

Financial Reports

INDEPENDENT AUDITOR'S REPORT



Key audit matter	How our audit addressed the key audit matter
<p>Allowances for Impairment Charges for Loans and Lease Rentals Receivables.</p> <p>Allowances for Impairment Charges for Loans and Lease Rentals Receivables amounting to LKR 697 Mn arising from Financial Assets at Amortised Cost Loans and Lease Rental Receivables of LKR 13.2 Bn (Note 20 & 21) is determined by the management based on the accounting policies described in Note 20 & 21.</p> <p>This was a key audit matter due to,</p> <ul style="list-style-type: none"> ① the involvement of significant management judgements, assumptions and level of estimation uncertainty associated in management's expectation of future cash flows to recover such financial assets; and ② the materiality of the reported amount of allowance of expected credit losses and use of complex calculations in its determination. <p>Key areas of significant judgements, assumptions and estimates used by management included: assumed future occurrence of events and/or transactions and forward-looking macroeconomic scenarios and their associated weightages, which are subject to inherently heightened levels of estimation uncertainty.</p>	<p>In addressing the adequacy of the allowances for expected credit losses of financial assets, our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ① Assessed the alignment of the Company's allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, based on the best available information up to the date of our report. ② Evaluated the design, implementation, and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management. ③ Checked the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company. ④ Evaluated the reasonableness of credit quality assessments and related stage classifications. ⑤ Assessed the reasonableness of the judgements, assumptions and estimates used by the Management in assumed future occurrence of events and/or transactions including the value and the timing of cash flow forecasts, status of recovery actions of the collaterals, forward-looking macroeconomic scenarios and their associated weightages. ⑥ Assessed the adequacy of the related financial statement disclosures set out in Notes 09, 20 and 21.
<p>Information Technology (IT) systems related internal controls over financial reporting.</p> <p>Company's financial reporting process is significantly reliant on multiple IT systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets.</p> <p>Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter.</p>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> ① Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures. ② Involved our internal specialized resources and; <ul style="list-style-type: none"> ③ Obtained and understanding IT Governance Structure of the Company ④ Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management. ⑤ Obtained a high-level understanding of the cybersecurity risks relevant to the Company and the actions taken to address these risks primarily through inquiries related to processes and controls implemented to address cyber security risks. ⑥ Tested source data of the reports used to generate disclosures for accuracy and completeness.



OTHER INFORMATION INCLUDED IN THE COMPANY'S 2024 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.

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Financial Reports**INDEPENDENT AUDITOR'S REPORT**

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 3755.

A handwritten signature in black ink, appearing to read 'Sri Lanka', is located below the text of the report.

31 May 2024
Colombo

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FINANCIAL REPORTING

Year ended 31 March 2024	Note No	Page No.	Year ended 31 March 2024	Note No	Page No.
Corporate information			Statement of Financial Position - Liabilities		
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Deferred Taxation	28.	252			

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2024	Notes	Page No	2024 LKR	2023 LKR	Variance LKR	Variance %
Income	5	227	3,326,773,595	2,597,491,955	729,281,640	28.1
Interest Income			3,101,982,284	2,461,331,443	640,650,840	26.0
Interest Expenses			(1,322,454,402)	(1,221,614,731)	(100,839,671)	8.3
Net Interest Income	6	227	1,779,527,882	1,239,716,712	539,811,170	43.5
Net Fee and Commission Income	7	228	172,887,634	114,185,258	58,702,376	51.4
Other Operating Income	8	228	51,903,677	21,975,253	29,928,424	136.2
Total Operating Income			2,004,319,193	1,375,877,224	628,441,969	45.7
Impairment Charges for Loans and Other Losses	9	229	(332,531,900)	(63,092,109)	(269,439,791)	427.1
Net Operating Income			1,671,787,293	1,312,785,115	359,002,178	27.3
Operating Expenses						
Personnel Expenses	10	230	(524,561,526)	(464,026,483)	(60,535,043)	13.0
Depreciation of Property, Plant and Equipment			(35,974,055)	(29,034,587)	(6,939,468)	23.9
Amortisation of Right of Use Assets			(80,014,671)	(70,140,299)	(9,874,372)	14.1
Amortisation of Intangible Assets			(509,435)	(1,164,233)	654,798	(56.2)
Other Operating Expenses	11	230	(439,511,271)	(302,342,543)	(137,168,728)	45.4
Operating Profit before Tax on Financial Services			591,216,335	446,076,970	145,139,365	32.5
Tax on Financial Services	12	231	(181,956,153)	(145,945,075)	(36,011,078)	24.7
Profit before Taxation			409,260,182	300,131,895	109,128,287	36.4
Income Tax Expenses	13	231	(159,663,528)	(78,482,446)	(81,181,082)	103.4
Profit for the Year			249,596,654	221,649,449	27,947,205	12.6
Other Comprehensive Income						
Actuarial Gains/(Losses) on Defined Benefit Plans	34	259	(2,596,400)	(2,939,318)	342,918	(12)
Gain/(Loss) due to changes in Assumptions	34	259	(20,502,138)	(144,710)	(20,357,428)	1,4068
Deferred Tax (Charge)/Reversal on above items			6,929,561	925,208	6,004,353	649
Net Other Comprehensive Income/(Expenses)						
not to be Reclassified to Profit or Loss			(16,168,977)	(2,158,820)	(14,010,157)	649
Surplus from Revaluation of Property, Plant & Equipment			-	-	-	-
Deferred Tax Effect on Surplus from Revaluation of Property, Plant & Equipment			-	-	-	-
Net Other Comprehensive Income not to be Reclassified to Profit or Loss			-	-	-	-
Other Comprehensive Income for the Year, Net of Tax			(16,168,977)	(2,158,820)	(14,010,157)	649
Total Comprehensive Income/(Expenses) for the Year			233,427,677	219,490,629	13,937,048	6
Earning per Share - Basic *	14	233	1.67	1.48	0.19	13
Dividend per Share **	15	233	-	0.75	(0.75)	(100)

* Calculated based on profit/(loss) for the year

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

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STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2024	Notes	Page	2024 LKR	2023 LKR	Variance LKR	Variance %
Assets						
Cash and Cash Equivalents	17	235	544,919,606	664,043,703	(119,124,096)	(17.9)
Financial Investments	18	235	772,478,191	576,027,374	196,450,817	34.1
Other Financial Assets	19	235	50,960,718	874,494	50,086,224	5727.5
Financial Assets at Amortised Cost - Loans and Receivables	20	236	6,958,212,710	5,105,311,168	1,852,901,542	36.3
Financial Assets at Amortised Cost - Lease Rentals						
Receivables	21	238	5,616,318,355	4,674,862,363	941,455,992	20.1
Other Non Financial Assets	23	244	238,195,920	155,939,726	82,256,193	52.7
Investment Property	24	244	246,710,000	234,257,500	12,452,500	5.3
Property, Plant and Equipment	25	246	224,485,283	147,095,459	77,389,824	52.6
Right-of-use Lease Assets	26	250	185,152,504	105,241,220	79,911,284	75.9
Intangible Assets	27	251	4,176,618	4,686,053	(509,435)	(10.9)
Deferred Tax Assets	28	252	56,237,769	1,954,498	54,283,272	2,777.4
Total Assets			14,897,847,674	11,670,293,558	3,227,554,116	27.7
Liabilities						
Due to Banks and Other Institutions	29	254	3,005,408,260	1,508,114,678	1,497,293,582	99.3
Financial Liability at Amortised Cost - Due to Customers	30	256	7,492,005,969	6,193,431,026	1,298,574,943	21.0
Lease Liability	31	257	202,487,184	119,947,887	82,539,297	68.8
Other Non Financial Liabilities	32	258	425,290,696	291,925,223	133,365,473	45.7
Current Tax Liabilities	33	258	144,945,144	71,709,569	73,235,575	102.1
Post Employment Benefit Obligation	34	259	56,992,064	35,677,457	21,314,607	59.7
Total Liabilities			11,327,129,316	8,220,805,840	3,106,323,478	37.8
Shareholders' Funds						
Stated Capital	35	261	2,696,113,032	2,696,113,032	-	-
Reserves	36	261	194,927,853	182,448,021	12,479,832	6.8
Retained Earnings	37	262	679,677,472	570,926,665	108,750,807	19.0
Total Shareholders' Funds			3,570,718,357	3,449,487,718	121,230,639	3.5
Total Liabilities and Shareholders' Funds			14,897,847,674	11,670,293,558	3,227,554,116	27.7
Commitments and Contingencies	38	262	6,048,100	7,433,330		
Net Assets Value per Share	39	263	23.87	23.06		

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

Mahesh Jayasanka
Head of Strategic Planning/Acting Head of Finance

Nilantha Jayanetti
Chief Executive Officer

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

Channa de Silva
Chairman

Dhammika Ganegama
Senior Director

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

29 May 2024
Colombo

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STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024	Stated Capital LKR	Statutory Reserves LKR	Revaluation Reserves LKR	Regulatory Loss LKR	Retained Earnings LKR	Total Equity LKR
Balances as at 01st April 2022	2,696,113,032	114,850,787	56,514,761		437,316,534	3,304,795,115
Comprehensive Income for the year						
Profit for the Year	-	-	-		221,649,449	221,649,449
Other Comprehensive Income	-	-	-		(2,158,820)	(2,158,820)
Total Comprehensive Income for the year	-	-	-		219,490,629	219,490,629
Transactions with Equity Holders, Recognised Directly in Equity						
Transfer to Statutory Reserves Fund	-	11,082,472	-		(11,082,472)	-
Interim Dividend	-	-	-		(74,798,026)	(74,798,026)
Total transaction with equity holders	-	11,082,472	-		(85,880,498)	(74,798,026)
Balances as at 31 March 2023	2,696,113,032	125,933,259	56,514,761		570,926,666	3,449,487,718
Comprehensive Income for the year						
Profit for the Year	-	-	-		249,596,654	249,596,654
Other Comprehensive Income	-	-	-		(16,168,977)	(16,168,977)
Total Comprehensive Income for the year	-	-	-		233,427,677	233,427,677
Transactions with Equity Holders, Recognised Directly in Equity						
Transfer to Statutory Reserves Fund	-	12,479,833	-		(12,479,833)	-
Final dividend	-	-	-		(112,197,039)	(112,197,039)
Total transaction with equity holders	-	12,479,833	-		(124,676,872)	(112,197,039)
Balances as at 31 March 2024	2,696,113,032	138,413,092	56,514,761	-	679,677,472	3,570,718,357

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 March 2024	Notes	Page	2024 LKR	2023 LKR
Cash Flows From / (Used in) Operating Activities				
Profit before Income Tax Expense			409,260,182	300,131,895
Adjustments for				
Impairment Charges for Loans / Lease Rental and Other Receivables	9.	229	332,531,900	63,092,109
Changing Fare Value of Investment Property			(12,452,500)	-
Loss/(Profit) on Disposal of Property, Plant and Equipment			(8,287,416)	3,601,501
Profit/(Loss) on ROU assets			(671,152)	31,067
Provision for Defined Benefit Plans	10.	230	12,579,736	10,021,516
Depreciation of Property, Plant and Equipment	25.1	248	35,974,055	29,034,587
Amortisation of Intangible Assets			509,435	1,164,233
Amortisation of Right to Use Assets			80,014,671	70,140,299
Interest Expenses on Lease Creditor			30,331,731	17,758,693
Operating Profit before Working Capital Changes			879,790,640	494,975,900
(Increase)/Decrease in Loans and Receivables	20.	236	(1,976,585,950)	125,563,957
(Increase)/Decrease in Lease Rentals Receivables	21.	238	(1,136,412,727)	(92,482,507)
(Increase)/Decrease in Other Financial Assets			(50,086,224)	(60,103)
(Increase)/Decrease in Other Non Financial Assets			(82,549,694)	8,597,776
Increase/(Decrease) in Amounts Due to Customers	30.	256	1,298,574,943	1,464,333,905
Increase/(Decrease) in Other Non Financial Liabilities			133,182,415	(230,546,093)
Cash Generated from Operations			(934,086,597)	1,770,382,834
Retirement Benefit Liabilities Paid			(14,363,667)	(9,494,245)
Net Collection of LRAB Fund			-	123,525
Income Tax Paid	33.	258	(133,781,663)	(49,382,348)
Repayment of Lease Liability			(101,931,772)	(93,525,230)
Net Cash From/(Used in) Operating Activities			(1,184,163,699)	1,618,104,536
Cash Flows from / (Used in) Investing Activities				
Sales of Property, Plant and Equipment			(9,264,831)	402,068
Acquisition of Property, Plant and Equipment	25.1	248	(114,341,293)	(40,865,923)
Acquisition of Intangible Assets	27.2	252	-	(922,500)
Financial Investment			(196,450,817)	(43,360,336)
Net Cash Flows from/(Used in) Investing Activities			(320,056,941)	(84,746,691)
Cash Flows from / (Used in) Financing Activities				
Funds received from bank and other institutional borrowings	29.2	254	2,112,009,434	512,961,416
Repayment of bank and other institutional borrowings	29.2	254	(994,926,457)	(1,076,151,729)
Dividend Payment			(112,197,039)	(149,376,386)
Net Cash Flows from/(Used in) Financing Activities			1,004,885,938	(712,566,699)
Net Increase in Cash and Cash Equivalents			(499,334,702)	820,791,146
Cash and Cash Equivalents at the beginning of the year			579,671,138	(241,120,008)
Cash and Cash Equivalents at the end of the year	A		80,336,436	579,671,138
A Cash and Cash Equivalents at the end of the year				
Favorable Cash & Cash Equivalents			544,919,606	664,043,703
Unfavorable Cash & Cash Equivalents			(464,583,171)	(84,372,565)
Total Cash and Cash Equivalents at the end of the year	17.1	235	80,336,436	579,671,138

Accounting Policies and Notes from pages 220 to 284 form an integral part of these Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Sarvodaya Development Finance PLC (The 'Company') is a public limited liability company incorporated and domiciled in Sri Lanka and is a Licensed Finance Company regulated under the Finance Business Act No.42 of 2011 and amendments thereto. The shares of the Company have a primary listing on the Colombo Stock Exchange (CSE).

The registered office of the Company is located at No 155/A, Dr. Danister De Silva Mawatha, Colombo 08 and the principal place of business is situated at the same place.

1.2 Principal Activities of the Company

The principal activities of the Company consist of Acceptance of Deposits, Granting Micro Finance Loans, SME Loans, Leasing, Housing Loans, Business Loans, Pawning and other credit facilities and related services.

1.3 Approval of the Financial Statements

The Financial Statements of the Company for the year ended 31 March 2024 (including comparatives) have been approved and authorized for issue by the Board of Directors on 29th May 2024.

1.4 Number of Employees

The staff strength of the Company as of 31 March 2024 and 31 March 2023 is 546 and 453 respectively.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Statement of Compliance

The Financial Statements of the Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Material Accounting Policies and Notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the listing rules of the Colombo Stock Exchange. The presentation of Financial Statements is also in compliance with the requirements of Finance Business Act No. 42 of 2011 and amendments thereto. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at 'www.casrilanka.com / www.slaasc.lk'.

2.2. Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company, in compliance with the provisions of the Companies Act No. 07 of 2007 and SLFRSs/LKASs.

