

DEBENTURE ISSUE 2025 **PROSPECTUS**



A Fully Owned Subsidiary of Commercial Bank of Ceylon PLC

DEBENTURE ISSUE 2025

PROSPECTUS

FOR AN INITIAL ISSUE OF TEN MILLION (10,000,000) LISTED RATED UNSECURED SUBORDINATED REDEEMABLE DEBENTURES 2025 – 2030 EACH OF THE PAR VALUE OF SRI LANKAN RUPEES ONE HUNDRED (LKR 100/-) BY CBC FINANCE LIMITED WITH AN OPTION TO ISSUE UP TO A FURTHER FIVE MILLION (5,000,000) OF THE SAID DEBENTURES, AT THE DISCRETION OF THE COMPANY IN THE EVENT OF AN OVERSUBSCRIPTION OF THE INITIAL ISSUE IN ORDER TO RAISE UP TO A MAXIMUM AMOUNT OF SRI LANKAN RUPEES ONE THOUSAND FIVE HUNDRED MILLION (LKR 1,500,000,000/-).

TO BE LISTED ON THE COLOMBO STOCK EXCHANGE.

ISSUE RATING “BBB+(LKA)” BY FITCH RATINGS LANKA LIMITED

Issue Opens on: November 18, 2025

Managers to the Issue:



THIS PROSPECTUS IS DATED NOVEMBER 11, 2025

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for accuracy of the statements made, opinions expressed, reports included or omitted statements/undisclosed information in this Prospectus. Moreover, the CSE does not regulate the pricing of the Debentures issued herein. Please note that upon listing the debentures in the CSE, the Company will be bound by the Listing Rules of the CSE (as applicable).

The delivery of this Prospectus shall not under any circumstance constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If there is a material change, such material change will be disclosed to the market.

If you are in doubt regarding the contents of this document or if you require any clarification or advice in this regard, you should consult the Managers to the issue, your Stockbroker, Lawyer, or any other Professional Advisor.

RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

This Prospectus has been prepared by Commercial Bank of Ceylon PLC (hereinafter referred to as Managers to the Issue/ Manager) from information provided by **CBC Finance Limited** (hereinafter referred to as the “Company”, “**CBCF**” or the “Issuer”).

CBC Finance Limited and its Directors confirm that to the best of their knowledge and belief this Prospectus contains all information regarding the Company and Debentures offered herein which is material; such information is true and accurate in all material aspects and is not misleading in any material respect; any opinions, predictions, or intentions expressed in this Prospectus on the part of the Company are honestly held or made and are not misleading in any material respect; this Prospectus contains all material facts and presents them in a clear fashion in all material respects and all proper inquiries have been made to ascertain and to verify the foregoing. The Company accepts responsibility for the information contained in this Prospectus.

No person has been sanctioned to make any representations not contained in this Prospectus in connection with this Offer for Subscription of the Company’s Debentures. If such representations are made, they must not be relied upon as having been authorised. Neither the delivery of this Prospectus nor any sale made in the Offering shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date of this Prospectus.

Investors should be informed that the value of investments can vary and that past performance is not necessarily indicative of future performance. In making such investment decisions, prospective investors must rely on their knowledge, examination, and assessments on **CBC Finance Limited** and the terms of the Debentures issued (knowledge, perception, together with their own examination and assessment on **CBC Finance Limited** and the terms and conditions of the Debentures issued) including risks associated.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion, that there has been no material change in the affairs of the Company since the date of this Prospectus.

REGISTRATION OF THE PROSPECTUS

A copy of this Prospectus has been delivered for registration to the Registrar General of Companies in Sri Lanka in accordance with the Companies Act No. 07 of 2007 (the “Companies Act”). The following documents were attached to the copy of the Prospectus delivered to the Registrar General of Companies in Sri Lanka:

- a. The written consent of the Auditors and Reporting Accountants for the inclusion of their name in the Prospectus as Auditors and Reporting Accountants to the Issue and to the Company.
- b. The written consent of the Rating Agency for the inclusion of their name in the Prospectus as Rating Agency to the Issue and to the Company.
- c. The written consent of the Trustee to the Issue for the inclusion of their name in the Prospectus as Trustee to the Issue.
- d. The written consent of the Bankers to the Issue for the inclusion of their name in the Prospectus as Bankers to the Issue.
- e. The written consent of the Registrars to the Issue for the inclusion of their name in the Prospectus as Registrars to the Issue.
- f. The written consent of the Lawyers to the Issue for the inclusion of their name in the Prospectus as Lawyers to the Issue.
- g. The written consent of the Managers to the Issue for the inclusion of their name in the Prospectus as Managers to the Issue.
- h. The written consent of the Company Secretary for the inclusion of their name in the Prospectus as Company Secretary.
- i. The declaration made and subscribed to, by each of the Directors of the Company herein named as a Director, jointly and severally confirming that each of them have read the provisions of the Companies Act and the CSE Listing Rules relating to the Issue of the Prospectus and that those provisions have been complied with.

The said Auditors and Reporting Accountants to the Issue, Lawyers to the Issue, Trustee to the Issue, Bankers to the Issue, Managers to the Issue, Registrars to the Issue, Company Secretary and Rating Agency to the Issue have not, before the delivery of a copy of the Prospectus for registration with the Registrar General of Companies in Sri Lanka, withdrawn such consent.

REGISTRATION OF THE PROSPECTUS IN JURISDICTIONS OUTSIDE OF SRI LANKA

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdiction of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making the investment.

INVESTMENT CONSIDERATIONS

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see “Risks Related to the Debentures” in Section 5.16 of this Prospectus.

REPRESENTATION

The Debentures are issued solely on the basis of the information contained and representations made in this Prospectus. No dealer, sales person, individual, or any other outside party has been authorised to give any information or to make any representation in connection with the Issue other than the information and representations contained in this Prospectus and if given or made such information or representations must not be relied upon as having been authorised by the Company.

FORWARD-LOOKING STATEMENTS

Any statements included in this Prospectus that are not statements of historical fact constitute “Forward-Looking Statements”. These can be identified by the use of forward-looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward-Looking Statements. As such, all or any statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward-Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, interest rate volatilities, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward-Looking Statements herein. Forward-Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed, or implied by Forward-Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

PRESENTATION OF CURRENCY INFORMATION AND OTHER NUMERICAL DATA

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to “LKR”, “Rupees”, or “Rs.” are to the lawful currency of Sri Lanka.

Certain numerical figures in this Prospectus have been subject to rounding adjustments, accordingly numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

IMPORTANT

All Applicants should indicate in the Application for Debentures, their Central Depository Systems (Private) Limited (CDS) account number.

In the event name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

As per the Directive of the Securities and Exchange Commission of Sri Lanka made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Debentures are required to be directly deposited into the CDS. To facilitate compliance with this directive, all Applicants are required to indicate their CDS account number.

In line with this directive, **THE DEBENTURES ALLOTTED TO AN APPLICANT WILL BE DIRECTLY DEPOSITED IN THE CDS ACCOUNT OF SUCH APPLICANT**, the details of which is indicated in his/her Application Form.

PLEASE NOTE THAT DEBENTURE CERTIFICATES WILL NOT BE ISSUED

Debentures will not be allotted to Applicants who have not indicated their CDS account details in the Application Form. Applications which do not specify a CDS account number will be rejected.

Applicants who wish to open a CDS account, may do so through a Trading Participant of the CSE as set out in Annexure II or through any Custodian Bank as set out in Annexure III of this Prospectus.

If the CDS account number indicated in the Application Form is found to be inaccurate/incorrect or there is no CDS number indicated, the Application will be rejected and no allotments will be made.

ISSUE AT A GLANCE

Issuer	: CBC Finance Limited
Instrument	: Listed Rated Unsecured Subordinated Redeemable Debentures
Listing	: The Debentures will be listed on the Colombo Stock Exchange
Number of Debentures to be Issued	: An initial Issue of Ten Million (10,000,000) Listed Rated Unsecured Subordinated Redeemable Debentures, with an option to issue up to a further Five Million (5,000,000) of said Debentures (at the discretion of the Company) in the event of an oversubscription of the initial Issue of 10,000,000 Debentures. Maximum issue will not exceed Fifteen Million (15,000,000) of said debentures.
Amount to be Raised	: Sri Lankan Rupees One Billion (LKR 1,000,000,000/-) with an option to raise up to a further Sri Lankan Rupees Five Hundred Million (LKR 500,000,000/-) at the discretion of the Company in the event of an oversubscription of the initial Issue. Maximum issue will not exceed Sri Lankan Rupees One Thousand Five Hundred Million (LKR 1,500,000,000/-).
Entity Rating	: “A (Ika) Stable” by Fitch Ratings Lanka Limited
Issue Rating	: “BBB+(Ika)” by Fitch Ratings Lanka Limited
Par/Issue Value of a Bond	: LKR 100/- (Sri Lankan Rupees One Hundred) per each Debenture
Trading Currency of the Debt Securities to be Listed	: Sri Lankan Rupees
Tenure	: 5 years
Interest Rate	: Fixed interest rate of 11.50% p.a. payable annually (AER 11.50%)
Minimum number of Debentures to be subscribed	: Minimum subscription per application is of One Hundred (100) Debentures (LKR 10,000/-) and in Multiples of One Hundred (100) Debentures (LKR 10,000/-) thereafter.
Issue Opening Date	: November 18, 2025, however, Applications may be submitted forthwith

ISSUE AT A GLANCE

Issue Closing Date : Subject to the provisions contained below, the subscription list for the Debentures will open at 9.30 a.m. on November 18, 2025 and will remain open for fourteen (14) Market Days including the Issue Opening Date until closure at 4.30 p.m. on December 08, 2025.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following events:

- The maximum of Fifteen Million (15,000,000) Debentures being fully subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the initial Issue of Ten Million (10,000,000) Debentures becoming fully subscribed;

In the event the Board of Directors of the Company decides to exercise the option to issue the second tranche of Five Million (5,000,000) Debentures (having subscribed the initial Issue of Ten Million (10,000,000) Debentures) but subsequently decides to close the subscription list upon part of the second tranche becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 p.m.

In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of the initial issue of Ten Million (10,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 p.m. (refer Section 5.2 of this Prospectus).

Date of Allotment : The date on which the Debentures will be allotted by the Company to the Applicants subscribing thereto.

Basis of Allotment : As authorised by the Board of Directors of the Company via the Board resolution dated September 29, 2025, in the event of an oversubscription, the basis of allotment will be decided by any two Directors of the Company in a fair and equitable manner within Seven (07) Market Days from the closure of the Issue.

The Board however shall reserve the right to allocate up to 75% of the number of Debentures to be issued under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

Number of Debentures to be allotted to identified investor/s of strategic and operational importance, on a preferential basis or otherwise will not exceed 75% of the total number of Debentures to be issued under this Prospectus under any circumstances, unless there is an under subscription from the other investors (investors that do not fall under preferential category).

ISSUE AT A GLANCE

Interest Period	: The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Interest Payment Dates	: The dates on which the payments of interest in respect of the Debentures shall fall due which shall be twelve (12) months from the Date of Allotment and every twelve (12) months thereafter of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption. Interest would be paid not later than Three (03) Working Days from each Interest Payment Date (Excluding such due date of interest).
Method of Payment of Principal Sum and Interest	: Through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as SLIPS, CEFTS, and RTGS (arranged only at the expense of the investor). RTGS transfers however could be effected only for amounts over and above the maximum value (Sri Lankan Rupees Five Million) that can be accommodated via SLIPS or CEFTS transfers or by cheque marked "Account Payee Only" in the event accurate bank details have not provided by the Investor.
Maturity Date	: On completion of Five (05) years from the Date of Allotment, or on such earlier date on which the Debentures are redeemed or become payable in terms of the Trust Deed.

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1.0 CORPORATE INFORMATION

The Company/Issuer	: CBC Finance Limited	
Legal Form of the Company	: CBC Finance Limited is a limited liability company incorporated in Sri Lanka on February 18, 1987 under the Companies Act No. 17 of 1982 as Indra Finance Ltd. and re-registered under the Companies Act No. 07 of 2007. The Company is also registered under the Finance Business Act No. 42 of 2011 as a Licensed Finance Company. Subsequent to the acquisition by Commercial Bank of Ceylon PLC in 2014, the Company was renamed as Serendib Finance Ltd. and then as CBC Finance Limited in 2020.	
Date of Incorporation	: February 18, 1987	
Company Registration No.	: PB 276	
Issuer Rating	: “A (Ika) Stable” by Fitch Ratings Lanka Limited	
Place of Incorporation	: Kandy, Sri Lanka	
Registered/ Business Office	: No. 187, Katugastota Road, Kandy. Tel : +94 81 221 3498	
Company Secretary	: Mrs H D U O Gunasekara No. 187, Katugastota Road, Kandy. Tel: +94 81 221 3498	
Auditors to the Company	: Messrs Ernst & Young Chartered Accountants Rotunda Towers, No. 109, Galle Road, Colombo 03. Tel : +94 11 246 3500	
Credit Rating Agency	: Fitch Ratings Lanka Limited 15-02, East Tower, World Trade Centre, Colombo 01. Tel : +94 11 254 1900	
Bankers	: Commercial Bank of Ceylon PLC Bank of Ceylon People's Bank Sampath Bank PLC Seylan Bank PLC DFCC Bank PLC Hatton National Bank PLC National Development Bank PLC Cargills Bank PLC	
Board of Directors	Mr S Muhseen	– Chairman – Non-Independent, Non-Executive
	Mr S M S C Jayasuriya	– Senior Director - Independent, Non-Executive
	Mr D M D S S Bandara	– Independent, Non-Executive
	Mr L H Munasinghe	– Non-Independent, Non-Executive
	Mr M P Dharmasiri	– Non-Independent, Non-Executive
	Mrs S C De S Wickremasekera	– Independent, Non-Executive
	Mr D J D P Hettiarachchi	– Executive (Acting CEO)

2.0 RELEVANT PARTIES TO THE ISSUE

Managers to the Issue : **Commercial Bank of Ceylon PLC**
Investment Banking Unit
No. 55/57, 4th Floor,
Carsons Building,
Janadhipathi Mawatha,
Colombo 01, Sri Lanka
Tel : +94 (0) 11 2 486 848

Lawyers to the Issue : **Messrs Nithya Partners**
97A, Galle Road,
Colombo 3, Sri Lanka.
Tel : +94 (0) 11 4 712 625
+94 (0) 11 2 335 908

Registrars to the Issue : **SSP Corporate Services (Private) Limited**
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka
Tel : +94 (0) 11 2 573 894

Bankers to the Issue : **Commercial Bank of Ceylon PLC**
“Commercial House”
No. 21, Sir Razik Fareed Mawatha,
P.O. Box 856,
Colombo 01, Sri Lanka.
Tel : +94 (0) 11 2 486 494/ 6

Trustees to the Issue : **Bank of Ceylon**
11th Floor, Head Office
BOC Square,
No. 1, Bank of Ceylon Mawatha,
Colombo 01, Sri Lanka
Tel : +94 (0) 11 2 448 348
+94 (0) 11 2 394 311

Auditors and Reporting Accountants : **KPMG**
Chartered Accountants,
Rotunda Towers,
No. 109, Galle Road,
Colombo 03.
Tel : +94 (0) 11 2 463 500

Rating Agency to the Issue : **Fitch Ratings Lanka Limited**
No. 15-2, East Tower
World Trade Center
Colombo 01,
Sri Lanka.
Tel : +94 (0) 11 2 541 900

3.0 LIST OF ABBREVIATIONS

AER	: Annual Effective Rate
ATS	: Automated Trading System
AWPLR	: Average Weighted Prime Lending Rate
CBSF	: CBC Finance Limited
CBSL	: Central Bank of Sri Lanka
CDS	: Central Depository Systems (Private) Limited
CEFTS	: Common Electronic Fund Transfer Switch
CSE	: Colombo Stock Exchange
FCBU	: Foreign Currency Banking Units
FY	: Financial Year
IIA	: Inward Investment Account
LCB	: Licensed Commercial Bank
NIC	: National Identity Card
POA	: Power of Attorney
RTGS	: Real Time Gross Settlement
Rs./LKR	: Sri Lankan Rupees
SEC	: Securities and Exchange Commission of Sri Lanka
SLIPS	: Sri Lanka Interbank Payment System
USD	: US Dollar
VAT	: Value Added Tax
WHT	: Withholding Tax
YoY	: Year on Year

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Applicant/s	: Any investor who submits an Application Form under this Prospectus
Application Form/ Application	: The Application Form that constitutes part of this Prospectus through which the investors may apply for the Debentures in issue.
AWPLR	: The Average Weighted Prime Lending Rate
Board/Board of Directors/Directors	: The Board of Directors of CBC Finance Limited
Closure Date	: The Date of Closure of the Subscription List as set out in Section 5.2 of this Prospectus.
Date of Allotment	: The date on which the Debentures will be allotted by the Company to Applicants subscribing hereto.
Date of Redemption	: The date on which Redemption of the Debentures will take place as referred to in Section 5.12.
Debentures	All of the Listed Rated Unsecured Subordinated Redeemable Debentures (2025 – 2030) to be issued pursuant to this Prospectus.
Debenture Holder(s)	Any person who is for the time being the holder of the Debentures and includes his/her respective successors in title.
Entitlement Date	The Market Day immediately preceding the Interest Payment Date or Date of Redemption on which a Debenture Holder would need to be recorded as being a Debenture Holder on the list of Debenture Holders provided by the CDS to the Company/in whose name the Debentures are registered in the Debenture Holders' register of the Company (where applicable), in order to qualify for payment of any interest or any redemption proceeds.
Interest Payment Date	The dates on which the payments of interest in respect of the Debentures shall fall due which shall be twelve (12) months from the Date of Allotment and every twelve (12) months therefrom of each year from the Date of Allotment until the Date of Redemption and includes the Date of Redemption.
Interest Period	The twelve (12) month period from an Interest Payment Date and ending on the date immediately preceding the next Interest Payment Date (inclusive of the aforementioned commencement date and end date) and shall include the period commencing from the Date of Allotment and ending on the date immediately preceding the first Interest Payment Date (inclusive of the aforementioned commencement date and end date) and the period from the last Interest Payment Date before the Date of Redemption and ending on the date immediately preceding the Date of Redemption (inclusive of the aforementioned commencement date and end date).
Issue	The offer of Debentures pursuant to this Prospectus
Issue Price	Rupees One Hundred (LKR 100/-) per each Debenture
Local Time	Sri Lanka Time (UTC+05:30)
Market Day	Any day on which trading takes place at the CSE
Non-Resident(s)	Foreign institutional investors including country funds, regional funds or mutual funds, corporate bodies incorporated outside Sri Lanka, citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka and Sri Lankans resident outside Sri Lanka.

4.0 GLOSSARY OF TERMS RELATED TO THE ISSUE

Prospectus	This Prospectus dated November 11, 2025
Redemption	The repayment of Principal at maturity together with any interest accruing up to that time.
Subordinated	The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured and other unsecured creditors of the Company and any preferential claims under any Statutes governing the Company but <i>pari passu</i> to the claims of subordinated creditors of the Company and shall rank in priority to and over the claims and rights of the ordinary and preference shareholder/s of the Company.
Trustee	Bank of Ceylon
Trust Deed	Trust Deed dated October 17, 2025 between CBC Finance Limited and the Trustee.
The Company/ Issuer/CBCF	CBC Finance Limited
Unsecured	Repayment of the Principal Sum and payment of interest on the Debentures are not secured by a charge on any assets of the Issuer.
Working Day	A day (other than a Saturday or Sunday or any statutory holiday) on which licensed commercial banks are open for business in Sri Lanka.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.1 INVITATION TO SUBSCRIBE

The Board of Directors of CBC Finance Limited (hereinafter referred to as the “Board”) by resolution dated April 29, 2025 resolved to raise a sum of up to Rupees One Thousand Five Hundred Million (LKR 1,500,000,000/-) by an Issue of up to Fifteen Million (15,000,000) Listed, Rated, Unsecured, Subordinated, Redeemable Debentures each with a Par Value of Sri Lankan Rupees One Hundred (LKR 100/-).

As such a maximum amount of Rupees One Thousand Five Hundred Million (LKR 1,500,000,000/-) would be raised by the issue of a maximum of Fifteen Million (15,000,000) Debentures each with the Par Value of Sri Lankan Rupees One Hundred (LKR 100/-).

The below mentioned Debentures will be offered to the public:

Tenure	Interest Rate Basis	Issue Price per Debenture (LKR)	Description
5 years	Fixed	100.00	11.50% p.a. payable annually (AER 11.50%)

The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured and other unsecured creditors of the Company and any preferential claims under any Statutes governing the Company but *pari passu* to the claims of subordinated creditors of the Company and shall rank in priority to and over the claims and rights of the ordinary and preference shareholder/s of the Company.

The Debentures does not carry an option to be converted to ordinary shares or any other type of security. However, Debentures shall become immediately payable at the option of the Trustee on the occurrence of event of default as specified in Clause 10 of the Trust Deed.

It is the intention of the Company to list the Debentures on the CSE. The CSE has given its in-principle approval for the listing of the Debentures on the CSE. However, CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

5.2 SUBSCRIPTION LIST

The subscription list for the Listed, Rated, Unsecured, Subordinated, Redeemable Debentures pursuant to this Prospectus will open at 9.00 a.m. on November 18, 2025 and shall remain open for Fourteen (14) Market Days including the Issue opening date until closure at 4.30 p.m. on December 08, 2025.

However, the subscription list will be closed on an earlier date at 4.30 p.m. with notification to the CSE on the occurrence of the following:

- The maximum of Fifteen Million (15,000,000) Debentures being fully subscribed; or
- The Board of Directors of the Company decides to close the Issue upon the initial Issue of Ten Million (10,000,000) Debentures becoming fully subscribed;

In the event the Board of Directors of the Company decides to exercise the option to issue the second tranche of Five Million (5,000,000) Debentures (having subscribed the initial Issue of Ten Million (10,000,000) Debentures) but subsequently decides to close the subscription list upon part of the second tranche becoming subscribed, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 p.m.

5.0 PRINCIPAL FEATURES OF THE ISSUE

In the event the Board of Directors of the Company decides to close the Debenture Issue without the full subscription of the initial Issue of Ten Million (10,000,000) Debentures, such decision is to be notified to the CSE on the day such decision is made and the subscription list will be closed on the following Market Day at 4.30 p.m.

Applications may however be made forthwith in the manner set out in Section 6.0 of this Prospectus and accordingly, duly completed Application Forms will be accepted by Managers to the Issue, Registrars to the Issue or by any Trading Participant of the CSE as set out in the Collection Points of Annexure II of this Prospectus.

Applications sent by post or courier or delivered to any collection point set out in Annexure II of this Prospectus will be accepted in terms of Section 6.3.

5.3 OBJECTIVES OF THE ISSUE AND SPECIFIC RISKS RELATING TO THE OBJECTIVES

5.3.1 IMPROVE AND FURTHER STRENGTHEN THE CAPITAL ADEQUACY RATIO (CAR) OF THE COMPANY

Main Objective of the Debenture Issue is to expand and strengthen the capital base of the Company and to maintain the capital adequacy requirements as stipulated by the CBSL. The Debenture Issue would reinforce the Company's Total Capital Ratio and facilitate future expansion of operations and the asset base. Capital Adequacy Ratios of the Company as at June 30, 2025 and the immediate effect of the proposed Debenture Issue on Total Capital are as follows;

	The Capital Adequacy Requirements as per the CBSL Circular No. 03 of 2018	Timeline to achieve Capital Adequacy Requirements	Capital Adequacy Ratios of the Company		
			As at June 30, 2025*	In the event of successful allotment of Debentures of LKR 1.0 Billion	In the event of successful allotment of Debentures of LKR 1.5 Billion
Tier 1 Capital Ratio	8.50%	Effective from July 01, 2021	15.98%	15.98%	15.98%
Total Capital Ratio ¹	12.50%	Effective from July 01, 2021	15.98%	21.44%	24.17%

**Unaudited Financial Statements¹*

The Debenture Issue is expected to improve the Tier 2 Capital of the Company and hence the Total Capital Ratio of the Company is expected to improve as provided above. However, there will not be any change to the Tier 1 Capital Ratio of the Company as the proceeds of the Debenture Issue do not qualify to be included in the Tier 1 Capital as per the Web Based Return Code 20.2.4.1.0.0 of the CBSL Circular No. 03 of 2018.

The Company has also obtained the approval for the Debenture Issue from the CBSL via a CBSL letter dated June 03, 2025. Further, the Company will request approval from the Governing Board of the CBSL to include the debenture proceeds under Tier 2 capital, upon receipt of the net proceeds from the Debenture Issue. The Company is not required to obtain any approvals for the issue and for the objectives other than of CSE and CBSL.

