A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC

CBC FINANCE LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CBC FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of CBC Finance Limited ("Company") which comprise the statement of financial position as at 31 December 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Other Matter

The financial statements of the Company for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2024.

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.

(Contd…2/)

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

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

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

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

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

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

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

We also provide those charge 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.

Report on other legal and regulatory requirements

Requirements of 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. As far as appears from our examination, in our opinion, proper accounting records have been kept by the Company.

Ernst & Young

24 March 2025
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	Year ended 31 December 2024 Rs.	Year ended 31 December 2023 Rs.
Gross income	9	2,661,366,764	1,991,470,180
Interest income		2,271,136,833	1,767,177,189
Interest expenses		(1,399,057,829)	(1,270,698,792)
Net interest income	10	872,079,004	496,478,397
Fee and commission income		291,433,391	149,882,005
Fee and commission expenses		(22,167,639)	(32,488,653)
Net fee and commission income	11	269,265,752	117,393,352
Other operating income	12	98,796,540	74,410,986
Total operating income		1,240,141,296	688,282,735
Impairment charges and other losses	13	(236,864,852)	(481,615,526)
Net operating income		1,003,276,444	206,667,209
Operating expenses			
Personnel expenses	14	(362,379,028)	(253,178,874)
Depreciation and amortization		(81,544,128)	(61,802,622)
Other operating expenses	15	(298,887,425)	(212,290,253)
Operating profit before taxes on financial services		260,465,863	(320,604,540)
Taxes on financial services	16	(102,802,202)	-
Profit / (Loss) before taxation		157,663,661	(320,604,540)
Income tax expense	17	(76,122,654)	95,427,017
Profit / (Loss) for the year		81,541,007	(225,177,523)
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss			
Revaluation surplus of property, plant and equipment	24.	-	27,169,343
Deferred tax charge on revaluation surplus of property, plant and equipment	17	-	(8,150,803)
		-	19,018,540
Actuarial gains / (losses) on defined benefit plans, net of tax			
Actuarial gain / (losses) on defined benefit plans	30.	(3,605,250)	(436,423)
Deferred tax reversal / (charge) on actuarial losses	17	1,081,575	130,927
		(2,523,675)	(305,496)
Unquoted equity securities, net of tax			
Net change in fair value of FVOCI financial assets	38.	172,960	64,814
Deferred tax (charge) on fair value reserve	17	(51,888)	(19,444)
		121,072	45,370
Items that are or may be reclassified to profit or loss			
Net change in fair value of FVOCI financial assets		3,482,780	8,976,735
Deferred tax (Charge) / reversal on fair value reserve	17	(1,044,834)	(2,693,021)
		2,437,946	6,283,714
Other comprehensive income for the period, net of tax		35,343	25,042,128
Total comprehensive income for the period		81,576,350	(200,135,395)
Basic earnings per share	18.	0.37	(1.02)

Figures in brackets indicate deductions.

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December

ASSETS	Notes	2024 Rs.	2023 Rs.
Cash and cash equivalents	20	166,599,890	154,177,733
Financial investments at fair value through other comprehensive income	21	1,634,253,594	712,023,869
Loans and advances	22.	13,445,176,774	10,142,399,731
Investment properties	23.	680,900,000	538,875,000
Property, plant and equipment	24.	432,503,997	408,560,886
Intangible assets	25.	33,576,762	31,727,740
Right of use assets	26.	68,159,813	62,696,695
Current tax assets	33.	394,940	-
Deferred tax assets	32.	283,122,147	359,259,949
Other assets	27.	115,951,395	49,039,147
Total assets		16,860,639,312	12,458,760,750
LIABILITIES			
Deposit liabilities	28.	10,311,261,790	6,534,180,634
Due to banks	29.	3,050,169,109	2,758,596,459
Employee benefits	30.	23,097,606	15,694,914
Lease liabilities	31.	74,210,693	64,874,901
Current tax liabilities	33.	-	2,605,060
Other liabilities	34.	342,987,530	105,472,548
Total liabilities		13,801,726,728	9,481,424,516
EQUITY			
Stated capital	35.	3,254,999,964	3,254,999,964
Accumulated losses	36.	(610,441,417)	(431,325,175)
Other reserves	37.	414,354,037	153,661,445
Total equity		3,058,912,584	2,977,336,234
Total liabilities and equity		16,860,639,312	12,458,760,750

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

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

....
Nuwan Sardarathne
Chief Manager - Finance

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

....
Chamilantha Fernando
Managing Director/ Chief Executive Officer

....
S.M.S.C. Jayasuriya
Director

ERNST & YOUNG Chartered Accountants COLOMBO
24 March 2025
Kandy

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Stated capital	Other reserves: Capital reserve	Revaluation reserve	Statutory reserve fund	Fair value reserve	General reserve	Regulatory loss allowance reserve	Retained earnings / (Accumulated losses)	Total equity
	Rs.	Rs.	Rs	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2023	3,254,999,964	50,000	79,498,538	33,328,578	(4,661,184)	20,097,889	-	(205,842,157)	3,177,471,627
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	(225,177,522)	(225,177,522)
Other comprehensive income for the year net of tax	-	-	19,018,540	-	6,329,084	-	-	(305,496)	25,042,128
Total comprehensive income	-	-	19,018,540	-	6,329,084	-	-	(225,483,018)	(200,135,394)
Balance as at 31 December 2023	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900	20,097,889	-	(431,325,175)	2,977,336,233
Balance as at 01 January 2024	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900	20,097,889	-	(431,325,175)	2,977,336,233
Comprehensive income									
Profit for the year	-	-	-	-	-	-	-	81,541,007	81,541,007
Other comprehensive income for the year net of tax	-	-	-	-	2,559,018	-	-	(2,523,675)	35,343
Total comprehensive income	-	-	-	-	2,559,018	-	-	79,017,332	81,576,350
Transactions recognized directly in Equity									
Transfers during the year	-	-	-	4,077,050	-	-	254,056,524	(258,133,574)	-
	-	-	-	4,077,050	-	-	254,056,524	(258,133,574)	-
Balance as at 31 December 2024	3,254,999,964	50,000	98,517,078	37,405,628	4,226,918	20,097,889	254,056,524	(610,441,417)	3,058,912,583

Figures in brackets indicate deductions.
The annexed notes to the Financial Statements form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 Rs.	Year ended 31 December 2023 Rs.
Cash flows from operating activities			
Profit before taxation		157,663,661	(320,604,539)
Adjustments for:			
Interest expenses	10.2	1,399,057,829	1,270,698,792
Impairment charges and other losses	13.	236,864,852	481,615,526
Interest income from bank deposits and government securities	10.1	(131,941,469)	(168,577,924)
Dividend income	12.	(228,565)	(179,520)
Depreciation	24.	47,377,080	34,746,169
Amortization		5,147,598	27,056,453
Provision for defined benefit plans	30.1	5,526,345	4,690,036
(Profit) / loss on sale of property, plant and equipment		(13,478,345)	(380)
(Profit) / loss on sale of investment property		3,225,000	-
Fair value loss / (gain) on investment properties	23.	550,000	(13,980,000)
Operating profit before working capital changes		1,709,763,986	1,315,464,613
Increase in loans and receivables		(3,685,441,895)	(2,117,177,242)
Increase in other assets		(72,375,366)	(530,649,977)
Increase in deposit liabilities		2,596,808,888	411,470,878
Increase / (decrease) in other liabilities		271,997,551	44,388,849
Cash generated from / (used in) operations		820,753,164	(876,502,879)
Taxes paid	33.	(3,000,000)	(31,120,764)
Gratuity paid	30.	(1,728,903)	(761,673)
Net cash flows generated from / (used in) operating activities		816,024,261	(908,385,316)
Cash flows from investing activities			
Purchase of property, plant and equipment	24.	(72,372,911)	(99,332,344)
Proceeds from sale of property, plant and equipment		14,531,065	89,019
Proceeds from sale and maturity of financial investments - FVOCI		(918,573,985)	895,030,959
Purchase of intangible assets	25.	(6,996,620)	(5,613,385)
Interest received		131,941,469	168,577,924
Dividend received	12.	228,565	179,520
Net cash flows (used in) from investing activities		(851,242,417)	958,931,693
Cash flows from financing activities			
Loans obtained during the period	29.	5,425,000,000	3,990,000,000
Repayments of loans during the period	29.	(5,309,829,031)	(3,669,352,951)
Interest paid on loans		(210,588,357)	(258,953,321)
Interest paid on overdraft		(5,074,420)	(15,294)
Repayment of lease liabilities	31.	(33,259,587)	(26,432,781)
Net cash flows (used in) / generated from financing activities		(133,751,395)	35,245,653
Net increase in cash and cash equivalents		(168,969,551)	85,792,030
Cash and cash equivalents at the beginning of the period		128,448,253	42,656,223
Cash and cash equivalents at the end of the period *		(40,521,298)	128,448,253
*** Analysis of cash and cash equivalents at the end of the period**			
Cash and bank balances	20	166,599,890	154,177,733
Bank overdraft	29.	(207,121,188)	(25,729,480)
		(40,521,298)	128,448,253

Figures in brackets indicate deductions.

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

1. Reporting entity

1.1 General

CBC Finance Limited ('the Company'), regulated under the Finance Business Act No. 42 of 2011, was incorporated in 1987 as a Limited Liability Company domiciled in Sri Lanka under provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No 7 of 2007 under the Company Registration No. PB 276.

The registered office and the principal place of business of the Company is located at No. 187, Katugastota Road, Kandy.

1.2 Principal activities and nature of operations

The principal activities of the Company are granting of Lease Facilities, Hire Purchase, Mortgage Loans and Other credit facilities, whilst accepting public deposits from customers. There were no significant changes in the nature of the principal activities of the Company during the financial period under review.

1.3 Parent entity and ultimate parent entity

The Company's parent enterprise and the ultimate parent enterprise is Commercial Bank of Ceylon PLC.

1.4 Number of employees

The number of employees as at 31 December 2024 is 318 (31 December 2023: 271).

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements of the Company which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Accounting Policies and Notes, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011.

2.2 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st December 2024 were approved and authorized for issue by the Board of Directors in accordance with the resolution of the Directors on 24 March 2025.

2.3 Basis of measurement

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

- Financial Assets classified as Fair Value through Other Comprehensive Income are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation.
- Land and buildings measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.
- Right-of-use assets measured at cost and lease liability measured at the present value of the lease payments that are not paid.
- Investment property measured at cost at the time of acquisition and subsequently at fair value.

2.4 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in Sri Lankan Rupees, which is the Company’s functional and presentation currency.

Rounding

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

2.5 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 38.

2.6 Materiality and aggregation

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

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss and other comprehensive income unless required or permitted by an Accounting Standard.

2.7 Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous financial year 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.

2.8 Use of judgments and estimates

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

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- **Note 3.2** - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount outstanding.

- **Note 3.2.2** - establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.

- **Note 11 –** revenue recognition: whether revenue is recognized over time or at a point in time;

a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2024 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- **Note 3.2.2** – Impairment of financial assets;

- **Note 3.9** – Impairment of non-financial assets;

- **Note 3.6.2** – Fair value of investment property;
- **Note 3.7.4** – revaluation of property, plant and equipment;
- **Note 3.11.1.1** – measurement of defined benefit obligations: key actuarial assumptions;
- **Note 3.12 and 3.13** – provisions and contingencies;
- **Note 5.1** – recognition of current tax expense;
- **Note 5.1.2** – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized and
- **Note 7** – Determination of the fair value of financial instruments with significant unobservable inputs.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the directors are satisfied that the Financial Statements continue to be prepared on going concern basis.

3. Material accounting policies – statement of financial position

Material accounting policies applied by the Company in the preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Company, unless otherwise indicated.

In addition, the Company adopted Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 01 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information.

3.1 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the spot exchange rates at the date of the transactions.

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

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

3.2 Financial instruments

Recognition and initial measurement

Loans and advances are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

"Day 1" Profit or Loss

When the transaction price of the instrument differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value as a 'Day 1' profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or Loss when the inputs become observable, or when the instrument is derecognised.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as, measured at: amortised cost; FVOCI (Fair value through OCI) - debt investment; FVOCI - equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as measured at FVOCI and amortised cost and financial liabilities classified as measured at amortised cost are presented in Note 18.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows 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 (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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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 this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;

- leverage features;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features;

- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and

- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

Financial assets - subsequent measurement and gains and losses

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

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model.

3.2.1 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Company plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.2.2 Identification and measurement of Impairment of financial assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and

- debt investments measured at FVOCI.

No impairment loss is recognised on equity investments.

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

- debt securities that are determined to have low credit risk at the reporting date; and

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 60 days past due.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’. Financial instruments allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

Financial instruments for which a lifetime ECL is recognised but which are credit-impaired are referred to as ‘Stage 3 financial instruments’.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has provided reliefs such as deferment of repayment terms of credit facilities, for the affected businesses and individuals due to COVID-19 and prevailing extraordinary macroeconomic circumstances in line with the directions issued by the CBSL. Given the high degree of uncertainty and unprecedented circumstances in the short-term economic outlook, the Management exercised judgments in the assessment of the impact of the COVID-19 outbreak and economic downturn on the loans and advances portfolio of the Company, relying more on the long-term outlook as evidenced by past experience and taking into consideration various relief measures.

The impact of the outbreak and economic downturn has been assessed and adjusted in these Financial Statements based on the available information and assumptions made as at reporting date in line with the guidelines issued by the CBSL and the CA Sri Lanka. Accordingly, customers operating in risk elevated industries were assessed for lifetime ECL unless such exposures have specifically been identified as Stage 1 reflecting forward looking view of the economy in relation to the business.

The management decided to increase the weightings assigned for worst case scenario while decrease the weightings assigned for base case scenario and best case scenario when assessing the probability weighted forward looking macro-economic indicators. In addition, management overlay adjustment on the ECL computation, based on the qualitative indicators on forward looking macro-economic factors were considered with the objective of capturing recovery from the impact of economic downturn related uncertainties and volatilities.

	2024	**2023**
Base case	30%	45%
Best case	5%	5%
Worst case	65%	50%

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Individual assessment of impairment

For financial assets above a predetermined threshold (i.e. for individually significant financial assets), if there is objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that had not been incurred). The carrying amount of the asset was reduced through the use of a provision account and the amount of impairment loss was recognised in profit or loss. Interest income is accrued and recorded in "interest income" on the reduced carrying amount/impaired balance for stage 03 loans and others to be continued on gross carrying amount and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The present value of the estimated future cash flows was discounted at the financial asset's original EIR.

Collective assessment of impairment

Those financial assets for which, the Company determined that no provision was required under individual impairment, are then collectively assessed for any impairments that had been incurred but not identified. For the purpose of a collective evaluation of impairment, financial assets were grouped on the basis of similar risk characteristics such as collateral type and product type. Future cash flows on a group of financial assets that were collectively evaluated for impairment, are estimated based on the historical loss experiences of assets with similar credit risk characteristics to those in the group.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letter of guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and to fall in line with the CBSL directives. To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists.

