

ASSETLINE FINANCE LIMITED

FINANCIAL STATEMENTS

31 MARCH 2025

CAY/WDPL/TNH/TW

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSETLINE FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Assetline Finance Limited, which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025 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.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

(Contd...2/)



**Shape the future
with confidence**

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

Report on other legal and regulatory requirements

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

11 June 2025
Colombo

Assetline Finance Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2025

	Note	2025 Rs. '000	2024 Rs. '000
Gross Income	4	<u>11,638,737</u>	<u>10,350,743</u>
Interest Income	5	11,296,638	9,937,951
Interest Expense	6	<u>(2,606,233)</u>	<u>(3,258,244)</u>
Net Interest Income		8,690,405	6,679,707
Fee & Service Charge Income	7	269,532	146,358
Other Operating Income	8	72,567	46,003
Net gains/(losses) from Derecognition of Financial Assets	9	-	220,431
Total Operating Income		<u>9,032,504</u>	<u>7,092,499</u>
Impairment Charges & Net Write Off	10	<u>(150,739)</u>	<u>(1,573,118)</u>
Net Operating Income		8,881,765	5,519,381
Operating Expenses			
Personnel Costs	11	(1,541,043)	(1,311,286)
Other Operating Expenses	12	<u>(1,779,142)</u>	<u>(1,368,135)</u>
Operating Profit Before VAT & SSCL on Financial Services		5,561,580	2,839,960
VAT & SSCL on Financial Services	13	<u>(1,210,086)</u>	<u>(717,661)</u>
Profit Before Income Tax		4,351,494	2,122,299
Income Tax Expense	14	<u>(1,636,740)</u>	<u>(833,826)</u>
Profit for the Period		<u>2,714,754</u>	<u>1,288,473</u>
Earnings Per Share (Rs.)	15	<u>20.27</u>	<u>9.62</u>

The Accounting Policies & Notes from pages 08 to 82 form an integral part of these Financial Statements.



STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2025

	Note	2025 Rs. '000	2024 Rs. '000
Profit for the Year		2,714,754	1,288,473
Other Comprehensive Income			
Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	21.1	(275,977)	1,792,017
Deferred Tax on Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income	33	82,793	(537,605)
Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods		<u>(193,184)</u>	<u>1,254,412</u>
Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods			
Gains/(Losses) arising on Revaluation of Land & Building	25.4	44,387	-
Deferred Tax on Gains/(Losses) arising on Revaluation of Land & Building	33	(13,316)	-
Actuarial Gains/(Losses) on Retirement Benefit Obligation	34.3	(9,086)	(8,433)
Deferred Tax on Actuarial Gain/(Loss)	33	2,726	2,530
Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods		<u>24,711</u>	<u>(5,903)</u>
Other Comprehensive Income for the Year, net of Tax		(168,473)	1,248,509
Total Comprehensive Income for the Year, net of Tax		<u><u>2,546,281</u></u>	<u><u>2,536,982</u></u>

The Accounting Policies & Notes from pages 08 to 82 form an integral part of these Financial Statements.



STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

	Note	2025 Rs. '000	2024 Rs. '000
Assets			
Cash and Cash Equivalents	16	496,614	355,681
Securities Purchased Under Repurchase Agreement	17	250,221	-
Deposits with Banks	18	881,510	-
Financial Assets at Amortised cost - Loans and Advances	19	12,860,859	5,496,194
Financial Assets at Amortised cost - Lease Rentals Receivable	20	29,916,894	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	21	6,712,877	6,748,083
Other Financial Assets	22	131,195	129,047
Other Non Financial Assets	23	104,592	91,145
Investment Property	24	-	107,000
Property, Plant & Equipment	25	263,382	116,576
Intangible Assets	26	466,402	427,622
Right of Use Assets	27	203,718	129,140
Deferred Tax Asset	33	75,572	102,500
Total Assets		52,363,836	37,416,437
Liabilities			
Bank Overdraft		550,113	295,755
Financial Liabilities at Amortized Cost - Due to Depositors	28	6,226,827	680,596
Debt Instruments Issued & Other Borrowed Funds	29	25,827,958	20,445,250
Other Financial Liabilities	30	2,776,937	1,252,866
Other Non Financial Liabilities	31	430,296	244,661
Income Tax Payable	32	422,595	441,429
Retirement Benefit Obligations	34	196,183	160,190
Total liabilities		36,430,909	23,520,747
Shareholders' Funds			
Stated Capital	35	3,550,000	3,550,000
Statutory Reserve Fund	36	1,312,246	1,176,508
Fair Value through Other Comprehensive Income Reserve	37	1,147,099	1,340,283
Revaluation Reserve	38	31,071	-
Retained Earnings	39	9,892,511	7,828,899
Total Shareholders' Funds		15,932,927	13,895,690
Total Liabilities and Shareholders' Funds		52,363,836	37,416,437
Net Assets Value Per Share (Rs.)	45	118.94	103.73
Commitments and Contingent Liabilities (Rs. '000)	46	408,828	409,260

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


General 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.


Director & Chief Executive Officer


Director

The Accounting Policies & Notes from pages 08 to 82 form an integral part of these Financial Statements.



STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2025

	Stated Capital Rs. '000 Note 35	Statutory Reserve Fund Rs. '000 Note 36	FVOCI Reserve Rs. '000 Note 37	Revaluation Reserve Rs. '000 Note 38	Retained Earnings Rs. '000 Note 39	Total Rs. '000
Balance as at 31 March 2023	3,550,000	1,112,084	85,871	-	6,610,753	11,358,708
Net Profit for the Year	-	-	-	-	1,288,473	1,288,473
Other Comprehensive Income net of Tax	-	-	1,254,412	-	(5,903)	1,248,509
Transfer to Statutory Reserve	-	64,424	-	-	(64,424)	-
Dividend Declared	-	-	-	-	-	-
Balance as at 31 March 2024	<u>3,550,000</u>	<u>1,176,508</u>	<u>1,340,283</u>	<u>-</u>	<u>7,828,899</u>	<u>13,895,690</u>
Net Profit for the Year	-	-	-	-	2,714,754	2,714,754
Other Comprehensive Income Net of Tax	-	-	(193,184)	31,071	(6,360)	(168,473)
Transfer to Statutory Reserve Fund	-	135,738	-	-	(135,738)	-
Dividend Declared	-	-	-	-	(509,044)	(509,044)
Balance as at 31 March 2025	<u>3,550,000</u>	<u>1,312,246</u>	<u>1,147,099</u>	<u>31,071</u>	<u>9,892,511</u>	<u>15,932,927</u>

The Accounting Policies & Notes from pages 08 to 82 form an integral part of these Financial Statements.



STATEMENT OF CASH FLOWS

Year ended 31 March 2025

		2025 Rs. '000	2024 Rs. '000
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense	Note	4,351,494	2,122,299
Adjustments for			
Depreciation of Property Plant & Equipment	12	43,940	27,532
Amortization of Intangible Assets	12	22,323	15,932
Amortization of Right of Used Assets	12	68,069	50,958
Provision for Gratuity	11	42,859	41,949
(Profit)/Loss on Disposal of Property, Plant & Equipment	8	(1,116)	(3,099)
Impairment Charges and Net Write off on Loans, Lease and Other Losses	10	150,739	1,573,118
Interest Expense	6	2,606,233	3,258,244
Interest Income from Fixed Deposits	5.1	(24,022)	(16,486)
Unrealized Exchange Gain/(Loss) on Foreign Currency Transactions	8	(3)	-
Dividend Income	8	(457)	(359)
Operating Profit before Working Capital Changes		7,260,059	7,070,088
(Increase)/Decrease in Lease Rentals Receivables		(6,278,869)	(784,472)
(Increase)/Decrease in Loans and Advances		(7,439,815)	(4,002,031)
(Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income		(240,771)	277,074
(Increase)/Decrease in Right of Used Assets		(142,647)	(72,822)
(Increase)/Decrease in Other Financial Assets		(2,148)	21,566
(Increase)/Decrease in Other Non Financial Assets		(13,447)	(20,544)
Increase/(Decrease) in Due to Customers Deposits		5,354,207	453,676
Increase/(Decrease) in Other Financial Liabilities		1,091,384	516,426
Increase/(Decrease) in Other Non Financial Liabilities		109,278	169,288
Cash used in Operations		(302,769)	3,628,249
Gratuity Paid	34.1	(15,952)	(17,299)
Income Tax Paid		(1,556,443)	(146,040)
Net Cash From/(Used in) Operating Activities		(1,875,164)	3,464,910
Cash Flows from / (Used in) Investing Activities			
Deposits with Banks		(869,492)	150,000
Acquisition of Property, Plant & Equipment and Intangible Assets		(210,473)	(51,425)
Proceeds from Disposal of Property, Plant & Equipment		3,011	3,237
Proceeds from Disposal of Investment Property	24.1	107,000	86,800
Interest Received on Deposits with Banks		22,524	41,302
Dividend Received		457	359
Net Cash Flows from/(Used in) Investing Activities		(946,973)	230,273
Cash Flows from / (Used in) Financing Activities			
Proceeds From Bank Borrowing	29.1	44,588,174	42,750,000
Repayment of Bank Borrowing		(40,094,399)	(40,804,200)
Proceeds From Foreign Currency Borrowing	29.1	889,042	-
Repayment of Foreign Currency Borrowing		-	-
Repayment of Commercial Paper		-	(500,000)
Proceeds From Inter Company Borrowings		-	6,550,000
Repayment of Inter Company Borrowings		-	(7,299,994)
Dividend Paid		-	(56,933)
Interest Paid on Bank Borrowings		(2,293,433)	(3,232,334)
Interest Paid on Foreign Currency Borrowings	29.1	(45,944)	-
Interest Paid on Fixed Deposits		(84,507)	(19,576)
Net Cash Flows From/(Used in) Financing Activities		2,958,933	(2,613,037)
Net Increase/(Decrease) in Cash and Cash Equivalents		136,796	1,082,146
Cash and Cash Equivalents at the beginning of the year		59,926	(1,022,220)
Cash and Cash Equivalents at the end of the year		196,722	59,926

The Accounting Policies & Notes from pages 08 to 82 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Assetline Finance Limited (The Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The Company was incorporated on 4th March 2003 and obtained the trading certificate on 23rd March 2003. The Company was re-registered as per the requirements of the Companies Act No. 07 of 2007. On 29 August 2022 the Company obtained a license to operate as a Licensed Finance Company under the Finance Business Act No. 42 of 2011 and amendments thereto.

The registered office address of the Company is located at No. 120, 120A, Pannipitiya Road, Battaramulla.

1.2 Principal Activities and Nature of Operations

The Company provides a vast range of financial services which includes acceptance of Public Deposits, providing Finance Leases, Mortgage Loans, Margin Trading Facilities, Business Loans and Other Credit Facilities.

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

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is DPMC Assetline Holdings (Private) Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is David Pieris Holdings (Private) Limited, which is incorporated in Sri Lanka.



2. ACCOUNTING POLICIES**2.1 BASIS OF PREPARATION****2.1.1 Statement of Compliance**

The Financial Statements of the Company which comprise Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements 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.

The presentation of these Financial Statements is also in compliance with the requirements of Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the CBSL Guidelines.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.1.2 Responsibility for Financial Statements

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

2.1.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31 March 2025 (including the comparatives for 31 March 2024) were approved and authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 June 2025.

2.1.4 Basis of Measurement

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

Item	Basis of measurement	Note No.
Financial Assets measured at fair value through Other Comprehensive Income (FVOCI)	Measured at the Fair Value	21
Investment Property	Measured at cost at the time of acquisition and subsequently at Fair Value	24
Land & Building	Measured at Fair Value	25
Retirement Benefit Obligation	Measured at the present value of the defined benefit obligation less the fair value of the plan assets (if any)	34

2.1.5 Functional & Presentation Currency

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



2.1.6 Presentation of Financial Statements

The assets and liabilities in the Statement of Financial Position of the Company are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements.

An analysis regarding 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 42 to the Financial Statements.

2.1.7 Use of Materiality, Aggregation, Offsetting & Rounding Off

2.1.7.1 Materiality and Aggregation

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

2.1.7.2 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.1.7.3 Rounding Off

The amounts in the financial statements have been rounded to the nearest thousand Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – ‘Presentation of Financial Statements’.

2.1.8 Comparative Information

Comparative information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period’s Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended where necessary, for better presentation and to enhance comparability with those of the current year.

2.1.9 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in note 47 to the Financial Statements.

2.1.10 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the ‘Indirect Method’ in accordance with the Sri Lanka Accounting Standard –LKAS 7 on ‘Statement of Cash Flows’ whereby operating activities, investing activities and financing activities are separately recognized. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in note 16.1 to the Financial Statements.



2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

2.2.1 Going Concern

The Board of 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. In determining the basis of preparing the financial statements for the year ended 31 March 2025, based on available information, the directors have considered the effects of the existing and anticipated macroeconomic conditions and its effects on the business. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.2.2 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in note 41 to the Financial Statements.

2.2.3 Useful Life-time of the Property, Plant and Equipment and Intangible Assets

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

The Company measures land at revalued amounts with changes in fair value being recognised in equity through other comprehensive income. The Company engages independent professional valuer to assess fair value of land. The key assumptions used to determine fair value is provided in Note 25.4.

Details on depreciation and amortisation are given in note 2.3.20 to the Financial Statements.

2.2.4 Deferred Tax Assets/Liabilities

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. Details of deferred tax liability and asset are given in note 33 to the Financial Statements.

2.2.5 Defined Benefit Plans

The cost of defined benefit plan and the present value of its obligations are determined using actuarial valuations. The actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company. The details are discussed in note 34 to the Financial Statements.

2.2.6 Commitment and Contingencies

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 they are remote. Details of commitments and contingencies are given in note 46 to the Financial Statements.

2.2.7 Impairment Losses on Loans & Advances and Lease Rental Receivable

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. These estimates driven by a number of factors and changes in which can result in different levels of allowances.

The determination of expected credit loss allowances is highly subjective and judgmental. With the introduction of SLFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios.

Expected Credit Loss (ECL)

The Company measures loss allowances using both lifetime ECL and 12-month ECL. When estimating ECL Company determine whether the credit risk of a financial asset has increased significantly since initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort in order to evaluate ECL. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience, informed credit assessment and including forward-looking information.

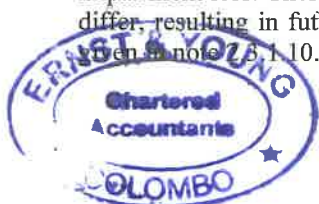
The elements of the ECL models that are considered for accounting judgements and estimates include,

- The Company's criteria for assessing if there has been a significant increase in credit risk upon which allowances for financial assets should be measured on a lifetime expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECLs, models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust whenever necessary. Details of the ECL are given in note 2.3.1.10.1 to the Financial Statements.

Individual Impairment

The Company reviewed their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance made. Details of individual impairment are given in note 2.3.1.10.3 to the Financial Statements.



Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively by categorising them, into groups of assets with similar risk characteristics, to determine the expected credit loss on such loans and advances.

2.2.8 Impairment of Other Financial Assets

The Company reviews its debt securities classified as amortised cost, at each reporting date to assess whether they are impaired. Objective evidence that a debt security held at amortised cost is impaired includes among other things significant financial difficulty of the issuer, a breach of contract such as a default or delinquency in interest or principal payments etc. Management judgement has been involved in determining whether there is significant increase in credit risk of these instruments or these instruments are impaired as at the reporting date. The ECL model is applied to Other Financial Assets measured at amortised cost as well.

2.2.9 SLFRS 16 – Leases

Under SLFRS 16, 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. Right-of use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches.

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 on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets 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 straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant 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 Company's incremental borrowing rate (IBR). Generally, the Company uses its IBR as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments such as Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured 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. The Company presents right of use assets under note 27 to the financial statements while the corresponding lease liability is presented under note 30.

2.2.9.1 As a Lessor

Lessor's accounting under SLFRS 16 is substantially similar to the accounting treatment for leases under LKAS 17. Lessor can continue to classify the contracts either finances or operating leases according to the LKAS 17 guidelines. Therefore, there is not any impact to the Company's Financial Statements from SLFRS 16 where the company is a lessor.

2.2.9.2 As a Lessee

Under SLFRS 16 – Leases, the Company recognises right-of-use assets and corresponding lease liabilities for all leases, except for short-term leases and those involving low-value assets. This represents a change from the previous approach, where leases were classified as either operating or finance leases based on their substance. The Company has elected to apply the recognition exemption for leases of low-value assets and short-term leases, such as those related to IT equipment, with lease payments recognised as an expense on a straight-line basis over the lease term.



2.3 GENERAL ACCOUNTING POLICIES

The Accounting policies set out below have been consistently applied to all periods presented in these Financial Statements

2.3.1 Financial Instruments – Initial Recognition, Classification, and Subsequent Measurement

2.3.1.1 Date of Recognition

Financial assets and liabilities are initially recognised on the trade date. i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades". Regular way trades means purchases or sales of financial assets within the time frame generally established by regulation or convention in the market place.

2.3.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments.

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per SLFRS 9. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with in the Statement of Profit or Loss.

‘Day 1’ Profit or Loss

When the transaction price 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 ('Day 1' profit or loss) in the Income Statement over the tenor of the financial instrument using effective interest rate method. 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 Income Statement when the inputs become observable, or when the instrument is derecognised.

2.3.1.3 Classification and Subsequent Measurement of Financial Assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 2.3.1.3.1
- Fair value through other comprehensive income (FVOCI), as explained in note 2.3.1.3.2 and 2.3.1.3.3
- Fair value through profit or loss, (FVTPL), as explained in note 2.3.1.3.4

The subsequent measurement of financial liabilities depends on their classification.

2.3.1.3.1 Financial Assets at Amortised Cost

The Company only measures Loans and advances and lease rental receivable at amortised cost if both of the following conditions are met:

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

Loans and Receivables consist of cash and bank balances, securities purchased under repurchase agreements, factoring receivables, lease receivables, loan receivables and other assets.

The details of these conditions are outlined below.



(a) Business Model Assessment

The Company determines its business model at the level that best reflects how it manages the financial assets to achieve its objectives. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as;

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flow collected)
- The expected frequency, value and timing of sales.