The Board of Directors acknowledges their responsibility as set out in the 'Report of the Board of Directors on the Affairs of the Company', 'Directors' Responsibility for Financial Reporting' and 'Directors' Statement on Internal Control over Financial Reporting' and the certification given on the 'Statement of Financial Position' of the Annual Report

These Financial Statements include the following components;

- ⊖ A Statement of Profit or Loss and Other Comprehensive Income provides the information on the performance for the year under review (Refer page 216).
- ⊖ A Statement of Financial Position provides the information on the financial position of the Company as at the yearend (Refer page 217).
- ⊖ A Statement of Changes in Equity provides the movement in the shareholders' funds during the year under review for the Company (Refer page 218).
- ⊖ A Statement of Cash Flows provides the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs for entities to utilize those cash flows (Refer page 219) and
- ⊖ Notes to the Financial Statements, which comprises of the Accounting Policies and other explanatory notes and information (Refer pages 220 to 284).

2.3. Preparation of Financial Statements

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

Name	Basis of Measurement	Note Number/s	Page Number/s
	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the		
Land & buildings	fair values at the date of revaluation	Note 25.2	Page 249

Name	Basis of Measurement	Note Number/s	Page Number/s
Defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, less net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	Note 34	Page 259
Investment Properties	Measured at fair value at the time of transferred from Property, plant & Equipment. Subsequently valued at fair value.	Note 24	Page 244

2.4. Presentation of Financial Statements

The Company present its Statement of Financial Position broadly by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery and settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 24 to these Financial Statements. No adjustments have been made for inflationary factors affecting the Financial Statements.

2.5. Use of Materiality, Aggregation, Offsetting and Rounding

Materiality and Aggregation

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

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. Income and expenses are not offset in the Statement of Profit or loss unless required or permitted by an Accounting Standard or interpretation, and specifically disclosed in the accounting policies of the Company.

Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted

by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

2.6. Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency, unless indicate otherwise.

2.7. Going Concern

The Board of Directors of the Company has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.8. Comparative Information

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

2.9. Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the accounting policies of the Company, management is required to make judgments, which may have significant effects on the amounts recognized in the Financial Statements. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation of uncertainty at the date of the Statement of the Financial Position that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

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Classification of financial assets and liabilities AS PER SLFRS 9, THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY PROVIDES SCOPE FOR FINANCIAL ASSETS TO BE CLASSIFIED AND SUBSEQUENTLY MEASURED INTO DIFFERENT CATEGORIES, NAMELY, AT AMORTISED COST,

Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

- The entity's business model for managing the Financial assets as set out in Note 3.2.2 on page 223.
- The contractual cash Flow characteristics of the Financial assets as set out in Note 3.2.2 on page 224.

Impairment losses on financial Assets

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash Flows and collateral values when determining impairment losses.

The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets are impaired.

Impairment losses on loans and lease rental receivables

The Company use number of estimates and assumptions for the calculation of impairment losses on loans and lease rental receivables. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the 'impairment losses on loans and receivables' are given in Note 22 on page 241 to the financial statements.

Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company does not have historical loss experience on debt instruments at amortised cost. The Company does not have financial investments that required impairment charges.

Useful life time of Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Details of the 'useful life-time of the Property, Plant and Equipment' are given in Note 25 on page 246 to the financial statements.

Useful life time of the Intangible Assets

Details of the 'useful life-time of the intangible assets' are given in Note 27 on page 251 to the financial statements.

Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 252 to the financial statements.

Post-Employment Benefit obligation

Details of the 'Post-Employment benefit obligation' are given in Note 34 on page 259 to the financial statements.

Related Party Transactions

Details of the 'Related Party Transactions' are given in Note 43 on page 265 to the financial statements.

3. GENERAL ACCOUNTING POLICIES

3.1 Changes in Accounting Standards

In these financial statements, the Company has applied Sri Lanka Accounting Standard - Amendments to SLFRS 16: Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 and Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2 which became effective for the annual reporting periods beginning on or after 1 January 2021, for the first time. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform

Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform

LKAS 39 retrospective assessment: an entity is not required to undertake the 'LKAS 39 retrospective assessment' for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment

Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context

3.2 Financial Instruments - initial recognitions and subsequent measurement

3.2.1 Date of recognition

All financial assets and liabilities except 'regular way trades' are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. 'Regular way trades' means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

3.2.2 Classification and subsequent measurement of financial assets

As per SLFRS 9, the Company classifies all of its financial assets based on the business model for managing the assets and the

assets' contractual terms measured at either;

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

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level and not assessed on instrument-by-instrument basis because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- ⊖ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ⊖ how the performance of the portfolio is evaluated and reported to the Company's management;
- ⊖ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ⊖ how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ⊖ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

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

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

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

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

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

- ➔ Contingent events that would change the amount and timing 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 consideration of the time value of money.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the Statement of Financial Position.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets measured at amortised cost are given in Note 16 on page 234.

Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. The Company do not have financial assets measured at FVOCI as at 31 March 2024.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss. The Company do not have financial assets measured at FVTPL as at 31 March 2024.

3.2.3 Derecognition of financial assets and financial liabilities

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

- ➔ The rights to receive cash flows from the asset which have expired;
- ➔ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either;
 - o The Company has transferred substantially all the risks and rewards of the asset; or
 - o The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company’s continuing involvement in the asset. In that case, the company also recognises an 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 that the company could be required to repay.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or 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 recognised in Statement of Profit or Loss.

3.2.4 Offsetting financial instruments

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

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

3.2.5 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46 on page 268.

3.3 Impairment of non-financial assets

The carrying amounts of the Company's non financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use.

Where the carrying amount of an asset or cash – generating unit 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 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 price for publicly traded subsidiaries or other available fair value indicators.

3.4 Provisions

Provisions are recognised in the Statement of Financial Position 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 the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

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.

3.5 Borrowing cost

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

3.6 Income tax

Details of the 'income tax expense' are given in Note 13 on page 231 to the financial statements.

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3.7 Deferred tax

Details of the 'deferred tax' are given in Note 28 on page 252 to the financial statements.

3.8 Crop Insurance Levy

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

3.9 Tax on financial services

Details of the 'VAT and SSCL on financial services are given in Note 12 on page 231 to the financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31 March 2024. Accordingly, these accounting standards have not been applied in the preparation of the Financial Statements for the year ended 31 March 2024. Following amendment is not expected to have a material impact on the Financial Statements of the Company in the foreseeable future.

SLFRS 17 Insurance Contracts

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

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities with covenants as current or non-current.

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about,

- ⊖ the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements
- ⊖ quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period
- ⊖ the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

5. INCOME

Gross income (Revenue) is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The specific recognition criteria, for each type of gross income, are given under the respective income notes.

Year ended 31 March 2024	Notes	Page No.	2024 LKR	2023 LKR
Interest Income	6.1	227	3,101,982,284	2,461,331,443
Net Fee and Commission Income	7	228	172,887,634	114,185,258
Other Operating Income (net)	8	228	51,903,677	21,975,253
Total Income			3,326,773,595	2,597,491,955

6. NET INTEREST INCOME

Accounting Policy

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

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

Once the recorded value of financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

Recognition of interest income for credit facilities under moratoriums

The adjusted EIR has been applied for the moratorium granted facilities to recognise interest income till the end of the lifetime of the instrument.

	2024 LKR	2023 LKR
6.1 Interest Income		
Financial Assets at Amortised Cost - Loans and Receivables	1,494,026,241	1,204,123,623
Financial Assets at Amortised Cost - Lease Rentals Receivables	1,446,933,953	1,089,564,946
Financial Investments	119,260,793	117,769,541
Cash and cash equivalent - Savings Deposits	41,415,733	36,615,343
Other Financial Assets	345,562	13,257,990
Total Interest Income	3,101,982,284	2,461,331,443
6.2 Interest Expenses		
Due to Bank and Other Institution	269,215,032	431,967,924
Financial Liabilities at Amortised Cost - Due to Customers	1,022,907,639	771,888,114
Lease Liabilities	30,331,731	17,758,693
Total Interest Expenses	1,322,454,402	1,221,614,731
Net Interest Income	1,779,527,882	1,239,716,712

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7. NET FEE AND COMMISSION INCOME

Accounting Policy

The Company earns fee and commission income from a diverse range of services it provides to its customers. The Company recognises Fee and Commission income net of directly attributable expenses.

Credit Related Fees and Services

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, CRIB charges, Insurance commission and Other credit related changes.

Other Fee and Commission Expense

Other Fee and commission expense relate mainly to transactions and services fees which are expensed as the services are received. Fee and commission expense are recognised on an accrual basis.

	2024 LKR	2023 LKR
7.1 Fee and Commission Income		
Credit Related Fees and Commissions	86,396,913	54,448,052
Documentation Charges	79,275,527	28,987,242
Service Charge	57,495,116	63,843,877
Total Fee and Commission Income	223,167,556	147,279,170
7.2 Fee and Commission Expenses		
Credit Related Fees and Commissions	33,868,781	21,720,448
Documentation Charges	4,852,513	2,658,352
Service Charge	11,558,629	8,715,112
Total Fee and Commission Expenses	50,279,922	33,093,912
Total Net Fee and Commission Income	172,887,634	114,185,258

8. OTHER OPERATING INCOME

Accounting Policy

Income earned on other sources, which are not directly related to the normal operations of the Company is recognised as other operating income on an accrual basis.

Other operating income includes recoveries of written-off loans and receivables, gains from property, plant & equipments and reversal of provision of Loan Risk Assurance Benefit Fund.

	2024 LKR	2023 LKR
Recoveries of Written-Off Loans & Receivables	14,622,160	12,488,335
Profit/(Loss) on Disposal of Property Plant & Equipment	8,287,416	(3,601,501)
Gain from Fair Value of Investment Property	12,452,500	-
Rent income from investment property	8,290,200	8,290,200
Other Sundry Income	8,251,400	4,798,219
Total Other Operating Income	51,903,677	21,975,253

9. IMPAIRMENT CHARGES /(REVERSAL) FOR LOANS /LEASE RENTAL AND OTHER RECEIVABLES

Accounting Policy

The Company recognises the changes in the impairment provisions for loans and lease receivables and other customers, which are assessed as per the SLFRS 9: Financial Instruments. The methodology adopted by the Company is explained in Note 22 to these Financial Statements.

	2024 LKR	2023 LKR
Loans and Receivables	217,307,386	23,835,675
Lease Rental Receivables	101,333,758	41,671,434
Provision for Other Assets	13,890,756	(2,415,000)
Total Impairment Charges for Loans/ Lease rental and other receivables	332,531,900	63,092,109

9.1 Impairment charge for Loans/ Lease rental and other receivables (Detail Breakdown)

For the year ended 31st March 2024	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(93,622,977)	402,205,798	(91,275,434)	217,307,386
Lease Rentals Receivables	-	197,098,735	(95,764,977)	101,333,758
Other receivables	-	14,880,756	(990,000)	13,890,756
Total	(93,622,977)	614,185,289	(188,030,412)	332,531,900

For the year ended 31st March 2023	Disposal loss/ Write-offs LKR	Charge LKR	(Reversal) LKR	Net Amount LKR
Loans and Receivables	(144,115,706)	246,982,727	(79,031,346)	23,835,675
Lease Rentals Receivables	-	102,440,483	(60,769,049)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
Total	(144,115,706)	349,423,210	(142,215,395)	63,092,109

9.2 Impairment charges to the Statement of Profit or Loss- Stage wise analysis

For the year ended 31st March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	133,912,484	11,012,180	72,382,721	217,307,385
Lease Rentals Receivables	(7,404,201)	(9,869,741)	118,607,701	101,333,759
Other receivables	-	-	13,890,756	13,890,756
Total	126,508,283	1,142,439	204,881,179	332,531,900

For the year ended 31st March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Loans and Receivables	44,738,366	(9,949,960)	(10,952,732)	23,835,675
Lease Rentals Receivables	71,544,813	(13,140,449)	(16,732,930)	41,671,434
Other receivables	-	-	(2,415,000)	(2,415,000)
Total	116,283,179	(23,090,409)	(30,100,661)	63,092,109

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10. PERSONNEL EXPENSES

Accounting Policy

Personnel costs includes salaries and bonus, other staff related expenses, terminal benefit charges and other related expenses. The provisions for bonus is recognised when 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.

Employees' Provident Fund and Employees' Trust Fund

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

Contributions to defined benefit plans are recognised in the Statement of profit or Loss and other comprehensive income based on an actuarial valuation carried out for the gratuity liability of the Company in accordance with LKAS 19, Defined benefit Obligations.

	2024 LKR	2023 LKR
Salaries and Other Related Expenses	442,510,324	397,342,303
Employer's Contribution to Employees' Provident Fund	34,186,774	31,335,607
Employer's Contribution to Employees' Trust Fund	8,545,903	7,836,599
Gratuity Charge for the Year	12,579,736	10,141,516
Other Staff Related Expenses	26,738,789	17,370,458
Total Personnel Expenses	524,561,526	464,026,483

11. OTHER OPERATING EXPENSES

Accounting Policy

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

Crop Insurance Levy

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

	2024 LKR	2023 LKR
Directors' Emoluments	9,140,000	7,940,000
Auditors Remuneration	6,068,934	3,939,887
Professional and Legal Expenses	7,637,762	3,972,321
Deposit Insurance Premium	9,777,461	7,563,729
General Insurance Expenses	7,160,299	5,862,074
Office Administration and Establishment Expenses	266,533,120	168,689,416
Travelling & Transport Expenses	69,315,290	52,617,575
Other Expenses	1,777,912	1,611,833
Marketing and Promotional Expenses	62,100,492	50,145,708
Total Other Operating Expenses	439,511,271	302,342,543

12. TAX ON FINANCIAL SERVICES

Accounting Policy

Value Added Tax (VAT) on Financial Services

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

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

Social Security Contribution Levy

As per provisions of the Social Security Contribution Levy (SSCL) Act No 5 of 2022, SSCL on Financial Services was payable at 2.5% on Company's value additions attributable to financial services with effect from 1 October 2022. The value addition attributable to financial service is same as the value using to calculate VAT on Financial Services.

	2024 LKR	2023 LKR
Value Added Tax on Financial Services	159,766,378	136,773,929
Social Security Contribution Levy	22,189,775	9,171,146
Total Tax on Financial Services	181,956,153	145,945,075

13. INCOME TAX EXPENSES

Accounting Policy

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

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior year. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in Note 13.1 to these Financial Statements.

Deferred Taxation

Detailed disclosure of accounting policies and estimate of deferred tax is available in Note 28 to the financial statements.

The tax rates and laws utilized for computing the amount are based on those enacted or substantively enacted by the reporting date. According to the new budget proposal, the company was eligible for a concessionary tax rate of 12% due to its listing on the Colombo Stock Exchange before December 31, 2021. However, it is important to note that the concessionary rate has been discontinued by the Inland Revenue Department (IRD) effective from October 1, 2022. As a result, the company is now liable for income tax at a rate of 30% from that date onwards.

