

**ASSETLINE FINANCE LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2024**



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## 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 2024, 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 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### *Basis for opinion*

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

#### *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/)



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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 2024  
Colombo

Assetline Finance Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2024

|   | Note | 2024<br>Rs.     | 2023<br>Rs.     |
|---|------|-----------------|-----------------|
| <b>Gross Income</b>   | 4    | 10,350,743,225  | 7,992,226,368   |
| Interest Income   | 5    | 9,937,951,498   | 7,845,085,110   |
| Interest Expense  | 6    | (3,258,244,458) | (4,430,746,827) |
| <b>Net Interest Income</b>  |      | 6,679,707,040   | 3,414,338,283   |
| Fee & Service Charge Income   | 7    | 146,358,142     | 83,728,258      |
| Other Operating Income  | 8    | 46,003,085      | 63,413,000      |
| Net gains/(losses) from Derecognition of Financial Assets           | 9    | 220,430,500     | -               |
| <b>Total Operating Income</b>                                       |      | 7,092,498,767   | 3,561,479,541   |
| Impairment Charges(Reversal) & Net Write Off                        | 10   | (1,573,118,121) | (856,983,758)   |
| <b>Net Operating Income</b>   |      | 5,519,380,646   | 2,704,495,783   |
| <b>Operating Expenses</b>   |      |                 |                 |
| Personnel Costs   | 11   | (1,311,286,127) | (980,630,470)   |
| Other Operating Expenses  | 12   | (1,368,134,821) | (1,167,759,840) |
| <b>Operating Profit Before VAT &amp; SSCL on Financial Services</b> |      | 2,839,959,698   | 556,105,473     |
| VAT & SSCL on Financial Services                                    | 13   | (717,660,872)   | (270,966,315)   |
| <b>Profit Before Income Tax</b>                                     |      | 2,122,298,826   | 285,139,158     |
| Income Tax Expense  | 14   | (833,826,191)   | 620,018,132     |
| <b>Profit for the Period</b>  |      | 1,288,472,635   | 905,157,290     |
| <b>Earnings Per Share (Rs.)</b>                                     | 15   | 9.62            | 6.76            |

The Accounting Policies & Notes from pages 08 to 75 form an integral part of these Financial Statements.



## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

|  | Note | 2024<br>Rs.                 | 2023<br>Rs.               |
|--|------|-----------------------------|---------------------------|
| <b>Profit for the Year</b>   |      | 1,288,472,635               | 905,157,290               |
| <b>Other Comprehensive Income</b>  |      |                             |                           |
| <b>Other Comprehensive Income to be Reclassified to Statement of Profit or Loss in Subsequent Periods</b>                |      |                             |                           |
| Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income                  | 20.1 | 1,792,016,658               | 122,793,092               |
| Deferred Tax on Gains/(Losses) arising on re-measuring Financial Assets - Fair Value through Other Comprehensive Income  | 32   | (537,604,997)               | (36,837,928)              |
| <b>Net Other Comprehensive Income/(Loss) to be Reclassified to Statement of Profit or Loss in Subsequent Periods</b>     |      | <u>1,254,411,661</u>        | <u>85,955,164</u>         |
| <b>Other Comprehensive Income not to be Reclassified to Statement of Profit or Loss in Subsequent Periods</b>            |      |                             |                           |
| Actuarial Gains/(Losses) on Retirement Benefit Obligation  | 33.4 | (8,432,356)                 | 5,097,573                 |
| Deferred Tax on Actuarial Gain/(Loss)  | 32   | <u>2,529,707</u>            | <u>(1,529,272)</u>        |
| <b>Net Other Comprehensive Income/(Loss) not to be Reclassified to Statement of Profit or Loss in Subsequent Periods</b> |      | <u>(5,902,649)</u>          | <u>3,568,301</u>          |
| <b>Other Comprehensive Income for the Year, net of Tax</b>   |      | 1,248,509,012               | 89,523,465                |
| <b>Total Comprehensive Income for the Year, net of Tax</b>   |      | <u><u>2,536,981,647</u></u> | <u><u>994,680,755</u></u> |

The Accounting Policies & Notes from pages 08 to 75 form an integral part of these Financial Statements.



Assetline Finance Limited  
STATEMENT OF FINANCIAL POSITION  
As at 31 March 2024

|  | Note | 2024<br>Rs.           | 2023<br>Rs.           |
|--|------|-----------------------|-----------------------|
| <b>Assets</b>  |      |                       |                       |
| Cash and Cash Equivalents  | 16   | 355,681,424           | 251,308,863           |
| Deposits with Licensed Commercial Banks                          | 17   | -                     | 174,784,421           |
| Financial Assets at Amortised cost - Loans and Advances          | 18   | 5,496,194,262         | 1,425,732,585         |
| Financial Assets at Amortised cost - Lease Rentals Receivable    | 19   | 23,713,448,863        | 24,574,555,916        |
| Financial Assets - Fair Value through Other Comprehensive Income | 20   | 6,748,083,243         | 5,233,140,224         |
| Other Financial Assets   | 21   | 129,046,616           | 146,613,947           |
| Other Non Financial Assets                                       | 22   | 91,144,644            | 70,600,575            |
| Investment Property  | 23   | 107,000,000           | 193,800,000           |
| Property, Plant & Equipment                                      | 24   | 116,576,331           | 103,365,280           |
| Intangible Assets  | 25   | 427,621,807           | 433,009,718           |
| Right of Use Assets  | 26   | 129,140,166           | 107,276,222           |
| Income Tax Receivable  | 31   | -                     | 106,490,226           |
| Deferred Tax Asset   | 32   | 102,499,697           | 777,442,660           |
| <b>Total Assets</b>  |      | <b>37,416,437,053</b> | <b>33,598,120,637</b> |
| <b>Liabilities</b>   |      |                       |                       |
| Bank Overdraft   |      | 295,755,405           | 1,273,528,835         |
| Financial Liabilities at Amortized Cost - Due to Depositors      | 27   | 680,595,470           | 201,382,890           |
| Debt Instruments Issued & Other Borrowed Funds                   | 28   | 20,445,249,617        | 19,792,236,564        |
| Other Financial Liabilities                                      | 29   | 1,252,866,266         | 793,373,277           |
| Other Non Financial Liabilities                                  | 30   | 244,661,056           | 51,782,479            |
| Income Tax Payable   | 31   | 441,428,693           | -                     |
| Retirement Benefit Obligations                                   | 33   | 160,190,471           | 127,108,164           |
| <b>Total liabilities</b>   |      | <b>23,520,746,978</b> | <b>22,239,412,209</b> |
| <b>Shareholders' Funds</b>                                       |      |                       |                       |
| Stated Capital   | 34   | 3,550,000,000         | 3,550,000,000         |
| Statutory Reserve Fund   | 35   | 1,176,508,218         | 1,112,084,586         |
| Fair Value through Other Comprehensive Income Reserve            | 36   | 1,340,283,075         | 85,871,414            |
| Retained Earnings  | 37   | 7,828,898,782         | 6,610,752,428         |
| <b>Total Shareholders' Funds</b>                                 |      | <b>13,895,690,075</b> | <b>11,358,708,428</b> |
| <b>Total Liabilities and Shareholders' Funds</b>                 |      | <b>37,416,437,053</b> | <b>33,598,120,637</b> |
| <b>Net Assets Value Per Share (Rs.)</b>                          | 43   | 103.73                | 84.79                 |
| <b>Commitments and Contingent Liabilities (Rs.)</b>              | 44   | 409,259,766           | 333,695,654           |

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

  
Head of Finance

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

  
Director & Chief Executive Officer

  
Director

The Accounting Policies & Notes from pages 08 to 75 form an integral part of these Financial Statements.



Assetline Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

|   | Stated<br>Capital<br>Rs.<br>Note 34 | Statutory Reserve<br>Fund<br>Rs.<br>Note 35 | FVOCI Reserve<br>Rs.<br>Note 36 | Retained Earnings<br>Rs.<br>Note 37 | Total<br>Rs.          |
|---|-------------------------------------|---|---------------------------------|-------------------------------------|-----------------------|
| <b>Balance as at 31 March 2022</b>  | 3,550,000,000                       | 1,066,826,721                               | (83,750)                        | 6,757,495,983                       | 11,374,238,954        |
| Adjustment for Surcharge Tax Levied<br>Under the Surcharge Tax Act No. 14 of 2022 | -                                   | -   | -                               | (943,231,796)                       | (943,231,796)         |
| <b>Adjusted Balance as at 1st April 2022</b>                                      | <u>3,550,000,000</u>                | <u>1,066,826,721</u>                        | <u>(83,750)</u>                 | <u>5,814,264,187</u>                | <u>10,431,007,158</u> |
| Net Profit for the Year   | -                                   | -   | -                               | 905,157,290                         | 905,157,290           |
| Other Comprehensive Income net of Tax   | -                                   | -   | 85,955,164                      | 3,568,301                           | 89,523,465            |
| Transfer to Statutory Reserve   | -                                   | 45,257,865                                  | -                               | (45,257,865)                        | -                     |
| Dividend Declared   | -                                   | -   | -                               | (66,979,485)                        | (66,979,485)          |
| <b>Balance as at 31 March 2023</b>  | <u>3,550,000,000</u>                | <u>1,112,084,586</u>                        | <u>85,871,414</u>               | <u>6,610,752,428</u>                | <u>11,358,708,428</u> |
| Net Profit for the Year   | -                                   | -   | -                               | 1,288,472,635                       | 1,288,472,635         |
| Other Comprehensive Income Net of Tax   | -                                   | -   | 1,254,411,661                   | (5,902,649)                         | 1,248,509,012         |
| Transfer to Statutory Reserve Fund  | -                                   | 64,423,632                                  | -                               | (64,423,632)                        | -                     |
| <b>Balance as at 31 March 2024</b>  | <u>3,550,000,000</u>                | <u>1,176,508,218</u>                        | <u>1,340,283,075</u>            | <u>7,828,898,782</u>                | <u>13,895,690,075</u> |

The Accounting Policies & Notes from pages 08 to 75 form an integral part of these Financial Statements.



Assetline Finance Limited  
**STATEMENT OF CASH FLOWS**  
Year ended 31 March 2024

|  |      | 2024<br>Rs.              | 2023<br>Rs.                   |
|--|------|--------------------------|-------------------------------|
| <b>Cash Flows From / (Used in) Operating Activities</b>                                |      |                          |                               |
| Profit before Income Tax Expense   | Note | 2,122,298,826            | 285,139,158                   |
| Adjustments for  |      |                          |                               |
| Depreciation of Property Plant & Equipment   | 12   | 27,532,168               | 28,032,666                    |
| Amortization of Intangible Assets  | 12   | 15,932,479               | 12,261,826                    |
| Amortization of Right of Used Assets   | 12   | 50,957,578               | 56,107,152                    |
| Provision for Gratuity   | 11   | 41,948,902               | 33,355,247                    |
| (Profit)/Loss on Disposal of Property, Plant & Equipment                               | 8    | (3,098,989)              | (935,390)                     |
| Impairment Charges and Net Write off on Loans, Lease and Other Losses                  | 10   | 1,573,118,121            | 856,983,758                   |
| Interest Expense   | 6    | 3,258,244,458            | 4,430,746,827                 |
| Dividend Income  | 8    | (359,040)                | (480,000)                     |
| Operating Profit before Working Capital Changes  |      | <u>7,086,574,504</u>     | <u>5,701,211,244</u>          |
| (Increase)/Decrease in Lease Rentals Receivables                                       |      | (784,471,705)            | 2,799,816,542                 |
| (Increase)/Decrease in Loans and Advances  |      | (4,002,031,013)          | (97,338,493)                  |
| (Increase)/Decrease in Financial Asset - Fair Value through Other Comprehensive Income |      | 277,073,639              | (5,084,478,507)               |
| (Increase)/Decrease in Right of Used Assets  |      | (72,821,522)             | (54,765,463)                  |
| (Increase)/Decrease in Other Financial Assets  |      | 21,566,229               | (43,022,204)                  |
| (Increase)/Decrease in Other Non Financial Assets                                      |      | (20,544,069)             | (48,504,108)                  |
| Increase/(Decrease) in Due to Customers Deposits                                       |      | 453,676,344              | 201,000,000                   |
| Increase/(Decrease) in Other Financial Liabilities                                     |      | 516,425,553              | (426,987,801)                 |
| Increase/(Decrease) in Other Non Financial Liabilities                                 |      | 169,287,873              | (129,089,723)                 |
| Cash used in Operations  |      | <u>3,644,735,833</u>     | <u>2,817,841,487</u>          |
| Gratuity Paid  | 33.2 | (17,298,951)             | (6,949,126)                   |
| Surcharge Tax  |      | -                        | (943,231,796)                 |
| Income Tax Paid  |      | (146,039,599)            | (689,208,725)                 |
| Net Cash From/(Used in) Operating Activities   |      | <u>3,481,397,283</u>     | <u>1,178,451,840</u>          |
| <b>Cash Flows from / (Used in) Investing Activities</b>                                |      |                          |                               |
| Deposits with Licensed Commercial Banks  |      | 150,000,000              | 650,000,000                   |
| Acquisition of Property, Plant & Equipment and Intangible Assets                       |      | (51,425,411)             | (463,382,426)                 |
| Proceeds from Disposal of Property, Plant & Equipment                                  |      | 3,236,611                | 1,318,650                     |
| Proceeds from Disposal of Investment Property  | 23.1 | 86,800,000               | -                             |
| Interest Received on Deposits with Licensed Commercial Banks                           |      | 24,815,496               | -                             |
| Dividend Received  |      | 359,040                  | 480,000                       |
| Net Cash Flows from/(Used in) Investing Activities                                     |      | <u>213,785,736</u>       | <u>188,416,224</u>            |
| <b>Cash Flows from / (Used in) Financing Activities</b>                                |      |                          |                               |
| Proceeds From Bank Borrowing   | 28.1 | 42,750,000,000           | 36,800,000,000                |
| Repayment of Bank Borrowing  | 28.1 | (40,804,200,000)         | (34,950,000,000)              |
| Proceeds From Commercial Paper   | 28.2 | -                        | 14,520,000,000                |
| Repayment of Commercial Paper  | 28.2 | (500,000,000)            | (14,220,000,000)              |
| Proceeds From Inter Company Borrowings   |      | 6,550,000,000            | 8,795,000,000                 |
| Repayment of Inter Company Borrowings  |      | (7,299,993,981)          | (8,845,005,843)               |
| Dividend Paid  |      | (56,932,563)             | -                             |
| Interest Paid on Borrowings  |      | (3,232,334,012)          | (4,354,472,063)               |
| Interest Paid on Deposit   |      | (19,576,473)             | (7,500,000)                   |
| Net Cash Flows From/(Used in) Financing Activities                                     |      | <u>(2,613,037,029)</u>   | <u>(2,261,977,906)</u>        |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>                            |      | <b>1,082,145,991</b>     | <b>(895,109,842)</b>          |
| <b>Cash and Cash Equivalents at the beginning of the year</b>                          |      | <b>(1,022,219,972)</b>   | <b>(127,110,130)</b>          |
| <b>Impairment for Deposits with Licensed Commercial Banks</b>                          |      | <b>-</b>                 | <b>-</b>                      |
| <b>Cash and Cash Equivalents at the end of the year</b>                                |      | <b><u>59,926,019</u></b> | <b><u>(1,022,219,972)</u></b> |