Restructured / Rescheduled financial assets

The Company renegotiates loans to customers in financial difficulties (referred to as 'rescheduled/restructured') to maximise collection opportunities and minimise the risk of default. Under the Company's policy, loan rescheduled/restructured is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Company Credit Committee regularly reviews reports on rescheduled/restructured activities.

For financial assets modified as part of the Company's rescheduled/restructured policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the previous experience of similar forbearance action. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of rescheduled/restructured may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour as agreed under the modified contractual terms over a period as specified in the Central Bank directives before the exposure is no longer considered to be credit-impaired/in default such that it upgrade to Stage 1 or 2 by the Company's Recovery Department based on their independent evaluation of the customers.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 90 days past due;

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

Purchased or originated credit impaired financial assets

Originated credit impaired assets are financial assets that are credit impaired on initial recognition. They are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision;

- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-Off

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

Recoveries of amounts previously written off are included in other operating income in the statement of profit or loss and other comprehensive income.

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

3.3 Cash and cash equivalents

'Cash and cash equivalents' include notes and coins in hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.4 Loans and advances

'Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and

- finance lease / hire purchase receivables.

When the Company purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Company's financial statements.

3.5 Financial investments

The 'financial investments' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

- debt securities measured at FVOCI; and

- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;

- ECL and reversals; and

- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

3.6 Investment Property

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

3.6.1 Classification of investment property

Management uses its judgment to determine whether a property qualifies as an investment property. A property that is held either to earn rental income or for capital appreciation or both and thus generates cash flows largely independently of the other assets held by the Company are classified as investment property. On the other hand, a property used in production or supply of goods and services or administrative purposes and thus generates cash flows that are attributable not only to property but also to other assets used in the production or supply process are classified as property, plant & equipment. The Company assesses the accounting classification of its investment properties on an annual basis, taking into consideration the current use of such properties.

3.6.2 Fair valuation of investment property

Fair valuation of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar location and category. They have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location.

3.6.3 Gain or loss on disposal of investment property

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by a Chartered valuation surveyor. Any gain or loss arising from a change in fair value is recognised through profit or loss.

3.6.4 Derecognition of investment property

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer, if any.

3.6.5 Transfer in and out of investment property

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.7 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets.

3.7.1 Recognition

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

3.7.2 Measurement

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

3.7.3 Cost model

The Company applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3.7.4 Revaluation model

The Company applies the Revaluation Model for the entire class of freehold land and buildings for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Freehold land and buildings of the Company are revalued by independent professional valuers every three years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the Reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to profit or loss. In this circumstance, the increase is recognised as income only to extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in profit or loss or charged to Revaluation Reserve in equity through OCI, only to the extent of any credit balances existing in the Revaluation Reserve in respect of that asset, is not transferred any part of revaluation reserve to Retained Earnings on retirement or disposal of the asset.

3.7.5 Subsequent cost

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

3.7.6 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

3.7.7 Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The periods of depreciations based on the estimated useful lives are as follows:

Class of asset	Period
Buildings	30 - 35 years
Furniture and Fittings	8 years
Office Equipment	8 years
Motor Vehicles	5 years
Computers& Accessories	5 years
Telephone System	4 years
Electrical Equipment	8 years
Sign Boards	8 years
Fixtures and Fittings	8 years

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.7.8 Changes in estimates

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

3.8 Intangible assets

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

3.8.1 Basis of recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

3.8.2 Computer software

Cost of all computer software licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is 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.

3.8.3 Subsequent expenditure

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

3.8.4 Derecognition of intangible assets

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

3.8.5 Amortisation of intangible assets

Intangible assets, except for goodwill, are amortised on a straight line basis in profit or loss from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Company. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The Company assumes that there is no residual value for its intangible assets.

Class of asset	Period
Computer software	10 years

3.8.6 Lease

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

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Right of use assets' and lease liability in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16.

3.9 Impairment of non–financial assets

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

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

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

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

3.10 Share capital

3.10.1 Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

3.10.2 Dividends payable

Provision for final dividends is recognized at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the Companies Act No. 7 of 2007.

Dividends for the period that are declared after the reporting date are disclosed in Notes to the Financial Statements as an event after the Reporting Period in accordance with the Sri Lanka Accounting Standard - LKAS 10 (Events after the Reporting Period).

3.11 Employee benefits

3.11.1 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan' as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

3.11.1.1 Defined benefit plan – gratuity

All the employees of the Company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983.

Employees those who have resigned or whose services are terminated other than by retirement are eligible to receive the terminal gratuity under the Payment of Gratuity Act No. 12 of 1983 at the rate of one half of the Gross Salary applicable to the last month of the reporting period in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 05 years.

The defined benefits obligation is calculated annually by Independent actuary using Projected Unit Credit Method as recommended by LKAS 19 (Employee Benefits).

The assumptions based on which the results of actuarial valuation was determined, are included in Note 29.1.2 to the financial statements.

3.11.1.2 Recognition of actuarial gains or losses

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

3.11.1.3 Funding arrangements

The Gratuity liability is not externally funded.

3.11.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under ‘personnel expenses’ as and when they become due. Unpaid contributions are recorded as a liability.

3.11.2.1 Employees’ Provident Fund

The Company and the Employees contribute 12% and 8% respectively on the salary of each employee to the Government Provident Fund.

3.11.2.2 Employees’ Trust Fund

The Company contributes 3% of the salary of each employee to the Employees’ Trust Fund.

3.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Profit or Loss and Other Comprehensive Income net of any reimbursement.

3.13 Commitments and contingencies

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

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

3.14 Earnings per Share (EPS)

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. 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.

3.15 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the Chief Operating Decision Maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

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

- Leasing and Hire Purchases
- Mortgage Loans
- Personal, Business and Other Unsecured Loans
- Investments and Others

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses. Income taxes are managed on a Company basis and are not allocated to operating segments.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Company’s total revenue in 31 December 2024 or 31 December 2023.

4. Recognition of income and expenses

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:

4.1 Interest income and interest expenses

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost; and
- interest on debt instruments measured at FVOCI.

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases.

Interest expense presented in the statement of profit or loss and OCI include financial liabilities measured at amortised cost.

4.2 Fee and commission

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

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

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

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

4.3 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in other revenue based on the underlying classification of the equity investment.

4.4 Expenditure recognition

Expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the period.

5. Taxation

5.1 Income tax

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

5.1.1 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 period and any adjustment to tax payable in respect of prior years. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the Reporting date.

Accordingly, Provision for taxation is based on the profit for the period adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto.

5.1.2 Deferred taxation

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognized deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.1.3 Tax exposures

In determining the amount of current and deferred tax, the Company considers the favourable / adverse impact to the tax liability due to assessments, revision to legislature etc. Such changes to tax liabilities could impact the tax expense in the period in which such revision is considered, as an over or under provision.

As per Notice dated 15 December 2022 issued by the Inland Revenue Department on “Changes to the Inland Revenue Act No. 24 of 2017”, effective from 01 October 2022, Corporate Income Tax rate was revised from 24% to 30%. Such revised tax rate been considered in computing the income tax liabilities and deferred taxation.

5.2 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 Value Added Tax on Financial Services is the accounting profit before VAT and income tax adjusted for the economic depreciation and emoluments of employees computed at 18%.

The VAT on Financial service is recognized as expense in the period it becomes due.

5.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services.

The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.4 Regulatory Provisions

5.4.1 Crop Insurance Levy (CIL)

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

The CIL is recognized as expense in the period it becomes due.

5.4.2 Deposit Insurance and Liquidity Support Scheme

All Licensed Finance Companies were required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" in terms of the regulations, No. 2 of 2021, issued on 06 August 2021, and accordingly, the Company paid a premium of 0.15% of the eligible deposits as deposit insurance premium.

5.4.3 Surcharge Tax

As per provisions of the Government Bill issued on 07 February 2022, if the aggregate of the taxable income of the holding company and all subsidiaries in a group of companies, for the Year of Assessment 2020/21, exceed rupees two thousand million (Rs. 2 Billion), each company in the group of companies is liable to pay Surcharge Tax calculated at 25% on the taxable income (after deducting profit from dividends received from subsidiaries included in the taxable income). The surcharge tax was paid in two equal instalments on 31 March and 30 June of 2022, to the Commissioner General of Inland Revenue.

6. Statement of cash flows

The cash flow statement has been prepared by using ‘The Indirect Method’ in accordance with the Sri Lanka Accounting Standard - LKAS 7 ‘Statement of Cash Flows’, whereby operating activities, finance activities and investing activities have been recognized. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balances with banks.

7. Fair value measurement

7.1 Fair value measurement

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

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

The principal or the most advantageous market must be accessible to 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 value of measurement of a non-financial asset takes in to 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. External professional valuers are involved for valuation of significant assets such as land and buildings.

7.2 Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1
Inputs that are unadjusted quoted market prices in an active market for identical instruments.

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Inputs other than quoted prices included within Level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

(a) quoted market prices in active markets for similar instruments,

(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or

(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3
Inputs that are unobservable

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

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exists and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

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

8. New accounting standards issued but not effective as at the reporting date

The following new or amended standards and interpretations have been issued, but not yet effective, as at the reporting date of the financial statements. These are not expected to result in material impact to the Company’s financial statements on adoption.

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 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.

Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 01 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

9.	GROSS INCOME	Note	2024 Rs.	2023 Rs.
	Interest income		2,271,136,833	1,767,177,189
	Fee and commission income	10.1	291,433,391	149,882,005
	Other operating income	11.1	98,796,540	74,410,986
	Total income	12	2,661,366,764	1,991,470,180

10.	NET INTEREST INCOME	2024 Rs.	2023 Rs.
10.1	**Interest income**		
	Cash and cash equivalents	6,295,024	6,543,366
	Financial investments measured at FVOCI	125,646,445	162,034,558
	Loans and advances	2,139,195,364	1,598,599,265
	Total interest income	2,271,136,833	1,767,177,189
10.2	**Interest expenses**		
	Interest on deposit liabilities	1,180,272,268	1,006,504,346
	Interest on bank borrowings	210,672,750	257,294,112
	Interest expense on lease liabilities	8,112,811	6,900,334
	Total interest expenses	1,399,057,829	1,270,698,792
	Net interest income	872,079,004	496,478,397

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

For the year ended 31 December	2024 Rs.	2023 Rs.
Financial Assets		
Financial assets measured at amortised cost	2,145,490,388	1,605,142,631
Financial assets measured at FVOCI	125,646,445	162,034,558
Total	2,271,136,833	1,767,177,189
Financial liabilities measured at amortised cost	1,399,057,829	1,270,698,792

11. NET FEE AND COMMISSION INCOME

11.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of SLFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income.

For the year ended 31 December	2023 Rs.	2022 Rs.
Fee and commission income		
Loans and advances related services	67,543,341	54,456,298
Other financial services	223,890,050	95,425,707
Total fee and commission income	291,433,391	149,882,005
Fee and commission expenses		
Loans and advances related services	21,354,348	31,773,717
Other financial services	813,291	714,936
Total fee and commission expenses	22,167,639	32,488,653
Net fee and commission income	269,265,752	117,393,352

11. NET FEE AND COMMISSION INCOME (Contd…)

11.1 Disaggregation of fee and commission income (Contd…)

The fees and commission presented in this note include income of Rs. 291.4 million (31.12.2023: Rs. 149.9 million) and expense of Rs. 22.1 million (31.12.2023: Rs. 32.4 million) relating to financial assets and financial liabilities not measured at FVTPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

11.2 Performance obligations and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Retail and corporate finance service	The Company provides lending services to retail and corporate customers, including provision of other loan facilities. Transaction-based fees for interchange and loans are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.

For the year ended 31 December

12. OTHER OPERATING INCOME

	Note	2024 Rs.	2023 Rs.
Dividend income		228,565	179,520
Recoveries of loans written-off		81,168,521	59,145,820
Profit on disposal of property, plant and equipment		13,478,345	380
Rental and other income		3,921,109	1,105,266
Fair value gain on investment properties		-	13,980,000
Total		98,796,540	74,410,986

13. IMPAIRMENT CHARGES AND OTHER LOSSES

	Note	2024 Rs.	2023 Rs.
Loans and advances			
Collective impairment	22.1	278,122,832	320,899,251
Write off against the provision		3,445,950	206,550,458
Direct Write off for the year		12,947,278	-
Total impairment charges - Loans and advances		294,516,060	527,449,709
Other financial assets		(3,270,388)	1,802,364
Interest unwinding on stage three contracts		(54,380,820)	(47,636,547)
Total impairment charges		236,864,852	481,615,526

14. PERSONNEL EXPENSES

		2024	2023
		Rs.	Rs.
Salaries and other related expenses		254,335,003	147,587,006
Employer’s contribution to Employees' Provident Fund		24,972,011	14,966,005
Employer’s contribution to Employees' Trust Fund		6,264,752	3,741,501
Gratuity charge for the year	29.1	5,526,345	4,690,036
Other staff related expenses		71,280,917	82,194,326
Total		362,379,028	253,178,874

15. OTHER OPERATING EXPENSES

	2024	2023
	Rs.	Rs.
Directors' emoluments	7,890,000	4,360,000
Auditors' remuneration - Audit & audit related services	2,211,062	2,277,972
Auditors' remuneration - Non audit related services	1,147,513	1,022,028
Professional and legal expenses	2,646,904	5,543,428
General insurance expenses	6,803,910	2,731,120
Office administration and establishment expenses	259,642,058	180,223,226
Fair value loss on investment property	550,000	-
Disposal loss on sale of investment property	3,225,000	-
Sales, marketing and business promotional expenses	14,770,978	16,132,479
Total	298,887,425	212,290,253

16. TAXES ON FINANCIAL SERVICES

	2024	2023
	Rs.	Rs.
Value added tax on financial services (FS VAT)	90,265,348	-
Social Security Contribution Levy (SSCL)	12,536,854	-
	102,802,202	-

17. INCOME TAX CHARGE / (REVERSAL)

17.1 Amounts recognized in profit or loss

	2024	2023
	Rs.	Rs.
Current tax expense		
Under provision in relation to prior years (2019/20)	-	3,152,833
Over provision in relation to prior years (2022/23)	-	(6,519,836)
	-	(3,367,003)
Deferred tax expense		
Origination of deferred tax assets	76,122,654	(92,060,014)
Total	76,122,654	(95,427,017)

17. INCOME TAX CHARGE / (REVERSAL) (Contd…)

17.2 Amount recognized in OCI

	2024 Rs.	2023 Rs.
Income that will not be reclassified to profit or loss		
Revaluation surplus of capital assets	-	8,150,803
Remeasurement of defined benefit liability	(1,081,575)	(130,927)
Net change in fair value of unquoted equity securities	51,888	19,444
	(1,029,687)	8,039,320
Items that are or may be reclassified subsequently to profit or loss		
Movement in fair value reserve (debt instruments)	1,044,834	2,693,021
	15,147	10,732,341

17.3 Reconciliation of effective tax rate

	Effective Tax Rate 2024	2024 Rs.	Effective Tax Rate 2023	2023 Rs.
(Loss) / profit for the year		81,541,007		(225,177,523)
Income tax charge		76,122,654		(95,427,017)
(Loss) / profit before taxation		157,663,661		(320,604,540)
Tax using the domestic corporation tax rates of 30%	30%	47,299,098	30%	(96,181,362)
Tax effect of aggregate disallowable items	84%	132,308,242	-52%	166,577,369
Tax effect of aggregate allowable expenses	-94%	(148,390,660)	47%	(149,873,313)
Tax effect of capital portion of rentals	1%	969,705	-2%	7,502,915
Tax effect on B/F tax losses	-20%	(32,186,385)	-22%	71,974,391
Adjustment for prior years	0%	-	1%	(3,367,003)
Deferred tax charge / (reversal) due to temporary difference	48%	76,122,654	29%	(92,060,014)
	48%	76,122,654	30%	(95,427,017)

17.4 Amounts recognized directly in equity

There were no items recognized directly in equity during the year ended 31 December 2024.