¹Tier 1 Capital Ratio + Tier 2 Capital Ratio

5.0 PRINCIPAL FEATURES OF THE ISSUE

The Company is of the view that the Capital Adequacy Ratios of the Company should be maintained at a level above the minimum requirement in order to accommodate the projected asset growth. The forecasted Capital Adequacy Ratios of the Company for the next three years are as follows.

For the year ending December 31	2025	2026	2027
Projected Asset Growth (%)	83%	50%	34%
Expected Tier I Capital Ratio (%)	11%	12%	11%
Expected Total Capital Ratio (%)	16%	15%	15%

Specific Risk Relating to the Objectives

Dependency of proceeds of the Issue to achieve the objective (5.3.1) is marginal as the Company is already in compliance with the minimum Total Capital Ratio requirement as per CBSL guidelines. However, in the unlikely event of any shortfall of funds to be generated from the proposed Debenture Issue, the Company will adjust the asset growth to maintain the desired level of CAR.

5.3.2 TO FACILITATE FUTURE EXPANSION OF LENDING PORTFOLIO OF THE COMPANY

The funds generated from the Debenture Issue will be utilised to expand CBCF's lending portfolio in the ordinary course of business within next Twelve (12) months from the date of allotment of the Debentures. The issue of debentures benefits to both the company and its shareholders as it furnishes the company with the necessary funding for business expansion without relinquishing control.

The Company as at the date of this Prospectus has not recognised related parties for the lending of the proceeds of the Issue. As such, the Company will disburse the proceeds of the Issue in the ordinary course of business within next Twelve (12) months as stated above.

Until full disbursement of the Debenture proceeds, the funds raised through the Debenture Issue will be invested in Treasury Bills. Such investments in Treasury Bills are expected to generate an average return of 7.50% - 8.25% p.a. at current market rates.

Specific Risk Relating to the Objectives

During the quarter ended June 30, 2025, the Company disbursed LKR 7,545 Million (unaudited) in loans and leases amounting to a monthly average disbursement of LKR 2,515 Million (unaudited) during the said period. Looking ahead, the Company anticipates achieving an average monthly disbursement budgeted at LKR 3,800 Million (unaudited). Since the Company forecasts a higher demand for loans and lease receivables than the amount to be raised via this Debenture Issue, the Company foresees no specific risk factor in granting loans and lease receivables from the proceeds of the issue within the specified time period.

The Company has access to an array of funding sources, including different types of deposits and borrowings. As such, the proceeds of the Debenture Issue are only one such source in financing its term budgeted lending portfolio. In the case of an under subscription of the Debenture Issue, the Company will pursue on the other normal funding sources such as Bank borrowings and other unutilised credit facilities as aforementioned to finance any gaps required to achieve the budgeted lending portfolio.

In the event the Company fails to lend the Debenture funds within the specific timeline for the above-mentioned purpose, the process of utilisation of funds will be carried out with the necessary review and approval of the Asset Liability Committee of **CBC Finance Limited**. Further, if the Company decides to lend funds to Related Parties, the same will be made in compliance with Section 9 of the CSE Listing Rules.

5.0 PRINCIPAL FEATURES OF THE ISSUE

Objectives of the issue (as mentioned under 5.3.1 and 5.3.2 above) do not constitute a “Major Transaction” as provided in Section 185 of the Companies Act No. 07 of 2007. The Company will not seek the shareholder approval for the Issue as it is not applicable.

The Company will disclose the progress of the utilisation of funds raised through this Debenture Issue in future interim and annual financial statements, in the format presented below, until these funds are fully utilised for the objectives stated in the prospectus. If due to some unforeseen reason, these funds are not utilised as proposed, the Company will seek relevant approvals (as applicable) regarding the course of action to be taken. In such an instance **CBCF** will make a prior market announcement through the CSE in this regard.

Debenture Issue proceeds utilization as at (dd-mm-yyyy)

Objective Number	Objective as per Prospectus	Amount Allocated as per Prospectus in LKR	Proposed Date of Utilisation as per Prospectus	Amount Allocated from proceeds in LKR (A)	% of Total Proceed	Amounts Utilised (LKR) (B)	% of Utilisation against Allocation (B/A)	Clarification if not fully utilized including where the funds are invested (e.g. whether lent to related party/s, etc.)
1	Improve and further Strengthen the Capital Adequacy Ratio (CAR) of the Company	Initial issue of LKR 1.0 Bn. and a maximum issue of LKR 1.5 Bn.	Immediately upon allotment of the Debentures					
2	To facilitate future Lending Portfolio		Over a period of 12 months from the Date of Allotment					

To be disclosed in the Annual Report and the Interim Financial Statements

In the event the funds raised through the Debenture Issue have been fully utilised in terms of the objectives disclosed in the Prospectus between two financial periods, the Company to disclose the fact that proceeds have been utilised in its entirety as per the above template in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.

5.4 INTEREST

The Debentures will carry a fixed rate of interest as described below payable on the respective Interest Payment Dates:

Type of Interest	Tenure	Interest Rate (Per annum)	Annual Effective Rate (AER)	Interest Payment frequency
Fixed Rate	5 years	11.50% p.a.	11.50% p.a.	Annually

Interest on the Debentures accruing on a daily basis will be paid Annually as applicable from the Date of Allotment until the Date of Redemption on the outstanding Principal Sum.

The interest due on the Debentures for a particular Interest Period will be calculated based on the actual number of days (irrespective of holidays) in such Interest Period (actual/actual) and will be paid not later than three (03) Working Days from each Interest Payment Date. In order to accommodate the debenture interest cycles in the CDS System of the CSE, the payment of interest on a particular Interest Payment Date will include Debenture Holders holding Debentures in the CDS as of the Entitlement Date which is one market day prior to the Interest Payment Date.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.5 PAYMENT OF PRINCIPAL AND INTEREST

The Company will redeem the Debentures on the Date of Redemption as specified in Section 5.12 and the interest payments will be made as specified in Section 5.4.

The payment of Principal and interest will be made in Sri Lankan Rupees after deducting any taxes at source and charges thereon (if any) in Sri Lankan Rupees as per the applicable law prevalent at the time of the payment to the Debenture Holders registered as at the Entitlement Date (In case of joint Debenture Holders, the payment will be made to the one whose name stands first in the Register of Debenture Holders). Please refer Section 5.11 for further details on taxes applicable for Debentures.

In the event accurate bank account details are provided to the CDS by the Debenture Holders, the payment of principal sum and interest shall be made to Debenture Holders through an electronic fund transfer mechanism recognised by the banking system of Sri Lanka such as RTGS (arranged only at the expense of the investor) CEFTS or SLIPS. RTGS transfers however shall be accommodated only for amounts over and above the maximum value of Sri Lankan Rupees Five Million (LKR 5,000,000/-) that can be accommodated via CEFTS or SLIPS transfers.

If the Debenture Holder has not provided to the CDS, accurate and correct details of his/her/its/their bank account/s for the payment of principal sum and interest, such payment to the Debenture Holder will be posted to the address registered with the CDS, through registered post to the Debenture Holder, by crossed cheques marked "Account Payee Only". Interest payable will be made only by cheques within Three (03) Working days from the end of each period.

In order to accommodate the Debenture interest cycles in the CDS, interest payments shall not include the Debenture Holders holding Debentures in the CDS as at the last day of the Payment Cycle but one day prior to the Interest Payment Date.

5.6 INSPECTION OF DOCUMENTS

The Articles of Association, Trust Deed, Accountant's Report and Five Years (05) Summary of Financial Statements for the five years ended December 31, 2020 to December 31, 2024, Audited Financial Statements for the Five (05) years immediately preceding the date of this Prospectus, and Interim Financial Statements for the Quarter ended March 31, 2025, Issue Rating Report and all other documents referred to in Rule 3.2.18 (a) of the CSE Listing Rules, including material contracts and management agreements entered or in the case of contracts not reduced into writing, a Memorandum giving full particulars thereof by the Company if any, would be made available from Seven (07) Market Days prior to the Date of Opening of the subscription list, for inspection by the public, during normal working hours at the registered office of the Company, No. 187, Katugastota Road, Kandy, Sri Lanka until the Date of Redemption of the Debentures.

The Prospectus, Trust Deed and Articles of Association of the Company are available on the website of CSE (www.cse.lk) and the website of the Company (www.cbcbfinance.lk) from Five (05) Market Days prior to the date of Opening of the subscription list until the Date of Redemption of the Debentures as stipulated in Rule 3.2.18 (b) of the CSE Listing Rules.

Furthermore, Application Forms are available free of charge from the Collection Points set out in Annexure II of this Prospectus from Five (05) Market Days prior to the Date of Opening of the subscription list. Soft copies of the Prospectus and the Application Forms can also be downloaded from the websites of the CSE and the Company, viz www.cse.lk and www.cbcbfinance.lk respectively.

Considering the relatively smaller size of the Issue, the Company wishes to reduce the cost on printing. Therefore, the Company has requested a waiver from CSE for Listing Rule 2.4 (f), which requires physical copies of the Prospectus available. After reviewing the request, the CSE has granted the waiver. Consequently, only digital copies of the Prospectus will be available to Trading Participants of the Exchange, and the public.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.7 UNDERWRITING

The Issue is not conditional upon any minimum subscription amount being raised. The Company has not entered into any underwriting arrangement with regard to this Issue.

In the event the Issue is undersubscribed, the subscribers shall be allotted in full and funds raised shall be utilised to the extent of such amount to meet the Objectives of the Issue as stipulated in Section 5.3 of this Prospectus, the balance funding will be sourced through Bank borrowings and other unutilised credit facilities.

5.8 MINIMUM SUBSCRIPTION

The minimum subscription requirement applicable for an investor applying for Debentures shall be One Hundred (100) Debentures (LKR 10,000/-) and Applications exceeding the minimum subscription should be in multiples of 100 Debentures.

5.9 COST OF THE ISSUE

The Board of Directors estimate that the total cost of the Issue including the Listing fee, Trustee fee, Brokerage, Printing, Marketing, Managers and Registrars fees and other costs connected with the Issue will be approximately LKR 15 Million and such costs will be financed by internally generated funds of the Company.

5.10 BROKERAGE

Brokerage at the rate of 0.15 per centum shall be paid in respect of the number of Debentures allotted on applications bearing the stamp of any Trading Participant of the CSE or Managers to the Issue or any other party identified by the Managers to the Issue or any agent appointed by the Company.

5.11 TAXATION

Interest on the Debenture will be paid after deducting any taxes and charges thereon (if any) as per the applicable law prevalent at the time the interest payment is due to the Debenture Holders.

5.12 REDEMPTION

CBC Finance Limited shall redeem the said Debentures on the expiry of Five (05) years respectively from the Date of Allotment in accordance with the provisions contained in the Trust Deed. Early redemption is not applicable for Debentures issued under this Prospectus, subject to the provisions contained in the Trust Deed. On the Date of Redemption of the Debentures, the Company shall in accordance with the provisions contained in the Trust Deed pay to the Debenture Holders the Principal Sum of the Debentures which ought to be redeemed and interest (if any) remaining unpaid up to the Date of Maturity/Redemption of the Debenture. If the Date of Redemption falls on a day which is not a Market Day, then the Date of Redemption shall be the immediately succeeding Market Day and Interest shall be paid up to the date immediately preceding such Market Day (including holidays).

5.13 CREDIT RATING

Fitch Ratings Lanka Limited has assigned a rating of “BBB+(lka)” to these Debentures.

A copy of the rating certificate is given in Annexure I of this Prospectus.

5.0 PRINCIPAL FEATURES OF THE ISSUE

The Board of Directors of CBCF undertake to keep the Trustee of the Debenture Issue and CSE immediately informed on any change to the credit rating of the Debentures when either the Company or any of the Directors are aware of any changes to the credit rating of the Debentures being issued under this Prospectus.

Fitch Ratings has upgraded their ratings of 10 Sri Lankan Non-Bank Financial Institutions (NBFIs) including CBC Finance Limited on January 24, 2025 following the agency's recalibration of Sri Lanka's National Rating with the upgrade of Sri Lanka's Long-term Local-Currency Issuer Default Rating (IDR) to "CCC+" from "CCC" on December 20, 2024. Previously, Fitch Ratings had downgraded their rating of including CBC Finance Limited on January 19, 2023 after the sovereign downgrade and recalibration of the Fitch Rating's Sri Lankan National Rating scale.

5.14 TRUSTEE TO THE ISSUE

The Company has entered into an agreement with Bank of Ceylon who will act as Trustee to the Issue and Bank of Ceylon has certified/confirmed its compliance and fulfilment of the requirements specified under Section 2.2.1.(n) 'Appointment of a Trustee' of the Listing Rules of the CSE. Debenture Holders in their Application Forms for subscription will be required to authorise the Trustee, to act as their agent in entering into such deeds, writings and instruments with the Company and to act as the agent and Trustee for the Debenture Holders.

The rights and obligations of the Trustee are set out in the Trust Deed and the Debentures will be subject to the terms and conditions incorporated in the said Trust Deed.

There the Trustee/its Directors has no conflict of interest with the Company, except that the Trustee is one of the banks rendering banking related services to the Company.

In the event the Trustee subscribes to the Debenture Issue, the Company will make an immediate announcement to the market giving out information on the number of Debentures acquired by the Trustee.

5.15 RIGHTS AND OBLIGATIONS OF THE DEBENTURE HOLDER

Debenture Holders are entitled to following rights

- Receive principal on the Date of Maturity/Redemption and interest on the Debentures as per Sections 5.5 and 5.12 of this Prospectus and the provisions contained in the Trust Deed.
- The claims of the Debenture Holders shall in the event of winding up of the Company rank after all the claims of secured and other unsecured creditors of the Company and any preferential claims under any Statutes governing the Company but pari passu to the claims of subordinated creditors of the Company and shall rank in priority to and over the claims and rights of the ordinary and preference shareholder/s of the Company.
- To call, receive notice, attend and vote at the meetings of the Debenture Holders in accordance with the provisions contained in the Trust Deed pertaining to this Debenture Issue.
- The other rights of the Holders of these Debentures are set out in the Trust Deed.
- To receive a copy of the Annual Report within five 05 months of the year end.

Debenture Holders are not entitled to following rights

- Attending and voting at meetings of holders of shares and other types of debentures
- Sharing in the profits of the Company
- Participating in any surplus in the event of liquidation
- Calling for redemption before maturity, subject to the provisions stated in the Trust Deed

5.0 PRINCIPAL FEATURES OF THE ISSUE

Each Debenture Holder must ensure that the information in respect of the securities account maintained with the CDS is up to date and accurate. Each Debenture Holder shall absolve the Company from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS. Provided further that the Debenture Holders shall absolve the CSE and the CDS from any responsibility or liability in respect of any error or inaccuracy or absence of necessary changes in the information recorded with the CDS where such errors or inaccuracies or absence of changes are attributable to any act or omission of the Debenture Holders.

5.16 RISKS INVOLVED IN INVESTING IN THE DEBENTURES

- **Reinvestment Risk:** The calculation for Annual Effective Rate (AER) assumes that the investor is able to reinvest his coupons at the same interest rate. An investor may decide to reinvest this interest payment and earn interest from that point onwards until maturity in order to generate the required AER on his investment. Depending on the prevailing interest rates at the point of reinvestment, the interest rates at which Debenture Holders will reinvest such interest received being higher or lower than the return offered by the Debentures.
- **Interest Rate Risk:** The price of a typical Debenture will have a negative correlation with the market interest rates. Interest rate risk captures this relationship between market interest rates and the value of Debentures. If market interest rates rise, the value of the Debentures may fall; as market interest rates fall the value of Debentures may rise (all other factors being equal). If the investor wishes to sell the Debenture prior to its maturity, he might be facing a capital loss (gain) if the market interest rates have increased (decreased) subsequently. Interest rate risk is irrelevant for the investor who wishes to hold the Debenture till maturity.
- **Credit Risk:** Risk of the issuer not being able to pay interest and principal payments as promised on a timely basis is default risk/credit risk. It is advisable for prospective investors of the Debenture to consider the credit rating awarded to the Company and to its Debentures by Fitch Ratings Lanka Limited, present financial strength as reflected in the Balance Sheet of the Company, assets and earnings growth and experience and skills of the Directors and senior management when forming an opinion on default risk. Fitch Ratings Lanka Limited has assigned a credit rating of “BBB+(lka)” for the Listed, Rated, Unsecured, Subordinated, Redeemable Debenture issue of CBC Finance Limited (Refer Annexure I for Rating Report) and this credit rating will be reviewed periodically.
- **Liquidity Risk:** Liquidity risk refers to the ease with which the Debenture can be sold in the secondary market, after the initial placement. Since the Debentures are listed, should an investor require an exit option, they will be able to sell the Debentures through the CSE in order to convert them to cash and exit from the investment. Therefore, the liquidity risk is mitigated to a greater degree in the Debenture. Investors have to be mindful of the fact that even though the Debentures are listed, trading of listed debt is not at an advanced stage as the equity markets in Sri Lanka.
- **Inflation Risk:** An increase in inflation rates will cause a decrease in the real value of coupon cash flows of the Debenture. The Debenture offers only a fixed coupon hence it is subject to inflation risk as the interest rates are not adjusted upwards depending on the inflation rate.
- **Subordinated Risk:** The Debentures will be the Company's direct unsecured obligations which, if the Company becomes insolvent or is wound-up, will rank equal with the Company's other subordinated indebtedness and will be subordinated in right of payment to the claims of the Company's depositors and other unsubordinated creditors. Therefore, if, the Company becomes insolvent or is wound-up, the assets of the Company would first be applied to satisfy all rights and claims of holders of senior indebtedness.

If the Company does not have sufficient assets to settle claims of such senior indebtedness holders in full, the claims of the holders of the Debentures will not be settled and, as a result, the holders will lose the entire amount of their investment in Debentures. The Debentures will share equally in payment with claims under other subordinated indebtedness if the Company does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, holders could lose all or part of their investment.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.17 BENEFITS OF INVESTING IN THE DEBENTURES

- Provides an opportunity to diversify the investment portfolio of the investor.
- Provides the investor with a regular cash inflow of interest payments up to a fixed period of five (05) years.
- Provides an opportunity to realise capital gains according to interest rate fluctuations in the financial market. Also, if held to maturity, there will be no capital loss incurred.
- Provides the investor with an opportunity to invest in Debentures issued by a leading Finance Company in Sri Lanka.
- Being listed on the CSE, the Debentures will have a secondary market, thus providing more liquidity and opportunity for the investor to exit at the market price prevailing at the time of divestiture.
- The Debentures may be used as collateral to obtain both corporate and personal credit facilities from banks and financial institutions.

5.18 TRANSFER OF DEBENTURES

- These Debentures shall be freely transferable and transmittable as long as the Debentures are listed in the CSE and the registration of such transfer shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- Subject to provisions contained in the Trust Deed, the Company may register without assuming any liability any transfer of Debentures, which are in accordance with the statutory requirements and rules and regulations in force for the time being as laid down by the CSE, SEC and the CDS.
- In the case of the death of a Debenture Holder
 - The survivor where the deceased was a joint holder; and
 - The executors or administrators of the deceased (or where the administration of the estate of the deceased is in law not compulsory, the heirs of the deceased) where such Debenture Holder was the sole or only surviving holder; shall be the only persons recognised by the issuer as having any title to his/her Debentures.
- Any person becoming entitled to any Debenture in consequence of bankruptcy or winding up of any Debenture Holder, upon producing proper evidence that such Debenture Holder sustains the character in respect of which such Debenture Holder proposes to act or such Debenture Holder's title as the Board of Directors of the Company thinks sufficient, may at the discretion of the Board be substituted and accordingly, registered as a Debenture Holder in respect of such Debentures subject to the applicable laws, rules and regulations of the Company, CDS, CSE and SEC.
- No change of ownership in contravention of the above conditions will be recognized by the Company.

5.0 PRINCIPAL FEATURES OF THE ISSUE

5.19 LISTING

An Application for Listed, Rated, Unsecured, Subordinated, Redeemable Debentures has been made to the CSE for permission to deal in and obtain a listing, at a par value of LKR 100/- (Sri Lankan Rupees One Hundred) each, all of which are offered to the public by way of this Debenture Issue and it has been approved in principle. However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE. It is the intention of the Company to list the Debentures on the Colombo Stock Exchange upon the allotment thereof. Upon listing the debentures in the CSE, the Company will be bound by the Listing Rules of the CSE (as applicable).

There are no other approvals required for the said Debenture issue apart from the approval of the CSE and CBSL which was obtained on June 3, 2025 as stated in Section 5.3.

The CSE however, assumes no responsibility for the correctness of the statements made or opinions expressed, reports or omitted statements/undisclosed information included in this Prospectus. A Listing on the CSE is not to be taken as an indication of the merits of the Company or of the Debentures issued.

At the point of listing, the Company will ensure that the Debentures to be listed are fully paid and issued only for cash.

6.0 PROCEDURE FOR APPLICATION

6.1 ELIGIBLE APPLICANTS

Applications are invited from the following categories of investors:

- Citizens of Sri Lanka who are resident in Sri Lanka and above 18 years of age; or
- Corporate bodies and societies registered/incorporated/established within Sri Lanka; or
- Approved Unit Trusts licensed by the SEC; or
- Approved Provident Funds and contributory pension schemes registered/incorporated/ established in Sri Lanka (In this case, Applications should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS account).
- Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- Global, regional and country funds approved by the SEC; or
- Non-residents: foreign institutional investors, corporate bodies incorporated or established outside Sri Lanka, individuals and Sri Lankans resident outside Sri Lanka.

Please note that Applications made by individuals less than 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

“Individuals resident outside Sri Lanka” will have the same meaning as in the notice published under the Foreign Exchange Act No. 12 of 2017 in Gazette No. 2045/56 dated November 17, 2017.

When permitting Non-Residents to invest in the Debentures, the Company will comply with the relevant Foreign Exchange Regulations including the conditions stipulated in the notice under the Foreign Exchange Act with regard to the Issue and transfer of Debentures of companies incorporated in Sri Lanka to individuals resident outside Sri Lanka as published in the Government Gazette (Extraordinary) No. 2045/56 dated November 17, 2017.

6.2 HOW TO APPLY

The terms and conditions applicable to the Applicants are as follows;

- (a) Applications should be made on the Application Forms, issued with the Prospectus. Application Forms are issued free of charge from the places/institutions covered in Annexure II of the Prospectus.

Application Forms and Prospectus could also be downloaded from the Company's web site, www.cbcfinance.lk and the CSE web site www.cse.lk (Exact size photocopies of Application Forms would also be accepted).

Care must be taken to follow the instructions given on the reverse side of the Application Form.

Applications that do not strictly conform to such instructions and/or the terms and conditions set out in this Prospectus or which are incomplete or illegible may be rejected.

- (b) Applications should be made for a minimum of One Hundred (100) Debentures each. Applications exceeding the minimum subscription should be in multiples of One hundred (100) Debentures (LKR 10,000/-). Applications which are not in line with these guidelines will be rejected.
- (c) If the ownership of the Debentures is desired in the name of one Applicant, full details should be given only under the heading SOLE/FIRST APPLICANT in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.
- (d) An applicant of a joint Application will not be eligible to send a separate Application individually or jointly. The interest and capital payments/repayments (if any) will be drawn in favour of the principal Applicant as given in the Application Form.

6.0 PROCEDURE FOR APPLICATION

In the case of Joint Applicants, a joint CDS account in the name of the Joint Applicants should be indicated.

The Company shall not be bound to register more than three (03) natural persons as joint holders of any Debentures (except in the case of executors, administrators or heirs of a deceased member). Joint Applicants should note that all parties to the Application should either be residents of Sri Lanka or Non-Residents.

- (e) Applications by companies, corporate bodies, societies, approved provident funds, trust funds and approved contributory pension schemes registered/incorporated/established in Sri Lanka should have obtained necessary internal approvals as provided by their internal approval procedures at the time of applying for the Debentures and should be made under their respective Common Seals or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicant or as per the Statutes governing them. In the case of approved provident funds, trust funds and approved contributory pension schemes, the Applications should be in the name of the Trustee/ Board of Management.
- (f) All Applicants should indicate in the Application for Debentures, their CDS account number.

All resident individual Applicants should ensure that;

- If the Applicant has provided the NIC number for the purpose of creating the CDS account, the NIC number of the Applicant is stated in the relevant cage of the Application Form; or
- If the Applicant has provided the Passport number for the purpose of creating the CDS account, the passport number of the Applicant is stated in the relevant cage of the Application Form.

The NIC, passport or company registration number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the passport for purposes of identification only if they do not have a NIC number.

In the event the name, address or NIC number/passport number/company number of the Applicant mentioned in the Application Form differ from the name, address or NIC number/passport number/company number as per the CDS records, the name, address or NIC number/passport number/company number as per the CDS records will prevail and be considered as the name, address or NIC number/passport number/company number of such Applicant. Therefore, Applicants are advised to ensure that the name, address or NIC number/passport number/company number mentioned in the Application Form tally with the name, address or NIC number/passport number/company number given in the CDS account as mentioned in the Application Form.

