line with the change in market interest rates.

**The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

32.5 Distribution of Present Value of Defined Benefit Obligation In Future Years

	2026 Rs.	2025 Rs.
Within the next 12 months	9,713,345	12,970,695
between 01 to 02 years	9,440,144	13,484,143
between 03 to 05 years	5,731,884	5,513,603
between 06 to 10 years	2,733,413	2,423,335
beyond 10 years	136,927	135,532
Total	27,755,712	34,527,309

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32. RETIREMENT BENEFIT OBLIGATIONS (CONTD)

32.6 Sensitivity assumptions employed in actuarial valuation

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

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

		2026		2025	
Variable	Rate Change	Sensitivity Effect on gratuity liability-Increase/(Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)	Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.)	Sensitivity Effect on Comprehensive Income-(Charged)/ Reversal (Rs. Mn.)
Discount rate	1.00%	(0.62 Million)	(0.62 Million)	(0.68 Million)	(0.68 Million)
Discount rate	-1.00%	0.66 Million	0.66 Million	0.71 Million	0.71 Million
Salary Increment rate	1.00%	0.77 Million	0.77 Million	0.81 Million	0.81 Million
Salary Increment rate	-1.00%	(0.75 Million)	(0.75 Million)	(0.79 Million)	(0.79 Million)

33. STATED CAPITAL

Accounting Policy

Stated capital represents the total consideration received by the Company for the issue of ordinary shares. Ordinary shares are recognised at the amount of consideration received, net of directly attributable share issue costs.

The holders of ordinary shares are entitled to receive a dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

Reduction of stated Capital

The reduction of stated capital has been undertaken during the year to absorb accumulated losses and strengthen the Company's capital structure. The process has been conducted in compliance with the sec 59 of the Companies Act No. 07 of 2007, the requirements of the Colombo Stock Exchange (CSE), and relevant regulatory approvals, thereby ensuring transparency and protecting the interests of shareholders. Accordingly, the Company effected a reduction of its stated capital amounting to Rs. 7,603,397,837 during the year, by offsetting the same against its accumulated losses.

	2026		2025	
	No. of shares	Value Rs.	No. of shares	Value Rs.
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01st April	962,573,191	9,930,116,800	962,573,191	9,930,116,800
Reduction of Stated Capital (Note 38.6)	-	(7,603,397,837)	-	-
Ordinary shares as at 31st March	962,573,191	2,326,718,964	962,573,191	9,930,116,800

34. STATUTORY RESERVE FUND

Accounting Policy

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered Finance Companies.

As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

As at 31 March	2026 Rs.	2025 Rs.
Balance as at 01st April	267,705,353	260,448,732
Transfer during the year	7,522,755	7,256,621
Balance as at 31st March	275,228,109	267,705,353

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35. NON-DISTRIBUTABLE REGULATORY LOSS ALLOWANCE RESERVE

In accordance with Section 7.1 of the Finance Business Act (Classification and Measurement of Credit Facilities) Direction No. 01 of 2020, a non-distributable regulatory loss allowance reserve must be established by appropriating retained earnings whenever the loss allowance for expected credit losses (impairment) is lower than the regulatory requirement. Accordingly, during the year, the Company transferred out of Rs. 732 million from the regulatory loss allowance reserve back to retained earnings.

	2026 Rs.	2025 Rs.
As at 31 March		
Balance as at 01st April	970,074,987	1,736,237,951
Reversed / Transferred out during the year	(731,146,507)	(766,162,965)
Balance as at 31st March	238,928,480	970,074,987

36. RETAINED EARNINGS

Retained earnings represent the cumulative profits or losses of the Company, net of dividends paid. This balance is adjusted for transfers made from stated capital to offset accumulated losses in accordance with Section 59 of the Companies Act No. 7 of 2007, as well as reversals of non-distributable regulatory transfers to regulatory reserves and transfer to statutory reserve fund. The resulting balance is available for appropriation by the Board of Directors in compliance with the Finance Business Act No. 42 of 2011 and related Directions.

Retained earnings may be applied for business expansion, capital requirements, or other appropriations as approved by the Board, in compliance with the Finance Business Act and other applicable regulations.

As at 31 March	2026 Rs.	2025 Rs.
Balance as at 01st April	(8,233,534,931)	(9,137,904,469)
Dividends Paid	-	-
Net change in other comprehensive income	(4,363,048)	330,770
Transferred to Regulatory Loss Allowance Reserve (Note 35)	731,146,507	766,162,965
Transferred from current years' profit	150,455,107	145,132,424
Reduction of Stated Capital As per section 59 of the Companies Act no 07 of 2007 (Note 38.6)	7,603,397,837	-
Transfer to Statutory Reserve Fund	(7,522,755)	(7,256,621)
Balance as at 31st March	239,578,717	(8,233,534,931)

37. FAIR VALUE OF ASSET AND LIABILITIES

The following describes the methodologies and assumptions used to determine fair value of those financial instruments which are already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

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

Equity instruments at fair value through OCI

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

Fixed Rate Financial Instruments

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

Variable rate financial Instruments

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



Set out below is a comparison, by class, of the carrying amounts of fair values of the Company's financial instruments that are not carried at fair value and non financial assets carried at fair value in the financial statements.

37. FAIR VALUE OF ASSETS AND LIABILITIES

	2026 Rs.					2025 Rs.				
		Fair value measurement using					Fair value measurement using			
FINANCIAL ASSETS	**Carrying value**	**Quoted prices in active markets (Level I)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total Fair Value**	**Carrying value**	**Quoted prices in active markets (Level I)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Cash and bank balances	224,724,345	224,724,345	-	-	224,724,345	297,129,594	297,129,594	-	-	297,129,594
Securities purchased under repurchase agreements	698,690,831	-	698,690,831	-	698,690,831	801,814,765	-	801,814,765	-	801,814,765
Financial Assets at Amortised Cost - Factoring receivables	5,885,058	-	-	5,885,058	5,885,058	14,553,693	-	-	14,553,693	14,553,693
Financial Assets at Amortised Cost - Gold loan receivables	3,212,398,698	-	-	3,212,398,698	3,212,398,698	1,830,574,174	-	-	1,830,574,174	1,830,574,174
* Financial Assets at Amortised Cost - Loan receivables	1,016,212,569	-	-	1,016,212,569	1,016,212,569	1,405,799,320	-	-	3,373,782,650	3,373,782,650
* Financial Assets at Amortised Cost - Lease and hire purchase receivables	738,914,088	-	-	738,914,088	738,914,088	1,485,514,985	-	-	1,713,300,651	1,713,300,651
Other Financial assets	141,464,298	-	-	141,464,298	141,464,298	795,918,743	-	-	795,918,743	795,918,743
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	-	30,600	30,600	-	30,600	-	30,600
TOTAL FINANCIAL ASSETS	6,038,320,487	224,724,345	698,721,431	5,114,874,711	6,038,320,487	6,631,335,875	297,129,594	801,845,365	7,728,129,911	8,827,104,871
FINANCIAL LIABILITIES										
Financial Liabilities at Amortised Cost - Due to other customers	3,738,423,692	-	-	3,738,423,692	3,738,423,692	4,273,387,713	-	-	3,445,524,561	3,445,524,561
Financial Liabilities at Amortised Cost - Other borrowed funds	44,771,207	-	44,771,207	-	44,771,207	95,581,082	-	95,581,082	-	95,581,082
TOTAL FINANCIAL LIABILITIES	3,783,194,899	-	44,771,207	3,738,423,692	3,783,194,899	4,368,968,795	-	95,581,082	3,445,524,561	3,541,105,643

There were no transfers between levels of fair value hierarchy during 2026 and 2025.