The Accounting Policies & Notes from pages 08 to 75 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 under the Companies Act No. 07 of 2007. The Company was re-registered as a Licensed Finance Company under the Finance Business Act No: 42 of 2011 and amendments thereto and was issued its License to carry on Finance Business on 29 August 2022. 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 2024 (including the comparatives for 31 March 2023) were approved and authorized for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 11 June 2024.

**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. | Page Ref. No. |
|--|---|----------|---------------|
| Financial Assets measured at fair value through Other Comprehensive Income (FVOCI) | Measured at the Fair Value  | 20       | 46            |
| Investment Property  | Measured at cost at the time of acquisition and subsequently at Fair Value                                      | 23       | 49            |
| Land & Building  | Measured at Cost  | 24       | 50            |
| Retirement Benefit Obligation  | Measured at the present value of the defined benefit obligation less the fair value of the plan assets (if any) | 33       | 55-56         |

**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 40 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 off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) – ‘Presentation of Financial Statements’.

## 2.1.8 Comparative Information

The comparative information is re-classified wherever necessary to confirm to the current year’s classification in order to provide a better presentation.

## 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 45 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 2024, 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 39 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.

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

### 2.2.4 Deferred Tax Liabilities/(Assets)

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 32 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 33 to the Financial Statements.

## 2.2.6 Commitment and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in note 44 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.

## 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. Generally, the Company uses its incremental borrowing rate 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 26 to the financial statements while the corresponding lease liability is presented under note 29.

### 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

The Company previously classified leases either operating lease or finance lease based on the substance of the transaction. Under SLFRS 16, Company recognised a right of use assets and a lease liability except for the short-term leases and leases for which the underlying asset is low value.



## 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 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 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.

#### 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 39 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).

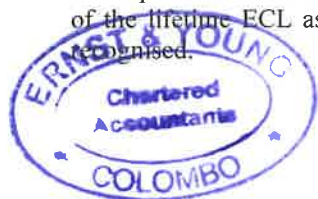
The 12mECL is the portion of LTECLs that represent the ECLs that result from default event on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or on collective basis, depending on the nature of 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 loans and receivables 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 their 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 carried 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 2024.

#### 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 recycled 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 26.1 to the Financial Statements and corresponding lease liability under note 26.2 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. 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

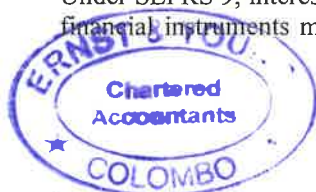
The Company classifies all non-financial liabilities other than post-employment benefit liability, deferred tax and current tax liabilities under other non-financial liabilities. Other non-financial liabilities include guarantee fee, statutory payments, provision and other non-financial payable. These 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 or 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 expected credit loss 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 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.

### 2.3.22 Taxation

#### 2.3.22.1 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.

**2.3.22.2 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.

**2.3.22.3 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.

**2.3.23 Regulatory Provisions**

**2.3.23.1 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.

### 2.3.23.2 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 issued 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, 2023 (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.

#### 3.1.1 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.



Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The amendments became effective for annual reporting periods beginning on or after 1 January 2023.

### 3.1.2 Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments became effective for annual reporting periods beginning on or after 1 January 2023.

### 3.1.3 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by,

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments became effective for annual reporting periods beginning on or after 01 January 2023.

## 3.2 Sri Lanka Accounting Standards issued but not yet effective as at 31 March 2024

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

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.

The Company is currently in the process of assessing the impact this standard will have on current practice.

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

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 01 January 2024.



The Company is currently in the process of assessing the impact this standard will have on current practice.

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

The amendments to SLFRS 16 Leases specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 01 January 2024.

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

### 3.2.4 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.

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

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

The amendments are effective for annual periods beginning on or after 01 January 2024.

The Company is currently in the process of assessing the impact this standard will have on current practice.



Assetline Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2024

| 4. GROSS INCOME   | Note | 2024<br>Rs.           | 2023<br>Rs.          |
|---|------|-----------------------|----------------------|
| Interest Income   | 5.1  | 9,937,951,498         | 7,845,085,110        |
| Fee & Service Charge Income   | 7.   | 146,358,142           | 83,728,258           |
| Other Operating Income  | 8.   | 46,003,085            | 63,413,000           |
| Net gains/(losses) from Derecognition of Financial Assets   | 9.   | 220,430,500           | -                    |
|   |      | <u>10,350,743,225</u> | <u>7,992,226,368</u> |
| <br>  |      |                       |                      |
| 5. INTEREST INCOME  |      | 2024<br>Rs.           | 2023<br>Rs.          |
| <b>5.1 Financial Assets at Amortised Cost</b>   |      |                       |                      |
| Interest on Lease (Note 5.1.1)  |      | 6,868,561,275         | 6,051,590,489        |
| Interest on Term loan   |      | 600,069,917           | 192,389,080          |
| Interest on Margin Trading  |      | 52,305,946            | 28,367,848           |
| Overdue Interest  |      | 1,076,649,276         | 954,032,116          |
| Interest on Saving Deposits   |      | 1,013,284             | 962,469              |
| Interest on Fixed Deposits  |      | 16,485,616            | 218,224,690          |
| Interest on Government Securities   |      | 1,322,866,184         | 399,518,418          |
|   |      | <u>9,937,951,498</u>  | <u>7,845,085,110</u> |
| <br>  |      |                       |                      |
| <b>5.1.1 Interest on Lease</b>  |      |                       |                      |
| Leasing Interest Income   |      | 7,411,072,853         | 6,567,091,853        |
| Deferred Promotion Expenses   |      | (542,511,578)         | (515,501,364)        |
|   |      | <u>6,868,561,275</u>  | <u>6,051,590,489</u> |
| <br>  |      |                       |                      |
| 6. INTEREST EXPENSE   |      | 2024<br>Rs.           | 2023<br>Rs.          |
| Interest on Commercial Papers   |      | 12,526,027            | 500,631,493          |
| Interest on Bank Loans ( Note 28.1)   |      | 2,813,617,479         | 3,486,262,963        |
| Interest on Intercompany Loans  |      | 245,531,323           | 117,832,907          |
| Interest on Bank Overdrafts   |      | 117,866,217           | 302,967,276          |
| Interest on Fixed Deposits  |      | 45,112,708            | 7,882,890            |
| Finance Lease (Note 26.2)   |      | 23,590,704            | 15,169,298           |
|   |      | <u>3,258,244,458</u>  | <u>4,430,746,827</u> |
| <br>  |      |                       |                      |
| 7. FEE & SERVICE CHARGE INCOME  |      | 2024<br>Rs.           | 2023<br>Rs.          |
| Service Charge  |      | 99,359,312            | 47,379,264           |
| Vehicle Transfer Fee  |      | 46,998,830            | 36,348,994           |
|   |      | <u>146,358,142</u>    | <u>83,728,258</u>    |
| <br>  |      |                       |                      |
| 8. OTHER OPERATING INCOME   |      | 2024<br>Rs.           | 2023<br>Rs.          |
| Dividend Income   |      | 359,040               | 480,000              |
| Profit/(Loss) on Disposal of Property, Plant and Equipment  |      | 3,098,989             | 935,390              |
| Rent Income   |      | 14,635,202            | 11,722,421           |
| Other Income  |      | 27,909,854            | 50,275,189           |
|   |      | <u>46,003,085</u>     | <u>63,413,000</u>    |
| <br>  |      |                       |                      |
| 9. NET GAINS/(LOSSES) FROM DERECOGNITION OF FINANCIAL ASSETS  |      |                       |                      |
| 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  |      |                       |                      |
| Government Securities   |      | 220,430,500           | -                    |
| Total   |      | <u>220,430,500</u>    | <u>-</u>             |



| 10. IMPAIRMENT CHARGES/ (REVERSAL) AND NET WRITE OFF                        | 2024<br>Rs.          | 2023<br>Rs.        |
|---|----------------------|--------------------|
| <b>Impairment Charges/(Reversal)</b>  |                      |                    |
| Deposits with Licensed Commercial Banks (Note 10.1)                         | (31,075)             | (25,242)           |
| Financial Assets at Amortised Cost - Loans and Advances (Note 10.1)         | (19,212,502)         | (413,175,462)      |
| Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 10.1)   | (502,792,377)        | 457,335,673        |
| Other Charges Receivable from Client (Note 10.1)                            | (3,998,897)          | 3,138,138          |
|   | <u>(526,034,851)</u> | <u>47,273,107</u>  |
| <b>Provision Against Net Write Off</b>                                      |                      |                    |
| Financial Assets at Amortised Cost - Loans and Advances (Note 18.3.1)       | 16,382,928           | 367,933,980        |
| Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.3.1) | 846,746,462          | 95,830,375         |
| Other Charges Receivable from Client (Note 21.1.3.1)                        | 3,469,465            | 3,325,038          |
|   | <u>866,598,855</u>   | <u>467,089,393</u> |
| <b>Direct Net Write Off</b>   |                      |                    |
| Loans and Lease Rentals Receivables (Note 10.2)                             | 1,232,554,117        | 342,621,258        |
|   | <u>1,573,118,121</u> | <u>856,983,758</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   | Stage 1<br>Rs.       | Stage 2<br>Rs.     | Stage 3<br>Rs.         | Total<br>Rs.         |
|---|----------------------|--------------------|------------------------|----------------------|
| Deposits with Licensed Commercial Banks (Note 17)                         | (31,075)             | -                  | -                      | (31,075)             |
| Financial Assets at Amortised Cost - Loans and Advances (Note 18.2)       | 13,495,622           | (2,667,462)        | (30,040,662)           | (19,212,502)         |
| Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.2) | 134,665,451          | 348,269,477        | (985,727,305)          | (502,792,377)        |
| Other Charges Receivable from Client (Note 21.1.2)                        | (66,562)             | (886,592)          | (3,045,743)            | (3,998,897)          |
|   | <u>148,063,436</u>   | <u>344,715,423</u> | <u>(1,018,813,710)</u> | <u>(526,034,851)</u> |
| <b>For the year 2023</b>  |                      |                    |                        |                      |
|   | Stage 1<br>Rs.       | Stage 2<br>Rs.     | Stage 3<br>Rs.         | Total<br>Rs.         |
| Deposits with Licensed Commercial Banks (Note 17)                         | (25,242)             | -                  | -                      | (25,242)             |
| Financial Assets at Amortised Cost - Loans and Advances (Note 18.2)       | (37,439,115)         | (13,192,632)       | (362,543,715)          | (413,175,462)        |
| Financial Assets at Amortised Cost - Lease Rentals Receivable (Note 19.2) | (137,391,670)        | 75,803,136         | 518,924,207            | 457,335,673          |
| Other Charges Receivable from Client (Note 21.1.2)                        | 68,001               | 906,985            | 2,163,152              | 3,138,138            |
|   | <u>(174,788,026)</u> | <u>63,517,489</u>  | <u>158,543,644</u>     | <u>47,273,107</u>    |