Application Forms stating third party CDS accounts, instead of Applicants' own CDS account numbers, except in the case of margin trading, will be rejected.

Non-resident investors may be affected by the laws of the jurisdiction of their residence. If the non- resident investors wish to apply for the Debentures, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

- (g) Applicants who wish to apply through their margin trading account, should submit the Application Forms in the name of the "Margin Provider/Applicant's name" signed by the margin provider. The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. A photocopy of the margin trading agreement must be submitted along with the Application.

The NIC, passport or company registration number of the Applicant, as the case may be, must be stated in the Application Form.

Resident Applicants may use the passport for purposes of identification, only if they do not have a NIC number.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications.

Multiple Applications will not be entertained. The Issuer reserves the right to reject all multiple Applications or suspected multiple Applications.

6.0 PROCEDURE FOR APPLICATION

- (h) Application Forms may be signed by a third party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as “True Copy” should be attached with the Application Form. Original of the POA should not be attached.
- (i) Funds for the investment in Debentures and the payment for Debentures by Non-Residents should be made only out of the monies available to the credit of a “Inward Investment Account” (IIA) of the Non- Resident Applicants opened and maintained in a licensed commercial bank in Sri Lanka in accordance with the directions given by the Controller of Exchange in that regard to licensed commercial banks.

An endorsement by way of a letter by the licensed commercial bank in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/ RTGS has been made out of the funds available in the IIA.

6.3 SUBMISSION OF APPLICATIONS

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee only) for the full amount payable on application should be enclosed in a sealed envelope marked “**CBC Finance Limited – Debenture Issue 2025**” on the top left-hand corner and be addressed and delivered by hand to the Registrar to the Issue at the following address **prior to 4.30 p.m. Local Time on the Closure Date**.

SSP Corporate Services (Pvt) Ltd. - 101, Inner Flower Road, Colombo 03.

Applications may also be handed over to the Managers to the Issue and Trading Participants of the CSE as set out in Annexure II to reach the office of the Registrars to the Issue prior to 4.30 p.m. Local Time on the Closure Date.

All applications dispatched by post or courier should reach the office of the Registrars at least prior to 4.30 p.m. Local Time on the succeeding Market Day immediately following the Closure Date of the Issue.

Submission of Applications by Non-Residents

In a situation where the Non-Resident Applicants cannot deliver the Application Forms by hand to the Managers to the Issue, Trading Participants of the CSE or Registrars to the Issue before the Closure Date, can adhere to the below mentioned procedure.

Scanned copies of the Application Forms properly and legibly filled in accordance with the instructions thereof, along with the information regarding the payment as mentioned in Section 6.2 (i) by Non-Resident Applicants can be emailed to investment_banking@combank.net **by 4.30 p.m. on the Closure Date**. Subsequently, the Original Documents related to the Submission by Non-Resident Applicants should be sent to the Managers to the Issue **within Seven (07) markets days succeeding the Closure Date** (Including the Closure Date).

Payment for Bonds by Non-Residents should be made only out of the monies available to the credit of an “Inward Investment Account” (IIA) mentioned as in Section 6.2 (i).

Acceptance of soft copies as specified above is limited only to Non- Resident Applicants.

6.0 PROCEDURE FOR APPLICATION

6.4 NUMBER OF DEBENTURES TO BE SUBSCRIBED

Applications should be made for a minimum of One Hundred (100) Debentures each. Applications exceeding the minimum subscription should be in multiples of One hundred (100) Debentures (LKR 10,000/-). Applications which are not in line with these guidelines will be rejected.

6.5 MODE OF PAYMENT

- (a) Payment in full for the total value of Debentures applied for should be made separately in respect of each Application by cheque or bank draft or bank guarantee drawn upon any Licensed Commercial Bank operating in Sri Lanka, RTGS transfer through any Licensed Commercial Bank operating in Sri Lanka or an Internal fund transfer within Commercial Bank of Ceylon PLC, as the case may be, subject to the below (c) through (d).
- (b) Remittances on Applications will be deposited in a separate bank account in the name of **“CBC Finance Limited - Debenture Issue 2025”**.
- (c) **Payment for Applications for Debentures of a value of below LKR 100,000,000/-** should be supported by a cheque or bank draft or bank guarantee drawn upon any **Licensed Commercial Bank** operating in Sri Lanka or RTGS transfer through any **Licensed Commercial Bank** operating in Sri Lanka or Internal fund transfer within Commercial Bank of Ceylon PLC. In such instances, the Application Form should be accompanied by only one cheque or bank draft or bank guarantee and should be issued for the full amount indicated in the Application Form. An Application for Debentures of a value of below LKR 100,000,000/- accompanied by two or more cheques/bank drafts/bank guarantees or RTGS/Internal fund transfers within Commercial Bank of Ceylon PLC will be rejected at the outset.
- (d) Payments for Application values of above and inclusive of LKR 100,000,000/- should be supported by either;
 - Bank guarantee issued by a Licensed Commercial Bank.
 - RTGS transfer through any Licensed Commercial Bank operating in Sri Lanka
 - Internal fund transfer within Commercial Bank of Ceylon PLC with value on the date of the Issue Opening Date.
 - Multiple cheques/bank drafts drawn upon any LCB operating in Sri Lanka, each of which should be for a value less than LKR 100,000,000/-.
- (e) The amount payable should be calculated by multiplying the number of Debentures applied for by the par value (LKR 100/-). If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee or transferred via RTGS/Internal fund transfer within Commercial Bank of Ceylon PLC, the Application will be rejected.

CASH WILL NOT BE ACCEPTED. ANYONE WHO WISH TO PAY CASH SHOULD OBTAIN A BANK DRAFT FROM A LICENSED COMMERCIAL BANK IN SRI LANKA.

- (f) In case of RTGS /Internal fund transfers within Commercial Bank of Ceylon PLC, such transfer should be made to the credit of **“CBC Finance Limited - Debenture Issue 2025”** bearing account number 1001016472 at Commercial Bank of Ceylon PLC – Corporate Branch with value on the Issue Opening Date (i.e. the funds to be made to the above account on the Issue Opening Date).

The Applicant should obtain a confirmation from the Applicant's bank, to the effect that arrangements have been made to transfer payment in full for the total value of Debentures applied for the credit of **“CBC Finance Limited - Debenture Issue 2025”** bearing account number 1001016472 at Commercial Bank of Ceylon PLC – Corporate Branch with value on the Issue Opening Date (i.e. the funds to be made to the above account on the Issue Opening Date) and should be attached with the Application Form.

6.0 PROCEDURE FOR APPLICATION

For such RTGS /Internal fund transfers within Commercial Bank of Ceylon PLC above and inclusive of Sri Lankan Rupees One Hundred Million (LKR 100,000,000/-), an interest at a rate of 2.50% per annum (on actual/actual basis) will be paid from the date of such transfer up to the Date of Allotment, and the entire interest earned will be paid back to the investor.

No interest will be paid if the RTGS/Internal fund transfers within Commercial Bank of Ceylon PLC are not realised before 4.30 p.m. of the Closure Date.

- (g) Cheques or bank drafts should be drawn on any LCB in Sri Lanka and crossed “Account Payee Only” and made payable to “CBC Finance Limited - Debenture Issue 2025”.

In the event that cheques are not realised within Two (02) Market Days from the day of presenting the same to the bank for clearing, the cheques will be returned, and no allocation of Debentures will be made to the Applicants.

Cheques must be honoured on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured at the first presentation will be rejected.

- (h) Payment for the Debentures by the citizens of Sri Lanka who are above 18 years of age and resident overseas, corporate bodies incorporated or established outside Sri Lanka, global, regional or country funds approved by the SEC and foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age should be made only out of funds received as inward remittances or available to the credit of “Inward Investment Account” (IIA) maintained with any LCB in Sri Lanka in accordance with the regulations and directions given by the Director of the Department of Foreign Exchange of CBSL in that regard to licensed commercial banks.

An endorsement by way of a letter by the LCB in Sri Lanka in which the Applicant maintains the IIA, should be attached to the Application Form to the effect that such payment through bank draft/bank guarantee/RTGS/Internal fund transfer within Commercial Bank of Ceylon PLC has been made out of the funds available in the IIA.

- (i) Foreign citizens resident in Sri Lanka may make payments through Sri Lankan Rupee accounts only if they possess dual citizenship where one such citizenship is Sri Lankan. Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts or bank guarantees or RTGS/Internal fund transfers within Commercial Bank of PLC drawn on Sri Lanka Rupee accounts maintained with any LCB in Sri Lanka but may do so via IIA accounts. Applications made by foreign citizens not in accordance to the foregoing shall be rejected.

- (j) In case of Applications made by Sri Lankan investors backed by bank guarantees should be issued by any LCB in Sri Lanka in favour of “CBC Finance Limited – Debenture Issue 2025” presented in line with the requirements set out in Section 6.5 (c) and (d), will be accepted. Bank guarantees will be presented to the respective banks only after the new Debentures have been allotted.

Bank guarantees should be valid for a minimum of One (01) month from the date of the Issue.

Investors are encouraged to discuss with their relevant bankers with regard to the issuance of bank guarantees and all related charges that would be incurred by the investors.

6.0 PROCEDURE FOR APPLICATION

6.6 REJECTION OF APPLICATIONS

- Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company.
- Any Application Form which does not provide the NIC, passport (where NIC is not available) or company registration number as the case may be, will be rejected.
- Applications delivered by hand to the registrars to the Issue after 4.30 p.m. Local Time on the Closure Date of the Issue will be rejected. Applications received by courier/post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Closure Date of the Issue, will also be rejected even if they carry a courier acceptance date/postmark date earlier than the Closure Date.
- Applications delivered to any place mentioned in Annexure II should also reach the office of the Registrars to the Issue by 4.30 p.m. on the Issue Closing Date. Applications received after the said duration will be rejected even though they have been delivered to any of the said Collection Points prior to the Closing Date.
- Applications made for less than One Hundred (100) Debentures or for a number which is not in multiples of One Hundred (100) Debentures will be rejected.
- Applications which do not carry a valid CDS account number, or which indicate an inaccurate or incorrect CDS account number, shall be rejected and no allotment will be made.
- Payment for Applications of Debentures accompanied by cheques or bank drafts or bank guarantees which are not in accordance with Section 6.5 (c) and (g) will be rejected at the outset.
- In the event that cheques are not realised prior to the date of deciding the basis of allotment and realised after such date, the monies will be refunded and no allotment of Debentures will be made.
- Cheques must be honoured on first presentation for the Application to be valid. In the event cheques are dishonoured/returned on first presentation, such Applications will be rejected.
- Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.
- More than one Application submitted by an Applicant will not be accepted. If more than one Application Form is submitted by a single Applicant, those would be construed as multiple Applications and the Company reserves the right to reject such multiple Applications or suspected multiple Applications.
- Any Application Form with more than three (03) natural persons as joint applicants for any type of Debentures will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part.

6.7 BASIS OF ALLOTMENT

In the event of an oversubscription, the Board shall reserve the right to allocate up to 75% of the number of Debentures to be allotted under this Prospectus on a preferential basis, to identified investor/s of strategic and operational importance with whom the Company might have mutually beneficial relationships in the future.

In the event of an oversubscription, the basis of allotment will be decided by the Board of Directors of the Company in a fair and equitable manner as soon as practicable so as to ensure compliance with the CSE Listing Rules. As per the Board Resolution dated September 29, 2025, the Board has authorised any two Directors of the Company to decide on the final basis of allotment. The maximum allocation under preferential allotment is 75% of the total number of Debentures to be issued with this Prospectus under any circumstances, unless there is an undersubscription from the other investors (Investors that do not fall into the preferential category).

6.0 PROCEDURE FOR APPLICATION

Upon the allotment being decided, an announcement will be made to the CSE, within Seven (07) Market Days of closing the Issue. The Company reserves the right to reject any Application or to accept any Application in part only, without assigning any reason therefor. A written confirmation informing successful Applicants on their allotment of Debentures will be dispatched within ten (10) Market Days from the Closure Date as required by the CSE.

6.8 BANKING OF PAYMENTS

All cheques or bank drafts received in respect of Applications will not be banked until the Market Day after the Closure Date of the subscription list and bank guarantees will not be called on until the date of allotment as set out in Section 5.2, in terms of the CSE Listing Rules.

6.9 REFUNDS

Monies will be refunded where;

- an Application is rejected for reasons given in Section 6.6 of this Prospectus; or
- the Application is accepted only in part.

Where an Application Form is rejected for reasons given in Section 6.6 of this prospectus, the cheque or bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the Applicant. In the case of Joint Applicants, the cheque or bank draft or bank guarantee received in respect of the Application will be returned to the first named Applicant.

Where an application is rejected subsequent to the cheque being realised, the Applicant's money in full or where an Application is accepted only in part, the balance of the Applicant's money will be refunded.

The Applicants may indicate the preferred mode of refund payments in the Application Form (i.e. direct transfer via SLIPS/RTGS or cheque).

If the Applicant has provided accurate and complete details of his/her bank account in the Application, the Bankers to the Issue will make refund payments up to and inclusive of Rupees Five Million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent. If the refund payment is over Rupees Five Million (LKR 5,000,000/-), refunds will be made via RTGS/Internal direct transfer. A payment advice will be sent accordingly.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the Company will make such refund payments to the Applicant by way of a cheque and sent by post at the risk of the Applicant. In the case of Joint Application, the cheques will be drawn in favour of the Applicant's name appearing first in the Application Form.

Where the Application Form is accepted and the cheque or bank draft or bank guarantee is not honoured at the first presentation, the Application will also be rejected and the dishonoured cheque or bank draft or bank guarantee will be returned via ordinary post at the risk of the Applicant. In the case of joint Applicants, the dishonoured cheque or bank draft or bank guarantee will be returned to the first named Applicant.

6.0 PROCEDURE FOR APPLICATION

Funds received via an IIA will be returned to the respective IIA as applicable, therefore Applicants who remit money via the IIA accounts shall mention the accurate IIA account numbers in the Application Form to enable refunds being made to such accounts.

Applicants can obtain details on bank and branch codes required for providing instructions on SLIPS transfers at the following website:

<https://www.lankaclear.com/downloads/bank-branch-directory/>

Refunds on Applications rejected, or partly allotted Debentures would be made within Eight (08) Market Days from the date of closing the issue (excluding the date of issue closure). Applicants would be entitled to receive interest at the rate of the last quoted Average Weighted Prime Lending Rate (AWPLR) published in the immediately preceding week by the Central Bank of Sri Lanka or any other authority (in the event that the Central Bank of Sri Lanka ceases to publish the AWPLR) plus Five decimal Zero per centum (5.00%) for the delayed period on any refunds not made within this period.

6.10 CDS LODGEMENT AND SECONDARY MARKET TRADING

Debentures allotted will be directly deposited to the respective CDS accounts given in the Application Forms before the expiry of twelve (12) Market Days, from the closure of the subscription list. A written confirmation of the credit will be sent to the Applicants within Two (02) Market Days of crediting the CDS account, by ordinary post to the address provided by each Applicant.

The Company will submit to the CSE a “Declaration” on direct upload to CDS on the Market Day immediately following the day on which the Applicants’ CDS accounts are credited with the Debentures. Trading of the new Debentures on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the declaration by the CSE as per the CSE Listing Rules.

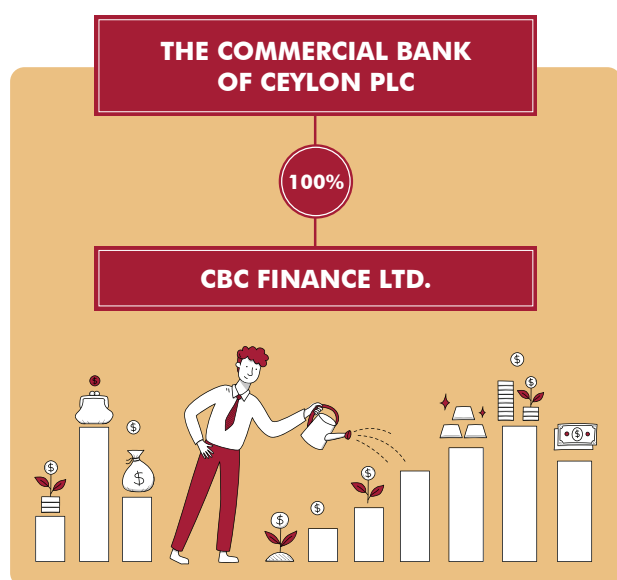
7.0 FINANCIAL AND COMPANY INFORMATION

7.1 OVERVIEW

CBC Finance Limited (CBCF) is a fully owned subsidiary of Commercial Bank of Ceylon PLC, one of the leading banks in Sri Lanka. The Company was first incorporated in Sri Lanka as on February 18, 1987 under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007. Subsequent to the acquisition by Commercial Bank of Ceylon PLC in 2014, the Company was renamed as Serendib Finance Ltd and then as CBC Finance Limited in 2020. CBC Finance Limited is licensed under the Finance Business Act No. 42 of 2011 and this License has no expiration date. The principal business activities of CBCF include granting of vehicle based Lending Facilities, Gold loans, Mortgage Loans and other credit facilities, whilst accepting public deposits from customers.

7.2 GROUP STRUCTURE

OWNERSHIP STRUCTURE



7.3 PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

The Company mainly focus on vehicle based lending products and gold loans. The vehicle based lending product mix comprises two wheeler, three wheeler, four wheeler leases, vehicle loans and motor drafts.

The current lending portfolio of the Company also includes mortgage loans which were granted before the Company relaunching its business model in 2022 as described in Section 7.4.

The Company mobilises fixed deposits with tenures ranging between the maturities of one month to five years. Further, The Company aims to enhance its savings products by providing customers with access to ATM and debit card facilities.

7.4 FUTURE STRATEGIES OF THE COMPANY

CBCF relaunched its business model in 2022 prioritising vehicle based lending and gold loans instead of high ticket size mortgage and business loans while driving under the same vision; “Excellence in financial services and industry standards creating sustainable customer relationships”. However, mortgage and business loan offerings of the Company will continue to serve their distinct pool of customers.

7.0 FINANCIAL AND COMPANY INFORMATION

As per the five year strategic plan of CBCF, the Board of Directors of the Company intends to drive the Company's next five years under a growth model comprising long term goals;

- Achieve continuous growth in business, portfolio and market share
- Credit quality management
- Strengthen risk framework and audit
- Tech-driven digital solutions and process improvements
- Talent Management
- ESG Initiatives

Growth in Loans and advances portfolio is a key element in the Company's five-year strategic plan and to achieve continuous growth in leasing and loans business. The Company is of the view that it is crucial to maintain an aggressive organic growth. CBCF expects to grow its loans and advance portfolio to LKR 28 Billion by the end of 2025 and to grow further up to LKR 96 Billion by 2029 as per the five-year plan prepared for 2025 to 2029. The key drivers enabling the expected growth in the lending portfolio includes the establishment of new branches especially in cities with a high potential. For 2025, CBSL has approved to open eight branches out of which Thissamaharama branch has already been opened. Further, increase in asset backed loan disbursements (i.e. vehicle backed leasing, vehicle loans, draft loans and gold loans), strengthening of the sales team, launching of new promotional campaigns, stringent measures taken to strengthen credit administration, post credit monitoring, risk and internal audit, recovery efforts are expected to positively contribute towards the growth of the lending portfolio. Accordingly, the total assets of the Company is expected to reach LKR 30 Billion by the end of 2025 and to LKR 102 Billion by 2029. As a result of the above, pursuant to an analysis carried out by the Company based on the Total Asset position of NBFi sector companies as published by CBSL, the Board of Directors of CBCF expects to improve its market share from its current market share of 0.91% as at June 30, 2025 in order to position the Company between 18th to 20th position in the market by the end of 2025². This is further supported by the fact that the Company has already managed to maintain an asset growth rate of 9.76% (QoQ) (unaudited) as of June 30, 2025 which is considerably higher compared to the industry average of 9.12% (QoQ) calculated based on the data published by CBSL².

Market penetration, market development and product development are earmarked as key strategy focus for business growth. Accordingly, the Company decided to start mass media advertising to enhance the visibility of CBCF's image in 2025 and to further increase the product visibility through other advertising, sales promotion and improved distribution channels.

CBCF expects to open eight new branches in 2025 and accordingly, the total branch network will increase up to 26. These eight locations including the entire branch network will also function as gold loan centres to support gold loan business. In addition to above physical branches, four virtual business locations have also been established as to the date of the Prospectus. These virtual business units are currently located in Kandy, Kurunegala, and two units in Colombo, administratively attached to the closest branch. Designated sales teams in virtual business units cover geographical areas not represented by the existing branch network and the services provide by these units are similar to regular branch operations. The corporate office of CBCF has been established in Colombo during the year of 2025 to expand the visibility of CBCF.

Strength of the sales team is the critical factor in the business operations in CBCF and hence, the development and retention of high calibre human resources is a key focus of the Company. Due to migration and head hunting from peers, staff turnover is a major challenge in the NBFi industry. CBCF manages the staff turnover by introducing performance-based incentive schemes, focusing on training and learning, prioritising internal candidates for new opportunities and recognising employees' new initiatives and above the line performance. The Board of Directors has reviewed the salary structure of the employees to be in line with the NBFi industry based on an independent salary survey in 2025 to effect necessary adjustments and will continue to closely monitor the developments in the market. CBCF has been recognized by the Great Place to Work Survey in 2024.

²<https://www.cbsl.gov.lk/en/statistics/statistical-tables/financial-sector> accessed on 19/09/2025

7.0 FINANCIAL AND COMPANY INFORMATION

CBCF has planned to optimise operations with digital innovations during the next five years and as its first phase, CBCF has already offered number of facilities for customers to expedite the payment of their loan instalments via online platforms such as; Easy Payment methods, Q+ which facilitates QR based payments in Sri Lanka, Cargills, Combank Biller. Further, a savings product has already been launched and CBCF VISA card with ATM facilities will be opened to public by end of fourth quarter 2025. In addition to that, the following digital innovations; comprehensive loan origination system, digital documentation of deposit customers, digital app for customer on boarding, strengthening back office functions through the automation of the legal process are in line for 2025.

CBCF expects to fast track the recovery of Non-Performing Assets (NPA) and Legal collections to control NPA ratio and increase profitability in line with the NBFi industry. Accordingly, the Company expects to maintain a target NPA ratio of 2% below the industry average each year through 2025 to 2029.

Assumption Related to the above Future Strategies

The above-mentioned future strategies of the CBCF would be dependent on market and industry conditions prevailing at the time of execution. Furthermore, the strategies are also based on the primary assumption that there will be no material changes in the regulatory environment. Any significant changes in the economy, industry, competition or regulatory environment may require an amendment to the plans and strategies of the Company.

The following assumptions were made when developing the above strategies:

- No major changes in regulatory environment of the Finance Industry
- The low interest regime will continue for at least one year
- No additional taxes are charged, which will reduce the disposable income of the common public
- The digital initiatives will be further encouraged without imposing additional restrictions

Whilst CBCF has come up with few unique strategies, the Company identified below risk factors associated.

- Due to the intense competition in the finance industry, there is a risk of product and technology imitation through head hunting key personnel involved in new business functions.
- The impact of impairment on mortgage and business loan portfolios, volatility of legacy mortgage and business loans portfolio will increase the overall NPA of the Company for another two years.
- Although the ban on vehicles is being removed, the imposing of higher taxes could adversely effect on repayments.
- Though the digital initiatives are continuously being encouraged, the recent revision to digital service tax could curb the pace of digital transactions.

7.5 FINANCIAL YEAR

The financial year of the Company commences on January 1 and ends on December 31.

7.6 STATED CAPITAL

The stated capital of the Company represents ordinary voting shares as given in the table below:

Stated Capital	As at December 31, 2024	As at June 30, 2025*
Amount (LKR)	3,254,999,964	3,754,999,960
Number of Ordinary Shares	221,793,834	258,290,184

*unaudited

7.0 FINANCIAL AND COMPANY INFORMATION

7.7 MAJOR SHAREHOLDERS

Twenty (20) largest shareholders of the Company as at June 30, 2025 are given below:

Name of the Shareholder	Number of Shares	% of Holding
Commercial Bank of Ceylon PLC	258,290,184	100%

7.8 PARTICULARS OF LONG-TERM LOANS AND OTHER BORROWINGS

Description	LKR
Balance as at December 31, 2023	2,758,596,459
New Borrowings/(Settlements)	291,572,650
Balance as at December 31, 2024	3,050,169,109

Description	LKR
Balance as at December 31, 2024	3,050,169,109
New Borrowings / (Settlements)*	247,247,521
Balance as at March 31, 2025*	3,297,416,630

Description	LKR
Balance as at March 31, 2025	3,297,416,630
New Borrowings/(Settlements)*	830,216,863
Balance as at June 30, 2025*	4,127,633,493

*unaudited

The outstanding debt instruments and borrowings of the Company as at December 31, 2024 and June 30, 2025 comprise of the following categories.