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The components of the income tax expense for the years ended 31 March 2024 and 2023 are:

	2024 LKR	2023 LKR
Income Taxation		
Taxation based on Profits for the Year (Note 13.1)	212,909,213	102,446,165
Under/(Over) Provision of Current Taxes in respect of Previous Years	(5,891,974)	(2,524,693)
Deferred Taxation		
Amount of Deferred Tax Expenses/(Income)	(47,353,711)	(46,954,058)
Amount of Deferred Tax Expenses/(Income) relating to changes in tax rates	-	25,515,032
Total Tax Expenses	159,663,528	78,482,446
Deferred tax charge/(reversal) for other comprehensive income	6,929,561	952,208
Income tax charge / (reversal) recognised in statement of comprehensive income	6,929,561	952,208

13.1 Reconciliation of Accounting Profit And Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2024 and 2023 are as follows.

	2024 LKR	2023 LKR
Profit Before Tax	409,260,182	300,131,895
Add: Disallowable Expenses	569,958,962	255,415,248
Taxable Loss on Leasing Business	-	19,328,496
Adjustment on SLFRS 16	6,866,453	(4,141,642)
Less: Tax Deductible Expenses	(255,648,304)	(108,671,111)
Disallowable Income	(20,739,916)	3,601,501
Adjusted Profit / (Loss) for Tax Purposes	709,697,376	465,664,388
Assessable Income	709,697,376	465,664,388
Less - Allowable Losses	-	-
Taxable Income	709,697,376	465,664,388
Income Tax @ 30%	212,909,213	69,849,658
Income Tax @ 14%	-	32,596,507
Income Tax on Current Year's Profit	212,909,213	102,446,165
Effective tax rate (Excluding deferred tax) (%)	36.01%	22.97%
Effective tax rate (%)	27.01%	17.59%

13.2 Under/(Over) Provision of Current Taxes in respect of Previous Years

The Company recorded an income tax over provision Rs 5,891,974/- for Y/A 2022/23 based on the submitted annual income tax return.

13.3 Differed Tax on Concessionary Rate

Due to the change in the concessional tax rate from 12% to 30%, the company has made adjustments to account for the deferred tax based on the new tax rate during the FY 2022/23.

14. EARNINGS PER SHARE

Accounting Policy

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as required by the Sri Lanka Accounting Standard No. 33 (LKAS 33) on 'Earnings per Share'. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor.

	2024 LKR	2023 LKR
Amount used as the numerator		
Profit attributed to ordinary shareholders (LKR)	249,596,654	221,649,449
Amount used as the denominator		
Weighted average number of ordinary shares as at the date of the Statement of Financial Position for basic EPS calculation	149,596,052	149,596,052
Basic / Diluted Earnings per Share (LKR)	1.67	1.48

15. DIVIDEND PAID AND PROPOSED

Accounting Policy

Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. LKR Interim dividends payable is recognised when Board approves such dividends in accordance with the Companies Act No 07 of 2007.

15.1 Dividend per Share

For the year ended 31st March 2023	Note No.	Page No.	2024 LKR	2023 LKR
Dividends for Ordinary Shares:				
Final Dividends for the financial year 2022/23 (LKR 0.75 per share)	15.2.1	233		112,197,039
Total Dividends			89,757,631	112,197,039
No of Ordinary Shares at the End of the Year			149,596,052	149,596,052
Dividend per Share (LKR)			-	0.75

15.2 Dividend for the year 2022/23

15.2.1 Interim dividend

The company was paid a final dividend of 75 cents per share in respect of the financial year 2022/23 on the then-issued shares of 149,596,052 after obtaining the requisite approval of the Central Bank of Sri Lanka. However, the company has proposed Rs. 1 per share in respect of the financial year 2022/23. Subsequently, the board of directors and the CBSL have approved a final dividend of 0.75 cents per share for distribution.

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15.3 Dividend for the year 2023/24**15.3.1 Interim dividend**

The company has not distributed interim dividend for the FY 2023/24.

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial Instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of material Accounting Policies describes how each category of financial 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

	2024		2023	
	Amortised LKR	Total LKR	Amortised LKR	Total LKR
Financial Assets				
Cash and Cash Equivalents	544,919,606	544,919,606	664,043,703	664,043,703
Financial Investments	772,478,191	772,478,191	576,027,374	576,027,374
Other Financial Assets	50,960,718	50,960,718	874,494	874,494
Financial Assets at Amortised Cost - Loans and Receivables	6,958,212,710	6,958,212,710	5,105,311,168	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	5,616,318,355	5,616,318,355	4,674,862,363	4,674,862,363
Total Financial Assets	13,942,889,580	13,942,889,580	11,021,119,101	11,021,119,101
Financial Liabilities				
Due to Banks and Other Institutions	3,005,408,260	3,005,408,260	1,508,114,678	1,508,114,678
Due to Customers	7,492,005,969	7,492,005,969	6,193,431,026	6,193,431,026
Lease Liabilities	202,487,184	202,487,184	119,947,887	119,947,887
Total Financial Liabilities	10,699,901,412	10,699,901,412	7,821,493,590	7,821,493,590

17. CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents for the purpose of reporting in the Statement of Financial Position, comprise of cash in hand and balances with banks. The cash in hand comprises of local currency only.

	2024 LKR	2023 LKR
Cash in Hand	101,822,776	60,741,765
Balances with Banks	443,096,830	603,301,938
Total Cash and Cash Equivalents	544,919,606	664,043,703

17.1 Net cash and Cash Equivalents for the Purpose of the Cash Flow Statement

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

	Note	Page No.	2024 LKR	2023 LKR
Favorable Cash & Cash Equivalents			544,919,606	664,043,703
Unfavorable Cash & Cash Equivalents	29	254	(464,583,171)	(84,372,565)
Cash & Cash Equivalents for Cash Flow Purposes			80,336,436	579,671,138

18. FINANCIAL INVESTMENTS

Accounting Policy

Financial investments include Government Securities and securities purchased under resale agreements. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2024 LKR	2023 LKR
Sri Lanka Government Securities - REPO	772,478,191	576,027,374
Total Financial Investments	772,478,191	576,027,374

19. OTHER FINANCIAL ASSETS

Accounting Policy

Financial investments include Fixed Deposit. After initial measurement, these are subsequently measured at amortized cost using the EIR. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income in the Statement of Profit or Loss.

	2024 LKR	2023 LKR
Fixed Deposits	50,960,718	874,494
Total Other Financial Assets	50,960,718	874,494

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19.1 Contractual Maturity Analysis of Other Financial Assets

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2024				
Fixed Deposits	50,960,718	-	-	50,960,718
Total Other Financial Assets	50,960,718	-	-	50,960,718
As at 31 March 2023				
Fixed Deposits	874,494	-	-	874,494
Total Other Financial Assets	874,494	-	-	874,494

20. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND RECEIVABLES

Accounting Policy

Loans and receivables include financial assets measured at amortised cost if both following conditions are made ;

- ⊖ Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- ⊖ Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of comprehensive income.

	2024 LKR	2023 LKR
SME Loans	1,552,969,487	1,153,495,295
Micro Loan	1,196,813,212	436,241,761
Housing Loan	1,254,878,996	795,299,071
Society Loan	332,201,304	360,287,974
Gold Loan	2,549,516,265	2,170,424,108
Loan on Deposits	427,970,498	422,151,402
Gross Loan and Receivables	7,314,485,562	5,337,899,612
Less : Allowance for Impairment Charges (Note 22.1)	(356,272,852)	(232,588,444)
Net Loans and Receivables	6,958,212,710	5,105,311,168

20.1 Analysis

20.1.1 Analysis by stage wise

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
As at 31 March 2024				
Collective Impaired loans and receivables	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562
Less - Allowance for impairment charges	(90,684,817)	(50,946,993)	(214,641,043)	(356,272,852)
	5,291,400,852	874,009,097	792,802,761	6,958,212,710

As at 31 March 2023

Collective Impaired loans and receivables	3,247,103,302	876,803,346	1,213,992,964	5,337,899,612
Less - Allowance for impairment charges	(50,395,310)	(39,934,813)	(142,258,321)	(232,588,444)
	3,196,707,992	836,868,533	1,071,734,643	5,105,311,168

20.1.2 Analysis by Currency

As at 31 March	2024 LKR	2023 LKR
Sri Lankan Rupee	7,314,349,762	5,337,899,612
Gross total	7,314,349,762	5,337,899,612

20.1.3 Analysis by Industry

Agriculture & Fishing	2,553,376,347	2,677,367,350
Manufacturing	447,904,709	717,159,072
Tourism	72,938,062	16,539,660
Transport	55,031,377	10,651,107
Constructions	1,864,554,866	882,012,455
Trades	626,712,407	230,183,797
New Economy	5,476,774	5,279,288
Financial and Business Services	86,426,826	15,422,172
Infrastructure	64,449,693	30,239,343
Other Services	1,537,614,503	753,045,368
Gross total	7,314,485,562	5,337,899,612

20.2 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,250,710,758	876,803,346	1,210,385,508	5,337,899,612
New assets originated or purchased	8,149,264,688			8,149,264,688
Assets derecognised or repaid (excluding write offs)	(5,711,886,882)	(87,582,392)	(279,586,487)	(6,079,055,761)
Transfers to Stage 1	133,816,169	(67,662,717)	(66,153,452)	-
Transfers to Stage 2	(276,339,728)	309,816,737	(33,477,009)	-
Transfers to Stage 3	(69,856,360)	(106,418,883)	176,275,243	-
Amounts written off	(93,622,977)			(93,622,977)
Gross carrying amount as at 31st March 2024	5,382,085,669	924,956,090	1,007,443,803	7,314,485,562

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20.3 Movement in gross loan and receivables during the year (Under SLFRS 9)

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,391,277,669	686,278,213	1,385,907,686	5,463,463,569
New assets originated or purchased	6,235,735,659	-	-	6,235,735,659
Assets derecognised or repaid (excluding write offs)	(5,984,676,970)	(190,525,132)	(24,404,486)	(6,199,606,588)
Transfers to Stage 1	439,918,569	(309,818,595)	(130,099,974)	-
Transfers to Stage 2	(56,691,588)	182,631,763	(125,940,175)	-
Transfers to Stage 3	(34,586,023)	(42,937,420)	77,523,443	-
Amounts written off	-	-	(161,693,028)	(161,693,028)
Gross carrying amount as at 31 March 2023	3,990,977,317	325,628,828	1,021,293,466	5,337,899,612

21. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE

Accounting Policy

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are recognised on the statement of financial position. The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

Lease rental receivable include financial assets measured at amortized cost if both following conditions are made ;

- Assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- Contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding

After initial measurement, lease rental receivable is subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The losses arising from impairment are recognised in 'impairment (charge)/reversal on loans and other losses' in the statement of Profit or Loss.

	2024 LKR	2023 LKR
21.1 Lease Rentals Receivable		
Gross Lease Rentals Receivables	8,705,115,276	7,137,064,921
Less: Unearned Income	(2,748,144,558)	(2,222,883,954)
Total Lease Rentals Receivables	5,956,970,718	4,914,180,967
(Less): Allowance for Impairment Charges (Note 22.1)	(340,652,363)	(239,318,604)
Net Lease Rentals Receivables	5,616,318,355	4,674,862,363

21.2 Analysis

21.2.1 Analysis by stage wise

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
As at 31 March 2024				
Collective Impaired loans and receivables	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718
Less - Allowance for impairment charges	(59,972,646)	(45,798,913)	(234,880,804)	(340,652,363)
	3,921,568,389	1,121,019,367	573,730,600	5,616,318,355

As at 31 March 2023

Collective Impaired loans and receivables	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
Less - Allowance for impairment charges	(67,376,847)	(55,668,654)	(116,273,103)	(239,318,604)
	2,980,926,486	1,043,646,108	650,289,769	4,674,862,363

	2024 LKR	2023 LKR
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21.1.2 Analysis by Currency

Sri Lankan Rupee	5,956,970,718	4,914,180,967
Gross total	5,956,970,718	4,914,180,967

21.3 Analysis by Industry

Agriculture & Fishing	2,750,488,497	2,862,975,229
Manufacturing	24,551,001	468,670,165
Tourism	29,433,803	39,916
Transport	1,648,118,867	209,273,028
Construction	184,469,838	529,774,371
Trades	35,240,637	9,409,927
New Economy	1,246,428	335,084
Financial and Business Services	1,319,075	1,110,671
Infrastructure	416,465	214,446
Other Services	1,281,686,106	832,378,130
Gross total	5,956,970,718	4,914,180,967

21.4 Maturity of Lease Rentals Receivables

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2024				
Gross Lease Rental Receivables	720,169,840	7,984,945,436	-	8,705,115,276
Less: Unearned Income	(71,054,513)	(2,677,090,045)	-	(2,748,144,558)
Total Lease Rental Receivables	649,115,327	5,307,855,390	-	5,956,970,718
(Less): Allowance for Impairment Charges (Note 19.6)	(180,353,925)	(160,298,438)	-	(340,652,363)
Net Lease Rentals Receivables	468,761,403	5,147,556,952	-	5,616,318,355

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21.5 Maturity of Lease Rentals Receivables

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2023				
Gross Lease Rental Receivables	415,000,699	6,722,064,222	-	7,137,064,921
Less: Unearned Income	(67,574,250)	(2,155,309,704)	-	(2,222,883,954)
Total Lease Rental Receivables	347,426,450	4,566,754,517	-	4,914,180,967
(Less): Allowance for Impairment Charges (Note 19.6)	(65,470,581)	(173,848,023)	-	(239,318,604)
Net Lease Rentals Receivables	281,955,868	4,392,906,495	-	4,674,862,363

21.5 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2024	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2023	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967
New assets originated or purchased	2,908,434,778	-	-	2,908,434,778
Assets derecognised or repaid (excluding write offs)	(1,564,888,411)	(150,508,124)	(150,248,493)	(1,865,645,028)
Transfers to Stage 1	315,293,493	(257,687,179)	(57,606,314)	-
Transfers to Stage 2	(594,133,947)	653,277,622	(59,143,675)	-
Transfers to Stage 3	(131,468,212)	(177,578,800)	309,047,013	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2024	3,981,541,035	1,166,818,280	808,611,403	5,956,970,718

21.6 Movement in gross lease rental receivables during the year (Under SLFRS 9)

As at 31 March 2023	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount as at 1st April 2022	3,584,322,392	896,035,111	485,456,663	4,965,814,166
New assets originated or purchased	1,836,882,781	-	-	1,836,882,781
Assets derecognised or repaid (excluding write offs)	(1,446,411,252)	(193,273,398)	(248,831,330)	(1,888,515,980)
Transfers to Stage 1	211,667,878	(172,823,857)	(38,844,020)	-
Transfers to Stage 2	(733,956,453)	780,134,123	(46,177,670)	-
Transfers to Stage 3	(352,871,547)	(210,757,217)	563,628,764	-
Amounts written off	-	-	-	-
Gross carrying amount as at 31st March 2023	3,048,303,333	1,099,314,762	766,562,872	4,914,180,967

22. ALLOWANCE FOR IMPAIRMENT CHARGES

Accounting Policy

Overview of the expected credit loss (ECL) principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

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

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

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

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

Stage 01 When loans are first recognised, the Company recognises an allowance based on 12mECLs. Stage 01 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 02.

Stage 02 When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 02 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 03.

Stage 03: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

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

- PD The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected draw downs on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The mechanism of the ECL method are summarised below.

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. 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: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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

Debt instruments measured at fair value through OCI

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

Forward looking information

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

- ➡ GDP Growth (%)
- ➡ 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, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Reversals of impairment

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

Renegotiated Loans

The Company makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan 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.