| 10.2 Write Off & Write Back - Loan and Lease Receivable | 2024<br>Rs.          | 2023<br>Rs.        |
|---|----------------------|--------------------|
| Direct Write Off during the year                        | 1,394,868,586        | 521,215,651        |
| Direct Write Back during the year                       | (162,314,469)        | (178,594,393)      |
|   | <u>1,232,554,117</u> | <u>342,621,258</u> |

| 10.3 Analysis of Write Off and Write Back                                   | 2024<br>Rs.          | 2023<br>Rs.          |
|---|----------------------|----------------------|
| <b>Write Off</b>  |                      |                      |
| Direct Write Off during the year  | 1,394,868,586        | 521,215,651          |
| <b>Provision Against Write Off</b>  |                      |                      |
| Financial Assets at Amortised Cost - Loans and advances (Note 18.3.1)       | 16,382,928           | 368,025,759          |
| Financial Assets at Amortised Cost - Lease Rental Receivables (Note 19.3.1) | 848,111,754          | 95,897,869           |
| Other Charges Receivable from Client (Note 21.1.3.1)                        | 3,469,465            | 3,325,038            |
|   | <u>2,262,832,733</u> | <u>988,464,317</u>   |
| <b>Write Back</b>   |                      |                      |
| Direct Write Back during the year   | (162,314,469)        | (178,594,393)        |
| <b>Provision Against Write Back</b>   |                      |                      |
| Financial Assets at Amortised Cost - Loans and advances (Note 18.3.1)       | -                    | (91,779)             |
| Financial Assets at Amortised Cost - Lease Rental Receivables (Note 19.3.1) | (1,365,292)          | (67,494)             |
| Other Charges Receivable from Client (Note 21.1.3.1)                        | -                    | -                    |
|   | <u>(163,679,761)</u> | <u>(178,753,666)</u> |
|   | <u>2,099,152,972</u> | <u>809,710,651</u>   |



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

| 11. PERSONNEL COSTS  | 2024<br>Rs.          | 2023<br>Rs.        |
|--|----------------------|--------------------|
| Salary & Bonus   | 1,061,099,867        | 802,097,601        |
| Contribution to Defined Contribution Plan                                | 97,476,538           | 82,152,594         |
| Gratuity Charge for the Year - Retirement Benefit Obligation (Note 33.3) | 41,948,902           | 33,355,247         |
| Staff Training   | 3,612,905            | 1,267,448          |
| Staff Welfare Expenses   | 107,147,915          | 61,757,580         |
|  | <u>1,311,286,127</u> | <u>980,630,470</u> |

| 12. OTHER OPERATING EXPENSES                            | 2024<br>Rs.          | 2023<br>Rs.          |
|---|----------------------|----------------------|
| Directors' Emoluments                                   | 32,529,675           | 48,864,125           |
| Auditors' Remuneration                                  | 2,870,000            | 3,002,941            |
| Non-Audit Fee to Auditors                               | 2,774,296            | 1,336,468            |
| Professional & Legal Expenses                           | 54,416,846           | 53,260,052           |
| Depreciation on Property, Plant & Equipment (Note 24.2) | 27,532,168           | 28,032,666           |
| Amortization of Intangible Assets (Note 25.2.1)         | 15,932,479           | 12,261,826           |
| Amortization of Right of Used Assets (Note 26.1)        | 50,957,578           | 56,107,152           |
| Operating Lease Expense                                 | 60,007,324           | 61,363,937           |
| Office Administration & Establishment Expenses          | 1,024,155,463        | 833,689,697          |
| Advertising and Sales Commission Expenses               | 56,753,054           | 46,937,625           |
| Insurance Expenses                                      | 36,529,101           | 21,914,587           |
| Deposit Insurance Premium Expenses                      | 175,336              | 37,795               |
| Community Welfare Expense                               | 3,501,501            | 950,969              |
|   | <u>1,368,134,821</u> | <u>1,167,759,840</u> |

| 13. VAT & NBT ON FINANCIAL SERVICES | 2024<br>Rs.        | 2023<br>Rs.        |
|-------------------------------------|--------------------|--------------------|
| VAT on Financial Services           | 625,699,220        | 251,326,971        |
| Social Security Contribution Levy   | 91,961,652         | 19,639,344         |
|                                     | <u>717,660,872</u> | <u>270,966,315</u> |

14. TAXATION

14.1 The major components of income tax expense for the years ended 31 March are as follows.

| Income Statement  | 2024<br>Rs.        | 2023<br>Rs.          |
|---|--------------------|----------------------|
| <b>Current Income Tax</b>   |                    |                      |
| Income Tax for the Year   | 693,958,518        | 234,771,528          |
| Under/(Over) Provision of Current Taxes in Respect of Previous Year | -                  | 5,714,727            |
|   | <u>693,958,518</u> | <u>240,486,255</u>   |
| <b>Deferred Tax</b>   |                    |                      |
| Deferred Taxation Charge/ (Reversal) (Note 32)                      | 139,867,673        | (860,504,387)        |
|   | <u>833,826,191</u> | <u>(620,018,132)</u> |





## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 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.

|  | 2024<br>Rs.        | 2023<br>Rs.          |
|--|--------------------|----------------------|
| <b>Accounting Profit Before Income Taxation</b>                                      | 2,122,298,826      | 285,139,158          |
| Statutory Income Tax *   | 636,689,648        | 76,987,573           |
| Tax Effect of Non Deductible Expenses  | 255,712,970        | 191,671,458          |
| Tax Effect of Other Allowable Credits  | (198,444,100)      | (33,954,703)         |
| Tax Effect of 14% Rate   | -                  | 67,200               |
|  | <u>693,958,518</u> | <u>234,771,528</u>   |
| Under/(Over) Provision of Current Tax in Respect of Previous Year                    | -                  | 5,714,727            |
| Deferred Taxation Charge/(Reversal) Due to Rate Revision (Note 32)                   | -                  | (172,100,877)        |
| Deferred Taxation Charge/(Reversal) Due to Change in Temporary Differences (Note 32) | 139,867,673        | (688,403,510)        |
| Total Expenses for the Year  | <u>833,826,191</u> | <u>(620,018,132)</u> |
| Effective Tax Rate   | 39.29%             | -217.44%             |

\* Statutory income tax has been calculated by using 30% for the period of 2023/24.

## 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.

| <b>For the Year ended 31st March</b>                       | 2024<br>Rs.   | 2023<br>Rs. |
|--|---------------|-------------|
| Profit/ (Loss) Attributable to Ordinary Shareholders       | 1,288,472,635 | 905,157,290 |
| Weighted Average Number of Ordinary Shares during the year | 133,958,971   | 133,958,971 |
| Earnings Per Share   | 9.62          | 6.76        |

## 16. CASH AND CASH EQUIVALENTS

|              | 2024<br>Rs.        | 2023<br>Rs.        |
|--------------|--------------------|--------------------|
| Cash in Hand | 294,846,372        | 225,267,235        |
| Cash at Bank | 60,835,052         | 26,041,628         |
|              | <u>355,681,424</u> | <u>251,308,863</u> |

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

|   | 2024<br>Rs.       | 2023<br>Rs.            |
|---|-------------------|------------------------|
| Cash and Cash Equivalents   | 355,681,424       | 251,308,863            |
| Deposits with Licensed Commercial Banks (Maturity less than 3 Months) | -                 | -                      |
| Bank Overdraft  | (295,755,405)     | (1,273,528,835)        |
| Cash and Cash Equivalent for Cash Flows Purpose                       | <u>59,926,019</u> | <u>(1,022,219,972)</u> |



| 17. DEPOSITS WITH LICENSED COMMERCIAL BANKS             | 2024<br>Rs. | 2023<br>Rs.        |
|---|-------------|--------------------|
| Deposits with Licensed Commercial Banks                 | -           | 150,000,000        |
| Interest Receivables                                    | -           | 24,815,496         |
| Less: Allowance for Expected Credit Losses ( Note 17.1) | -           | (31,075)           |
|   | <u>-</u>    | <u>174,784,421</u> |

| 17.1 Allowance for Expected Credit Losses | 2024<br>Rs. | 2023<br>Rs.   |
|---|-------------|---------------|
| Balance as at 1st April                   | 31,075      | 56,317        |
| Net Impairment Charge/(Reversal)          | (31,075)    | (25,242)      |
| Balance as at 31st March                  | <u>-</u>    | <u>31,075</u> |

| 18. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES | 2024<br>Rs.          | 2023<br>Rs.          |
|---|----------------------|----------------------|
| Term Loan   | 5,119,593,500        | 1,513,975,919        |
| Margin Trading  | 545,487,405          | 99,855,811           |
|   | <u>5,665,080,905</u> | <u>1,613,831,730</u> |
| Less: Specific Impairment                                   | (4,522,024)          | (614,209)            |
| Less: Collective Impairment                                 | (164,364,619)        | (187,484,936)        |
|   | <u>5,496,194,262</u> | <u>1,425,732,585</u> |

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

| As at 31st March 2024                | Stage 01<br>Rs.      | Stage 02<br>Rs.    | Stage 03<br>Rs.   | Total<br>Rs.         |
|--------------------------------------|----------------------|--------------------|-------------------|----------------------|
| Gross Loans and Advances             | 5,065,734,918        | 400,063,874        | 199,282,113       | 5,665,080,905        |
| Allowance for Expected Credit Losses | (21,453,584)         | (12,834,974)       | (134,598,085)     | (168,886,643)        |
| Net Loans and Advances               | <u>5,044,281,334</u> | <u>387,228,900</u> | <u>64,684,028</u> | <u>5,496,194,262</u> |

| As at 31st March 2023                | Stage 01<br>Rs.      | Stage 02<br>Rs.    | Stage 03<br>Rs.   | Total<br>Rs.         |
|--------------------------------------|----------------------|--------------------|-------------------|----------------------|
| Gross Loans and Advances             | 1,253,082,836        | 161,787,347        | 198,961,547       | 1,613,831,730        |
| Allowance for Expected Credit Losses | (7,930,670)          | (17,865,443)       | (162,303,032)     | (188,099,145)        |
| Net Loans and Advances               | <u>1,245,152,166</u> | <u>143,921,904</u> | <u>36,658,515</u> | <u>1,425,732,585</u> |

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

| 18.2 Allowance for Expected Credit Losses - Loans and Advances | 2024<br>Rs.        | 2023<br>Rs.        |
|--|--------------------|--------------------|
| Balance as at 01 April   | 188,099,145        | 601,274,607        |
| Gross Charge to Profit or Loss (Note 18.3)                     | (2,829,574)        | (45,241,482)       |
| Provision Against Net Write Off during the year (Note 18.3.1)  | (16,382,928)       | (367,933,980)      |
| Balance as at 31 March   | <u>168,886,643</u> | <u>188,099,145</u> |

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

|   | Stage 01<br>Rs.   | Stage 02<br>Rs.   | Stage 03<br>Rs.    | Total<br>Rs.       |
|---|-------------------|-------------------|--------------------|--------------------|
| Balance as at 01 April 2023                                   | 7,957,963         | 15,502,436        | 164,638,746        | 188,099,145        |
| Gross Charge to Profit or Loss                                | 13,510,190        | (2,667,462)       | (13,672,302)       | (2,829,574)        |
| Provision Against Net Write Off during the year (Note 18.3.1) | (14,569)          | -                 | (16,368,359)       | (16,382,928)       |
| Balance as at 31 March 2024                                   | <u>21,453,584</u> | <u>12,834,974</u> | <u>134,598,085</u> | <u>168,886,643</u> |

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the above staging is aligned with the same.

| 18.3.1 Provision Against Net Write Off | Stage 01<br>Rs. | Stage 02<br>Rs. | Stage 03<br>Rs.   | Total<br>Rs.      |
|--|-----------------|-----------------|-------------------|-------------------|
| Provision Against Write Off            | 14,569          | -               | 16,368,359        | 16,382,928        |
| Provision Against Write Back           | -               | -               | -                 | -                 |
|  | <u>14,569</u>   | <u>-</u>        | <u>16,368,359</u> | <u>16,382,928</u> |



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 18. FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES

## 18.4 Credit exposure &amp; provision for impairment movement-Loans &amp; Advances

Since the Company adopted the 90 days past due as it's defaulting point effective from 01 April 2023, the movements in the below tables for both the current & previous financial years are aligned with the same.