	As of December 31, 2024 (LKR)	As of June 30, 2025 (LKR)*
Bank overdrafts	207,121,188	13,209,694
Securitised debt and borrowings	1,349,656,460	1,963,820,908
Unsecuritised borrowings	1,493,391,461	2,150,602,890
Total	3,050,169,109	4,127,633,493

*unaudited

7.0 FINANCIAL AND COMPANY INFORMATION

7.9 DETAILS OF OTHER DEBENTURES IN ISSUE

There are no any other bonds in issue as of the date of the Prospectus.

7.10 FINANCIAL RATIOS OF THE COMPANY

Financial Ratios	March 31, 2020	March 31, 2021	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024	June 30, 2025*
Interest Cover Ratio (Times)**	1.22	1.27	1.26	1.01	0.75	1.19	1.34
Debt / Equity Ratio (Times)***	2.36	0.44	0.54	0.78	0.93	1.00	1.14
Capital Adequacy Ratio – Tier 1	21.82%	26.57%	25.49%	24.89%	19.57%	15.71%	15.98%
Total Capital Ratio – Tier 1 & 2	21.82%	26.57%	25.49%	24.89%	19.57%	15.71%	15.98%

*unaudited

**Interest Cover Ratio=
$$\frac{\text{Profit before Income Tax} + \text{Net Finance Cost}}{\text{Net Finance Cost}}$$

***Debt / Equity Ratio=
$$\frac{\text{Interest Bearing Borrowings}}{\text{Total Equity}}$$

7.11 LITIGATION, DISPUTES, AND CONTINGENT LIABILITIES

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken for which the Company has implemented formal controls and policies for managing such legal claims.

Apart from the legal proceedings in the normal course of business, the Company is not a party to any material contingent liabilities, litigation, mediation or arbitration proceedings and is not aware of any pending or threatened litigation or arbitration that, if decided adversely to the Company, would have a significant effect upon the Company's financial position, current/ future profitability of the Company as at the June 30, 2025.

Furthermore, no penalties were imposed by regulatory or governmental authorities for non-compliance. Therefore, in accordance with Rule 3.2.16 of the CSE Listing Rules, the contingent liabilities are not expected to have significant impact on the current or future profitability of the Company.

7.0 FINANCIAL AND COMPANY INFORMATION

7.12 DEBT SERVICING DETAILS OF THE ISSUER

LKR '000	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023	December 31, 2024	March 31, 2025
Gross Interest due on debentures	–	–	–	–	–	–
Debenture interest paid on due date	–	–	–	–	–	–
Debenture interest paid after the due date	–	–	–	–	–	–
Debenture interest not paid as of to date	–	–	–	–	–	–

7.13 FINANCIAL STATEMENTS AND FINANCIAL SUMMARY

The following financial information is hosted on the Company's web site, www.cbcbfinance.lk and CSE web site www.cse.lk;

- Audited financial statements of CBC Finance Limited as at December 31, 2024
- Summarised Financial Statement for the five years ended December 31, 2020 to December 31, 2024 preceding the date of the application stating the accounting policies adopted by the Company certified by the Auditors and Qualifications carried in any of the Auditors Reports covering the period in question and any material changes in accounting policies during the relevant period.

Disclosures relating to Audited Financial Statements for FY 2024 are outlined below:

- **Statement of Profit or Loss and Other Comprehensive Income**

Item	Variance	Comment
Interest Income	increased by LKR 503.96 Million	net portfolio growth by LKR 3.3 Billion of loans and advances
Interest Expenses	increased by LKR 128.36 Million	increase in deposit interest cost as a result of increasing fixed deposit base by LKR 3.8 Billion
Fee and Commission Income	increased by LKR 141.55 Million	increase in service charge as a result of loans and advances growth and increase in default income, which is the penal interest charged over the arrears rentals related to the financial instruments.
Impairment Losses	decreased by LKR 244 Million	In 2023, the Company considered entire expected impairment impact from the legacy portfolio (business model that followed before January 2022) to present fair value from 2024 onwards based on the new business model (vehicle-based lending after February 2022)

7.0 FINANCIAL AND COMPANY INFORMATION

Item	Variance	Comment
Personnel Expenses	increased by LKR 109 Million	Increase in number of employees to 318 from 271 and also due to annual salary increments. Structural changes had been taken place such as vacant positions being replaced experienced industry players instead of seconded staff from the parent and recruitments for key positions to strengthen the organisational structure
Other Operating Expenses	increased by LKR 86 Million	Expansion of branch network and enhancement of branch operations to support increased in business volumes including gold loans

• Statement of Financial Position

Item	Variance	Comment
Financial Investments measured at FVOCI	increased by LKR 922.2 Million	Invested in Treasury Bills of LKR 400 Million in November 2024 in line with the CBSL liquid assets requirements. Another LKR 500 Million worth of Treasury Bills were invested at the year end with a low-cost borrowing option to increase net interest income
Loans and Advances	increased by LKR 3.30 Billion	As a result of changing the business model from February 2022 onwards focusing more on vehicle-based lending and with the expanded product mix, the leasing portfolio increased to LKR 5.2 Billion from LKR 3.5 Billion, Motor draft portfolio increased to LKR 3.4 Billion from LKR 2.1 Billion and the newly launched vehicle loan portfolio contributing by LKR 616.7 Million In addition, the Gold loans portfolio increased to LKR 1.1 Billion from LKR 238.8 Million
Deposits	increased by LKR 3.78 Billion	In line with the growth of loans and advances portfolio, as a main funding line of CBCF, the deposit base increased to LKR 10.3 Billion from LKR 6.5 Billion As a result of deposit campaigns were launched in social media and also with the personal relationships, the Company was able to capitalised on mainly under 12 months fixed deposit products and accordingly the 12 months deposit base increased to LKR 6.9 Billion from LKR 3.9 Billion Further, the average deposit cost decreased to 11.82% in 2024 from 16.76% in 2023
Amounts due to banks	increased by LKR 291.6 Million	To bridge the funding gap from operating activities and mainly to fund increase in investing activities (maintain the liquid assets as per the regulatory limits and to investments for held to maturity)
Other Assets	increased by LKR 66.9 Million	Mainly due to increase in prepayments as a result of expansion of branch network and considerable value of advance payments for capital commitments mainly to develop digital solutions

7.0 FINANCIAL AND COMPANY INFORMATION

Item	Variance	Comment
Other liabilities	increased by LKR 237 Million	Mainly due to increase in outstanding supplier/dealer payable balance on loans and advances by LKR 181 Million as a result of high value of vehicle based new lending during month of December 2024 and increase in tax payable on financial services by LKR 11 Million
Accumulated losses	increased by LKR 179 Million	Due to transferring of LKR 254 Million to non-distributable Regulatory Loss Allowance Reserve as per the CBSL directive in 2024 based on the gap between the impairment provision and regulatory provisions (specific bad debt provision including arrears interest). The Company maintained fair amount of impairment provision and a sufficient Expected Credit Loss (ECL) cover compared to the industry as per the audited financials against the loans and advances as at December 2024

- **Statement of Cash Flows**

The negative cash flow in FY 2024 was mainly due to the cash used to build up the liquid assets/purchase investments of LKR 918 Million by the end of the year to comply with CBSL liquidity requirements and improve net interest income by utilising low-cost borrowing options.

7.14 CAPITAL COMMITMENTS OF THE COMPANY

	As of December 31, 2024 (LKR Mn)	As of June 30, 2025 (LKR Mn)*
There were no material commitments as at the reporting date, which require adjustments to or disclosures in the Financial Statements.	—	—
Total	—	—

* unaudited

7.15 TAXATION OF THE COMPANY

The details of taxation applicable to the Company are as follows;

Tax Type	Rate	Concessions or Exemptions
Income Tax	30%	No Concessions or Exemptions available
VAT on Financial Services	18%	
Social Security Contribution Levy	2.5%	
NITF Crop Insurance Levy	1%	

8.0 CORPORATE STRUCTURE OF THE COMPANY

8.1 DETAILS OF THE DIRECTORS

Name of Director	Executive / Non-Executive / Independent / Non-Independent
Mr Sharhan Muhseen	Chairman- Non-Independent, Non- Executive
Mr Subasinghe Mudiyanseelage Sarath Chandralal Jayasuriya	Senior Director- Independent, Non-Executive
Mr Dhanapala Mudiyanseelage Dimuthu Sanjeewa Senarath Bandara	Independent, Non-Executive
Mr Lasantha Hasrath Munasinghe	Non-Independent, Non-Executive
Mr Megelheewage Pushpakumara Dharmasiri	Non-Independent, Non-Executive
Mrs Sharmini Cynthia De Sayrah Wickremasekera	Independent, Non-Executive
Mr Don Jude Delakshan Primal Hettiarachchi	Executive (Acting CEO)

8.2 PROFILES OF THE DIRECTORS

Mr Sharhan Muhseen

Chairman (Non-Independent, Non-Executive Director)

Mr Sharhan Muhseen was appointed as a Non-Independent/Non-Executive Director at CBC Finance Limited in September 2022 and as the Chairman of CBC Finance Limited in March 2023. He was appointed as the Chairman of the Board Information and Technology Committee in October 2022 and as the Chairman of the Board Human Resources and Remuneration Committee in February 2023.

He has been the Deputy Chairman of the Board of Directors of the parent company, Commercial Bank of Ceylon PLC since March 1, 2022, and became the Chairman of the Commercial Bank of Ceylon PLC in April 2024.

Mr Muhseen is a Senior Investment Banker with comprehensive experience in the areas of Mergers and Acquisitions, Corporate Finance and Capital Markets. He has served in a senior capacity working with company boards and senior leadership teams of financial institutions across Asia to help drive their Strategic Corporate Agenda and Roadmap.

He is credited with some leading research reports, including reports on Banking sector efficiency, currency depreciation and budget deficit in his role as Head of Sri Lanka Banking sector Research and Lead Economist at Jardine Fleming. Mr Muhseen has started out as a Management Trainee at Standard Chartered Bank in the Corporate Banking Division, and at Rodman and Renshaw stock and commodities broker based in Chicago.

In Mr Muhseen's Investment Banking career extending over more than 20 years, he has completed landmark mergers and capital-raising transactions in excess of USD 100 Bn. The Asia FIG sectors team at Merrill Lynch and Credit Suisse has won the "FIG Asia House of the Year" awards from the Asset magazine for several years under his leadership. In addition, multiple transactions he led have been awarded as best country deals and best financial sector capital raise transactions.³ Mr Muhseen has experiences at the policy level working as a Team Leader at the National Council for Economic Development (NCED) under the Ministry of Finance as well as a Director at the Task Force to Rebuild the Nation (TAFREN), Presidential Task Force for rebuilding the economy after the 2004 Tsunami.

³<https://www.combank.lk/news/news-events/combank-appoints-new-chairman-and-deputy-chairman>

8.0 CORPORATE STRUCTURE OF THE COMPANY

He has previously worked in best-in-class global investment banks, Credit Suisse, Bank of America, Merrill Lynch and J P Morgan in leading regional coverage roles. Mr Muhseen's most preceding role was as Managing Director, Head of South East Asia Financial Institutions Group and Head of Asia Insurance at Credit Suisse based in Singapore. He was a Director of Merrill Lynch and an Associate Director of Deloitte. He was also a Senior Advisor to TPG and BNP Paribas.

He serves as the Chairman/Director of Platinum Advisors Pte Ltd., a Director of H2O One Pte Ltd., David Pieris Holdings (Pvt) Ltd., and Canary Wharf Holdings Pte Ltd. He is the Deputy Chairman of Amana Takaful Life PLC and also an Independent Director of PCCW Limited, Hongkong. He is a senior advisor to Great Eastern Holdings Ltd, Singapore. In addition, Mr Muhseen has served as a Director of the Lankan Angel Network and Gestetner of Ceylon PLC.

Mr Muhseen holds a Master's degree in Economics from the University of Colombo and a Bachelor of Business Administration (Hons) from Western Michigan University. He has completed the Corporate Finance training programme with JP Morgan in New York and undertaken several programmes in effective Board leadership from the Singapore Management University.

Mr Sarath Jayasuriya

Independent, Non-Executive Director

Mr Sarath Jayasuriya was appointed as an Independent Non-Executive Director in December 2017. He became the Chairman of the Board Audit Committee in July 2022 and the Chairman of the Board Integrated Risk Management Committee in February 2023. Appointed as the Senior Director of CBC Finance Limited in March 2023.

Mr Jayasuriya is an Associate Member of the Institute of Bankers of Sri Lanka (AIB), a Fellow Member of the Chartered Institute of Management Accountants (FCMA) (UK), a Member of the Institute of Chartered Global Management Accountants (CGMA) (UK) and also a Member of the Institute of Chartered Shipbrokers (MICS) (UK). He holds a Bachelor of Science Degree from the University of Sri Jayewardenepura.

Mr Jayasuriya has proven track records of over 32 years in Banking, specialised in Treasury, Investment Banking and International Banking.

Prior to his retirement from the Bank of Ceylon, he held positions such as the Deputy General Manager (International, Treasury and Investment Banking) and Deputy General Manager (Finance and Planning). He has served as a Director and Audit Committee Chairman of the BOC Property Development Ltd. (PDL) and Director of Transnational Lanka Records Solutions (Private) Ltd., Ceybank Asset Management Ltd. and MBSL Insurance Co Ltd. In addition, he was an Alternative Director for BOC Property Development & Management (Pvt) Ltd. and Credit Information Bureau of Sri Lanka (CRIB). He was the Chairman of the BOC Investment Committee as well. In addition, he has served as a member of the Standing Cabinet Appointed Procurement Committee (SCAPC) which is the body approve all tenders for procurement of petroleum and petroleum related products for Ministry of Petroleum Industry.

Mr Jayasuriya is currently serving as an Independent Director at Sierra Cables PLC and AgStar PLC.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Mr Dimuthu Senerath Bandara

Independent, Non-Executive Director

Appointed to the Board in December 2017, Mr Bandara serves as an Independent Non-Executive Director. He is a Senior Attorney at Law having enrolled in the profession in December 1996, and counts over 27 years as a Law Practitioner in the Private Bar. His practice spans over both original and appellate court work. He is a Counsel and a Resource Person in the fields of Criminal Law and Laws relating to Finance Leasing and Hire Purchase. He formerly served as the Chairman and the Deputy Chairman of the Criminal Law Committee of the Bar Association of Sri Lanka in recent years. He has also been a visiting lecturer for the postgraduate program at the Kothalawala Defense University. Mr Bandara holds a Bachelor of Arts Degree from the University of Kelaniya and Master's of Laws degree from the University of Staffordshire, UK.

Mr Hasrath Munasinghe

Non-Independent, Non-Executive Director

Appointed to the Board in September 2020, Mr Munasinghe serves as a Non-Independent, Non-Executive Director. He has been the Chairman of the Board Information Technology Committee from November 2021 to October 2022, and became the Chairman of the Board Credit Committee in February 2023.

Mr Munasinghe currently serves as the Deputy General Manager – Retail Banking and Marketing of the parent company, Commercial Bank of Ceylon PLC. He also serves as a Trustee of the Commercial Bank CSR Trust. He oversees the Marketing function, Cards business, Digital Banking, Retail Products and Sustainability, CSR and Women Banking at the Bank. Mr Munasinghe possesses 30 years of experience including 13 years in Banking.

Mr Munasinghe is a recipient of multiple awards, the most coveted being one of the “Ten Outstanding Young Persons in Sri Lanka” in 2013. He was listed amongst the “100 Most Talented Global Marketing Leaders” by Chief Marketing Officers, Asia Council in 2014 and listed in the “New Establishment 100”, the top new generation business leaders in Sri Lanka by the Echelon Magazine in 2019. Mr Munasinghe possesses over fifteen academic and professional qualifications including an MSc in IT from the University of Moratuwa and an MBA from the University of Southern Queensland, Australia. He is a Fellow of the Chartered Institute of Marketing (CIM) UK, a Fellow of the Sri Lanka Institute of Marketing (SLIM), a Fellow of the Institute of Bankers (FIB) Sri Lanka, a Fellow of Chartered Management Institute (CMI) UK and an Associate Chartered Management Accountant (ACMA) and Chartered Global Management Accountant (CGMA) from Chartered Institute of Management Accountants (CIMA) UK.

Mr Munasinghe was appointed as a Director of Global Compact Network Ceylon Guarantee Ltd in May 2024.

Mr M P Dharmasiri

Non-Independent, Non-Executive Director

Appointed to the Board in September 2022, Mr Dharmasiri is an Associate Member of the Institute of Bankers of Sri Lanka (AIB), a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

In addition, Mr Dharmasiri holds a Master of Science in Management and a Bachelor of Science in Business Administration from the University of Sri Jayewardenepura and a Master of Arts in Financial Economics from the University of Colombo and counts over 34 years of experience in Banking.

Mr Dharmasiri joined the Commercial Bank of Ceylon PLC in March 1990 and currently serves as the Assistant General Manager – Planning, actively participating in the Strategic Planning process of the Commercial Bank. Apart from these, Mr Dharmasiri holds the Company Secretary position of CBC Tech Solutions LTD., one of our sister companies under the Commercial Bank Group.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Mrs Sharmini Wickremasekera

Independent, Non-Executive Director

Mrs Wickremasekera was appointed as an Independent Non-Executive Director in March 2024. She is an accomplished professional with an illustrious career spanning across a variety of roles. She has exhibited exceptional leadership skills and expertise in the areas of accounting, finance, auditing, IT governance, and risk management. She holds globally recognised credentials viz CISA (Certified Information System Auditor) and CRISC (Certified in Risk and Information System Control).

Mrs Wickremasekera began her journey at Ford, Rhodes Thornton & Company and joined LOLC in 1983 where she started out as an Accounts Clerk and successively promoted in recognition of her performance. She has played a pivotal role in introducing Standards in Internal Audit, IT Governance, Enterprise Risk Management, Business Continuity Management and fraud prevention for the LOLC Group. She retired as the Chief Risk Officer- LOLC Group, in March 2023.

Mrs. Wickremasekera also served as the President of ISACA Sri Lanka Chapter from 2007 to 2009, breaking barriers as the first female president to lead a professional IT association in Sri Lanka. Under her leadership, the Chapter was recognised as the Best Medium-sized Chapter in Asia.

Moreover, she has held honorary positions on the boards of Sri Lanka Cert from 2007 to 2009 and Infotel ICT Exposition from 2006 to 2009 as an Independent Non-Executive Director, further contributing to the information security landscape. Currently, she serves as an Independent Non-Executive Director at SUNTRUST Insurance Brokers (Pvt) Ltd., focusing on accounting and finance and, also at Suntrust Digital Innovation (Pvt) Ltd.

Mrs Wickremasekera has gained international recognition as a representative and speaker on risk management, participating in conferences both locally and overseas. She has contributed her expertise as a presenter, panellist and moderator in seminars such as Risk Minds Asia, National Conferences and Governance and Risk Programmes organised by various professional bodies and Corporates.

Her contributions and achievements had won numerous accolades. Notably, the ISACA SL Chapter was awarded the K Wayne Snipes Award in 2009 for the best medium-sized chapter in Asia, by ISACA (USA) and the Achievement Award for GRC in the United States of America (USA) by the OCEG in 2012 for her role in implementing GRC standards in LOLC.

Mr Delakshan Hettiarachchi

Executive Director (Non-Independent) /Acting Chief Executive Officer

Appointed as an Executive Director of CBC Finance Limited with effect from September 11, 2025, Mr Hettiarachchi is a veteran banking professional with over four decades of experience in banking, SME development, and strategic leadership. His career spans a broad spectrum of responsibilities in the financial services sector, including personal banking, SME lending, development finance, and organisational management.

Mr Hettiarachchi served for over 41 years at Commercial Bank of Ceylon PLC, where he held key leadership roles including Deputy General Manager – Personal Banking, overseeing a national network of 272 branches. Under his leadership, the Bank achieved record-breaking growth in both deposits and advances. As Assistant General Manager – Personal Banking/ SME, he played a pivotal role in scaling SME lending to become the largest portfolio in the country, while also introducing innovative capacity-building programmes for SMEs.

Earlier in his career, Mr Hettiarachchi served as Senior Regional Manager – Central Region, Regional Manager – Southern Region, and Chief Manager – Development Credit. During this time, he led strategic initiatives that significantly increased the Bank's refinance lending market share, from 0.8% to 37%, and introduced Sri Lanka's first-ever development lending product within the commercial banking sector. He also designed and implemented the Microfinance business model for Commercial Bank of Ceylon PLC and was a key member of the team instrumental in setting up the Microfinance business in Myanmar.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Mr Hettiarachchi is also a Director of CBC Myanmar Microfinance Co. (Pvt) Ltd. since 2018 and Commercial Insurance Brokers (Pvt) Ltd. since 2019. Beyond his corporate roles, he has been a sought-after trainer and resource person, conducting national-level training programmes on topics such as project financing and lending techniques, including sessions at the Training Centre of the Central Bank of Sri Lanka.

He holds an MBA with Distinction from Cardiff Metropolitan University (UK), is an Associate Member of the Chartered Institute of Marketing (UK), a Fellow of the Institute of Chartered Professional Managers (Sri Lanka), and has obtained the Intermediate Certificate in Banking and Finance from the Institute of Bankers of Sri Lanka.

Renowned for his expertise in SME banking, leadership development, and strategic planning, Mr. Hettiarachchi continues to contribute to the financial services industry as a leadership coach, public speaker, and mentor, with a strong focus on organisational growth and people development.

8.3 OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Name of Director	Other Directorships
Mr S Muhseen	- Commercial Bank of Ceylon PLC – Chairman, Independent Non – Executive Director - Amana Takaful Life - Independent Non-Executive Director - David Pieris Holdings (Pvt) Ltd. - Independent Non-Executive Director - H2O One Pte Ltd. - Non-Independent Director - Canary Wharf Holdings Pte Ltd. - Non-Independent Director - Platinum Advisors Pte Ltd. - Chairman, Non-Independent Director - PCCW Limited- Independent Non-Executive Director
Mr S M S C Jayasuriya	- Sierra Cables PLC – Independent Director - AgStar PLC – Independent Director
Mr D M D S S Bandara	None
Mr L H Munasinghe	Global Compact Network Ceylon Gaurantee Ltd. – Director
Mr M P Dharmasiri	None
Mrs S C De S Wickremasekera	- Suntrust Insurance Brokers (Pvt)Ltd. – Independent Director - Suntrust Digital Innovation (Pvt) Ltd. – Independent Director
Mr D J D P Hettiarachchi	- CBC Myanmar Microfinance Co. (Pvt) Ltd. - Independent Non-Executive Director - Commercial Insurance Brokers (Pvt) Ltd. - Independent Non-Executive Director

8.4 DIRECTORS' INTEREST IN ANY ASSETS ACQUIRED, DISPOSED BY THE ENTITY

Directors have no a significant or substantial interest in any assets acquired, disposed or leased by the Company during the past two years preceding the issue; and proposed to be acquired, disposed or leased during the two years succeeding the issue including the consideration thereon.

8.0 CORPORATE STRUCTURE OF THE COMPANY

8.5 DIRECTORS' INTEREST IN ANY MATERIAL CONTRACTS AND ARRANGEMENTS

Directors have no a significant or substantial interest in any material contract or arrangement in relation to the business of the Company.

8.6 STATEMENT BY THE BOARD OF DIRECTORS

No Director or a person nominated to become a Director of the Company is or was involved in any of the following events:

- A petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

8.7 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Composition of the Committee

Name of the Board Subcommittee Member	Membership Status (Chairman/member)	Directorship Status (Executive/Non-Executive/Independent)
Mrs S C De S Wickremasekera	Chairman	Independent, Non-Executive
Mr S M S C Jayasuriya	Member	Independent, Non-Executive
Mr M P Dharmasiri	Member	Non-Independent, Non-Executive

Duties and Responsibilities of the Committee

- Review and Approval of Related Party Transactions (RPTs), in accordance with Section 12.1 of Finance Business Act Direction No. 5 of 2021 and exceptions under Rule 27 of the SEC Code of Best Practices.
- Review all proposed RPTs in advance, including:
 - Granting accommodations.
 - Creating liabilities (deposits, borrowings, payables).
 - Providing/obtaining financial or non-financial services.
 - Establishing reporting lines that may lead to unauthorised information sharing.
- Management must update the Committee on material changes in reviewed RPTs and seek re-approval before completion.
- Senior Management must provide full details of the transaction.
- Evaluate how the transaction may affect director independence.
- Related Directors must not participate in discussions, except to provide factual information if requested.
- A special committee may be formed if a high conflict risk exists.
- Establish and annually review guidelines for ongoing transactions with related parties to ensure compliance and appropriateness.
- The Committee has the authority to engage independent experts and must be provided with adequate resources to carry out its responsibilities effectively.