From 1 April 2019, when the loan has been renegotiated or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 45.2 The Company also considers whether the assets should be classified as Stage 3.

Write-off of Financial Assets at Amortised Cost

Financial assets and the related impairment allowance accounts are normally written-off when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security.

Collateral Valuation

Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in the Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carrying out by independent professional valuers as required by the said direction issued by CBSL.

The assessed fair value of the immovable properties does not consider for measurement of regulatory provisions for bad and doubtful debts as per Finance Business Act Directions No 1 of 2020 - Classification and Measurement of Credit Facilities issued by CBSL.

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.

Non-Accrual Receivables

Cessation of Interest income recognition is triggered out when the receivables are more than six months in arrears, receivables are subject to legal action/ongoing legal action, receivables are subject to untraceable or unattainable collaterals, or receivables are determined to be uncollectible. For receivables in non-accrual status, subsequent financing revenue is recognised only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

22.1 Allowance for Impairment Charges

	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR	On Loan Receivable LKR	On Lease Rental Receivable LKR	Total LKR
Balance as at Beginning of the Year	232,588,444	239,318,604	471,907,048	352,868,476	197,647,170	550,515,646
Charge for the Year	217,307,385	101,333,758	318,641,143	23,835,675	41,671,434	65,507,109
Amounts Written Off	(93,622,977)		(93,622,977)	(144,115,706)	-	(144,115,706)
Balance as at End of the Year	356,272,852	340,652,363	696,925,215	232,588,444	239,318,604	471,907,048
Individual Impairment	4,446,359	16,609,750	21,056,109	-	-	-
Collective Impairment	351,826,493	324,042,612	675,869,105	232,588,444	239,318,604	471,907,048
Total	356,272,852	340,652,363	696,925,215	232,588,444	239,318,604	471,907,048

22.2 Movement in allowance for expected credit losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
As at 31 March 2024				
Balance as at 01st April 2022	117,772,157	95,603,467	258,531,425	471,907,049
Charge/(Reversal) to income statement	126,508,283	1,142,439	190,990,422	318,641,143
Write-off during the year	(93,622,977)	-	-	(93,622,977)
Balance as at 31st March 2023	150,657,462	96,745,906	449,521,846	696,925,215
As at 31 March 2023				
Balance as at 01st April 2021	134,801,974	78,140,919	337,572,753	550,515,646
Charge/(Reversal) to income statement	(17,029,817)	17,462,548	65,074,379	65,507,109
Write-off during the year	-	-	(144,115,706)	(144,115,706)
Balance as at 31st March 2022	117,772,157	95,603,467	258,531,425	471,907,049

22.3 Stage Movement in Allowance for Impairment Losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2023	117,772,157	95,603,467	258,531,425	471,907,049
New assets originated or purchased	193,229,127			193,229,127
Assets derecognised or repaid (excluding write offs)	(68,092,812)	(878,480)	194,383,308	125,412,017
Transfers to Stage 1	31,767,528	(25,851,083)	(5,916,446)	-
Transfers to Stage 2	(18,349,890)	36,187,329	(17,837,439)	-
Transfers to Stage 3	(12,045,670)	(8,315,328)	20,360,998	-
Amounts written off	(93,622,977)			(93,622,977)
ECL amount as at 31st March 2024	150,657,462	96,745,906	449,521,846	696,925,215

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22.4 Stage Movement in Allowance for Impairment Losses

	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL amount as at 1st April 2021	133,875,081	81,101,866	335,538,699	550,515,647
New assets originated or purchased	67,942,808	-	-	67,942,808
Assets derecognised or repaid (excluding write offs)	10,825,799	(13,356,140)	(35,089,937)	(37,620,278)
Transfers to Stage 1	7,868,583	(5,758,234)	(2,110,349)	-
Transfers to Stage 2	(60,660,409)	64,787,559	(4,127,150)	-
Transfers to Stage 3	(42,079,705)	(31,171,584)	73,251,289	-
Amounts written off	-	-	(108,931,128)	(108,931,128)
Gross carrying amount as at 31st March 2022	117,772,157	95,603,467	258,531,425	471,907,049

23. OTHER NON FINANCIAL ASSETS

Accounting Policy

The Company classifies all non-financial assets other than Intangible Assets, Property, Plant & Equipment and Deferred Tax Assets under other non-financial assets. Other non-financial assets, include inventories, other advance, rent deposit and other receivable amounts. These assets are non-interest earning and recorded at the amounts that are expected to be received. Prepayments that form a part of other receivable are amortized during the period in which it is utilized.

	2024 LKR	2023 LKR
Inventories	6,649,022	4,238,581
Rent Deposit	23,064,122	16,107,500
Other Receivable	208,482,776	135,593,645
Total Other Non Financial Assets	238,195,920	155,939,726

Other Receivable

Other Receivables include LKR 61,196,943/- from unsold properties that have acquired from loan customers, as ordered by the courts, as part of the recovery of defaulted loan facilities. These land stocks are held for resale, not for investment purposes.

24. INVESTMENT PROPERTY

Accounting Policy

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. An investment property is recognised, if it is probable that future economic benefits that are associated with the investment property will flow to the Company and cost of the investment property can be reliably measured.

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Other Comprehensive Income in the year in which they arise.

Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Fair value of investment property

"Investment property of the Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows."

Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of director LKR The fair values are based on market values, being the value in use or estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

Owner occupied properties and investment property

In determining if a property qualifies as Investment Property the Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

Borrowing cost

There were no capitalised borrowing cost related to the acquisition of Investment properties during the year 2024 (2023 - Nil).

	2024 LKR	2023 LKR
Balance as at 1 April	234,257,500	234,257,500
Gain from fair value adjustment	12,452,500	-
Balance as at 31 March	246,710,000	234,257,500

The Company has recorded rent income for year ended 31 March 2024 Rs 8,290,200/- (2023 - Rs 8,290,200/-) and not incurred any repair and maintenance expenses on behalf of the property.

24.1 Information on investment properties of the Company - Valuations

Property	Method of valuation	Effective date of valuation	Significant unobservable inputs (Level 3)	Sensitivity of fair value to un-observable inputs	Carrying value of the investment property before fair valuation	Fair value of the investment property	Fair value gains/(losses) recognised in Income Statement
No 45, Rawathwatta Road, Moratuwa	Market comparable method	31-Mar-24	Estimated price per perch. LKR 2,000,000/- (Land Extent - 48.69 perches)	Positively correlated sensitivity	Land LKR 63,900,000 Building LKR 56,340,000/-	Land LKR 97,380,000/- Building LKR 149,330,000/-	NILL

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24.2 Information on investment properties of the Company - Extents and Locations

Property	Number of Building	Extent (Perches)	Building (Square feet)	Fair value of the investment property - Land	Fair value of the investment property - Building	Carrying value of the investment property before fair valuation - Land	Carrying value of the investment property before fair valuation - Building
No 45, Rawathwatta Road, Moratuwa	1	48.69	14,650	97,380,000	149,330,000	56,340,000	63,900,000

24.3 Valuation techniques and sensitivity of the fair value measurement of the Investment properties of the Group

Valuation Technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Fair value of the investment property - Building
Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land Price per square foot for building Depreciation rate for building	Estimated fair value would increase/ (decrease) if; Price per perch of land would increase/ (decrease) Price per square foot for building would increase/(decrease) Depreciation rate for building would (decrease)/increase

24.4 Details about valuer

Market valuation of the above investment property was carried out on 04th May 2024 by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company.

25. PROPERTY, PLANT & EQUIPMENT

Accounting Policy**Basis of Recognition**

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

Basis of Measurement

An item of property, plant & equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the assets and subsequent cost as explained below. The cost of self-constructed assets includes the cost of the materials and direct labour, any other cost directly attributable to bringing the assets to a working condition for its intended use and cost of dismantling and removing the old items and restoring site on which they are located. Purchased software which is integral to the functionality of the related equipment is capitalized as part of computer equipment.

Cost Model

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

Revaluation Model

The Company applies the revaluation model for the entire class of freehold land and buildings. Such properties are carried at revalued amounts, being their fair value at the date reporting date, less any subsequent accumulated depreciation on land and buildings and any accumulated impairment losses charged subsequent to the date of the valuation.

Freehold land and buildings of the Company are revalued every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

The Company engages an Independent Valuer to determine the fair value of free hold land and buildings. In estimating the fair values, the Independent Valuer considers current market prices of similar assets.

During the current financial year, the Company revalued its freehold lands and buildings.

Subsequent Cost

These are costs that are recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within that part will flow to the Company and it can be reliably measured.

Repairs and Maintenance

Repairs and Maintenance are charged to the Statement of 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 over the remaining useful life of the related asset.

Derecognition

An item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected. 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 included in the Statement of Profit or Loss in the year the asset is derecognised.

Useful Life Time of Property, Plant & equipment and Depreciation

Depreciation is calculated on a straight-line basis over the useful life of the assets, commencing from when the assets are available for use, since this method closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

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

The estimated useful lives of the assets for the year ended 31 March 2024 and 2023, are as follows:

Assets Category	Useful Life
Buildings	40 Years
Office Equipment	5 Years
Computer Equipment	5 Years
Furniture & Fittings	10 Years
Plant & Machinery	8 Years
Motor Vehicles	5 Years

The depreciation rates are determined separately for each significant part of assets and depreciation is provided proportionately for the completed number of days the asset is in use, if it is purchased or sold during the financial year. Depreciation methods, useful lives and residual values are reassessed at each reporting date and is adjusted, as appropriate.

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25.1 The Movement in Property, Plant & Equipment

As at 31 March 2024	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
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Cost or Valuation

Balance as at 1 April 2023	36,100,000	95,245,031	69,712,387	66,040,006	48,875,491	62,553,322	378,526,237
Additions during the year	-	33,307,453	42,052,679	24,126,018	14,855,144	-	114,341,293
Adjustments on Physically Verified Assets	-	-	-	-	-	-	-
Disposal during the year	-	(1,102,423)	(1,862,858)	(1,812,906)	(1,615,006)	(7,649,500)	(14,042,692)
Balance as at 31 March 2024	36,100,000	127,450,061	109,902,208	88,353,118	62,115,629	54,903,822	478,824,838

(Less) : Accumulated depreciation

Balance as at 1 April 2023	-	54,872,411	46,688,531	54,818,675	36,502,629	38,548,532	231,430,778
Charge during the year	-	9,244,060	11,110,011	4,878,537	4,778,139	5,963,308	35,974,055
Adjustments on Physically Verified Assets	-	-	-	-	-	-	-
Disposal during the year	-	(791,183)	(1,762,642)	(1,711,572)	(1,527,410)	(7,272,471)	(13,065,278)
Balance as at 31 March 2024	-	63,325,289	56,035,900	57,985,640	39,753,357	37,239,369	254,339,555

Net book value at 31 March 2024	36,100,000	64,124,772	53,866,308	30,367,478	22,362,271	17,664,453	224,485,283
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As at 31 March 2023	Land LKR	Furniture & Fittings LKR	Office Equipment LKR	Computer Equipment LKR	Plant & Machinery LKR	Motor Vehicle LKR	Total LKR
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Cost or Valuation

Balance as at 1 April 2022	36,100,000	104,301,137	71,635,498	86,496,333	50,164,803	42,753,322	391,451,093
Additions during the year	-	7,155,912	9,991,981	3,276,230	641,800	19,800,000	40,865,923
Adjustments on Revaluation	-	(15,790,227)	(11,390,148)	(22,566,711)	(1,469,888)	-	(51,216,974)
Disposal during the year	-	(421,791)	(524,944)	(1,165,846)	(461,224)	-	(2,573,805)
Balance as at 31 March 2023	36,100,000	95,245,031	69,712,387	66,040,006	48,875,491	62,553,322	378,526,237

(Less) : Accumulated depreciation

Balance as at 1 April 2022	-	57,243,356	50,503,215	76,514,433	32,444,468	35,478,029	252,183,501
Charge during the year	-	8,883,938	7,320,924	3,697,156	5,144,362	3,988,207	29,034,587
Adjustments on Revaluation	-	(10,928,449)	(10,722,531)	(24,284,470)	(657,394)	(917,703)	(47,510,547)
Disposal during the year	-	(326,434)	(413,078)	(1,108,389)	(428,862)	-	(2,276,762)
Balance as at 31 March 2023	-	54,872,411	46,688,531	54,818,675	36,502,629	38,548,532	231,430,778

Net book value at 31 March 2023	36,100,000	40,372,620	23,023,856	11,221,331	12,372,862	24,004,790	147,095,459
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25.1.1 Property, Plant & Equipments Acquired During the Financial Year

During the financial year, the Company acquired property, plant & equipments to the aggregate value of LKR 114,341,293/- (2023 - LKR 40,865,923/-) Cash payment amounting to LKR 114,341,293/- (2023 - LKR 40,685,923/-) was paid during the year for purchase of property, plant & equipment.

25.1.2 Fully-depreciated property, plant & equipment

The initial cost of fully-depreciated property, plant & equipment, which are still in active use as at reporting date is LKR 159,143,841/-. (2023 - LKR 133,799,961/-)

25.2 Fair value related disclosures of Freehold land

Property	Date of valuation	Method of valuation and Significant unobservable inputs	Land extent (perches)	Number of Building	Cost 2024	Cost 2023	Fair value 2024 LKR	Fair value 2023 LKR
No 45, Rawathwatta Road, Moratuwa	4th May 2024	Market Comparable Method Estimated price per perch LKR 2,000,000/-	18.05		LKR 10,830,000	LKR 10,830,000	Land LKR 36,100,000	Land LKR 36,100,000

Market valuation of the above Land & Buildings was carried out by Mr A.D.N.Dharmaratne, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor's Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

25.3 Title Restriction on Property, Plant and Equipment

There were no restrictions on the title of Property, Plant and Equipment as at 31 March 2024 and 31 March 2023.

25.4 Compensation from Third Parties for items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of Property, Plant and Equipment that were impaired, lost or given up. (2023: Nil)

25.5 Temporarily Idle of Property, Plant and Equipment

There were no Property, Plant and Equipment idle as at 31 March 2024 and 31 March 2023.

25.6 Property, Plant and Equipment Retired from Active Use

There were no Property, Plant and Equipment retired from active use as at 31 March 2024 and 31 March 2023.

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26. RIGHT-OF-USE ASSETS

Accounting Policy**Measurement Basis**

Right-of-use assets are recognised at the commencement of the lease at the present value of the lease payment plus any prepaid lease rental.

Amortisation

The Company amortised right-of-use assets, using the straight line method over their estimated useful lives.

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

Determination of the lease term for the lease contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts for branches/head office that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

	2024 LKR	2023 LKR
Cost		
Balance as at 1 April	363,371,925	321,448,151
Additions during the year	161,180,539	45,741,938
Less - Adjustment on Subsequent changes in initial agreement	4,607,574	106,390
Less - Disposal during the year	(11,273,404)	(3,924,554)
Balance as at March	517,886,627	363,371,925
Accumulated Depreciation		
Balance as at 1 April	258,130,705	191,914,960
Charges for the year	80,014,671	70,140,299
Less - Disposal during the year	(5,411,253)	(3,924,554)
Balance as at March	332,734,123	258,130,705
Carrying Amount as at 31 March	185,152,504	105,241,220

27. INTANGIBLE ASSETS

Accounting Policy

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the supply of services, for rental to others or for administrative purposes.