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

(b) The SPPI test**Assessments whether Contractual Cash Flows are Solely Payments of Principal and Interest**

As the second test of the classification process, the Company assesses the contractual terms of the financial asset to identify whether those meet 'Solely the Payment of Principal and Interest' (SPPI) criteria. Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition which may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Company applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

2.3.1.3.2 Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The Company applies the new category under SLFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the Income Statement in the same manner as for financial assets measured at amortised cost. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the Income Statement.



2.3.1.3.3 Equity Instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in the Income Statement as net trading gain/(loss) when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.3.1.3.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However an entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

2.3.1.4 Classification and Subsequent Measurement of Financial Liabilities

On initial recognition, the Company classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

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

The subsequent measurement of financial liabilities depends on their classification. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities

Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

2.3.1.5 Reclassification of Financial Assets & Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Company's changes its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of business lines. Consequent to the change in the business model, the Company reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities are not reclassified as such reclassifications are not permitted by SLFRS 09.

2.3.1.6 De-recognition of Financial Instrument

2.3.1.6.1 Derecognition Due to Substantial Modification of Terms and Conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans and advances are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit impaired at the date of inception.



When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors.

- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2.3.1.6.2 Derecognition Other than for Substantial Modification

Financial Assets

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

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

Upon derecognition of a financial asset, the difference between the asset's carrying amount (or the portion of the carrying amount derecognised) and the total of (i) the consideration received, including any new asset acquired less any new liability assumed, and (ii) any cumulative gain or loss previously recognised in OCI, is recognised in profit or loss.

Financial Liability

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

2.3.1.7 Modification of Financial Instrument

Financial Assets

If the terms of a financial asset are modified, 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.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. 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. If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.



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 extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.3.1.8 Offsetting of Financial Instruments

Offset and the net amount presented in the Statement of Financial Position when and only when the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under LKASs / SLFRSs.

2.3.1.9 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 41 to the Financial Statements.

2.3.1.10 Impairment of Financial Assets**2.3.1.10.1 Overview of the Expected Credit Loss (ECL) Principles**

The Company calculates impairment allowances on financial assets in line with Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) and as per the CBSL Directive No. 01 of 2020 on Classification and Measurement of Credit Facilities in Licensed Finance Companies (LFCs). Accordingly, the Company has been recording impairment for all loans and advances. Equity instruments are not subject to impairment under SLFRS 9.

The Company recognises impairment (loss allowance) using Expected Credit Losses (ECL) on lease & loan receivables and other financial instrument measured at amortised cost. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition.

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or on collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

Based on such process Company allocates loans & advances into Stage 01, Stage 02, Stage 03 as described below.

Stage 1: 12 Months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.



Stage 2: Lifetime ECL – Not Credit Impaired

For credit exposures where there has been a significant increase in credit risk (SICR) since initial recognition but that are not credit impaired, a lifetime ECL is recognised. The Company considers a significant increase in credit risk occurs when an asset is more than 30 days past due.

Stage 3: Lifetime ECL – Credit Impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgments used in impairment model prescribed in SLFRS 9 which uses combination of both qualitative factors and backstop based on delinquency. It is considered that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Where there is a significant increase in credit risk Company uses lifetime ECL model to assess loss allowances instead of 12-month ECL model.

Definition of Default and Cured

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 or the borrower becomes over 90 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay.

- Significant financial difficulty of the borrower or issuer
- 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.
- The borrower is deceased

The Company's policy to re-classifies financial instruments out of the stage 3 when none of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECL. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for more than 30 days.

2.3.1.10.2 Calculation of Expected Credit Loss (ECL)

The Company calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfall (the base case, best case and the worst case), discounted at an approximation to the EIR. Each of these is associated with different loss rates. The assessment of multiple scenarios incorporates how defaulted loans and advances are expected to be recovered, including the probability that the loans and advances will cure and the value of collateral or the amount that might be received for selling the asset.



The key inputs used for measurement of ECL are as follows,

Probability of Default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. PD is estimated at a certain date, which is calculated, based on statistical models, and assessed using various categories based on homogeneous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. The Company forecasts PD by incorporating forward looking economic variables such as Unemployment, GDP growth, Inflation and the Risk free rate.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.
Exposure at default (EAD)	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 including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company has used these parameters from internally-developed statistical models using historical data. All inputs were adjusted to reflect forward-looking information and future economic scenarios.

Forward Looking Information

The Company incorporates forward looking information into this model for calculation of ECL. Using a variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (Best Case, Base Case and worst Case) of other possible forecast scenarios. Following are the forward looking economic inputs

- GDP growth rate
- Unemployment rate
- Risk free rate
- Inflation

2.3.1.10.3 Individually Assessed Loan and Receivables

The Company evaluates all individual significant loan and receivable at each reporting date to determine whether there is any objective evidence that a loan is impaired. The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- Known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.



2.3.1.10.4 Grouping Financial Assets Measure in Collective Assessment

The Company calculates ECLs either on a collective or an individual basis. The Company assesses the customers for individual impairment those who have exposure equal to or more than internally established threshold. However, if the customer is determined to be not impaired, such customer will be moved back to collective ECL calculation.

For all other asset classes, the Company calculates ECL on a collective basis. The Company categorises exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans and receivable as described below:

- Product type
- Equipment/Collateral type
- Based on the risk characteristic
- Based on due days (Days Past Due)

2.3.1.10.5 Probability of Default (PD)

The Probability of Default is an estimation of the chances of a loan being defaulted. PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers. Accordingly, exposures are categorized among 5 groups based on the DPD as follows.

- Zero days past due
- 1 - 30 days past due
- 31 - 60 days past due
- 61 - 90 days past due
- Above 90 days past due

The movement of the customers into bad DPD categories are tracked at each account level over the periods and it is used to estimate the amount of loans and advances that will eventually be written off.

2.3.1.10.6 Exposure at Default (EAD)

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 including amortisation. The EAD of a financial asset is its gross carrying amount.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. For Stage 2 and Stage 3 financial assets and credit impaired financial assets at origination, events over the lifetime of the instruments are considered. The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The SLFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

2.3.1.10.7 Loss Given Default (LGD)

LGD values are assessed at least annually for each material collateral type. The Company segregates its customer loan book based on types of collaterals held when calculating the LGD.

These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. Historically collected loss data is used for LGD calculation and involves a wider set of transaction characteristics (e.g. product type, collateral type) as well as borrower characteristics.



2.3.1.10.8 Collateral Valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as vehicles, securities, letter of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka (CBSL).

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

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 value are valued using models.

2.3.1.10.9 Collateral Repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. The company did not transfer any repossessed assets to its property, plant and equipment during the year ended 31 March 2025.

2.3.1.10.10 ECL for Debt Instrument Measured as FVOCI

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

2.3.1.10.11 Write-Offs

The Company's carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, 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.

2.3.1.10.12 Rescheduled and Restructured Loans

Rescheduled /restructured loans are classified in to the three stages as the date of restored based on the number of days in past due. Number of days in past due are calculated by adding arrears days before and after rescheduled. If the modification is substantial, loan is derecognised.

2.3.1.10.13 Reversal of Impairment

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



2.3.2 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, balances with banks and Investments with short maturities i.e. three months or less from the date of acquisition that are subject to an insignificant risk of change in value. Cash and Cash Equivalents are carried at amortised cost in the Financial Statements.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balance with banks and Investments with short maturities i.e. three months or less from the date of acquisition net of outstanding bank overdrafts.

2.3.3 Leases

The company applied Sri Lanka Accounting Standard –SLFRS 16 “Leases”.

2.3.3.1 Identifying a Lease

At inception of a contract, Company assesses whether the 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 determine whether contract conveys the right to control the use of identified asset, the Company considers the following criteria.

- A contract can involve the use of an identified asset when an asset is explicitly identified in a contract or if the asset is implicitly identified at the point at which it is made available for use by the customer. However, even if a contract specifies a particular asset, Company does not have the right to use that asset if the supplier has substantive right to substitute the asset throughout the period of use, then that asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and,
- The Company has the right to direct the use of an identified asset throughout the period of use only if either:
 - (a) The Company has the right to direct how and for what purpose the asset is used throughout the period of use or
 - (b) The relevant decisions about how and for what purpose the asset is used are predetermined and
 - (i) The Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - (ii) The Company designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

2.3.3.2 The Company as the Lessee

The company recognises a right of use asset and lease liability at the commencement date. Initially, right of use asset is recognised at cost, which comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right of use asset is subsequently measured at cost less any accumulated depreciation and accumulated impairment and adjusted for any measurement of the lease liability.



The right of use asset is depreciated using straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company apply LKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined.

If that rate cannot be readily determined, the Company uses the Company's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments the fixed payments, less any lease incentives receivable, 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 by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The lease liability is subsequently measured as amortised cost by using effective interest rate method.

The company discloses the right of use asset under note 27.1 to the Financial Statements and corresponding lease liability under note 27.2 to the Financial Statements.

Short Term Lease and Lease of Low Value Assets

The Company elects not to recognise right of use asset and lease liability for either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis. The Company apply another systematic basis if that basis is more representative of the pattern of the Company's benefit.

2.3.3.3 The Company as the Lessor

When the Company acts as a lessor, it determines at least 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 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 assets.

When the Company is the lessor under a finance lease contract, the amounts due under the leases, after deduction of unearned interest income, are included in note 19, 'Lease receivables'. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of other income.

2.3.4 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.



A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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

2.3.5 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors and approved by the shareholders.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date in accordance with the Sri Lanka Accounting Standard — LKAS 10 on 'Events after the reporting period'.

2.3.6 Earnings Per Share (EPS)

The Company presents basic/diluted Earnings per Share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the period in line with the Sri Lanka Accounting Standard - LKAS 33 (Earnings Per Share).

Diluted EPS is determined by adjusting both the profit attributable to the ordinary equity shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

2.3.7 Other Financial Assets

Other Financial Assets are initially recognised at fair value net of transactions cost. Subsequently, they are stated at amortised cost; any difference between the proceeds (net of transaction cost) and the receivable amount (including interest income) is recognised in the Income Statement over the period of the assets using effective interest method.

2.3.8 Other Non-Financial Assets

Other Non-Financial Assets includes advances paid for suppliers, prepayments, trading stock and tax receivables. Trading stock includes repossessed assets that have been written off. Other Non-Financial Assets except for trading stock are valued at the lower. Trading stock is measured at the lower of cost or net realisable value.

2.3.9 Investment Properties

Recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.



Measurement

Investment properties are initially recognised at its cost, including related transactions cost. Subsequent to the initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date.

Investment properties of the Company are carried at fair value, any gains or losses arising from changes in fair value are recognised to the Statement of Profit or Loss in the year in which they arise.

The Company measures the fair value of investment property and the Company obtains a valuation at least every three year by an independent valuer who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

De-recognition

Investment property is derecognised upon disposal or when no future economic benefit is expected from its disposal. Any gains or losses arising on de-recognition is included in the Statement of Profit or Loss in the year in which the investment property is derecognised.

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.

2.3.10 Property, Plant and Equipment

Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. 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 measured reliably in accordance with LKAS 16 on Property, Plant & Equipment.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.

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.

a) Cost Model

Property, Plant and Equipment of the Company is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.



b) Revaluation Model

Under revaluation model, properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to profit and loss.

If the value is increased, it is recognized as income to the extent of previously written down. Any decrease in the carrying amount is recognized as expenses to the Statement of Profit and Loss or debited to other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of such asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset. The company has not used the revaluation model to recognise the property plant and equipment.

Subsequent Cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. On-going repairs and maintenance cost are expensed as incurred.

De-recognition

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. The gain or losses arising from de-recognition of an item of property, plant and equipment is included in other operating income in the Statement of 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.

Repairs and Maintenance

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

Capital Work -in -Progress

Capital work in progress is stated at cost. It would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is stated at cost less any accumulated impairment losses.

Borrowing Cost

As per the Sri Lanka Accounting Standard – LKAS 23 on Borrowing Cost, The Company capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the profit or loss in the period in which they occur. The Company does not capitalise any borrowing cost which is relating to the qualifying assets during the financial year under review.



2.3.11 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. The Company's intangible assets includes the Finance Business License obtained in line with the Master Plan for Non-Bank Financial Institutions Sector defined by Central Bank of Sri Lanka and the value of computer software.

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.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, these assets are stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

Computer Software

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

Subsequent Expenditure

Expenditure incurred on computer 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.

De-recognition

Intangible assets are 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 the Statement of Profit or Loss when the item is derecognised.

2.3.12 Other Financial Liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost. Other financial liabilities include trade payables, advances collected from customers and other financial payable. Trade payables are obligations to pay for vehicle suppliers in the ordinary course of business.

2.3.13 Other Non-Financial Liabilities

The Company classifies all non-financial liabilities other than post-employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These liabilities are non-interest bearing and recorded at the amounts that are expected to be paid.

2.3.14 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.



2.3.15 Interest Income and Interest Expense

Under SLFRS 9, interest income and expense is recorded using the effective interest rate method (EIR) for all financial instruments measured at amortised cost, interest bearing financial assets designated at fair value through profit or loss and interest income on interest bearing financial assets designated at fair value through other comprehensive income under SLFRS 9.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts.

For a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For financial assets that have become credit-impaired subsequent to initial recognition, the recognition of interest income is seized at the defaulting date (DPD 90 above) and the already recognized, but unrecovered interest is derecognized from the Income Statement. If the customer continues to service the rentals and is still credit impaired (Stage 3), the interest income is recognized in cash basis upon receiving the payments. When the asset becomes 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 assets. The calculation of the interest income does not revert to the gross basis, even if the credit risk of the asset improves.

2.3.16 Fee and Service Charge Income

Fee and Service charge income includes transfer fee and service charges arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fee and Service charge income are given in note 7 to the Financial Statements.

2.3.17 Other Operating Income

Income earned from other sources, which are not directly related to the normal operations of the Company is recognised as other operating income. Other operating income includes gains/loss on disposal of property, plant and equipment, hiring income, rent income and dividend income. Other operating income is given in note 8 to the Financial Statements.

Dividend Income

Dividend income is recognised when the right to receive the payment is established.

Rent Income

Rent income is recognized from Investment Property in accrual basis as per the agreement between the two parties.

Gain or Losses on Disposal of Property, Plant and Equipment

Gains or losses resulting from the disposal of property, plant and equipment are recognised in the Statement of Profit or Loss, in the period in which the sale occurs.



Operating Lease Income

Income arising on operating leases is accounted for on a straight-line basis over the lease terms on leases and is recorded in the Statement of Profit or Loss in other operating income. However, there are no any operating lease income for the Company in the current financial year.

2.3.18 Impairment (Charges)/Reversal for Loans, Lease and Other Losses

The Company recognises the changes to the impairment provision for loans and other losses which are assessed under the ECL method in accordance with SLFRS 9. The methodology adopted by the Company is explained in the note 2.3.1.10 to the Financial Statements.

Loss on Disposal of Collaterals including Write Offs

Lease & Loan receivables (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where lease & loan receivables are secured, this is generally after receipt of any proceeds from the realisation of security.

Bad Debts Recovered

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis. These are netted against the write offs which took place during the financial year.

2.3.19 Personnel Expense

Personnel expenses include salaries and bonus, terminal benefits and other staff-related expenses. The provision for bonus is recognised when it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Short Term Employee Benefits

Short term employee benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term benefits as a result of past service provided and where the Company has legal or constructive obligation to pay.

Defined Contribution Plans

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

Defined Benefit Plan

Defined Benefit plan is post-employment benefit plan other than the Defined Contribution plan. The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

Retirement benefit obligation is recognised in the Statement of Profit or Loss based on an actuarial valuation carried out for the gratuity liability in accordance with Sri Lanka Accounting Standard- LKAS 19 - Employee Benefits.



2.3.20 Other Operating Expenses

Other operating expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss in arriving at the profit for the year. Other operating expenses are given in note 12 to the financial Statements.

Depreciation of Property, Plant & Equipment

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.

Estimated useful lives are as follows,

Class of Asset	Useful life	% per annum
Motor Vehicles	4 Years	25%
Furniture & Fittings	5 Years	20%
Office Equipment	5 Years	20%
Leasehold Improvements	3 Years	33.33%
Freehold Buildings	20 Years	5%

Amortization of Intangible Assets

Intangible assets are amortised on a straight-line basis in the Statement of 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 assets economic benefits are consumed by the Company.

Intangible assets represent the cost of computer software and the useful lifetime is as follows.

Asset Category	Useful life	% per annum
Computer software	4 years	25%

Amortization of Right of Use Assets

The right of use assets is depreciated using a straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property plant and equipment.

Asset Category	Useful life	% per annum
Right of Use Assets	4 years	25%

Changes in Estimates

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

Deferred Expenses

The costs of acquiring new businesses including commission, marketing and promotional expenses, which vary with and directly related to production of new businesses, are deferred to the extent that these costs are recoverable out of future rentals.



2.3.21 Foreign Currency Transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

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

Foreign currency differences arising on retranslation are generally recognised in profit or loss.

2.3.22 Operating Segments

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

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

- Leasing & Loans - the finance leasing and loan facilities offered to the customers by the Company.
- Investments - represents the treasury bonds and fixed deposit investments made by the Company.
- Others - All other business activities other than the above.

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

2.3.23 Taxation

2.3.23.1 Income Taxation

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

a) Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year and any adjustment to tax payable in respect of prior 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 year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments thereto at the rates specified in note 14 to the Financial Statements.



b) Deferred Tax Liability

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

c) Deferred Tax Assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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.

d) Accounting Estimates

Significant judgment was required to determine the total provision for current and deferred taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these Financial Statements. The Company recognised assets and liabilities for current and deferred taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

2.3.23.2 Value Added Tax (VAT) on Finance 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 including cash benefits, none cash benefits and provision relating to termination benefits computed on prescribed rate.

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate was revised with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

2.3.23.3 Social Security Contribution Levy (SSCL)

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%, with effect from 01 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 into Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

2.3.24 Regulatory Provisions

2.3.24.1 Deposit Insurance and Liquidity Support Scheme

In terms of the "Banking (Special Provisions) Act, Direction No. 01 of 2023" issued on 15 November 2023, all Member Institutions of the Sri Lanka Deposit Insurance Scheme, including the Licensed Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance Scheme".