|  | 2024                         |                                 |                              |                                 |                              |                                 | 2023                         |                                 |                              |                                 |                              |                                 |  |
|--|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|--|
|  | Stage 1                      |                                 | Stage 2                      |                                 | Stage 3                      |                                 | Stage 1                      |                                 | Stage 2                      |                                 | Stage 3                      |                                 |  |
|  | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. |  |
| <b>Loans and advances at amortised cost</b>  |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |  |
| Balance as at 1 April 2023                   | 1,253,082,836                | 7,957,962                       | 136,598,231                  | 15,502,437                      | 224,150,663                  | 164,638,746                     | 1,613,831,730                | 188,099,145                     |                              |                                 |                              |                                 |  |
| - Transfer to stage 1                        | 11,802,354                   | 6,494,768                       | (5,820,499)                  | (512,913)                       | (5,981,855)                  | (5,981,855)                     | -                            | -                               |                              |                                 |                              |                                 |  |
| - Transfer to stage 2                        | (31,082,871)                 | (235,878)                       | 47,158,676                   | 12,366,394                      | (16,075,805)                 | (12,130,516)                    | -                            | -                               |                              |                                 |                              |                                 |  |
| - Transfer to stage 3                        | (26,776,479)                 | (408,574)                       | (66,480,224)                 | (12,450,736)                    | 93,256,703                   | 12,859,310                      | -                            | -                               |                              |                                 |                              |                                 |  |
| Net remeasurement of impairment              | -                            | (6,317,578)                     | -                            | (9,673,187)                     | -                            | 10,810,982                      | -                            | (5,179,783)                     |                              |                                 |                              |                                 |  |
| New financial assets originated or purchased | 4,824,684,820                | 18,185,092                      | 363,341,443                  | 9,907,605                       | 8,139,042                    | 805,577                         | 5,196,165,305                | 28,898,274                      |                              |                                 |                              |                                 |  |
| Financial assets that have been derecognised | (965,975,742)                | (4,222,208)                     | (74,733,753)                 | (2,304,626)                     | (157,471,372)                | (20,021,232)                    | (1,198,180,867)              | (26,548,066)                    |                              |                                 |                              |                                 |  |
| Net Write-offs                               | -                            | -                               | -                            | -                               | 53,264,737                   | (16,382,927)                    | 53,264,737                   | (16,382,927)                    |                              |                                 |                              |                                 |  |
| <b>Balance as at 31 March 2024</b>           | <b>5,065,734,918</b>         | <b>21,453,584</b>               | <b>400,063,874</b>           | <b>12,834,974</b>               | <b>199,282,113</b>           | <b>134,598,085</b>              | <b>5,665,080,905</b>         | <b>168,886,643</b>              |                              |                                 |                              |                                 |  |
|  |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |  |
| <b>Loans and advances at amortised cost</b>  |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |                              |                                 |  |
| Balance as at 1 April 2022                   | 985,786,126                  | 4,677,834                       | 90,154,475                   | 6,020,687                       | 824,233,926                  | 592,626,562                     | 1,900,174,527                | 603,325,083                     |                              |                                 |                              |                                 |  |
| - Transfer to stage 1                        | 102,506,707                  | 40,972,668                      | (18,177,351)                 | (270,212)                       | (84,329,356)                 | (40,702,456)                    | -                            | -                               |                              |                                 |                              |                                 |  |
| - Transfer to stage 2                        | (53,513,843)                 | (172,047)                       | 125,541,318                  | 21,080,667                      | (72,027,475)                 | (20,908,620)                    | -                            | -                               |                              |                                 |                              |                                 |  |
| - Transfer to stage 3                        | (43,719,338)                 | (132,088)                       | (8,505,272)                  | (256,530)                       | 52,224,610                   | 388,618                         | -                            | -                               |                              |                                 |                              |                                 |  |
| Net remeasurement of impairment              | -                            | (37,179,845)                    | -                            | (7,670,452)                     | -                            | 10,753,366                      | -                            | (34,096,931)                    |                              |                                 |                              |                                 |  |
| New financial assets originated or purchased | 818,952,366                  | 2,393,277                       | 39,942,043                   | 1,901,412                       | 113,394,087                  | 103,291,706                     | 972,288,496                  | 107,586,395                     |                              |                                 |                              |                                 |  |
| Financial assets that have been derecognised | (556,929,182)                | (2,601,837)                     | (92,356,982)                 | (5,303,135)                     | (236,024,079)                | (112,876,450)                   | (885,310,243)                | (120,781,422)                   |                              |                                 |                              |                                 |  |
| Write-offs                                   | -                            | -                               | -                            | -                               | (373,321,050)                | (367,933,980)                   | (373,321,050)                | (367,933,980)                   |                              |                                 |                              |                                 |  |
| <b>Balance as at 31 March 2023</b>           | <b>1,253,082,836</b>         | <b>7,957,962</b>                | <b>136,598,231</b>           | <b>15,502,437</b>               | <b>224,150,663</b>           | <b>164,638,746</b>              | <b>1,613,831,730</b>         | <b>188,099,145</b>              |                              |                                 |                              |                                 |  |

Balance as at 31 March 2023



## 19. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES

|   | 2024<br>Rs.           | 2023<br>Rs.           |
|---|-----------------------|-----------------------|
| Gross Rentals Receivables                   | 36,853,762,139        | 39,218,524,197        |
| Less: Unearned Income                       | (11,236,733,662)      | (12,237,596,290)      |
| Less: Specific Impairment                   | (62,113,990)          | (177,694,740)         |
| Less: Collective Impairment                 | (1,841,465,624)       | (2,228,677,251)       |
| Total Rentals Receivable (Note 19.4 & 19.5) | <u>23,713,448,863</u> | <u>24,574,555,916</u> |

## 19.1 Analysis of Financial Assets Based on Exposure to Credit Risk - Lease Rental Receivables

| As at 31st March 2024                            | Stage 01<br>Rs.       | Stage 02<br>Rs.      | Stage 03<br>Rs.      | Total<br>Rs.          |
|--|-----------------------|----------------------|----------------------|-----------------------|
| Gross Lease Rental Receivables                   | 16,140,577,345        | 6,212,549,962        | 3,263,901,170        | 25,617,028,477        |
| Allowance for Expected Credit Losses (Note 19.2) | (207,356,216)         | (506,065,718)        | (1,190,157,680)      | (1,903,579,614)       |
| Net Lease Rental receivables                     | <u>15,933,221,129</u> | <u>5,706,484,244</u> | <u>2,073,743,490</u> | <u>23,713,448,863</u> |
| As at 31st March 2023                            | Stage 01<br>Rs.       | Stage 02<br>Rs.      | Stage 03<br>Rs.      | Total<br>Rs.          |
| Gross Lease Rental receivables                   | 12,856,153,383        | 8,244,441,397        | 5,880,333,127        | 26,980,927,907        |
| Allowance for Expected Credit Losses (Note 19.2) | (72,697,314)          | (483,446,972)        | (1,850,227,705)      | (2,406,371,991)       |
| Net Lease Rental receivables                     | <u>12,783,456,069</u> | <u>7,760,994,425</u> | <u>4,030,105,422</u> | <u>24,574,555,916</u> |

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

## 19.2 Allowance for Expected Credit Losses - Lease Rental Receivables

|   | 2024<br>Rs.          | 2023<br>Rs.          |
|---|----------------------|----------------------|
| Balance as at 01 April                        | 2,406,371,991        | 1,949,036,318        |
| Gross Charge to Profit or Loss (Note 19.3)    | 343,954,085          | 553,166,048          |
| Provision Against Net Write Off (Note 19.3.1) | (846,746,462)        | (95,830,375)         |
| Balance as at 31 March                        | <u>1,903,579,614</u> | <u>2,406,371,991</u> |

## 19.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk - Lease Rental Receivables

|   | Stage 01<br>Rs.    | Stage 02<br>Rs.    | Stage 03<br>Rs.      | Total<br>Rs.         |
|---|--------------------|--------------------|----------------------|----------------------|
| Balance as at 01 April 2023                                   | 72,690,764         | 157,796,242        | 2,175,884,985        | 2,406,371,991        |
| Gross Charge to Profit or Loss                                | 136,600,271        | 442,664,206        | (235,310,392)        | 343,954,085          |
| Provision Against Net Write Off during the year (Note 19.3.1) | (1,934,819)        | (94,394,729)       | (750,416,914)        | (846,746,462)        |
| Balance as at 31 March 2024                                   | <u>207,356,216</u> | <u>506,065,718</u> | <u>1,190,157,680</u> | <u>1,903,579,614</u> |

Since the Company adopted the 90 days past due as its defaulting point effective from 01 April 2023, the above staging is aligned with the same.

## 19.3.1 Provision Against Net Write Off

|                              | Stage 01<br>Rs.  | Stage 02<br>Rs.   | Stage 03<br>Rs.    | Total<br>Rs.       |
|------------------------------|------------------|-------------------|--------------------|--------------------|
| Provision Against Write Off  | 1,942,949        | 94,395,563        | 751,773,242        | 848,111,754        |
| Provision Against Write Back | (8,130)          | (834)             | (1,356,328)        | (1,365,292)        |
|                              | <u>1,934,819</u> | <u>94,394,729</u> | <u>750,416,914</u> | <u>846,746,462</u> |



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

19. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES (Contd..)

| 19.4 As at 31st March 2024  | 1 Year                | 1- 5 Year             | More than 5<br>Year | Total                 |
|-----------------------------|-----------------------|-----------------------|---------------------|-----------------------|
|                             | Rs.                   | Rs.                   | Rs.                 | Rs.                   |
| Rental Receivables          | 16,445,024,155        | 20,399,492,890        | 9,245,094           | 36,853,762,139        |
| Less: Unearned Income       | (5,980,058,895)       | (5,256,112,495)       | (562,272)           | (11,236,733,662)      |
|                             | <u>10,464,965,260</u> | <u>15,143,380,395</u> | <u>8,682,822</u>    | <u>25,617,028,477</u> |
| Less: Specific Provision    |                       |                       |                     | (62,113,990)          |
| Less: Collective Impairment |                       |                       |                     | (1,841,465,624)       |
|                             |                       |                       |                     | <u>23,713,448,863</u> |
| <br>                        |                       |                       |                     |                       |
| 19.5 As at 31st March 2023  | 1 Year                | 1- 5 Year             | More than 5<br>Year | Total                 |
|                             | Rs.                   | Rs.                   | Rs.                 | Rs.                   |
| Rental Receivables          | 15,323,547,003        | 23,842,329,304        | 52,647,890          | 39,218,524,197        |
| Less: Unearned Income       | (5,853,867,471)       | (6,381,836,937)       | (1,891,882)         | (12,237,596,290)      |
|                             | <u>9,469,679,532</u>  | <u>17,460,492,367</u> | <u>50,756,008</u>   | <u>26,980,927,907</u> |
| Less: Specific Provision    |                       |                       |                     | (177,694,740)         |
| Less: Collective Impairment |                       |                       |                     | (2,228,677,251)       |
|                             |                       |                       |                     | <u>24,574,555,916</u> |



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 19. FINANCIAL ASSETS AT AMORTISED COST - LEASE RENTALS RECEIVABLES (Contd..)

## 19.6 Credit exposure &amp; provision for impairment movement-Lease Rental Receivables

Since the Company adopted the 90 days past due as its defaulting point effective from 01 April 2023, the movements in the below tables for both the current & previous financial years are aligned with the same.

|   | 2024                         |                                 |                              |                                 |                              |                                 | Total                        |                                 |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
|   | Stage 1                      |                                 | Stage 2                      |                                 | Stage 3                      |                                 |                              |                                 |
|   | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. |
| <b>Lease Rental Receivables at amortised cost</b> |                              |                                 |                              |                                 |                              |                                 |                              |                                 |
| Balance as at 1 April 2023                        | 12,856,153,383               | 72,690,764                      | 5,802,739,301                | 157,796,241                     | 8,322,035,223                | 2,175,884,986                   | 26,980,927,907               | 2,406,371,991                   |
| - Transfer to stage 1                             | 1,891,562,107                | 129,533,459                     | (1,262,732,121)              | (31,526,192)                    | (628,829,986)                | (98,007,267)                    | -                            | -                               |
| - Transfer to stage 2                             | (2,777,849,023)              | (15,854,842)                    | 3,639,316,197                | 137,159,730                     | (861,467,174)                | (121,304,888)                   | -                            | -                               |
| - Transfer to stage 3                             | (563,349,238)                | (3,243,153)                     | (726,876,125)                | (23,508,536)                    | 1,290,225,363                | 26,751,689                      | -                            | -                               |
| Net remeasurement of impairment                   | -                            | (80,017,147)                    | -                            | 171,639,728                     | -                            | 450,929,599                     | -                            | 542,552,180                     |
| New financial assets originated or purchased      | 9,888,925,024                | 118,628,186                     | 1,862,904,030                | 143,356,353                     | 565,973,187                  | 106,374,011                     | 12,317,802,241               | 368,358,550                     |
| Financial assets that have been derecognised      | (5,154,864,908)              | (14,381,051)                    | (3,102,801,320)              | (48,851,606)                    | (3,291,351,920)              | (503,723,987)                   | (11,549,018,148)             | (566,956,644)                   |
| Write-offs  | -                            | -                               | -                            | -                               | (2,132,683,523)              | (846,746,463)                   | (2,132,683,523)              | (846,746,463)                   |
| <b>Balance as at 31 March 2024</b>                | <b>16,140,577,345</b>        | <b>207,356,216</b>              | <b>6,212,549,962</b>         | <b>506,065,718</b>              | <b>3,263,901,170</b>         | <b>1,190,157,680</b>            | <b>25,617,028,477</b>        | <b>1,903,579,614</b>            |