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 Company and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Subsequent expenditure

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

Useful economic lives, amortization and impairment

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. 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 in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

27.1 Software

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

Intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives and the useful life for the year ended 31 March 2024 and 2023 is given below.

Computer software	3 Years
Computer software - E-Finance	5 Years

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

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27.2 Computer Software

	2024 LKR	2023 LKR
Cost		
Balance as at 1 April	63,141,236	62,218,736
Additions during the year	-	922,500
Disposal during the year	-	-
Balance as at 31 March	63,141,236	63,141,236
Amortisation & Impairment		
Balance as at 1 April	58,455,183	57,290,949
Charge for the year	509,435	1,164,233
Disposal during the year	-	-
Balance as at 31 March	58,964,618	58,455,183
Net book value as at end of the year	4,176,618	4,686,053
Net book value of total intangible assets	4,176,618	4,686,053

Intangible assets include fully amortised software amounting to LKR 45.98 million as at 31 March 2024 (LKR 45.98 million as at 31 March 2023), which are still in use as at the reporting date.

28. DEFERRED TAXATION

Accounting Policy

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

- (I) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (II) Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
 - Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
 - Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are 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 to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of reporting date.

Year ended 31 March 2024	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	7,388,852	1,211,738	-	-
Finance leases	-	-	5,677,513	-	-
Right-of Use Assets	-	2,089,292	788,404	-	-
Revaluation Reserve	-	59,431,634	(3,735,750)	-	-
Defined benefit plans - Profit or loss	17,097,619	-	(535,179)	6,929,561	6,929,561
Impairment Provision	108,049,929	-	43,946,985	-	-
	125,147,548	68,909,778	47,353,710	6,929,561	6,929,561

Deferred tax effect on profit or loss and other comprehensive income	-	-	47,353,710	6,929,561	-
Recognised under equity	-	-	-	-	-
Net Deferred tax assets	56,237,769	-	-	-	-

Year ended 31 March 2023	Deferred Tax Assets LKR	Deferred Tax Liabilities LKR	Statement of Profit or Loss LKR	Statement of comprehensive income LKR	Statement of changes in equity LKR
Accelerated depreciation for tax purposes	-	8,600,590	(4,539,851)	-	-
Finance leases	-	5,677,513	(564,381)	-	-
Right-of Use Assets	-	2,877,696	(2,918,133)	-	-
Revaluation Reserve	-	55,695,884	(11,139,177)	-	-
Defined benefit plans - Profit or loss	10,703,237	-	5,288,767	925,208	925,208
Impairment Provision	64,102,944	-	35,311,801	-	-
	74,806,181	72,851,683	21,439,026	925,208	925,208

Deferred tax effect on profit or loss and other comprehensive income	-	-	21,439,026	925,208	-
Recognised under equity	-	-	-	-	-
Net Deferred tax assets	1,954,498	-	-	-	-

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29. DUE TO BANKS & OTHER INSTITUTIONS

Accounting Policy

Due to banks include bank and other institutional borrowings and bank overdrafts. Subsequent to initial recognition, these are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on these dues are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

	Note	Page No.	2024 LKR	2023 LKR
Bank Overdrafts	29.1	254	464,583,171	84,372,565
Loans and Other Bank Facilities	29.2	254	2,534,182,266	1,425,337,725
Interest Payable on Bank Facilities			6,642,823	(1,595,613)
Total Due to Banks & Other Institution			3,005,408,260	1,508,114,678

29.1 Bank Overdraft

The outstanding balances of bank overdrafts as at the Statement of Financial Position date are fully secured by Loan & Receivables and the Company has unutilised Bank Overdraft of LKR 348,494,613/- as at 31 March 2024 (2023 - LKR. 214,997,806/-)

29.2 Loans and Other Bank Facilities

	As at 01.04.2023 LKR	Loans Obtained LKR	Repayment LKR	As at 31.03.2024 LKR
As at 31 March 2024				
NDB Term Loan	290,000,000	500,000,000	(358,333,335)	431,666,665
HNB Term Loan	211,000,000	250,000,000	(86,880,000)	374,120,000
Sampath Bank Term Loan	332,000,000	-	(168,000,000)	164,000,000
Sampath Bank Solar Loan	4,217,155	-	(876,212)	3,340,943
Cargills Bank Term Loan	104,176,000	100,000,000	(83,328,000)	120,848,000
Seylan Bank	149,600,000	-	(50,400,000)	99,200,000
Securitisation Loan	302,000,000	999,009,434	(232,694,128)	1,068,315,306
Peoples Bank	-	250,000,000	(8,340,000)	241,660,000
Rotary Loan	26,282,620	13,000,000	(10,918,218)	28,364,402
Other Borrowings	6,061,950	-	(3,395,000)	2,666,950
Total Loans and Other Bank Facilities	1,425,337,725	2,112,009,434	(1,003,164,893)	2,534,182,266
As at 31 March 2023				
NDB Term Loan	524,233,333	-	(234,233,333)	290,000,000
HNB Term Loan	386,800,000	-	(175,800,000)	211,000,000
Sampath Bank Term Loan	-	500,000,000	(168,000,000)	332,000,000
Sampath Bank Solar Loan	5,003,260	-	(786,105)	4,217,155
Cargills Bank Term Loan	287,504,000	-	(183,328,000)	104,176,000
Seylan Bank	200,000,000	-	(50,400,000)	149,600,000
Securitisation Loan	530,400,000	-	(228,400,000)	302,000,000
Rotary Loan	23,938,931	12,961,416	(10,617,727)	26,282,620
Other Borrowings	6,061,950	-	-	6,061,950
Total Loans and Other Bank Facilities	1,963,941,475	512,961,416	(1,051,565,166)	1,425,337,725

29.3 Contractual Maturity Analysis of Due to Bank & Other Institution

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2024				
NDB Term Loan	411,666,665	20,000,000	-	431,666,665
HNB Term Loan	100,320,000	273,800,000	-	374,120,000
Sampath Bank Term Loan	164,000,000	-	-	164,000,000
Sampath Bank Solar Loan	979,263	2,361,680	-	3,340,943
Cargills Bank Term Loan	120,848,000	-	-	120,848,000
Seylan Bank	50,400,000	48,800,000	-	99,200,000
Securitisation Loan	324,569,114	743,746,192	-	1,068,315,306
Peoples Bank	100,080,000	141,580,000	-	241,660,000
Rotary Loan	10,475,897	17,888,506	-	28,364,402
Other Borrowings	-	-	2,666,950	2,666,950
Bank Overdrafts	464,583,171	-	-	464,583,171
Interest Payable on Bank Facilities	6,642,823	-	-	6,642,823
Total Due to Banks & Other Institution	1,754,564,933	1,248,176,377	2,666,950	3,005,408,260

	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017-28/04/2021	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018-21/12/2021	700,000,000	3-5 Years	Variable	Business Loans, Micro Loans, Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Peoples Bank		500,000,000	5 Years	Variable	Lease & SME portfolio
Rotary Loan	30/04/2019-13/03/2023	41,985,000	3 Years	Variable	NA

29.4 Contractual Maturity Analysis of Due to Bank & Other Institution

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2023				
NDB Term Loan	150,000,000	140,000,000	-	290,000,000
HNB Term Loan	74,400,000	136,600,000	-	211,000,000
Sampath Bank Term Loan	168,000,000	164,000,000	-	332,000,000
Sampath Bank Solar Loan	876,328	3,340,827	-	4,217,155
Cargills Bank Term Loan	83,328,000	20,848,000	-	104,176,000
Seylan Bank	50,400,000	99,200,000	-	149,600,000
Securitisation Loan	227,000,000	75,000,000	-	302,000,000
Rotary Loan	9,745,442	16,537,178	-	26,282,620
Other Borrowings	-	-	6,061,950	6,061,950
Bank Overdrafts	84,372,565	-	-	84,372,565
Interest Payable on Bank Facilities	(1,595,613)	-	-	(1,595,613)
Total Due to Banks & Other Institution	846,526,722	655,526,005	6,061,950	1,508,114,677

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	Granted Date	Facility Amount	Period	Interest rate	Security status
NDB Term Loan	26/09/2017-28/04/2021	900,000,000	5 Years	Variable	Lease & SME portfolio
HNB Term Loan	27/09/2018-21/12/2021	700,000,000	3-5 Years	Variable	Business Loans, Micro Loans, Lease & SME Loans
Sampath Bank Term Loan	06/04/2022	500,000,000	3 Years	Variable	Lease & SME portfolio
Sampath Bank Solar Loan	12/06/2020-09/09/2020	6,308,000	7 Years	Fixed	Solar Panels
Cargills Bank Term Loan	30/06/2021-10/02/2021	350,000,000	3 Years	Variable	Lease receivables
Seylan Bank	02/03/2022	200,000,000	4 Years	Variable	Lease receivables
Securitisation Loan	17-06-2021	500,000,000	3 Years	Variable	Lease receivables
Rotary Loan	30/04/2019-13/03/2023	41,985,000	3 Years	Variable	NA

30. FINANCIAL LIABILITY AT AMORTISED COST - DUE TO CUSTOMERS

Accounting Policy

Due to other customers include non-interest bearing deposits, savings deposits, term deposits and other deposits. Subsequent to initial recognition, deposits are measured at their amortized cost using the EIR method. EIR is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. Interest paid/payable on deposits are recognized in the Statement of Profit or Loss under 'Interest Expenses'.

Sri Lanka Deposit Insurance And Liquidity Support Scheme

Under the Banking (Special Provisions) Act, Directions No. 01 of 2023, issued by the Central Bank of Sri Lanka, all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme implemented by the Central Bank of Sri Lanka for compensation up to a maximum of LKR 1,100,000/- for each depositor. The Company has paid LKR 6,019,843/- as the premium of the said Insurance scheme during the financial year under review (2021 - LKR 6,605,953/-).

	2024 LKR	2023 LKR
Fixed Deposits	6,175,101,998	5,128,916,597
Savings Deposits	1,316,903,971	1,064,514,428
Total Due to Customers	7,492,005,969	6,193,431,026

30.1 Contractual Maturity Analysis Of Customer Deposits

	Within One Year LKR	1 - 5 Years LKR	Over 5 Years LKR	Total LKR
As at 31 March 2024				
Fixed Deposits	5,407,294,639	767,807,359	-	6,175,101,998
Savings Deposits	1,184,117,015	82,406,747	50,380,209	1,316,903,971
Total Due to Customers	6,591,411,654	850,214,106	50,380,209	7,492,005,969
As at 31 March 2023				
Fixed Deposits	4,418,555,686	710,360,911	-	5,128,916,597
Savings Deposits	909,039,418	96,539,866	58,935,144	1,064,514,428
Total Due to Customers	5,324,595,104	806,900,778	58,935,144	6,193,431,026

We have raised fixed deposits with a pre-termination option to the customers; hence, fixed deposit pre-terminations may cause actual maturities to differ from contractual maturities.

31. LEASE LIABILITY

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

	2024 LKR	2023 LKR
Balance as at 1 April	119,947,887	149,951,692
Additions	149,154,211	42,275,301
Interest Expenses	28,783,554	17,401,252
Payments	(101,931,772)	(92,446,658)
Early termination of lease	6,533,304	2,766,300
Balance as at 31 March	202,487,184	119,947,887

31.1 Contractual Maturity Analysis of Lease Creditor

	Within One Year LKR	1 - 5 Years LKR	Total LKR
As at 31 March 2024			
Lease Liability	56,927,421	145,559,763	202,487,184
Total Lease Liability	56,927,421	145,559,763	202,487,184
As at 31 March 2023			
Lease Liability	63,618,511	56,329,376	119,947,887
Total Lease Liability	63,618,511	56,329,376	119,947,887

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32. OTHER NON FINANCIAL LIABILITIES

Accounting Policy

These liabilities are recorded at amounts expected to be payable at the reporting date.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Board of directors and approved by the Shareholders. LKR Interim dividends are deducted from Equity when they are declared and no longer at the discretion of the Company.

Dividend for the year that are approved after the reporting date are disclosed as an event after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10 on 'Events after the Reporting Period'.

	2024 LKR	2023 LKR
Accrued Expenses	49,658,225	53,301,240
Loan and Lease Creditor	291,182,466	220,570,460
Others (Note 31.1)	81,915,149	15,701,726
Loan Risk Assurance Fund	2,015,369	2,015,369
Dividend Payable	519,487	336,429
	425,290,696	291,925,223

32.1 This balance included bonus provision, unidentified direct deposit balance and the other sundry payable items.

33. CURRENT TAX LIABILITIES

Accounting Policy

The Company is subject to income taxes and other taxes including VAT and NBT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

	2024 LKR	2023 LKR
Balance as at 1st April	71,709,569	21,170,445
Provision for the year	207,017,239	99,921,472
Less: Tax paid	(133,781,663)	(49,382,348)
Tax credits (ESC/WHT)	-	-
Balance as at 31st March	144,945,144	71,709,569

34. POST-EMPLOYMENT BENEFIT OBLIGATION

Accounting Policy

Employee benefit liability includes the provisions for retirement gratuity liability.

Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - 'Employee Benefits'

Basis of Measurement

The cost of the defined benefit plans (gratuity) is determined using an actuarial valuation. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. The assumptions used to arrive in defined benefit obligation is given below: In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and the Company's policy on salary revisions.

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

The plan was amended to comply with the new statutory retirement for the private sector employees by changing the Normal Retirement Age from age 55 to age 60. The change in the PVDBO is recognized immediately in the P&L.

Recognition of Actuarial Gains and Losses

The Company recognises the total actuarial gains and losses that arise in calculating the Company's obligation in respect of the plan in other comprehensive income during the period in which it occur

	2024 LKR	2023 LKR
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34.1 Provision for Retirement Gratuity

Balance at the beginning of the year	35,677,457	32,066,158
Amount Charge for the Year	12,579,736	10,021,516
Actuarial (Gains)/Losses	2,596,400	2,939,318
(Gain)/Loss Due to Changes in Assumptions	20,502,138	144,710
Payments Made During the Year	(14,363,667)	(9,494,245)
Balance at the End of the Year	56,992,064	35,677,457

	2024 LKR	2023 LKR
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34.2 Expenses on Defined Benefit Plan

Amount recognised in the Statement of Profit or Loss

Current Service Cost for the Year	5,776,202	5,147,460
Interest Cost for the Year	6,314,909	4,874,056
Payment out of Provision	488,625	-
Total Amount recognised in the Statement of Profit or Loss	12,579,736	10,021,516

Amount recognised in the Statement of other Comprehensive income

Actuarial (Gains)/ Losses (36.6)	2,596,400	2,939,318
(Gains)/ Losses Due to Changes in Assumptions	20,502,138	144,710
Total Amount recognised in the Statement of other Comprehensive income	23,098,538	3,084,028

Total Expenses on Defined Benefit Plan	35,678,274	13,105,544
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34.3 Retirement Age

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. The change in the PVDBO is recognized immediately in the P&L.

34.4 Assumptions and the sensitivity of the assumptions used for the provision of retirement gratuity

An actuarial valuation of the retirement gratuity liability was carried out as at 31 March 2021 and 2020 by Messrs Piyal S Goonetilleke Associates, a professional actuary.