** The company has taken fair value of loans and Leases using weighted average (WA) interest rate which is total interest devided by total receivable and comparatives adjusted accordingly*

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38. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company is exposed to the following risks from financial instruments.

01) Market Risk
02) Credit Risk
03) Liquidity Risk
04) Operational Risk
05) Currency Risk

Risk management framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

The Board has established the Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk mitigation strategies. Monthly & Quarterly risk review reports are submitted by the respective department heads who supervises each major category of risk.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. Company current Risk Management practices are listed below.

> Board approved Credit Risk Management policy is in place along with predefined set of risk limits. Any deviations from these risk limits are closely monitored and reported to Board Credit and Recoveries Committee (BCRC) with reasons for such deviations and the corrective actions to be taken.

> Authority limits for credit granting is delegated in accordance with the board approved Delegated Authority limits. Sample checks are carried out monthly to identify any deviations/violations of DA limits and such deviations/violations are reported to BCRC, if any, for corrective actions.

> Loan review mechanism is in place and reviews are carried out at regular intervals. The results and the recommendations are submitted to the BCRC quarterly.

> Early Warning Signal Mechanism has been implemented supporting to identify the problematic loans in advance. Results and the recommendations are submitted to the BCRC quarterly. Instances where the credit risk has increased significantly since initial recognition, the reasons for such increase and the corrective actions to be taken are submitted to the BCRC immediately.

> Detailed credit risk analysis and assessment is carried out on quarterly basis and the results are presented to the BIRMC.

> Stress tests are being carried out relating to credit risk as defined in the Stress Testing Policy. The results are submitted to the Board Integrated Risk Management Committee

Regular audits of business units and Company Credit processes are undertaken by Internal Audit.

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38 FINANCIAL RISK MANAGEMENT (Contd...)

Objectives and policies

Board Integrated Risk Management Committee (BIRMC) with the ultimate objective of to deliver superior shareholder value between risk and return. This Committee consists of three non executive directors and chaired by Independence non executive director & Head of Risk Management. Integrated risk management committee oversees market risk, operational risk and credit risk. ALCO committee monitors the market risk in broader aspects including the liquidity risk. Company is exposed to liquidity risk mainly due to interest rate fluctuations in the market. Credit committee involves in monitoring of credit risk by analyzing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 1-3 months arrears, 20 largest non performing advances and sectorial exposure. For some of these measures Company has stipulated risk tolerance level and continually monitor the credit exposure in order to ensure superior credit quality.

The Company's principal financial liabilities comprised of borrowings, public deposits, other payables and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as lease & hire purchase rental receivables, Loan rental receivables, other investments, investments in government securities and bank & cash balances, which arise directly from its operations.

The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

38.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity price will affect the Company's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

	Carrying amount 2026 Rs.	Carrying amount 2025 Rs.
Financial assets subject to market risk		
Equity Instruments at fair value through other comprehensive income	30,600	30,600
	30,600	30,600

	Carrying amount 2026 Rs.	Carrying amount 2025 Rs.
Financial liabilities subject to market risk		
Financial Liabilities at Amortised Cost - Due to other customers	3,738,423,692	4,273,387,713
Financial Liabilities at Amortised Cost - Other borrowed funds	-	3,577,581
	3,738,423,692	4,276,965,294

Market risk - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed rate loans and borrowings.

	31 March 2026 Rs.	31 March 2025 Rs.
Fixed interest rate instruments:		
Financial assets	8,934,604,899	10,597,645,449
Financial liabilities	3,783,194,899	4,368,941,214

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38. **FINANCIAL RISK MANAGEMENT (Contd...)**

38.1 **Market risk (CONTD)**

Interest Rate Risk exposure on financials assets and Liabilities

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

As at 31 March 2026

	Less than '3 months	More than 3 and less than 12 months	More than 1 year and less than 3 years	> 3 years	Non-interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	171,289,609	-	-	-	53,434,736	224,724,345
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Securities purchased under repurchase agreements	698,690,831	-	-	-	-	698,690,831
Financial Assets at Amortized Cost - Lease and hire purchase receivables	386,671,663	218,439,701	107,609,074	26,193,650	-	738,914,088
Financial Assets at Amortized Cost - Loans and receivables	3,401,665,581	146,969,635	201,135,413	484,725,698	-	4,234,496,325
Other Financial Assets	-	141,464,298	-	-	-	141,464,298
	4,658,317,685	506,873,633	308,744,487	510,919,348	53,465,336	6,038,320,487
Financial Liabilities						
Financial Liabilities at Amortized Cost - Due to customers	1,158,694,776	834,771,502	1,693,050,556	51,906,858	-	3,738,423,692
Financial Liabilities at Amortized Cost - Other borrowed funds	44,771,207	-	-	-	-	44,771,207
	1,203,465,983	834,771,502	1,693,050,556	51,906,858	-	3,783,194,899
Interest Rate sensitivity gap	3,454,851,701	(327,897,868)	(1,384,306,069)	459,012,490	53,465,336	2,255,125,589

As at 31 March 2025

	Less than '3 months	More than 3 and less than	More than 1 year and less than	> 3 years	Non-interest bearing	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Cash and cash equivalents	248,308,084	-	-	-	48,821,510	297,129,594
Equity Instruments at fair value through other comprehensive income	-	-	-	-	30,600	30,600
Securities purchased under repurchase agreements	801,814,765	-	-	-	-	801,814,765
Financial Assets at Amortized Cost - Lease and hire purchase receivables	242,335,747	722,504,439	518,830,233	1,844,565	-	1,485,514,985
Financial Assets at Amortized Cost - Loans and receivables	1,955,347,736	744,182,503	157,358,674	394,038,275	-	3,250,927,188
Other Financial Assets	-	795,918,743	-	-	-	795,918,743
	3,247,806,333	2,262,605,685	676,188,907	395,882,840	48,852,110	6,631,335,875
Financial Liabilities						
Financial Liabilities at Amortized Cost - Due to customers	1,490,992,735	889,540,123	1,743,440,312	149,414,544	-	4,273,387,713
Financial Liabilities at Amortized Cost - Other borrowed funds	95,581,082	-	-	-	-	95,581,082
	1,586,573,817	889,540,123	1,743,440,312	149,414,544	-	4,368,968,795
Interest Rate sensitivity gap	1,661,232,515	1,373,065,562	(1,067,251,404)	246,468,296	48,852,110	2,262,367,080

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38. FINANCIAL RISK MANAGEMENT(Contd...)