|   | 2023                         |                                 |                              |                                 |                              |                                 | Total                        |                                 |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
|   | Stage 1                      |                                 | Stage 2                      |                                 | Stage 3                      |                                 |                              |                                 |
|   | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. | Gross carrying amount<br>Rs. | Provision for impairment<br>Rs. |
| <b>Lease Rental Receivables at amortised cost</b> |                              |                                 |                              |                                 |                              |                                 |                              |                                 |
| Balance as at 1 April 2022                        | 17,599,158,186               | 110,805,276                     | 6,278,894,646                | 147,820,892                     | 6,328,975,202                | 1,690,410,151                   | 30,207,028,034               | 1,949,036,319                   |
| - Transfer to stage 1                             | 1,775,792,352                | 139,615,926                     | (1,234,741,596)              | (28,697,449)                    | (541,050,756)                | (110,918,477)                   | -                            | -                               |
| - Transfer to stage 2                             | (3,493,364,923)              | (22,750,679)                    | 4,092,646,174                | 134,673,163                     | (599,281,251)                | (111,922,484)                   | -                            | -                               |
| - Transfer to stage 3                             | (3,004,346,327)              | (17,551,517)                    | (1,992,923,920)              | (47,605,902)                    | 4,997,270,247                | 65,157,419                      | -                            | -                               |
| Net remeasurement of impairment                   | -                            | (145,358,973)                   | -                            | (48,543,106)                    | -                            | 1,026,682,393                   | -                            | 832,780,314                     |
| New financial assets originated or purchased      | 5,352,357,054                | 25,990,658                      | 1,257,403,651                | 34,468,020                      | 1,545,782,895                | 272,575,251                     | 8,155,543,600                | 333,033,929                     |
| Financial assets that have been derecognised      | (5,373,442,959)              | (18,059,927)                    | (2,598,539,654)              | (34,319,377)                    | (3,001,061,776)              | (560,268,894)                   | (10,973,044,389)             | (612,648,198)                   |
| Write-offs  | -                            | -                               | -                            | -                               | (408,599,338)                | (95,830,373)                    | (408,599,338)                | (95,830,373)                    |
| <b>Balance as at 31 March 2023</b>                | <b>12,856,153,383</b>        | <b>72,690,764</b>               | <b>5,802,739,301</b>         | <b>157,796,241</b>              | <b>8,322,035,223</b>         | <b>2,175,884,986</b>            | <b>26,980,927,907</b>        | <b>2,406,371,991</b>            |



**20. FINANCIAL ASSETS - FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

|                            | 2024<br>Rs.          | 2023<br>Rs.          |
|----------------------------|----------------------|----------------------|
| Treasury Bonds (Note 20.1) | 6,747,888,543        | 5,232,945,524        |
| Unquoted Shares*           | 194,700              | 194,700              |
|                            | <u>6,748,083,243</u> | <u>5,233,140,224</u> |

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

**20.1 Movement in Treasury Bond Investment**

|                            | 2024<br>Rs.          | 2023<br>Rs.          |
|----------------------------|----------------------|----------------------|
| Balance as at 01 April     | 5,232,945,524        | 25,673,925           |
| Purchase of Treasury Bonds | -                    | 4,741,364,795        |
| Sale of Treasury Bonds     | (454,900,900)        | (25,757,675)         |
| Interest Accrued           | 177,827,261          | 368,871,387          |
| Mark to Market Gain        | 1,792,016,658        | 122,793,092          |
| Balance as at 31 March     | <u>6,747,888,543</u> | <u>5,232,945,524</u> |

**21. OTHER FINANCIAL ASSETS**

|  | 2024<br>Rs.        | 2023<br>Rs.        |
|--|--------------------|--------------------|
| Refundable Deposits and Prepayment               | 26,295,896         | 23,010,480         |
| Amounts Due From Related Parties                 | 12,176,404         | 4,363,226          |
| Other Charges Receivable from Client (Note 21.1) | 90,574,316         | 119,240,241        |
|  | <u>129,046,616</u> | <u>146,613,947</u> |

**21.1 Other Charges Receivable from Client**

|                                      | 2024<br>Rs.       | 2023<br>Rs.        |
|--------------------------------------|-------------------|--------------------|
| Other Charges Receivable from Client | 97,370,497        | 130,035,320        |
| Less: Collective Impairment          | (6,796,181)       | (10,795,079)       |
|                                      | <u>90,574,316</u> | <u>119,240,241</u> |

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



**21. OTHER FINANCIAL ASSETS (Contd...)****21.1.1 Analysis of Other Financial Assets based on Exposure to Credit Risk - Other Charges Receivable from Client**

| As at 31st March 2024                   | Stage 01<br>Rs.   | Stage 02<br>Rs.   | Stage 03<br>Rs.   | Total<br>Rs.       |
|---|-------------------|-------------------|-------------------|--------------------|
| Gross Loan and Lease Rental Receivables | 20,685,455        | 15,399,950        | 61,285,092        | 97,370,497         |
| Allowance for Expected Credit Losses    | (1,321,270)       | (1,094,170)       | (4,380,741)       | (6,796,181)        |
| Net Loan and Lease Rental Receivables   | <u>19,364,185</u> | <u>14,305,780</u> | <u>56,904,351</u> | <u>90,574,316</u>  |
| <br>                                    |                   |                   |                   |                    |
| As at 31st March 2023                   | Stage 01<br>Rs.   | Stage 02<br>Rs.   | Stage 03<br>Rs.   | Total<br>Rs.       |
| Gross Loan and Lease Rental Receivables | 16,467,666        | 23,952,466        | 89,615,188        | 130,035,320        |
| Allowance for Expected Credit Losses    | (1,387,832)       | (1,980,763)       | (7,426,484)       | (10,795,079)       |
| Net Loan and Lease Rental Receivables   | <u>15,079,834</u> | <u>21,971,703</u> | <u>82,188,704</u> | <u>119,240,241</u> |

The Company changed its default definition effective from 01 April 2023 to 90 days past due which was inline with the CBSL Direction No. 1 of 2020 on Classification and Measurement of Credit Facilities, whereas the previous default definition was 120 days past due. In line with these definition changes, the current year staging classification is conducted under 90 days past due, whereas the previous year comparatives are classified under 120 days past due.

**21.1.2 Allowance for Expected Credit Losses - Other Charges Receivable from Client**

|   | 2024<br>Rs.      | 2023<br>Rs.       |
|---|------------------|-------------------|
| Balance as at 01 April                          | 10,795,079       | 7,656,942         |
| Gross Charge to Profit or Loss (Note 21.1.3)    | (529,433)        | 6,463,176         |
| Provision Against Net Write Off (Note 21.1.3.1) | (3,469,465)      | (3,325,038)       |
| Balance as at 31 March                          | <u>6,796,181</u> | <u>10,795,079</u> |

**21.1.3 Movement in Allowance for Expected Credit Losses Based on Exposure to Credit Risk- Other Charges**

|   | Stage 01<br>Rs.  | Stage 02<br>Rs.  | Stage 03<br>Rs.  | Total<br>Rs.     |
|---|------------------|------------------|------------------|------------------|
| Balance as at 01 April 2023                     | 1,387,832        | 1,980,763        | 7,426,484        | 10,795,079       |
| Gross Charge to Profit or Loss                  | (59,415)         | (521,795)        | 51,777           | (529,433)        |
| Provision Against Net Write Off (Note 21.1.3.1) | (7,147)          | (364,798)        | (3,097,520)      | (3,469,465)      |
| Balance as at 31 March 2024                     | <u>1,321,270</u> | <u>1,094,170</u> | <u>4,380,741</u> | <u>6,796,181</u> |

**21.1.3.1 Provision Against Net Write Off**

|                              | Stage 01<br>Rs. | Stage 02<br>Rs. | Stage 03<br>Rs.  | Total<br>Rs.     |
|------------------------------|-----------------|-----------------|------------------|------------------|
| Provision Against Write Off  | 7,147           | 364,798         | 3,097,520        | 3,469,465        |
| Provision Against Write Back | -               | -               | -                | -                |
|                              | <u>7,147</u>    | <u>364,798</u>  | <u>3,097,520</u> | <u>3,469,465</u> |





## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 21. OTHER FINANCIAL ASSETS (Contd...)

## 21.1.4 Credit exposure &amp; provision for impairment movement-Other Charges Receivable from Client

|   | 2024                  |                          |                       |                          |                       |                          | Total                 |
|---|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|   | Stage 1               | Stage 2                  | Stage 3               | Stage 1                  | Stage 2               | Stage 3                  |                       |
|   | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount |
|   | Rs.                   | Rs.                      | Rs.                   | Rs.                      | Rs.                   | Rs.                      | Rs.                   |
| <b>Other Charges Receivable at amortised cost</b> |                       |                          |                       |                          |                       |                          |                       |
| Balance as at 1 April 2023                        | 16,467,666            | 1,387,832                | 17,198,747            | 1,980,763                | 96,368,907            | 7,426,484                | 130,035,320           |
| - Transfer to stage 1                             | 5,593,788             | 464,377                  | (3,303,025)           | (274,206)                | (2,290,763)           | (190,171)                | -                     |
| - Transfer to stage 2                             | (3,524,047)           | (292,554)                | 5,914,404             | 490,993                  | (2,390,357)           | (198,439)                | -                     |
| - Transfer to stage 3                             | (825,495)             | (68,530)                 | (2,360,600)           | (195,969)                | 3,186,095             | 264,499                  | -                     |
| Net remeasurement of impairment                   | -                     | (100,616)                | -                     | 113,863                  | -                     | 2,229,807                | -                     |
| New financial assets originated or purchased      | 7,189,028             | 501,773                  | 1,345,995             | 93,947                   | 3,237,249             | 225,951                  | 11,772,272            |
| Financial assets that have been derecognised      | (4,215,485)           | (571,012)                | (3,395,571)           | (1,115,221)              | (17,091,849)          | (1,907,924)              | (24,702,905)          |
| Write-offs  | -                     | -                        | -                     | -                        | (19,734,190)          | (3,469,466)              | (19,734,190)          |
| <b>Balance as at 31 March 2024</b>                | <b>20,685,455</b>     | <b>1,321,270</b>         | <b>15,399,950</b>     | <b>1,094,170</b>         | <b>61,285,092</b>     | <b>4,380,741</b>         | <b>97,370,497</b>     |

|   | 2023                  |                          |                       |                          |                       |                          | Total                 |
|---|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|   | Stage 1               | Stage 2                  | Stage 3               | Stage 1                  | Stage 2               | Stage 3                  |                       |
|   | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount | Provision for impairment | Gross carrying amount |
|   | Rs.                   | Rs.                      | Rs.                   | Rs.                      | Rs.                   | Rs.                      | Rs.                   |
| <b>Other Charges Receivable at amortised cost</b> |                       |                          |                       |                          |                       |                          |                       |
| Balance as at 1 April 2022                        | 14,640,161            | 1,433,763                | 11,219,119            | 1,098,942                | 52,313,423            | 5,124,237                | 78,172,703            |
| - Transfer to stage 1                             | 3,489,671             | 341,822                  | (1,854,125)           | (181,616)                | (1,635,546)           | (160,206)                | -                     |
| - Transfer to stage 2                             | (2,902,082)           | (284,267)                | 4,668,435             | 457,285                  | (1,766,353)           | (173,018)                | -                     |
| - Transfer to stage 3                             | (1,818,121)           | (178,090)                | (2,701,522)           | (264,621)                | 4,519,643             | 442,711                  | -                     |
| Net remeasurement of impairment                   | -                     | 118,103                  | -                     | 623,894                  | -                     | 5,383,854                | -                     |
| New financial assets originated or purchased      | 3,030,891             | 251,614                  | 914,463               | 75,916                   | 3,942,300             | 327,276                  | 7,887,654             |
| Financial assets that have been derecognised      | 27,146                | (295,113)                | 4,952,377             | 170,963                  | 67,057,296            | (193,331)                | 72,036,819            |
| Write-offs  | -                     | -                        | -                     | -                        | (28,061,856)          | (3,325,039)              | (28,061,856)          |
| <b>Balance as at 31 March 2023</b>                | <b>16,467,666</b>     | <b>1,387,832</b>         | <b>17,198,747</b>     | <b>1,980,763</b>         | <b>96,368,907</b>     | <b>7,426,484</b>         | <b>130,035,320</b>    |



| 22. OTHER NON FINANCIAL ASSETS | 2024<br>Rs.       | 2023<br>Rs.       |
|--------------------------------|-------------------|-------------------|
| Trading Stock                  | 12,291,722        | 46,906,574        |
| Prepayments and Advances       | 78,852,922        | 23,694,001        |
|                                | <u>91,144,644</u> | <u>70,600,575</u> |

| 23. INVESTMENT PROPERTY   | 2024<br>Rs.        | 2023<br>Rs.        |
|---|--------------------|--------------------|
| <b>23.1 Qualitative and Quantitative Disclosures of the Investment Properties</b> |                    |                    |
| Balance at the beginning of the year  | 193,800,000        | 231,900,000        |
| Disposals/Transfer  | (86,800,000)       | (38,100,000)       |
| Balance at the end of the year  | <u>107,000,000</u> | <u>193,800,000</u> |

The Company decided to sell its two investment properties located on Pelawatta - Pannipitiya Road and Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023.