The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Actuarial Cost Method', recommended by LKAS 19 - 'Employee Benefits'.

	2024	2023
34.5 Actuarial Assumptions		
Discount Rate	12.4%	17.7%
Salary scale	12.0%	12.5%
Staff Turnover		
20 to 30 years	10.0%	10.0%
35 years	7.5%	7.5%
40 years	5.0%	5.0%
45 years	2.5%	2.5%
50 years	1.0%	1.0%
Average Future Working Life	12.2 Years	12.2 Years
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Disability	Long Term 1987 Soc. Sec. Table.	Long Term 1987 Soc. Sec. Table.
Retirement age	Retirement age of 60 Years	Retirement age of 60 Years

34.6 Sensitivity of Assumptions Employed on Actuarial Valuation

Assumptions regarding discount rate and salary increment rate have a significant effect on the amounts recognised in statement of comprehensive income and statement of financial position.

The following table demonstrates the sensitivity of a reasonably possible change in such assumptions with all other variables held constant, in the actuarial valuation of the retirement gratuity as at 31 March 2024.

	Increase/(decrease) in Discount Rate	Increase/(decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income Increase/(decrease) in Results for the year LKR	Sensitivity Effect on Pension Fund Surplus Increase / (decrease) LKR
	+1%		5,533,879	5,533,879
	(-1%)		(6,465,588)	(6,465,588)
		+1%	(6,270,140)	(6,270,140)
		(-1%)	5,474,762	5,474,762

35. STATED CAPITAL

	Number of Shares	2024 LKR	Number of Shares	2023 LKR
Issued and Fully Paid-Ordinary shares				
At the beginning of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032
Issued during the year	-	-	-	-
At the end of the year	149,596,052	2,696,113,032	149,596,052	2,696,113,032

35.1 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting.

36. RESERVES**36.1 Statutory Reserve Fund**

The statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b) of Central Bank Direction No. 1 of 2003. Accordingly, Company has transferred 20% of its net profit after taxation to the Reserve Fund as Company's Capital Funds to Deposit Liabilities, belongs to less than 25% and not less than 10%.

36.2 Revaluation Reserve Fund

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

Company	Statutory Reserve LKR	Revaluation Reserve LKR	Total LKR
As at 01 April 2022	114,850,787	56,514,761	171,365,548
Transfers to/(from) during the year	11,082,472	-	11,082,472
Revaluation of Land & Building	-	-	-
As at 31 March 2023	125,933,259	56,514,761	182,448,022
As at 1 April 2023	125,933,259	56,514,761	182,448,022
Transfers to/(from) during the year	12,479,833	-	12,479,833
Revaluation of Land & Building	-	-	-
As at 31 March 2024	138,413,092	56,514,761	194,927,853

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37. RETAINED EARNINGS

	2024 LKR	2023 LKR
Balance as at 1 April	570,926,666	437,316,534
Profit for the Year	249,596,654	221,649,449
Other Comprehensive Income	(16,168,977)	(2,158,820)
Transfer to Statutory Reserves Fund	(12,479,833)	(11,082,472)
Dividend Paid	(112,197,039)	(74,798,026)
Balance as at 31 March	679,677,472	570,926,665

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

38. COMMITMENTS AND CONTINGENCIES

Accounting Policy

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured as defined in the Sri Lanka Accounting Standard - LKAS 37 "Provisions contingent liabilities and Contingent Assets". Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless its occurrence is remote.

	Note	Page No.	2024 LKR	2023 LKR
Contingent Liabilities	38.1	262	6,048,100	7,433,330
Commitments	38.2	262	-	-
			6,048,100	7,433,330

38.1 Contingent Liabilities

In the normal course of business, the Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Company. However no material losses are anticipated as a result of these transactions.

	2024 LKR	2023 LKR
Guarantees issues to other institution	-	1,700,000
Cases pending against the Company	6,048,100	5,733,330
Total contingent Liabilities	6,048,100	7,433,330

38.2 Commitments

The Company did not have significant capital commitments as at the Statement of Financial Position date.

39. NET ASSETS VALUE PER SHARE

	2024 LKR	2023 LKR
Amounts Used as the Numerators:		
Total Equity Attributable to Equity Holders	3,570,718,357	3,449,487,718
Number of Ordinary Shares Used as Denominators:		
Total Number of Ordinary Shares in Issue	149,596,052	149,596,052
Net Assets Value per Share (LKR)	23.87	23.06

40. ASSETS PLEDGE

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2024 LKR	2023 LKR	
Rental receivable on Micro Business and Personal Loan	Bank Overdraft	232,858,884	297,088,521	Loans and Receivables
Rental receivable on SME Loan	Term Loan	343,456,789	41,880,986	Loans and Receivables
Rental receivable on Lease	Term Loan	1,657,450,489	1,272,349,870	Lease Rental Receivable
Rental receivable on Micro Business	Term Loan	13,039,175	-	Loans and Receivables
Rental receivable on Lease	Securitisation	456,704,383	344,268,710	Lease Rental Receivable
		2,703,509,720	1,955,588,087	

41. COMPARATIVE INFORMATION

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

Income Statement

There were no reclassification during the financial year.

Statement of Financial Position.

There were no reclassification during the financial year.

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42. 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.

Company	2024 Within 12 Months LKR	2024 After 12 Months LKR	2024 Total LKR
Assets			
Cash and Cash Equivalents	544,919,606	-	544,919,606
Financial Investments	772,478,191	-	772,478,191
Other Financial Assets	50,960,718	-	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	3,512,494,576	3,445,718,135	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	582,702,682	5,033,615,673	5,616,318,355
Other Non Financial Assets	215,304,503	22,891,417	238,195,920
Investment Property	-	246,710,000	246,710,000
Property, Plant and Equipment	-	224,485,283	224,485,283
Right-of-use Lease Assets	-	185,152,504	185,152,504
Intangible Assets	-	4,176,618	4,176,618
Deferred Tax Liabilities	-	56,237,769	56,237,769
Total Assets	5,678,860,275	9,218,987,399	14,897,847,674
Liabilities			
Due to Banks and Other Institutions	1,743,870,805	1,261,537,455	3,005,408,260
Financial Liability at Amortised Cost - Due to Customers	6,381,817,479	1,110,188,490	7,492,005,969
Other Non Financial Liabilities	422,755,567	2,535,129	425,290,696
Current Tax Liabilities	144,945,144	-	144,945,144
Lease Liability	56,927,421	145,559,763	202,487,184
Post Employment Benefit Liability	-	56,992,064	56,992,064
Total Liabilities	8,750,316,416	2,576,812,901	11,327,129,316
Net Assets/(Liability)	(3,071,456,141)	6,642,174,498	3,570,718,358

Company	2023 Within 12 Months LKR	2023 After 12 Months LKR	2023 Total LKR
Assets			
Cash and Cash Equivalents	664,043,703	-	664,043,703
Financial Investments	576,027,374	-	576,027,374
Other Financial Assets	874,494	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	3,293,551,470	1,811,759,698	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	832,636,778	3,842,225,585	4,674,862,363
Other Non Financial Assets	142,279,693	13,660,033	155,939,726
Investment Property	-	234,257,500	234,257,500
Property, Plant and Equipment	-	147,095,459	147,095,459
Right-of-use Lease Assets	-	105,241,220	105,241,220
Intangible Assets	-	4,686,053	4,686,053
Deferred Tax Assets	-	1,954,498	1,954,498
Total Assets	5,509,413,511	6,160,880,047	11,670,293,558

Company	2023 Within 12 Months LKR	2023 After 12 Months LKR	2023 Total LKR
Liabilities			
Due to Banks and Other Institutions	846,526,722	661,587,956	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	5,249,015,564	944,415,461	6,193,431,026
Other Non Financial Liabilities	289,123,156	2,802,067	291,925,223
Current Tax Liabilities	71,709,569	-	71,709,569
Lease Liability	-	119,947,887	119,947,887
Post Employment Benefit Liability	-	35,677,457	35,677,457
Total Liabilities	6,456,375,011	1,764,430,827	8,220,805,839
Net Assets/(Liability)	(946,961,500)	4,396,449,219	3,449,487,719

43. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties in the ordinary course of its business who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', on an arms length basis at commercial rate.

Details of related party transactions which the company had during the year are as follows,

43.1 Transactions with Key Managerial Personnel (KMPs) and their family members

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Accordingly, the board of directors of the Company (inclusive of executive and non executive directors), the immediate parent company, and Chief Executive Officer who directly report to Board of Directors have been classified as KMPs of the Company.

43.1.1 Key Management Personnel Compensation

	2024 LKR	2023 LKR
Short Term Employment Benefits	10,865,400	10,199,400
Directors Fees & Expenses	9,140,000	7,940,000
Total Key Management Personnel Compensation	20,005,400	18,139,400

In addition to above, the Company has also provided non-cash benefits such as company maintained vehicles to KMPs in line the approved employment terms of the Company.

43.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the Family (CFMs)

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

The Company carries out transactions with KMPs and their close family members in the ordinary course of its business on an arms length basis at commercial rates, except the loans given to staff under the Company's staff loan scheme uniformly applicable to all the staff of the Company.

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NOTES TO THE FINANCIAL STATEMENTS

43.1.2.1 Transaction with KMPs, and their Close Members of the Family

	2024 LKR	2023 LKR
Items in Statement of Financial Position		
Deposit balance as of reporting date	9,921,213	12,204,809
	9,921,213	12,204,809
Items in Statement of Profit or Loss		
Interest accrued during the period	1,460,719	1,994,993
	1,460,719	1,994,993

43.1.3 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMPs and their CFMs or Shareholders

	2024 LKR	2023 LKR
Deposit balance held with related companies	438,000,000	83,403,989
Dividend Paid during the year	21,598,353	33,362,794
Expenses made during the year	1,095,126	5,833,568
	460,693,479	122,600,351

No transactions were there as of Statement of Financial Position date to be disclosed in the Financial Statements.

43.1.4 Transactions with Group Entities

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

43.1.4.1 Transactions with Sarvodaya Economic Enterprises Development (Gte) Ltd (SEEDS)

SEEDS has 36.1% ownership of the Company and identified as related parties company with more than 10% ownership of the SDF.

SEEDS	2024 LKR	2023 LKR
Items in Statement of Financial Position		
Interest payable on Deposits	303,330	-
Deposit balance as at reporting date	30,545,000	40,120,000
	30,848,330	40,120,000
Items in Statement of Profit or Loss		
Interest Accrued During the Period	3,516,758	5,389,980
	3,516,758	5,389,980

43.1.4.3 Transactions with Janashakthi Capital Limited

Janashakthi Capital Limited recently conducted share transactions that led to an increase in their ownership, reaching 10.76% as of October 19, 2022. It is important to clarify that no transactions were carried out with Janashakthi Capital Limited during the reporting period from October 19, 2022 except for the final dividend payment pertaining to the financial year 2021/22

43.1.4.5 Transactions with Senthilverl Holdings (Pvt) Ltd

Senthilverl Holdings (Pvt) Ltd recently purchased number of shares from open market during the financial year

44. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no other events occurring after the reporting date which require adjustments to or disclosure in the financial statements.

45. CAPITAL

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

45.1 Capital Management

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

The Company has issued Rs 804 Mn shares during the year through a private placement. This private placement includes Rs. 420 Mn shares issued to inactive Sarvodaya Shramadana Societies by converting their deposits. With reference to the Central Bank letter dated 9th July 2021, the action plan has been requested from the Company in relation to the above Rs. 420 Mn shares. Therefore, the said Rs. 420 Mn shares have not been considered the Company's core capital as at 31 March 2023.

However, the company has raised LKR 950 Mn (Net of Direct Expenses) new capital during the financial year through a Initial Public Offer (IPO) and the meet the CBSL minimum core capital requirement of LKR 2.5 Bn as of 31 December 2023.

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46. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Policy

The fair value of the financial instruments that are recorded at the fair values are determined using valuation techniques which incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

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

- ➞ In the principal market for the asset or liability
- Or
- ➞ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

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

Determination of fair value and fair value hierarchy

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

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Valuation model

For all Financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the Financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

We review the inputs to the fair value measurements to ensure they are appropriately categorized within the fair value hierarchy. Transfers into and transfers out of the hierarchy levels are recognized as if they had taken place at the end of the reporting period.

46.1 Assets & Liabilities Recorded at Fair Value

The following is a description of how fair values are determined for assets and liabilities that are recorded at fair value. These incorporate the Company's estimate of assumptions that a market participant would make when valuing assets and liabilities.

Property, Plant & Equipment

Property, Plant & Equipment Freehold land and buildings are carried at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The following table shows an analysis of assets and liabilities recorded/disclosed at fair value by level of the fair value hierarchy

As at 31 March 2024	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	04th May 2024	-	-	246,710,000	246,710,000
		-	-	246,710,000	246,710,000

Non financial assets - Property, Plant and Equipment

Land	04th May 2024	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

As at 31 March 2023	Date of valuation	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
Non financial assets - Investment property					
Land and building	19th May 2023	-	-	234,257,500	234,257,500
		-	-	234,257,500	234,257,500

Non financial assets - Property, Plant and Equipment

Land	19th May 2023	-	-	36,100,000	36,100,000
		-	-	36,100,000	36,100,000

Non Financial Assets measured at fair value

Level 3 Fair Value Measurement

Nature of Assets	2024		2023	
	Investment Property LKR	Freehold Land LKR	Investment Property LKR	Freehold Land LKR
Balance as at 1 April	234,257,500	36,100,000	234,257,500	36,100,000
Revaluation reserve credit to revaluation reserve	-	-	-	-
Total gain/(loss) recognised in profit or loss:	12,452,500	-	-	-
Balance at 31 March	246,710,000	36,100,000	234,257,500	36,100,000

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Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 March 2024 and 31 March 2023 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

Type of instrument	Date of valuation	Fair value LKR	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
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Property, Plant and Equipment

Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	→
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Investment Property

Land	31/03/2024	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	→
Building	31/03/2024	149,330,000	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	→

Type of instrument	Date of valuation	Fair value LKR	Valuation technique	Significant unobservable input	Weighted average range of estimates for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
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Property, Plant and Equipment

Land	31/03/2023	36,100,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	→
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Investment Property

Land	31/03/2023	97,380,000	Market comparable method	Estimated price per perch	LKR 2 Mn - 3 Mn	→
Building	31/03/2023	136,877,500	Income Basis	Estimated rental value per sq.ft.	LKR 9,500 - 10,500	→

46.2 Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

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

Assets of which Fair Value Approximates Carrying Value

For financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

Fixed Rate Financial Instruments

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

Variable Rate Financial Instruments

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

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

As at 31 March 2024	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents	664,043,703	-	-	664,043,703	544,919,606
Financial Investments	-	576,027,374	-	576,027,374	772,478,191
Other Financial Assets	-	874,494	-	874,494	50,960,718
Financial Assets at Amortised Cost - Loans and Receivables	-	5,109,755,721	-	5,109,755,721	6,958,212,710
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	5,616,318,355
	664,043,703	10,363,698,476	-	11,027,742,178	13,942,889,580

Financial Liabilities

Due to Banks and Other Institutions	-	3,005,408,260	-	3,005,408,260	3,005,408,260
Due to Customers	-	6,193,431,024	-	6,193,431,024	7,492,005,969
Lease Liabilities	-	119,947,887	-	119,947,887	202,487,184
	-	9,318,787,171	-	9,318,787,171	10,699,901,412

As at 31 March 2023	Fair Value				Carrying Value LKR
	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR	
Financial Assets					
Cash and Cash Equivalents	664,043,703	-	-	664,043,703	664,043,703
Financial Investments	-	576,027,374	-	576,027,374	576,027,374
Other Financial Assets	-	874,494	-	874,494	874,494
Financial Assets at Amortised Cost - Loans and Receivables	-	5,109,755,721	-	5,109,755,721	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	-	4,677,040,887	-	4,677,040,887	4,674,862,363
	664,043,703	10,363,698,476	-	11,027,742,178	11,021,119,101

Financial Liabilities

Due to Banks and Other Institutions	-	1,508,114,678	-	1,508,114,678	1,508,114,678
Due to Customers	-	6,193,431,024	-	6,193,431,024	6,193,431,026
Lease Liabilities	-	119,947,887	-	119,947,887	119,947,887
	-	7,821,493,588	-	7,821,493,588	7,821,493,590

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

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47. RISK MANAGEMENT**47.1 Introduction**

Being a Licensed Finance Company offering a wide range of financial services, risk is inherent in all business activities of the Company and exposing the Company to different types of risks including Credit, Liquidity, Market and Operational Risks. These risks are managed through a process of ongoing identification, measurement and monitoring through established risk limits and controls. This process of risk management is essential to the Company in continuing its resilience while optimizing the risk adjusted returns in continuing its profitability. Each individual within the Company is accountable for prudently managing the risk exposures relating to his or her responsibilities. Company's risk strategy focuses on managing principal risks faced by the Company while striking a fair balance between the risk return trade-off. A proactive and robust approach in risk management is considered as of paramount importance by the Company.