For the year ended 31 December

17.5 Tax losses carried forward

	2024 Rs.	2023 Rs.
Tax loss brought forward	238,753,926	-
Tax loss for the year of assessment	-	238,753,926
Set off against the current taxable income	(107,287,951)	-
Tax loss carried forward	131,465,975	238,753,926

17.6 The income tax provision of the Company is calculated on its adjusted profits at the standard rate of 30% in accordance with the Inland Revenue Act No. 24 of 2017 and amendments thereto.

18. BASIC EARNINGS /(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

For the year ended 31 December	2024 Rs.	2023 Rs.
Profit / (loss) attributable to ordinary shareholders (Rs.)	81,541,007	(225,177,523)
Weighted average number of ordinary shares in issue	221,793,834	221,793,834
Basic earnings/ (loss) per ordinary share (Rs.)	0.37	(1.02)

18. BASIC EARNINGS /(LOSS) PER SHARE

		2024 Rs.	2023 Rs.
18.1	Weighted average number of ordinary shares in issue	221,793,474	221,793,474
	Issued ordinary shares as at 01 April	-	-
	Effect of shares issued on 02 October 2020 *(70,323,488 ordinary shares)*	221,793,474	221,793,474

18.2 There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at 31 December 2024

	Note	At amortized cost Rs.	Fair value through OCI Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
Assets					
Cash and cash equivalents		166,599,890	-	-	166,599,890
Financial investments		-	1,634,253,594	-	1,634,253,594
Loans and advances		13,445,176,774	-	-	13,445,176,774
Other assets	27	12,814,599	-	-	12,814,626
Total financial assets		13,624,591,263	1,634,253,594	-	15,258,844,884
Liabilities					
Deposit liabilities		-	-	10,311,261,790	10,311,261,790
Due to banks		-	-	3,050,169,109	3,050,169,109
Lease liabilities		-	-	74,210,693	74,210,693
Other liabilities	34	-	-	30,363,849	30,363,849
Total financial liabilities		-	-	13,466,005,441	13,466,005,441

As at 31 December 2023

	Note	At amortized cost Rs.	Fair value through OCI Rs.	Other financial liabilities at amortized cost Rs.	Total Rs.
Assets					
Cash and cash equivalents		154,177,733	-	-	154,177,733
Financial investments		-	712,023,869	-	712,023,869
Loans and advances		13,445,176,774	-	-	13,445,176,774
Other assets	27	23,836,965	-	-	23,836,992
Total financial assets		13,623,191,472	712,023,869	-	14,335,215,368
Liabilities					
Deposit liabilities		-	-	6,534,180,634	6,534,180,634
Due to banks		-	-	2,758,596,459	2,758,596,459
Lease liabilities		-	-	64,874,901	64,874,901
Other liabilities	34	-	-	30,363,849	30,363,849
Total financial liabilities		-	-	9,388,015,843	9,388,015,843

20. CASH AND CASH EQUIVALENTS

	Notes	2024 Rs.	2023 Rs.
Cash in hand held in local currency		98,406,072	50,616,608
Balances with licensed commercial banks		68,193,818	103,561,125
Total		166,599,890	154,177,733

21. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

21.1 Financial Investments - FVOCI

		2024 Rs.	2023 Rs.
Investments in unquoted equities	21.1	2,358,002	2,185,042
Investments in government securities		1,631,895,592	709,838,827
Total		1,634,253,594	712,023,869

21.2 Unquoted equities

	2024			2023		
	Number of shares	Cost Rs.	Carrying value/ Fair - Rs.	Number of shares	Cost Rs.	Carrying value/ Fair value Rs.
Credit Information Bureau	100	123,700	2,358,002	100	123,700	2,185,042
Total		123,700	2,358,002		123,700	2,185,042

These are investments held for regulatory purposes. When measuring fair values of Financial Investments the Company used the latest publicly available financial statements. No strategic investment were disposed of during the year and there were no transfers at any cumulative gain or loss with in equity relating to these investments.

22. LOANS AND ADVANCES

	Note	2024 Rs.	2023 Rs.
Loans and advances		18,943,150,100	14,912,738,244
Less: Unearned income		(3,724,614,129)	(3,275,102,148)
Gross loans and advances		15,218,535,971	11,637,636,096
Less: Allowance for impairment losses	22.1	(1,773,359,197)	(1,495,236,365)
Net loans and advances		13,445,176,774	10,142,399,731

22.1 Allowance for impairment losses

	2024	2023
As at 01 January	1,495,236,365	1,174,337,114
Charge for the period - collective impairment	281,568,782	527,449,709
Write off against the provision	(3,445,950)	(206,550,458)
As at 31 December	1,773,359,197	1,495,236,365

Loans and advances with the contractual amount of Rs. 3,445,950/- has written down during the 2024 are still subject to enforcement activity.

22.1.1 Analysis of allowance for impairment losses by product

		2024	2023
Leases	22.2.1	374,389,467	344,175,051
Hire purchase	22.2.2	116	120
Mortgage loans	22.2.3	477,540,312	503,797,976
Other loans	22.2.4	921,429,302	647,263,218
		1,773,359,197	1,495,236,365

22. LOANS AND ADVANCES (Contd…)

22.1.1 Analysis of allowance for impairment losses by product (Contd…)

The Company assesses impairment based on collective models developed for specific products. Further Impairment has not been assessed based on individual impairment model for the years ended 31.12.2024 as lack of information to perform to back-testing to ensure the model accuracy due to unavailability of sufficient past data due to moratorium/concessions granted during the previous years based on the circular's issued from the Central Bank of Sri Lanka and limitations to re-assess the accuracy and reliability of estimated future cash flow projections and the other objective evidences and related assumptions under prevailing unstable economic situation of the country. Accordingly, impairment charge of Rs. 281,568,782/- recorded during the year over the total portfolio considered for impairment under collective approach.

	As at 31 December		**2024 Rs.**	**2023 Rs.**
22.2	**Analysis by product**			
	Leases	22.2.1	4,795,591,393	3,086,508,365
	Hire purchase	22.2.2	-	-
	Mortgage loans	22.2.3	2,580,991,155	3,413,855,413
	Other loans	22.2.4	6,068,594,226	3,642,035,952
			13,445,176,774	10,142,399,730
22.2.1	**Leases**			
	Gross lease receivable			
	Within one year	21.2.1 (a)	1,947,666,975	1,502,128,103
	One to five years	21.2.1 (b)	3,222,313,885	1,928,555,313
	Over five years	21.2.1 (c)	-	-
			5,169,980,860	3,430,683,416
	Less: Allowance for impairment losses		(374,389,467)	(344,175,051)
	Net lease receivable		4,795,591,393	3,086,508,365
22.2.1 (a)	**Gross lease receivable within one year**			
	Total lease receivable within one year		2,885,472,454	2,119,861,784
	Less: Unearned income		(937,805,479)	(617,733,681)
			1,947,666,975	1,502,128,103
22.2.1 (b)	**Gross lease receivable within one to five years**			
	Total lease receivable within one to five years		4,344,984,752	2,699,991,501
	Less: Unearned income		(1,122,670,867)	(771,436,188)
			3,222,313,885	1,928,555,313
22.2.1 (c)	**Gross lease receivable over five years**			
	Total lease receivable over five years		-	-
	Less: Unearned income		-	-
			-	-
22.2.2	**Hire purchase**			
	Gross hire purchase receivable			
	Within one year	21.2.2 (a)	116	120
	One to five years	23.2.2 (b)	-	-
	Over five years	23.2.2 (c)	-	-
			116	120
	Less: Allowance for impairment losses		(116)	(120)
	Net hire purchase receivable		-	-

22. LOANS AND ADVANCES (Contd…)

22.2 Analysis by product (Contd…)

22.2.2 Hire purchase (Contd…)

22.2.2 (a) Gross hire purchase receivable within one year

	Note	2024 Rs.	2023 Rs.
Total hire purchase rentals receivable		116	120
Less: Unearned income		-	-
		116	120

22.2.3 Mortgage loans

	Note	2024 Rs.	2023 Rs.
Gross mortgage loans receivable			
Within one year	21.2.3 (a)	1,637,234,677	1,361,319,810
One to five years	21.2.3 (b)	1,303,609,818	2,274,099,562
Over five years	21.2.3 (c)	117,686,972	282,234,018
		3,058,531,467	3,917,653,389
Less: Allowance for impairment losses		(477,540,312)	(503,797,976)
Net mortgage loans receivable		2,580,991,155	3,413,855,413

22.2.3 (a) Gross mortgage loans receivable within one year

	2024	2023
Total mortgage loans receivable	1,957,994,954	1,852,839,582
Less: Unearned income	(320,760,277)	(491,519,772)
	1,637,234,677	1,361,319,810

22.2.3 (b) Gross mortgage loans receivable within one to five years

	2024	2023
Total mortgage loans receivable	1,775,455,740	3,068,627,375
Less: Unearned income	(471,845,922)	(794,527,813)
	1,303,609,818	2,274,099,562

22.2.3 (c) Gross mortgage loans receivable over five years

	2024	2023
Total mortgage loans receivable	128,888,099	329,848,721
Less: Unearned income	(11,201,127)	(47,614,703)
	117,686,972	282,234,018

22.2.4 Other loans

	Note	2024 Rs.	2023 Rs.
Gross other loans receivable			
Within one year	21.2.4 (a)	5,941,818,438	3,872,005,612
One to five years	21.2.4 (b)	939,341,445	388,831,609
Over five years	21.2.4 (c)	108,863,645	28,461,949
		6,990,023,528	4,289,299,170
Less: Allowance for impairment losses		(921,429,302)	(647,263,218)
Net other loans receivable		6,068,594,226	3,642,035,952

22.2.4 (a) Gross other loans receivable within one year

	2024	2023
Total other loans receivable	6,510,789,954	4,331,459,000
Less: Unearned income	(568,971,516)	(459,453,388)
	5,941,818,438	3,872,005,612

22. LOANS AND ADVANCES (Contd…)

Analysis by product (Contd…)

22.2.4 Other loans (Contd…)

22.2.4 (b) Gross other loans receivable within one to five years

	2024 Rs.	2023 Rs.
Total other loans receivable	1,216,996,489	475,674,759
Less: Unearned income	(277,655,044)	(86,843,150)
	939,341,445	388,831,609

22.2.4 (c) Gross other loans receivable over five years

	2024 Rs.	2023 Rs.
Total other loans receivable	122,567,542	34,435,402
Less: Unearned income	(13,703,897)	(5,973,453)
	108,863,645	28,461,949

22.2.4 (d) Other loans includes personal loans, business loans, gold loans and other unsecured loans.

23. INVESTMENT PROPERTIES

Cost / Valuation	2024 Rs.	2023 Rs.
As at 01 January	538,875,000	26,350,000
Additions during the year	154,800,000	498,545,000
Removal during the period	(12,225,000)	-
Fair value gain	(550,000)	13,980,000
As at 31 December	680,900,000	538,875,000

23. INVESTMENT PROPERTIES

23.1 Details of investment properties

Location	Date of valuation	Number of Buildings	Extent		Price		Fair value of the investment property		Carrying value of investment property before fair valuation		Fair value gain/(losses) recognized in income statement	
			Land (Perches)	Buildings (Square feets)	Land (Perches) Rs.	Buildings (Square feets)	Land Rs.	Building Rs.	Land Rs.	Building Rs.	Land Rs.	Building Rs.
Lot 04, Plan No: 1652, Bulumulla, Kiribathkumbura.	31.12.2024	-	18.70	-	300,000	-	5,600,000	-	6,350,000	-	(750,000)	-
Lot 01, Plan No: 1366, Alapalawala, Handessa, Peradeniya.	31.12.2024	-	312.00	-	60,000	-	18,700,000	-	21,850,000	-	(3,150,000)	-
Lot 8247, Plan No: 7790 C / 5367, Suranimala Place, Pamankada,Thimbirigasyaya.	31.12.2024	3	-	5,280.00	-	22,633	-	119,500,000	-	109,000,000	-	10,500,000
Lots 5112 and 5113, Plan No: 224, No 122/37, High level road, Kirulapone.	31.12.2024	-	22.81	-	6,250,000	-	142,000,000	-	144,000,000	-	(2,000,000)	-
Lots 01, Plan No: 896, Yatiwawala, Katugastota, Kandy.	31.12.2024	-	272.01	-	346,678	-	94,300,000	-	98,250,000	-	(3,950,000)	-
Lot 01, Plan No: 496, Polwatta, Mawanella.	31.12.2024	1.00	98.50	12550	75,000	1,547	7,387,500	19,412,500	7,387,500	21,612,500	-	(2,200,000)
Lot 02, Plan No: 2648, Ballapana Pathabage, Galigamuwa.	31.12.2024	-	105.30	-	900,000	-	94,800,000	-	94,800,000	-	-	-

23. INVESTMENT PROPERTIES

23.1 Details of investment properties

Location	Date of valuation	Number of Buildings	Extent		Price		Fair value of the investment property		Carrying value of investment property before fair valuation		Fair value gain/(losses) recognized in income statement	
			Land (Perches)	Buildings (Square feets)	Land (Perches) Rs.	Buildings (Square feets)	Land Rs.	Building Rs.	Land Rs.	Building Rs.	Land Rs.	Building Rs.
Lot 02, Plan No: 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	31.12.2024	-	12.00	-	600,000	-	7,200,000	-	7,200,000	-	-	-
Lot No B, Plan No: 1085,Katukoliha, Hikkaduwa.	31.12.2024	1	49.00	1,164	350,000	1,500	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
Lot 11, Plan No: 2099, Mary Mount, Kandy Road, Kurunegala.	31.12.2024	1	13.50	3590	850,000	4,500	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
Lot 57, Plan No: 426,No - 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	31.12.2024	1	8.50	2,942	450,000	3,000	3,825,000	5,675,000	2,825,000	5,675,000.00	1,000,000	-
Lot 1, 2 & 3 Plan No: 183-2013, Dewpahala, Kuruwita, Rathnapura.	31.12.2024	-	3992.00	-	11,774	-	47,000,000	-	47,000,000	-	-	-
Lot 1, Plan No: 7183, Gorakagahawatta, Udahamulla Village, Maharagama.	31.12.2024	-	9.20	-	1,850,000	-	17,000,000	-	17,000,000	-	-	-
Lot 2, Plan No: 1801, 1st Lane, Ramahera Mawatha, Kaduwela.	31.12.2024	-	55.34	-	550,000	-	31,000,000	-	31,000,000	-	-	-
Lot 1 A, Plan No: 3867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	31.12.2024	-	7.00	-	3,000,000	-	21,000,000	-	21,000,000	-	-	-

23. INVESTMENT PROPERTIES (Contd…)

23.2 Measurement of Fair Value

The Company engages independent professional valuers for revaluation of its Investment Property and the valuation is carried out every financial year.