The eligible deposits to be insured shall include demand, time and savings and certificates of deposit liabilities inclusive of any interest accrued and exclude the following.

- Deposit liabilities to other member institutions;
- Deposit liabilities maintained individually or jointly with any other party, by directors and key management personnel of a member institution, close relations of such directors and key management personnel, a subsidiary company or an associate company of a member institution, and any concern in which any of the directors and key management personnel of a member institution or close relations of such directors and key management personnel have any interest;
- Deposit liabilities of former directors or key management personnel of a member institution where,
 - Such directors or key management personnel have been removed from such position on the direction by the Central Bank due to such directors or key management personnel being involved in or connected with any unsound, improper, dishonest, deceitful or fraudulent financial practice detrimental to the interests of the depositors and other creditors of such member institution, in carrying out business operations or management of such member institution;
 - Such directors or key management personnel have been determined by the Central Bank, to be not fit and proper to hold such office in a member institution under any written law for the time being in force;
 - The Central Bank determines *ex mero motu*, upon being satisfied based on the material available, and after granting such directors or key management personnel, as the case may be, an opportunity of being heard, that such directors or key management personnel are not entitled to receive any benefit under the Scheme, due to such directors or key management personnel engaging in, or having engaged in, or being involved in, or being responsible for, carrying on the business operations or management of such member institution through any unsound, improper, dishonest, deceitful or fraudulent financial practices detrimental to the interests of its depositors and other creditors;
- Deposits falling within the meaning of abandoned property under the Banking Act and dormant deposits under the Finance Business Act, as the case may be, which have been transferred to the Central Bank, in terms of the directions issued by the Central Bank, from time to time;
- Deposits held by any Government institution, including a Ministry, Department, Provincial Council or local authority; and
- Any other deposit liability of a member institution as may be determined by the Central Bank as not eligible under the Scheme.

Licensed Finance Companies are required to pay a premium of 0.15% per annum on total amount of eligible deposits as at end of the month within a period of 15 days from the end of the respective month.

The deposit insurance premium paid during the financial year is disclosed under note 12 to the financial statements.



2.3.24.2 Crop Insurance Levy (CIL)

In terms of the Finance Act No. 12 of 2013, all institutions under the purview of Banking Act No.30 of 1988, Finance Business Act No.42 of 2011 and Regulation of Insurance Industry Act No. 43 of 2000 are required to pay 1% of the profit after tax as Crop Insurance Levy to the National Insurance Trust Fund effective from 01 April 2013.

3. IMPACT OF NEW ACCOUNTING STANDARDS

3.1 New Sri Lankan Accounting Standards effected during the year & Changes to already existing accounting standards

The Company applied certain standards and amendments for the first-time, if applicable, which are effective for annual periods beginning on or after April 01, 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the following Accounting Standards did not have a material impact on the Financial Statements of the Company.

- Non-current Liabilities with Covenants – Amendments to LKAS 1
- Classification of Liabilities as Current or Non-current – Amendments to LKAS 1
- Lease Liability in a Sale and Leaseback – Amendments to SLFRS 16

3.2 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2025

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective up to the date of issuance of financial statements are disclosed below.

The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.2.1 SLFRS 17 Insurance Contracts

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

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

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2026, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The financial statements of the Company are not expected to have a material impact from adoption of the above standard.



3.2.2 LKAS 21 – The Effects of Change in Foreign Exchange Rates

Amendments to LKAS 21 specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position, and cash flows.

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

The financial statements of the Company are not expected to have a material impact from adoption of the above standard.



4. GROSS INCOME		2025 Rs. '000	2024 Rs. '000
Interest Income (Note 5.1)		11,296,638	9,937,951
Fee & Service Charge Income (Note 7)		269,532	146,358
Other Operating Income (Note 8)		72,567	46,003
Net gains/(losses) from Derecognition of Financial Assets (Note 9)		-	220,431
		<u>11,638,737</u>	<u>10,350,743</u>
5. INTEREST INCOME		2025 Rs. '000	2024 Rs. '000
5.1 Financial Assets at Amortised Cost			
Interest on Lease (Note 5.1.1)		7,796,188	6,868,561
Interest on Term loan		1,222,639	600,070
Interest on Margin Trading		111,894	52,306
Overdue Interest		848,195	1,076,649
Interest on Saving Deposits		5,411	1,013
Interest on Fixed Deposits		24,022	16,486
Interest on Government Securities		1,288,289	1,322,866
		<u>11,296,638</u>	<u>9,937,951</u>
5.1.1 Interest on Lease			
Leasing Interest Income		8,432,055	7,411,073
Deferred Promotion Expenses		(635,867)	(542,512)
		<u>7,796,188</u>	<u>6,868,561</u>
6. INTEREST EXPENSE		2025 Rs. '000	2024 Rs. '000
Interest on Commercial Papers		-	12,526
Interest on Bank Loans (Note 29.1)		2,216,168	2,813,617
Interest on Intercompany Loans		-	245,531
Interest on Foreign Currency Borrowings (Note 29.1)		46,826	-
Interest on Bank Overdrafts		30,076	117,866
Interest on Fixed Deposits		282,435	45,113
Finance Lease (Note 27.2)		30,728	23,591
		<u>2,606,233</u>	<u>3,258,244</u>
7. FEE & SERVICE CHARGE INCOME		2025 Rs. '000	2024 Rs. '000
Service Charge		182,403	99,359
Vehicle Transfer Fee		87,129	46,999
		<u>269,532</u>	<u>146,358</u>
8. OTHER OPERATING INCOME		2025 Rs. '000	2024 Rs. '000
Dividend Income		457	359
Profit/(Loss) on Disposal of Property, Plant and Equipment		1,116	3,099
Rent Income		7,484	14,635
Foreign Exchange Gain/(Loss) on Transactions		3	-
Other Income		63,507	27,910
		<u>72,567</u>	<u>46,003</u>
9. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS		2025 Rs. '000	2024 Rs. '000
Net gains/(losses) from derecognition of financial assets comprises all realised gains less losses related to financial assets measured at fair value through other comprehensive income.			
Financial assets measured at fair value through other comprehensive income			
		2025 Rs. '000	2024 Rs. '000
		-	220,431
		<u>-</u>	<u>220,431</u>



10. IMPAIRMENT CHARGES/ (REVERSAL) AND NET WRITE OFF	2025 Rs. '000	2024 Rs. '000
Impairment Charges/(Reversal)		
Deposits with Banks (Note 10.1)	165	(31)
Financial Assets at Amortised Cost - Loans and Advances (Note 10.1)	60,697	(19,212)
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 10.1)	(387,402)	(502,793)
Other Charges Receivable from Client (Note 10.1)	(4,015)	(3,999)
	<u>(330,555)</u>	<u>(526,035)</u>
Provision Against Net Write Off		
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3.1)	14,453	16,383
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 20.3.1)	510,383	846,746
Other Charges Receivable from Client (Note 22.1.3.1)	1,444	3,469
	<u>526,280</u>	<u>866,598</u>
Direct Net Write Off		
Loans and Lease Receivables (Note 10.2)	(44,986)	1,232,555
	<u>150,739</u>	<u>1,573,118</u>

10.1 The table below shows the impairment charges for financial instruments for the year recorded in stagewise in Profit or Loss.

For the year 2024/25	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks (Note 18)	165	-	-	165
Financial Assets at Amortised Cost - Loans and Advances (Note 19.3)	19,489	10,782	30,426	60,697
Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 20.3)	25,987	(248,045)	(165,344)	(387,402)
Other Charges Receivable from Client (Note 22.1.3)	(483)	(533)	(2,999)	(4,015)
	<u>45,158</u>	<u>(237,796)</u>	<u>(137,917)</u>	<u>(330,555)</u>
For the year 2023/24	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks	(31)	-	-	(31)
Financial Assets at Amortised Cost - Loans and Advances	13,495	(2,667)	(30,040)	(19,212)
Financial Assets at Amortised Cost - Lease Rentals Receivable	134,665	348,270	(985,728)	(502,793)
Other Charges Receivable from Client	(66)	(887)	(3,046)	(3,999)
	<u>148,063</u>	<u>344,716</u>	<u>(1,018,814)</u>	<u>(526,035)</u>

10.2 Write Off & Write Back - Loan and Lease Receivable	2025 Rs. '000	2024 Rs. '000
Direct Write Off during the year	234,712	1,394,869
Direct Write Back during the year	(279,698)	(162,314)
	<u>(44,986)</u>	<u>1,232,555</u>

10.3 Analysis of Write Off and Write Back	2025 Rs. '000	2024 Rs. '000
Write Off		
Direct Write Off during the year	234,712	1,394,869
Provision Against Write Off		
Financial Assets at Amortised Cost - Loans and advances (Note 19.3.1)	14,453	16,383
Financial Assets at Amortised Cost - Lease Rental Receivables (Note 20.3.1)	516,396	848,111
Other Charges Receivable from Client (Note 22.1.3.1)	1,444	3,469
	<u>767,005</u>	<u>2,262,832</u>
Write Back		
Direct Write Back during the year	(279,698)	(162,314)
Provision Against Write Back		
Financial Assets at Amortised Cost - Loans and advances (Note 19.3.1)	-	-
Financial Assets at Amortised Cost - Lease Rental Receivables (Note 20.3.1)	(6,013)	(1,365)
Other Charges Receivable from Client (Note 22.1.3.1)	-	-
	<u>(285,711)</u>	<u>(163,679)</u>
	<u>481,294</u>	<u>2,099,153</u>



11. PERSONNEL COSTS

	2025 Rs. '000	2024 Rs. '000
Salary & Bonus	1,215,727	1,061,100
Contribution to Defined Contribution Plan	119,145	97,476
Gratuity Charge for the Year - Retirement Benefit Obligation (Note 34.2)	42,859	41,949
Staff Training	7,893	3,613
Staff Welfare Expenses	155,419	107,148
	<u>1,541,043</u>	<u>1,311,286</u>

12. OTHER OPERATING EXPENSES

	2025 Rs. '000	2024 Rs. '000
Directors' Emoluments	46,267	32,530
Auditors' Remuneration - Audit & Related Service	5,221	4,747
Non-Audit Fee to Auditors	2,128	897
Professional & Legal Expenses	66,321	54,417
Depreciation on Property, Plant & Equipment (Note 25.1)	43,940	27,532
Amortization of Intangible Assets (Note 26.2.1)	22,323	15,932
Amortization of Right of Used Assets (Note 27.1)	68,069	50,957
Operating Lease Expense	84,416	60,007
Office Administration & Establishment Expenses	1,257,383	1,024,157
Advertising and Sales Commission Expenses	132,313	56,753
Insurance Expenses	47,241	36,529
Deposit Insurance Premium Expenses	1,875	175
Community Welfare Expense	1,645	3,502
	<u>1,779,142</u>	<u>1,368,135</u>

13. VAT & SSCL ON FINANCIAL SERVICES

	2025 Rs. '000	2024 Rs. '000
VAT on Financial Services	1,054,637	625,699
Social Security Contribution Levy	155,449	91,962
	<u>1,210,086</u>	<u>717,661</u>

14. TAXATION**14.1 The major components of income tax expense for the years ended 31 March are as follows.****Income Statement**

	2025 Rs. '000	2024 Rs. '000
Current Income Tax		
Income Tax for the Year	1,537,609	693,958
Under/(Over) Provision of Current Taxes in Respect of Previous Year	-	-
	<u>1,537,609</u>	<u>693,958</u>
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 33)	99,131	139,868
	<u>1,636,740</u>	<u>833,826</u>



14. TAXATION (Contd...)

14.2 A reconciliation between tax expenses and the product of accounting profit multiplied by the statutory tax rate is as follows.

	2025 Rs. '000	2024 Rs. '000
Accounting Profit Before Income Taxation	4,351,494	2,122,299
Statutory Income Tax *	1,305,448	636,690
Tax Effect of Non Deductible Expenses	391,077	255,712
Tax Effect of Other Allowable Credits	(158,916)	(198,444)
	<u>1,537,609</u>	<u>693,958</u>
Deferred Taxation Charge/(Reversal) Due to Change in Temporary Differences (Note 33)	99,131	139,868
Total Expenses for the Year	<u>1,636,740</u>	<u>833,826</u>
Effective Tax Rate	37.61%	39.29%

* Statutory income tax has been calculated by using 30% for the period of 2024/25.

15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

For the Year ended 31st March	2025	2024
Profit/ (Loss) Attributable to Ordinary Shareholders (Rs.000)	2,714,754	1,288,473
Weighted Average Number of Ordinary Shares during the year	133,958,971	133,958,971
Earnings Per Share (Rs.)	20.27	9.62

16. CASH AND CASH EQUIVALENTS

	2025 Rs. '000	2024 Rs. '000
Cash in Hand	372,913	294,846
Cash at Bank	123,701	60,835
	<u>496,614</u>	<u>355,681</u>

16.1 For the purposes of the statement of cash flow, the year end cash and cash equivalents comprise the followings

	2025 Rs. '000	2024 Rs. '000
Cash and Cash Equivalents	496,614	355,681
Securities Purchased Under Repurchase Agreement - Maturity less than 3 Months (Note 17)	250,221	-
Bank Overdraft	(550,113)	(295,755)
Cash and Cash Equivalent for Cash Flows Purpose	<u>196,722</u>	<u>59,926</u>

17. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT

	2025 Rs. '000	2024 Rs. '000
Balance as at 01 April	-	-
Investments	250,221	-
Withdrawals	-	-
Balance as at 31 March	<u>250,221</u>	<u>-</u>
Face Value of Securities Purchased Under Repurchase Agreement	268,000	-

The collateral value of Securities Purchased Under Repurchase Agreement as at 31 March 2025 was Rs. 277.68 Mn.

18. DEPOSITS WITH BANKS

	2025 Rs. '000	2024 Rs. '000
Foreign Currency Deposits with Banks	881,675	-
Less: Allowance for Expected Credit Losses	(165)	-
	<u>881,510</u>	<u>-</u>

**18.1 Movement of Deposits with Banks
2024/25**

	Balance as at 01 April Rs. '000	Deposits/ Additions Rs. '000	Withdrawals/ Removals Rs. '000	Balance as at 31 March Rs. '000
Foreign Currency Deposits with Banks	-	881,675	-	881,675
Less: Allowance for Expected Credit Losses	-	(165)	-	(165)
	<u>-</u>	<u>881,510</u>	<u>-</u>	<u>881,510</u>

2023/24

	Balance as at 01 April Rs. '000	Deposits/ Additions Rs. '000	Withdrawals/ Removals Rs. '000	Balance as at 31 March Rs. '000
Deposits with Banks	174,815	-	(174,815)	-
Less: Allowance for Expected Credit Losses	(31)	-	31	-
	<u>174,784</u>	<u>-</u>	<u>(174,784)</u>	<u>-</u>

19. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

	2025 Rs. '000	2024 Rs. '000
Term Loan	11,249,821	5,119,594
Loans Against Deposits	21,120	-
Margin Trading	1,819,502	545,487
	<u>13,090,443</u>	<u>5,665,081</u>
Less: Specific Impairment	(9,287)	(4,522)
Less: Collective Impairment	(220,297)	(164,365)
	<u>12,860,859</u>	<u>5,496,194</u>

19.1 Analysis of Financial Assets Based on Exposure to Credit Risk - Loans and Advances

As at 31st March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Loans and Advances	12,090,508	795,987	203,948	13,090,443
Allowance for Expected Credit Losses	(40,943)	(23,617)	(165,024)	(229,584)
Net Loans and Advances	<u>12,049,565</u>	<u>772,370</u>	<u>38,924</u>	<u>12,860,859</u>

As at 31st March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Loans and Advances	5,065,735	400,064	199,282	5,665,081
Allowance for Expected Credit Losses	(21,454)	(12,835)	(134,598)	(168,887)
Net Loans and Advances	<u>5,044,281</u>	<u>387,229</u>	<u>64,684</u>	<u>5,496,194</u>

19.2 Allowance for Expected Credit Losses - Loans and Advances

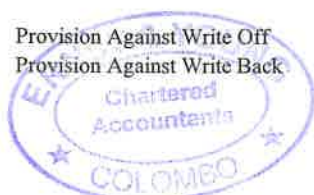
	2025 Rs. '000	2024 Rs. '000
Balance as at 01 April	168,887	188,099
Gross Charge to Profit or Loss (Note 19.3)	75,150	(2,829)
Provision Against Net Write Off during the year (Note 19.3.1)	(14,453)	(16,383)
Balance as at 31 March	<u>229,584</u>	<u>168,887</u>

19.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk - Loans and Advances

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Balance as at 01 April 2024	21,454	12,835	134,598	168,887
Gross Charge to Profit or Loss	19,489	10,782	44,879	75,150
Provision Against Net Write Off during the year (Note 19.3.1)	-	-	(14,453)	(14,453)
Balance as at 31 March 2025	<u>40,943</u>	<u>23,617</u>	<u>165,024</u>	<u>229,584</u>

19.3.1 Provision Against Net Write Off

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Provision Against Write Off	-	-	14,453	14,453
Provision Against Write Back	-	-	-	-
	<u>-</u>	<u>-</u>	<u>14,453</u>	<u>14,453</u>



19.4 Credit exposure & provision for impairment movement-Loans & Advances

	2024					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment	Gross carrying amount	Provision for impairment
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Loans and advances at amortised cost						
Balance as at 1 April 2023	1,253,083	7,958	136,598	15,502	224,151	164,639
- Transfer to stage 1	11,802	6,495	(5,820)	(513)	(5,982)	(5,982)
- Transfer to stage 2	(31,083)	(236)	47,159	12,367	(16,076)	(12,131)
- Transfer to stage 3	(26,776)	(408)	(66,480)	(12,451)	93,256	12,859
Net remeasurement of impairment	-	(6,318)	-	(9,673)	-	10,811
New financial assets originated or purchased	4,824,685	18,185	363,341	9,908	8,139	806
Financial assets that have been derecognised	(965,976)	(4,222)	(74,734)	(2,305)	(157,471)	(20,021)
Write-offs	-	-	-	-	53,265	(16,383)
Balance as at 31 March 2024	5,065,735	21,454	400,064	12,835	199,282	134,598
					5,665,081	168,887



20. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE

	2025 Rs. '000	2024 Rs. '000
Gross Rentals Receivable	44,342,252	36,853,762
Less: Unearned Income	(12,909,181)	(11,236,734)
Less: Specific Impairment	(18,082)	(62,114)
Less: Collective Impairment	(1,498,095)	(1,841,465)
Total Rentals Receivable	<u>29,916,894</u>	<u>23,713,449</u>

20.1 Analysis of Financial Assets Based on Exposure to Credit Risk - Lease Rentals Receivable

As at 31st March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Lease Rentals Receivable	24,416,613	5,495,213	1,521,245	31,433,071
Allowance for Expected Credit Losses (Note 20.2)	(233,343)	(258,021)	(1,024,813)	(1,516,177)
Net Lease Rentals Receivable	<u>24,183,270</u>	<u>5,237,192</u>	<u>496,432</u>	<u>29,916,894</u>
As at 31st March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Lease Rentals Receivable	16,140,577	6,212,550	3,263,901	25,617,028
Allowance for Expected Credit Losses (Note 20.2)	(207,356)	(506,066)	(1,190,157)	(1,903,579)
Net Lease Rentals Receivable	<u>15,933,221</u>	<u>5,706,484</u>	<u>2,073,744</u>	<u>23,713,449</u>

20.2 Allowance for Expected Credit Losses - Lease Rentals Receivable

	2025 Rs. '000	2024 Rs. '000
Balance as at 01 April	1,903,579	2,406,372
Gross Charge to Profit or Loss (Note 20.3)	122,981	343,954
Provision Against Net Write Off (Note 20.3.1)	(510,383)	(846,747)
Balance as at 31 March	<u>1,516,177</u>	<u>1,903,579</u>

20.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk - Lease Rentals Receivable

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Balance as at 01 April 2024	207,356	506,066	1,190,157	1,903,579
Gross Charge to Profit or Loss	28,051	(237,114)	332,044	122,981
Provision Against Net Write Off during the year (Note 20.3.1)	(2,064)	(10,931)	(497,388)	(510,383)
Balance as at 31 March 2025	<u>233,343</u>	<u>258,021</u>	<u>1,024,813</u>	<u>1,516,177</u>

20.3.1 Provision Against Net Write Off

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Provision Against Write Off	2,243	11,532	502,621	516,396
Provision Against Write Back	(179)	(601)	(5,233)	(6,013)
	<u>2,064</u>	<u>10,931</u>	<u>497,388</u>	<u>510,383</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

20. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE (Contd..)