38.2 Credit risk

Credit risk mainly comprises of default risk and concentration risk and this is one of the major risk element in the industry due to the nature of the business. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables to customers and investment debt securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure such as individual obligator default risk and sector risk. For risk management purposes, credit risk arising on trading assets is managed independently and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Credit risk - Default risk

Default risks the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Company. The Company has in place standards, policies and procedures for the control and monitoring of all such risks.

Credit risk - Concentration risk

The Company seeks to manage its credit risks exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash, mortgages over properties and pledge over equity instruments.

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its Credit Committee and Credit Risk Committee. Company Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

-Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

-Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the board of directors as appropriate.

-Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

-Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer. Refer Concentration of credit risk.

-Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

-Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

-Regular audits of business units and Company credit processes are undertaken by Internal Audit.

Significant increase in credit risk

The company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the company assesses whether there has been a significant increase in credit risk. Since initial recognition. The assessment should consider reasonable and supportable information that is relevant and available without undue cost or effort. There is a rebuttable presumption in the Standard that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.



38. FINANCIAL RISK MANAGEMENT(Contd...)

Assessment of Expected Credit Losses

Analysis of the total allowance for expected credit losses is as follows.

At 31 March 2026	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial Assets at Amortized Cost - Factoring receivables	79	-	146,143,980	146,144,059
Financial Assets at Amortized Cost - Gold loan receivables	2,290,531	1,237,500	3,262,437	6,790,468
Financial Assets at Amortized Cost - Loan receivables	17,327,202	77,772	1,020,804,502	1,038,209,476
Financial Assets at Amortized Cost - Lease and hire purchase receivables	1,397,381	233,590	401,082,080	402,713,052
Other assets	-	-	19,814,154	19,814,154
Total impairment for expected credit losses	21,015,193	1,548,862	1,591,107,154	1,613,671,209

At 31 March 2025	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Financial Assets at Amortized Cost - Factoring receivables	294	-	103,157,007	103,157,301
Financial Assets at Amortized Cost - Gold loan receivables	2,908	1,607	284	4,799
Financial Assets at Amortized Cost - Loan receivables	779,199	217,177	2,024,269,515	2,025,265,891
Financial Assets at Amortized Cost - Lease and hire purchase receivables	3,692,543	4,564,838	349,409,782	357,667,164
Other assets	-	-	461,704,778	461,704,778
Total impairment for expected credit losses	4,474,943	4,783,622	2,938,541,366	2,947,799,932

Movement of the total allowance for expected credit losses during the period	2026 Rs.	2025 Rs.
Balance as at 01st April	2,947,799,931	4,830,128,093
Net charge to profit or loss (Note 9.1)	(360,599,045)	(426,068,013)
Transfer/Movements	437,928,760	-
Write-off during the year	(467,565,866)	(3,571,928)
Derecognition of Financial Assets	(968,260,161)	(1,473,027,201)
Other movements	24,367,589	20,338,980
Balance as at 31st March	1,613,671,210	2,947,799,931

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38. FINANCIAL RISK MANAGEMENT(Contd...)

38.2 Credit risk (Contd...)

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	31 March 2026		31 March 2025	
	Maximum exposure to credit risk	Net exposure	Maximum exposure to credit risk	Net exposure
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	224,724,345	171,289,609	297,129,594	248,308,084
Equity Instruments at fair value through other comprehensive income	30,600	30,600	30,600	30,600
Placements with banks & Securities purchased under repurchase agreements	698,690,831	-	801,814,765	-
Financial Assets at Amortized Cost - Lease and hire purchase receivables	1,141,627,140	-	1,843,182,148	-
Financial Assets at Amortized Cost - Loans & receivables	7,094,286,928	1,022,097,627	7,952,648,536	1,420,353,013
Other Financial Assets	141,464,298	6,682,503	795,918,743	9,765,398
Total Financial Assets	9,300,824,142	1,200,100,340	11,690,724,387	1,678,457,095

Concentration of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Concentration by sector (Gross)	2026 Rs.	As a %	2025 Rs.	As a %
Agriculture	259,350,673	3.9%	494,607,691	6.8%
Manufacturing	410,181,363	6.2%	713,085,073	9.9%
Tourism	470,547,337	7.2%	163,071,548	2.3%
Transport	126,162,741	1.9%	188,104,462	2.6%
Construction	234,705,911	3.6%	337,360,227	4.7%
Trading	627,875,483	9.6%	1,918,218,549	26.6%
Services	434,764,848	6.6%	646,494,113	9.0%
Other	4,003,679,112	61.0%	2,761,595,666	38.2%
	6,567,267,469	**100.0%**	7,222,537,328	**100.0%**

The Provisional breakdown for factoring, gold loans, leases, hire purchases and loans as follows.

	2026 Rs.	As a %	2025 Rs.	As a %
Central Province	1,189,443,949	18.1%	1,211,692,412	16.8%
North Central Province	207,582,595	3.2%	367,569,799	5.1%
North Western Province	354,560,363	5.4%	426,147,988	5.9%
Northern Province	26,659,607	0.4%	85,659,184	1.2%
Sabaragamuwa Province	513,717,456	7.8%	584,351,712	8.1%
Southern Province	1,043,113,438	15.9%	934,930,116	12.9%
Uva Province	360,299,234	5.5%	283,146,240	3.9%
Western Province	2,871,890,828	43.7%	3,329,039,878	46.1%
Eastern Province	-	0.0%	-	0.0%
	6,567,267,469	**100.0%**	7,222,537,328	**100.0%**

38.3 *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of borrowings, public deposits and bank overdrafts.

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38. FINANCIAL RISK MANAGEMENT(Contd...)

38.3 ***Liquidity risk (Contd...)***

The table below summarizes the maturity profiles of the Company's financial liabilities based on contractual undiscounted payments.

Analysis of financial assets and liabilities by remaining contractual maturities

At 31 March 2026	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less 3 years Rs.	> 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	224,724,345	-	-	-	224,724,345
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	-	-	-	-	-
Securities purchased under repurchase agreements	810,227,266	-	-	-	810,227,266
Financial Assets at Amortized Cost - Lease and hire purchase receivables	810,387,982	258,108,282	139,628,768	29,923,509	1,238,048,541
Financial Assets at Amortized Cost - Loans and receivables	4,668,916,657	217,620,214	411,414,392	735,174,484	6,033,125,747
Other Financial Assets	-	141,464,298	-	-	141,464,298
Total financial assets	6,514,256,250	617,192,794	551,043,160	765,097,993	8,447,590,197
Financial Liabilities					
Financial Liabilities at Amortized Cost - Due to customers	1,344,750,152	890,710,223	3,147,149,506	82,678,411	5,465,288,291
Financial Liabilities at Amortized Cost - Other borrowed funds	45,121,207	-	-	-	45,121,207
Total financial liabilities	1,389,871,359	890,710,223	3,147,149,506	82,678,411	5,510,409,499