The Company identifies the following risks as key financial risks in its business operations.

- ➞ Credit Risk
- ➞ Liquidity Risk
- ➞ Market Risk
- ➞ Capital Management

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Risk Management Framework

The Company takes a comprehensive approach to risk management with a defined Risk Management Framework approved by the Board of Directors. The effective risk management system which ensures that risks and their impacts are identified and evaluated at an early stage and that contingency plans and measures are in place where necessary to handle risks and to prevent their accumulation. This process of risk management which enables the identification, evaluation, measurement, mitigation, decision making and control implementation, monitoring and reporting of risks associated with products, processes, systems and services of Sarvodaya Development Finance PLC is vital to the scope of risk management when fulfilling requirements of its customers and other stakeholders. The Company's Board has established the 'three lines of defence' mechanism to provide the foundation for the cohesive governance of risk at all levels of the business.

Board Integrated Risk Management Committee (BIRMC)

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles and it is the apex body which oversight the different risk profiles of the Company. The Board has appointed a sub committee - Board Integrated Risk Management Committee (BIRMC) and has delegated its authority to the BIRMC for the overall Risk Management approach and for approving the risk management strategies and principles. The BIRMC reviews and assesses the Company's overall risks and focuses on policy recommendations and strategies and ensure that the Board of Directors is duly updated of its activities. The Committee has established an independent risk management function through the Risk Management Department which is responsible for managing risk-taking activities across the Company.

Risk Management Department (RMD)

The business units (i.e. Credit Department, Operations Department and Branches etc.) have the primary responsibility for identifying risks as the first line of defence. The Risk Management Department, which provides an independent oversight function, acts as the 2nd line of defence. The RMD is headed by the Head of Risk Management who directly reports to the Chair of the BIRMC and also has an administrative reporting to the CEO. The RMD accompanies with other control functions (most notably Internal Audit, Compliance and Finance) of the Company that might uncover risk management issues. Each of the control functions has a different focus and potential overlap between them is kept to a minimum, while ensuring that the approaches taken are complementary and lead to consistent, effective and timely escalation of risks. All material risks are monitored centrally by the Risk Management Department, with any significant irregularities promptly escalated to the Corporate Management, Board Integrated Risk Management Committee and the Board of Directors for review and necessary action.

Sarvodaya Development Finance PLC is aware of a wide spectrum of risks that it is exposed to, and provides attention to each and every risk factor that could hinder the achievement of the Company's overall objectives. The Company has put in place structures and processes to address these risks which are vested to functional departments.

The following Management Level Committees, each with a defined responsibility, support the BIRMC by executing their respective management mandates.

Asset - Liability Committee (ALCO)

The ALCO comprises of senior management personnel who are in charge of Finance, Risk Management, Compliance, Credit, Fund Mobilisation, Operations, Recoveries and Marketing. ALCO is headed by the CEO and responsible for identifying, managing and controlling risks in executing the business strategy of the Company and mainly focuses on Interest Rate Risk and Liquidity Risk while maintaining profitability.

Credit Committee

There are two Credit Committees, namely Board Credit Committee (BCC) and Management Credit Committee (MCC).

BCC is comprised of three Non-Executive Directors from which the Chairman to the Committee is a Non-Executive, Independent Director. The key management personnel attend the meetings upon invitation. BCC oversees the management of credit quality of the lending portfolio and recovery actions.

MCC is comprised of Senior Management Personnel and headed by the CEO. MCC approves credit facilities within its delegated authority and reviews the methodologies for assessing Credit Risk and monitors Concentration Risk.

Management Committee (ManCom)

ManCom is comprised of senior management personnel and headed by the CEO. This Committee oversees the overall strategy and the new developments in the risk environment to take timely precautions and corrective measures.

Product Development Committee (PDC)

The Committee is comprised of Senior Management personnel, internal stakeholders from business units and other 'ad hoc' members with expertise in applicable functions such as credit, operations, legal, information technology, information security, audit, risk management, and compliance and is headed by the COO. The Committee covers all the new developments as well as significant changes to existing products, processes and systems of SDF.

Information Technology Steering Committee (ITSC)

The primary role of the ITSC is to exercise oversight and governance over SDF's IT function. The Committee is authorized to take decisions to improve or secure Information Resources, within the context of the Delegation of Authority assigned by the Board of Directors to the Chair. The committee is chaired by the CEO and will be facilitated by the Head of IT who will serve as the Committee Secretary. Permanent Invitees to the Committee will be the Chief Operating Officer (COO), the Head of Risk Management, the Compliance Officer and the Head of Strategic Planning, the Head of Finance and the Head of Operations & Administration.

Financial Reports**NOTES TO THE FINANCIAL STATEMENTS****Information Security Committee (ISC)**

The prime objective of the ISC is to oversee the information security and technology resilience of the Company and would be responsible for both the strategic and operational aspects of Information Security and Technology Risk Management. The ISC is chaired by the CEO. The Chief Operating Officer (COO), Head of Operations and Head of IT shall be the other ex-officio members of ISC. Head of Risk Management and Compliance Officer will be permanent invitees to ISC. Head of Legal and Head of Human Resource Management shall be required to attend as co-opted members whenever a matter relating to their areas is to be discussed. Head of Internal Audit is invited to present internal audit findings on information security at least on a quarterly basis. The Committee reports to the Board of Directors through BIRMC.

47.2 Credit Risk**Overview**

Credit Risk is defined as the risk of financial loss to the company which arises when a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers. The exposure to the Credit Risk is mainly derived from financial sector companies as the sector engages primarily in providing financing facilities to its customers. Credit Risk constitutes the Company's largest risk exposure category which is managed by evaluating the credit worthiness of the clients and by periodic reviews on the credit granted.

Credit Risk Management

The Board of Directors of the Company has delegated responsibility for the oversight of Credit Risk to its Board Credit Committee. The Credit Department and Recoveries Department are responsible for managing the Company's Credit Risk, including formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting documentary and legal procedures, and compliance with regulatory and statutory requirements. They are also responsible for establishing the authorization structure for the approval and renewal of credit facilities which are based on the Delegated Authority (DA) Limits that are approved by the Board of Directors.

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of qualitative as well as quantitative variables for the measurement of borrowers' risk. All internal risk ratings are tailored to various products namely SME Loans and Leasing. For accounting purposes, the Company uses a collective model for recognition of losses on impaired financial assets.

Collateral Management

The primary source of repayment of credit exposures is the cash flows while the collaterals obtained by the Company act as a possible secondary recourse. Collaterals generally include cash, marketable securities, properties, stocks, trade debtors, other receivables, machineries & equipment and other physical or financial assets are assessed at the inception, in accordance with the guidelines issued by the Central Bank of Sri Lanka.

Clear guidelines are in place to determine the suitability of collaterals as a tool of mitigating Credit Risk based on their different characteristics and valuations, to ensure the collaterals will continue to provide the anticipated secondary source of repayment in an eventuality. The Company has a panel of appointed professional valuers in order to obtain valuations for the properties, machineries and vehicles which are obtained as collaterals.

Periodic estimation of value of collaterals ensures that they will continue to provide the expected repayment source in an event where the primary source has not materialized. The collaterals vulnerable to frequent fluctuations in values are subject to stringent haircuts and/ or more frequent valuations.

The Company also accepts personal guarantees, guarantees from other financial institutions and creditworthy bodies as collaterals for credit facilities. The financial strength of guarantors as against their cash flows, net worth, etc. is taken into consideration to establish their capacity to repay the facilities in case of a default.

Impact Assessment of Macro-Economic and Business Environment Challenges

The Company's Integrated Risk Management Framework enables the closely assessing and reviewing of the elevated risks which have arisen from internal and external factors on an ongoing basis while escalating those risks which are seen to be pertinent to the Board in a timely manner taking corrective and proactive measures to mitigate their impact on the operations of the Company in order to ensure SDF's

continued resilience and risk adjusted returns. The effectiveness of these measures have been witnessed by the Company's lower NPL Ratio than the industry average and the Company regularly monitors its credit exposures, portfolio performance and external trends which may impact risk management outcomes while taking prudent measures to intensify the repayment patterns of the credit customers which is essential to safeguard the interest of all the stakeholders of the Company.

Impairment Assessment

Detailed Note on impairment method has disclosed in Note 22 on page 241.

47.2.1 Maximum Exposure to Credit Risk

The Company consider total loan and lease balances to calculate collective impairment.

As at 31 March 2024	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	544,919,606	-	-	-	544,919,606
Loans and Receivable (Gross)	427,970,290	-	-	6,886,515,272	7,314,485,562
Lease Rentals Receivables (Gross)	-	-	-	5,956,970,718	5,956,970,718
Financial Investments	772,478,191	-	-	-	772,478,191
Other Financial Assets	50,960,718	-	-	-	50,960,718
Total Financial Assets	1,796,328,805	-	-	12,843,485,990	14,639,814,795

As at 31 March 2023	Neither Past Due Nor Impaired LKR	Past Due But Not Impaired LKR	Individually Impaired LKR	Collectively Impaired LKR	Total LKR
Assets					
Cash and Cash Equivalents	664,043,703	-	-	-	664,043,703
Loans and Receivable (Gross)	422,151,402	-	-	4,915,748,210	5,337,899,612
Lease Rentals Receivables (Gross)	-	-	-	4,914,180,967	4,914,180,967
Financial Investments	576,027,374	-	-	-	576,027,374
Other Financial Assets	874,494	-	-	-	874,494
Total Financial Assets	1,663,096,972	-	-	9,829,929,178	11,493,026,150

47.2.2 Analysis of Credit Concentration Risk

The Company has a Board approved Risk Appetite Statement (RAS) which is in line with the Strategic Plan of the Company. Accordingly, risk appetite limits have been set for different criteria with the objective of maintaining risk levels at acceptable levels resulting in a well-diversified portfolio continuously. These risk limits are regularly monitored by the Risk Management Department and the Board Integrated Risk Management Committees to ensure that they are in par with the evolving developments in the operating environment which includes macro-economic factors as well, so they can indicate early warning signals to the decision makers of the Company to be proactive in terms of credit concentration risk management.

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47.2.2.1 Industry Analysis

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

As at 31 March 2024	Cash and Cash Equivalents LKR	Cash and Cash Equivalents LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,553,376,347	2,750,488,497	-	-	5,303,864,844
Manufacturing	-	447,904,709	24,551,001	-	-	472,455,710
Tourism	-	72,938,062	29,433,803	-	-	102,371,864
Transport	-	55,031,377	1,648,118,867	-	-	1,703,150,244
Constructions	-	1,864,554,866	184,469,838	-	-	2,049,024,704
Trades	-	626,712,407	35,240,637	-	-	661,953,043
New Economy	-	5,476,774	1,246,428	-	-	6,723,202
Financial and Business Services	544,919,606	86,426,826	1,319,075	-	50,960,718	683,626,225
Infrastructure	-	64,449,693	416,465	-	-	64,866,158
Government	-	-	-	772,478,191	-	772,478,191
Other Services	-	1,537,614,503	1,281,686,106	-	-	2,819,300,609
Total	544,919,606	7,314,485,562	5,956,970,718	772,478,191	50,960,718	14,639,814,795

As at 31 March 2023	Cash and Cash Equivalents LKR	Cash and Cash Equivalents LKR	Lease Rental Receivable LKR	Financial Investments LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture & Fishing	-	2,677,367,350	2,862,975,229	-	-	5,540,342,578
Manufacturing	-	717,159,072	468,670,165	-	-	1,185,829,237
Tourism	-	16,539,660	39,916	-	-	16,579,576
Transport	-	10,651,107	209,273,028	-	-	219,924,136
Constructions	-	882,012,455	529,774,371	-	-	1,411,786,826
Trades	-	230,183,797	9,409,927	-	-	239,593,724
New Economy	-	5,279,288	335,084	-	-	5,614,372
Financial and Business Services	664,043,703	15,422,172	1,110,671	-	874,494	681,451,039
Infrastructure	-	30,239,343	214,446	-	-	30,453,789
Government	-	-	-	576,027,374	-	576,027,374
Other Services	-	753,045,368	832,378,130	-	-	1,585,423,498
Total	664,043,703	5,337,899,612	4,914,180,967	576,027,374	874,494	11,493,026,150

47.2.2.2 Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

	Term Loan and receivables Past Due But Not Impaired LKR	Lease receivable Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR
As at 31 March 2024			
Central	749,534,538	483,860,196	1,233,394,734
Eastern	845,520,895	889,478,494	1,734,999,389
North Central	1,004,854,521	1,839,614,389	2,844,468,911
Northern	170,012,161	73,962,376	243,974,537
North Western	1,004,571,555	599,754,702	1,604,326,256
Sabaragamuwa	669,358,144	278,533,308	947,891,452
Southern	882,705,548	290,930,466	1,173,636,014
Uva	535,837,227	670,361,989	1,206,199,217
Western	1,452,090,972	830,474,798	2,282,565,770
Total	7,314,485,562	5,956,970,718	13,271,456,280

As at 31 March 2023

Central	522,321,041	419,520,648	941,841,689
Eastern	616,152,583	703,029,313	1,319,181,895
North Central	417,035,649	1,310,271,656	1,727,307,305
Northern	613,653,506	533,741,812	1,147,395,318
North Western	176,043,627	71,353,891	247,397,518
Sabaragamuwa	561,479,819	262,799,363	824,279,182
Southern	651,290,766	377,297,090	1,028,587,856
Uva	620,968,437	528,345,440	1,149,313,877
Western	1,158,954,183	707,821,755	1,866,775,938
Total	5,337,899,612	4,914,180,967	10,252,080,579

47.2.2.3 Fair value of collateral and credit enhancements held

As a general principle, the Company endeavors to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

- ⊖ For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.
- ⊖ For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. As Company's focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant customers for impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

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The following table shows the fair value of collateral and credit enhancements held by the Company.