Subsequently, the property located on Pelawatta - Pannipitiya Road was sold on 26 March 2024 for its fair value of Rs. 86.8Mn. The property located on Pelawatta - Parliament Road was also sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

Since the sale value of the Pelawatta - Parliament Road property was agreed upon with the buyer at the inception of the sale process, based on the valuation confirmation obtained, a separate valuation was not obtained for this property as of 31 March 2024.

| Location                      | Buildings<br>Sq. Ft | Land in<br>Extent | Fair Value         |                    |
|-------------------------------|---------------------|-------------------|--------------------|--------------------|
|                               |                     |                   | 2024               | 2023               |
| Pelawatta - Parliament Road   | 11040               | 08P               | 107,000,000        | 107,000,000        |
| Pelawatta - Pannipitiya Road  | 7383                | 08.46P            | -                  | 86,800,000         |
| Embilipitiya                  | 1224                | 27A 01R 24P       | 21,200,000         | 21,200,000         |
| Provision made - Embilipitiya |                     |                   | (21,200,000)       | (21,200,000)       |
|                               |                     |                   | <u>107,000,000</u> | <u>193,800,000</u> |

| 23.2 Net profit from Investment Properties   | 2024<br>Rs.      | 2023<br>Rs.      |
|--|------------------|------------------|
| Rental income derived from investment properties   | 6,078,738        | 7,472,085        |
| Direct operating expenses (including repair and maintenance) generate rental income              | (1,553,551)      | (832,822)        |
| Direct operating expenses (including repair and maintenance) that did not generate rental income | (692,520)        | (700,800)        |
| <b>Net profit arising from investment properties carried at fair value</b>                       | <u>3,832,667</u> | <u>5,938,463</u> |

### 23.3 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 -<br>Rs. 7,350 |
|                  |                                      | Estimated Price per perch (Land)     | Rs. 5.7 Mn-<br>Rs. 6.3Mn |
| Land             | Direct Comparison Method             | Estimated Price per perch            | Rs. 4.25 Mn              |

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

| 24. PROPERTY, PLANT AND EQUIPMENT  | Balance<br>As at<br>01.04.2023<br>Rs.           | Additions/<br>Transfers<br>for the year<br>Rs.           | Disposals/<br>Transfers<br>Rs.          | Balance<br>As at<br>31.03.2024<br>Rs.           |
|------------------------------------|---|--|---|---|
| <b>24.1 Gross Carrying Amounts</b> |   |  |   |   |
| Land & Building                    | 38,310,000                                      | -  | -                                       | 38,310,000                                      |
| Motor Vehicles                     | -   | -  | -                                       | -   |
| Furniture & Fittings               | 47,085,161                                      | 514,990  | (12,510)                                | 47,587,641                                      |
| Office Equipment                   | 270,832,556                                     | 36,598,008   | (12,617,395)                            | 294,813,169                                     |
| Leasehold Improvements             | 134,377,471                                     | 3,767,904  | (100,800)                               | 138,044,575                                     |
| <b>Total</b>                       | <b>490,605,188</b>                              | <b>40,880,902</b>  | <b>(12,730,705)</b>                     | <b>518,755,385</b>                              |
| <b>Depreciation</b>                | <b>Balance<br/>As at<br/>01.04.2023<br/>Rs.</b> | <b>Charge/<br/>Transfers<br/>for the year<br/>Rs.</b>    | <b>Disposals/<br/>Transfers<br/>Rs.</b> | <b>Balance<br/>As at<br/>31.03.2024<br/>Rs.</b> |
| Land & Building                    | 565,500   | 565,500  | -                                       | 1,131,000                                       |
| Motor Vehicles                     | -   | -  | -                                       | -   |
| Furniture & Fittings               | 43,506,283                                      | 1,594,690  | (12,510)                                | 45,088,463                                      |
| Office Equipment                   | 234,651,635                                     | 14,974,650   | (12,479,712)                            | 237,146,573                                     |
| Leasehold Improvements             | 108,516,490                                     | 10,397,328   | (100,800)                               | 118,813,018                                     |
| <b>Total</b>                       | <b>387,239,908</b>                              | <b>27,532,168</b>  | <b>(12,593,022)</b>                     | <b>402,179,054</b>                              |
| <b>24.2 Gross Carrying Amounts</b> | <b>Balance<br/>As at<br/>01.04.2022<br/>Rs.</b> | <b>Additions/<br/>Transfers for<br/>the year<br/>Rs.</b> | <b>Disposals/<br/>Transfers<br/>Rs.</b> | <b>Balance<br/>As at<br/>31.03.2023<br/>Rs.</b> |
| Land & Building                    | -   | 38,310,000   | -                                       | 38,310,000                                      |
| Motor Vehicles                     | 150,000   | -  | (150,000)                               | -   |
| Furniture & Fittings               | 44,586,257                                      | 2,686,574  | (187,670)                               | 47,085,161                                      |
| Office Equipment                   | 279,765,282                                     | 16,797,335   | (25,730,061)                            | 270,832,556                                     |
| Leasehold Improvements             | 108,546,046                                     | 25,977,537   | (146,112)                               | 134,377,471                                     |
| <b>Total</b>                       | <b>433,047,585</b>                              | <b>83,771,446</b>  | <b>(26,213,843)</b>                     | <b>490,605,188</b>                              |
| <b>Depreciation</b>                | <b>Balance<br/>As at<br/>01.04.2022<br/>Rs.</b> | <b>Charge/<br/>Transfers for<br/>the year<br/>Rs.</b>    | <b>Disposals/<br/>Transfers<br/>Rs.</b> | <b>Balance<br/>As at<br/>31.03.2023<br/>Rs.</b> |
| Land & Building                    | -   | 565,500  | -                                       | 565,500   |
| Motor Vehicles                     | 150,000   | -  | (150,000)                               | -   |
| Furniture & Fittings               | 40,696,946                                      | 2,986,949  | (177,612)                               | 43,506,283                                      |
| Office Equipment                   | 240,507,000                                     | 19,453,669   | (25,309,034)                            | 234,651,635                                     |
| Leasehold Improvements             | 103,611,829                                     | 5,026,549  | (121,888)                               | 108,516,490                                     |
| <b>Total</b>                       | <b>384,965,775</b>                              | <b>28,032,667</b>  | <b>(25,758,534)</b>                     | <b>387,239,908</b>                              |
| <b>24.3 Net Book Values</b>        |   |  | <b>2024<br/>Rs.</b>                     | <b>2023<br/>Rs.</b>                             |
| Land & Building                    |   |  | 37,179,000                              | 37,744,500                                      |
| Furniture & Fittings               |   |  | 2,499,178                               | 3,578,878                                       |
| Office Equipment                   |   |  | 57,666,596                              | 36,180,921                                      |
| Leasehold Improvements             |   |  | 19,231,557                              | 25,860,981                                      |
|                                    |   |  | <u>116,576,331</u>                      | <u>103,365,280</u>                              |
|                                    |   |  | <u>116,576,331</u>                      | <u>103,365,280</u>                              |

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 40.88 Mn (2023 Rs. 83.77 Mn).

Cost of fully depreciated assets which are still in use by the Company as at 31st March 2024 is Rs. 460.5Mn (2023 Rs. 432.4 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. INTANGIBLE ASSETS                | 2024<br>Rs.         | 2023<br>Rs.         |
|--------------------------------------|---------------------|---------------------|
| Finance Business License (Note 25.1) | 400,000,000         | 400,000,000         |
| Computer Software (Note 25.2)        | 27,621,807          | 33,009,718          |
|                                      | <u>427,621,807</u>  | <u>433,009,718</u>  |
| <b>25.1 Finance Business License</b> | <b>2024<br/>Rs.</b> | <b>2023<br/>Rs.</b> |
| Cost of the Finance Business License | 400,000,000         | 400,000,000         |
| Impairment (Note 25.1.1)             | -                   | -                   |
| Net Book Value                       | <u>400,000,000</u>  | <u>400,000,000</u>  |

**25.1.1 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 11.25%, 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. 40.47 billion.

|                                       |                         |
|---------------------------------------|-------------------------|
| Present Value of Future Cashflows (a) | 61,885,447,859          |
| Present Value of Total Debt (b)       | <u>(21,415,504,650)</u> |
| Value in Use (a-b)                    | <u>40,469,943,209</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. 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.

**25.1.2 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 27%. This rate of growth was arrived, based on historical performance, market trends, and economic forecasts of the country.
- Operating Expenses: A 26% growth in the operating expenses is expected. This is, taking into account the 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 12% and the yield to achieve 33%.
- 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 gross portfolio growth of 22% & a net loan portfolio growth of 18% is assumed YoY.
- Regulatory Environment: Potential changes in the Regulatory landscape could impact the operations, compliance costs, and strategic initiatives 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 2.5% of the financial services sector and will continue its market of being within the top 10 LFCs in the country.



25. INTANGIBLE ASSETS (Contd...)

|                                      | Balance<br>As at<br>01.04.2023<br>Rs. | Additions<br>Improvements &<br>Charge to P/L<br>Rs. | Balance<br>As at<br>31.03.2024<br>Rs. |
|--------------------------------------|---------------------------------------|---|---------------------------------------|
| 25.2 Computer Software               |                                       |   |                                       |
| 25.2.1 Cost of the Intangible Assets | 161,143,870                           | 10,544,568  | 171,688,438                           |
| Amortisation & Impairment            | (128,134,152)                         | (15,932,479)  | (144,066,631)                         |
| Net Book Value                       | <u>33,009,718</u>                     | <u>(5,387,911)</u>                                  | <u>27,621,807</u>                     |
|                                      | Balance<br>As at<br>01.04.2022<br>Rs. | Additions<br>Improvements &<br>Charge to P/L<br>Rs. | Balance<br>As at<br>31.03.2023<br>Rs. |
| 25.2.2 Cost of the Intangible Assets | 143,360,837                           | 17,783,033  | 161,143,870                           |
| Amortisation & Impairment            | (115,872,326)                         | (12,261,826)  | (128,134,152)                         |
| Net Book Value                       | <u>27,488,511</u>                     | <u>5,521,207</u>                                    | <u>33,009,718</u>                     |

The amount of contractual commitments for the acquisition of intangible assets as at the reporting date is Rs. 24.6Mn. (2023 Rs. 3.6Mn)

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.

26. RIGHT OF USE ASSETS

|  | 2024<br>Rs.        | 2023<br>Rs.        |
|--|--------------------|--------------------|
| 26.1 Gross Carrying Amounts                              |                    |                    |
| Balance as at 01 April                                   | 234,683,972        | 216,075,326        |
| Addition and Improvement                                 | 72,821,522         | 54,765,462         |
| Removal  | (36,932,288)       | (36,156,816)       |
| Balance as at 31 March                                   | <u>270,573,206</u> | <u>234,683,972</u> |
|  | 2024<br>Rs.        | 2023<br>Rs.        |
| Accumulated Amortisation                                 |                    |                    |
| Balance as at 01 April                                   | 127,407,750        | 107,457,414        |
| Charge for the Year                                      | 50,957,578         | 56,107,152         |
| Removal  | (36,932,288)       | (36,156,816)       |
| Balance as at 31 March                                   | <u>141,433,040</u> | <u>127,407,750</u> |
| Net Book value as at 31 March                            | <u>129,140,166</u> | <u>107,276,222</u> |
| 26.2 Lease Liability                                     | 2024<br>Rs.        | 2023<br>Rs.        |
| Balance as at 01 April                                   | 133,797,506        | 132,252,395        |
| Additions  | 72,821,522         | 54,765,462         |
| Ascertain of Interest                                    | 23,590,704         | 15,169,298         |
| Payment  | (70,931,203)       | (68,389,649)       |
| Balance as at 31 March                                   | <u>159,278,529</u> | <u>133,797,506</u> |
| 26.2.1 Contractual Maturity Analysis of Lease Liability  | 2024<br>Rs.        | 2023<br>Rs.        |
| Less than one Year                                       | 36,986,890         | 30,223,955         |
| 1-5 Year   | 122,291,639        | 103,573,551        |
| More than 5 Year   | -                  | -                  |
|  | <u>159,278,529</u> | <u>133,797,506</u> |
| 26.2.2 Undiscounted Maturity Analysis of Lease Liability | 2024<br>Rs.        | 2023<br>Rs.        |
| Less than one Year                                       | 59,563,806         | 44,562,468         |
| 1-5 Year   | 155,037,201        | 131,908,641        |
| More than 5 Year   | -                  | -                  |
|  | <u>214,601,007</u> | <u>176,471,109</u> |



27. FINANCIAL LIABILITIES AT AMORTIZED COST - DUE TO DEPOSITORS

|                | 2024<br>Rs.        | 2023<br>Rs.        |
|----------------|--------------------|--------------------|
| Fixed Deposits | 680,595,470        | 201,382,890        |
|                | <u>680,595,470</u> | <u>201,382,890</u> |