At 31 March 2025	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less 3 years Rs.	> 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	297,129,594	-	-	-	297,129,594
Securities purchased under repurchase agreements	810,227,266	-	-	-	810,227,266
Financial Assets at Amortized Cost - Lease and hire purchase receivables	390,961,893	1,091,418,005	574,512,231	2,003,697	2,058,895,826
Financial Assets at Amortized Cost - Loans and receivables	2,515,402,170	2,412,210,809	309,693,722	695,794,101	5,933,100,802
Other Financial Assets	-	795,918,743	-	-	795,918,743
Total financial assets	4,013,720,924	4,299,547,557	884,205,953	697,797,798	9,895,272,231
Financial Liabilities					
Financial Liabilities at Amortized Cost - Due to customers	2,024,411,133	1,407,860,010	2,597,518,911	249,477,389	6,279,266,723
Financial Liabilities at Amortized Cost - Other borrowed funds	95,878,246	-	-	-	95,878,246
Total financial liabilities	2,120,289,379	1,407,860,010	2,597,518,911	249,477,389	6,375,144,969



38. FINANCIAL RISK MANAGEMENT (Contd...)

38.3 ***Liquidity risk (Contd...)***

Sensitivity of impairment provision on loans and advances to other customers

The company has estimated the impairment provision on loans and advances to other customers as at 31st March 2026, subject to various assumptions. The changes to such assumptions may lead to changes in the impairment provision recorded in the Statement of Financial Position.

The following table demonstrates the sensitivity of the impairment provision of the company as at 31st March 2026 to a feasible change in PDs, LGDs and all other information. The loss rate is calculated as follows.

Loss rate = EAD x PD x LGD x DCF x EFA

EAD - Exposure at Default LGD - Loss given Default EFA - Economic Factor adjustment
PD - Probability of Default DCF - Discount factor

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
Loss rate 1% increase across all age buckets	35,234,533	4,212,293	6,794,555	46,241,381	46,241,381
Loss rate 1% decrease across all age buckets	(6,181,380)	(1,446,112)	(6,884,438)	(14,511,929)	(14,511,929)

Sensitivity analysis of the expected credit loss model

The uncertainty on the current economic conditions introduced significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The rapidly evolving consequences of current economic conditions and government, business and consumer responses could result in significant adjustments to the allowance within the current and next financial years.

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of ECL of collectively assessed assets to key factors used in determining it:

ECL sensitivity - Weighting applied to forecast scenarios

	Total ECL (Rs)	Impact (Rs)
100% Best Case (Upside) scenario	964,061,516	(19,169,661)
100% Base Case scenario	983,231,177	(4,942,519)
100% Worst Case (Downside) scenario	988,897,380	5,666,203

As at 31 March	2026			2025		
Assigned Probability Weightage when measuring ECL	Base Case	Best Case	Worst Case	Base Case	Best Case	Worst Case
	30%	10%	60%	30%	10%	60%

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. Details of the reported ratio of net liquid assets to the liabilities from customers at the reporting date and during the year were as follows;

	2026 Rs.	2025 Rs.
As at 31 March		
Average for the year	14.76%	14.61%
Maximum for the year	21.44%	22.60%
Minimum for the year	5.56%	1.66%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below:

	2026 Rs.	2025 Rs.
Cash in Hand & Bank Balances	224,724,345	297,129,594
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	698,690,831	801,814,765
Total Liquid Assets as at end of March	923,415,176	1,098,944,360

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38. FINANCIAL RISK MANAGEMENT (Contd...)

38.3 *Liquidity risk (Contd...)*

The table below sets out the availability of assets held by the Company on the basis of being encumbered or unencumbered.

	2026		2025	
	Encumbered *	Unencumbered	Encumbered *	Unencumbered
	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	-	224,724,345	-	297,129,594
Equity Instruments at fair value through other comprehensive income	-	30,600	-	30,600
Placements with banks & Securities purchased under repurchase agreements	-	698,690,831	-	801,814,765
Financial Assets at Amortized Cost - Lease and hire purchase receivables	66,612,766	672,301,322	134,734,566	1,350,780,419
Financial Assets at Amortized Cost - Loans and receivables	-	4,234,496,325	-	3,250,927,188
Other non financial assets	-	256,638,058	-	883,584,922
Intangible assets	-	59,836,562	-	71,786,205
Property, plant & equipment	-	24,084,390	-	32,112,488

* Encumbered - Pledged as collateral in borrowings

38.4 *Operational risk*

Operational risk is the risk of loss arising from fraud, systems failure, human error or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it should manage these risks through a control framework and by monitoring and responding to potential risks and management of operational risk in the following areas:

> requirements for appropriate segregation of duties, including the independent authorization of transactions
> requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified
> development of contingency plans
> training and professional development

Compliance with Company's standards is supported by a programmed of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the management of the Company and Audit Committee. Audit Committee instructs the management to take the corrective actions to overcome any deficiencies identified.

Currency risk

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

Impact to the Company due to Current Economic Condition

The Company has prepared financial statements for the year ended 31st March 2026 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31st March 2026, based on available information, the management has assessed the prevailing macroeconomic conditions and its impact on the company and the appropriateness of the use of the going concern basis.

The Company is expected to encounter macro-economic challenges such as the continuous devaluation of the rupee, import restrictions, rise in general inflation, down-grade of credit rates, depleting of foreign currency reserves, shortage of essential supplies, impact due to mismatch between lending and deposits rates, increase in policy rates and the resultant pressure on disposable income levels of general public.

Accordingly, the Company is expected to encounter numerous challenges in the form of subdued demand for credit and greater credit risk due to the potential loss of income of the customer base.

Towards, mitigating this risk, the company has taken steps to focus on asset backed short term lending, applying strict credit guidelines to minimize credit risk, secured additional liquidity through a broad basing deposit mobilizing to manage possible liquidity issues. The company has adopted strict cost management methods.

Based on the proactive analysis and our operating model, financial strength of the company and the backing of the group, the management is confident that the company has no impact to its business continuity and expects to manage the above challenges effectively.

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38. FINANCIAL RISK MANAGEMENT (Contd...)

38.4 ***Operational risk (Contd…)***

Impact of current economic condition on Expected Credit Losses

The determination of the allowance for expected credit losses is heavily dependent on the external macro environment and reliant on data and a number of estimates related to statistical models. The Company's expected credit losses for loans and receivables to customers are derived from the statistical models which are based on internally computed data comprising qualitative and quantitative factors including past due information and also incorporating forward looking information. The prevailing uncertain and volatile macroeconomic environment in the country meant that assumptions regarding the economic outlook are more uncertain which, combined with varying government responses, increases the level of judgment required by the Company in calculating the ECL.