20.4 Credit exposure & provision for impairment movement-Lease Rentals Receivable

	2025					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000
Lease Rentals Receivable at amortised cost						
Balance as at 1 April 2024	16,140,577	207,356	6,212,550	506,066	3,263,901	1,190,157
- Transfer to stage 1	1,933,027	169,836	(1,662,148)	(131,027)	(270,879)	(38,809)
- Transfer to stage 2	(2,660,714)	(42,851)	2,984,656	86,069	(323,942)	(43,218)
- Transfer to stage 3	(431,590)	(7,253)	(532,518)	(49,201)	964,108	56,454
Net remeasurement of impairment	-	(203,668)	-	(81,915)	-	538,089
New financial assets originated or purchased	16,650,293	154,936	1,868,237	96,010	229,544	132,747
Financial assets that have been derecognised	(7,214,980)	(45,013)	(3,375,564)	(167,981)	(1,768,568)	(300,224)
Write-offs	-	-	-	-	(572,919)	(510,383)
Balance as at 31 March 2025	24,416,613	233,343	5,495,213	258,021	1,521,245	1,024,813
					31,433,071	1,516,177

	2024					
	Stage 1		Stage 2		Stage 3	
	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000
Lease Rentals Receivable at amortised cost						
Balance as at 1 April 2023	12,856,153	72,691	5,802,739	157,796	8,322,035	2,175,885
- Transfer to stage 1	1,891,562	129,533	(1,262,732)	(31,526)	(628,830)	(98,007)
- Transfer to stage 2	(2,777,849)	(15,855)	3,639,316	137,160	(861,467)	(121,305)
- Transfer to stage 3	(563,349)	(3,243)	(726,876)	(23,509)	1,290,225	26,752
Net remeasurement of impairment	-	(80,017)	-	171,640	-	450,929
New financial assets originated or purchased	9,888,925	118,628	1,862,904	143,356	565,973	106,373
Financial assets that have been derecognised	(5,154,865)	(14,381)	(3,102,801)	(48,851)	(3,291,352)	(503,724)
Write-offs	-	-	-	-	(2,132,683)	(846,746)
Balance as at 31 March 2024	16,140,577	207,356	6,212,550	506,066	3,263,901	1,190,157
					25,617,028	1,903,379

Chartered Accountants



20. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLE (Contd..)**20.5 Contractual Maturity Analysis of Lease Rentals Receivable**

As at 31st March 2025	1 Year	1- 5 Year	More than 5 Year	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Rentals Receivable	20,072,594	24,263,749	5,909	44,342,252
Less: Unearned Income	(7,053,120)	(5,855,875)	(186)	(12,909,181)
	13,019,474	18,407,874	5,723	31,433,071
Less: Specific Provision				(18,082)
Less: Collective Impairment				(1,498,095)
				29,916,894
As at 31st March 2024	1 Year	1- 5 Year	More than 5	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rental Receivables	16,445,024	20,399,493	9,245	36,853,762
Less: Unearned Income	(5,980,059)	(5,256,113)	(562)	(11,236,734)
	10,464,965	15,143,380	8,683	25,617,028
Less: Specific Provision				(62,114)
Less: Collective Impairment				(1,841,465)
				23,713,449

21. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 Rs. '000	2024 Rs. '000
Treasury Bonds (Note 21.1)	6,712,682	6,747,888
Unquoted Shares*	195	195
	6,712,877	6,748,083

*The unquoted ordinary shares include investments that have been made primarily for the regulatory purpose.

21.1 Movement in Treasury Bond Investment

	2025 Rs. '000	2024 Rs. '000
Balance as at 01 April	6,747,888	5,232,946
Purchase of Treasury Bonds	-	-
Sale of Treasury Bonds	-	(454,901)
Interest Accrued	240,771	177,826
Mark to Market Gain	(275,977)	1,792,017
Balance as at 31 March	6,712,682	6,747,888

22. OTHER FINANCIAL ASSETS

	2025 Rs. '000	2024 Rs. '000
Refundable Deposits and Prepayment	48,941	26,296
Amounts Due From Related Parties	23,851	12,177
Other Charges Receivable from Client (Note 22.1)	58,403	90,574
	131,195	129,047

22.1 Other Charges Receivable from Client

	2025 Rs. '000	2024 Rs. '000
Other Charges Receivable from Client (Note 22.1.1)	61,184	97,370
Less: Specific Impairment	-	-
Less: Collective Impairment	(2,781)	(6,796)
	58,403	90,574

Other charges receivable from client includes receivables for insurance premium, moratorium, legal fees, seizing charges, stamp duty, service charges etc.



22. OTHER FINANCIAL ASSETS (Contd...)**22.1.1 Analysis of Other Financial Assets based on Exposure to Credit Risk - Other Charges Receivable from Client**

As at 31st March 2025	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Loan and Lease Rental Receivables	19,518	12,475	29,191	61,184
Allowance for Expected Credit Losses	(838)	(561)	(1,382)	(2,781)
Net Loan and Lease Rental Receivables	18,680	11,914	27,809	58,403

As at 31st March 2024	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Gross Loan and Lease Rental Receivables	20,685	15,400	61,285	97,370
Allowance for Expected Credit Losses	(1,321)	(1,094)	(4,381)	(6,796)
Net Loan and Lease Rental Receivables	19,364	14,306	56,904	90,574

22.1.2 Allowance for Expected Credit Losses - Other Charges Receivable from Client

	2025 Rs. '000	2024 Rs. '000
Balance as at 01 April	6,796	10,795
Gross Charge to Profit or Loss (Note 22.1.3)	(2,571)	(529)
Provision Against Net Write Off (Note 22.1.3.1)	(1,444)	(3,470)
Balance as at 31 March	2,781	6,796

22.1.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk- Other Charges Receivable from Client

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Balance as at 01 April 2024	1,321	1,094	4,381	6,796
Gross Charge to Profit or Loss	(477)	(491)	(1,603)	(2,571)
Provision Against Net Write Off (Note 22.1.3.1)	(6)	(42)	(1,396)	(1,444)
Balance as at 31 March 2025	838	561	1,382	2,781

22.1.3.1 Provision Against Net Write Off

	Stage 01 Rs. '000	Stage 02 Rs. '000	Stage 03 Rs. '000	Total Rs. '000
Provision Against Write Off	6	42	1,396	1,444
Provision Against Write Back	-	-	-	-
	6	42	1,396	1,444



22.1.1.4 Credit exposure & provision for impairment movement-Other Charges Receivable from Client

	2024						
	Stage 1		Stage 2		Stage 3		Total
	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	Gross carrying amount Rs. '000	Provision for impairment Rs. '000	
Other Charges Receivable at amortised cost							
Balance as at 1 April 2023	16,468	1,388	17,199	1,981	96,369	7,426	130,036
- Transfer to stage 1	5,594	464	(3,303)	(274)	(2,291)	(190)	-
- Transfer to stage 2	(3,524)	(293)	5,914	491	(2,390)	(198)	-
- Transfer to stage 3	(825)	(68)	(2,361)	(196)	3,186	264	-
Net remeasurement of impairment	-	(101)	-	114	-	2,230	2,243
New financial assets originated or purchased	7,188	502	1,347	93	3,237	226	11,772
Financial assets that have been derecognised	(4,216)	(571)	(3,396)	(1,115)	(17,092)	(1,908)	(24,704)
Write-offs	-	-	-	-	(19,734)	(3,469)	(19,734)
Balance as at 31 March 2024	20,685	1,321	15,400	1,094	61,285	4,381	97,370
							6,796



Assetline Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

23. OTHER NON FINANCIAL ASSETS	2025 Rs. '000	2024 Rs. '000
Trading Stock	13,902	12,292
Prepayments and Advances	90,690	78,853
	<u>104,592</u>	<u>91,145</u>

24. INVESTMENT PROPERTY	2025 Rs. '000	2024 Rs. '000
24.1 Qualitative and Quantitative Disclosures of the Investment Properties		
Balance at the beginning of the year	107,000	193,800
Disposals/Transfer	(107,000)	(86,800)
Balance at the end of the year	<u>-</u>	<u>107,000</u>

The property located on Pelawatta - Parliament Road was sold on the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn, based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor.

Location	Buildings Sq. Ft	Land in Extent	Fair Value	
			2025 Rs. '000	2024 Rs. '000
Pelawatta - Parliament Road	11040	08P	-	107,000
Embilipitiya	1224	27A 01R 24P	21,200	21,200
Provision made - Embilipitiya			(21,200)	(21,200)
			<u>-</u>	<u>107,000</u>

24.2 Net profit from Investment Properties	2025 Rs. '000	2024 Rs. '000
Rental income derived from investment properties**	-	6,079
Direct operating expenses (including repair and maintenance) generate rental income	-	(1,554)
Direct operating expenses (including repair and maintenance) that did not generate rental income	(144)	(693)
Net profit arising from investment properties carried at fair value	<u>(144)</u>	<u>3,832</u>

**The Company has not rented out and earned any income on its investment property during the current financial year, since the investment property was sold on 15 May 2024.

24.3 Fair Value Related Disclosures of the Investment Properties

Fair Value Hierarchy

The fair value of the Company's investment properties are categorised into Level 3 of the fair value hierarchy.

Valuation Techniques and Significant Unobservable Inputs

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Type of Property	Valuation technique	Significant unobservable inputs	Range Applied
Land & Building	Cost Method/Direct Comparison Method	Estimated Price per sq.ft (Building)	Rs. 6,825 - Rs. 7,350
		Estimated Price per perch (Land)	Rs. 5.7 Mn - Rs. 6.3Mn
	Direct Comparison Method	Estimated Price per perch	Rs. 4.25 Mn

A significant increase/(decrease) in this input in isolation would result in a significant (lower)/higher fair value.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

25. PROPERTY, PLANT AND EQUIPMENT**25.1 Gross Carrying Amounts**

	Balance As at 01.04.2024 Rs. '000	Additions/ Revaluation for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2025 Rs. '000
Land & Building	38,310	44,387	(1,697)	81,000
Furniture & Fittings	47,587	7,976	(1,324)	54,239
Office Equipment	294,814	102,316	(33,635)	363,495
Leasehold Improvements	138,044	36,265	(4,297)	170,012
	<u>518,755</u>	<u>190,944</u>	<u>(40,953)</u>	<u>668,746</u>

Depreciation

	Balance As at 01.04.2024 Rs. '000	Charge/ Transfers for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2025 Rs. '000
Land & Building	1,131	566	(1,697)	-
Furniture & Fittings	45,088	1,505	(1,324)	45,269
Office Equipment	237,147	26,441	(33,437)	230,151
Leasehold Improvements	118,813	15,428	(4,297)	129,944
	<u>402,179</u>	<u>43,940</u>	<u>(40,755)</u>	<u>405,364</u>

25.2 Gross Carrying Amounts

	Balance As at 01.04.2023 Rs. '000	Additions/ Transfers for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2024 Rs. '000
Land & Building	38,310	-	-	38,310
Furniture & Fittings	47,085	515	(13)	47,587
Office Equipment	270,833	36,598	(12,617)	294,814
Leasehold Improvements	134,377	3,768	(101)	138,044
	<u>490,605</u>	<u>40,881</u>	<u>(12,731)</u>	<u>518,755</u>

Depreciation

	Balance As at 01.04.2023 Rs. '000	Charge/ Transfers for the year Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2024 Rs. '000
Land & Building	566	565	-	1,131
Furniture & Fittings	43,506	1,595	(13)	45,088
Office Equipment	234,652	14,975	(12,480)	237,147
Leasehold Improvements	108,516	10,397	(100)	118,813
	<u>387,240</u>	<u>27,532</u>	<u>(12,593)</u>	<u>402,179</u>

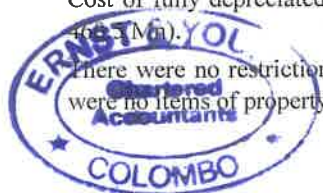
25.3 Net Book Values

	2025 Rs. '000	2024 Rs. '000
Land & Building	81,000	37,179
Furniture & Fittings	8,970	2,499
Office Equipment	133,344	57,667
Leasehold Improvements	40,068	19,231
	<u>263,382</u>	<u>116,576</u>

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 190.94 Mn (2024 Rs. 40.88 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2025 is Rs. 454.80Mn (2024 Rs. 460.5 Mn).

There were no restrictions existed on the title of the property, plant and equipment as at the reporting date. Further, there were no items of property, plant and equipment pledged as securities for liabilities.



25.4 Details of Land & Buildings Revaluation

The company has revalued its land & building as at 31 March 2025. The valuation is performed by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The details of the valuation performed is as follows,

Valuer	W.M. Chandrasena, Chartered Valuation Surveyor
Location of the property	No: 243, Ward Place, Borella
Date of Valuation	31.03.2025
Land in Extent	3.36 perches
Building in Extent	2760 sq. ft.
Method of Valuation	Contractor's Method Investment Method
	Estimated Price per sq.ft Estimated Price per sq.ft
	(Building) - Rs. 12,000/- (Building) - Rs. 220/-
Significant unobservable inputs	Estimated Price per perch Estimated Annual Income - Rs.
	(Land) - Rs. 18 Mn 7.2 Mn

Significant increases/ (decreases) of significant unobservable inputs above would result in a significantly higher/ (lower) fair

Movement of the Revalued Land & Building during the year is as follows,

	Cost	Accumulated Depreciation	Net Book Value before Revaluation	Revaluation Gain / (Loss)	Revalued Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	27,000	-	27,000	33,300	60,300
Building	11,310	1,697	9,613	11,087	20,700
Total	38,310	1,697	36,613	44,387	81,000

The carrying amount of Company's revalued land and buildings, if they were carried at cost less accumulated depreciation, would be as follows:

	2025 Rs. '000	2024 Rs. '000
Cost		
Land	27,000	27,000
Building	11,310	11,310
Total	38,310	38,310
Carrying Value		
Land	27,000	27,000
Building	9,613	10,179
Total	36,613	37,179



26. INTANGIBLE ASSETS

	2025 Rs. '000	2024 Rs. '000
Finance Business License (Note 26.1)	400,000	400,000
Computer Software (Note 26.2)	66,402	27,622
	<u>466,402</u>	<u>427,622</u>

26.1 Finance Business License

	2025 Rs. '000	2024 Rs. '000
Cost of the Finance Business License	400,000	400,000
Impairment (Note 26.1.1)	-	-
Net Book Value	<u>400,000</u>	<u>400,000</u>

26.1.1 Impairment Assessment

The Company obtained its Finance Business License (FBL) effective 29 August 2022. The cost incurred to obtain the FBL was Rs. 400 Mn and the useful life of this FBL is estimated to be indefinite and it was classified under Intangible Assets. The FBL enables the Company to carry out its finance business, under the directions issued by the Central Bank of Sri Lanka, where not having a FBL seizes the operations of the Company. Within this outset, the Company have identified that the Company is unable to carry out its finance business without the FBL given that its the core license required to carry out finance business operations by CBSL. Thus, no distinct cash-generating units were identified in relation to the FBL and its operational units, as the entire company must continue its operations as a unified entity under the FBL obtained.

In accordance with Sri Lanka Accounting Standards (LKAS 36), an intangible asset with an indefinite useful life must undergo an annual impairment assessment. Consequently, the Company conducted an impairment assessment of its finance business license (FBL) for the current financial year. This assessment evaluated the future profitability of the Company's finance operations, considering the future cash flows generated through the FBL against its recoverable value.

The recoverable amount was calculated using the value in use method. Under this approach, the future profitability of the Company was projected indefinitely, with a growth rate of 4%. These future profits were then converted to future cashflows and was discounted at a rate of 10.27%, based on the Company's Weighted Average Cost of Borrowing at the end of the current financial year.

As per this assessment, the FBL's net value in use was determined to be Rs. 64.82 billion.