8.0 CORPORATE STRUCTURE OF THE COMPANY

8.8 BOARD NOMINATIONS AND GOVERNANCE COMMITTEE

Composition of the Committee

Name of the Board Subcommittee Member	Membership Status (Chairman/member)	Directorship Status (Executive/Non-Executive/Independent)
Mr S M S C Jayasuriya	Chairman	Independent, Non-Executive
Mr Sharhan Muhseen	Member	Non- Independent, Non-Executive
Mr D M D S S Bandara	Member	Independent, Non-Executive

Duties and Responsibilities of the Committee

- Regularly review the Board's size, structure, skills, experience, and diversity.
- Recommend changes to enhance Board effectiveness.
- Oversee succession plans for Directors, CEO, Key Management Personnel (KMP), and Senior Executives.
- Ensure continuity and leadership strength.
- Implement transparent procedures to appoint Directors, CEO, KMP, and Senior Management.
- Ensure appointees are "fit and proper" as per regulatory requirements.
- Evaluate candidates for knowledge, integrity, independence, reputation, and time availability.
- Assess balance of skills and diversity on the Board before any new appointment.
- Consider candidates from diverse backgrounds and on merit.
- Prepare job specifications for the Chairman and other key roles.
- Ensure disclosure of potential conflicts of interest by proposed appointees.
- Recommend (or not) the re-election of existing Directors based on performance and contributions.
- Monitor the Organisation's leadership needs and ensure competitive capability.
- Avoid dominance of the Board by any individual or small group.
- Recommend appointments to Board Committees.
- Identify suitable candidates for Senior Independent Director and other key roles.
- Report to the Board after each meeting.
- Provide annual activity reports for inclusion in the Company's Annual Report.
- Ensure access to necessary resources and training for members.
- Periodically review and update its own performance and terms of reference.

8.0 CORPORATE STRUCTURE OF THE COMPANY

8.9 BOARD HUMAN RESOURCE AND REMUNERATION COMMITTEE

Composition of the Committee

Name of the Board Subcommittee Member	Membership Status (Chairman/member)	Directorship Status (Executive/Non-Executive/Independent)
Mr S M S C Jayasuriya	Chairman	Independent, Non-Executive
Mr Sharhan Muhseen	Member	Non-Independent, Non-Executive
Mr L H Munasinghe	Member	Non-Independent, Non-Executive
Mrs S C De S Wickremasekera	Member	Independent, Non-Executive

Duties and Responsibilities of the Committee

- Provide guidance and direction on human resource management policies and practices.
- Evaluate and recommend HR-related matters to the Board.
- Recommend the Company's remuneration framework and specific packages for staff, CEO, and Key Management Personnel (KMP).
- Ensure remuneration is competitive with market standards and linked to performance.
- Determine bonuses, increments, incentives, and other benefits.
- Set performance goals and targets for KMP.
- Evaluate KMP performance and recommend promotions, organisational changes, and succession plans.
- Participate in final interviews for HODs and KMP candidates.
- Recommend the addition of new expertise and roles needed by the Company.
- Decide on compensation packages for early contract terminations.
- Handle disciplinary matters involving KMP, especially where there is significant company loss.
- Ensure HR practices align with legal, regulatory, and corporate governance standards (e.g. Central Bank directions, IFRS, EPF/ETF, Code of Best Practice).
- Recommend statutory payments and HR disclosures in the Annual Report.

8.10 BOARD AUDIT COMMITTEE

Composition of the committee

Name of the Board Subcommittee Member	Membership Status (Chairman/member)	Directorship Status (Executive/Non-Executive/Independent)
Mr S M S C Jayasuriya	Chairman	Independent, Non-Executive
Mr M P Dharmasiri	Member	Non- Independent, Non-Executive
Mr D M D S S Bandara	Member	Independent, Non-Executive
Mrs S C De S Wickremasekera	Member	Independent, Non-Executive

8.0 CORPORATE STRUCTURE OF THE COMPANY

Duties and Responsibilities of the Committee

- Assists the Board in overseeing:
- Integrity of financial statements.
- Compliance with laws and regulations.
- Effectiveness of internal control systems.
- Oversee performance and independence of Internal and External Auditors.
- Recommend appointment/re-appointment/removal of External Auditors.
- Ensure compliance with audit partner rotation policies and independence.
- Review the audit plan, scope, fees, and auditor performance.
- Approve and monitor non-audit services to safeguard auditor independence.
- Review financial statements and reports prior to Board submission.
- Focus on judgemental areas, accounting policies, audit adjustments, and going concern assumptions.
- Discuss audit issues and management letters with external auditors.
- Ensure timely implementation of audit recommendations.
- Establish and monitor an independent internal audit function.
- Review internal audit scope, resources, and performance.
- Ensure internal audits are impartial and cover regulatory compliance.
- Monitor implementation of the internal audit program.
- Investigate significant internal audit findings or whistleblower concerns.
- Maintain authority and access to resources and external advice to conduct investigations.
- Oversee whistleblower arrangements and review the policy periodically.
- Review statutory examination reports from the Central Bank and monitor corrective actions.
- Review penetration testing results annually.
- Conduct annual self-assessments and review terms of reference for relevance.

8.11 BOARD INTEGRATED RISK MANAGEMENT COMMITTEE

Composition of the committee

Name of the Board Subcommittee Member	Membership Status (Chairman/member)	Directorship Status (Executive/Non-Executive/Independent)
Mrs S C De S Wickremasekera	Chairman	Independent, Non-Executive
Mr S M S C Jayasuriya	Member	Independent, Non-Executive
Mr D M D S S Bandara	Member	Independent, Non-Executive
Mr M P Dharmasiri	Member	Non-Independent, Non-Executive

8.0 CORPORATE STRUCTURE OF THE COMPANY

Duties and Responsibilities of the Committee

- Oversee and coordinate the Company's integrated risk management framework across all key risk areas: credit, market, liquidity, operational, strategic, compliance, and technology.
- Recommend risk strategies and appetite to the Board.
- Ensure a robust, independent risk management function led by the Chief Risk Officer (CRO).
- Approve and review an integrated risk management framework covering identification, assessment, mitigation, and monitoring of risks.
- Involve the CRO in strategic decisions and ensure effective risk reporting and stress testing.
- Establish and monitor an independent compliance function.
- Ensure compliance policies are implemented, communicated, and aligned with regulatory requirements.
- Review the performance of the Compliance Officer annually.
- Maintain strong, transparent relations with regulators.
- Submit risk assessment reports to the Board with recommendations.
- Assess the performance of the CRO and Compliance Officer annually.
- Conduct annual self-assessments and review the adequacy of the Terms of Reference.
- Take disciplinary action if risk identification or mitigation fails.
- Ensure the Committee adapts to changing internal/external circumstances.
- Exercise full authority to investigate and act on any risk-related matter in line with laws and regulations.

8.12 PROFILES OF THE MANAGEMENT

Mr Delakshan Hettiarachchi

Executive Director/Acting Chief Executive Officer

Refer Directors' Profile (Section 8.2 – Page 32)

Mr Krishantha Perera

Chief Operating Officer

Mr Krishantha Perera joined CBC Finance Limited as the Chief Operating Officer in May 2022. Krishantha has over 19 years of experience in the Non-Bank Financial Service sector both in Sri Lanka and Maldives. Prior to his appointment, he was with Maldives Finance and Leasing Company Pvt Ltd (MFLC) for past 13 years, the last three of them as Deputy General Manager – Operations and had also served MFLC as Chief Risk Officer and as Chief Accountant

Krishantha holds a Master of Business Administration from the University of Suffolk (United Kingdom), Associate member of Accounting Technicians of Sri Lanka and Associate Member of Chartered Professional Managers of Sri Lanka. He also holds Intermediate level qualification from The Institute of Chartered Accountants of Sri Lanka.

Mr P I Kandanaarachchi

Head of Finance

Mr P I Kandanaarachchi brings with him over 25 years of extensive experience in financial management, strategic planning, treasury management, and auditing. He commenced his professional career at KPMG Sri Lanka, gaining a strong foundation in audit and assurance before transitioning to the commercial sector.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Prior to joining the Company, he held several senior leadership positions at Merchant Bank of Sri Lanka & Finance PLC (MBSL), including Head of Finance and Assistant General Manager – Savings, Deposits & Treasury. In addition, he served as a Non-Executive Director of MBSL Insurance Company Limited, a subsidiary of MBSL, where he also functioned as Chairman of the Audit Committee and a member of the Integrated Risk Management Committee.

Mr Kandanaarachchi is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka (FCA) and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka (ACMA).

Mr Mahasen Kamathewatte

Compliance Officer

Mr Mahasen Kamathewatte joined CBC Finance Limited in February 2012 and currently serves as the Compliance Officer. He counts over 16 years of work experience, of which 13 years is in the Information Technology Industry in Sri Lanka. Prior to joining CBC Finance Limited he completed a successful seven year stint at Lanka Clear (Pvt) Ltd and People's Bank.

Mahasen holds an MSc in Computer Science from the University of Peradeniya and Postgraduate Diploma in Information Technology from the University of Peradeniya and BSc. Special Honors degree in Information Technology from the Sri Lanka Institute of Information Technology.

Mr Rukmal Fernando

Chief Risk Officer

Mr Rukmal Fernando joined CBC Finance Limited as the Chief Risk Officer in January 2025. Rukmal has over 29 years of experience in Corporate, MSME and Retail Banking and credit Risk with 13 years of managerial experience in Sri Lanka and UAE. Prior to his appointment, he was with Assetline Finance Limited for past three years, the last three of them as Divisional Manager- Credit Risk (Senior Management).

Rukmal holds a Diploma in Credit Management from the Institute of Bankers of Sri Lanka, partly completed the Banking Intermediate Examination conducted by Institute of Bankers of Sri Lanka. He also attended several internal and external training programmes relating to Credit/Financial analysis/Appraisals Credit Risk.

Mr P S Punchihewa

Head of Internal Audit

Mr Punchihewa brings close to four decades of experience in internal audit, information systems audit, banking, and financial operations. Currently serving as the Head of Internal Audit, he is a seasoned professional known for his strategic oversight in governance, risk management, and operational efficiency.

He began his career as an Audit Assistant at F H Puvimanasingha & Co (Chartered Accountants) from 1988 to 1990, later transitioning into banking roles at Sampath Bank PLC and Korea Exchange Bank. From 1999 to 2024, he served as Chief Manager – Internal Audit/IS Audit & IT at Union Bank of Colombo PLC, where he played a key role in strengthening internal controls and compliance frameworks.

Mr Punchihewa holds an MBA in e-Governance from Sir John Kotelawala Defence University (KDU) and a Diploma in Information System Security Controls and Audit from ICASL. He is also certified as an IRCA ISO9000 Lead Auditor, holds a Diploma in Banking & Finance (Intermediate) from IBSL, and is a Member of the Chartered Institute of Professional Management (CPM).

8.0 CORPORATE STRUCTURE OF THE COMPANY

Ms Yashikala E P Nawagamuwa

Head of Legal

Ms Nawagamuwa brings over 30 years of experience in legal and financial services to her role. She holds an LLB (Honors) degree from the Faculty of Law, University of Colombo and is licensed as an Attorney-at-Law, Notary Public, and Commissioner for Oaths in Sri Lanka.

Prior to joining the Company, she served as academic staff at the Faculty of Law, University of Colombo, and built a distinguished career in finance leasing, hire purchase, and notarial practice. Her expertise lies in commercial and civil law, with a strong focus on regulatory compliance, risk management, and legal operations.

In her current role, she oversees all legal matters including litigation, compliance, and strategic legal advisory, ensuring the Company maintains the highest standards of legal integrity and governance.

Mr Rangana Shamil

Head of Business Development

Mr Rangana Shamil is the Head of Business Development at CBC Finance Limited, his primary focus is on developing pioneering sales strategies and cultivating strong client relationships to facilitate business growth. His tenure at LCB Finance PLC as Assistant General Manager allowed him to refine his expertise in sales management and operations, which resulted in a notable increase in cost-selling revenue and an excellent collection ratio. Prior to this, he served as the Manager of Leasing at HNB Finance PLC, where he strategically developed the Leasing Department. He held the position of Chief Manager - Head of Leasing at HNB Finance PLC. He began his career at Central Finance PLC and was promoted to a Branch Manager within a short period.

He holds a Master of Business Administration from Anglia Ruskin University, U.K., a Postgraduate Diploma in Business Administration from the London School of Commerce, and a Postgraduate Diploma in Marketing (SLIM) He is also a Certified Professional Marketer (Asia) and a Practicing Marketer (Sri Lanka). Furthermore, he was an ordinary member of the Sri Lanka Institute of Marketing.

Mr Nuwan Sardarathne

Chief Manager, Finance

Mr Nuwan Sardarathne joined CBC Finance Limited in 2008 and currently serves as the Chief Manager Finance. With over 17+ years of financial management and auditing experience in the Non-Bank Financial Service sector in Sri Lanka, Nuwan brings a wealth of expertise to his role. His educational credentials include a Master of Business Administration (MBA) from London Metropolitan University, a Higher National Diploma in Accounting (HNDA equals to B.Com Degree at University of Kelaniya) from Sri Lanka Institute of Advanced Technological Education, a Certified Business Accountant of The Institute of Chartered Accountants of Sri Lanka (CBA – CASL), and Passed Finalist of the Association of Accounting Technicians of Sri Lanka (AAT).

Mr Sanka Fernando

Head of Recoveries

Mr Sanka Fernando, Head of Recoveries brings over 20 years of experience in financial sector, his educational credential includes Diploma in Credit Management from the Sri Lanka Institute of Credit Management and Diploma in Marketing & Brand Management from Sri Lanka Institute of Marketing.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Mr Chathuranga Suraweera

Chief Manager, Information Technology

Mr Chathuranga Suraweera joined CBC Finance Limited in 2021 and currently serves as Chief Manager Information Technology. With over 16+ years of IT experience in the Non-Bank Financial Service sector in Sri Lanka, Chathuranga brings a wealth of expertise to his role. Prior to his appointment, he held positions at Central Finance Company PLC and Softlogic Finance PLC, where he worked across various domains including IT Administration, Software Engineering, Software Quality Assurance, Database Administration, Networking, and Software Releasing & Implementation.

Chathuranga's educational background includes a Master of Business Administration (MBA) from Kelaniya University Sri Lanka, a BSc (Hons) in Information Technology from Middlesex University UK, a Higher Diploma in Computer-Based Information Systems from the National Institute of Business Management Sri Lanka, a Diploma in Computer System Design from the National Institute of Business Management Sri Lanka, a Diploma in Computer Programming from Technical Engineering College Sri Lanka, and a Diploma in English from Edexcel International. Additionally, he holds various internationally recognised certifications related to the IT and management fields.

He is a Professional Member of the Computer Society of Sri Lanka (MCSSL), a Professional Member of the Chartered Institute for IT UK (MBCS), a Professional Member of the Institute of Management Sri Lanka (MIMSL), and a Member of the International Computer Science Teachers Association (MCSTA).

Mr Keerthi Samaratunga

Chief Manager, Human Resources & Administration

Mr Keerthi Samaratunga, Chief Manager - Human Resources brings over 20 years of experience in Banking, Finance and Manufacturing sectors, where he has held diverse roles that have strengthened his expertise in HR management and HR operational effectiveness. His educational credentials include a Diploma in Human Resources Management from the Chartered Institute of Personnel Management and Bachelor of Philosophy from the Pontifical University of Rome, demonstrating his continuous professional growth and solid foundation in both Human Resources Management and philosophical studies.

Mr Chamara Wickramaratne

Chief Manager, Credit

Mr Chamara Wickramaratne, Chief Manager - Credit Administration brings over 18 years of experience in Banking and credit with nine years of managerial experience in Sri Lanka. Prior to his appointment in CBC Finance Limited, he was with LOLC Finance PLC for past nine years, serving in the capacity of a Manager – Credit.

Chamara holds a Master of Business Administration from Anglia Ruskin University in the UK. In addition, he has completed a Postgraduate Diploma in Business Administration (UK) from the London School of Commerce, also in the UK. Furthermore, Chamara has complete a Certificate in Banking and Finance from the Institute of Bankers.

8.0 CORPORATE STRUCTURE OF THE COMPANY

Mr Lakmal Kalansooriya

Chief Manager, Gold Loan

Mr Lakmal Kalansooriya, Chief Manager - Gold Loan brings over 22 years of experience in the financial industry in Sri Lanka. Prior to joining CBC Finance Limited, he has completed six years in the capacity of a Senior Manager at Merchant Bank of Sri Lanka & Finance PLC, in

Lakmal is currently pursuing an MBA (General) at the University of Sri Jayewardenepura. He has also completed a Postgraduate Diploma in Marketing Management, an Advanced Diploma in Marketing Management, and a Diploma in Marketing Management, all from the University of Sri Jayewardenepura.

Mrs Oshadi Gunasekara

Company Secretary

Appointed as the Company Secretary in September 2020, Mrs Gunasekara earned her Law Degree from Sri Lanka Law College and she is licensed to practice as an Attorney-at-Law of the Supreme Court of Sri Lanka. While in the Chambers of Dr Harsha Cabraal, President's Counsel she became well-versed in Commercial and Intellectual Property Law. She joined the Company in 2019 after serving as an Associate for Messrs Paul Ratnayake Associates. Her practice focused on complex Civil Law and White-Collar criminal cases attending to both local and international law suits. Mrs Gunasekara has also been extending her support and providing guidance to the litigation team in CBC Finance Limited.

8.13 STATEMENT BY THE ACTING CEO

The Acting Chief Executive Officer of the Company has not been involved in any of the following:

- Petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an executive officer;
- Convicted for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification

8.14 DETAILS OF ANY CONFLICT OF INTEREST

There have been no material conflicts of interest as at the date of this Prospectus.

9.0 STATUTORY DECLARATIONS

9.1 STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned who are named in the Prospectus issued by CBC Finance Limited “The Company” in connection with its Issue of up to 15,000,000 Listed, Rated, Unsecured, Subordinated, Redeemable Debentures (“The Prospectus”), as Directors of the Company, hereby declare and confirm that we have seen and read the provisions under the Companies Act No. 07 of 2007 and the Listing Rules of CSE relating to the Issue of the Prospectus, and that the relevant provisions have been complied with.

This Prospectus has been seen, read and approved by the Directors of the Entity and they, collectively and individually, accept full responsibility for the accuracy and completeness of the information given and confirm that the provisions of the CSE Listing Rules, the Companies Act No. 07 of 2007 and any amendments to it from time to time have been complied with, and after making all reasonable enquiries, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Entity have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Entity and making assumptions that are considered to be reasonable at the present point in time, in the best judgement of the Directors.

An application has been made to the Colombo Stock Exchange for permission to deal in, and for a listing of all securities in a particular class issued by the Entity and those Securities of the same class which are the subject of this Issue. Such permission will be granted when the Securities are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed, reports included, or omitted statements/undisclosed information in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Entity or of the Securities issued.

Name	Designation	Signature
Mr S Muhseen	Chairman- Non-Independent, Non- Executive Director	Sgd.
Mr S M S C Jayasuriya	Senior Director- Independent, Non-Executive Director	Sgd.
Mr D M D S S Bandara	Independent, Non-Executive Director	Sgd.
Mr L H Munasinghe	Non-Independent, Non- Executive Director	Sgd.
Mr M P Dharmasiri	Non-Independent, Non- Executive Director	Sgd.
Mrs S C De S Wickremasekera	Independent, Non-Executive Director	Sgd.
Mr D J D P Hettiarachchi	Executive Director (Acting CEO)	Sgd.

9.0 STATUTORY DECLARATIONS

9.2 STATUTORY DECLARATION BY THE MANAGERS TO THE ISSUE

We, Commercial Bank of Ceylon PLC, No. 21, Sir Razik Fareed Mawatha, Colombo 01, who are named in the Prospectus as the Managers to the Issue, hereby declare and confirm to the best of our knowledge and belief, that the Prospectus constitutes full and true disclosure of all material facts about the Issue and about CBC Finance Limited, whose Debentures are being listed.

Signed by authorised signatories of **Commercial Bank of Ceylon PLC**, being duly authorised thereto, at Colombo on this date of November 11, 2025.

Sgd.
Authorised Signatory

Sgd.
Authorised Signatory

10.0 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel: +94 11 246 3500
Fax: +94 11 768 7869
Email: eysl@lk.ey.com
ey.com

WDPL/KAYA

04 August 2025

Board of Directors
CBC Finance Limited
No. 187
Katugastota Road,
Kady

Accountants' Report CBC Finance Limited

Dear Sirs/Mesdames

Introduction

This report has been prepared for the purpose of the prospectus issued in connection with the issue of up to Ten Million (10,000,000) Listed, Rated, Unsecured, Subordinated, Redeemable, 5 year Debentures with a Non-Viability Conversion ("Debentures"), of the par value of LKR 100/- each, to raise a sum of up to Sri Lankan Rupees One Billion (LKR 1,000,000,000/-) with an option to issue up to a further Five Million (5,000,000) of said Debentures, at the discretion of the Company in the event of an oversubscription of the initial issue in order to raise a maximum amount of Sri Lankan Rupees One Thousand Five Hundred Million (LKR 1,500,000,000/-) of CBC Finance Limited.

We have examined the Financial Statements of the CBC Finance Limited (the "Company") for the years ended 31 March 2020 to 31 December 2024, and report is as follows.

1. Incorporation

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.

The principal activities of the Company are granting of Lease Facilities, Gold Loans, Motor Drafts, Vehicle Loans, 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.

2. Financial Information

2.1 Five-year Summary of Audited Financial Statements

A summary of Statements of Profit or Loss and Statements of Financial Position of the Company for the financial years ended 31 March 2020 to 31 December 2024, based on the audited Financial Statements are set out on annexure 1 of this Accountants' Report.

2.2 Audited Financial Statements for the Year Ended 31 December 2024

Our audit report on the Financial Statements of the Company for the year ended 31 December 2024 together with such Financial Statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows along with the accounting policies and notes thereon is

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA FCCA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCMA FCCA MBA (US-J-SL), G B Goudian ACMA, D L B Karunathilaka ACMA, W S J De Silva BSc (Hons) - MIS MSc - IT, V Shaktivel B.Com (Sp), M U M Mansoor ACA

A member firm of Ernst & Young Global Limited

10.0 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS



CBC Finance Limited

Page 2

available on the Company website [Investor Relations - CBC Finance](#), where the management is responsible for the electronic presentation of the financial report and to ensure the electronic version of the audited financial report and the auditor's report on the website is identical to the final signed hard copy version.

2.3 Audit Reports

The Financial Statements of the Company for the years ended 31 March 2020 to 31 December 2023, have been audited by Messrs. KPMG, while the financial statements for the year ended 31 December 2024 were audited by us. Unmodified audit opinions have been issued for the said financial years by such auditors' reports dated 29th June 2020, 28th June 2021, 30th March 2022, 17th March 2023, 27th March 2024 and 24th March 2025 respectively.

2.4 Accounting Policies

The Financial Statements of the Company for the years ended 31 March 2020 to 31 December 2024 comply with Sri Lanka Accounting Standards. The accounting policies of the Company are stated in detail in the audited Financial Statements of CBC Finance Limited for the year ended 31 December 2024.

2.5 Dividends

Company has not paid dividend for the years ended 31 March 2020 to 31 December 2024.