The Company used a broad range of forward looking information as economic inputs in Company ECL model in calculating the ECL, such as:
> GDP Growth (%)
> Inflation (YoY Average)
> Interest Rate (PLR)
> Unemployment (% of Labor Force)"

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

38.5 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

Regulatory capital requirements and status of compliance

The Company has complied with the regulatory capital ratios for Tier 1 and Total Capital (Tier 2) as of 31 March 2026 including the core capital requirement of Rs. 2.5 billion as a result of the transactions described below

Details of transactions/events that enabled the company to reach the above stated compliance are as follows:

1. At the beginning of the FY 2024.25 : As at 1st April 2024, the Company had recorded a Tier 1 capital ratio of 4.92% and a Total Capital (Tier 2) ratio of 4.92%, both of which fell short of the regulatory minimum requirements of 8.5% and 12.5%, respectively. Additionally, the Company's core capital stood at LKR 1,053 million, which was below the regulatory minimum threshold of LKR 2,500 million. As of the end of previous year, the Company had existing imposed restrictions by the CBSL on its total deposits (with accrual interest payable), total lending portfolio (net of impairment) and borrowings through commercial papers (CPs) with limits set at Rs 5 Bn, Rs 7 Bn and Rs 1.2 Bn respectively .Additionally Company was subjected to restrictions on offering interest rates 100 basis points lower than the maximum interest rates payable on deposits by Licensed Finance Companies on deposit renewals and restriction on accepting new deposits.

2. Restrictions imposed: The CBSL, by its letter dated 05 July 2024, based on the Finance Business Act Guideline No. 1 of 2020 Prompt Corrective Action (PCA) Framework for Licensed Finance Companies, further increased the imposed restrictions on Total Deposits (with accrued interest payable), Total Lending Portfolio (net of impairment) up to Rs. 4.7 Bn and Rs. 5.0 Bn respectively by 31 July 2024 and cease borrowings through commercial papers by 05 July 2024 while all other restrictions imposed including on deposits remained unchanged. However, the Company was permitted to grant cash back loans, pawning advances, gold loans and other related claims secured by gold.

3.Remedial measures and actions taken by the Company:
To address these issues, the Company submitted an alternative capital augmentation plan to the CBSL on May 30, 2024. This plan also looked at other restructuring initiatives in addition to compliance with regulatory capital requirements.

As part of this plan, the Company proposed the sale of a part of its loan portfolio to a Special Purpose Vehicle (SPV) for a cash consideration of LKR 1.8 billion approximately. The planned transaction was scheduled to take place on July 30, 2024. The Governing Board of the CBSL reviewed the proposed plan and conveyed its favorable consideration to the Company through its letter dated June 28, 2024.

S R One (Private) Limited, a fully owned subsidiary of Softlogic Capital PLC was designated as the Special Purpose Vehicle (SPV).

Prior to initiation of this process, the Company engaged legal counsel to advise on the structuring and arrangement of the Participation Agreement related to the divestment of the loan portfolio. Additionally, tax and accounting consultants were engaged to provide advisory support for the transaction. All relevant professional opinions were obtained in writing.

The Company successfully completed the initial tranche of the loan portfolio transfer to the SPV (i.e. S R One (Private) Limited) in July 2024, amounting to LKR 100,093,222.95, which was finalized on July 31, 2024. This was followed by a second tranche of LKR 1,000,172,933.75, completed on September 6, 2024. Both transactions involved the transfer of beneficial ownership of the loan portfolio through the execution of a Participation Agreement with the SPV. Two SPV transactions were completed during the FY 2024.25 in totalling to Rs. 1.1 billion.

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38. FINANCIAL RISK MANAGEMENT (Contd...)

38.6 Capital Management (Contd...)

The successful completion of the above portfolio transfers enabled the Company to meet the required capital adequacy ratios for Tier 1 and Total Capital (Tier 2). For regulatory reporting and compliance purposes, the External Auditor performed an audit on the Profit and Changes in Equity, which was subsequently submitted to the CBSL. With this submission, the CBSL removed the restrictions imposed on granting of loans and advances by their letter dated November 29, 2024, while all other restrictions imposed remained unchanged.

During the Financial year under review the Company successfully completed the remainder of the transfer of the beneficial ownership of part of the Company's loan portfolio to the SPV, during the month of July 2025. The transfers were carried out in three separate segments, namely third, fourth and fifth (final) transfers for cash.

The Participation Agreements were signed on July 03, 2025, July 07,2025, and July 15, 2025, for the third, fourth and fifth (final) segments, respectively. The transfer of beneficial ownership of the portfolio related to these segments was completed on the same day as the agreements, with cash considerations of LKR 200,188,025.12, LKR 200,057,986.34 and LKR 300,140,426.97 respectively. The transactions were reported to the Colombo Stock Exchange (CSE) on July 08, 2025, July 08,2025, and July 16, 2025, respectively.

The successful completion of the portfolio transfers to the remainder amount enabled the Company to enhance the capital adequacy ratios further for Tier 1 and Total Capital (Tier 2). For regulatory reporting and compliance purposes, the External Auditor performed an audit on the Profit and Changes in Equity, which was subsequently submitted to the CBSL. Accordingly, the Central Bank of Sri Lanka, by its letter dated 19 September 2025, informed the Company that the Governing Board of the Central Bank of Sri Lanka had approved the immediate removal of all regulatory restrictions imposed on the Company.

Through the execution of the capital augmentation plan as described above, the Company has been able to satisfy the regulatory capital requirements including the Core Capital as at 31st March 2026.

Status of compliance after the above transactions:

Capital Requirements	Ratio after the Transaction	As at 31st March 2025
Tier 1 Ratio - (Minimum Requirement - 8.5%)	60.95%	25.46%
Total Capital ratio (Tier 2) - (Minimum Requirement - 12.5%)	60.95%	25.46%
Core Capital Requirement (Minimum Requirement - LKR 2.5 Bn)	2.84 Bn	1.9 Bn

38.7 Serious Loss of Capital & reduction of Status Capital as per section 59 of the Companies Act No 07 of 2007

The Company's net assets fell below fifty percent of the stated capital as of 31 March 2023, representing 29% of stated capital, which is a serious loss of capital as per Section 220 of the Companies Act No. 07 of 2007.

Accordingly, the Board of Directors disclosed a "Report by the Borad of Directors" in terms of section 220 of the Companies ACT No. 07 of 2007, to the Colombo Stock Exchange via market announcement dated June 26, 2023, stating the remedial actions that would be taken by the Company to address the issues stated in the Report. The Board of Directors convened an EGM on 12 July 2023 to inform the shareholders of the nature and extent of losses incurred by the Company, the causes of such losses, and the remedial actions that would be taken by the Company.

In December 2025, the Board resolved to proceed with the reduction of stated capital, subject to obtaining approval from the Central Bank of Sri Lanka and the shareholders. Subsequently, approval from the Central Bank of Sri Lanka was received, and the proposed reduction of stated capital was announced to the Colombo Stock Exchange on 11 December 2025. Public notices, including newspaper and Gazette publications, were completed on 26 December 2025. The EGM was held on 25 February 2026, and the shareholders approved the proposal. As a result, the retained loss up to the month of July 2025 was setoff aginst the Stated Capital. Post stated capital after setting off the Retined loss reflects in the Statement of Financial Position and Statement of Changes in Equity. Therefore the serious loss of capital situation was successfully rectified.