	Rs' 000
Present Value of Future Cashflows (a)	97,432,354
Present Value of Total Debt (b)	<u>(32,610,802)</u>
Value in Use (a-b)	<u>64,821,552</u>

The value in use forecast of the FBL computed above is higher than the FBL's carrying value. Accordingly, it was identified that the Company will not foresee an impairment loss for its FBL for the current financial year. Based on this assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

26.1.2 Key assumptions used in value in use calculations**In arriving to the future cashflows to be generated through the FBL, the Company considered below assumptions**

- Going Concern: The business will continue as Going Concern despite the external economic impacts. Thus, after the 3 year budgeted figures, it is assumed that the profitability beyond the 3rd year will foresee a 4% growth annually for indefinite period.
- Revenue Growth Rate: The projected annual growth rate of revenue is 41%. This rate of growth was arrived, based on expected sales volumes, historical performance, market trends, and economic forecasts of the country.
- Operating Expenses: A 38% growth in the operating expenses is expected. This is, taking into account the annual increments, expansions, inflation, cost-saving measures, and efficiency improvements.
- Interest rates: Forecasted Interest rate changes which could impact both the cost of borrowing and the Interest income from lending activities is also considered. Accordingly, The WACB is expected to be reduced to 11% and the yield to achieve 32%.
- Portfolio Performance: Expected performance of the lease & loan portfolio, including default rates, recovery rates, and anticipated changes in the volume of new loans issued was also considered. Accordingly, a portfolio growth of 31% is assumed YoY.

Regulatory Environment: Potential changes in the Regulatory landscape could impact the operations, compliance costs, and strategic finances of the finance business. However, it is assumed that these changes will be minimum and not be quantitative towards the financial performance of the Company, given its stability.

Market Conditions: Anticipated economic conditions and their potential impact on the demand for financial services, including consumer confidence and spending behaviors. It is assumed that the Company will increase its market share to 3.1% of the financial services sector and will continue its market of being within the top 10 LFCs in the country.

Assetline Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

26. INTANGIBLE ASSETS (Contd...)

	Balance As at 01.04.2024 Rs. '000	Additions Improvements & Charge to P/L Rs. '000	Balance As at 31.03.2025 Rs. '000
26.2 Computer Software			
26.2.1 Cost of the Intangible Assets	171,688	61,103	232,791
Amortisation & Impairment	(144,066)	(22,323)	(166,389)
Net Book Value	27,622	38,780	66,402

	Balance As at 01.04.2023 Rs. '000	Additions Improvements & Charge to P/L Rs. '000	Balance As at 31.03.2024 Rs. '000
26.2.2 Cost of the Intangible Assets	161,144	10,544	171,688
Amortisation & Impairment	(128,134)	(15,932)	(144,066)
Net Book Value	33,010	(5,388)	27,622

The amount of contractual commitments for the acquisition of intangible assets as at the reporting date is Rs. 15.8Mn. (2024 Rs. 24.6Mn)

There were no restrictions existed on the title of intangible assets as at the reporting date. Further, there were no items of intangible assets pledged as securities for liabilities.

27. RIGHT OF USE ASSETS

	2025 Rs. '000	2024 Rs. '000
27.1 Gross Carrying Amounts		
Balance as at 01 April	270,573	234,684
Addition and Improvement	149,649	72,821
Removal	(40,335)	(36,932)
Balance as at 31 March	379,887	270,573

	2025 Rs. '000	2024 Rs. '000
Accumulated Amortisation		
Balance as at 01 April	141,433	127,408
Charge for the Year	68,069	50,957
Disposals	7,002	-
Removal	(40,335)	(36,932)
Balance as at 31 March	176,169	141,433
Net Book value as at 31 March	203,718	129,140

	2025 Rs. '000	2024 Rs. '000
27.2 Lease Liability		
Balance as at 01 April	159,279	133,798
Additions	149,649	72,821
Ascertain of Interest	30,728	23,591
Disposals	(11,862)	-
Payment	(103,095)	(70,931)
Balance as at 31 March	224,699	159,279

	2025 Rs. '000	2024 Rs. '000
27.2.1 Contractual Maturity Analysis of Lease Liability		
Less than one Year	53,805	36,987
1-5 Year	161,978	122,292
More than 5 Year	8,916	-
	224,699	159,279

	2025 Rs. '000	2024 Rs. '000
27.2.2 Undiscounted Maturity Analysis of Lease Liability		
Less than one Year	80,818	59,564
1-5 Year	198,841	155,037
More than 5 Year	11,371	-
	291,030	214,601



28. FINANCIAL LIABILITIES AT AMORTIZED COST - DUE TO DEPOSITORS

	2025 Rs. '000	2024 Rs. '000
Deposits from Customers - Term Deposits	6,226,827	680,596
	<u>6,226,827</u>	<u>680,596</u>

28.1 Contractual Maturity Analysis of Customer Deposits
As at 31st March 2025

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Deposits from Customers - Term Deposits	3,798,371	2,428,456	-	6,226,827
	<u>3,798,371</u>	<u>2,428,456</u>	<u>-</u>	<u>6,226,827</u>

As at 31st March 2024

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Deposits from Customers - Term Deposits	680,087	509	-	680,596
	<u>680,087</u>	<u>509</u>	<u>-</u>	<u>680,596</u>

29. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

	2025 Rs. '000	2024 Rs. '000
Bank Loans	24,938,034	20,445,250
Foreign Currency Borrowings (FCB)	889,924	-
	<u>25,827,958</u>	<u>20,445,250</u>

29.1 Movement of Borrowings

Institution	Currency	Collateral	As at 31.03.2024 Rs. '000	Loans Obtained Rs. '000	Interest Expenses Rs. '000	Total Repayment Rs. '000	As at 31.03.2025 Rs. '000
Commercial Bank of Ceylon PLC	LKR	Unsecured	3,078,553	4,450,000	314,508	4,323,243	3,519,818
Hatton National Bank PLC	LKR	Unsecured	5,527,176	9,150,000	556,308	7,612,119	7,621,365
Sampath Bank PLC	LKR	Unsecured	2,003,711	1,750,000	86,560	3,640,016	200,255
Nations Trust Bank PLC	LKR	Unsecured	1,053,972	6,800,000	224,245	5,570,904	2,507,313
Nations Trust Bank PLC	LKR	USD Fixed Deposit*	-	778,174	21,125	19,007	780,292
NDB Bank PLC	LKR	Unsecured	1,008,031	2,400,000	37,391	2,793,035	652,387
Seylan Bank PLC	LKR	Unsecured	5,767,043	10,250,000	684,475	10,454,085	6,247,433
DFCC Bank PLC	LKR	Unsecured	1,004,054	300,000	74,236	775,860	602,430
Pan Asia Bank PLC	LKR	Unsecured	1,002,710	3,150,000	77,344	3,729,499	500,555
Bank of Ceylon PLC	LKR	Unsecured	-	4,560,000	59,744	3,215,834	1,403,910
Cargills Bank PLC	LKR	Unsecured	-	1,000,000	80,232	177,956	902,276
			<u>20,445,250</u>	<u>44,588,174</u>	<u>2,216,168</u>	<u>42,311,558</u>	<u>24,938,034</u>
BlueOrchard Finance Ltd*	USD	Unsecured	-	889,042	46,826	45,944	889,924
			-	889,042	46,826	45,944	889,924
Total Borrowings			<u>20,445,250</u>	<u>45,477,216</u>	<u>2,262,994</u>	<u>42,357,502</u>	<u>25,827,958</u>

*The Company obtained USD 3 Mn loan facility from BlueOrchard Finance Ltd during the financial year and deposited those funds in foreign currency deposit and obtain rupee loan against such deposit.

29.1.1 Assets Pledged as Collateral Against Borrowings

Asset Type	Gross Carrying Amount		Fair Value	
	2025 Rs. '000	2024 Rs. '000	2025 Rs. '000	2024 Rs. '000
Foreign Currency Fixed Deposit (Note 18)	881,510	-	881,510	-

29.2 Repayment Analysis

	2025 Repayable within 1 year Rs. '000	2025 Repayable after 1 year Rs. '000	2025 Total Rs. '000	2024 Repayable within 1 year Rs. '000	2024 Repayable after 1 year Rs. '000	2024 Total Rs. '000
Bank Loans	12,247,813	12,690,221	24,938,034	16,949,850	3,495,400	20,445,250
Foreign Currency Borrowings	955	888,969	889,924	-	-	-
	<u>12,248,768</u>	<u>13,579,190</u>	<u>25,827,958</u>	<u>16,949,850</u>	<u>3,495,400</u>	<u>20,445,250</u>



30. OTHER FINANCIAL LIABILITIES

	2025 Rs. '000	2024 Rs. '000
Trade Payables to Related Parties	774,706	95,512
Trade Payables to Other Parties	470,464	317,107
Amount Collected from Customers	590,751	469,593
Amounts Due to Related Parties	141,553	92,423
Lease Liability (Note 27.2)	224,699	159,279
Advertising and Promotion Expenses Payable	43,804	13,654
Dividend Payable (Note 35.2)	432,687	-
Accruals and Expenses Payables	98,273	105,298
	<u>2,776,937</u>	<u>1,252,866</u>

31. OTHER NON FINANCIAL LIABILITIES

	2025 Rs. '000	2024 Rs. '000
Statutory Payment Payable	232,094	148,948
Other Payables	198,202	95,713
	<u>430,296</u>	<u>244,661</u>

32. INCOME TAX PAYABLE

	2025 Rs. '000	2024 Rs. '000
Income Taxation Receivable /(Payable)		
As at 01 April	441,429	(106,490)
Income Tax Paid	(1,554,361)	(146,040)
Adjustment (ESC/ WHT etc.)	(2,082)	-
Provision for the Year (Note 14.1)	1,537,609	693,959
Balance as at 31 March	<u>422,595</u>	<u>441,429</u>

33. DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 30%.

The movement on the deferred income tax asset/(liability) account is as follows;

	2025 Rs. '000	2024 Rs. '000
Balance as at 1 April	102,500	777,443
Charge to Profit or Loss - Due to Change in Temporary Difference	(99,131)	(139,868)
Charge to Other Comprehensive Income on Actuarial Valuation	2,726	2,530
Gains/(Losses) arising on Revaluation of Land & Building	(13,316)	-
Gains/(Losses) arising on re-measuring Financial Assets	82,793	(537,605)
Balance as at 31 March - Asset/(Liability)	<u>75,572</u>	<u>102,500</u>



33. DEFERRED TAXATION (Contd...)

Deferred Tax Assets (Liabilities) and Income Tax Relates to the following.

	Statements of Financial Position		Statement of Profit or Loss		Other Comprehensive Income	
	2025	2024	2025	2024	2025	2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred Tax Liability						
Depreciation of Property Plant & Equipment	(8,933)	(2,393)	(6,540)	(3,143)	-	-
Fair Value Gain on IP	-	-	-	-	-	-
Depreciation of Lease Assets	(290)	(1,542)	1,252	12,596	-	-
Gains/(Losses) arising on re-measuring Financial Assets	(491,650)	(574,443)	-	-	82,793	(537,605)
Gains/(Losses) arising on Revaluation of Land & Building	(13,316)	-	-	-	(13,316)	-
	<u>(514,189)</u>	<u>(578,378)</u>	<u>(5,288)</u>	<u>9,453</u>	<u>69,477</u>	<u>(537,605)</u>
Deferred Tax Assets						
Right of Use of Assets	6,294	9,042	(2,748)	1,085	-	-
Impairment	524,612	623,779	(99,167)	(157,801)	-	-
Retirement Benefit Obligation	58,855	48,057	8,072	7,395	2,726	2,530
	<u>589,761</u>	<u>680,878</u>	<u>(93,843)</u>	<u>(149,321)</u>	<u>2,726</u>	<u>2,530</u>
Deferred Income Tax (Charge)/Reversal	<u>75,572</u>	<u>102,500</u>	<u>(99,131)</u>	<u>(139,868)</u>	<u>72,203</u>	<u>(535,075)</u>

34. RETIREMENT BENEFIT OBLIGATIONS

	2025 Rs. '000	2024 Rs. '000
Balance as at 1 April	160,190	127,108
Provision made during the year	51,945	50,381
Benefits paid by the plan	<u>(15,952)</u>	<u>(17,299)</u>
Balance as at 31 March	<u>196,183</u>	<u>160,190</u>



34. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

		2025	2024
		Rs. '000	Rs. '000
34.1 Defined Benefit Obligation Movement	Note		
Balance as at 1 April		160,190	127,108
Current Service Cost	34.2	23,636	19,069
Interest Cost	34.2	19,223	22,880
Benefits paid by the plan		(15,952)	(17,299)
(Gains) /Losses due to the Changes in Financial Assumptions	34.3	4,451	4,161
(Gains) /Losses due to the Changes in Experience	34.3	4,635	4,271
Balance as at 31 March		<u>196,183</u>	<u>160,190</u>
34.2 Amounts Recognised in Profit or Loss		2025	2024
		Rs. '000	Rs. '000
Current Service Cost for the Year		23,636	19,069
Interest Cost for the Year		19,223	22,880
		<u>42,859</u>	<u>41,949</u>
34.3 Amounts Recognised in Other Comprehensive Income		2025	2024
		Rs. '000	Rs. '000
(Gains) /Losses due to the Changes in Financial Assumptions		4,451	4,161
(Gains) /Losses due to the Changes in Experience		4,635	4,271
		<u>9,086</u>	<u>8,432</u>
34.4 Distribution of Present Value of Defined Benefit Obligation		2025	2024
		Rs. '000	Rs. '000
Within the next 12 months		23,449	20,101
Between 1 to 5 years		74,657	63,205
Between 5 to 10 years		58,085	44,577
More than 10 years		39,992	32,307
		<u>196,183</u>	<u>160,190</u>
34.5 Assumptions		2025	2024
Discount Rate		10.50%	12.00%
Salary Increment		9.00%	10.00%
Retirement Age		60 Years	60 Years
Expected Average Future Working Years		7.3 Years	7.5 Years

Actuarial valuations of the gratuity of the Company was carried out as at 31 March 2025 by Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuaries. The valuation method used by the actuary to value the Fund is the 'Projected Unit Credit Method', recommended by the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).



Assetline Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

34. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

34.6 Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the statement of Comprehensive income and statement of Financial Position is the effect of the assumed changes in discount rate and salary scale in the profit or loss and retirement benefit obligation for the year.

2024/25			
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)
1%		10.65	-10.65
-1%		-11.86	11.86
	1%	-12.81	12.81
	-1%	11.68	-11.68

2023/24			
Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	Sensitivity Effect on statement of Comprehensive Income - Increase/(Reduction) in results for the year (Rs. Mn)	Sensitivity Effect on Retirement Benefit Obligation - Increase/(Reduction) in liability (Rs. Mn)
1%		-8.48	8.48
-1%		9.43	-9.43
	1%	10.25	-10.25
	-1%	-9.36	9.36

35. STATED CAPITAL

	2025		2024	
	No. of Shares	Rs. '000	No. of Shares	Rs. '000
35.1 Issued and Fully Paid-Ordinary Shares				
Stated Capital	133,958,971	3,550,000	133,958,971	3,550,000
	133,958,971	3,550,000	133,958,971	3,550,000

The Authorised Capital and Par Value Concept in relation to shares were abolished by the Companies Act No. 07 of 2007. The total amount received by the Company or due and payable to the Company in respect of the issue and calls of the shares are referred to as stated capital.

35.2 Dividends Paid and Proposed

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

Payment of Dividends:

The Board of Directors proposed an interim cash dividend of Rs 3.80 per share for the financial year 2024/25, amounting to a total sum of Sri Lankan Rupees five hundred and nine million forty four thousand ninety (Rs. 509,044,090). This was payable as at 31 March 2025 due to pending approval from CBSL. Subsequently, upon receiving the approval of CBSL, the dividend was paid in April 2025.

	2025	2024
Dividend Per Share (Rs.)	3.80	-
No. of ordinary shares as at 31 March	133,958,971	133,958,971
Total Dividend Payable (Rs.)	509,044,090	-
(-) With Holding Tax @ 15%	(76,356,613)	-
Net Dividend Payable (Rs.)	432,687,477	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 and amendments thereto issued to Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. If the Company's capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to the reserve fund each year. Accordingly 5% of the net profit for the year is transferred to the Reserve Fund.

	2025 Rs. '000	2024 Rs. '000
At the beginning of the year	1,176,508	1,112,084
Profit transferred during the year	135,738	64,424
At the end of the year	1,312,246	1,176,508

37. FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RESERVE

Fair value through other comprehensive income reserve, which comprises changes in fair value of Financial Assets - Fair Value through Other Comprehensive Income

	2025 Rs. '000	2024 Rs. '000
Balance as at 1 April	1,340,283	85,871
Changes in fair value during the year (net of tax)	(193,184)	1,254,412
Balance as at 31 March	1,147,099	1,340,283

38. REVALUATION RESERVE

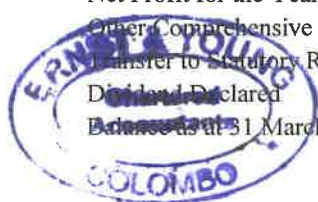
Revaluation Reserve represents the fair value changes of Company's Land & Buildings. A detailed disclosure on the underlying valuations is available in Note 25.4

	2025 Rs. '000	2024 Rs. '000
Balance as at 1 April	-	-
Revaluation gain during the year	44,387	-
Less: Tax impact on revaluation gain	(13,316)	-
Balance as at 31 March	31,071	-

39. RETAINED EARNINGS

This represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividend payments.

	2025 Rs. '000	2024 Rs. '000
Balance as at 1 April	7,828,899	6,610,753
Net Profit for the Year	2,714,754	1,288,473
Other Comprehensive Income net of Tax	(6,360)	(5,903)
Transfer to Statutory Reserve Fund	(135,738)	(64,424)
Dividend Declared	(509,044)	-
Balance as at 31 March	9,892,511	7,828,899



40. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as related parties in the Sri Lanka Accounting Standards - LKAS 24 (Related Party Disclosures), the details which are reported below.

40.1 Terms and Condition

The Company carries out transactions with Parent Company, Affiliate Company, Key Management Personnel (KMP)s & their Close Family Members (CFM)s in the ordinary course of its business on an arms length basis at commercial rates.