2.6 Events after Reporting Date

There were no material circumstances that have arisen since the reporting date, which require adjustment to or disclosure in the Financial Statements.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of CBC Finance Limited for usage in the application for the purpose of issue of up to Ten Million (10,000,000) Listed, Rated, Unsecured, Subordinated, Redeemable, 5 year Debentures with a Non-Viability Conversion ("Debentures"), of the par value of LKR 100/- each, to raise a sum of up to Sri Lankan Rupees One Billion (LKR 1,000,000,000/-) with an option to issue up to a further Five Million (5,000,000) of said Debentures, at the discretion of the Company in the event of an oversubscription of the initial issue in order to raise a maximum amount of Sri Lankan Rupees One Thousand Five Hundred Million (LKR 1,500,000,000/-)

Yours faithfully,

10.0 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS

CBC Finance Limited STATEMENT OF PROFIT OR LOSS

For the year ended	31.12.2024 Rs.	31.12.2023 Rs.	31.12.2022 Rs.	31.12.2021 Rs. **	31.03.2021 Rs.	31.03.2020 Rs.
Gross income	2,661,366,764	1,991,470,180	1,636,161,181	944,665,412	1,057,909,452	1,210,749,329
Interest income	2,271,136,833	1,767,177,189	1,523,736,327	867,325,363	963,004,076	1,131,105,742
Interest expenses	(1,399,057,829)	(1,270,698,792)	(986,329,636)	(334,440,001)	(480,981,089)	(572,366,015)
Net interest income	872,079,004	496,478,397	537,406,691	532,885,362	482,022,987	558,739,727
Fee and commission income	291,433,391	149,882,005	51,187,547	47,139,286	61,590,055	60,049,624
Fee and commission expenses	(22,167,639)	(32,488,653)	(9,931,409)	(2,733,253)	(1,341,109)	(1,345,217)
Net fee and commission income	269,265,752	117,393,352	41,256,138	44,406,033	60,248,946	58,704,407
Other operating income	98,796,540	74,410,986	61,237,307	30,200,763	33,315,321	19,593,963
Total operating income	1,240,141,296	688,282,735	639,900,136	607,492,158	575,587,254	637,038,097
Impairment charges and other losses	(236,864,852)	(481,615,526)	(249,161,510)	(308,796,124)	(196,479,621)	(276,360,800)
Net operating income	1,003,276,444	206,667,209	390,738,626	298,696,034	379,107,633	360,677,297
Operating expenses						
Personnel expenses	(362,379,028)	(253,178,874)	(164,812,691)	(89,536,207)	(104,423,835)	(92,157,135)
Depreciation and amortization	(81,544,128)	(61,802,622)	(47,196,748)	(27,276,191)	(29,804,077)	(20,718,484)
Other operating expenses	(298,887,425)	(212,290,253)	(139,837,491)	(68,434,520)	(74,626,468)	(69,985,657)
Fair value losses on investment properties	-	-	-	-	(7,711,634)	-
Operating profit before taxes on financial services	260,465,863	(320,604,540)	38,891,696	113,449,116	162,541,619	177,816,021
Taxes on financial services	(102,802,202)	-	(29,165,462)	(25,336,328)	(33,098,736)	(49,771,274)
Profit / (Loss) before taxation	157,663,661	(320,604,540)	9,726,234	88,112,788	129,442,883	128,044,747
Income tax expense	(76,122,654)	95,427,017	29,856,689	(54,869,724)	(64,952,304)	(59,068,763)
Profit / (Loss) for the year	81,541,007	(225,177,523)	39,582,923	33,243,064	64,490,579	68,975,984

Figures in brackets indicate deductions.

** - 09 months period ended



10.0 ACCOUNTANTS' REPORT AND FIVE YEAR SUMMARY OF FINANCIAL STATEMENTS

CBC Finance Limited STATEMENT OF FINANCIAL POSITION

As at	31.12.2024 Rs.	31.12.2023 Rs.	31.12.2022 Rs.	31.12.2021 Rs.	31.03.2021 Rs.	31.03.2020 Rs.
ASSETS						
Cash and cash equivalents	166,599,890	154,177,733	96,306,555	154,599,310	324,309,571	56,383,446
Financial investments at fair value through other comprehensive income	1,634,253,594	712,023,869	1,598,013,279	432,297,623	511,999,386	244,855,591
Financial investments at amortized cost	-	-	-	406,243,569	227,314,205	29,985,786
Loans and advances	13,445,176,774	10,142,399,731	8,505,035,651	8,712,636,883	8,070,139,117	6,810,624,122
Investment properties	680,900,000	538,875,000	26,350,000	25,150,000	25,150,000	-
Property, plant and equipment	432,503,997	408,560,886	316,894,006	276,258,743	248,941,125	234,611,303
Intangible assets	33,576,762	31,727,740	30,608,371	29,393,058	31,199,041	11,617,126
Right of use assets	68,159,813	62,696,695	67,406,857	53,319,549	40,590,614	16,460,800
Current tax assets	394,940	-	-	-	-	-
Deferred tax assets	283,122,147	359,259,949	277,932,277	193,579,595	195,023,364	146,687,202
Other assets	115,951,395	49,039,147	36,588,809	29,569,726	26,236,364	24,297,974
Total assets	16,860,639,312	12,458,760,750	10,955,135,805	10,313,048,056	9,700,902,787	7,575,523,350
LIABILITIES						
Deposit liabilities	10,311,261,790	6,534,180,634	5,116,205,410	5,068,847,716	4,838,979,172	222,658,572
Due to banks	3,050,169,109	2,758,596,459	2,467,544,765	1,769,503,838	1,411,123,680	5,085,412,198
Employee benefits	23,097,606	15,694,914	11,330,128	14,972,957	11,430,854	8,777,241
Lease liabilities	74,210,693	64,874,901	66,555,073	58,005,421	43,830,248	17,680,960
Current tax liabilities	-	2,605,060	37,092,827	44,140,864	101,505,099	34,154,410
Other liabilities	342,987,530	105,472,548	78,935,975	102,564,487	71,075,807	52,631,156
Total liabilities	13,801,726,728	9,481,424,516	7,777,664,178	7,058,035,283	6,477,944,860	5,421,314,537
EQUITY						
Stated capital	3,254,999,964	3,254,999,964	3,254,999,963	3,254,999,963	3,254,999,963	2,254,999,964
Accumulated losses	(610,441,417)	(431,325,175)	(205,842,157)	(138,978,745)	(169,212,632)	(229,779,653)
Other reserves	414,354,037	153,661,445	128,313,821	138,991,555	137,170,596	128,988,502
Total equity	3,058,912,584	2,977,336,234	3,177,471,627	3,255,012,773	3,222,957,927	2,154,208,813
Total liabilities and equity	16,860,639,312	12,458,760,750	10,955,135,805	10,313,048,056	9,700,902,787	7,575,523,350



ANNEXURE I – CREDIT RATING REPORT

10/29/25, 11:37 AM

Fitch Assigns CBC Finance's Proposed Subordinated Debt 'BBB+(Ika)' Rating


Maninda Wickramasinghe
Country Head
MD/CEO

FitchRatings

RATING ACTION COMMENTARY

Fitch Assigns CBC Finance's Proposed Subordinated Debt 'BBB+(Ika)' Rating

Tue 28 Oct, 2025 - 7:29 AM ET

Fitch Ratings - Colombo - 28 Oct 2025: Fitch Ratings has assigned CBC Finance LTD's (CBCF, A(Ika)/Stable) proposed Sri Lankan rupee-denominated subordinated listed debentures of up to LKR1.5 billion a National Long-Term Rating of 'BBB+(Ika)'.

The proposed debentures will carry fixed coupons and mature in five years. They will be listed on the Colombo Stock Exchange. The company plans to use the proceeds to strengthen its Tier 2 capital base and support business expansion.

KEY RATING DRIVERS

The proposed debentures are rated two notches below CBCF's National Long-Term Rating. We applied the Bank Rating Criteria in rating this instrument, as we believe Sri Lankan finance companies have a prudential capital framework closer to that for banks. The rating reflects our baseline notching for loss severity for this debt class and our expectation of poor recoveries in the event of default. There is no additional notching for non-performance risk, as the proposed debentures do not contain going-concern loss-absorption features.

CBCF's National Long-Term Rating was upgraded to 'A(Ika)', from 'BBB+(Ika)', in January 2025 following the upgrade of the parent, Commercial Bank of Ceylon PLC (CB, AA-(Ika)/Stable). CBCF's rating reflects our expectation that CB would provide extraordinary support to CBCF if needed. This view is based on CB's full ownership of CBCF, a history of ordinary capital support and close brand alignment despite limited overlap between CBCF's target customer base and that of its parent bank.

Please refer to our commentary, [Fitch Upgrades 10 Sri Lankan NBFIs' Ratings, Affirms 8 Following National Scale Recalibration](#), published 24 January 2025 for details on the key

<https://www.fitchratings.com/research/non-bank-financial-institutions/fitch-assigns-cbc-finance-proposed-subordinated-debt-bbb-ika-rating-28-10-2025>

1/5

ANNEXURE I – CREDIT RATING REPORT

10/29/25, 11:37 AM

Fitch Assigns CBC Finance's Proposed Subordinated Debt 'BBB+(lka)' Rating

rating drivers and sensitivities



RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of CBCF's National Long-Term Rating would lead to a downgrade of the subordinated debt rating.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of CBCF's National Long-Term Rating would lead to an upgrade of the subordinated debt rating.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

CBCF's ratings are driven by CB's National Long-Term Rating.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡		
CBC Finance LTD			
subordinated	Natl LT	BBB+(lka)	New Rating

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

Janith Gamlath

Senior Analyst

Primary Rating Analyst

ANNEXURE I – CREDIT RATING REPORT

10/29/25, 11:37 AM

Fitch Assigns CBC Finance's Proposed Subordinated Debt 'BBB+(lka)' Rating

National

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Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

ANNEXURE I – CREDIT RATING REPORT

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The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.



APPLICABLE CRITERIA

National Scale Rating Criteria (pub. 22 Dec 2020)

Non-Bank Financial Institutions Rating Criteria (pub. 01 Feb 2025) (including rating assumption sensitivity)

Bank Rating Criteria (pub. 22 Mar 2025) (including rating assumption sensitivity)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

Potential Conflicts Resulting from Revenue Concentrations

ENDORSEMENT STATUS

CBC Finance LTD

-

DISCLAIMER

This credit rating is issued by a credit rating subsidiary or affiliate of Fitch Ratings, Inc., which is the entity registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). However, the credit rating subsidiary or affiliate issuing this credit rating is not listed on Item 3 of Form NRSRO (see <https://www.fitchratings.com/site/regulatory>), and as such is not authorized to issue credit ratings on behalf of the NRSRO.

මෙම ණය ශ්‍රේණිගත කිරීම නිකුත් කර ඇත්තේ ඇමරිකානු සුරැකුම්පත් හා විනිමය කොමිෂන් සභාවේ, ජාතිකව පිළිගත් සංඛ්‍යාලේඛන ශ්‍රේණිගත කිරීමේ ආයතනයක් (NRSRO) ලෙස ලියාපදිංචි වූ ඊඑස් එන් ඒස් සමාගමේ පරිපාලිත සමාගමක් වී සිටී. නමුත්, මෙම පරිපාලිත සමාගම මගින් නිකුත් කරන ණය ශ්‍රේණිගත කිරීම්, ජාතිකව පිළිගත් සංඛ්‍යාලේඛන ශ්‍රේණිගත කිරීමේ ආයතන පෝර්මයේ, අංක 3 හි ලැයිස්තුගත කර නොමැත. (වැඩිදුර විස්තර සඳහා පහත සබැඳියට යොමු වන්න: <https://www.fitchratings.com/site/regulatory>). එම නිසා ජාතිකව පිළිගත් සංඛ්‍යාලේඛන ශ්‍රේණිගත කිරීම් ආයතනය වෙනුවෙන් ණය ශ්‍රේණිගත කිරීම් නිකුත් කිරීමට එම සමාගමට අවසර නැත.

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தேசியரீதியாக அங்கீகரிக்கப்பட்ட புள்ளிவிபர மதிப்பீட்டு ஸ்தாபனமாக ஐக்கிய அமெரிக்காவின் பிணையங்கள் மற்றும் பரிவர்த்தனை ஆணைக்குழுவில் (NRSRO) பதிவு செய்யப்பட்டுள்ள ஒரு நிறுவனமான Fitch Ratings Inc இன் கடன் தரப்படுத்தல் தொடர்பான ஒரு துணை நிறுவனத்தால் இந்த கடன் தரப்படுத்தல் விநியோகிக்கப்பட்டுள்ளது. இந்த கடன் தரப்படுத்தலை விநியோகிக்கும் கடன் தரப்படுத்தல் துணை நிறுவனமானது NRSRO படிவத்தின் சரத்து 3 இல் கீழ் பட்டியலிடப்படாமையால், NRSRO இன் சார்பில் கடன் தரப்படுத்தலை விநியோகிக்கும் அதிகாரத்தைக் கொண்டிருக்கவில்லை.

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SOLICITATION STATUS

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Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

ANNEXURE II – COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

ISSUER CBC Finance Limited No. 187, Katugastota Road, Kandy, Sri Lanka. Phone : +94 (0) 81 221 3498	MANAGERS TO THE ISSUE Commercial Bank of Ceylon PLC Investment Banking Unit No. 55/57, 4th Floor, Carsons Building, Janadhipathi Mawatha, Colombo 01, Sri Lanka. Phone : +94 (0) 11 2 486 848
REGISTRARS TO THE ISSUE SSP Corporate Services (Pvt.) Limited No. 101, Inner Flower Road, Colombo 03. Phone : +94 (0) 11 2 573 485	BANKERS TO THE ISSUE Commercial Bank of Ceylon PLC “Commercial House” No. 21, Sir Razik Fareed Mawatha, P. O. Box 856, Colombo 01. Phone : +94 (0) 11 2 486 494/6

ANNEXURE II – COLLECTION POINTS

TRADING PARTICIPANTS OF THE CSE

Asha Securities Limited. No. 60, 5th Lane, Colombo 03., Tel : +94 11 2 429 100 Fax : +94 11 2 429 199 Email : asl@ashasecurities.net Website : http://www.ashasecurities.net	Asia Securities (Pvt) Ltd. 4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 3. Tel : +94 11 7 722 000 Fax : +94 11 2 584 864 Email : inquiries@asiasecurities.lk Website : https://www.asiasecurities.lk
ACS Capital (Private) Ltd. No. 44, Guildford Crescent, Colombo 7. Tel : +94 11 789 8302 Email : info@acscapital.lk Website : https://www.acscapital.lk	ACAP Stock Brokers (Pvt) Ltd. No. 46/46, 6th Floor, Greenlanka Towers, Nawam Mawatha, Colombo 02. Tel : +94 117 564 000 Fax : +94 112 331 756 Email : info@acapstockbrokers.lk Website : https://acapstockbrokers.lk/
Almas Equities (Pvt) Ltd Westin Tower, 5th Level No 2- 4/ 1, Lake Drive, Colombo 08 Tel : +94 707 144 551 Fax : +94 11 2 673 908 Email : info@almasequities.com Website : https://www.almasequities.com/	Capital Alliance Securities (Pvt) Ltd. Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2. Tel : +94 11 2 317 777 Fax : +94 11 2 317 788 Email : info@cal.lk Website : https://cal.lk
Capital Trust Securities (Private) Limited 42, Mohamed Macan Markar Mawatha, Colombo 03. Tel : +94 70 5 666 777 +94 11 2 174 174 Fax : +94 11 2 174 173 Email : inquiries@capitaltrust.lk Website : http://www.capitaltrust.lk	CT Smith Securities (Pvt) Ltd 4-14, Majestic City, 10, Station Road, Colombo 4. Tel : +94 11 2 552 290/4 +94 11 2 552 289 Email : info@ctsmith.lkwww.ctsmith.lk

ANNEXURE II – COLLECTION POINTS

Capital Alliance PLC Level 5, "Millennium House" 46/58, Nawam Mawatha, Colombo 02. Tel : +94 11 2 317 777 Fax : +94 11 2 317 788 Email : info@cal.lk	Enterprise Ceylon Capital (Pvt) Ltd. 2nd Floor-4B, Liberty Plaza, 250, R.A.De Mel Mawatha, Colombo 03. Tel : +94 11 2 445 644 Email : info@ecc.lk Website : http://www.ecc.lk
First Capital Equities (Pvt) Ltd. Level 12, Vallible Property Building, No. 480, Galle Road, Colombo 03. Tel : +94 11 2 123 901 Email : equity@firstcapital.lk Website : http://www.firstcapital.lk/	First Guardian Equities (Pvt) Ltd. 32nd Floor, East Tower, World Trade Centre, Colombo 1. Tel : +94 11 4 464 400 Email : info@fge.lk Website : http://www.fge.lk
HNB Stockbrokers (Pvt) Ltd. No. 53, Dharmapala Mawatha, Colombo 3. Tel : +94 11 2 206 206 +94 11 2 206 298/9 Email : sales@hnbstockbrokers.com Website : http://www.hnbstockbrokers.lk/	J B Securities (Pvt) Ltd. 150, St. Joseph Street, Colombo 14. Tel : +94 11 2 490 900 +94 11 2 430 070 Email : jbs@jb.lk Website : https://www.jbs.lk
John Keells Stock Brokers (Pvt) Ltd. 186, Vauxhall Street, Colombo 2. Tel : +94 11 2 306 250 +94 11 2 342 068 Email : jkstock@keells.com Website : http://www.jksb.com/	Lanka Securities (Pvt) Ltd. 3rd Floor, "M2M Veranda Offices", No. 34, W.A.D Ramanayeke Mawatha, Colombo 2. Tel : +94 11 4 706 757/2 554 942 +94 11 4 706 767 Email : info@lankasec.com Website : http://www.lankasecurities.com
LOLC Securities Ltd No. 481, T B Jayah Mawatha, Colombo 10. Tel : +94 11 7 582 000 Fax : +94 11 2 662 883 Email : info@lolcsecurities.com Website : https://www.lolcsecurities.com	Nestor Stock Brokers (Pvt) Ltd The Landmark Building, No. 385, Galle Road, Colombo 03. Tel : +94 11 4 758 813 + 94 11 2 550 100 Email : info@nestorstockbrokers.lk Website : https://www.nestorstockbrokers.lk

ANNEXURE II – COLLECTION POINTS

NDB Securities (Private) Ltd. Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 4. Tel : +94 11 2 131 000 +94 11 2 314 181 Email : mail@ndbs.lk Website : http://www.ndbs.lk	Richard Pieris Securities (Pvt) Ltd. No. 310, High Level Road, Nawinna, Maharagama. Tel : +94 11 4 310 500 +94 11 2 802 385 Email : communication@rpsecurities.com Website : http://www.arpico.com/
Senfin Securities Limited 4th Floor, No. 180, Bauddhaloka Mawatha, Colombo 04. Tel : +94 11 2 359 100 Fax : +94 11 2 305 522 Email : info@senfinsecurities.com Website : https://senfinsecurities.com	Softlogic Stockbrokers (Pvt) Ltd. Level 16, One Galle Face Tower, Colombo 02. Tel : +94 11 7 277 000 +94 11 7 277 099 Email : info@softlogicstockbrokers.lk Website : https://softlogicstockbrokers.lk/
S C Securities (Pvt) Ltd. 5th Floor, 26 B, Alwis Place, Colombo 3. Tel : +94 11 4 711 000/001 +94 11 2 394 405 Email : itdivision@sampathsecurities.lk Website : http://www.sampathsecurities.lk	Somerville Stockbrokers (Pvt) Ltd. 410/95/1, Bauddhaloka Mawatha, Colombo 07. Tel : +94 11 2 502 858/862 +94 11 2 502 852 Email : contact@somerville.lk Website : http://www.somerville.lk
Wealthtrust Securities Limited No. 102/1, Dr. N.M. Perera Mawatha, Colombo 3. Tel : +94 11 2 675 091 – 4 Fax : +94 11 2 689 605 Email : info@wealthtrust.lk	Seylan Bank PLC Level 3, Seylan Towers 90, Galle Road, Colombo 03 Tel : +94-11 2 456 300 Fax : +94 11 2 452 215 Email : info@seylan.lk Website : https://www.seylan.lk/

ANNEXURE III – CUSTODIAN BANKS

Bank of Ceylon (Head Office) 7th Floor, No. 4, Bank of Ceylon Mawatha, Colombo 01. Tel : +94 11 2 448 348	Citibank N.A. 65 C, Dharmapala Mawatha, Colombo 07. Tel : +94 11 4 794 733
Commercial Bank of Ceylon PLC “Commercial House”, 21, Sir Razik Fareed Mawatha, Colombo 01. Tel : +94 11 2 486 498	Deutsche Bank Level 21, One Galle Face Tower, No. 1A, Centre Road, Galle Face, Colombo 02. Tel : +94 11 4 791 103
Hatton National Bank PLC HNB Towers, 479, T B Jayah Mawatha, Colombo 10. Tel : +94 77 7 712 406	Union Bank of Colombo PLC Participant Code: UBC 64A, Galle Road, Colombo 03. Tel : +94 11 2 374 205,
The Hong Kong and Shanghai Banking Corporation Limited, 24, Sir Baron Jayathilake Mawatha, Colombo 01 Tel : +94 114 451 275	People's Bank Head Office - Treasury, 5th Floor, 75, Sir Chittampalam A Gardiner Mw, Colombo 02. Tel : +94 11 2 206 782
Standard Chartered Bank 37, York Street, Colombo 01. Tel : +94 112 480 450	Sampath Bank PLC 110, Sir James Peiris Mw., Colombo 02. Tel : +94 11 5 406 939, 77 7 842 415
Seylan Bank PLC Participant Code: SBK Level 7, Seylan Towers, 90, Galle Road, Colombo 03. Tel : +94 11 2 456 701 +94 11 2 456 764 +94 77 2 279 545	Union Bank of Colombo PLC 64A, Galle Road, Colombo 03. Tel : +94 11 2 374 205
Nations Trust Bank PLC 256, Sri Ramanathan Mawatha, Colombo 15. Tel : +94 11 4 313 131	Pan Asia Banking Corporation PLC (Head Office) 450, Galle Road, Colombo 03. Tel : +94 11 2 565 565
National Development Bank No.40, Navam Mawatha, Colombo 02. Tel : +94 (0) 11 2 448 448	DFCC Bank PLC No.73/5, Galle Road, Colombo 03. Tel : +94 112 442 031

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

Tel : +94 11 246 3500
Fax : +94 11 768 7869
Email : eysl@lk.ey.com
ey.com

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 December 31, 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 December 31, 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 December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 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.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCA MBA (USJ-SL), G B Goudian ACA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

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INDEPENDENT AUDITOR'S REPORT



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.

March 24, 2025

Colombo

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman FCA FCMA, Ms. L K H L Fonseka FCA, Ms. P V K N Sajeewani FCA, A A J R Perera FCA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA, B Vasanthan ACA ACMA, W D P L Perera ACA

Principals: T P M Ruberu FCA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

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ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31,	Notes	2024 LKR	2023 LKR
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 amortisation		(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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

STATEMENT OF FINANCIAL POSITION

As at December 31,	Notes	2024 LKR	2023 LKR
ASSETS			
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,

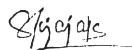


Chamilantha Fernando

Managing Director/Chief Executive Officer

March 24, 2025

Kandy



S M S C Jayasuriya

Director

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

STATEMENT OF CHANGES IN EQUITY

	Stated capital	Other reserves						Retained earnings/ (accumulated losses) LKR	Total equity LKR
		Capital reserve	Revaluation reserve	Statutory reserve fund	Fair value reserve	General reserve	Regulatory loss allowance reserve		
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at January 01, 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 December 31, 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 January 01, 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 RECOGNISED 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 December 31, 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

STATEMENT OF CASH FLOWS

For the year ended December 31,	Notes	2024 LKR	2023 LKR
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
Amortisation		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.

NOTES TO THE 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. 07 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 December 31, is 318 (December 31, 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 December 31, 2024 were approved and authorised for issue by the Board of Directors in accordance with the resolution of the Directors on March 24, 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 recognised 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.”

NOTES TO THE 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss 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 JUDGEMENTS AND ESTIMATES

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

Estimates and underlying assumptions are 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 recognised over time or at a point in time;

(A) ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties as at December 31, 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;

NOTES TO THE FINANCIAL STATEMENTS

- **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 utilised 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).

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 90 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 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 3 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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. 07 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 30.1.2 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.

NOTES TO THE FINANCIAL STATEMENTS

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 December 31, 2024 or December 31, 2023.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS**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 recognised 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 realised.

Unrecognised 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 December 15, 2022 issued by the Inland Revenue Department on “Changes to the Inland Revenue Act No. 24 of 2017”, effective from October 01, 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 recognised 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 recognised 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 August 06, 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 February 07, 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 (LKR 2 Bn.), 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 March 31, and June 30, 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 recognised. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalent include cash in hand and balances with banks.

NOTES TO THE FINANCIAL STATEMENTS

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;

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

LEVEL 3**INPUTS THAT ARE UNOBSERVABLE**

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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 recognised 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 January 01, 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 January 01, 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

9. GROSS INCOME

For the year ended 31 December,	Note	2024 LKR	2023 LKR
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

10.1 INTEREST INCOME

For the year ended 31 December,	2024 LKR	2023 LKR
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

NOTES TO THE FINANCIAL STATEMENTS

10.2 INTEREST EXPENSES

For the year ended 31 December,	2024 LKR	2023 LKR
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 LKR	2023 LKR
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,	2024 LKR	2023 LKR
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

The fees and commission presented in this note include income of LKR 291.4 Mn. (December 31, 2023: LKR 149.9 Mn.) and expense of LKR 22.1 Mn. (December 31, 2023: LKR 32.4 Mn.) 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 under SLFRS 15
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.