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

Details of the professional valuer	Location	Method of valuation and significant unobservable inputs	Range of estimate for significant unobservable inputs	Fair value of the investment property		Carrying value of investment property before fair valuation		Fair value gain / (losses) recognized in income statement	
				Land Rs.	Building Rs.	Land Rs.	Building Rs.	Land Rs.	Building Rs.
S.A.S Fernando Chartered Valuer FRICS (ENG.) IRRV (ENG) FIV (S,L) MIV (R S,A) F.I.V. (Sri Lanka) R.N : F/ 100	Lot 04, Plan No: 1652, Bulumulla, Kiribathkumbura.	Market comparable method - price per perch	Rs.300,000 p.p.	5,600,000	-	6,350,000	-	(750,000)	-
	Lot 01, Plan No: 1366, Alapalawala, Handessa, Peradeniya.	Market comparable method - price per perch	Rs. 60,000 p.p.	18,700,000	-	21,850,000	-	(3,150,000)	-
	Lot 8247, Plan No: 7790 C / 5367, Suranimala Place, Pamankada,Thimbirigasyaya.	Investment method - -Gross monthly rental - Years purchase	Rs. 175,000 p.m. 24.10	-	119,500,000	-	109,000,000	-	10,500,000
	Lots 01, Plan No: 896, Yatiwawala, Katugastota, Kandy.	Market comparable method - price per perch	Rs. 346,678 p.p.	94,300,000	-	98,250,000	-	(3,950,000)	-
	Lot No B, Plan No: 1085,Katukoliha, Hikkaduwa.	Market comparable method - price per perch -price per Sq.Ft	Rs.350,000 p.p. Rs. 1500 p.sq.ft	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
	Lot 11, Plan No: 2099, Mary Mount, Kandy Road, Kurunegala.	Market comparable method - price per perch -price per Sq.Ft	Rs.850,000 p.p. Rs. 4500 p.sq.ft	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
	Lot 2, Plan No: 1801, 1st Lane, Ramahera Mawatha, Kaduwela.	Market comparable method - price per perch	Rs. 550,000 p.p.	31,000,000	-	31,000,000	-	-	-
	Lot 1 A, Plan No: 3867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	Market comparable method - price per perch	Rs. 3,000,000 p.p.	21,000,000	-	21,000,000	-	-	-
D.S Premasiri Assocoate Incorporated Valuer B. Sc. (Estate Manageent & Valuation) (SP), (USJP) AIV (SL) No: A/ 750	Lot 01, Plan No: 496, Polwatta, Mawanella.	Market comparable method - price per perch -price per Sq.Ft - Depriciation rate	Rs. 75,000 p.p. Rs. 1547 p.sq.ft 26%	7,387,500	19,412,500	7,387,500	21,612,500	-	(2,200,000)
	Lot 02, Plan No: 2648, Ballapana Pathabage, Galigamuwa.	Market comparable method - price per perch	Rs. 900,000 p.p.	94,800,000	-	94,800,000	-	-	-
	Lot 02, Plan No: 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	Market comparable method - price per perch	Rs. 600,000 p.p.	7,200,000	-	7,200,000	-	-	-
	Lot 57, Plan No: 426,No - 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	Market comparable method - price per perch -price per Sq.Ft - Depriciation rate	Rs.450,000 p.p. Rs. 2942 p.sq.ft 35%	3,825,000	5,675,000	2,825,000	5,675,000	1,000,000	-
	Lot 1, Plan No: 7183, Gorakagahawatta, Udahamulla Village, Maharagama.	Market comparable method - price per perch	Rs. 1,850,000 p.p.	17,000,000	-	17,000,000	-	-	-
L. Dasanayake Chartered Valuer, Court Commisioner & Valuer	Lots 5112 and 5113, Plan No: 224, No 122/37, High level road, Kirulapone.	Market comparable method - price per perch	Rs. 6,250,000 p.p.	142,000,000	-	144,000,000	-	(2,000,000)	-
G M Gamini Senevirathne Chartered Valuer, F.I.V. (Sri Lanka) R.N - F/ 325	Lot 1, 2 & 3 Plan No: 183-2013, Dewpahala, Kuruwita, Rathnapura.	Market comparable method - price per perch	Rs.11,774 p.p.	47,000,000	-	47,000,000	-	-	-
				518,437,500	162,462,500	526,737,500	154,712,500	(8,300,000)	7,750,000

23.2.1 Valuation Techniques and Sensitivity of the Fair Value Measurement

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fairvalue measurement to input
Market comparable method This method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.	Price per perch for land Price per square foot for building Depriciation rate for building	The estimated fair value would increase / (decrease) if price per perch/Sq.ft./Depriciation rate would higher / (lesser)
Investment method This method consider the current market rent by an independent valuer to value the specific Property.	Gross monthly rental Years purchase Void Period	The estimated fair value would increase / (decrease) if monthly rental would higher / (lesser)

24. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Furniture and fittings	Office equipment	Computers and accessories	Sign boards	Telephone system	Electrical equipment	Motor vehicles	Fixtures and fittings	Capital Work-In-Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost/ valuation												
Balance as at 01 January 2023	83,730,000	115,689,635	13,967,685	24,312,260	83,648,755	5,681,913	1,742,115	16,303,292	21,883,498	14,558,124	30,742,706	412,259,983
Additions	-	33,419,661	6,129,598	15,250,567	50,148,062	1,068,979	3,092,540	9,925,328	1,466,052	9,574,263	2,676,955	132,752,005
Revaluation surplus	9,170,000	17,999,343	-	-	-	-	-	-	-	-	-	27,169,343
Disposals	-	-	-	-	(692,692)	-	-	-	-	-	-	(692,692)
Transfers	-	(10,408,639)	-	-	-	-	-	-	-	-	(33,419,661)	(43,828,300)
Balance as at 31 December 2023	92,900,000	156,700,000	20,097,283	39,562,827	133,104,125	6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	-	527,660,339
						-						
At cost/ valuation												
Balance as at 01 January 2024	92,900,000	156,700,000	20,097,283	39,562,827	133,104,125	6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	-	527,660,339
Additions	-	-	8,141,696	12,830,996	29,915,079	1,949,958	3,411,760	10,403,967	(0)	5,719,455	-	72,372,911
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(171,850)	-	-	-	(12,325,204)	-	-	(12,497,054)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	92,900,000	156,700,000	28,238,979	52,393,823	162,847,354	8,700,850	8,246,415	36,632,587	11,024,346	29,851,842	-	587,536,196
Accumulated Depreciation												
Balance as at 01 January 2023	-	7,262,509	8,241,033	11,246,793	38,583,899	2,029,238	1,133,393	4,856,661	17,936,095	4,076,356	-	95,365,977
Charge for the year	-	3,146,131	1,345,436	3,176,779	18,859,686	722,439	540,001	2,532,826	2,022,479	2,400,392	-	34,746,169
Disposals	-	-	-	-	(604,053)	-	-	-	-	-	-	(604,053)
On revaluation	-	(10,408,640)	-	-	-	-	-	-	-	-	-	(10,408,640)
Balance as at 31 December 2023	-	-	9,586,469	14,423,572	56,839,532	2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	-	119,099,453
Net book value As at												
Accumulated Depreciation												
Balance as at 01 January- 2024	-	-	9,586,469	14,423,572	56,839,532	2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	-	119,099,453
Charge for the year	-	4,003,295	2,298,962	4,875,132	25,365,735	861,246	1,378,265	3,645,906	1,766,191	3,182,348	-	47,377,080
Disposals	-	-	-	-	(119,085)	-	-	-	(11,325,249)	-	-	(11,444,334)
On revaluation	-	-	-	-		-	-	-	-	-	-	-
Balance as at 31 December 2024	-	4,003,295	11,885,431	19,298,704	82,086,182	3,612,923	3,051,659	11,035,393	10,399,516	9,659,096	-	155,032,199
As at 31 December 2024	92,900,000	152,696,705	16,353,548	33,095,119	80,761,172	5,087,927	5,194,756	25,597,194	624,830	20,192,746	-	432,503,997
As at 31 December 2023	92,900,000	156,700,000	10,510,814	25,139,255	76,264,593	3,999,215	3,161,261	18,839,133	3,390,976	17,655,639	-	408,560,886

24.1 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment including transfer from the capital work in progress to the aggregate value of Rs. 72,372,911/- (Year ended 31.12.2023 - Rs. 132,752,005/-).

24.2 Title restriction on property, plant and equipment

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

24.3 Capitalisation of borrowing costs

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year ended 31 December 2024 (Year ended 31.12.2023: Nil).

24.4 Amount of contractual commitments for the acquisition of property, plant and equipment

The Company had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date (Year ended 31.12.2023: Nil).

24.5 Property, plant and equipment included fully depreciated assets amounting to Rs. 78,077,528/- as at 31 December 2024 (as at 31.12.2023 - Rs. 54,414,510/-).

24. PROPERTY, PLANT AND EQUIPMENT (Contd…)

24.6 Measurement of fair values

The fair value of land and buildings was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's land and buildings every 3 years.

The fair value measurement of all of the land and buildings has been categorized as a Level 3 fair value based on the inputs to the valuation techniques used.

24.7 Information on valuation of freehold Land and Buildings of the Company.

Date of valuation: 31 December 2023

Name of the professional valuer/Location and Address	Location of the property	Extent		Method of valuation and significant unobservable inputs	Range of estimation for unobservable inputs	Carrying value before valuation of		Revaluation amount of		Revaluation gain Recognized on	
		Land (Perches)	Buildings (Suara feet)			Land Rs.	Buildings Rs.	Land Rs.	Buildings Rs.	Land Rs.	Buildings Rs.
Sarath G. Fernando. F.I.V. Chartered Valuer, Wattegama, Sri Lanka.	No. 187, Katugastota Road, Kandy.	11.93	10892	• Valuation on Comparative Method. • Useful life period of the Building. ● Price per perch for land ● Price per square foot for building ● Depreciation rate	● Useful life period of the Building is 30 years ● Price per perch Rs. 6,000,000/- ● Price per sq.foot Rs. 13,700/- ● Depreciation rate - 15%	65,630,000	106,726,655	71,600,000	127,000,000	5,970,000	20,273,345
	No. 182, Katugastota Road, Kandy.	3.29	3714		●Useful life period of the Building is 25 years ● Price per perch Rs. 6,500,000/- ● Price per sq.foot Rs. 10,000/- ● Depreciation rate - 20%	18,100,000	31,974,002	21,300,000	29,700,000	3,200,000	(2,274,002)
						83,730,000	138,700,657	92,900,000	156,700,000	9,170,000	17,999,343

24.7.1 The carrying amount of Company's revalued assets that would have been included in these Financial Statements had these assets been carried at cost less accumulated depreciation is as follows:

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	40,313,868	-	40,313,868	40,313,868	-	40,313,868
Building	82,904,684	14,298,587	68,606,097	82,904,684	12,640,494	70,264,190
Total	123,218,552	14,298,587	108,919,965	123,218,552	12,640,494	110,578,058

24.8 Fair value measurement hierarchy

Measurement of the fair value of the Land and Building is using the unobservable inputs, which need to be treated as Level 3 in accordance with SLFRS 13 Fair Value Measurement.

24. PROPERTY, PLANT AND EQUIPMENT (Contd…)

24.9 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2024 specially considering the present economic condition. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment. The management has taken necessary actions to safeguard the assests to ensure its future economic value would not diminish.

24.10 Property, plant and equipment pledged as security

Details of property, plant and equipment which have been pledged as securities as at the reporting date are disclosed in Note 29.4.

24.11 Market Comparable Method

The comparison method to property valuation is an approach which uses the value of recently sold comparable assets to determine the value of a property.