40.2 Transactions with Key Management Personnel (KMP)

KMP of the Company

As per Sri Lanka Accounting Standard - LKAS 24 (Related Party Disclosures), Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition, a person cannot be considered as a KMP unless such person has both the authority and responsibility to carry out all the three activities mentioned in the above definition.

In line with the above definition, the Company has defined its Key Management Persons as the Directors and the Senior Management of the Company.

40.2.1 Key Management Personnel Compensation

	2025 Rs. '000	2024 Rs. '000
Short Term Employees Benefits	321,655	266,467
Post - Employment Benefits	26,062	21,403
Money Value of Perquisites	10,351	8,608
Other Long Term Benefits	43,523	31,297
	<u>401,591</u>	<u>327,775</u>

40.2.2 Transactions, Arrangements , Agreements and Expense by KMP and their CFMs

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

Aggregate value of the transactions with KMP and their CFMs are disclosed below.

	2025 Rs. '000	2024 Rs. '000
As at 31 March		
Lease Rentals Receivable	12,541	24,904
	<u>12,541</u>	<u>24,904</u>
Net Accommodations Outstanding as a Percentage of Capital Funds	0.09%	0.18%
For the year ended 31 March		
Interest Income on Lease Receivables	998	1,844
	<u>998</u>	<u>1,844</u>
	2025 Rs. '000	2024 Rs. '000
As at 31 March		
Deposits from Customers - Term Deposits	-	3,085
	<u>-</u>	<u>3,085</u>
For the year ended 31 March		
Interest Expense on Term Deposits	65	85
	<u>65</u>	<u>85</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

40. RELATED PARTY DISCLOSURES (Contd...)

40.3 Transactions with Ultimate Parent Company

David Pieris Holdings (Pvt) Ltd	Nature of Transactions	2025 Rs. '000	2024 Rs. '000
	As at March 31		
	Non Trading Receivable	978	153
	Non Trading Payable	102,499	57,166
	Transactions for the period		
	Sale of Assets	-	-
	Purchase of Assets	-	568
	Rent Income from Shared Locations	213	-
	Reimbursement of Operating Expenses	2,704	-
	Other Operating Expenses	295,507	258,742

40.4 Transactions with Parent Company

DPMC Assetline Holdings (Pvt) Ltd	Nature of Transactions	2025 Rs. '000	2024 Rs. '000
	As at March 31		
	Non Trading Receivable	-	6,906
	Non Trading Payable	34	-
	Transactions for the period		
	Reimbursement of Operating Expenses	761	734
	Other Operating Expenses	-	496
	Rent Expenses	-	520
	Dividend Paid	-	56,933
	Sale of Investment Property	107,000	86,800

40.5 Transactions with Other Group Companies

Nature of Transactions	2025 Rs. '000	2024 Rs. '000
As at March 31		
Fixed Deposits	2,380,000	450,000
Interest Payable on Fixed Deposit	103,618	19,691
Non Trading Receivable	22,873	5,118
Non Trading Payable	39,020	20,244
Trading Payable	774,706	95,512
Lease Receivable	4,341	-
Transactions for the period		
Fixed Deposits Obtained	2,380,000	650,000
Fixed Deposits Repaid	650,000	400,000
Loan Obtained	-	6,550,000
Loan Repayments	-	7,800,000
Interest Expenses on Fixed Deposit	148,543	33,113
Interest Expenses on Borrowing	-	254,292
Supplier Payments on Leased Motor Vehicles	7,976,205	1,666,598
Leasing of Motor Vehicles	5,600	-
Repayments Received on Leasing	1,969	-
Leasing Interest Income	671	-
Stock Purchases	-	29,298
Purchase of Assets (Tangible & Intangible)	25,846	6,976
Sale of Vehicles	18,378	13,510
Reimbursement of Operating Expenses	15,866	6,558
Other Operating Expenses	318,102	160,208
Dividend Paid	-	-



40. RELATED PARTY DISCLOSURES (Contd...)**40.5.1 Disclosure of Recurrent & Non-Recurrent RPT Transactions**

The above related party transactions contain recurrent transactions which were exceeding the limit of 10% of previous year's gross income as stated follows,

Transaction 1

Name of the related party	: David Pieris Motor Company (Lanka) Ltd
Relationship	: Affiliate Company
Nature of transaction	: Supplier payments (Disbursements)
Aggregate transaction value (Rs. '000)	: 7,611,220
Aggregate transaction value as a % of gross income	: 74%
Terms & Conditions of the transaction	: Same as the terms and conditions applicable for other lease suppliers.
Rationale for entering the transaction	: Providing leasing facilities for Brand New Bajaj Motor Cycles & Three Wheelers.

Transaction 2

Name of the related party	: David Pieris Motor Company (Lanka) Ltd
Relationship	: Affiliate Company
Nature of transaction	: Fixed Deposits obtained
Aggregate transaction value (Rs. '000)	: 2,250,000
Aggregate transaction value as a % of gross income	: 22%
Terms & Conditions of the transaction	: Same as the terms and conditions applicable for other depositors.
Rationale for entering the transaction	: Obtaining funding via Fixed Deposits.

There were no any other non-recurrent related party transactions which requires separate disclosures within the current financial year.



41. FAIR VALUE OF FINANCIAL INSTRUMENTS**41.1 Determination of Fair Value and Fair Value Hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 : Quoted (unadjusted) prices in active markets for identical assets or liabilities in active market

Level 2 : Valuation technique using observable inputs : quoted prices for similar assets and liabilities in active markets are valued using models where all significant inputs are observable.

Level 3: Valuation technique with significant unobservable inputs : assets valued using valuation techniques where one or more significant inputs are unobservable.

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

As at 31st March

	2025			2024		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets FVOCI	6,712,682	-	-	6,747,888	-	-
Investment Property	-	-	-	-	-	107,000
PPE - Land & Building	-	-	81,000	-	-	38,310
Total Assets	6,712,682	-	81,000	6,747,888	-	145,310

Level 3 - Land & Building Valuation

The Company valued its owned property located at No: 243, Ward Place, Borella on 31 March 2025. Detailed disclosures regarding this is available under Note 25.4 to the Financial Statements.

41.2 Fair Value of Financial Assets & Liabilities Not Carried at Fair Value

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

Assets for which Fair Value Approximates Carrying Value

Financial Assets and Liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their

Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments

Variable Rate Financial Instruments

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

Set out below is the comparison, by class, of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

	2025				2024			
	Fair Value		Quoted prices in active markets	Significant unobservable inputs Level 3	Fair Value		Significant unobservable inputs Level 3	Carrying Amount
	Level 1	Level 2			Level 1	Level 2		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
FINANCIAL ASSETS								
Financial Assets at amortised cost - Loans and Advances	-	13,321,503	-	-	-	5,563,378	-	5,496,194
Financial Assets at amortised cost - Lease Rentals Receivable	-	34,936,494	-	-	-	28,112,087	-	23,713,449
	-	48,257,997	-	-	-	33,675,465	-	29,209,643
FINANCIAL LIABILITIES								
Financial Liabilities at Amortized Cost - Due to Depositors	-	6,769,123	-	-	-	680,596	-	680,596
Debt Instruments Issued and Other Borrowed Funds	-	27,123,226	-	-	-	20,445,250	-	20,445,250
	-	33,892,349	-	-	-	21,125,846	-	21,125,846

The following is a list of financial instruments whose carrying amount is a reasonable approximation of fair value because, they are short-term in nature or re-price to current rated frequently:

FINANCIAL ASSETS

Cash and Cash Equivalents
Deposits with Banks
Financial Assets - Fair Value through Other Comprehensive Income
Other Financial Assets

FINANCIAL LIABILITIES

Bank Overdraft
Other Financial Liabilities



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

42. MATURITY ANALYSIS

An analysis of assets and liabilities based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is as follows.

As at 31 March 2025	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Bank Balances	496,614	-	-	-	-	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	250,221
Deposits with Banks	1,498	-	880,012	-	-	881,510
Financial Assets at Amortised Cost - Loans and Advances	2,661,469	5,151,426	3,088,311	1,921,444	38,209	12,860,859
Financial Assets at Amortised Cost - Lease Rentals Receivable	4,104,048	8,287,431	14,561,854	2,958,114	5,447	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	539,158	-	5,345,169	345,837	482,713	6,712,877
Other Financial Assets	109,163	-	22,032	-	-	131,195
Other Non Financial Assets	76,828	17,378	10,386	-	-	104,592
Investment Properties	-	-	-	-	-	-
Property, Plant & Equipment	-	-	-	-	263,382	263,382
Intangible Assets	-	-	-	-	466,402	466,402
Deferred Tax Asset	-	-	-	-	75,572	75,572
Right of Use Assets	20,706	56,865	103,926	22,221	-	203,718
Total Assets	8,259,705	13,513,100	24,011,690	5,247,616	1,331,725	52,363,836
Composition (%)	16%	26%	45%	10%	3%	100%

LIABILITIES

Bank Overdraft	550,113	-	-	-	-	550,113
Financial Liabilities at Amortized Cost - Due to Depositors	1,480,012	2,318,359	2,425,787	2,669	-	6,226,827
Debt Instruments Issued and Other Borrowed Funds	8,448,649	3,800,118	9,822,763	3,756,428	-	25,827,958
Other Financial Liabilities	2,565,253	40,790	101,350	60,628	8,916	2,776,937
Other Non Financial Liabilities	232,843	197,453	-	-	-	430,296
Income Tax Payable	-	422,595	-	-	-	422,595
Retirement Benefit Obligations	-	23,449	-	74,657	98,077	196,183
Total Liabilities	13,276,870	6,802,764	12,349,900	3,894,382	106,993	36,430,909
Composition (%)	36%	19%	34%	11%	0%	100%

As at 31 March 2024

As at 31 March 2024	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total
ASSETS	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash and Bank Balances	355,681	-	-	-	-	355,681
Deposits with Banks	-	-	-	-	-	-
Financial Assets at Amortised Cost - Loans and Advances	989,039	2,418,720	1,233,442	839,623	15,370	5,496,194
Financial Assets at Amortised Cost - Lease Rentals Receivable	3,563,516	6,123,807	11,757,463	2,260,625	8,038	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	312,011	-	2,342,724	3,399,017	694,331	6,748,083
Other Financial Assets	108,085	-	20,962	-	-	129,047
Other Non Financial Assets	86,428	4,717	-	-	-	91,145
Investment Properties	-	-	-	-	107,000	107,000
Property, Plant & Equipment	-	-	-	-	116,576	116,576
Intangible Assets	-	-	-	-	427,622	427,622
Deferred Tax Asset	-	-	-	-	102,500	102,500
Right of Use Assets	13,761	38,851	68,671	7,857	-	129,140
Total Assets	5,428,521	8,586,095	15,423,262	6,507,122	1,471,437	37,416,437
Composition (%)	15%	23%	41%	17%	4%	100%

LIABILITIES

Bank Overdraft	295,755	-	-	-	-	295,755
Financial Liabilities at Amortized Cost - Due to Depositors	166,226	240,070	273,800	-	500	680,596
Debt Instruments Issued and Other Borrowed Funds	14,874,550	2,075,300	2,807,900	687,500	-	20,445,250
Other Financial Liabilities	1,126,542	22,751	61,058	42,515	-	1,252,866
Other Non Financial Liabilities	150,205	94,456	-	-	-	244,661
Income Tax Payable	-	441,429	-	-	-	441,429
Retirement Benefit Obligations	-	20,101	-	63,205	76,884	160,190
Total Liabilities	16,613,278	2,894,107	3,142,758	793,220	77,384	23,520,747
Composition (%)	72%	12%	13%	3%	0%	100%

43. RISK MANAGEMENT

43.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. 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 his or her responsibilities.

The Company is mainly exposed to credit risk, interest rate risk, currency risk, price risk, liquidity risk, operational risk, the latter being subdivided into regulatory & compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry.

The Company's policy is to monitor those business risks through the Company's strategic planning process.

43.1.1 Risk Management Structure

The Board of Directors are primarily responsible for establishing and overseeing Company's risk management framework and management of risk initiatives. Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the Company. The BIRMC was set up to fulfil the requirement set out in the Finance Companies Direction No. 5 of 2021 on Corporate Governance for Finance Companies issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act, No. 42 of 2011.

The quantum and level of risks that the Company is willing to accept is decided at the BIRMC, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk appetite levels agreed at the BIRMC meetings.

This Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of three Independent Non-Executive Directors of the Company.

In addition to the BIRM Committee, Risk Management function is managed by Enterprise Risk Management Department (ERMD), headed by the Head of Enterprise Risk Management. ERMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The division works closely with the BIRMC to ensure that procedures are compliant with the overall framework. ERMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This department also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported to the IRMC, where necessary, and the relevant actions are taken to address exceptions and any areas of weakness.

The Company's policy is to ensure that risk management processes throughout the Company are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

43.1.2 Risk Measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.



43. RISK MANAGEMENT (Contd..)**43.2 Credit Risk**

Credit risk refers to the risk that borrowers will default on any type of debt by failing to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan/lease or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Management of Credit Risk

The credit risk management initiates at the beginning of the loan/lease origination stage which includes the preliminary screening of the customer and credit appraisal of the particular facility. In determining the borrower's credit risk, the industry in which he performs, succession, integrity, past payment records inter alia are considered. In assessing the facility, the equity contribution, security cover and guarantors are taken in to consideration.

The objective of this process is to assess the borrower's ability to meet its obligations in an objective manner. The Company has clearly defined guidelines for credit approvals where the limits have been set taking into consideration the factors such as maximum counterparty exposures, loan to value ratio and forced sale value. The entire credit risk management of the Company is governed by the Credit Risk Management Policy and Framework.

43.2.1 Impairment Assessment

The Company recognises loss allowance using expected Credit losses (ECL) on loans and receivables and other financial instrument measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

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

The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Definition of Default and Cured

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 or the borrower becomes over 90 days past due on its contractual payments.

As a part of a qualitative assessment whether an individual significant customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay.

- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan/lease 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.
- The borrower is deceased

The Company's policy is to consider a Financial Instrument as "Cured" and therefore to re-classify that financial instrument out of the Stage 3 when non of the default criteria have been presented and the borrower is no longer considered as none performing in accordance with the directives of the Central Bank. Once cured, the decision whether to classify an asset as Stage 2 or Stage 1 largely depends on the days past due, at the time of the cure.

Significant Increase in Credit Risk

The Company continuously monitors all loan and lease portfolio subject to ECLs. In order to determine whether a portfolio is subject to 12mECL or LTECL, the Company assesses whether there has been significant increase in credit risk since initial recognition. The Company considers an exposure to have a significant increase credit risk when it is past due for more than 30 days.

The Company is focused on supporting customers who are experiencing financial difficulties because of the unprecedented macro-economic conditions. Accordingly, the Company has offered a range of industry-wide financial assistance measures under the term moratoriums initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonged period of time have been classified as stage 3 on a prudent basis when calculating the impairment provisions. Further, the Company has identified industries & sectors such as agriculture & construction as industries carrying an increased credit risk. Accordingly, stage 2 exposures from the borrowers operating in these industries which are collectively assessed for impairment have been classified as stage 3 unless such exposures are individually significant or are within the stage 1 where a SICR has not taken place.



43. RISK MANAGEMENT (Contd...)

43.2 Credit Risk

Calculation of ECL

ECL is 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). ECL is discounted at the effective interest rate of the financial asset.

Individually Assessed Allowances

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

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilization, loan-to-collateral ratios, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and interest rates)

The criteria used to determine whether there is objective evidence include:

- Past due contractual payments of either principal or interest
- The probability that the borrower will enter bankruptcy or other financial realisation
- A significant downgrading in credit rating by an external credit rating agency
- Known cash flow difficulties experienced by the borrower
- Current economic conditions of the borrower
- Any other legal proceedings against the borrower

Impairment losses are calculated by discounting the expected future cash flows of loans and receivables at its original effective interest rate and comparing the resultant present value with the loans and receivables current carrying amount. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Loss Allowances

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) and futuristic economic data (such as economic conditions, unemployment levels and local or industry-specific problems).

The Company applies three-stage approach to measuring expected credit losses (ECL) on Loan/Lease receivables and other financial assets measured at amortised cost. Assets migrate through the three stages based on the change in credit quality since initial recognition.

43.2.1.1 Assessment of Provision for Impairment

Analysis of the total provision for impairment is as follows

As at 31 March 2025	Note	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks	18	165	-	-	165
Financial assets at Amortised Cost - Loans and Advances	19.1	40,943	23,617	165,024	229,584
Financial assets at Amortised Cost - Lease Rentals Receivable	20.1	233,343	258,021	1,024,813	1,516,177
Other Charges Receivable from Client	22.1.1	838	561	1,382	2,781
Total provision for impairment		275,289	282,199	1,191,219	1,748,707
As at 31 March 2024	Note	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Deposits with Banks	18	-	-	-	-
Financial assets at Amortised Cost - Loans and Advances	19.1	21,454	12,835	134,598	168,887
Financial assets at Amortised Cost - Lease Rentals Receivable	20.1	207,356	506,066	1,190,157	1,903,579
Other Charges Receivable from Client	22.1.1	1,321	1,094	4,381	6,796
Total provision for impairment		230,131	519,995	1,329,136	2,079,262



43. **RISK MANAGEMENT (Contd...)**

43.2.1.1 **Assessment of Provision for Impairment (Contd...)**

Movement of the total provision for impairment during the period	2025 Rs. '000	2024 Rs. '000
Balance as at 1st April	2,079,262	2,605,297
Net charge to profit or loss	(330,555)	(526,035)
Balance as at 31st March	<u>1,748,707</u>	<u>2,079,262</u>

43.2.1.2 **Sensitivity Analysis : Impact of staging of loans on collective allowance for expected credit losses**

The Company has estimated the impairment provision on loans and advances to customers as at March 31, 2025, subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment provision of the Company as at March 31, 2025 to a reasonably possible change in PDs, LGDs and forward looking information.