12. OTHER OPERATING INCOME

For the year ended 31 December,	2024 LKR	2023 LKR
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

For the year ended 31 December,	Note	2024 LKR	2023 LKR
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

For the year ended 31 December,		2024 LKR	2023 LKR
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER OPERATING EXPENSES

For the year ended 31 December,	2024 LKR	2023 LKR
Directors' emoluments	7,890,000	4,360,000
Auditors' remuneration – Audit and 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

For the year ended 31 December,	2024 LKR	2023 LKR
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 RECOGNISED IN PROFIT OR LOSS

For the year ended 31 December,	2024 LKR	2023 LKR
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)

17.2 AMOUNT RECOGNISED IN OCI

For the year ended 31 December,	2024 LKR	2023 LKR
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

17.3 RECONCILIATION OF EFFECTIVE TAX RATE

Reconciliation of effective tax rate	2024 Effective tax rate %	2024 LKR	2023 Effective tax rate %	2023 LKR
(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 RECOGNISED DIRECTLY IN EQUITY

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

17.5 TAX LOSSES CARRIED FORWARD

For the year ended December 31,	2024 LKR	2023 LKR
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 LKR	2023 LKR
Profit/(loss) attributable to ordinary shareholders (LKR)	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 (LKR)	0.37	(1.02)

18.1 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

19. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

As at December 31, 2024	Note	At amortised cost	Fair value through OCI	Other financial liabilities at amortised cost	Total
		LKR	LKR	LKR	LKR
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	–	–	12,814,599
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 December 31, 2023	Note	At amortised cost	Fair value through OCI	Other financial liabilities at amortised cost	Total
		LKR	LKR	LKR	LKR
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	–	–	23,836,965
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

For the year ended December 31,	2024 LKR	2023 LKR
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

21.1 FINANCIAL INVESTMENTS – FVOCI

For the year ended December 31,	Note	2024 LKR	2023 LKR
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

For the year ended December 31,	2024			2023		
	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR	Number of shares LKR	Cost LKR	Carrying value/ fair value LKR
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

For the year ended December 31,	Note	2024 LKR	2023 LKR
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

For the year ended December 31,	2024 LKR	2023 LKR
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 December 31,	1,773,359,197	1,495,236,365

Loans and advances with the contractual amount of LKR 3,445,950.00 has written down during the 2024 are still subject to enforcement activity.

22.1.1 ANALYSIS OF ALLOWANCE FOR IMPAIRMENT LOSSES BY PRODUCT

For the year ended December 31,	Note	2024 LKR	2023 LKR
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

NOTES TO THE FINANCIAL STATEMENTS

22.1.1 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 December 31, 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 LKR 281,568,782.00 recorded during the year over the total portfolio considered for impairment under collective approach.

22.2 ANALYSIS BY PRODUCT

As at December 31,	Note	2024 LKR	2023 LKR
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

As at December 31,	Note	2024 LKR	2023 LKR
GROSS LEASE RECEIVABLE			
Within one year	22.2.1 (a)	1,947,666,975	1,502,128,103
One to five years	22.2.1 (b)	3,222,313,885	1,928,555,313
Over five years	22.2.1 (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

As at December 31,	2024 LKR	2023 LKR
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

As at December 31,	2024 LKR	2023 LKR
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

As at December 31,	2024 LKR	2023 LKR
Total lease receivable over five years	–	–
Less: Unearned income	–	–
	–	–

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

22.2.2 HIRE PURCHASE

As at December 31,	Note	2024 LKR	2023 LKR
GROSS HIRE PURCHASE RECEIVABLE			
Within one year	22.2.2 (a)	116	120
One to five years		–	–
Over five years		–	–
		116	120
Less: Allowance for impairment losses		(116)	(120)
Net hire purchase receivable		–	–

22.2.2 (A) GROSS HIRE PURCHASE RECEIVABLE WITHIN ONE YEAR

For the year ended 31 December,	2024 LKR	2023 LKR
Total hire purchase rentals receivable	116	120
Less: Unearned income	–	–
	116	120

22.2.3 MORTGAGE LOANS

For the year ended December 31,	Note	2024 LKR	2023 LKR
GROSS MORTGAGE LOANS RECEIVABLE			
Within one year	22.2.3 (a)	1,637,234,677	1,361,319,810
One to five years	22.2.3 (b)	1,303,609,818	2,274,099,562
Over five years	22.2.3 (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

For the year ended December 31,	2024 LKR	2023 LKR
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

For the year ended December 31,	2024 LKR	2023 LKR
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

For the year ended December 31,	2024 LKR	2023 LKR
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

22.2.4 OTHER LOANS

For the year ended December 31,	Note	2024 LKR	2023 LKR
GROSS OTHER LOANS RECEIVABLE			
Within one year	22.2.4 (a)	5,941,818,438	3,872,005,612
One to five years	22.2.4 (b)	939,341,445	388,831,609
Over five years	22.2.4 (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

For the year ended December 31,	2024 LKR	2023 LKR
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

22.2.4 (B) GROSS OTHER LOANS RECEIVABLE WITHIN ONE TO FIVE YEARS

For the year ended December 31,	2024 LKR	2023 LKR
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

For the year ended December 31,	2024 LKR	2023 LKR
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

As at December 31,	2024 LKR	2023 LKR
COST/VALUATION		
As at January 01,	538,875,000	26,350,000
Additions during the year	154,800,000	498,545,000
Removal during the year	(12,225,000)	–
Fair value gain	(550,000)	13,980,000
As at December 31,	680,900,000	538,875,000

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

23.1 DETAILS OF INVESTMENT PROPERTIES

Location	Date of valuation	Number of buildings	Extent	
			Land (Perches)	Buildings (Square feet)
Lot 04, Plan No.1,652, Bulumulla, Kiribathkumbura.	31.12.2024	–	18.70	–
Lot 01, Plan No.1,366, Alapalawala, Handessa, Peradeniya.	31.12.2024	–	312.00	–
Lot 8,247, Plan No.7,790 C/5,367, Suranimala Place, Pamankada, Thimbirigasyaya.	31.12.2024	3	–	5,280
Lots 5,112 and 5,113, Plan No.224, No 122/37, High level road, Kirulapone.	31.12.2024	–	22.81	–
Lots 01, Plan No.896, Yatiwawala, Katugastota, Kandy.	31.12.2024	–	272.01	–
Lot 01, Plan No.496, Polwatta, Mawanella.	31.12.2024	1.00	98.50	12,550
Lot 02, Plan No.2,648, Ballapana Pathabage, Galigamuwa.	31.12.2024	–	105.30	–
Lot 02, Plan No.678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	31.12.2024	–	12.00	–
Lot No B, Plan No.1,085, Katukoliha, Hikkaduwa.	31.12.2024	1	49.00	1,164
Lot 11, Plan No.2,099, Mary Mount, Kandy Road, Kurunegala.	31.12.2024	1	13.50	3,590
Lot 57, Plan No.426, No – 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	31.12.2024	1	8.50	2,942
Lot 1, 2 & 3 Plan No.183-2013, Dewpahala, Kuruwita, Rathnapura.	31.12.2024	–	3,992.00	–
Lot 1, Plan No.7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	31.12.2024	–	9.20	–
Lot 2, Plan No.1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	31.12.2024	–	55.34	–
Lot 1 A, Plan No.3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	31.12.2024	–	7.00	–

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 categorised as a Level 3 fair value measurement based on the inputs to the valuation techniques used.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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) LKR	Buildings (Square feet) LKR	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
300,000	–	5,600,000	–	6,350,000	–	(750,000)	–
60,000	–	18,700,000	–	21,850,000	–	(3,150,000)	–
–	22,633	–	119,500,000	–	109,000,000	–	10,500,000
6,250,000	–	142,000,000	–	144,000,000	–	(2,000,000)	–
346,678	–	94,300,000	–	98,250,000	–	(3,950,000)	–
75,000	1,547	7,387,500	19,412,500	7,387,500	21,612,500	–	(2,200,000)
900,000	–	94,800,000	–	94,800,000	–	–	–
600,000	–	7,200,000	–	7,200,000	–	–	–
350,000	1,500	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
850,000	4,500	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
450,000	3,000	3,825,000	5,675,000	2,825,000	5,675,000	1,000,000	–
11,774	–	47,000,000	–	47,000,000	–	–	–
1,850,000	–	17,000,000	–	17,000,000	–	–	–
550,000	–	31,000,000	–	31,000,000	–	–	–
3,000,000	–	21,000,000	–	21,000,000	–	–	–

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

Details of the professional valuer	Location	Method of valuation and significant unobservable inputs
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. 1,652, Bulumulla, Kiribathkumbura.	Market comparable method price per perch
	Lot 01, Plan No. 1,366, Alapalawala, Handessa, Peradeniya.	Market comparable method price per perch
	Lot 8247, Plan No. 7,790 C/5,367, Suranimala Place, Pamankada, Thimbirigasyaya.	Investment method – Gross monthly rental Years purchase
	Lots 01, Plan No. 896, Yatiwawala, Katugastota, Kandy.	Market comparable method – price per perch
	Lot No. B, Plan No. 1,085, Katukoliha, Hikkaduwa.	Market comparable method – price per perch-price per Sq.Ft
	Lot 11, Plan No. 2,099, Mary Mount, Kandy Road, Kurunegala.	Market comparable method – price per perch – price per Sq.Ft
	Lot 2, Plan No. 1,801, 1st Lane, Ramahera Mawatha, Kaduwela.	Market comparable method – price per perch
	Lot 1 A, Plan No. 3,867, Perakumba Road, Kadawatha Road, Nedimala, Dehiwala.	Market comparable method – price per perch
D S Premasiri Associate Incorporated Valuer B. Sc. (Estate Management & 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 – Depreciation rate
	Lot 02, Plan No. 2,648, Ballapana Pathabage, Galigamuwa.	Market comparable method – price per perch
	Lot 02, Plan No. 678, Iriyagama, Gangapalatha, Yatinuwara, Kandy.	Market comparable method – price per perch
	Lot 57, Plan No. 426, No. 40, Main Street, Pathana Bazar, Kotagala, Nuwara Eliya.	Market comparable method – price per perch – price per Sq.Ft – Depreciation rate
	Lot 1, Plan No. 7,183, Gorakagahawatta, Udahamulla Village, Maharagama.	Market comparable method – price per perch
L Dasanayake Chartered Valuer, Court Commissioner & Valuer	Lots 5,112 and 5,113, Plan No. 224, No 122/37, High level road, Kirulapone.	Market comparable method – price per perch
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

23.2.1 VALUATION TECHNIQUES AND SENSITIVITY OF THE FAIR VALUE MEASUREMENT

Valuation technique	Significant unobservable valuation inputs	Sensitivity of the fair value 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 Depreciation rate for building	The estimated fair value would increase/ (decrease) if price per perch/Sq.ft./Depreciation 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)

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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) recognised in Income Statement	
	Land LKR	Building LKR	Land LKR	Building LKR	Land LKR	Building LKR
300,000 p.p.	5,600,000	–	6,350,000	–	(750,000)	–
60,000 p.p.	18,700,000	–	21,850,000	–	(3,150,000)	–
175,000 p.m. 24.10	–	119,500,000	–	109,000,000	–	10,500,000
346,678 p.p.	94,300,000	–	98,250,000	–	(3,950,000)	–
350,000 p.p. 1500 p. sq. ft.	17,150,000	1,750,000	15,925,000	275,000	1,225,000	1,475,000
850,000 p.p. 4500 p. sq. ft.	11,475,000	16,125,000	12,150,000	18,150,000	(675,000)	(2,025,000)
550,000 p.p.	31,000,000	–	31,000,000	–	–	–
3,000,000 p.p.	21,000,000	–	21,000,000	–	–	–
75,000p.p. 1547 p.sq.ft 26%	7,387,500	19,412,500	7,387,500	21,612,500	–	(2,200,000)
900,000 p.p.	94,800,000	–	94,800,000	–	–	–
600,000 p.p.	7,200,000	–	7,200,000	–	–	–
450,000 p.p. 2942 p.sq.ft 35%	3,825,000	5,675,000	2,825,000	5,675,000	1,000,000	–
1,850,000 p.p.	17,000,000	–	17,000,000	–	–	–
6,250,000 p.p.	142,000,000	–	144,000,000	–	(2,000,000)	–
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

24. PROPERTY, PLANT AND EQUIPMENT

	Land LKR	Buildings LKR	Furniture and fittings LKR	Office equipment LKR	Computers and accessories LKR
AT COST/VALUATION					
Balance as at January 01, 2023	83,730,000	115,689,635	13,967,685	24,312,260	83,648,755
Additions	–	33,419,661	6,129,598	15,250,567	50,148,062
Revaluation surplus	9,170,000	17,999,343	–	–	–
Disposals	–	–	–	–	(692,692)
Transfers	–	(10,408,639)	–	–	–
Balance as at December 31, 2023	92,900,000	156,700,000	20,097,283	39,562,827	133,104,125
AT COST/VALUATION					
Balance as at January 01, 2024	92,900,000	156,700,000	20,097,283	39,562,827	133,104,125
Additions	–	–	8,141,696	12,830,996	29,915,079
Revaluation surplus	–	–	–	–	–
Disposals	–	–	–	–	(171,850)
Transfers	–	–	–	–	–
Balance as at December 31, 2024	92,900,000	156,700,000	28,238,979	52,393,823	162,847,354
ACCUMULATED DEPRECIATION					
Balance as at January 01, 2023	–	7,262,509	8,241,033	11,246,793	38,583,899
Charge for the year	–	3,146,131	1,345,436	3,176,779	18,859,686
Disposals	–	–	–	–	(604,053)
On revaluation	–	(10,408,640)	–	–	–
Balance as at December 31, 2023	–	–	9,586,469	14,423,572	56,839,532
NET BOOK VALUE AS AT					
ACCUMULATED DEPRECIATION					
Balance as at January 01, 2024	–	–	9,586,469	14,423,572	56,839,532
Charge for the year	–	4,003,295	2,298,962	4,875,132	25,365,735
Disposals	–	–	–	–	(119,085)
On revaluation	–	–	–	–	–
Balance as at December 31, 2024	–	4,003,295	11,885,431	19,298,704	82,086,182
As at December 31, 2024	92,900,000	152,696,705	16,353,548	33,095,119	80,761,172
As at December 31, 2023	92,900,000	156,700,000	10,510,814	25,139,255	76,264,593

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 LKR 72,372,911.00 (Year ended December 31, 2023 – LKR 132,752,005.00).

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 December 31, 2024 (Year ended December 31, 2023: Nil).

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

Sign boards LKR	Telephone system LKR	Electrical equipment LKR	Motor vehicles LKR	Fixtures and fittings LKR	Capital work-in- progress LKR	Total LKR
5,681,913	1,742,115	16,303,292	21,883,498	14,558,124	30,742,706	412,259,983
1,068,979	3,092,540	9,925,328	1,466,052	9,574,263	2,676,955	132,752,005
–	–	–	–	–	–	27,169,343
–	–	–	–	–	–	(692,692)
–	–	–	–	–	(33,419,661)	(43,828,300)
6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	–	527,660,339
6,750,892	4,834,655	26,228,620	23,349,550	24,132,387	–	527,660,339
1,949,958	3,411,760	10,403,967	(0)	5,719,455	–	72,372,911
–	–	–	–	–	–	–
–	–	–	(12,325,204)	–	–	(12,497,054)
–	–	–	–	–	–	–
8,700,850	8,246,415	36,632,587	11,024,346	29,851,842	–	587,536,196
2,029,238	1,133,393	4,856,661	17,936,095	4,076,356	–	95,365,977
722,439	540,001	2,532,826	2,022,479	2,400,392	–	34,746,169
–	–	–	–	–	–	(604,053)
–	–	–	–	–	–	(10,408,640)
2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	–	119,099,453
2,751,677	1,673,394	7,389,487	19,958,574	6,476,748	–	119,099,453
861,246	1,378,265	3,645,906	1,766,191	3,182,348	–	47,377,080
–	–	–	(11,325,249)	–	–	(11,444,334)
–	–	–	–	–	–	–
3,612,923	3,051,659	11,035,393	10,399,516	9,659,096	–	155,032,199
5,087,927	5,194,756	25,597,194	624,830	20,192,746	–	432,503,997
3,999,215	3,161,261	18,839,133	3,390,976	17,655,639	–	408,560,886

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 December 31, 2023: Nil).

24.5 Property, plant and equipment included fully depreciated assets amounting to LKR 78,077,528.00 as at December 31, 2024 (as at December 31, 2023 – LKR 54,414,510.00).

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 categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

24.7 INFORMATION ON VALUATION OF FREEHOLD LAND AND BUILDINGS OF THE COMPANY

Date of valuation: December 31, 2023

Name of the professional valuer/location and address	Location of the property	Extent		Method of valuation and significant unobservable inputs
		Land (Perches)	Buildings (Square feet)	
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 feet for building - Depreciation rate
	No. 182, Katugastota Road, Kandy.	3.29	3714	

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:

For the year ended December 31,	2024			2023		
	Cost	Accumulated depreciation LKR	Carrying value LKR	Cost LKR	Accumulated depreciation LKR	Carrying value LKR
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.

24.9 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at December 31, 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 assets 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

Range of estimation for unobservable inputs	Carrying value before valuation of		Revaluation amount of		Revaluation gain Recognised on	
	Land LKR	Buildings LKR	Land LKR	Buildings LKR	Land LKR	Buildings LKR
- Useful life period of the building is 30 years - Price per perch LKR 6,000,000.00 - Price per sq.ft. LKR 13,700.00 - Depreciation rate – 15%	65,630,000	106,726,655	71,600,000	127,000,000	5,970,000	20,273,345
- Useful life period of the building is 25 years - Price per perch LKR 6,500,000.00 - Price per sq.ft. LKR 10,000.00 - 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

24.11 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

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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

26. RIGHT-OF-USE ASSETS

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

27. OTHER ASSETS

As at December 31,	Note	2024 LKR	2023 LKR
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 AND INSURANCE PREMIUM RECEIVABLE

As at December 31,	2024 LKR	2023 LKR
Debtors	(1,783,178)	(1,783,178)
Insurance premium receivable	–	(4,257,081)
	(1,783,178)	(6,040,259)

28. DEPOSIT LIABILITIES

As at December 31,	2024 LKR	2023 LKR
Savings deposits	–	334,386,247
Fixed deposits	10,311,261,790	6,199,794,387
	10,311,261,790	6,534,180,634

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

29. DUE TO BANKS

As at December 31,	Note	2024 LKR	2023 LKR
Bank overdrafts		207,121,188	25,729,480
Securitised borrowings	29.1	1,349,656,460	2,170,195,258
Unsecuritised borrowings	29.2	1,493,391,461	562,671,721
Total		3,050,169,109	2,758,596,459

29.1 SECURITISED BORROWINGS

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
DIRECT BANK BORROWINGS					
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 December 31, 2023	As at January 01, 2023	Loans obtained during the year	Interest expense for the year	Repayments during the year	As at December 31, 2023
DIRECT BANK BORROWINGS					
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 UNSECURITISED BORROWINGS

For the year ended December 31, 2024	As at January 01, 2024 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2024 LKR
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 December 31, 2023	As at January 01, 2023 LKR	Loans obtained during the year LKR	Interest expense for the year LKR	Repayments during the year LKR	As at December 31, 2023 LKR
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

29.3 INSTITUTIONAL BORROWINGS

Institution	As at January 01, 2024 LKR	Loan obtained during the year LKR	Interest expense for the year LKR	Repayments Capital LKR	Interest LKR	As at December 31, 2024 LKR	Tenure of loan LKR	Security offered LKR	Prevailing interest rate %
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 LKR	2023 LKR
Lease and loan receivable	Commercial Bank of Ceylon PLC – loans and bank overdraft	5,701,947,694	3,630,638,526
Property at No. 182 & 187, Katugastota Road, Kandy	Commercial Bank of Ceylon PLC – loan and bank overdraft	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

As at December 31,	Note	2024 LKR	2023 LKR
MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS			
As at January 01,		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 December 31,		23,097,606	15,694,914

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

As at December 31,	Note	2024 LKR	2023 LKR
30.1.1 Amount recognised for defined benefit obligation in other comprehensive income			
Cumulative (gain)/losses as at January 01,		(2,696,464)	(3,132,887)
Actuarial losses recognised during the year		3,605,250	436,423
Cumulative losses/(gain) as at December 31,		908,786	(2,696,464)

30.1.2 ACTUARIAL ASSUMPTIONS

As at December 31,	2024	2023
FINANCIAL ASSUMPTIONS		
Discount rate	11.0% p.a.	12.5% p.a.
Salary increment rate	10.0% p.a.	9.0% p.a.
DEMOGRAPHIC ASSUMPTIONS		
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 December 31, 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.

30.1.3 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 LKR	Decrease LKR	Increase LKR	Decrease LKR
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

As at December 31,	2024 LKR	2023 LKR
As at January 01,	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 December 31,	74,210,693	64,874,901

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

31.1 AMOUNTS RECOGNISED IN FINANCIAL STATEMENTS

31.1.1 AMOUNTS RECOGNISED IN PROFIT OR LOSS UNDER SLFRS 16

As at December 31,	2024 LKR	2023 LKR
Interest on lease liabilities	8,112,811	6,900,334
Right-of-use asset amortisation	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

As at December 31,	2024 LKR	2023 LKR
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.

As at December 31,	2024 LKR	2023 LKR
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

As at December 31,	Notes	2024 LKR	2023 LKR
As at January 01,		(359,259,949)	(277,932,277)
ORIGINATION/(REVERSAL) OF TEMPORARY DIFFERENCES			
– Recognised in profit or loss	32.2	76,122,655	(92,060,013)
– Recognised in other comprehensive income	32.2	15,147	10,732,341
As at December 31,		(283,122,147)	(359,259,949)

32.1 SUMMARY OF NET DEFERRED TAX

As at December 31,		2024		2023	
	Note	Temporary difference LKR	Tax effect LKR	Temporary difference LKR	Tax effect LKR
DEFERRED TAX LIABILITIES					
Accelerated depreciation for tax purposes – Lease assets	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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

As at December 31,	Note	2024		2023	
		Temporary difference LKR	Tax effect LKR	Temporary difference LKR	Tax effect LKR
Tax on capital assets (lands)	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
Unrealised 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
Amortisation 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 December 31,		(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:

As at December 31,		Recognised in Profit or Loss		Recognised in Other Comprehensive Income		Statement of Financial Position	
	Note	Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	As at December 31, 2024 LKR	As at December 31, 2023 LKR
DEFERRED TAX LIABILITIES							
Accelerated depreciation for tax purposes – Lease assets	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
Amortisation 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	32.3	–	–	–	2,751,000	15,775,840	15,775,840
Fair value gain on investment properties		(165,000)	2,240,510	–	–	2,075,510	2,240,510
Unrealised 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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

As at December 31,		Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Statement of Financial Position			
	Note	Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	Year ended December 31, 2023 LKR	As at December 31, 2024 LKR	As at December 31, 2023 LKR	
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
Amortisation of right of use assets		(2,800,738)	504,052	–	–	22,263,208	19,462,470
Unrealised 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 December 31,						(283,122,147)	(359,259,949)

32.3 As per the Inland Revenue Act No. 24 of 2017, which is effective from April 01, 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 April 01, 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 April 01, 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 December 31, 2023 which were entered into prior to April 01, 2018.

33. CURRENT TAX LIABILITIES

As at December 31,	2024 LKR	2023 LKR
As at January 01,	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 December 31,	(394,940)	2,605,060

NOTES TO THE FINANCIAL STATEMENTS

34. OTHER LIABILITIES

As at December 31,	2024 LKR	2023 LKR
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

As at December 31,	2024		2023	
	Number of shares LKR	Value of shares LKR	Number of shares LKR	Value of shares LKR
FULLY PAID ORDINARY SHARES				
As at January 01,	221,793,834	3,254,999,964	221,793,834	3,254,999,964
As at December 31,	221,793,834	3,254,999,964	221,793,834	3,254,999,964

35.1 SHAREHOLDERS AS AT

As at December 31,	2024 Holding %	2024 Number of shares	2023 Number 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

As at December 31,	Note	2024 LKR	2023 LKR
As at January 01,		(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 December 31,		(610,441,417)	(431,325,175)

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

37. OTHER RESERVES

As at December 31,	Note	2024 LKR	2023 LKR
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

As at December 31,	2024 LKR	2023 LKR
As at January 01,	33,328,578	33,328,578
Transferred from retained earnings	4,077,050	–
As at December 31,	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

As at December 31,	2024 LKR	2023 LKR
As at January 01,	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 December 31,	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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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.

December 31, 2024	Note	Classification	Carrying amount	Fair value			
			LKR	Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
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		Amortised cost	166,599,890	–	–	–	–
Loans and advances			13,445,176,774	–	–	–	–
Other assets	27		12,814,599	–	–	–	–
			13,624,591,263	–	–	–	–
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE							
Deposit liabilities			10,311,261,790	–	–	–	–
Due to banks		Amortised cost	3,050,169,109	–	–	–	–
Lease liabilities			74,210,693	–	–	–	–
Other liabilities	34		30,363,849	–	–	–	–
			13,466,005,441				
December 31, 2023	Note	Classification	Carrying amount	Fair value			
				Level 1 LKR	Level 2 LKR	Level 3 LKR	Total LKR
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				

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023	Note	Classification	Carrying amount	Fair value			Total
				Level 1 LKR	Level 2 LKR	Level 3 LKR	LKR
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE							
Cash and cash equivalents		Amortised cost	154,177,733	—	—	—	—
Loans and advances			10,142,399,731	—	—	—	—
Other assets	27		23,836,965	—	—	—	—
			10,320,414,429				
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE							
Deposit liabilities		Amortised cost	6,534,180,634	—	—	—	—
Due to banks			2,758,596,459	—	—	—	—
Lease liabilities			64,874,901	—	—	—	—
Other liabilities	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 categorised 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 from the opening balances to the closing balances for Level 3 fair values.