27.1 Contractual Maturity Analysis of Customer Deposits

| As at 31st March 2024 | 1 Year             | 1- 5 Year      | More than<br>5 Year | Total              |
|-----------------------|--------------------|----------------|---------------------|--------------------|
|                       | Rs.                | Rs.            | Rs.                 | Rs.                |
| Fixed Deposits        | 680,087,148        | 508,322        | -                   | 680,595,470        |
|                       | <u>680,087,148</u> | <u>508,322</u> | <u>-</u>            | <u>680,595,470</u> |
| As at 31st March 2023 | 1 Year             | 1- 5 Year      | More than<br>5 Year | Total              |
|                       | Rs.                | Rs.            | Rs.                 | Rs.                |
| Fixed Deposits        | 201,382,890        | -              | -                   | 201,382,890        |
|                       | <u>201,382,890</u> | <u>-</u>       | <u>-</u>            | <u>201,382,890</u> |

28. DEBT INSTRUMENTS ISSUED & OTHER BORROWED FUNDS

| Note                     | 2024<br>Repayable<br>within 1 year<br>Rs. | 2024<br>Repayable<br>after 1 year<br>Rs. | 2024<br>Total<br>Rs.  | 2023<br>Repayable<br>within 1 year<br>Rs. | 2023<br>Repayable<br>after 1 year<br>Rs. | 2023<br>Total<br>Rs.  |
|--------------------------|---|--|-----------------------|---|--|-----------------------|
| Bank Loans               | 28.1 16,949,849,645                       | 3,495,399,972                            | 20,445,249,617        | 16,681,960,137                            | 1,849,999,980                            | 18,531,960,117        |
| Commercial Papers        | 28.2 -                                    | -  | -                     | 507,719,178                               | -  | 507,719,178           |
| Inter Company Borrowings | 28.3 -                                    | -  | -                     | 752,557,269                               | -  | 752,557,269           |
|                          | <u>16,949,849,645</u>                     | <u>3,495,399,972</u>                     | <u>20,445,249,617</u> | <u>17,942,236,584</u>                     | <u>1,849,999,980</u>                     | <u>19,792,236,564</u> |

28.1 Bank Loans

|                                | Collateral | As at<br>31.03.2023<br>Rs. | Loans<br>Obtained<br>Rs. | Interest<br>Expenses<br>Rs. | Total<br>Repayment<br>Rs. | As at<br>31.03.2024<br>Rs. |
|--------------------------------|------------|----------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|
| Commercial Bank of Ceylon PLC  | Unsecured  | 1,106,728,578              | 3,700,000,000            | 210,254,944                 | 1,938,430,130             | 3,078,553,392              |
| Hatton National Bank PLC       | Unsecured  | 5,542,328,048              | 5,600,000,000            | 922,029,395                 | 6,537,181,399             | 5,527,176,044              |
| Sampath Bank PLC               | Unsecured  | 2,009,321,139              | 6,400,000,000            | 269,260,234                 | 6,674,870,486             | 2,003,710,887              |
| Nations Trust Bank PLC         | Unsecured  | 1,514,056,668              | 5,850,000,000            | 217,051,234                 | 6,527,135,637             | 1,053,972,265              |
| NDB Bank PLC                   | Unsecured  | 600,762,038                | 3,700,000,000            | 109,552,990                 | 3,402,284,038             | 1,008,030,990              |
| Seylan Bank PLC                | Unsecured  | 4,275,396,873              | 10,250,000,000           | 656,112,917                 | 9,414,466,979             | 5,767,042,811              |
| DFCC Bank PLC                  | Unsecured  | 2,418,917,911              | 4,150,000,000            | 297,383,354                 | 5,862,247,419             | 1,004,053,846              |
| Pan Asia Bank PLC              | Unsecured  | 1,014,403,005              | 3,100,000,000            | 130,023,675                 | 3,241,717,298             | 1,002,709,382              |
| NDB Bank - Securitization Loan | Secured    | 50,045,857                 | -                        | 1,948,736                   | 51,994,593                | -                          |
|                                |            | <u>18,531,960,117</u>      | <u>42,750,000,000</u>    | <u>2,813,617,479</u>        | <u>43,650,327,979</u>     | <u>20,445,249,617</u>      |

28.2 Commercial Papers

|                   | 2024<br>Repayable<br>within 1 year<br>Rs. | 2024<br>Repayable<br>after 1 year<br>Rs. | 2024<br>Total<br>Rs. | 2023<br>Repayable<br>within 1 year<br>Rs. | 2023<br>Repayable<br>after 1 year<br>Rs. | 2023<br>Total<br>Rs. |
|-------------------|---|--|----------------------|---|--|----------------------|
| Commercial Papers | -   | -  | -                    | 500,000,000                               | -  | 500,000,000          |
| Interest Payable  | -   | -  | -                    | 7,719,178                                 | -  | 7,719,178            |
|                   | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>             | <u>507,719,178</u>                        | <u>-</u>                                 | <u>507,719,178</u>   |

28.3 Inter Company Borrowings

|                  | 2024<br>Repayable<br>within 1 year<br>Rs. | 2024<br>Repayable<br>after 1 year<br>Rs. | 2024<br>Total<br>Rs. | 2023<br>Repayable<br>within 1 year<br>Rs. | 2023<br>Repayable<br>after 1 year<br>Rs. | 2023<br>Total<br>Rs. |
|------------------|---|--|----------------------|---|--|----------------------|
| Short Term Loan  | -   | -  | -                    | 749,993,981                               | -  | 749,993,981          |
| Interest Payable | -   | -  | -                    | 2,563,288                                 | -  | 2,563,288            |
|                  | <u>-</u>                                  | <u>-</u>                                 | <u>-</u>             | <u>752,557,269</u>                        | <u>-</u>                                 | <u>752,557,269</u>   |



| 29. OTHER FINANCIAL LIABILITIES            | 2024<br>Rs.          | 2023<br>Rs.        |
|--|----------------------|--------------------|
| Trade - Related Parties                    | 95,511,515           | 18,254,270         |
| Trade - Other Parties                      | 317,107,515          | 140,383,942        |
| Amount Collected from Customers            | 469,592,803          | 288,428,991        |
| Amounts Due to Related Parties             | 92,424,265           | 75,981,689         |
| Lease Liability (Note 26.2)                | 159,278,529          | 133,797,506        |
| Advertising and Promotion Expenses Payable | 13,653,570           | 4,959,905          |
| Dividend Payable                           | -                    | 56,932,563         |
| Accruals and Expenses Payables             | 105,298,069          | 74,634,411         |
|  | <u>1,252,866,266</u> | <u>793,373,277</u> |

| 30. OTHER NON FINANCIAL LIABILITIES | 2024<br>Rs.        | 2023<br>Rs.       |
|-------------------------------------|--------------------|-------------------|
| Statutory Payment Payable           | 148,948,043        | 51,165,847        |
| Other Payables                      | 95,713,013         | 616,632           |
|                                     | <u>244,661,056</u> | <u>51,782,479</u> |

| 31. INCOME TAX LIABILITIES                   | 2024<br>Rs.          | 2023<br>Rs.        |
|--|----------------------|--------------------|
| <b>Income Taxation Receivable /(Payable)</b> |                      |                    |
| As at 01 April                               | 106,490,226          | (346,532,937)      |
| Income Tax Paid                              | 146,039,599          | 683,493,998        |
| Adjustment (ESC/ WHT etc..)                  | -                    | 4,300,693          |
| Provision for the Year (Note 14.1)           | (693,958,518)        | (234,771,528)      |
| Balance as at 31 March - Asset/(Liability)   | <u>(441,428,693)</u> | <u>106,490,226</u> |

| 32. DEFERRED TAXATION   | 2024<br>Rs.        | 2023<br>Rs.        |
|---|--------------------|--------------------|
| 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;  |                    |                    |
| Balance as at 1 April   | 777,442,660        | (44,694,527)       |
| Charge to Profit or Loss - Due to Rate Revision   | -                  | 172,100,877        |
| Charge to Profit or Loss - Due to Change in Temporary Difference  | (139,867,673)      | 688,403,510        |
| Charge to Other Comprehensive Income on Actuarial Valuation   | 2,529,707          | (1,529,272)        |
| Gains/(Losses) arising on re-measuring Financial Assets   | (537,604,997)      | (36,837,928)       |
| Balance as at 31 March - Asset/(Liability)  | <u>102,499,697</u> | <u>777,442,660</u> |



32. DEFERRED TAXATION (Contd...)

Deferred Tax Assets (Liabilities) and Income Tax Relates to the Following

|   | Statements of<br>Financial Position |                     | Statement of<br>Profit or Loss |                    | Other Comprehensive Income |                     |
|---|-------------------------------------|---------------------|--------------------------------|--------------------|----------------------------|---------------------|
|   | 2024<br>Rs.                         | 2023<br>Rs.         | 2024<br>Rs.                    | 2023<br>Rs.        | 2024<br>Rs.                | 2023<br>Rs.         |
| <b>Deferred Tax Liability</b>                                 |                                     |                     |                                |                    |                            |                     |
| Depreciation of Property<br>Plant & Equipment                 | (2,393,264)                         | 749,528             | (3,142,792)                    | 1,720,622          | -                          | -                   |
| Fair Value Gain on IP   | -                                   | -                   | -                              | -                  | -                          | -                   |
| Depreciation of Lease<br>Assets                               | (1,541,494)                         | (14,137,639)        | 12,596,145                     | 60,659,553         | -                          | -                   |
|   | <u>(3,934,758)</u>                  | <u>(13,388,111)</u> | <u>9,453,353</u>               | <u>62,380,175</u>  | <u>-</u>                   | <u>-</u>            |
| <b>Deferred Tax Assets</b>                                    |                                     |                     |                                |                    |                            |                     |
| Right of Use of Assets  | 9,041,509                           | 7,956,385           | 1,085,124                      | 2,274,534          | -                          | -                   |
| Impairment  | 623,778,731                         | 781,579,865         | (157,801,134)                  | 781,579,865        | -                          | -                   |
| Gains/(Losses) arising on<br>re-measuring Financial<br>Assets | (574,442,925)                       | (36,837,928)        | -                              | -                  | (537,604,997)              | (36,837,928)        |
| Retirement Benefit<br>Obligation                              | 48,057,140                          | 38,132,449          | 7,394,984                      | 14,269,813         | 2,529,707                  | (1,529,272)         |
|   | <u>106,434,455</u>                  | <u>790,830,771</u>  | <u>(149,321,026)</u>           | <u>798,124,212</u> | <u>(535,075,290)</u>       | <u>(38,367,200)</u> |
| <b>Deferred Income Tax<br/>(Charge)/Reversal</b>              | <u>102,499,697</u>                  | <u>777,442,660</u>  | <u>(139,867,673)</u>           | <u>860,504,387</u> | <u>(535,075,290)</u>       | <u>(38,367,200)</u> |

33. RETIREMENT BENEFIT OBLIGATIONS

33.1 Net Liability Recognised in the Statement of Financial Position

|                                | Note        | 2024<br>Rs.        | 2023<br>Rs.        |
|--------------------------------|-------------|--------------------|--------------------|
| Balance as at 1 April          |             | 127,108,164        | 105,799,616        |
| Provision made during the year | 33.3 & 33.4 | 50,381,258         | 28,257,674         |
| Benefits paid by the plan      | 33.2        | (17,298,951)       | (6,949,126)        |
| Balance as at 31 March         |             | <u>160,190,471</u> | <u>127,108,164</u> |





Assetline Finance Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2024

**33. RETIREMENT BENEFIT OBLIGATIONS (Contd...)**

|   | Note | 2024<br>Rs.        | 2023<br>Rs.        |
|---|------|--------------------|--------------------|
| <b>33.2 Defined Benefit Obligation</b>                                  |      |                    |                    |
| Balance as at 1 April   |      | 127,108,164        | 105,799,616        |
| Current Service Cost  | 33.3 | 19,069,432         | 17,485,305         |
| Interest Cost   | 33.3 | 22,879,470         | 15,869,942         |
| Benefits paid by the plan   |      | (17,298,951)       | (6,949,126)        |
| (Gains) /Losses due to the Changes in Financial Assumptions             | 33.4 | 4,161,577          | (5,596,536)        |
| (Gains) /Losses due to the Changes in Experience                        | 33.4 | 4,270,779          | 498,963            |
| Balance as at 31 March  |      | <u>160,190,471</u> | <u>127,108,164</u> |
| <b>33.3 Amounts Recognised in Profit or Loss</b>                        |      |                    |                    |
| Current Service Cost for the Year                                       |      | 19,069,432         | 17,485,305         |
| Interest Cost for the Year  |      | 22,879,470         | 15,869,942         |
|   |      | <u>41,948,902</u>  | <u>33,355,247</u>  |
| <b>33.4 Amounts Recognised in Other Comprehensive Income</b>            |      |                    |                    |
| (Gains) /Losses due to the Changes in Financial Assumptions             |      | 4,161,577          | (5,596,536)        |
| (Gains) /Losses due to the Changes in Experience                        |      | 4,270,779          | 498,963            |
|   |      | <u>8,432,356</u>   | <u>(5,097,573)</u> |
| <b>33.5 Distribution of Present Value of Defined Benefit Obligation</b> |      |                    |                    |
| Within the next 12 months   |      | 20,101,192         | 16,384,819         |
| Between 1 to 5 years  |      | 63,205,090         | 51,187,545         |
| Between 5 to 10 years   |      | 44,576,679         | 34,900,924         |
| More than 10 years  |      | 32,307,511         | 24,634,876         |
|   |      | <u>160,190,472</u> | <u>127,108,164</u> |
| <b>33.6 Assumptions</b>   |      |                    |                    |
| Discount Rate   |      | 12.00%             | 18.00%             |
| Salary Increment  |      | 10.00%             | 15.00%             |
| Retirement Age  |      | 60 Years           | 60 Years           |
| Expected Average Future Working Years                                   |      | 7.5 Years          | 7.3 Years          |

Actuarial valuations of the gratuity of the Company was carried out as at 31 March 2024 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).