Sensitivity on ECL	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement Rs. '000
	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000	
Change in Probability of Default (PD)					
PD 1% increase across all age buckets	19,666	4,619	-	24,285	(24,285)
PD 1% decrease across all age buckets *	(19,666)	(4,619)	-	(24,285)	24,285
Change in Loss Given Default (LGD)					
LGD 1% increase	28,346	30,129	8,147	66,622	(66,622)
LGD 1% decrease *	(28,346)	(30,129)	(8,147)	(66,622)	66,622
Changes in Probability Weighted Economic Scenarios (EFA)					
EFA Worse case 5% increase, best case 5% decrease, base case constant **	9,606	5,925	-	15,531	(15,531)
Worse case 5% decrease, best case 5% increase, base case constant **	(9,606)	(5,925)	-	(15,531)	15,531

* The PD/LGD decrease is capped to 0%, if applicable.

* Since a 100% PD is applied to Stage 3 facilities by default, sensitivity analysis is not applicable for Stage 3 exposures.

** Since the Probability of Default (PD) for Stage 3 is 100%, the best and worst-case scenarios have no impact on Stage 3.

43.2.2 **Analysis of Maximum Exposure to Credit Risk**

The following table shows the maximum exposure and net exposure (net of fair value of any collaterals held) to credit risk by class of financial asset, before netting off impairment for expected credit losses.

	2025		2024	
	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000	Maximum Exposure to Credit Risk Rs. '000	Net Exposure Rs. '000
Cash and Bank Balance	496,614	123,701	355,681	60,835
Deposits with Banks	881,510	881,510	-	-
Financial Assets at amortised cost - Loans and Advances	13,090,443	196,492	5,665,081	209,373
Financial Assets at amortised cost - Lease Rentals Receivable	31,433,071	-	25,617,028	-
Other Financial Assets	61,184	61,184	97,370	97,370
	<u>45,962,822</u>	<u>1,262,887</u>	<u>31,735,160</u>	<u>367,578</u>



43. RISK MANAGEMENT (Contd...)

43.2.3 Impaired Financial Instruments

Impaired Financial Assets are assets for which the company does not expect to recover all contractual cash flows, or anticipates receiving them later than originally agreed. A financial asset such as a lease receivable, loan receivable or other financial instrument is considered impaired when there is objective evidence that a loss event has occurred after initial recognition, and that this event is expected to negatively affect the asset's future cash flows.

According to SLFRS 9 – Financial Instruments, assets classified under Stage 3 are considered credit-impaired. A lease/loan that has been renegotiated due to a deterioration in the borrower's financial condition is typically treated as impaired, unless there is clear evidence that the credit risk has significantly improved and no other indicators of impairment exist.

	2025		
	Gross Balance Rs. '000	Impairment Rs. '000	Net Balance Rs. '000
Impaired Financial Assets (Stage 3)			
Financial Assets at amortised cost - Loans and Advances	203,948	(165,024)	38,924
Financial Assets at amortised cost - Lease Rentals Receivable	1,521,245	(1,024,813)	496,432
Other Financial Assets - Other Charges Receivable from Client	29,191	(1,382)	27,809
	<u>1,754,384</u>	<u>(1,191,219)</u>	<u>563,165</u>
	2024		
	Gross Balance Rs. '000	Impairment Rs. '000	Net Balance Rs. '000
Impaired Financial Assets (Stage 3)			
Financial Assets at amortised cost - Loans and Advances	199,282	(134,598)	64,684
Financial Assets at amortised cost - Lease Rentals Receivable	3,263,901	(1,190,157)	2,073,744
Other Financial Assets - Other Charges Receivable from Client	61,285	(4,381)	56,904
	<u>3,524,468</u>	<u>(1,329,136)</u>	<u>2,195,332</u>

43.2.4 Loans and Lease Receivables with Renegotiated Terms and the Company's Forbearance Policy

The contractual terms of a loan or lease may be modified for various reasons, including changing market conditions, customer retention, or other factors unrelated to actual or potential credit deterioration of the customer. When the terms of an existing loan are modified, the original loan or lease is derecognised, and the renegotiated loan or lease is recognised as a new financial asset at its fair value.

The Company may also renegotiate loans or leases for customers experiencing financial difficulties as part of its forbearance activities. These actions are intended to maximise recovery and minimise the risk of default. Forbearance is considered when there is evidence that the borrower is either already in default or at a high risk of default, has made reasonable efforts to meet their obligations under the original terms, and is expected to comply with the revised terms. Renegotiated terms typically include extending the loan/lease maturity, adjusting the timing of interest payments, or amending loan covenant conditions.

The Company also reassesses these facilities on whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stages are determined based on the regulatory directions issued by the Central Bank of Sri Lanka.

In accordance with Section 4.2 of Finance Business Act Direction No. 01 of 2020, the Company aggregates the number of Days Past Due (DPD) from the original facility with the DPD of the renegotiated facility, treating the new facility as an extension of the original one. Furthermore, the Company continuously monitors the repayment behavior of borrowers whose facilities have been renegotiated. This monitoring continues for a period ranging from 90 days to 360 days, in line with Table 3 of the aforementioned Direction, until all outstanding dues have been settled and the borrower consistently services the facility in a timely manner.

The table below set out information about the loans and lease receivables with renegotiated terms:

	2025 Rs. '000	2024 Rs. '000
Gross carrying amount of renegotiated loan and lease receivables	461,559	963,852
Total gross loans and lease receivables	44,584,698	31,379,479
Percentage of renegotiated loans (%)	1.0%	3.1%



From a risk management point of view, once a financial asset is forborne or modified due to financial difficulties of the borrower, the Accounting recovery department continues to monitor the exposure until it exits forbearance, where it is either cured or completely derecognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

43. RISK MANAGEMENT (Contd...)

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period.

As at 31 March 2025

	Post-Modification		Pre-Modification	
	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	80,683	883	153,765	2,219
Facilities that reverted to LTECL having once cured (Stage 2)	28,513	1,137	45,988	2,113
Facilities that reverted to LTECL having once cured (Stage 3)	352,363	285,290	560,071	271,168
	<u>461,559</u>	<u>287,310</u>	<u>759,824</u>	<u>275,500</u>

As at 31 March 2024

	Post-Modification		Pre-Modification	
	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000	Gross Carrying Amount Rs. '000	Related Expected Credit Loss Rs. '000
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	157,078	3,654	251,315	2,696
Facilities that reverted to LTECL having once cured (Stage 2)	35,240	2,618	54,462	2,898
Facilities that reverted to LTECL having once cured (Stage 3)	771,534	338,557	1,038,725	364,020
	<u>963,852</u>	<u>344,829</u>	<u>1,344,502</u>	<u>369,614</u>

Write-Off Policy

The Company writes off a loan or lease receivable, along with any related impairment allowances, when it determines that the asset is uncollectible. This determination is based on factors such as significant changes in the borrower's financial position, indicating that the obligation can no longer be met, or that the proceeds from collateral will be insufficient to cover the full exposure. The Company's policy is to pursue timely realisation of the collateral in an orderly manner.

The table below set out information about the loans and lease receivables written off and their contractual amounts outstanding, which are still subject to enforcement activities.

	2025 Rs. '000	2024 Rs. '000
Net loan and lease receivable written off during the year (Note 10.3)	767,005	2,262,832
Gross contractual outstanding of written off loans and leases which are subject to recovery	2,615,824	3,441,239



Assetline Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2025

43. RISK MANAGEMENT (Contd...)

43.2.5 Credit Quality by Class of Financial Assets

As at 31 March 2025	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000		
Assets						
Cash and Bank Balances	496,614	-	-	-	-	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	250,221
Deposits with Banks	-	881,675	-	-	165	881,510
Financial Assets at amortised cost - Loans and Advances	-	12,090,508	795,987	203,948	229,584	12,860,859
Financial Assets at amortised cost - Lease Rentals Receivable	-	24,416,613	5,495,213	1,521,245	1,516,177	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	6,712,877	-	-	-	-	6,712,877
Other Financial Assets	72,792	19,518	12,475	29,191	2,781	131,195
Total	7,532,504	37,408,314	6,303,675	1,754,384	1,748,707	51,250,170

As at 31 March 2024	Not subject to ECL	Subject to ECL			ECL	Carrying Amount
		Stage 1	Stage 2	Stage 3		
		Rs. '000	Rs. '000	Rs. '000		
Assets						
Cash and Bank Balances	355,681	-	-	-	-	355,681
Financial Assets at amortised cost - Loans and Advances	-	5,065,735	400,064	199,282	168,887	5,496,194
Financial Assets at amortised cost - Lease Rentals Receivable	-	16,140,577	6,212,550	3,263,901	1,903,579	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083	-	-	-	-	6,748,083
Other Financial Assets	38,473	20,685	15,400	61,285	6,796	129,047
Total	7,142,237	21,226,997	6,628,014	3,524,468	2,079,262	36,442,454

43.2.6 Aging Analysis of Loan & Lease Receivables

As at March 2025	Stage	Gross Rs. '000	Impairment Rs. '000	Net Rs. '000	Mix
Current	1	28,299,733	140,799	28,158,934	66%
Overdue below 30 days	1	8,207,388	133,487	8,073,901	19%
Overdue 31 to 90 days	2	6,291,200	281,638	6,009,562	14%
Overdue above 91 days	3	1,725,193	1,189,837	535,356	1%
Total		44,523,514	1,745,761	42,777,753	100%

As at March 2024	Stage	Gross Rs. '000	Impairment Rs. '000	Net Rs. '000	Mix
Current	1	15,694,698	112,379	15,582,319	54%
Overdue below 30 days	1	5,511,614	116,431	5,395,183	18%
Overdue 31 to 90 days	2	6,612,614	518,901	6,093,713	21%
Overdue above 91 days	3	3,463,183	1,324,755	2,138,428	7%
Total		31,282,109	2,072,466	29,209,643	100%



43. RISK MANAGEMENT (Contd....)

43.2.7 Sector-wise Analysis of Risk Concentration

The industry sector wise breakdown for the risk concentration on Loans and Advances & Lease Rentals Receivable was as follows.

Sector	2025				2024			
	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Concentration (%)	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Concentration (%)
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	
Agriculture	596,241	8,231,430	8,827,671	20%	218,999	6,363,475	6,582,474	21%
Construction	374,005	1,544,389	1,918,394	4%	213,449	1,363,951	1,577,400	5%
Industry & Manufacture	412,531	751,335	1,163,866	3%	242,126	636,117	878,243	3%
Services	7,512,484	13,292,526	20,805,010	46%	2,317,534	9,645,317	11,962,851	38%
Tourism	392,175	378,182	770,357	2%	145,786	323,532	469,318	2%
Trading	2,999,402	3,594,020	6,593,422	15%	2,121,761	3,218,290	5,340,051	17%
Transport	784,723	3,640,147	4,424,870	10%	401,904	4,065,589	4,467,493	14%
Government	-	-	-	0%	-	-	-	0%
Others	18,882	1,042	19,924	0%	3,522	757	4,279	0%
Total	13,090,443	31,433,071	44,523,514	100%	5,665,081	25,617,028	31,282,109	100%

43.2.8 Location-wise Analysis of Risk Concentration

The geographical breakdown for the risk concentration on Loans and Advances & Lease Rentals Receivable was as follows.

Province	2025				2024			
	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Concentration (%)	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Concentration (%)
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	
Western	7,185,706	6,354,222	13,539,928	29%	3,274,559	4,490,022	7,764,581	25%
Central	1,041,187	3,668,068	4,709,255	11%	445,700	3,372,139	3,817,839	12%
Southern	1,475,719	3,700,253	5,175,972	12%	491,036	3,297,149	3,788,185	12%
Sabaragamuwa	1,067,523	3,414,944	4,482,467	10%	421,173	3,030,739	3,451,912	11%
NorthWestern	849,967	3,725,836	4,575,803	10%	335,900	2,788,972	3,124,872	10%
Uva	365,036	2,795,658	3,160,694	7%	153,843	2,543,033	2,696,876	9%
NorthCentral	415,120	2,963,389	3,378,509	8%	191,968	2,394,193	2,586,161	8%
Eastern	265,017	2,780,285	3,045,302	7%	79,859	2,046,259	2,126,118	7%
Northern	425,168	2,030,416	2,455,584	6%	271,043	1,654,522	1,925,565	6%
Total	13,090,443	31,433,071	44,523,514	100%	5,665,081	25,617,028	31,282,109	100%



43. RISK MANAGEMENT (Contd...)

43.2.9 Disclosures on Collaterals Against Credit Exposures

The Company holds collaterals against its credit exposures. The amount and type of collateral required depends on an assessment of the credit risk of the relevant counterparty. The borrowers who are considered the counterparties in credit exposures are classified by the Company as Micro, Small, Medium, and Corporate, in accordance with the regulations issued by the Central Bank of Sri Lanka.

The table below sets out the maximum exposure to credit risk by class of financial asset along with the principal types of collateral held against each types counterparties.

As at March 2025

	Loan and Lease Receivables from Counterparties				
	Micro Rs. '000	Small Rs. '000	Medium Rs. '000	Corporates Rs. '000	Total Rs. '000
Maximum exposure to credit risk	26,584,018	16,392,732	1,419,737	127,027	44,523,514
Fair value of collaterals held*					
Fixed Deposits	-	21,120	-	-	21,120
Immovable Properties	-	37,405	22,646	36,860	96,911
Personal and Corporate Guarantees	1,910	144,492	50,090	-	196,492
Listed Shares and Debt Securities	82,808	1,150,655	586,040	-	1,819,503
Vehicles and Machinery	26,499,300	15,039,060	760,961	90,167	42,389,488
Total fair value of collaterals held	26,584,018	16,392,732	1,419,737	127,027	44,523,514
Percentage of exposure subject to collateral requirement	100%	100%	100%	100%	100%

*For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.

As at March 2024

	Loan and Lease Receivables from Counterparties				
	Micro Rs. '000	Small Rs. '000	Medium Rs. '000	Corporates Rs. '000	Total Rs. '000
Maximum exposure to credit risk	20,802,055	9,630,971	772,524	76,559	31,282,109
Fair value of collaterals held*					
Fixed Deposits	-	-	-	-	-
Immovable Properties	-	48,126	21,108	36,860	106,094
Personal and Corporate Guarantees	6,482	152,321	50,569	-	209,372
Shares and Debt Securities-Listed	118,613	-	426,875	-	545,488
Vehicles and Machinery	20,676,960	9,430,524	273,972	39,699	30,421,155
Total fair value of collaterals held	20,802,055	9,630,971	772,524	76,559	31,282,109
Percentage of exposure subject to collateral requirements	100%	100%	100%	100%	100%

*For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.



43. RISK MANAGEMENT (Contd...)

43.2.10 Stage-wise Analysis of Collateral Held Against Loan & Lease Receivables

The following table sets out the principal types of collateral held by the Company against its Loans and Advances & Lease Rentals Receivable

Collateral/Security Type*	2025				2024			
	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Mix (%)	Financial Assets at amortised cost - Loans and Advances	Financial Assets at amortised cost - Lease Rentals Receivable	Total	Mix (%)
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	
Stage 1								
Fixed Deposits	21,120	-	21,120	0.1%	-	-	-	0.0%
Immovable Properties	51,608	-	51,608	0.1%	48,657	-	48,657	0.2%
Personal and Corporate Guarantees	109,375	-	109,375	0.3%	99,255	-	99,255	0.5%
Listed Shares and Debt Securities	1,819,502	-	1,819,502	5.0%	545,487	-	545,487	2.6%
Vehicles and Machinery	10,088,903	24,416,613	34,505,516	94.5%	4,372,336	16,140,577	20,512,913	96.7%
	12,090,508	24,416,613	36,507,121	100.0%	5,065,735	16,140,577	21,206,312	100.0%
Stage 2								
Immovable Properties	655	-	655	0.0%	3,453	-	3,453	0.1%
Personal and Corporate Guarantees	62	-	62	0.0%	9,498	-	9,498	0.1%
Vehicles and Machinery	795,270	5,495,213	6,290,483	100.0%	387,113	6,212,550	6,599,663	99.8%
	795,987	5,495,213	6,291,200	100.0%	400,064	6,212,550	6,612,614	100.0%
Stage 3								
Immovable Properties	44,648	-	44,648	2.6%	53,984	-	53,984	1.6%
Personal and Corporate Guarantees	87,055	-	87,055	5.0%	100,620	-	100,620	2.9%
Vehicles and Machinery	72,245	1,521,245	1,593,490	92.4%	44,678	3,263,901	3,308,579	95.5%
	203,948	1,521,245	1,725,193	100.0%	199,282	3,263,901	3,463,183	100.0%
Total	13,090,443	31,433,071	44,523,514		5,665,081	25,617,028	31,282,109	

For each loan/lease, the value of the collateral is capped at the maximum of amortised cost of the loan/lease.

Assets obtained by taking possession of collateral

Assets obtained by taking possession of collateral in an orderly and a transparent manner and the proceeds are used to recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

43. RISK MANAGEMENT (contd....)

43.3 Interest Rate Risk

Interest Rate Risk is the risk which the Company is exposed due to uncertain and adverse movements in future interest rates. The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline Finance Limited is exposed to the movements in interest rates to the extent that its asset / liability mismatches gives rise to interest paying liabilities being re-priced faster than its interest earning assets. This in turn affects Net Interest income and Net Interest Yields.

Management of Interest Rate Risk

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing borrowings. ALCO is the monitoring body for compliance with these limits assisted by Finance Department. Monitoring includes changes in the Company's interest rate exposures, which include the impact of the Company's outstanding or forecast debt obligations. Management of interest rate risk aims at capturing the risks arising from the maturity and re-pricing.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Director & Chief Executive Officer. Other permanent members of the ALCO include, Chief Operating Officer, Chief Marketing Officer, Head of Finance, Head of MIS, Business Analysis & Planning, Head of Deposits, Head of Enterprise Risk Management and the Committee Secretary. The Committee meetings are held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company's liquidity at healthy levels, whilst satisfying regulatory requirements.

Asset liability management encompasses the complete set of techniques used to manage interest rate risk within the broad risk management framework. Interest rate risk analysis is almost always based on simulating movements in one or more yield curve. The strategy of the Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels.

In setting the Tolerance levels for Interest rate risk, the following metrics are used.

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level, the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.
- Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.
- Setting the Lending to Borrowing ratio in order to maintain gearing at the desired levels

43.3.1 Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Income Statement & Equity.