25. INTANGIBLE ASSETS

Computer software	**2024 Rs.**	**2023 Rs.**
Cost		
As at 01 January	56,266,999	50,653,614
Additions during the year	6,996,620	5,613,385
As at 31 December	63,263,619	56,266,999
Amortization		
As at 01 January	24,539,259	20,045,243
Additions during the year	5,147,598	4,494,016
As at 31 December	29,686,857	24,539,259
Carrying value as at 31 December	33,576,762	31,727,740

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26. RIGHT OF USE ASSETS

	2024 Rs.	**2023 Rs.**
As at 01 January	62,696,695	67,406,857
Additions during the year	34,482,568	17,852,275
Amortization for the year	(29,019,450)	(22,562,437)
As at 31 December	68,159,813	62,696,695

27. OTHER ASSETS

	Notes	2024 Rs.	2023 Rs.
Financial			
Refundable deposits		12,814,599	8,146,600
Debtors		1,783,178	1,783,178
Insurance premium receivable		-	19,947,446
		14,597,777	29,877,224
Allowance for impairment losses - debtors & insurance premium receivable	27.1	(1,783,178)	(6,040,259)
		12,814,599	23,836,965
Non-financial			
Prepayments		29,126,130	15,685,198
Other receivables		73,367,855	9,189,915
WHT receivable		642,811	327,069
		103,136,796	25,202,182
Total		115,951,395	49,039,147

27.1 Allowance for impairment losses - debtors & insurance premium receivable

	2024 Rs.	2023 Rs.
Debtors	(1,783,178)	(1,783,178)
Insurance premium receivable	-	(4,257,081)
	(1,783,178)	(6,040,259)

28. DEPOSIT LIABILITIES

	2024 Rs.	2023 Rs.
Savings deposits	-	334,386,247
Fixed deposits	10,311,261,790	6,199,794,387
	10,311,261,790	6,534,180,634

29. DUE TO BANKS

	Notes	2024 Rs.	2023 Rs.
Bank overdrafts		207,121,188	25,729,480
Securitized borrowings	29.1	1,349,656,460	2,170,195,258
Unsecuritized borrowings	29.2	1,493,391,461	562,671,721
Total		3,050,169,109	2,758,596,459

29.1 Securitized borrowings

For the year ended 31 December 2024

	As at 01.01.2024	Loans obtained during the year	Interest expense for the year	Repayments during the year	As at 31.12.2024
Direct bank borrowings	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Term loans					
Commercial Bank of Ceylon PLC	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,289)	1,349,656,460
Total	2,170,195,258	3,260,000,000	162,584,491	(4,243,123,289)	1,349,656,460

For the year ended 31 December 2023

	As at 01.01.2023	Loans obtained during the year	Interest expense for the year	Repayments during the year	As at 31.12.2023
Direct bank borrowings	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Term loans					
Commercial Bank of Ceylon PLC	2,280,285,530	3,100,000,000	193,292,899	(3,403,383,171)	2,170,195,258
Total	2,280,285,530	3,100,000,000	193,292,899	(3,403,383,171)	2,170,195,258

29.2 Unsecuritized borrowings

For the year ended 31 December 2024

	As at 01.01.2024 Rs.	Loans obtained during the year Rs.	Interest expense for the year Rs.	Repayments during the year Rs.	As at 31.12.2024 Rs.
Sampath Bank PLC	491,051,151	1,165,000,000	37,411,264	(1,197,721,267)	495,741,148
DFCC Bank PLC	71,620,570	-	1,442,262	(73,062,832)	-
HNB	-	500,000,000	117,260	-	500,117,260
Think Capital Partners (Pvt) Ltd	-	500,000,000	4,043,053	(6,510,000)	497,533,053
Total	562,671,721	2,165,000,000	43,013,839	(1,277,294,099)	1,493,391,461

For the year ended 31 December 2023

	As at 01.01.2023 Rs.	Loans obtained during the year Rs.	Interest expense for the year Rs.	Repayments during the year Rs.	As at 31.12.2023 Rs.
Sampath Bank PLC	-	890,000,000	40,946,619	(439,895,468)	491,051,151
DFCC Bank PLC	133,608,903	-	23,039,300	(85,027,633)	71,620,570
Total	133,608,903	890,000,000	63,985,919	(524,923,101)	562,671,721

29. DUE TO BANKS (Contd…)

29.3 Institutional borrowings

Institution	As at 01/01/2024 (Rs)	Loan obtained during the year (Rs)	Interest expense for the year (Rs)	Repayments		As at 31/12/2024 (Rs)	Tenure of loan	Security offered	Prevailing interest rate
				Capital (Rs)	Interest (Rs)				
Commercial Bank of Ceylon PLC	2,170,195,258	3,260,000,000	162,584,491	4,072,132,601	170,990,688	1,349,656,460	5 Years / revolving	Primary property mortgage & Mortgage over lease and loan receivables	9.60%
Sampath Bank PLC	491,051,151	1,165,000,000	37,411,264	1,159,999,999	37,721,268	495,741,148	Revolving	Commercial Bank letter of Comfort	9.10%
DFCC Bank PLC	71,620,570	-	1,442,262	71,186,431	1,876,401	-	5 Years /revolving	Commercial Bank letter of Comfort	9.60%
Hatton National Bank PLC	-	500,000,000	117,260	-	-	500,117,260	Revolving	Commercial Bank letter of Comfort	8.56%
Think Capital Partners (Pvt) Ltd	-	500,000,000	4,043,053	6,510,000	-	497,533,053	3 Years / revolving	Mortgage over lease receivables	11.40%
	2,732,866,979	5,425,000,000	205,598,330	5,309,829,031	210,588,357	2,843,047,921			

29.4 Assets pledged

The following assets have been pledged as security for liabilities.

Nature of assets	Facility	2024 Rs.	2023 Rs.
Lease and loan receivable	Commercial Bank of Ceylon	5,701,947,694	3,630,638,526
Property at No. 182 & 187, Kitasatos Road, Kandy	Commercial Bank of Ceylon	75,000,000	75,000,000
Lease and loan receivable	Think Capital - Trustee NDB	650,265,709	75,000,000
		5,776,947,694	3,705,638,526

30. EMPLOYEE BENEFITS

30.1 Defined benefit plans

	Notes	2024 Rs.	2023 Rs.
Movement in the present value of the defined benefit obligations			
As at 01 January		15,694,914	11,330,128
Included in profit or loss			
Current service cost		3,564,481	2,650,613
Interest cost		1,961,864	2,039,423
		5,526,345	4,690,036
Included in other comprehensive income			
Actuarial losses during the year	30.1.1	3,605,250	436,423
Payments made during the year		(1,728,903)	(761,673)
As at 31 December		23,097,606	15,694,914

30.1.1 Amount recognized for defined benefit obligation in other comprehensive income

	2024	2023
Cumulative (gain) / losses as at 01 January	(2,696,464)	(3,132,887)
Actuarial losses recognized during the year	3,605,250	436,423
Cumulative losses / (gain)as at 31 December	908,786	(2,696,464)

30.1.2 Actuarial assumptions

Financial assumptions

	2024	2023
Discount rate	11.0% p.a.	12.5% p.a.
Salary increment rate	10.0% p.a.	9.0% p.a.

Demographic assumptions

	2024	2023
Staff turnover	16%	13%
Mortality	A 1967/70 Mortality Table	
Disability	10% of Mortality Table	
Retirement age	Normal retirement age, the employees who are aged over the specified retirement age have been assumed to retire on their respective next birthday.	

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.0 years for the Company (2023 – 6.0 years)

An actuarial valuation of the gratuity was carried out as at 31 December 2024 by Mr. M. Poopalanathan, AIA, of Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Method", recommended by LKAS 19.

30. EMPLOYEE BENEFITS (Contd…)

30.1.3 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2024		2023	
	Increase (Rs.)	Decrease (Rs.)	Increase (Rs.)	Decrease (Rs.)
Discount rate (1% movement)	(1,203,374)	1,343,246	(781,466)	865,757
Salary increment rate (1% movement)	1,352,745	(1,232,600)	905,427	(829,192)

31. LEASE LIABILITIES

	2024 Rs.	2023 Rs.
As at 01 January	64,874,901	66,555,073
Additions during the year	34,482,568	17,852,275
Accrual of interest for the year	8,112,811	6,900,334
Payments made during the year	(33,259,587)	(26,432,781)
Balance as at 31 December	74,210,693	64,874,901

31.1 Amounts recognized in financial statements

31.1.1 Amounts recognized in profit or loss under SLFRS 16

	2024 Rs.	2023 Rs.
Interest on lease liabilities	8,112,811	6,900,334
Right-of-use asset amortization	29,019,450	22,562,437
Expenses relating to short term leases	6,811,798	4,242,520

31.1.2 Amounts recognised in statement of cash flows under SLFRS 16

	2024 Rs.	2023 Rs.
Lease interest paid	(8,112,811)	(6,900,334)
Capital payment of lease liabilities	(25,146,776)	(19,532,447)

31.1.3 Undiscounted lease payable

The following table sets out the maturity analysis of lease payment showing the undiscounted lease payments to be paid after the reporting date.

	2024 Rs.	2023 Rs.
Less than one year	33,553,735	32,265,487
One to two years	26,407,730	26,436,935
Two to three years	16,861,871	17,585,930
Three to four years	12,251,130	7,776,731
Four to five years	3,793,240	2,646,150
	92,867,706	86,711,233

32. DEFERRED TAX ASSETS

	Notes	2024 Rs.	2023 Rs.
As at 01 January		(359,259,949)	(277,932,277)
Origination / (reversal) of temporary differences			
- Recognized in profit or loss	32.2	76,122,655	(92,060,013)
- Recognized in other comprehensive income	32.2	15,147	10,732,341
As at 31 December		(283,122,147)	(359,259,949)

32.1 Summary of net deferred tax

	2024		2023	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Deferred tax liabilities				
Accelerated depreciation for tax purposes - Lease assets (Note 32.4)	-	-	3,232,349	969,705
Accelerated depreciation for tax purposes - Own assets	82,508,268	24,752,480	72,165,178	21,649,553
Accelerated depreciation for tax purposes - Right of use assets	68,159,813	20,447,944	62,696,695	18,809,009
Revaluation surplus on buildings	80,003,929	24,001,179	82,676,293	24,802,888
Tax on capital assets (lands) (Note 32.3)	52,586,132	15,775,840	52,586,132	15,775,840
Fair value gain on investment properties	6,918,367	2,075,510	7,468,367	2,240,510
Unrealized gain on FVOCI	6,038,453	1,811,536	2,382,713	714,814
	296,214,962	88,864,489	283,207,727	84,962,319
Deferred tax assets				
Defined benefit plans	23,097,600	6,929,280	15,694,914	4,708,474
Carried forward tax losses	131,465,975	39,439,793	239,914,637	71,974,391
Carried forward unclaimed impairment losses	1,011,181,183	303,354,355	1,160,256,443	348,076,933
Amortization of lease liabilities	74,210,693	22,263,208	64,874,901	19,462,470
	1,239,955,451	371,986,636	1,480,740,895	444,222,268
Net deferred tax assets as at 31 December	(943,740,489)	(283,122,147)	(1,197,533,168)	(359,259,949)

32.2 Deferred tax assets and liabilities are attributable to the following:

	Recognized in Profit or Loss		Recognized in Other Comprehensive Income		Statement of Financial Position	
Deferred tax liabilities	Year ended 31.12.2024 Rs.	Year ended 31.12.2023 Rs.	Year ended 31.12.2024 Rs.	Year ended 31.12.2023 Rs.	As at 31.12.2024 Rs.	As at 31.12.2023 Rs.
Accelerated depreciation for tax purposes - Lease assets (Note 32.4)	(969,705)	(7,502,915)	-	-	-	969,705
Accelerated depreciation for tax purposes - Own assets	3,102,927	4,182,858	-	-	24,752,480	21,649,553
Amortization of right of use assets	1,638,935	(1,413,048)	-	-	20,447,944	18,809,009
Revaluation surplus on buildings	(801,709)	(520,788)	-	5,399,803	24,001,179	24,802,888
Revaluation surplus on lands (Note 32.3)	-	-	-	2,751,000	15,775,840	15,775,840
Fair value gain on investment properties	(165,000)	2,240,510.00	-	-	2,075,510	2,240,510
Unrealized gain on FVOCI	-	-	1,096,722	714,814	1,811,536	714,814
	2,805,448	(3,013,383)	1,096,722	8,865,617	88,864,489	84,962,319
Deferred tax assets						
Defined benefit plans	(1,139,231)	(1,178,509)	(1,081,575)	(130,927)	6,929,280	4,708,474
Carried forward tax losses	32,534,598	(71,974,391)	-	-	39,439,793	71,974,391
Carried forward unclaimed impairment losses	44,722,578	(18,351,272)	-	-	303,354,355	348,076,933
Amortization of right of use assets	(2,800,738)	504,052	-	-	22,263,208	19,462,470
Unrealized loss on FVOCI	-	-	-	1,997,651	-	-
Fair value losses on investment properties	-	1,953,490	-	-	-	-
	73,317,207	(89,046,630)	(1,081,575)	1,866,724	371,986,636	444,222,268
Deferred tax effect on statement of profit or loss and other comprehensive income	76,122,655	(92,060,013)	15,147	10,732,341		
Net deferred tax assets as at 31 December					(283,122,147)	(359,259,949)

32. DEFERRED TAX ASSETS (CONT.)

32.3 As per the Inland Revenue Act No. 24 of 2017, which is effective from 01 April 2018, Capital Assets attract tax at applicable corporate tax rate on the gains at the time of disposal. Accordingly, deferred tax liability has been recognised at 30% (2023 - 30%) on the revaluation surplus relating to freehold land in these Financial Statements.

32.4 As per the Inland Revenue Act No. 24 of 2017, which is effective from 01 April 2018, Finance Lease agreements need to be considered as a loan granted by the lessor to the lessee. Accordingly, the previous method of calculating the profits from the business of finance lease has been changed and the leasing business would be subject to tax on profits derived from such operations being the lease interest less expenses.

However, any profit, loss, receipt or payment in respect of any finance lease agreement entered into, prior to 01 April 2018, will be computed in accordance with the respective provisions of the Inland Revenue Act, No. 10 of 2006. Therefore, a deferred tax liability has been recognised on accelerated depreciation for tax purposes on lease assets as at 31 December 2023 which were entered into prior to 01 April 2018.

33. CURRENT TAX LIABILITIES

	2024 Rs.	2023 Rs.
As at 01 January	2,605,060	37,092,827
Under provision in relation to prior years	-	(3,367,003)
Payments made during the year	(3,000,000)	(31,120,764)
As at 31 December	(394,940)	2,605,060

34. OTHER LIABILITIES

	2024 Rs.	2023 Rs.
Financial		
Trade payables	30,363,849	23,807,707
	30,363,849	23,807,707
Non-financial		
Accrued expenses	308,938,016	72,994,331
Stamp duty payable	3,685,665	8,670,510
	312,623,681	81,664,841
Total	342,987,530	105,472,548

35. STATED CAPITAL

	2024		2023	
Fully paid ordinary shares	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
As at 01 January	221,793,834	3,254,999,964	221,793,834	3,254,999,964
As at 31 December	221,793,834	3,254,999,964	221,793,834	3,254,999,964

35.1 Shareholders as at ,

	2024 Holding %	2024 No of shares	2023 No of shares
Commercial Bank of Ceylon PLC	100	221,793,834	221,793,834
Total	100	221,793,834	221,793,834

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

36. ACCUMULATED LOSSES

	Notes	2024 Rs.	2023 Rs.
As at 01 January		(431,325,175)	(205,842,157)
Profit for the year		81,541,007	(225,177,522)
Actuarial losses on defined benefits plans, after tax		(2,523,675)	(305,496)
Transferred to statutory reserve fund	37.1	(4,077,050)	-
Transferred to regulatory loss allowance reserve		(254,056,524)	-
As at 31 December		(610,441,417)	(431,325,175)

37. OTHER RESERVES

	Notes	2024 Rs.	2023 Rs.
Capital reserve		50,000	50,000
Statutory reserve fund	37.1	37,405,628	33,328,578
Revaluation reserve	37.2	98,517,078	98,517,078
Fair value reserve	37.3	4,226,918	1,667,900
General reserve	37.4	20,097,889	20,097,889
Regulatory loss allowance reserve		254,056,524	-
Total		414,354,037	153,661,445

37.1 Statutory reserve fund

	2024	2023
As at 01 January	33,328,578	33,328,578
Transferred from retained earnings	4,077,050	-
As at 31 December	37,405,628	33,328,578

'Statutory reserve fund' is a capital reserve which contains profits transferred as required by Department of Supervision of Non Bank Financial Institutions of Central Bank of Sri Lanka, under the Finance Companies (Capital Funds) Direction No. 01 of 2003. Accordingly, 5% of the net profit for the year is transferred to the Statutory reserve fund during the financial year.