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

NOTES TO THE FINANCIAL STATEMENTS

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	LKR 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 December 31, 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		
	Within 12 months LKR	After 12 months LKR	Total as at December 31, 2024 LKR	Within 12 months LKR	After 12 months LKR	Total as at December 31, 2023 LKR
ASSETS						
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

	2024			2023		
	Within 12 months	After 12 months	Total as at December 31, 2024	Within 12 months	After 12 months	Total as at December 31, 2023
	LKR	LKR	LKR	LKR	LKR	LKR
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 September 01, 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 September 01, 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 December 31,	2024 LKR	2023 LKR
Short-term employee benefits	19,723,750	11,666,615
Post employment benefits	2,319,525	862,500

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

40.2.2 TRANSACTIONS WITH KMP

40.2.2.1 STATEMENT OF FINANCIAL POSITION

Year ended December 31,	2024 LKR	2023 LKR
Deposit liabilities	17,693,393	30,184,893

40.2.2.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31,	2024 LKR	2023 LKR
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 December 31,	2024 LKR	2023 LKR
Deposit liabilities	54,573,782	13,893,142

40.2.3.2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31,	2024 LKR	2023 LKR
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 December 31, 2024 LKR	Year ended December 31, 2023 LKR	2024 LKR	2023 LKR
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	–	–

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NOTES TO THE FINANCIAL STATEMENTS

Name of the Company	Nature of transactions	Value of transactions		Balance as at 31 December	
		Year ended December 31, 2024 LKR	Year ended December 31, 2023 LKR	2024 LKR	2023 LKR
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 Insurance 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 LKR 3.5 Bn., LKR 0.9 Bn. and LKR 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 analyse 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.

NOTES TO THE FINANCIAL STATEMENTS

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 assistance 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 operate 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 uncertainty 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 Department 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 and 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 Independent 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.

41.1 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 categorised 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 authorisation structure for the approval and renewal of credit facilities. Authorisation 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.

41.1.2 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 December 31,	2024				2023
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	Total LKR
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 90 days	–	2,904,043,020	–	2,904,043,020	2,158,672,244
Overdue more than 90 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

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NOTES TO THE FINANCIAL STATEMENTS

As at December 31,	2024				2023
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR	Total LKR
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

41.1.3 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 December 31,	2024 LKR	2023 LKR	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 article.
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 AMORTISED 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.

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NOTES TO THE FINANCIAL STATEMENTS

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 December 31,	2024 LKR	2023 LKR
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

CREDIT-IMPAIRED LOANS

As at December 31,	2024 LKR	2023 LKR
LTV RATIO		
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 LKR	2023 LKR
Motor vehicles	49,637,242	57,260,081
	49,637,242	57,260,081

The Company's policy is to pursue timely realisation 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.

NOTES TO THE FINANCIAL STATEMENTS

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;
- 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;
- 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-economic 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.

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).

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NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

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

December 31,	2024			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	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 December 31,	114,012,152	150,233,794	1,509,113,251	1,773,359,197

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NOTES TO THE FINANCIAL STATEMENTS

As at December 31,	2023			
	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Balance as at January 01,	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 December 31,	141,840,917	187,587,251	1,165,808,197	1,495,236,365

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 LKR 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 LKR 9.5 Mn. (approx.).

MODIFIED FINANCIAL ASSETS

Overview of rescheduled/restructured loans and 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 LKR 190.34 Mn. (2023: LKR 163.24 Mn.) worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased by LKR 29.83 Mn. from LKR 35.44 Mn. as at December 31, 2023 to LKR 5.61 Mn. as at December 31, 2024.

PURCHASED OR ORIGINATED CREDIT IMPAIRED FINANCIAL ASSETS

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

IMPACT DUE TO THE UNCERTAIN AND VOLATILE MACROECONOMIC CONDITION

The Company analysed 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 judgement may not change. The impact of an economic downturn resulted in applying further judgement 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 unutilised 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

41.1.5 ANALYSIS OF CREDIT RISK CONCENTRATION

INDUSTRY

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

As at December 31, 2024	Cash and bank balances LKR	Financial investments – FVOCI LKR	Loans and advances LKR	Other assets LKR	Total financial assets LKR
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 December 31, 2023	Cash and bank balances LKR	Financial investments – FVOCI LKR	Loans and advances LKR	Other assets LKR	Total financial assets LKR
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 December 31,	2024 LKR	2023 LKR
PROVINCE		
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

41.1.6 CASH AND CASH EQUIVALENTS

The Company held Cash and cash equivalents, net of bank overdraft of (LKR 41 Mn.) as at 31 December 2024 (December 2023 – LKR 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)

41.2 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 December 31, 2024	On demand	Less than 03 months LKR	03-12 months LKR	01-05 years LKR	Over 05 years LKR	Total LKR
FINANCIAL ASSETS						
Cash and cash equivalents	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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024	On demand	Less than 03 months LKR	03-12 months LKR	01-05 years LKR	Over 05 years LKR	Total LKR
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 December 31, 2023	On demand	Less than 03 Months LKR	03-12Months LKR	01-05 Years LKR	Over 05 Years LKR	Total LKR
FINANCIAL ASSETS						
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

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 LKR	2023 LKR
FINANCIAL ASSETS		
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 December 31,	2024 LKR	2023 LKR
FINANCIAL ASSETS		
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 December 31,	2024		2023	
	Carrying value LKR	Fair value LKR	Carrying value LKR	Fair value LKR
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

NOTES TO THE FINANCIAL STATEMENTS

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.

December 31, 2024	Encumbered		Unencumbered		Total
	Pledged as collateral	Other *	Available as collateral	Other **	
	LKR	LKR	LKR	LKR	
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

December 31, 2023	Encumbered		Unencumbered		Total
	Pledged as collateral	Other *	Available as collateral	Other **	
	LKR	LKR	LKR	LKR	
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.

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NOTES TO THE FINANCIAL STATEMENTS

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	
	Increase in 100 bp LKR	Decrease in 100 bp LKR	Increase in 100 bp LKR	Decrease in 100 bp LKR
NET INTEREST INCOME				
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)

41.3.1.2 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 categorised by the earlier of contractual repricing or maturity dates.

As at December 31, 2024	Up to 03 months	03-12 months	01-03 years	03-05 years	Over 05 years	Non- interest bearing	Total as at December 31, 2024
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
FINANCIAL ASSETS							
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

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2024	Up to 03 months	03-12 months	01-03 years	03-05 years	Over 05 years	Non- interest bearing	Total as at December 31, 2024
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
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 December 31, 2023	Upto 03 months	03-12 months	01-03Years	03-05 years	Over 05 years	Non- Interest bearing	Total as at December 31, 2023
	LKR	LKR	LKR	LKR	LKR	LKR	LKR
FINANCIAL ASSETS							
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

NOTES TO THE FINANCIAL STATEMENTS

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 Integrated 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 maximise 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.

NOTES TO THE FINANCIAL STATEMENTS

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 July 01, 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

42.1 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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

42.2 INFORMATION ABOUT REPORTABLE SEGMENTS

As at December 31,

	Leasing		Mortgage Loans	
	2024 LKR	2023 LKR	2024 LKR	2023 LKR
EXTERNAL REVENUE				
Interest	926,380,996	475,555,866	462,507,605	562,988,124
Fees and commissions	142,437,145	69,751,022	62,154,934	40,417,759
Dividends	–	–	–	–
Other income	–	–	–	–
Total external revenue	1,068,818,141	545,306,888	524,662,539	603,405,883
Inter-segment revenue	–	–	–	–
Total revenue before impairment	1,068,818,141	545,306,888	524,662,539	603,405,883
Impairment (charges)/reversal	(30,363,537)	(215,509,276)	38,562,909	(29,835,245)
Net revenue	1,038,454,604	329,797,612	563,225,448	573,570,638
(Loss)/profit before tax	–	–	–	–
Income tax expenses	–	–	–	–
(Loss)/profit after tax	–	–	–	–
Segment assets	6,578,953,625	2,063,234,283	3,323,910,838	3,774,944,565
Segment liabilities	5,542,842,160	2,596,215,675	2,720,876,012	2,872,826,011

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.

ANNEXURE IV – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

NOTES TO THE FINANCIAL STATEMENTS

Other loans		Investments and others		Total	
2024 LKR	2023 LKR	2024 LKR	2023 LKR	2024 LKR	2023 LKR
750,306,763	560,055,275	131,941,469	168,577,924	2,271,136,833	1,767,177,189
71,950,975	34,937,395	14,890,337	4,775,829	291,433,391	149,882,005
–	–	228,565	179,520	228,565	179,520
–	–	98,567,975	74,231,466	98,567,975	74,231,466
822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
–	–	–	–	–	–
822,257,738	594,992,670	245,628,346	247,764,739	2,661,366,764	1,991,470,180
(248,334,612)	(234,468,642)	3,270,388	(1,802,364)	(236,864,852)	(481,615,526)
573,923,126	360,524,028	248,898,734	245,962,375	2,424,501,912	1,509,854,654
–	–	–	–	157,663,661	(320,604,539)
–	–	–	–	(76,122,654)	95,427,017
–	–	–	–	81,541,007	(225,177,522)
5,209,274,922	3,722,310,983	1,556,136,870	1,550,031,548	16,860,639,312	12,458,760,750
4,264,191,149	2,832,770,556	1,273,817,406	1,179,612,276	13,801,726,728	9,481,424,517

ANNEXURE V – INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED JUNE 30, 2025

CBC Finance Limited

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the Six Month Ended 30 June			For the Quarter Ended 30 June		
	2025 (Unaudited) Rs.	2024 (Audited) Rs.	Variance %	2025 (Unaudited) Rs.	2024 (Audited) Rs.	Variance %
Gross income	1,564,087,418	1,236,655,460	26%	815,967,397	639,282,277	28%
Interest income	1,340,029,159	1,075,324,447	25%	693,552,128	556,875,205	25%
Interest expenses	(728,533,085)	(713,858,049)	2.1%	(378,989,676)	(362,786,582)	4.5%
Net interest income	611,496,074	361,466,398	69%	314,562,452	194,088,623	62%
Fee and commission income	191,638,104	122,826,096	56%	104,896,042	68,389,371	53%
Fee and commission expenses	(7,341,858)	(15,895,917)	-54%	(3,027,246)	(7,526,252)	-60%
Net fee and commission income	184,296,246	106,930,179	72%	101,868,796	60,863,119	67%
Other operating income	32,420,155	38,504,917	-16%	17,519,227	14,017,701	25%
Total operating income	828,212,475	506,901,494	63%	433,950,475	268,969,443	61%
Impairment charges and other losses	(137,953,679)	(239,650,166)	-42%	(82,567,706)	(104,837,148)	-21%
Net operating income	690,258,796	267,251,328	158%	351,382,769	164,132,295	114%
Operating expenses						
Personnel expenses	(263,661,339)	(186,627,407)	41%	(140,806,562)	(96,258,774)	46%
Depreciation and amortization	(43,542,639)	(38,514,826)	13%	(22,574,562)	(19,907,692)	13%
Other operating expenses	(176,474,323)	(125,797,341)	40%	(90,601,028)	(67,539,493)	34%
Operating profit before taxes on financial services	206,580,495	(83,688,246)	-347%	97,400,617	(19,573,664)	-598%
Taxes on financial services	(77,065,070)	(16,344,067)	372%	(38,473,279)	(12,272,766)	213%
Profit / (Loss) before taxation	129,515,425	(100,032,313)	-229%	58,927,338	(31,846,430)	-285%
Income tax expense	(62,083,425)	25,033,782	-348%	(29,314,463)	5,539,392	-629%
Profit / (Loss) for the period	67,432,000	(74,998,531)	-190%	29,612,875	(26,307,038)	-213%
OTHER COMPREHENSIVE INCOME						
Items that are or may be reclassified to profit or loss						
Net change in fair value of FVOCI financial assets, net of tax						
Net change in fair value of FVOCI financial assets	(5,587,179)	8,760	-63880%	4,634,447	(2,171,886)	-313%
Deferred tax (Charge) / reversal on fair value reserve	1,676,154	(2,628)	-63880%	(1,390,334)	651,566	-313%
	(3,911,025)	6,132	-63881%	3,244,113	(1,520,320)	-313%
Other comprehensive income for the period, net of tax	(3,911,025)	6,132	-63881%	3,244,113	(1,520,320)	-313%
Total comprehensive income for the period	63,520,975	(74,992,399)	-185%	32,856,988	(27,827,358)	-218%
Basic earnings per share	0.26	(0.34)	-178%	0.11	(0.12)	-197%

Figures in brackets indicate deductions.

CBC Finance Limited

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STATEMENT OF FINANCIAL POSITION

As at

	30.06.2025 (Unaudited) Rs.	31.12.2024 (Audited) Rs.
ASSETS		
Cash and cash equivalents	269,278,243	166,599,890
Financial investments at fair value through other comprehensive income	1,021,917,437	1,634,253,594
Financial investments at amortized cost	786,890,068	-
Loans and advances	17,033,397,878	13,445,176,774
Investment properties	700,000,000	680,900,000
Property, plant and equipment	435,034,113	432,503,997
Intangible assets	33,701,890	33,576,762
Right of use assets	59,343,753	68,159,813
Current tax assets	-	394,940
Deferred tax assets	283,968,723	283,122,147
Other assets	173,984,804	115,951,395
Total assets	20,797,516,910	16,860,639,312
LIABILITIES		
Deposit liabilities	11,786,210,623	10,311,261,790
Due to banks	4,127,633,493	3,050,169,109
Employee benefits	24,729,811	23,097,606
Lease liabilities	58,065,509	74,210,693
Current tax liabilities	60,858,906	-
Other liabilities	1,117,585,013	342,987,530
Total liabilities	17,175,083,355	13,801,726,728
EQUITY		
Stated capital	3,754,999,960	3,254,999,964
Accumulated losses	(502,264,352)	(610,441,417)
Other reserves	369,697,947	414,354,037
Total equity	3,622,433,555	3,058,912,584
Total liabilities and equity	20,797,516,910	16,860,639,312

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

.....
Purna Kandanaarachchi
Head of 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,

.....
Delakshan Hettiarachchi
Executive Director

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

15 August 2025
Kandy

ANNEXURE V – INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED JUNE 30, 2025

CBC Finance Limited

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STATEMENT OF CHANGES IN EQUITY

	Stated capital	Capital reserve	Revaluation reserve	Other reserves			General reserve	Regulatory loss allowance reserve	Retained earnings / (Accumulated losses)	Total equity
				Statutory reserve fund	Fair value reserve					
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
Balance as at 01 January 2024 (Audited)	3,254,999,964	50,000	98,517,078	33,328,578	1,667,900		20,097,889	-	(431,325,175)	2,977,336,234
Comprehensive income										
Profit for the period	-	-	-	-	-		-	-	(74,998,531)	(74,998,531)
Other comprehensive income for the period net of tax	-	-	-	-	6,132		-	-	-	6,132
Total comprehensive income	-	-	-	-	6,132		-	-	(74,998,531)	(74,992,399)
Transactions recognized directly in Equity										
Transfers during the period	-	-	-	-	-		-	36,676,592	(36,676,592)	-
	-	-	-	-	-		-	36,676,592	(36,676,592)	-
Transactions with owners of the Company										
Issue of ordinary shares	-	-	-	-	-		-	-	-	-
Balance as at 30 June 2024	<u>3,254,999,964</u>	<u>50,000</u>	<u>98,517,078</u>	<u>33,328,578</u>	<u>1,674,032</u>		<u>20,097,889</u>	<u>36,676,592</u>	<u>(543,000,298)</u>	<u>2,902,343,835</u>
Balance as at 01 January 2025 (Audited)	3,254,999,964	50,000	98,517,078	37,405,628	4,226,918		20,097,889	254,056,524	(610,441,417)	3,058,912,584
Comprehensive income										
Profit for the period	-	-	-	-	-		-	-	67,432,000	67,432,000
Other comprehensive income for the period net of tax	-	-	-	-	(3,911,025)		-	-	-	(3,911,025)
Total comprehensive income	-	-	-	-	(3,911,025)		-	-	67,432,000	63,520,975
Transactions recognized directly in Equity										
Transfers during the period	-	-	-	-	-		-	(40,745,065)	40,745,065	-
	-	-	-	-	-		-	(40,745,065)	40,745,065	-
Transactions with owners of the Company										
Issue of ordinary shares	499,999,996	-	-	-	-		-	-	-	499,999,996
Balance as at 30 June 2025	<u>3,754,999,960</u>	<u>50,000</u>	<u>98,517,078</u>	<u>37,405,628</u>	<u>315,893</u>		<u>20,097,889</u>	<u>213,311,459</u>	<u>(502,264,352)</u>	<u>3,622,433,555</u>

Figures in brackets indicate deductions.

CBC Finance Limited

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STATEMENT OF CASH FLOWS

For the Six Month Period Ended

	30.06.2025 Rs.	30.06.2024 Rs.
Cash flows from operating activities		
Profit before taxation	129,515,425	(100,032,313)
Adjustments for:		
Interest expenses	728,533,085	713,858,049
Impairment charges and other losses	137,953,679	239,650,166
Interest income from bank deposits and government securities	(77,818,020)	(70,471,769)
Depreciation	25,240,519	22,733,606
Amortization	18,302,120	15,781,220
Provision for defined benefit plans	3,019,255	2,376,635
(Profit) / loss on sale of property, plant and equipment	(933)	(4,705,796)
(Profit) / loss on sale of investment property	2,900,000	-
Operating profit before working capital changes	967,645,130	819,189,798
Increase in loans and receivables	(3,726,174,783)	(1,755,337,226)
Increase in other assets	(81,833,409)	(57,787,464)
Increase in deposit liabilities	887,824,054	2,808,339,349
Increase in other liabilities	774,597,483	355,206,623
Cash generated from / (used in) operations	(1,177,941,525)	2,169,611,080
Taxes paid	-	(261,238)
Gratuity paid	(1,387,050)	(477,617)
Net cash flows generated from / (used in) operating activities	(1,179,328,575)	2,168,872,225
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,967,617)	(31,187,802)
Proceeds from sale of property, plant and equipment	197,915	5,400,000
Purchase of intangible assets	(2,857,518)	(3,677,253)
Net investments in government treasury bills and repurchase agreements	(180,141,090)	(1,036,139,350)
Interest received	77,818,020	70,471,769
Net cash flows (used in) from investing activities	(132,950,290)	(995,132,636)
Cash flows from financing activities		
Loans obtained during the period	5,390,000,000	1,415,000,045
Repayments of loans during the period	(4,116,873,823)	(2,420,345,513)
Interest paid on loans	(138,006,792)	(97,350,855)
Interest paid on overdraft	(1,503,170)	(23,068)
Net proceeds from the issue of ordinary shares	499,999,996	-
Repayment of lease liabilities	(24,747,499)	(14,944,361)
Net cash flows (used in) / generated from financing activities	1,608,868,712	(1,117,663,752)
Net increase in cash and cash equivalents	296,589,847	56,075,837
Cash and cash equivalents at the beginning of the period	(40,521,298)	128,448,253
Cash and cash equivalents at the end of the period *	256,068,549	184,524,090
* Analysis of cash and cash equivalents at the end of the period		
Cash and bank balances	269,278,243	191,862,716
Bank overdraft	(13,209,694)	(7,338,626)
	256,068,549	184,524,090

Figures in brackets indicate deductions.

EXPLANATORY NOTES

- 1 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.

- 2 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.
- 3 The Company's parent enterprise and the ultimate parent enterprise is Commercial Bank of Ceylon PLC.
- 4 These interim financial statements have been prepared in accordance with LKAS 34 Interim Financial Reporting and do not include all of the information required for a full set of financial statement.

Further, the requirements of the Colombo Stock Exchange and the Companies Act No.7 of 2007 have also been considered in preparing these financial statements.

- 5 There are no changes to the accounting policies and methods of computation since the publication of the Audited Financial Statements for the financial year 2024.
- 6 There were no material contingent liabilities or contingent assets as at the reporting date, which require adjustments to or disclosures in the Interim Financial Statements.
- 7 There have been no material events occurring after the reporting date, which require adjustments to or disclosure in the Interim Financial Statements.
- 8 There were no material changes in the composition of assets, liabilities and contingent liabilities and there is no seasonality and cyclicity affecting the operations during the interim period .
- 9 The Company has not declared any dividend during the interim period .

10 Information on Shares

Fully paid ordinary shares	30.06.2025		31.12.2024	
	Number of shares	Value of shares	Number of shares	Value of shares
Balance B/F	221,793,834	3,254,999,964	221,793,834	3,254,999,964
Issue of ordinary shares	36,496,350	499,999,996	-	-
Balance C/F	258,290,184	3,754,999,960	221,793,834	3,254,999,964

Shareholders as at ,	Holding %	Number of shares	Number of shares
		30.06.2025	31.12.2024
Commercial Bank of Ceylon PLC	100%	258,290,184	221,793,834

10.1 Public Holdings

The percentage of ordinary shares held by the public as at 30 June 2025 was 0%.

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SELECTED PERFORMANCE INDICATORS

As at

	30.06.2025 (Unaudited)	31.12.2024 (Audited)
Capital Adequacy		
Core Capital Ratio (Minimum Requirement : 8.5%)	15.98%	15.71%
Total Risk Weighted Capital Ratio (Minimum Requirement: : 12.5%)	15.98%	15.71%
Capital Funds to Deposit Liabilities Ratio (Minimum Requirement - 10%) *	27.77%	25.84%
Profitability		
Return on Assets (Before Taxes) (%)	2.24%	1.07%
Return on Equity (%)	3.84%	2.67%
Asset Quality (LKR'000)		
Total Accommodation (Gross)	18,954,822	15,218,536
Non-Performing Accommodation	4,043,318	3,797,554
Total Accommodation (Net of allowance for expected credit losses/impairment)	17,033,398	13,445,177
Liquidity (LKR'000)		
Required Minimum Amount of Liquid Assets	1,396,506	1,153,160
Required Minimum Amount of Government Securities **	869,376	550,152
Available Amount of Liquid Assets	2,066,480	1,765,600
Available Amount of Government Securities	1,775,000	1,600,000
Solvency		
Debt to Equity Ratio (Times)	1.14	1.00
Interest Cover (Times)	1.34	1.19

*** Capital Funds to Deposit Liabilities Ratio**

The capital funds to deposit liabilities ratio is computed on the basis of capital funds as a percentage of deposit liabilities at end of the period.

** Required minimum amount of government securities equals to 7.5% of the average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year.

ANNEXURE V – INTERIM FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED JUNE 30, 2025

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SEGMENTAL INFORMATION

Operating Segments

As at 30 June	Leasing		Mortgage Loans		Other loans		Investments and others		Total	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
External Revenue										
Interest	527,887,380	417,920,398	159,340,977	248,147,012	574,982,782	338,785,268	77,818,020	70,471,769	1,340,029,159	1,075,324,447
Fees & commissions	102,320,272	70,169,039	19,427,854	21,565,587	58,484,894	26,434,529	11,405,084	4,656,941	191,638,104	122,826,096
Other income	-	-	-	-	-	-	32,420,155	38,504,917	32,420,155	38,504,917
Total external revenue	630,207,652	488,089,437	178,768,831	269,712,599	633,467,676	365,219,797	121,643,259	113,633,627	1,564,087,418	1,236,655,460
Impairment (charges) / Reversal	2,963,758	(104,338,005)	(82,458,281)	(16,341,132)	(58,459,156)	(115,506,826)	-	(3,464,202)	(137,953,679)	(239,650,166)
Net revenue	633,171,410	383,751,432	96,310,550	253,371,467	575,008,520	249,712,971	121,643,259	110,169,425	1,426,133,739	997,005,294
Profit / (Loss) before tax									129,515,425	(100,032,313)
Income tax expenses									(62,083,425)	25,033,782
Profit / (Loss) after tax									67,432,000	(74,998,531)
Segment assets	8,419,218,104	4,699,356,611	2,377,071,603	3,102,745,105	8,423,157,524	3,057,943,766	1,617,478,478	1,349,116,566	20,797,516,910	15,143,878,372
Segment liabilities	6,920,245,524	4,833,996,564	1,963,042,179	2,671,210,803	6,956,043,513	3,617,106,026	1,335,752,138	1,125,417,845	17,175,083,355	12,247,731,237

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