	31 March 2024		31 March 2023	
	Maximum exposure to credit risk LKR	Net exposure LKR	Maximum exposure to credit risk LKR	Net exposure LKR
Cash and cash equivalents (excluding cash in hand)	443,096,830	-	603,301,938	-
Financial Investments	772,478,191	-	576,027,374	-
Other Financial Assets	50,960,718	50,960,718	874,494	874,494
Loans and Receivables	7,314,485,562	-	5,337,899,612	-
Lease Rental Receivable	5,956,970,718	-	4,914,180,967	-
	14,537,992,019	50,960,718	11,432,284,385	874,494

Sensitivity of impairment provision on loans and receivables

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired LKR	Stage 2 Past Due But Not Impaired LKR	Stage 3 Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR	

As at 31 March 2024

PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted					
Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

	Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on income Past Due But Not Impaired LKR
	Stage 1 Past Due But Not Impaired LKR	Stage 2 Past Due But Not Impaired LKR	Stage 3 Past Due But Not Impaired LKR	Total Past Due But Not Impaired LKR	
As at 31 March 2023					
PD 1% increase across all age buckets	7,713,435	2,043,273	-	9,756,708	9,756,708
PD 1% decrease across all age buckets	(7,713,435)	(2,043,273)	-	(9,756,708)	(9,756,708)
LGD 5% increase	72,450,170	43,437,724	80,598,462	196,486,356	196,486,356
LGD 5% decrease	(72,450,170)	(43,437,724)	(80,598,462)	(196,486,356)	(196,486,356)
Probability weighted					
Economic Scenarios					
- Base case 10% increase, worst case 5% decrease and best case 5% decrease	233,452	107,326	-	340,779	340,779
- Base case 10% decrease, worst case 5% increase and best case 5% increase	(233,452)	(107,326)	-	(340,779)	(340,779)

47.3 Liquidity Risk & Funding Management

Liquidity Risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk.

Market Liquidity Risk is the inability to easily exit a position without moving the price too much.

Funding Liquidity Risk would arise if the Company is unable to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable.

To limit this risk, the Company's management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing liquidity and funding to ensure future cash flows. The Company has developed internal control processes and contingency plans for managing Liquidity Risk. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

The Company's primary objective in Liquidity Risk Management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the Asset - Liability Committee (ALCO) analyses and monitors Liquidity Risk and maintains an adequate margin of safety in liquid assets.

ALCO meets at least monthly and more frequently as and when necessary. ALCO is responsible for managing and controlling the overall liquidity of the Company and reviews the impact of strategic decisions on Company's liquidity position. Furthermore, the Company maintains the Statutory Liquid Assets Ratio at its required level as a method to measure and control daily liquidity risk.

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47.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	544,919,606	-	-	-	-	544,919,606
Financial Investments	-	790,201,152	-	-	-	790,201,152
Other Financial Assets	-	52,031,094	-	-	-	52,031,094
Financial Assets at Amortised Cost - Loans and Receivables	2,820,627,671	744,144,220	1,999,536,154	3,263,811,534	111,947,778	8,940,067,357
Financial Assets at Amortised Cost - Lease Rentals Receivables	94,797,732	558,959,463	4,849,189,562	2,822,176,906	-	8,325,123,662
Total Financial Assets	3,460,345,009	2,145,335,929	6,848,725,715	6,085,988,440	111,947,778	18,652,342,871
Financial Liabilities						
Due to Banks and Other Institutions	248,436,128	223,244,504	546,472,128	704,011,325	7,460,025	1,729,624,110
Financial Liability at Amortised Cost - Due to Customers	1,144,722,764	1,030,224,505	1,559,607,634	735,317,919	82,072,361	4,551,945,183
Lease Liability	-	12,697,319	44,230,102	145,559,763	-	202,487,184
Total Financial Liabilities	1,393,158,891	1,266,166,327	2,150,309,865	1,584,889,007	89,532,386	6,484,056,476
Total Net Financial Assets/ (Liabilities)	2,067,186,118	879,169,602	4,698,415,850	4,501,099,433	22,415,392	12,168,286,395
As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Financial Assets						
Cash and Cash Equivalents	664,043,703	-	-	-	-	664,043,703
Financial Investments	-	490,480,933	85,546,441	-	-	576,027,374
Other Financial Assets	-	322,486	552,008	-	-	874,494
Financial Assets at Amortised Cost - Loans and Receivables	811,775,483	1,839,707,978	642,068,009	1,811,759,698	-	5,105,311,168
Financial Assets at Amortised Cost - Lease Rentals Receivables	331,059,698	223,106,768	278,470,312	3,842,225,585	-	4,674,862,363
Total Financial Assets	1,806,878,884	2,553,618,165	1,006,636,770	5,653,985,283	-	11,021,119,101
Financial Liabilities						
Due to Banks and Other Institutions	56,920,265	216,403,416	573,203,051	655,526,005	6,061,950	1,508,114,678
Financial Liability at Amortised Cost - Due to Customers	1,499,690,298	1,634,549,197	2,193,355,613	806,900,775	58,935,144	6,193,431,026
Lease Liability	6,256,213	12,197,289	45,165,009	56,329,375	-	119,947,887
Total Financial Liabilities	1,562,866,776	1,863,149,902	2,811,723,673	1,518,756,155	64,997,094	7,821,493,590
Total Net Financial Assets/ (Liabilities)	244,012,108	690,468,263	(1,805,086,903)	4,135,229,128	(64,997,094)	3,199,625,511

47.3.2 Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments.

As at 31 March 2024	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-	-	6,048,100	-	6,048,100
Total Commitments and guarantees	-	-	-	6,048,100	-	6,048,100

As at 31 March 2023	On Demand LKR	Less than 03 Months LKR	03-12 Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
Guarantees issues to other institution	-	-	-	-	-	-
Cases pending against the company	-	-	-	5,733,330	-	5,733,330
Total Commitments and guarantees	-	-	-	5,733,330	-	5,733,330

47.3.2.1 Contractual Maturities of Commitments & Contingencies

"There are no significant contingencies and significant capital commitments as at 31 March 2023 and as at 31 March 2024 other than the disclosures made under the financial statements notes number 38 on page number 262."

47.4 Market Risk

Overview

Market risk is the potential of an adverse impact on Company's earnings or capital due to changes in interest rates. During the normal course of its business, Company deals in financial products such as loans and deposits to facilitate both customer-driven and proprietary transactions which expose the Company to market risk in varying degrees.

Market Risk Management

Risk Management Framework ensures the appropriate management of the market risks within the overall risk appetite so that adverse changes in market risk parameters, do not materially impact Company's profitability, capital or the risk profile.

Upon recognizing various sources of risks, their characteristics and possible outcomes resulting from transactions undertaken by the Company, as risk mitigation tools, Company has formed a Liquidity Investment Policy and an Asset and Liability Management Policy. These policies define exposure limits and procedures within which such transactions are required to be undertaken. Market risk limits set out in the above policies are regularly reviewed by the Asset- Liability Committee (ALCO) and the Board Integrated Risk Management Committee (BIRMC).

ALCO is the core management committee that regularly monitors market risk exposures and initiates appropriate action to optimize overall market risk exposures within the overall risk appetite of the company. In this regard, the major functions carried out by ALCO include:

- ⊕ proactive managing of liquidity risk profile of the company
- ⊕ articulating interest rate review of the company
- ⊕ monitoring asset and liability gaps, and rate shock results on Net Interest Income (NII) to initiate appropriate measures such as changing interest rate structure.

Functionalities of Market Risk Management

The Market Risk Management is done by Finance and Planning which is responsible for coordinating and performing Market Risk Management activities including measuring, monitoring and reporting of market risk exposures, and reviewing Company's market risk related policies and exposure limits at least annually. It also provides independent reviews on market risks associated with new investment proposals and products, thus facilitating efficient decision-making through optimizing risk-return trade off. The Company has made a strategic decision to maintain a risk appetite moderately above competitor rates since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

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47.5.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities, namely the granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; and basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. The Company's exposure to interest rate risk is primarily associated with factors such as:

- ➡ Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio;
- ➡ Yield curve risk arising from unanticipated shifts of the market yield curve;

Interest rate risk is managed principally through minimizing interest rate sensitive asset/liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly. Regularly monitoring of Net interest margin took place to be vigilant and proactive towards the Covid-19 relief measures introduced by the government pertaining to interest rates.

47.5.1.1 Stress Test on NII from Parallel Interest Rate Shocks

Annual Impact on NII	2023		2024	
	Increase	Decrease	Increase	Decrease
1%	(12.5)	12.5	(25.3)	25.3
2%	(25.0)	25.0	(50.6)	50.6
3%	(37.5)	37.5	(76.0)	76.0

47.5.1.2 Interest Rate Risk Exposure On Financial Assets & Liabilities

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

As at 31 March 2024	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2024 LKR
Assets							
Cash and Cash Equivalents	443,096,830	-	-	-	-	101,822,776	544,919,606
Financial Investments	772,478,191	-	-	-	-	-	772,478,191
Other Financial Assets	50,960,718	-	-	-	-	-	50,960,718
Financial Assets at Amortised Cost							
- Loans and Receivables	2,801,548,912	710,945,664	1,510,579,574	1,879,312,345	55,826,215	-	6,958,212,710
Financial Assets at Amortised Cost							
- Lease Rentals Receivables	91,304,730	491,397,951	3,457,422,047	1,576,193,627	-	-	5,616,318,355
Total Financial Assets	4,159,389,381	1,202,343,615	4,968,001,621	3,455,505,972	55,826,215	101,822,776	13,942,889,580
Financial Liabilities							
Due to Banks and Other Institutions	924,107,478	819,763,327	1,171,058,846	87,811,659	-	2,666,950	3,005,408,260
Financial Liability at Amortised Cost							
- Due to Customers	3,760,166,152	2,621,651,328	430,444,976	419,769,130	50,380,209	209,594,175	7,492,005,969
Lease Liability	12,697,319	44,230,102	76,361,268	69,198,495	-	-	202,487,184
Total Financial Liabilities	4,696,970,948	3,485,644,756	1,677,865,090	576,779,284	50,380,209	212,261,125	10,699,901,412
Interest Sensitivity Gap	(537,581,567)	(2,283,301,141)	3,290,136,531	2,878,726,688	5,446,006	(110,438,349)	3,242,988,168

As at 31 March 2023	Up to 03 Months LKR	03-12 Months LKR	01-03 Years LKR	03-05 Years LKR	Over 05 Years LKR	Non Interest Bearing LKR	Total as at 31.03.2024 LKR
Assets							
Cash and Cash Equivalents	603,301,938	-	-	-	-	60,741,765	664,043,703
Financial Investments	490,480,933	85,546,441	-	-	-	-	576,027,374
Other Financial Assets	322,486	552,008	-	-	-	-	874,494
Financial Assets at Amortised Cost							
- Loans and Receivables	2,651,483,461	642,068,009	1,215,031,933	596,727,765	-	-	5,105,311,168
Financial Assets at Amortised Cost							
- Lease Rentals Receivables	54,166,466	278,470,312	2,985,410,499	1,356,815,086	-	-	4,674,862,363
Total Financial Assets	3,799,755,283	1,006,636,770	4,200,442,432	1,953,542,851	-	60,741,765	11,021,119,101
Financial Liabilities							
Due to Banks and Other Institutions	273,323,671	573,203,051	618,456,280	37,069,726	-	6,061,950	1,508,114,678
Financial Liability at Amortised Cost							
- Due to Customers	3,055,659,951	2,193,355,613	382,410,374	424,490,401	58,935,144	78,579,540	6,193,431,026
Lease Liability	18,453,503	45,165,009	45,561,268	10,768,107	-	-	119,947,887
Total Financial Liabilities	3,347,437,125	2,811,723,673	1,046,427,922	472,328,234	58,935,144	84,641,490	7,821,493,590
Interest Sensitivity Gap	452,318,158	(1,805,086,903)	3,154,014,510	1,481,214,617	(58,935,144)	(23,899,725)	3,199,625,511

48. FINANCIAL REPORTING BY SEGMENT

For management purposes, the Company is organised into business units based on its products and services and has three reportable segments, as follows:

Lease

This segment includes Leasing products offered to the customers.

Loan

This segment includes SME, Micro, Personal and Gold loans offered to the customers

Other Business

This segment include all other business activities that Company engaged other than above segments

The Management Committee 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 profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	Lease		Loan		Other		Total	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
Interest income	1,446,933,953	1,089,564,946	1,494,026,241	1,204,123,623	161,022,089	167,642,874	3,101,982,284	2,461,331,443
Net fee and commission income	78,105,255	38,723,064	92,616,880	69,653,000	2,165,499	5,809,194	172,887,634	114,185,258
Other operating income	26,747,794	18,507,325	11,645,914	1,345,879	13,509,968	2,122,049	51,903,677	21,975,253
Gross income	1,551,787,002	1,146,795,335	1,598,289,035	1,275,122,503	176,697,557	175,574,117	3,326,773,595	2,597,491,955
Interest expenses	(562,043,121)	(543,775,815)	(681,064,017)	(598,270,346)	(79,347,264)	(79,568,570)	(1,322,454,402)	(1,221,614,731)
Total operating income	989,743,882	603,019,519	917,225,019	676,852,157	97,350,293	96,005,547	2,004,319,193	1,375,877,224
Credit loss expenses	(101,333,758)	(41,671,434)	(217,307,386)	(23,835,675)	(13,890,756)	2,415,000	(332,531,900)	(63,092,109)
Net Operating Income	888,410,123	561,348,085	699,917,633	653,016,482	83,459,537	98,420,547	1,671,787,293	1,312,785,115
Other Expenses	(409,730,939)	(341,132,872)	(496,497,490)	(375,319,526)	(57,844,368)	(49,916,628)	(964,072,797)	(766,369,026)
Depreciation and Amortization	(49,511,718)	(44,663,825)	(59,996,553)	(49,139,813)	(6,989,890)	(6,535,481)	(116,498,160)	(100,339,119)
Segment Result	429,167,466	175,551,388	143,423,590	228,557,144	18,625,279	41,968,438	591,216,335	446,076,970
Tax on financial services							(181,956,153)	(145,945,075)
Income tax expenses							(159,663,528)	(78,482,446)
Profit attributable to share holders	429,167,466	175,551,388	143,423,590	228,557,144	18,625,279	41,968,438	249,596,654	221,649,449
Segment assets	5,956,970,718	4,914,180,967	7,314,485,562	5,337,899,612	1,626,391,394	1,418,212,979	14,897,847,674	11,670,293,558
Total Assets	5,956,970,718	4,914,180,967	7,314,485,562	5,337,899,612	1,626,391,394	1,418,212,979	14,897,847,674	11,670,293,558
Segment liabilities	4,814,029,960	3,528,605,014	5,833,471,598	3,658,300,236	679,627,759	1,033,900,590	11,327,129,316	8,220,805,840
Total liabilities	4,814,029,960	3,528,605,014	5,833,471,598	3,658,300,236	679,627,759	1,033,900,590	11,327,129,316	8,220,805,840