37.2 Revaluation reserve

	2024 Rs.	2023 Rs.
As at 01 January	98,517,078	79,498,538
Revaluation surplus of property plant and equipment	-	27,169,343
Deferred tax charge on revaluation surplus	-	(8,150,803)
As at 31 December	98,517,078	98,517,078

The revaluation reserve relates to revaluation of freehold land and buildings and represents the fair value changes of the land and buildings, as at the date of revaluation.

37.3 Fair value reserve

The fair value reserve comprises;

- the cumulative net change in the fair value of equity securities designated at FVOCI and,
- the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

37.4 General reserve

The purpose of setting up the general reserve is to meet potential future unknown liabilities and the balance comprises of the amounts appropriated by the Board of Directors as a general reserve.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has an established control framework with respect to the measurement of fair values of investments. The Asset and Liability Committee (ALCO) has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements are carried out by the finance division, which include :

* Verification of observable pricing;
* Re-performance of model valuations;
* Quarterly calibration and back-testing of models against observed market transactions;
* Analysis and investigation of significant daily valuation movements; and
Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 as explained below.

When third party information, such as broker quotes or pricing services, is used to measure fair value, documents of evidence are obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 December 2024	Classification	Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	2,358,002	-	-	2,358,002	2,358,002
Investments in government securities		1,631,895,592	-	1,631,895,592	-	1,631,895,592
		1,634,253,594				
Financial assets not measured at fair value						
Cash and cash equivalents	Amortized cost	166,599,890	-	-	-	-
Loans and advances		13,445,176,774	-	-	-	-
Other assets (Note 27)		12,814,599	-	-	-	-
		13,624,591,263	-	-	-	-
Financial liabilities not measured at fair value						
Deposit liabilities	Amortized cost	10,311,261,790	-	-	-	-
Due to banks		3,050,169,109	-	-	-	-
Lease liabilities		74,210,693	-	-	-	-
Other liabilities (Note 34)		30,363,849	-	-	-	-
		13,466,005,441				

31 December 2023	Classification	Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	2,185,042	-	-	2,185,042	2,185,042
Investments in government securities		709,838,827	-	709,838,827	-	709,838,827
		712,023,869				
Financial assets not measured at fair value						
Cash and cash equivalents	Amortized cost	154,177,733	-	-	-	-
Loans and advances		10,142,399,731	-	-	-	-
Other assets (Note 27)		23,836,965	-	-	-	-
		10,320,414,429				
Financial liabilities not measured at fair value						
Deposit liabilities	Amortized cost	6,534,180,634	-	-	-	-
Due to banks		2,758,596,459	-	-	-	-
Lease liabilities		64,874,901	-	-	-	-
Other liabilities (Note 34)		23,807,707	-	-	-	-
		9,381,459,701				

38.1 Financial Assets measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are already recorded at fair value in the Statement of Financial Position are as follows.

a. Investments in government securities
As Treasury Bills/ Treasury Bonds are valued using Central Bank published rates, investments in government securities are classified under Level 2.

b. Unquoted shares

The unquoted shares, which are held for regulatory purposes, are valued based on internal management information derived from the audited financial statements based on the net asset value of the investee, which is a significant unobservable input in measuring the fair value and hence it is categorized under level 3 in the fair value hierarchy.

c. Level 3 fair values

Reconciliation of level 3 fair value
The following table shows a reconciliation form the opening balances to the closing balances for Level 3 fair values.

	Unquoted equity securities Rs.
Balance as at 01 January 2023	2,120,228
- Net change in fair value (unrealized)	64,814
Balance as at 31 December 2023 (Note 21.1)	2,185,042
Balance as at 01 January 2024	2,185,042
- Net change in fair value (unrealized)	172,960
Balance as at 31 December 2024 (Note 21.1)	2,358,002

Fair value of the unquoted shares are derived based on the following unobservable input.

Significant unobservable input	**Value of the inputs**
Net assets value per share	Rs. 23,580

38.2 Financial assets not measured at fair value

Methodologies and assumptions used to determine fair value of financial instruments which are not already recorded at fair value in the Statement of Financial Position are as follows.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost (e.g. fixed rate loans and receivables, fixed rate borrowings) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

Sensitivity of significant unobservable inputs used to measure fair value of fixed rate financial instruments

A significant increase / (decrease) in the market interest rate would result in lower / (higher) fair value being disclosed.

Assets for which fair value approximates carrying value
For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value.

38.3 Transfers between level 1 and level 2
There were no transfers between level 1 and level 2 during the year ended 31 December 2024.

39. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Remaining contractual period to maturity as at the date of statement of financial position of the liabilities and shareholders' funds employed by the Company is detailed below.

	2024			2023		
Assets	**Within 12 Months Rs.**	**After 12 Months Rs.**	**Total as at 31/12/2023 Rs.**	**Within 12 Months Rs.**	**After 12 Months Rs.**	**Total as at 31/12/2023 Rs.**
Cash and cash equivalents	166,599,890	-	166,599,890	154,177,733	-	154,177,733
Financial investments - FVOCI	1,631,895,592	2,358,002	1,634,253,594	709,838,827	2,185,042	712,023,869
Loans and advances	8,416,607,060	5,028,569,714	13,445,176,774	5,870,063,533	4,272,336,198	10,142,399,731
Investment property	340,450,000	340,450,000	680,900,000	-	538,875,000	538,875,000
Property, plant and equipment	48,292,247	384,211,750	432,503,997	42,245,339	366,315,547	408,560,886
Intangible assets	5,323,695	28,253,067	33,576,762	4,659,430	27,068,310	31,727,740
Right of use assets	26,135,614	42,024,199	68,159,813	24,338,480	38,358,215	62,696,695
Current tax assets	394,940	-	394,940	-	-	-
Deferred tax assets	-	283,122,147	283,122,147	-	359,259,949	359,259,949
Other assets	37,583,510	78,367,885	115,951,395	40,672,981	8,366,166	49,039,147
Total assets	10,673,282,548	6,187,356,764	16,860,639,312	6,845,996,323	5,612,764,427	12,458,760,750
Percentage	63%	37%	100%	55%	45%	100%
Liabilities						
Deposit liabilities	8,806,273,979	1,504,987,811	10,311,261,790	5,417,337,419	1,116,843,215	6,534,180,634
Due to banks	2,034,133,855	1,016,035,254	3,050,169,109	2,428,346,980	330,249,479	2,758,596,459
Employee benefits	-	23,097,606	23,097,606	-	15,694,914	15,694,914
Lease liabilities	23,483,888	50,726,805	74,210,693	22,373,834	42,501,067	64,874,901
Current tax liabilities	-	-	-	2,605,060	-	2,605,060
Other liabilities	155,149,239	187,838,291	342,987,530	86,214,930	19,257,619	105,472,549
Total liabilities	11,019,040,961	2,782,685,767	13,801,726,728	7,956,878,223	1,524,546,294	9,481,424,517
Equity						
Stated capital	-	3,254,999,964	3,254,999,964	-	3,254,999,963	3,254,999,963
Retained earnings	-	(610,441,417)	(610,441,417)	-	(431,325,175)	(431,325,175)
Other reserves	-	414,354,037	414,354,037	-	153,661,445	153,661,445
Total equity	-	3,058,912,584	3,058,912,584	-	2,977,336,233	2,977,336,233
Total equity and liabilities	11,019,040,961	5,841,598,351	16,860,639,312	7,956,878,223	4,501,882,527	12,458,760,750
Percentage	65%	35%	100%	64%	36%	100%

40. RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - "Related party disclosures ", the details of which are reported below.

40.1 Parent and ultimate controlling party

On 01 September 2014, Commercial Bank of Ceylon PLC fully acquired the CBC Finance Limited (formerly known as Indra Finance Limited and Serendib Finance Limited) and accordingly the ownership of the Company was transferred to the Commercial Bank of Ceylon PLC. Therefore in the opinion of Directors, Commercial Bank of Ceylon PLC became the parent and ultimate controlling party of the CBC Finance Limited from 01 September 2014 to as of date.

40.2 Transactions with Key Management Personnel (KMP)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP.

As Commercial Bank of Ceylon PLC is the ultimate parent of the Company and the Board of Directors of Commercial Bank of Ceylon PLC has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of Commercial Bank of Ceylon PLC have also been identified as KMP of the Company.

40.2.1 Compensation of Key Management Personnel

	Year ended 31.12.2024 Rs.	Year ended 31.12.2023 Rs.
Short term employee benefits	19,723,750	11,666,615
Post employement benefits	2,319,525	862,500

40.2.2 Transactions with KMP

40.2.2.1 Statement of financial position

Deposit Liabilities	17,693,393	30,184,893

40.2.2.2 Statement of profit or loss and other comprehensive income

Interest on deposits	2,363,311	6,352,302

40.2.3 Transactions, Arrangements and Agreements Involving Close Family Members (CFMs) of KMP

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependents of the KMP or the KMP's domestic partner.

40.2.3.1 Statement of financial position

	Year ended 31.12.2024 Rs.	Year ended 31.12.2023 Rs.
Deposit Liabilities	54,573,782	13,893,142

40.2.3.2 Statement of profit or loss and other comprehensive income

Interest on deposits	7,331,925	2,701,137

40.2.4 Transactions with the parent and related entities

Name of the Company	Nature of transactions	Value of transactions		Balance as at 31 December	
		Year ended 31.12.2024 Rs.	Year ended 31.12.2023 Rs.	2024 Rs.	2023 Rs.
Commercial Bank of Ceylon PLC (Parent)	Overdraft balance	-	-	(10,455,787)	(25,729,480)
	OD interest	410,665	7,847	-	-
	Loan balance	-	-	(1,349,656,460)	(2,170,195,258)
	Loan interest expense	162,584,491	193,292,899	-	-
	Loan interest paid	170,990,688	195,047,172	-	-
	Loans obtained	3,260,000,000	3,100,000,000	-	-
	Loan repayment	4,072,132,601	3,208,335,999	-	-
	Deposits / Advances	-	-	(60,354,084)	(84,522,606)
	Interest on deposits / Advances	6,295,024	6,543,366	-	-
	Building Rent received	790,404	968,628	-	-
	Commission for deposits	11,000	37,000	-	-
Commercial Development Company PLC (Affiliate)	Deposits	-	-	(977,021,795)	(645,000,000)
	New deposits, net of withdrawals	(332,021,795)	145,000,000	-	-
	Interest on deposits	107,805,959	106,006,849	(50,473,356)	(55,321,918)
CBC Tech Solutions Ltd (Affiliate)	Deposits	-	-	(254,017,240)	(213,366,531)
	New deposits, net of withdrawals	(40,650,709)	81,889,055	-	-
	Interest on deposits	31,943,022	37,295,186	(14,117,426)	(24,964,623)
	Software development	1,361,088	802,119	-	(2,999,258)
Commercial Insuarance Brokers (Affiliate)	Corporate agent fee	472,060	460,456	-	-

Commercial Bank of Ceylon PLC has provided letters of comfort to Sampath Bank PLC, DFCC Bank PLC and Hatton National Bank PLC as security against the term loans obtained amounting to Rs. 3.5 Bn, Rs. 0.9 Bn and Rs. 1.5 Bn respectively.

40.2.5 Related Party Disclosure

CBC Finance Ltd (the Company) carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

41. RISK MANAGEMENT

INTRODUCTION

Risk is inherent in the Company’s activities but it managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Company’s continuing profitability and each individual within the Company is accountable for the risk exposures relating to their responsibilities. The Company has exposure to the following risks arising from financial instruments.

1 Credit Risk
2 Liquidity Risk
3 Market Risk
4 Operational Risk

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC) which is responsible for developing and monitoring Company’s risk management policies. The Committee is headed by a non-executive director and comprises executive and non-executive directors. Meetings of BIRMC are held regularly, and the Board of Directors is duly updated of its activities.

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

The economic downturn prevailing in the country has resulted in significant erosion of purchasing power of households and led to decline in disposable income of the customers which had considerable impact on increase in default risk. The Company has offered various forms of assistants to make sure that customer's ability to service contractual obligations do not deteriorate due to the prevailing economic crisis in the country. Significant increase in credit risk (SICR) has been evaluated based on the numerous measures like present financial position of the customer, future earning capacity and the sector in which they operates and facilities stress tested and required overlays reviewed considering the latest economic revival & reforms take place in the latter part of the financial year.

Maintaining a liquidity position during this uncertain period remains a key priority for the Company. The management has assessed the impact of

the economic uncertanity on the performance and cash flows of the Company and has ensured the financial strength of the Company.

Senior Management involvement in Risk Management

The Business units (i.e. Credit Department, Recovery Department, Finance Departmen etc.) have primary responsibility for Risk Management. The senior management team comprising Managing Director/Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, Compliance Officer, Head of Finance, Head of Sales and Marketing, Chief Manager Finance, Chief Manager IT, Chief Manager Recovery and Chief Manager Credit and Branch Administration, provide an independent oversight function and acts as the 2nd line of defence.

Risk Measurement & Reporting

The Company’s Risks are measured using appropriate techniques based on the type of risk, and industry best practices. The Company also carries out procedures to identify the effect of extreme events / worst case scenarios in most of the major type of risks and the results are reported to BIRMC on a periodic basis. Monitoring and controlling risks is primarily performed based on policies, limits & thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept. The Corporate Management team meets every month and deliberates on matters of interest in risk management arising from operations. The monthly risk management meeting is held to shortlist matters to be forwarded to BIRMC.

Board Credit Committee

Board Credit Committee is chaired by the non idependent non - executive director and comprises solely by non-executive directors. The committee meets regularly to monitor and manage the Company’s lending portfolio, asset quality and recovery actions. The committee also periodically reviews the Company’s credit policy and lending rates to different business segments, in light of prevailing market conditions and industry dynamics.

A separate Executive Credit Committee chaired by the Managing Director / Chief Executive Officer reports to the Board Credit Committee and is responsible for managing the Company's credit risk.

Board Audit Committee Oversight

The Board Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. A separate Management Audit Compliance Committee chaired by the Managing Director / Chief Executive Officer reports to the Board Audit Committee and is responsible for monitor compliance with the Company's risk management policies and procedures.

41. RISK MANAGEMENT (Contd…)

41.1 CREDIT RISK

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company’s loans and advances to customers and investments in debt securities. Credit risk constitutes the Company’s largest risk exposure category. This can be broadly categorized into two types; default and concentration risk.

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the company’s loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

41.1.1 Management of Credit Risk

The Board of Directors created the Board Credit Committee for the oversight of credit risk. A separate Executive Credit Committee, reporting to the Board Credit Committee, is responsible for managing the Company’s credit risk, including the following.

* 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.

* Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Company's Executive Credit Committee, Board Credit Committee or the Board of Directors, as appropriate.

* Reviewing and assessing credit risk: the Company's Executive Credit Committee and Board Credit Committee assess all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

* Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities)

* Developing and maintaining the Company’s processes for measuring ECL: This includes processes for:
    - initial approval, regular validation and back-testing of the models used;
    - determining and monitoring significant increase in credit risk; and
    - incorporation of forward-looking information.

* Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of portfolios are provided to Board Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

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

Each business unit is required to implement the Company's credit policies and procedures, with credit approval authorities delegated from the Board Credit Committee. The Executive Credit Committee reports on all credit-related matters to local management and the Board Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and the Company's credit processes are undertaken by Internal Audit.

41. RISK MANAGEMENT (Contd…)

41.1.2 Credit Quality Analysis

The following table sets out information about the overdue status of financial assets measured at amortised cost, FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 3.2.2.

As at 31 December	2024				2023
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.	Total Rs.
i. *Loans and advances at amortised cost*					
Current	6,021,934,440	-	-	6,021,934,440	4,384,976,136
Overdue less than 30 days	2,495,004,433		-	2,495,004,433	1,670,391,108
Overdue 30 to 120 days	-	2,904,043,020	-	2,904,043,020	2,158,672,244
Overdue more than 120 days	-	-	3,797,554,078	3,797,554,078	3,423,596,608
Gross Carrying amount	8,516,938,873	2,904,043,020	3,797,554,078	15,218,535,971	11,637,636,096
Loss allowance	(114,012,152)	(150,233,794)	(1,509,113,251)	(1,773,359,197)	(1,495,236,365)
Carrying amount	8,402,926,721	2,753,809,226	2,288,440,827	13,445,176,774	10,142,399,731
ii. *Debt investment securities at FVOCI*					
Low-fair risk	1,631,895,592	-	-	1,631,895,592	709,838,827
Carrying amount - fair value	1,631,895,592	-	-	1,631,895,592	709,838,827
iii. *Cash and cash equivalents at amortised cost*					
Low-fair risk	166,599,890	-	-	166,599,890	154,177,733
Carrying amount	166,599,890	-	-	166,599,890	154,177,733
iv. *Other assets at amortised cost*					
Current	100,000	-	-	100,000	9,908,536
Overdue more than 30 days	-	-	14,497,777	14,497,777	19,968,688
Gross Carrying amount	100,000	-	14,497,777	14,597,777	29,877,224
Loss allowance	-	-	(1,783,178)	(1,783,178)	(6,040,259)
Carrying amount	100,000	-	12,714,599	12,814,599	23,836,965

41. RISK MANAGEMENT (Contd…)

41.1.3 Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Gross receivable		Percentage of exposure that is subject to collateral requirements		Principal type of collateral
As at 31 December,	**2024 Rs.**	**2023 Rs.**	**2024**	**2023**	
Loans and advances at amortised cost					
Mortgage lending	3,058,531,467	3,917,653,390	94.78%	87.58%	Residential and commercial properties, movable assets.
Other loans	6,990,023,528	4,289,299,170	83.81%	67.80%	Motor vehicles, equipment and gold artickle.
Finance leases	5,169,980,860	3,430,683,416	98.81%	99.07%	Motor vehicles and equipment.
Hire purchase	116	120	0.00%	0.00%	Motor vehicles and equipment.
	15,218,535,971	11,637,636,096			
Other assets at amortized cost					
Refundable deposits	12,814,599	8,146,600	-	-	None
Debtors	1,783,178	1,783,178	-	-	None
Insurance premium receivable	-	19,947,446	-	-	None
	14,597,777	29,877,224			

There was no change in the Company's collateral policy during the year. Further, The Company did not observe any significant deterioration in the quality of the collaterals and other credit enhancements during the reporting period.

The Company has not been recognised allowance for ECL for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds. Except for the above, Company has recognised ECL for all other financial assets classified at amortised cost and debt instruments at FVOCI.

Loan-to-value analysis of loans and advances

The following tables stratify credit exposures from loans and advances by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the forced sale value determined by the professional valuer.

As at 31 December,	**2024 Rs.**	**2023 Rs.**
LTV Ratio		
Less than 50%	2,306,694,371	1,703,412,266
51% - 70%	3,880,595,628	2,237,314,316
71% - 90%	6,241,526,236	4,741,444,013
91%- 100%	317,050,466	364,055,594
More than 100%	1,493,353,915	1,383,606,111
Unsecured	979,315,355	1,207,803,796
	15,218,535,971	11,637,636,096

41. RISK MANAGEMENT (Contd…)

41.1.3 Collateral held and other credit enhancements

Credit-impaired loans

As at 31 December,	2024	2023
LTV Ratio	Rs.	Rs.
Less than 50%	453,533,787	548,904,263
51% - 70%	268,707,110	274,590,954
71% - 90%	757,082,158	721,513,426
91%- 100%	221,190,284	275,729,772
More than 100%	1,335,280,648	922,588,907
Unsecured	761,760,090	680,269,286
	3,797,554,078	3,423,596,608

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances and held at the year end are shown below.

	2024	2023
	Rs.	Rs.
Motor vehicles	49,637,242	57,260,081
	49,637,242	57,260,081

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The Company does not generally use the non-cash collateral for its own operations.

41.1.4 Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Refer accounting policy in Note 3.2.2.

Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Generating the term structure of PD

Days past due are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by type of product and borrower.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economics factors as well as in-depth analysis of the impact of certain other factors on the risk of default. For most exposures, key macro-economic indicators include : GDP growth, inflation, interest rate and unemployment. Based on consideration of a variety of external actual and forecast information, the Company formulates a "base case" view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Company then uses these forecast to adjust its estimates of PDs.

41. RISK MANAGEMENT (Contd…)

41.1.4 Amounts arising from ECL (Contd…)

Determining whether credit risk has increased significantly
The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

Using its expert credit judgement and where possible relevant historical loss experiences, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default and cure
The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re- classified out of stage 3 when none of the material default criteria have been presented and the borrower is no longer considered as non-performing in accordance with the Directives of the Central Bank. The corresponding reduction in ECL due to the number of financial assets re- classified out of stage 3 is recognised under "Impairment charge/reversal" in Note 13 to the financial statements.

Once cured, the decision whether to classify an asset as stage 2 or stage 1 mainly depends on the days past due, at the time of the cure. The Company's criterion for 'cure' for rescheduled loans is more stringent than ordinary loans and is explained in Note 3.2.1.

41. RISK MANAGEMENT (Contd…)

41.1.4 Amounts arising from ECL (Contd…)

Incorporation of forward-looking information

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

The Company formulates three economic scenarios: a base case, which is the median scenario assigned a 30% probability of occurring, and two less likely scenarios, one upside and other downside, each assigned a 5% and 65% probability of occurring respectively. The base case is aligned with information used by the Company for other purposes such as strategic planning and budgeting. Also stress the forecasted macro-economic elements to reflect fair forward looking information.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Company has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments. Quantitative economic factors are based on economic data and forecasts published by CBSL and IMF.

Qualitative drivers of credit risk	Qualitative drivers of credit risk
GDP growth rate	Status of industry business
Rate of inflation	Regulatory impact
Interest rate (AWPLR)	Government policies
Unemployment	Management outlook

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading ‘Generating the term structure of PD’.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

41. RISK MANAGEMENT (Contd…)

41.1.4 Amounts arising from ECL (Contd…)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.
The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances at amortised cost

As at 31 December,	**2024**			
	Stage 1 Rs.	**Stage 2 Rs.**	**Stage 3 Rs.**	**Total Rs.**
Balance as at 01 January	141,840,917	187,587,250	1,165,808,196	1,495,236,363
Transfer to Stage 1	73,718,987	(30,074,939)	(43,644,048)	-
Transfer to Stage 2	(25,920,826)	43,347,887	(17,427,061)	-
Transfer to Stage 3	(12,992,525)	(43,593,776)	56,586,302	-
Net remeasurement of loss allowance	(78,698,655)	(18,937,156)	440,769,637	343,133,826
New financial assets originated or purchased	75,770,564	73,101,409	18,864,863	167,736,836
Financial assets that have been derecognised	(59,706,309)	(61,196,881)	(108,398,688)	(229,301,878)
Write-offs	-	-	(3,445,950)	(3,445,950)
Balance as at 31 December	114,012,152	150,233,794	1,509,113,251	1,773,359,197

As at 31 December,	**2023**			
	Stage 1 Rs.	**Stage 2 Rs.**	**Stage 3 Rs.**	**Total Rs.**
Balance as at 01 January	39,085,575	274,647,056	860,604,483	1,174,337,114
Transfer to Stage 1	61,762,144	(53,642,667)	(8,119,477)	-
Transfer to Stage 2	(6,277,719)	8,895,040	(2,617,321)	-
Transfer to Stage 3	(6,697,580)	(86,123,813)	92,821,393	-
Net remeasurement of loss allowance	(39,082,136)	(7,757,678)	380,161,415	333,321,601
New financial assets originated or purchased	109,293,217	99,951,847	137,540,304	346,785,368
Financial assets that have been derecognised	(16,242,584)	(48,382,534)	(88,032,142)	(152,657,260)
Write-offs	-	-	(206,550,458)	(206,550,458)
Balance as at 31 December	141,840,917	187,587,251	1,165,808,197	1,495,236,365

41. RISK MANAGEMENT (Contd…)

41.1.4 Amounts arising from ECL (Contd…)

As at the reporting date, the Company has captured the impact on ECL due to affected borrowers amidst the prevailing extraordinary macro-economic circumstances via the modelled outcome as well as management overlays. Management overlays include additional ECL provisions of Rs. 65 Mn (approx) on assessing lifetime ECL on the exposures outstanding from the borrowers operating in the risk elevated industries and impact on changing the probability weightages assigned for multiple economic scenarios and stressing the quantitative factors used to assess forward looking macro economic indicators on ECL amounting to Rs. 9.5 Mn (approx.).

Modified Financial Assets

Overview of rescheduled/restructured loans & advances upgraded during the year

The Company upgrades rescheduled/restructured loans from life time expected credit losses (stage 3/stage 2) to 12 months expected credit losses (stage 1) as per the upgrading policy described in Note 3.2.2 of the Financial Statements. During the year the Company upgraded Rs.190.34 Mn (2023: Rs 163.24 Mn) worth of rescheduled/ restructured loans to stage 1. Due to this upgrade, the impairment provision against these loans decreased by Rs.29.83 Mn from Rs.35.44 Mn as at 31 December 2023 to Rs.5.61 Mn as at 31 December 2024.

Purchased or originated credit impaired financial assets

The Company did not have originated credit impaired assets as at 31st December 2024 and 2023. The details of policy critirea is explained in note 3.2.2.

Impact due to the uncertain and volatile macroeconomic condition

The Company analyzed the current situation prevailing in the country and further considered the impact of Covid - 19. The ongoing extraordinary macroeconomic circumstances in the country have increased the estimation uncertainty in preparing Financial Statements. However, the specific areas of judgment may not change. The impact of an economic downturn resulted in applying further judgment within those areas and the limited recent experience of such an event's economic and financial impacts. The estimation uncertainty is associated with the extent and duration of the expected economic downturn. This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities. The key to overcoming the current crisis is the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn. Furthermore, with debt restructuring backed by the IMF programme, there would be hope for overcoming the current economic crisis. The changes to estimates were made in measuring Company's assets where applicable.

The Company derives income by way of interest from its loan & advances and by way of financial assets, respectively. The Company has adequate liquid financial resources and unutilized financing sources with banks to service its financial obligations. Based on the expected economic downturn, the estimates and assumptions in Company's Expected Credit Loss model (ECL) have been reviewed, and respective impairments regarding loans & advances have been adequately assessed under a futuristic approach. We do not anticipate any impact on the fair value of our properties and investment properties because of its prime location, other than any future impact due to market conditions. Accordingly, we do not anticipate any decrease in the value of financial assets held by the Company. The Company also do not anticipate any material impairments in respect of any of the assets held by the Company as of date.

41. RISK MANAGEMENT (Contd…)

41.1.5 Analysis of credit risk concentration

Industry analysis

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

As at 31 December 2024	Cash and Bank balances Rs.	Financial investments - FVOCI Rs.	Loans and advances Rs.	Other assets Rs.	Total financial assets Rs.
Agriculture	-	-	1,217,011,630	-	1,217,011,630
Manufacturing	-	-	238,469,463	-	238,469,463
Tourism	-	-	449,146,721	-	449,146,721
Transport	-	-	289,486,302	-	289,486,302
Construction	-	-	508,415,934	-	508,415,934
Trading	-	-	1,481,581,981	-	1,481,581,981
Financial services	166,599,890	-	-	-	166,599,890
Government	-	1,631,895,592	-	-	1,631,895,592
Other	-	-	9,261,064,743	12,814,599	9,273,879,342
Total	166,599,890	1,631,895,592	13,445,176,774	12,814,599	15,256,486,855

As at 31 December 2023	Cash and bank balances Rs.	Financial investments - FVOCI Rs.	Loans and advances Rs.	Other assets Rs.	Total financial assets Rs.
Agriculture	-	-	335,010,404	-	335,010,404
Manufacturing	-	-	237,886,165	-	237,886,165
Tourism	-	-	469,114,852	-	469,114,852
Transport	-	-	258,738,479	-	258,738,479
Construction	-	-	792,481,763	-	792,481,763
Trading	-	-	2,502,111,392	-	2,502,111,392
Financial services	154,177,733	-	-	-	154,177,733
Government	-	709,838,827	-	-	709,838,827
Other	-	-	5,547,056,676	23,836,965	5,570,893,641
Total	154,177,733	709,838,827	10,142,399,731	23,836,965	11,030,253,256

Provincial breakdown for loans and advances within Sri Lanka is as follows.

As at 31 December,	2024	2023
Province	**Rs.**	**Rs.**
Central	2,005,680,376	2,081,881,088
North Central	1,713,827,135	1,339,091,347
North Western	1,071,689,488	793,216,879
Sabaragamuwa	1,573,162,163	1,326,485,405
Southern	1,099,193,769	489,716,510
Western	4,037,773,611	3,060,941,120
Eastern	1,094,927,182	693,878,366
Northern	848,923,050	357,189,016
Total	13,445,176,774	10,142,399,731

41.1.6 Cash and cash equivalents

The Company held Cash and cash equivalents, net of bank overdraft of (Rs. 41 Mn) as at 31 December 2024 (31 December 2023 - Rs. 128 Mn) which represents its maximum credit exposure on these assets.

Commercial Bank of Ceylon PLC - AA-(lka)
Bank of Ceylon - AA-(lka)
People's Bank - AA-(lka)
Sampath Bank PLC - AA-(lka)
Hatton National Bank PLC - AA-(lka)
Seylan Bank PLC - A+ (lka)
NDB Bank PLC - A (lka)
DFCC Bank PLC - A (lka)
Cargills Bank Ltd - A (lka)

41. RISK MANAGEMENT (Contd…)

41.2 LIQUIDITY RISK

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Company's assets and liabilities. Adequate liquidity is critical to meet the Company's financial commitments and to accommodate additional funding needs of the growing business volumes.

Management of liquidity risk

The Company's Board of Directors sets the Company's strategy for managing liquidity risk and oversight of the implementation is administered by Asset and Liability Committee (ALCO). ALCO approves the Company's liquidity policies and procedures. Finance department manages the Company's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Company.