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39. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET

39.1 The company has raised funds via the capital market through a rights issue on 20 December 2019. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To Settle the utilized overdraft facilities of the company	474,880,432	Within 02 months from the completion of the Rights Issue	474,880,432	79%	474,880,432	100%	N/A
(b)	To expand the lending activities of the company	127,614,800	Within 02 months from the completion of the Rights Issue	127,614,800	21%	127,614,800	100%	N/A
		602,495,232		602,495,232	100%	602,495,232		

39.2 The company has raised funds further via the capital market through a rights issue on 15th December 2020. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To repay maturity liabilities	1,901,994,752	Within 06 months from the completion of the Rights issue	1,901,994,752	100%	1,901,994,752	100%	N/A
(b)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending							N/A
		1,901,994,752		1,901,994,752	100%	1,901,994,752		

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39. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET (Contd...)

39.3 The company has raised funds further via the capital market through a rights issue on 26th August 2021. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(b)	To repay maturity liabilities, utilize in the lending and other business operations	2,239,667,740	Within 06 months from the completion of the Rights issue	2,239,667,740	100%	2,239,667,740	100%	N/A
(c)	To increase the secured lending portfolio to the required regulatory levels (i) Leasing (ii) Other lending							
		2,239,667,740		2,239,667,740	100%	2,239,667,740		

39.4 The company has raised funds further via the capital market through a rights issue on 08 December 2022. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio	-	Immediate	-	0%	-	0%	N/A
(b)	To settle the working capital loan borrowed from Softlogic Capital PLC	851,497,316	Immediate	851,497,316	100%	851,497,316	100%	N/A
		851,497,316		851,497,316	100%	851,497,316		

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39. UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET (Contd...)

39.5 The company has raised funds further via the capital market through a rights issue on 27 March 2024. The progress of uitlisation of the capital raised as per the objectives stated in the right issue circular is given below.

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Clarification if not fully utilised including if not utilized where are the funds invested
(a)	To improve the Capital adequacy ratio as per the Finance Business Act Direction No. 03 of 2018	-	Immediate	-	0%	-	0%	N/A
(b)	To address the serious loss of capital situation as per S220 of the Companies Act No. 07 of 2007	-	Immediate	-	0%	-	0%	N/A
(c)	To improve the Core Capital Requirement, as stipulated by the Finance Business Act Direction No.2 of 2017	-	Immediate	-	0%	-	0%	N/A
(d)	To settle Subordinated Debt of Rs. 900 Mn obtained from Softlogic Capital PLC	1,049,966,135	Immediate	1,049,966,135	45%	1,049,966,135	100%	N/A
(e)	To settle multiple short term loans of Rs. 920 Mn obtained from Softlogic Capital PLC	1,090,382,066	Immediate	1,090,382,066	47%	1,090,382,066	100%	N/A
(f)	To settle the Securitization loan & Commercial papers as per the maturities	191,843,560	Immediate	191,843,560	8%	191,843,560	100%	N/A
		2,332,191,761		2,332,191,761	100%	2,332,191,761		

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40. COMMITMENTS AND CONTINGENCIES

Accounting Policy

Contingent liabilities are possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events, or present obligations that are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount of the obligation cannot be measured reliably, as defined in Sri Lanka Accounting Standard – LKAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Accounting Policy

In the normal course of business, the Company enters into various irrevocable commitments and contingent liabilities to meet the financing needs of customers.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Although these exposures are not recognised in the Statement of Financial Position, they represent credit risk and form part of the Company's overall risk exposure.

The company has formal controls and policies for tax commitments. Once professional advice has been obtained and the amount of assessment penalties reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing.

	2026 Rs.	2025 Rs.
Commitments		
Commitment for unutilised facilities	85,068,828	53,260,393
	85,068,828	53,260,393

Analysis of commitment and contingencies by remaining contractual maturities

At 31 March 2026	Less than 3 months	More than 3 and less than 12 months	More than 1 year and less than 3 years	More than 3 years	Total
Commitments	Rs.	Rs.	Rs.	Rs.	Rs.
Commitment for unutilised facilities	85,068,828	-	-	-	85,068,828
	85,068,828	-	-	-	85,068,828

At 31 March 2025	Less than 3 months	More than 3 and less than 12 months	More than 1 year and less than 3 years	More than 3 years	Total
Commitments	Rs.	Rs.	Rs.	Rs.	Rs.
Commitment for unutilised facilities	53,260,393	-	-	-	53,260,393
	53,260,393	-	-	-	53,260,393

40.1 Litigation against the Company

Set out below are the unresolved legal claims against the Company as at March 31, 2026 for which, adjustments to the Financial Statements have not been made due to the uncertainty of its outcome.

Case filed against Softlogic Finance PLC at the District Court of Colombo under case No. DMR 3689 /21 by one of our customers, claiming that the Deed of Transfer executed over his property in favour of Softlogic Finance is invalid and claims damages of Rs.70 Mn. Subsequently settlement has been entered with the customer on 20th December 2024. This settlement has been duly recorded in court and the case has been laid by accordingly. Further customer has to be make the payment as per the settlement plan entered in the court.

41. EVENTS AFTER THE REPORTING DATE

Events after the reporting period are those events, favorable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements.

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42. TRANSFER OF FINANCIAL ASSETS (Lease and HP Receivable)

Under the securitization arrangement, the Company retains the contractual right to receive the cash from lease receivable, but assume a contractual obligation to pay the cash flows to investors of the trust certificates. Said securitization will lead to a transfer of lease receivables to investors. However, will not qualified for a derecognition. Risks of defaults of the lease receivable and the right to receive the cash flows from the lease receivables are vested with the Company.

Carrying Value of assets and associated liabilities	2026	2025
Financial Assets at Amortised Cost - Lease and hire purchase receivables	66,612,766	134,734,566

43. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

The Company carried out transactions in ordinary course of business on an arm's length basis with parties who are defined as Related Parties as per the Sri Lanka.

Accounting Standard - LKAS 24 'Related Party Disclosures'.

The pricing applicable to such transactions is based on the assessment of risk and pricing method of the company and is comparable with what is applied to transactions between the company/ group and its unrelated customers.

43.1 Transactions with Key Management Personnel (KMPs)

Key managerial personnel includes CBSL approved KRPs, CEO & Board of Directors of the Company and of it's Holding Company.	2026 Rs.	2025 Rs.
Short-term employee benefits	123,046,805	76,318,407
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	123,046,805	76,318,407

43.1.1 Transaction, arrangements and agreements involving KMPs and their close members of the family (CMFS)

The following table provides the total amount of transactions which have been entered in to with key managerial personnel and their close family members		2026 Rs.	2025 Rs.
Statement of financial position	**Reported under**		
Assets			
Personal Loans	Financial Assets at Amortised Cost - Loan	-	-
Lease	Financial Assets at Amortised Cost - Lease and hire purchase receivables	-	-
Liabilities			
Time Deposits	Financial Liabilities at Amortised Cost - Due to customers	3,036,044	2,019,677
Savings Deposits	Due to customers	5,118	69,918
Statement of comprehensive income			
Interest income on lease & loan receivables	Interest income	-	-
Interest expense on customer deposits	Interest expenses	209,885	193,676
Other Transactions		-	-

43. RELATED PARTY DISCLOSURES (Contd....)

43.2 Transactions with Group Companies

The Company enters into transactions with group companies and the following tables shows the outstanding balances and corresponding transactions during the period ended March 31, 2026
These transactions are on the same terms and conditions as those entered into by other customers.