Currency of Borrowings/ Advance

Increase (Decrease) in basis points	Sensitivity to Profit Before Tax		Sensitivity to Profit After Tax	
	Rs. Mn		Rs. Mn	
%				
+1/ (-1)	(145)/145		(77)/77	
+1/ (-1)	(154)/154		(77)/77	



The above sensitivity analysis is the AWPLR. Since 45% of Company's total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

43. RISK MANAGEMENT (contd...)

43.3.2 Interest Rate Risk

Interest Rate Risk Exposure on non-trading Financial Assets and Liabilities

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

As at 31 March 2025

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	33,044	-	-	-	-	463,570	496,614
Securities Purchased Under Repurchase Agreement	250,221	-	-	-	-	-	250,221
Deposits with Banks	1,498	-	880,012	-	-	-	881,510
Financial Assets at amortised cost - Loans and Advances	2,661,470	5,151,426	3,088,311	1,921,443	38,209	-	12,860,859
Financial Assets at amortised cost - Lease Rentals Receivable	4,104,048	8,287,431	14,561,854	2,958,114	5,447	-	29,916,894
Financial Assets - Fair Value through Other Comprehensive Income	539,158	-	5,345,169	345,837	482,518	195	6,712,877
Other Financial Assets	58,403	-	-	-	-	72,792	131,195
Total Assets	7,647,842	13,438,857	23,875,346	5,225,394	526,174	536,557	51,250,170

Liabilities

Bank Overdraft	550,113	-	-	-	-	-	550,113
Financial Liabilities at Amortized Cost - Due to Depositors	1,480,012	2,318,359	2,425,787	2,669	-	-	6,226,827
Debt Instruments Issued and Other Borrowed Funds	8,448,649	3,800,118	9,822,763	3,756,428	-	-	25,827,958
Other Financial Liabilities	7,473	22,751	61,058	42,515	-	2,643,140	2,776,937
Total Liabilities	10,486,247	6,141,228	12,309,608	3,801,612	-	2,643,140	35,381,835

Total Interest Sensitivity Gap

	(2,838,405)	7,297,629	11,565,738	1,423,782	526,174	(2,106,583)	15,868,335
--	-------------	-----------	------------	-----------	---------	-------------	------------

As at 31 March 2024

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash and Bank Balances	33,272	-	-	-	-	322,409	355,681
Financial Assets at amortised cost - Loans and Advances	989,039	2,418,720	1,233,442	839,623	15,370	-	5,496,194
Financial Assets at amortised cost - Lease Rentals Receivable	3,563,516	6,123,807	11,757,463	2,260,625	8,038	-	23,713,449
Financial Assets - Fair Value through Other Comprehensive Income	312,010	-	2,342,724	3,399,017	694,137	195	6,748,083
Other Financial Assets	90,575	-	-	-	-	38,472	129,047
Total Assets	4,988,412	8,542,527	15,333,629	6,499,265	717,545	361,076	36,442,454

Liabilities

Bank Overdraft	295,755	-	-	-	-	-	295,755
Financial Liabilities at Amortized Cost - Due to Depositors	166,226	240,070	273,800	-	500	-	680,596
Debt Instruments Issued and Other Borrowed Funds	14,874,550	2,075,300	2,807,900	687,500	-	-	20,445,250
Other Financial Liabilities	7,473	22,751	61,058	42,515	-	1,119,069	1,252,866
Total Liabilities	15,344,004	2,338,121	3,142,758	730,015	500	1,119,069	22,674,467
Total Interest Sensitivity Gap	(10,355,592)	6,204,406	12,190,871	5,769,250	717,045	(757,993)	13,767,987



43. RISK MANAGEMENT (contd...)**43.4 Currency Risk**

Currency risk refers to the potential for fluctuations in the value of financial instruments due to changes in foreign exchange rates. This risk arises when a company holds assets or liabilities denominated in currencies other than its functional or reporting currency.

Management of Currency Risk

The intention of managing currency risk is to curtail the currency losses incurred due to foreign currency transactions. The only currency risk faced by the Company is from the foreign currency borrowings and foreign currency investments. The Company monitors exchange rates daily and take necessary steps to mitigate the Currency Risk by adjusting its Foreign Currency Exchange rates accordingly. Further, the Company follows an internal hedging mechanism to minimize its currency risk. Therefore, currency risk to the Company is minimal.

The Company obtained a USD 3 Mn loan facility from BlueOrchard Finance Ltd during the financial year and deposited those funds in foreign currency deposit and obtain rupee loan against such deposit, following internal hedging mechanism.

Foreign currency exposures of the Company is shown below.

	2025			2024		
	Amount	Exchange Rate	Value	Amount	Exchange Rate	Value
	USD '000	Rs.	Rs. '000	USD '000	Rs.	Rs. '000
Foreign Currency Deposits with Banks	2,970	296.35	880,177	-	-	-
	<u>2,970</u>		<u>880,177</u>	<u>-</u>		<u>-</u>
Foreign Currency Borrowings	3,000	296.35	889,042	-	-	-
	<u>3,000</u>		<u>889,042</u>	<u>-</u>		<u>-</u>

43.5 Price Risk

Price risk refers to the potential for losses due to fluctuations in the market prices of financial instruments held by a company. These instruments may include bonds, equities, commodities, and derivatives. For the Company, price risk is particularly relevant in its investments that are marked to market.

Government Security Price Risk

The Company has invested in Sri Lanka Government Treasury bonds. Government Security price risks arises as a result of fluctuations in market prices of Government securities and Management conducting mark-to-market calculation on monthly basis.

The Company's investments in government securities are as follows,

	2025	2024
	Rs. '000	Rs. '000
Investments in Government Treasury Bonds	6,712,682	6,747,888
	<u>6,712,682</u>	<u>6,747,888</u>

43.6 Liquidity Risk

Liquidity risk is the risk that a company may not have enough cash or liquid assets to meet its financial obligations, such as loan repayments, operating expenses, or new lending. The liquidity risk arises when there is uncertainty about the institution's ability to access funds when required.

Management of Liquidity Risk

The objective of the Company's liquidity risk management framework is to ensure that the Company can fulfil its payment obligations at all times and can manage liquidity and funding risk within risk appetite.

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Treasury Department manages the Company's liquidity position on a day to day basis. The Company has established a liquidity and treasury management framework, supported by a comprehensive treasury management policy, to ensure that liquidity risk is effectively and proactively managed.

The Company's approach to managing liquidity risk is to ensure, that it will always have 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.

Key elements of the Company's liquidity strategy include:

- Maintaining balanced funding lines which consists of bank borrowings, deposits from customers and foreign funding.
- Holding a portfolio of highly liquid assets diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioral patterns of assets and liabilities, and the encumbrance of assets.
- Carrying out stress testing of the Company's liquidity position.

The Treasury division coordinates with business units to assess liquidity profiles and projected cash flows, maintaining sufficient short-term liquid assets. Liquidity costs are considered in performance assessments through fund transfer pricing.

The Company maintains a portfolio of highly marketable and diversified assets that can be readily liquidated in the event of an unexpected cash flow disruption. In addition, the Company has access to committed lines of credit to meet liquidity requirements.

43.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the calculations as prescribed in the Finance Companies (Liquid Assets) Direction No.04 of 2013 and amendments thereto. Accordingly, the liquidity ratio as the close of the business on any day, be less than the total of;

- 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
- 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
- 10% of the total unsecured borrowings outstanding.

Further, the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government Securities equivalent to 75% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

As at 31st March 2025, the Company maintained Statutory Liquid Asset ratio at 25.97%. (As at 31st March 2024 - 33.12%)

43. RISK MANAGEMENT (contd...)

43.6.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Liabilities

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

As at 31 March 2025

Assets	Carrying Amount Rs. '000	Contractual Cash Flows				
		Total Rs. '000	Up to 03 Months Rs. '000	03-12 Months Rs. '000	01-03 Years Rs. '000	Over 05 Years Rs. '000
Cash and Bank Balances	496,614	496,614	496,614	-	-	-
Securities Purchased Under Repurchase Agreement	250,221	250,221	250,221	-	-	-
Deposits with Banks	881,510	993,353	-	-	993,353	-
Financial Assets at amortised cost - Loans and Advances	12,860,859	15,192,892	2,916,301	5,829,553	4,215,375	2,191,214
Financial Assets at amortised cost - Lease Rentals Receivable	29,916,894	42,826,075	6,181,423	13,263,176	19,918,384	3,457,460
Financial Assets - Fair Value through Other Comprehensive Income	6,712,877	7,090,136	516,883	-	5,673,766	387,335
Other Financial Assets	131,195	131,195	131,195	-	-	512,152
Total Financial Assets	51,250,170	66,980,486	10,492,637	19,092,729	30,800,878	558,233

Liabilities

Bank Overdraft	550,113	550,113	-	-	-	-
Financial Liabilities at Amortized Cost - Due to Depositors	6,226,827	6,864,321	1,499,346	2,465,359	2,895,553	4,063
Debt Instruments Issued and Other Borrowed Funds	25,827,958	30,301,368	8,975,720	5,499,541	11,787,061	4,039,046
Other Financial Liabilities	2,776,937	2,909,600	2,580,040	79,863	164,536	71,335
Total Financial Liabilities	35,381,835	40,625,402	13,605,219	8,044,763	14,847,150	13,826
					4,114,444	13,826

As at 31 March 2024

Assets	Carrying Amount Rs. '000	Contractual Cash Flows				
		Total Rs. '000	Up to 03 Months Rs. '000	03-12 Months Rs. '000	01-03 Years Rs. '000	Over 05 Years Rs. '000
Cash and Bank Balances	355,681	355,681	355,681	-	-	-
Financial Assets at amortised cost - Loans and Advances	5,496,194	6,701,686	1,118,630	2,758,354	1,813,798	16,417
Financial Assets at amortised cost - Lease Rentals Receivable	23,713,449	34,950,182	5,299,217	10,368,164	16,564,375	8,600
Financial Assets - Fair Value through Other Comprehensive Income	6,748,083	7,366,112	-	-	2,548,171	806,706
Other Financial Assets	129,047	129,047	129,047	-	-	-
Total Financial Assets	36,442,454	49,502,708	6,902,575	13,126,518	20,926,344	831,723

Liabilities

Bank Overdraft	295,755	295,755	295,755	-	-	-
Financial Liabilities at Amortized Cost - Due to Depositors	680,596	722,276	146,189	575,249	-	838
Debt Instruments Issued and Other Borrowed Funds	20,445,250	21,687,636	15,134,599	2,488,026	3,317,693	747,318
Other Financial Liabilities	1,252,866	1,308,189	1,109,068	44,084	113,108	41,929
Total Financial Liabilities	22,674,467	24,013,856	16,685,611	3,107,359	3,430,801	790,085

43. RISK MANAGEMENT (Contd...)**43.7 Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide range of causes related to the Company's internal processes, people, systems, or external events. These include failures in internal controls, technology, infrastructure, or events such as fraud, legal and regulatory breaches, or natural disasters. Unlike credit, market, or liquidity risk, operational risk arises from day-to-day business activities across all areas of the Company.

Management of Operational Risk

The Company cannot expect to eliminate all operational risks, thus it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. The Company's objective in managing operational risk is to minimise the risk of financial loss and reputational damage, while ensuring cost-effective operations and maintaining the capacity for innovation and growth. In doing so, the Company is committed to full compliance with all applicable legal and regulatory requirements, as well as with best practices in corporate governance and ethical conduct.

The Board of Directors has delegated oversight of operational risk management to the Integrated Risk Management Committee, which is responsible for the development and implementation of the Operational Risk Management Framework. Day-to-day responsibility for identifying, assessing, monitoring, and mitigating operational risk is assigned to senior management. The Company's compliance with operational risk management standards is further reinforced through periodic internal audits. Audit findings are reviewed by the Board Audit Committee and Senior Management to ensure effective oversight and accountability.

The Company focuses on following key areas in managing its operational risk,

- **Segregation of duties and independent authorisation** – Ensuring that critical functions, particularly transaction approvals, are separated among individuals to prevent fraud and error.
- **Reconciliation and transaction monitoring** – Regular independent reconciliation of accounts and review of transactions to detect anomalies and ensure accuracy.
- **Regulatory and legal compliance** – Maintaining systems and controls to ensure full adherence to all applicable laws, regulations, and internal policies.
- **Documentation of controls and procedures** – All risk controls and operational procedures are documented, regularly reviewed, and updated in line with evolving risks.
- **Periodic risk assessments** – Ongoing identification and evaluation of operational risks and the effectiveness of corresponding controls.
- **Operational loss reporting and remedial action** – Timely reporting of incidents and losses, including root cause analysis and implementation of corrective measures.
- **Business continuity and contingency planning** – Established and tested plans to ensure the Company can operate through and recover from disruptions.
- **Training and professional development** – Continuous training programs to strengthen staff awareness and competence in managing operational risk.
- **Ethical and business conduct standards** – A strong risk culture supported by high ethical standards and corporate values.
- **Risk mitigation and insurance** – Where appropriate and cost-effective, risk transfer mechanisms such as insurance are used to reduce the impact of potential losses.

These elements form the foundation of a robust Operational Risk Management Framework that aligns with regulatory expectations and supports sustainable business operations.



44. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rule and ratios adopted by Central Bank of Sri Lanka.

44.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholder's value while providing dividends. The capital structure of the Company consists of debt and equity of the Company. The capital structure of the Company is reviewed by ALCO periodically.

44.2 Regulatory Capital Requirements

The Company manages its capital considering the regulatory capital requirements. CBSL sets and monitors capital requirements for all LFCs. Accordingly, LFCs with an asset base less than Rs. 100Bn need to maintain a minimum core capital adequacy ratio (Tier I) of 8.5% and a minimum total capital adequacy ratio of 12.5%. The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.

	2025 Rs. '000	2024 Rs. '000
Core Capital (Tier 1 Capital)	14,288,355	12,127,785
Total Capital	14,288,355	12,127,785
Total Risk Weighted Assets	54,702,564	36,925,420
Tier 1 Capital Adequacy Ratio	26.12%	32.84%
Total Capital Adequacy Ratio	26.12%	32.84%

45. NET ASSETS VALUE PER SHARE

	2025	2024
Total Equity Attributable to Equity Holders (Rs. '000)	15,932,927	13,895,690
Total Number of Ordinary Shares	133,958,971	133,958,971
Net Asset Value per Share	118.94	103.73

46. COMMITMENTS AND CONTINGENT LIABILITIES**46.1 Contingent 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 they are remote.

There were no material contingent liabilities outstanding as at the reporting date.

46.2 Commitments

	2025 Rs. '000	2024 Rs. '000
Commitments on Unutilised Credit Facilities	385,108	384,574
Capital Commitments on Intangible Assets	15,820	24,686
Guarantees Issued on Customer Deposits	7,900	-
	408,828	409,260



46. COMMITMENTS AND CONTINGENT LIABILITIES (Contd...)**46.3 Litigations Against the Company**

Litigation is a common aspect of the financial services industry due to the nature and complexity of the business. In addressing the same, the Company has established formal policies and controls to manage and defend against legal claims brought against it. The Company seeks professional legal advice where necessary, to assess the potential financial impact of such claims. Based on this assessment, appropriate accounting provisions are made to reflect any anticipated losses.

	2025 Rs. '000	2024 Rs. '000
Cases pending against the Company	48,500	56,500
	<u>48,500</u>	<u>56,500</u>

47. EVENTS OCCURRED AFTER THE REPORTING DATE

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

There was no any material events occurred after the reporting date which required adjustments to or disclosure in the financial statements except for the following,

Payment of Dividends:

The Board of Directors proposed an interim cash dividend of Rs 3.80 per share for the financial year 2024/25, amounting to a total sum of Sri Lankan Rupees five hundred and nine million forty four thousand ninety (Rs. 509,044,090). This was payable as at 31 March 2025 due to pending approval from CBSL. Subsequently, upon receiving the approval of CBSL, the dividend was paid in April 2025.

48. COMPARATIVE INFORMATION

No any comparative information have been reclassified during the financial year.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2025

49. SEGMENTAL REPORTING

The following table presents income, profit, total assets and total liabilities of the Company's operating segments,

For the Year ended 31 March 2025	Leasing and Loans Rs. '000	Investments Rs. '000	Others Rs. '000	Total Rs. '000
Interest Income	9,978,916	1,317,722	-	11,296,638
Interest Expense	(2,202,828)	(403,405)	-	(2,606,233)
Net Interest Income	7,776,088	914,317	-	8,690,405
Other Operating Income	332,602	2,013	7,484	342,099
Total Operating Income	8,108,690	916,330	7,484	9,032,504
Impairment Charges & Net Write Off	(150,904)	165	-	(150,739)
Net Operating Income	7,957,786	916,495	7,484	8,881,765
Operating Expenses	(2,806,271)	(513,914)	-	(3,320,185)
Operating Profit before VAT & SSCL on Financial Services	5,151,515	402,581	7,484	5,561,580
VAT & SSCL on Financial Services				(1,210,086)
Profit before Income Tax				4,351,494
Income Tax Expense				(1,636,740)
Profit for the Period				2,714,754

As at 31 March 2025

Segment Assets				
Total Assets	44,258,714	8,105,122	-	52,363,836
Segment Liabilities				
Total Liabilities	30,791,961	5,638,948	-	36,430,909

For the Year ended 31 March 2024

	Leasing and Loans Rs. '000	Investments Rs. '000	Others Rs. '000	Total Rs. '000
Interest Income	8,597,586	1,340,365	-	9,937,951
Interest Expense	(2,640,478)	(608,124)	(9,642)	(3,258,244)
Net Interest Income	5,957,108	732,241	(9,642)	6,679,707
Other Operating Income	395,765	2,360	14,667	412,792
Total Operating Income	6,352,873	734,601	5,025	7,092,499
Impairment Charges & Net Write Off	(1,573,087)	(31)	-	(1,573,118)
Net Operating Income	4,779,786	734,570	5,025	5,519,381
Operating Expenses	(2,171,400)	(500,091)	(7,930)	(2,679,421)
Operating Profit before VAT & SSCL on Financial Services	2,608,386	234,479	(2,905)	2,839,960
VAT & SSCL on Financial Services				(717,661)
Profit before Income Tax				2,122,299
Income Tax Expense				(833,826)
Profit for the Period				1,288,473

As at 31 March 2024

Segment Assets				
Total Assets	30,322,241	6,983,464	110,732	37,416,437
Segment Liabilities				
Total Liabilities	19,061,188	4,389,950	69,609	23,520,747