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

- Maintaining a diversified funding and maintaining contingency facilities.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring maturity mismatches, behavioural characteristics of the Company's financial assets and financial liabilities, and the extent to which the Company's assets are encumbered and so not available as potential collateral for obtaining funding.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk and further, any unprecedented events.

41.2.1 Maturity analysis for financial assets and financial liabilities

Remaining contractual period to maturity of the financial assets and financial liabilities of the Company is as follows;

As at 31 December 2024	On demand	Less than 03 Months	03-12 Months	01-05 Years	Over 05 Years	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	98,406,072	68,193,818	-	-	-	166,599,890
Financial investments - FVOCI	-	1,631,895,592	-	-	2,358,002	1,634,253,594
Loans and advances	2,748,621,078	1,270,773,095	4,397,212,887	4,828,418,196	200,151,518	13,445,176,774
Other assets	-	100,000	-	12,295,000	419,599	12,814,599
Total financial assets	2,847,027,150	2,970,962,505	4,397,212,887	4,840,713,196	202,929,119	15,258,844,857
Financial Liabilities						
Deposit liabilities	148,089,562	3,207,499,842	5,450,684,575	1,504,987,811	-	10,311,261,790
Due to banks	210,146,696	1,049,050,759	774,936,400	1,016,035,254	-	3,050,169,109
Lease liabilities	-	6,335,495	17,148,393	50,726,805	-	74,210,693
Other liabilities	-	30,363,849	-	-	-	30,363,849
Total financial liabilities	358,236,258	4,293,249,945	6,242,769,368	2,571,749,870	-	13,466,005,441
Total net financial assets/(liabilities)	2,488,790,892	(1,322,287,440)	(1,845,556,481)	2,268,963,326	202,929,119	1,792,839,416

As at 31 December 2023	On demand	Less than 03 months	03-12 Months	01-05 Years	Over 05 Years	Total
Financial Assets	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	50,616,608	103,561,125	-	-	-	154,177,733
Financial investments - FVOCI	-	659,585,449	50,253,378	-	2,185,042	712,023,869
Loans and advances	1,903,033,127	664,997,587	3,302,032,819	4,001,559,329	270,776,869	10,142,399,731
Other assets	8,776,404	2,371,685	4,343,711	8,045,165	300,000	23,836,965
Total financial assets	1,962,426,139	1,430,515,846	3,356,629,908	4,009,604,494	273,261,911	11,032,438,298
Financial Liabilities						
Deposit liabilities	383,385,377	837,500,084	4,196,451,958	1,116,843,215	-	6,534,180,634
Due to banks	32,388,268	218,039,998	2,177,918,714	330,249,479	-	2,758,596,459
Lease liabilities	-	5,207,879	17,165,955	42,501,067	-	64,874,901
Other liabilities	-	23,807,707	-	-	-	23,807,707
Total financial liabilities	415,773,645	1,084,555,668	6,391,536,627	1,489,593,761	-	9,381,459,701
Total net financial assets/(liabilities)	1,546,652,494	345,960,178	(3,034,906,719)	2,520,010,733	273,261,911	1,650,978,597

41. RISK MANAGEMENT (Contd…)

41.2.1 Maturity analysis for financial assets and financial liabilities (Contd…)

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

As at 31 December	**2024**	**2023**
Financial assets	**Rs.**	**Rs.**
Cash and cash equivalents	166,599,890	154,177,733
Financial investments - FVOCI	1,631,895,592	709,838,827
Loans and advances	8,416,607,060	5,870,063,533
Other assets	100,000	15,491,800
	10,215,202,542	6,749,571,893
Financial liabilities		
Deposit liabilities	8,806,273,979	5,417,337,419
Due to banks	2,034,133,855	2,428,346,980
Lease liabilities	23,483,888	22,373,834
Other Liabilities	23,807,707	23,807,707
	10,887,699,429	7,891,865,940

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

As at 31 December	**2024**	**2023**
Financial assets	**Rs.**	**Rs.**
Financial investments - FVOCI	2,358,002	2,185,042
Loans and advances	5,028,569,714	4,272,336,198
Other assets	12,714,599	8,345,165
	5,043,642,315	4,282,866,405
Financial liabilities		
Deposit liabilities	1,504,987,811	1,116,843,215
Due to banks	1,016,035,254	330,249,479
Lease liabilities	50,726,805	42,501,067
	2,571,749,870	1,489,593,761

41.2.2 Liquidity reserves

The following table sets out the components of the Company's liquidity reserves.

As at 31 December	**2024**		**2023**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cash and cash equivalents	166,599,890	166,599,890	154,177,733	154,177,733
Investment in government securities	1,631,895,592	1,631,895,592	709,838,827	709,838,827
Total liquidity reserves	1,798,495,482	1,798,495,482	864,016,560	864,016,560

41.2.3 Financial assets available to support future funding

The following table sets out the availability of the Company's financial assets to support future funding.

	Encumbered		**Unencumbered**		
	Pledged as collateral	**Other ***	**Available as collateral**	**Other ****	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
31 December 2024					
Cash and cash equivalents	-	-	166,599,890	-	166,599,890
Financial investments - FVOCI	-	-	1,631,895,592	2,358,002	1,634,253,594
Loans and advances	5,701,947,694	-	7,743,229,080	-	13,445,176,774
Other assets	-	-	12,814,599	-	12,814,599
	5,701,947,694	-	9,554,539,161	2,358,002	15,258,844,857

41. RISK MANAGEMENT (Contd…)

41.2.3 Financial assets available to support future funding (Contd…)

	Encumbered		Unencumbered		
	Pledged as collateral	**Other ***	**Available as collateral**	**Other ****	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
31 December 2023					
Cash and cash equivalents	-	-	154,177,733	-	154,177,733
Financial investments - FVOCI	-	-	709,838,827	2,185,042	712,023,869
Loans and advances	3,630,638,526	-	6,511,761,205	-	10,142,399,731
Other assets	-	-	23,836,965	-	23,836,965
	3,630,638,526	-	7,399,614,730	2,185,042	11,032,438,298

* Represents assets that are not pledged but that the Company believes it is restricted from using to secure funding, for legal or other reasons.
** Represents assets that are not restricted for use as collateral, but that the Company would not consider readily available to secure funding in the normal course of business.

41.3 MARKET RISK

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

Management of market risks

Overall authority for market risk is vested in Board Integrated Risk Management Committee (BIRMC). BIRMC sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Asset and Liability Committee (ALCO) is responsible for the development of detailed risk management policies (subject to review and approval by BIRMC) and for the day-to-day review of their implementation.

Exposure to currency risk

As at the reporting date, there were no any foreign currency exposure to the Company.

41.3.1 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; 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 interest margin 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; basis risk which is the threat to income arising 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. 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.

41.3.1.1 INTEREST RATE EXPOSURE – SENSITIVITY ANALYSIS

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Company's Income Statement as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

	2024		2023	
Net Interest Income	**Increase in 100 bp**	**Decrease in 100 bp**	**Increase in 100 bp**	**Decrease in 100 bp**
	Rs.	**Rs.**	**Rs.**	**Rs.**
As at December 31,	8,713,028	(8,714,770)	4,982,951	(4,983,948)
Average for the year	7,510,470	(7,511,972)	4,046,501	(4,047,311)
Maximum for the year	8,713,028	(8,714,770)	5,132,849	(5,133,875)
Minimum for the year	6,267,797	(6,269,051)	3,162,849	(3,163,482)

41. RISK MANAGEMENT (Contd…)

41.3.1.2 INTEREST RATE RISK EXPOSURE ON FINANCIAL ASSETS AND LIABILITIES

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

As at 31 December 2024	Up to 03 months	03-12 Months	01-03 Years	03-05 Years	Over 05 years	Non interest bearing	Total as at 31/12/2024
Financial assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Cash and cash equivalents	166,599,890	-	-	-	-	-	166,599,890
Financial investments - FVOCI	1,631,895,592	-	-	-	2,358,002	-	1,634,253,594
Loans and advances	4,019,394,173	4,397,212,887	3,233,452,108	1,594,966,088	200,151,518	-	13,445,176,774
Other assets	100,000	-	7,115,000	5,180,000	419,599	-	12,814,599
Total financial assets	5,817,989,655	4,397,212,887	3,240,567,108	1,600,146,088	202,929,119	-	15,258,844,857
Percentage	**38%**	**29%**	**21%**	**10%**	**1%**	**0%**	**100%**
Financial liabilities							
Deposit liabilities	3,355,589,404	5,450,684,575	1,380,132,032	124,855,779	-	-	10,311,261,790
Due to banks	1,259,197,455	774,936,400	797,363,453	218,671,801	-	-	3,050,169,109
Lease liabilities	6,335,495	17,148,393	41,830,998	8,895,807	-	-	74,210,693
Other liabilities	30,363,849	-	-	-	-	-	30,363,849
Total financial liabilities	4,651,486,203	6,242,769,368	2,219,326,483	352,423,387	-	-	13,466,005,441
Percentage	35%	46%	16%	3%	0%	0%	100%
INTEREST SENSITIVITY GAP	1,166,503,452	(1,845,556,481)	1,021,240,625	1,247,722,701	202,929,119	-	1,792,839,416
Percentage	**65%**	**-103%**	**57%**	**70%**	**11%**	**0%**	**100%**

As at 31 December 2023	Up to 03 months	03-12 Months	01-03 Years	03-05 Years	Over 05 years	Non interest bearing	Total as at 31/12/2023
Financial assets	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**	**Rs**
Cash and cash equivalents	154,177,733	-	-	-	-	-	154,177,733
Financial investments - FVOCI	659,585,449	50,253,378	-	-	2,185,042	-	712,023,869
Loans and advances	2,568,030,714	3,302,032,819	2,820,445,831	1,181,113,498	270,776,869	-	10,142,399,731
Other assets	11,148,089	4,343,711	6,291,784	1,753,381	300,000	-	23,836,965
Total financial assets	3,392,941,985	3,356,629,908	2,826,737,615	1,182,866,879	273,261,911	-	11,032,438,298
Percentage	31%	30%	26%	11%	2%	0%	100%
Financial liabilities							
Deposit liabilities	1,220,885,461	4,196,451,958	196,554,049	920,289,166	-	-	6,534,180,634
Due to banks	250,428,266	2,177,918,714	170,009,492	160,239,987	-	-	2,758,596,459
Lease liabilities	5,207,879	17,165,955	33,589,412	8,911,655	-	-	64,874,901
Other liabilities	23,807,707	-	-	-	-	-	23,807,707
Total financial liabilities	1,500,329,313	6,391,536,627	400,152,953	1,089,440,808	-	-	9,381,459,701
Percentage	16%	68%	4%	12%	0%	0%	100%
INTEREST SENSITIVITY GAP	1,892,612,672	(3,034,906,719)	2,426,584,662	93,426,071	273,261,911	-	1,650,978,597
Percentage	115%	-184%	147%	6%	17%	0%	100%

41. RISK MANAGEMENT (Contd…)

41.4 OPERATIONAL RISK

'Operational risk' is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has established Board Intergrated Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Company's Board Integrated Risk Management Committee, with summaries submitted to the Board Audit Committee and senior management of the Company.

41.5 CAPITAL MANAGEMENT

The primary objective of Company's capital management strategy 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 shareholder's value.

The Company's strategy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' returns is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a stronger capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements.

Capital Adequacy

Capital adequacy measures the Company's aggregate capital in relation to the risk, which may arise from its assets and off balance sheet transactions, its dealing operations and its human activities, technology and natural incidents. The Central Bank of Sri Lanka has prescribed the minimum risk sensitive capital with effect from 1 July 2018. This guidelines requires the Company to maintain minimum capital ratio of 8.5% and minimum risk weighted core capital of 12.5%.

Capital and risk weighted assets	**Minimum Requirement**		**Ratio**	
	2024	**2023**	**2024**	**2023**
Capital to risk weighted asset ratio				
Tier I Capital	8.50%	8.50%	15.71%	19.57%
Total Capital	12.50%	12.50%	15.71%	19.57%

42 SEGMENTAL INFORMATION

42.1 Basis of segmentation

The Company has the following four strategic divisions, which are its reportable segments. These divisions offer different services, and are managed separately because they require different credit risk management strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Leasing	Finance leases related transactions and balances with customers.
Mortgage loans	Mortgage Loans related transactions and balances with customers.
Other loans	Gold Loans, Personal Loans, Business Loans and Other Unsecured Loans related transactions and balances with customers.
Investments and others	Financial Investments kept for liquidity requirements and other short term investments related transactions and balances.

The Company's Board of Directors reviews the internal management reports of each division at least monthly.

42.2 Information about reportable segments

	Leasing		Mortgage Loans		Other loans		Investments and others		Total	
As at 31 December	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
External Revenue										
Interest	926,380,996	475,555,866	462,507,605	562,988,124	750,306,763	560,055,275	131,941,469	168,577,924	2,271,136,833	1,767,177,189
Fees & commissions	142,437,145	69,751,022	62,154,934	40,417,759	71,950,975	34,937,395	14,890,337	4,775,829	291,433,391	149,882,005
Dividends	-	-	-	-	-	-	228,565	179,520	228,565	179,520
Other income	-	-	-	-	-	-	98,567,975	74,231,466	98,567,975	74,231,466
Total external revenue	1,068,818,141	545,306,888	524,662,539	603,405,883	822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Total revenue before impairment	1,068,818,141	545,306,888	524,662,539	603,405,883	822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
Impairment (charges) / Reversal	(30,363,537)	(215,509,276)	38,562,909	(29,835,245)	(248,334,612)	(234,468,642)	3,270,388	(1,802,364)	(236,864,852)	(481,615,526)
Net revenue	1,038,454,604	329,797,612	563,225,448	573,570,638	573,923,126	360,524,028	248,898,734	245,962,375	2,424,501,912	1,509,854,654
(Loss)/profit before tax									157,663,661	(320,604,539)
Income tax expenses									(76,122,654)	95,427,017
(Loss)/profit after tax									81,541,007	(225,177,522)
Segment assets	6,578,953,625	2,063,234,283	3,323,910,838	3,774,944,565	5,209,274,922	3,722,310,983	1,556,136,870	1,550,031,548	16,860,639,312	12,458,760,750
Segment liabilities	5,542,842,160	2,596,215,675	2,720,876,012	2,872,826,011	4,264,191,149	2,832,770,556	1,273,817,406	1,179,612,276	13,801,726,728	9,481,424,517

43. CONTINGENCIES

There were no material contingent liabilities as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

43.1 LITIGATIONS AND CLAIMS

There have been no material litigations and claims as at the reporting date, which require adjustments or disclosures in the Financial Statements.

44. COMMITMENTS

There were no material commitments as at the reporting date, which require adjustments to or disclosures in the Financial Statements.

45. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date, which require adjustments to or disclosure in the Financial Statements.

46. COMPARATIVE INFORMATION

Comparative information has been reclassified where necessary to conform to current year's presentation.

47. RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.