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Any Other Transactions	Nature and Terms of the Transaction	The Rationale for Entering into the Transaction
Softlogic Corporate Services (Pvt) Ltd	Affiliated Company	2025/26	-	-	-	-	6,390,966	-	-	-	> Cost for secretarial services provided > ROC charges	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	-	-	6,393,307	-	-		> Cost for secretarial services provided > ROC charges	Normal business activity of the company and arm's length transaction
Softlogic Holdings PLC	Ultimate Parent Company	2025/26	-	-	-	-	999,522	-	-	-	> Reimbursement of directors annual insurance liability premium	Normal business activity of the company and arm's length transaction
	Ultimate Parent Company	2024/25	-	-	-	-	1,010,184	-	-		> Reimbursement of directors annual insurance liability premium	Normal business activity of the company and arm's length transaction
Softlogic Retail (Pvt) Ltd	Affiliated Company	2025/26	(12,243)	-	596	-	2,538,323	-	-	-	> Maintaining savings accounts at a Interest rate of 3% > Office equipment maintenance > AC services and maintenance agreement renewal	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	(22,243)	-	311	-	36,179	-	-		> Cost for staff mobile phone vouchers. > Maintaining savings accounts at a Interest rate of 5% > Office equipment maintenance > AC services and maintenance agreement renewal	Normal business activity of the company and arm's length transaction
Softlogic Brands (Pvt) Ltd	Affiliated Company	2025/26	-	-	365,378		10,802	-	-	-	> Maintaining savings accounts at a interest rate of 3%	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	355,656		10,507	-	-	-	> Maintaining savings accounts at a interest rate of 5%	Normal business activity of the company and arm's length transaction
Softlogic Information Technology	Affiliated Company	2025/26	-	-	-	-	468,224	-	-		> Equipment maintenance > Laptop & Backpack Purchase	Normal business activity of the company and arm's length transaction
[illegible]	[illegible]ted Company	2024/25	-	-	-	-	419,768	-	-		> Equipment maintenance	Normal business activity of the company and arm's length transaction

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43. RELATED PARTY DISCLOSURES (Contd...)

43.1 Transactions with Group Companies (Contd...)

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Any Other Transactions	Nature and Terms of the Transaction	The Rationale for Entering into the Transaction
Softlogic Life Insurance PLC	Affiliated Company	2025/26	(275,398)	-	-	-	21,076,046	-	-	-	> Staff insurance premium for 2025/26	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	(78,667)	-	-	-	25,523,544	-	-	-	> Staff insurance premium for 2024/25	Normal business activity of the company and arm's length transaction
Softlogic BPO Services (Pvt) Ltd	Affiliated Company	2025/26	-	-	696	12,209	58,360,334	-	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards > Board pack maintenance	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	321,748	-	112,920	56,527,033	-	-	-	> Cost of hardware maintain services & its related services > Cost for staff discount cards > Board pack maintenance > Loan granted at a rate of 15% p.a for a period of 60 months	Normal business activity of the company and arm's length transaction
Softlogic Computers (Pvt) Ltd	Affiliated Company	2025/26	-	-	-	-	-	-	-	-	-	-
	Affiliated Company	2024/25	-	-	-	-	41,300	-	-	-	> Computer Maintenance cost	Normal business activity of the company and arm's length transaction
Softlogic Capital PLC	Parent Company	2025/26	-	-	-	-	-	-	-	-	-	-
	Parent Company	2024/25	-	-	-	-	5,488,433	-	-	-	>Annual maintenance charges for www.softlogicfinance.lk > Subordinated loan received at a rate of WAYR of 364 days T-Bill Rate + 4.25% for a period of 60 months & upfront fee > Term loan received at a rate of 20.96%	Normal business activity of the company and arm's length transaction

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43. RELATED PARTY DISCLOSURES (Contd...)

43.2 Transactions with Group Companies (Contd...)

Company	Relationship	F/Y	(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Income Earned	Cost Incurred	Plant & Equip. Purchased / (sold)	Sale of equity shares under FVTOCI	Any Other Transactions	Nature and Terms of the Transaction	The Rationale for Entering into the Transaction
Softlogic Asset Management Ltd	Affiliated Company	2025/26	-	-	-	-	4,456,120	-	-	-	> Software License fee paid > Intercompany Gratuity Payment	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	-	-	-	-	-	-	-	-
Future Automobiles (Pvt) Ltd	Affiliated Company	2025/26	-	18,058,846	-	75,000	458,473	-	-	-	> Vehicle repair charges > Document charges income received from loan facility > Loan granted at a rate of 17% p.a for a period of 36 months	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	-	-	112,502	-	-	-	> Vehicle repair service cost	Normal business activity of the company and arm's length transaction
Asiri Surgical Hospital	Affiliated Company	2025/26	-	-	-	-	-	-	-	-	-	-
	Affiliated Company	2024/25	-	-	-	-	-	-	-	-	-	-
Softlogic Stock Brokers (Pvt) Ltd	Affiliated Company	2025/26	-	-	149	9,980,620	-	-	-	-	>Maintaining a Saving Account	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	93,534,460	-	-	1,750,000	-	-	-	> Loan granted at a rate of 21% p.a for a period of 12 months	Normal business activity of the company and arm's length transaction
SB One (Pvt) Ltd	Affiliated Company	2025/26	(208,977)	700,386,438	2,206,951	-	156,530	-	-	168,394,111	> Cost for Legal fees > Maintaining savings accounts at a interest rate of 3% > SPV collection for the period > SPV Portfolio Transfer consideration	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	1,974,178	1,100,266,157	-	-	1,870,836	-	-	-	> Cost for Legal fees > Maintaining savings accounts at a interest rate of 3% > SPV collection for the period > SPV Portfolio Transfer consideration	Normal business activity of the company and arm's length transaction
Central Hospital Ltd	Affiliated Company	2025/26	22,400	61,174,571	500	16,187,834	59,080	-	-	-	> Cost for Legal fees > Maintaining savings accounts at a interest rate of 3% > Loan granted at 21% PA for 6 months > Cost incurred for AGM	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	-	-	-	-	-	-	-	-
Softlogic Supermarket (Pvt) Ltd	Affiliated Company	2025/26	11,140	-	-	-	-	-	-	-	> Cost incurred for HR Training Programme	Normal business activity of the company and arm's length transaction
	Affiliated Company	2024/25	-	-	-	-	-	-	-	-	-	-

* All above transactions are Normal business activity of the company and arm's length transaction

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44 BUSINESS SEGMENT INFORMATION

Accounting Policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment.

For management purposes, the Company has identified five operating segments based on products and services, as follows.

- Leasing and Hire purchase
- Vehicle Loans
- Gold Loans
- Loans & Receivables
- Other

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses, which in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on collective basis and not allocated to operating segments.

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2026 & 2025. The income, profit total assets and total liabilities of the Company's operating segments are presented below.

	Leasing & Hire Purchases		Vehicle Loans		Gold Loans		Loans and Receivables		Others		Total	
	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Interest income	196,475,346	582,706,788	9,347,363	7,681,576	468,839,082	294,325,693	208,081,067	197,157,808	37,880,227	51,332,906	920,623,086	1,133,204,770
Interest expenses	-	-	-	-	-	-	-	-	(519,047,969)	(833,646,073)	(519,047,969)	(833,646,073)
Net interest income	196,475,346	582,706,788	9,347,363	7,681,576	468,839,082	294,325,693	208,081,067	197,157,808	(481,167,742)	(782,313,167)	401,575,117	299,558,698
Fee and commission income	14,674,047	28,533,703	698,121	376,148	35,015,930	14,412,398	15,540,838	9,654,328	2,829,140	2,513,645	68,758,076	55,490,221
Net trading income/(loss)	-	-	-	-	-	-	-	-	247,520	228,565	247,520	228,565
Profit /(Loss) from Derecognition of Financial Assets	-	-	-	-	-	-	-	-	140,141,986	207,629,087	140,141,986	207,629,087
Other operating income	-	-	-	-	-	-	-	-	95,306,443	113,901,285	95,306,443	113,901,285
Total operating income	211,149,394	611,240,491	10,045,484	8,057,724	503,855,012	308,738,091	223,621,905	206,812,136	(242,642,653)	(458,040,585)	706,029,141	676,807,856
Impairment charges for loan and advances	92,103,256	155,014,744	541,307	6,650,862	(4,924,983)	12,633	248,511,876	244,050,794	24,367,589	20,338,980	360,599,046	426,068,012
Net operating income	303,252,650	766,255,235	10,586,791	14,708,586	498,930,029	308,750,724	472,133,781	450,862,930	(218,275,064)	(437,701,605)	1,066,628,187	1,102,875,868
Depreciation for property, plant and equipment	(1,284,791)	(2,578,903)	(358,846)	(5,755)	(5,585,578)	(3,177,937)	(1,418,332)	(2,460,025)	(4,113,080)	(5,654,829)	(12,760,628)	(13,857,450)
Amortisation of intangible assets	(1,284,521)	(3,737,986)	(358,771)	(8,341)	(5,584,403)	(4,606,254)	(1,418,034)	(3,565,678)	(4,112,214)	(8,167,391)	(12,757,943)	(20,085,650)
Personal cost	-	-	-	-	-	-	-	-	(442,654,833)	(378,863,506)	(442,654,833)	(378,863,506)
Other operating expenses	(97,385,397)	(275,335,505)	(4,642,649)	(3,629,631)	(232,863,048)	(139,072,197)	(103,349,728)	2,737,808	(18,814,355)	(19,705,228)	(457,255,177)	(435,004,752)
Segment profit before VAT on financial services	203,097,940	484,602,841	5,226,524	11,064,859	254,897,001	161,894,335	365,947,688	447,575,035	(687,969,546)	(850,072,559)	141,199,607	255,064,512
Tax on financial services & income tax	-	-	-	-	-	-	-	-	(100,669,835)	(109,932,087)	(100,669,835)	(109,932,087)
Segment profit before tax	203,097,940	484,602,841	5,226,524	11,064,859	254,897,001	161,894,335	365,947,688	447,575,035	(788,639,381)	(960,004,645)	40,529,772	145,132,424
Income tax reversal/(expenses)	-	-	-	-	-	-	-	-	109,925,335	-	109,925,335	-
Profit for the year	203,097,940	484,602,841	5,226,524	11,064,859	254,897,001	161,894,335	365,947,688	447,575,035	(678,714,046)	(960,004,645)	150,455,107	145,132,424
Total Assets	738,914,088	1,485,514,585	206,381,131	3,314,893	3,212,398,698	1,830,574,174	815,716,496	1,417,038,120	2,365,530,054	3,245,807,298	7,338,940,467	7,982,249,471
Total Liabilities	428,761,544	939,423,429	119,754,507	2,096,302	1,864,023,231	1,157,635,087	473,326,832	896,119,409	1,372,620,085	2,052,613,036	4,258,486,199	5,047,887,262

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45. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

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

	2026 Within 12 Months Rs.	2026 After 12 Months Rs.	2026 Total as at 31 March Rs.	2025 Within 12 Months Rs.	2025 After 12 Months Rs.	2025 Total as at 31 March Rs.
Assets						
Cash and cash equivalents	224,724,345	-	224,724,345	297,129,594	-	297,129,594
Equity Instruments at fair value through other comprehensive income	30,600	-	30,600	30,600	-	30,600
Securities purchased under repurchase agreements	698,690,831	-	698,690,831	801,814,765	-	801,814,765
Financial Assets at Amortized Cost - Lease and hire purchase receivables	605,111,364	133,802,724	738,914,088	964,840,187	520,674,798	1,485,514,985
Financial Assets at Amortized Cost - Loans and receivables	3,548,635,215	685,861,110	4,234,496,325	2,699,530,238	551,396,949	3,250,927,188
Other assets	-	516,724,666	516,724,666	-	1,218,639,050	1,218,639,050
Deferred tax asset	-	653,976,234	653,976,234	-	542,181,021	542,181,021
Intangible assets	-	59,836,562	59,836,562	-	71,786,205	71,786,205
Investment Property	-	-	-	-	103,237,000	103,237,000
Right of Use Assets	-	187,462,426	187,462,426	-	178,876,574	178,876,574
Property, plant & equipment	-	24,084,390	24,084,390	-	32,112,488	32,112,488
Total Assets	5,077,192,356	2,261,748,111	7,338,940,467	4,763,345,385	3,218,904,086	7,982,249,471
Liabilities						
Bank Overdrafts	44,771,207	-	44,771,207	92,003,501	-	92,003,501
Financial Liabilities at Amortized Cost - Due to customers	1,993,466,278	1,744,957,414	3,738,423,692	2,380,532,858	1,892,854,855	4,273,387,713
Financial Liabilities at Amortized Cost - Other borrowed funds	-	-	-	3,577,581	-	3,577,581
Other non financial liabilities	-	447,535,588	447,535,588	-	644,391,158	644,391,158
Retirement benefit obligations	-	27,755,712	27,755,712	-	34,527,309	34,527,309
Deferred tax liabilities	-	-	-	-	-	-
Total liabilities	2,038,237,485	2,220,248,714	4,258,486,199	2,476,113,940	2,571,773,322	5,047,887,262

ERNST & YOUNG Chartered Accountants COLOMBO