**33.7 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.

| Increase/(Decrease) in discount rate | Increase/(Decrease) in salary increment | 2024  |  |
|--------------------------------------|---|---|--|
|                                      |   | 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   |

| Increase/(Decrease) in discount rate | Increase/(Decrease) in salary increment | 2023  |  |
|--------------------------------------|---|---|--|
|                                      |   | 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%                                   |   | -6.31   | 6.31   |
| -1%                                  |   | 6.98  | -6.98  |
|                                      | 1%                                      | 7.66  | -7.66  |
|                                      | -1%                                     | -7.03   | 7.03   |



**34. STATED CAPITAL**

| Issued and Fully Paid-Ordinary Shares | 2024               |                      | 2023               |                      |
|---------------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                       | No. of Shares      | Rs.                  | No. of Shares      | Rs.                  |
| Stated Capital                        | 133,958,971        | 3,550,000,000        | 133,958,971        | 3,550,000,000        |
|                                       | <u>133,958,971</u> | <u>3,550,000,000</u> | <u>133,958,971</u> | <u>3,550,000,000</u> |

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.

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.

**35. 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 since the capital funds are not less than 25% of total deposit liabilities.

|                                    | 2024<br>Rs.          | 2023<br>Rs.          |
|------------------------------------|----------------------|----------------------|
| At the beginning of the year       | 1,112,084,586        | 1,066,826,721        |
| Profit transferred during the year | 64,423,632           | 45,257,865           |
| At the end of the year             | <u>1,176,508,218</u> | <u>1,112,084,586</u> |

**36. 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

|  | 2024<br>Rs.          | 2023<br>Rs.       |
|--|----------------------|-------------------|
| Balance as at 1 April                              | 85,871,414           | (83,750)          |
| Changes in fair value during the year (net of tax) | 1,254,411,661        | 85,955,164        |
| Balance as at 31 March                             | <u>1,340,283,075</u> | <u>85,871,414</u> |

**37. 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.



**38. 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.

**38.1 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.

**38.2 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.

**38.2.1 Key Management Personnel Compensation**

|                               | 2024<br>Rs.        | 2023<br>Rs.        |
|-------------------------------|--------------------|--------------------|
| Short Term Employees Benefits | 266,466,764        | 220,958,183        |
| Post - Employment Benefits    | 21,402,698         | 15,357,493         |
| Money Value of Perquisites    | 8,608,609          | 12,384,896         |
| Other Long Term Benefits      | 31,297,325         | 22,422,725         |
|                               | <u>327,775,396</u> | <u>271,123,297</u> |

**38.2.2 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.

|   | 2024<br>Rs.       | 2023<br>Rs.      |
|---|-------------------|------------------|
| <b>As at 31 March</b>   |                   |                  |
| Lease Receivables   | 24,904,498        | 2,491,767        |
|   | <u>24,904,498</u> | <u>2,491,767</u> |
| Net Accommodations Outstanding as a Percentage of Capital Funds | 0.18%             | 0.02%            |

**For the year ended 31 March**

|                                      |                  |                |
|--------------------------------------|------------------|----------------|
| Interest Income on Lease Receivables | 1,844,311        | 364,203        |
|                                      | <u>1,844,311</u> | <u>364,203</u> |

|                       | 2024<br>Rs.      | 2023<br>Rs. |
|-----------------------|------------------|-------------|
| <b>As at 31 March</b> |                  |             |
| Fixed Deposits        | 3,085,308        | -           |
|                       | <u>3,085,308</u> | <u>-</u>    |

**For the year ended 31 March**

|                                    |               |          |
|------------------------------------|---------------|----------|
| Interest Expense on Fixed Deposits | 85,308        | -        |
|                                    | <u>85,308</u> | <u>-</u> |



38. RELATED PARTY DISCLOSURES (Contd...)

38.3 Transactions with Ultimate Parent Company

| David Pieris Holdings (Pvt) Ltd | Nature of Transactions             | 2024<br>Rs. | 2023<br>Rs.   |
|---------------------------------|------------------------------------|-------------|---------------|
|                                 | <b>As at March 31</b>              |             |               |
|                                 | Non Trading Receivable             | 152,556     | 16,967        |
|                                 | Non Trading Payable                | 57,165,668  | 46,364,513    |
|                                 | Loan Payable                       | -           | -             |
|                                 | <b>Transactions for the period</b> |             |               |
|                                 | Loan Obtained                      | -           | 7,550,000,000 |
|                                 | Loan Repayments                    | -           | 7,550,000,000 |
|                                 | Interest Expense                   | -           | 273,371,781   |
|                                 | Sale of Assets                     | -           | 40,800        |
|                                 | Purchase of Assets                 | 567,725     | -             |
|                                 | Other Operating Expenses           | 258,742,264 | 232,269,996   |

38.4 Transactions with Parent Company

| DPMC Assetline Holdings (Pvt) Ltd | Nature of Transactions             | 2024<br>Rs. | 2023<br>Rs. |
|-----------------------------------|------------------------------------|-------------|-------------|
|                                   | <b>As at March 31</b>              |             |             |
|                                   | Non Trading Receivable             | 6,905,959   | 64,073      |
|                                   | Non Trading Payable                | -           | 35,015      |
|                                   | <b>Transactions for the period</b> |             |             |
|                                   | Other Operating Income             | 733,968     | 790,452     |
|                                   | Other Operating Expenses           | 496,266     | 610,566     |
|                                   | Rent Expenses                      | 519,966     | -           |
|                                   | Dividend Paid                      | 56,932,562  | -           |
|                                   | Sale of Investment Property        | 86,800,000  | -           |

38.5 Transactions with Other Group Companies

| Nature of Transactions             | 2024<br>Rs.   | 2023<br>Rs.    |
|------------------------------------|---------------|----------------|
| <b>As at March 31</b>              |               |                |
| Fixed Deposits                     | 450,000,000   | 200,000,000    |
| Interest Payable on Fixed Deposit  | 19,691,096    | 378,082        |
| Non Trading Receivable             | 5,117,800     | 4,312,828      |
| Non Trading Payable                | 20,243,568    | 29,612,800     |
| Trading Receivable                 | -             | -              |
| Trading Payable                    | 95,511,515    | 18,254,270     |
| Loan Payable                       | -             | 1,260,276,447  |
| <b>Transactions for the period</b> |               |                |
| Fixed Deposits Obtained            | 650,000,000   | 200,000,000    |
| Fixed Deposits Repaid              | 400,000,000   | -              |
| Loan Obtained                      | 6,550,000,000 | 15,765,000,000 |
| Loan Repayments                    | 7,800,000,000 | 15,515,000,000 |
| Interest Expenses on Fixed Deposit | 33,113,014    | 7,878,082      |
| Interest Expenses on Borrowing     | 254,292,093   | 345,092,619    |
| Leasing of Motor Vehicles          | 1,666,598,370 | 1,374,287,820  |
| Stock Purchases                    | 29,297,500    | -              |
| Sale of Assets                     | -             | 5,000          |
| Purchase of Assets                 | 6,976,438     | -              |
| Sale of Vehicles                   | 13,510,000    | 52,510,000     |
| Other Operating Income             | 6,557,622     | 7,659,337      |
| Other Operating Expenses           | 160,207,515   | 173,144,352    |
| Dividend Paid                      | 1             | -              |

38.5.1 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.)                  | 1,460,344,331  |
| Aggregate transaction value as a % of gross income | 18%  |
| 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.         |

**Transaction 2**

|  |  |
|--|--|
| Name of the RPT                                    | David Pieris Motor Company (Lanka) Ltd   |
| Relationship                                       | Affiliate Company  |
| Nature of transaction                              | Borrowings obtained (Intercompany Loans)   |
| Aggregate transaction value (Rs.)                  | 6,250,000,000  |
| Aggregate transaction value as a % of gross income | 78%  |
| Terms & Conditions of the transaction              | Borrowed at the prevailing market rate and as per the prevailing market tenor.                           |
| Rationale for entering the transaction             | Fulfilling the working capital funding requirements by utilizing the available intercompany credit line. |

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

**39. FAIR VALUE OF FINANCIAL INSTRUMENTS****39.1 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**

| Assets                 | 2024                 |                |                    | 2023                 |                |                    |
|------------------------|----------------------|----------------|--------------------|----------------------|----------------|--------------------|
|                        | Level 1<br>Rs.       | Level 2<br>Rs. | Level 3<br>Rs.     | Level 1<br>Rs.       | Level 2<br>Rs. | Level 3<br>Rs.     |
| Financial Assets FVOCI | 6,747,888,543        | -              | -                  | 5,232,945,524        | -              | -                  |
| Investment Property    | -                    | -              | 107,000,000        | -                    | -              | 193,800,000        |
| <b>Total Assets</b>    | <b>6,747,888,543</b> | <b>-</b>       | <b>107,000,000</b> | <b>5,232,945,524</b> | <b>-</b>       | <b>193,800,000</b> |

**Level 3 - Investment Property Valuation**

The Company decided to sell its two investment properties located on Pelawatta - Pannipitiya Road and Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023.

Subsequently, the property located on Pelawatta - Pannipitiya Road was sold on 26 March 2024 for its fair value of Rs. 86.8Mn. The property located on Pelawatta - Parliament Road was also sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

Since the sale value of the Pelawatta - Parliament Road property was agreed upon with the buyer at the inception of the sale process, based on the valuation confirmation obtained, a separate valuation was not obtained for this property as of 31 March 2024.

|                                |  |
|--------------------------------|--|
| Date of valuation confirmation | 14.03.2023   |
| Date of original valuation     | 31.03.2021   |
| Valuation technique            | Cost Method and Direct Comparison Method                   |
| Significant unobservable       | - Estimated Price per sq.ft<br>- Estimated Price per perch |

**39.2 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 fair values.

**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 2024

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

| FINANCIAL ASSETS  | 2024                            |                |                | 2023                            |                |         | Carrying Amount |   |
|---|---------------------------------|----------------|----------------|---------------------------------|----------------|---------|-----------------|---|
|   | Quoted prices in active markets | Fair Value     |                | Quoted prices in active markets | Fair Value     |         |                 | Significant unobservable inputs Level 3 |
|   |                                 | Level 1        | Level 2        |                                 | Level 1        | Level 2 |                 |   |
|   | Rs.                             | Rs.            | Rs.            | Rs.                             | Rs.            | Rs.     | Rs.             |   |
| Financial Assets at amortised cost - Loans and Advances       | -                               | 5,563,377,885  | 5,496,194,262  | -                               | 1,389,812,234  | -       | 1,425,732,585   |   |
| Financial Assets at amortised cost - Lease Rentals Receivable | -                               | 28,112,087,255 | 23,713,448,863 | -                               | 24,797,957,689 | -       | 24,574,555,916  |   |
|   | -                               | 33,675,465,140 | 29,209,643,125 | -                               | 26,187,769,923 | -       | 26,000,288,501  |   |
| <b>FINANCIAL LIABILITIES</b>                                  |                                 |                |                |                                 |                |         |                 |   |
| Debt Instruments Issued and Other borrowed funds              | -                               | 20,445,249,617 | 20,445,249,617 | -                               | 19,792,236,564 | -       | 19,792,236,564  |   |
|   | -                               | 20,445,249,617 | 20,445,249,617 | -                               | 19,792,236,564 | -       | 19,792,236,564  |   |

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 Licensed Commercial Banks  
 Financial Assets - Fair Value through Other Comprehensive Income  
 Other Financial Assets

## FINANCIAL LIABILITIES

Bank Overdraft  
 Other Financial Liabilities



## 40. 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 2024  | Up to 03 Months       | 03-12 Months         | 01-03 Years           | 03-05 Years          | Over 05 Years        | Total                 |
|--|-----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|
|  | Rs.                   | Rs.                  | Rs.                   | Rs.                  | Rs.                  | Rs.                   |
| <b>ASSETS</b>  |                       |                      |                       |                      |                      |                       |
| Cash and Bank Balances   | 355,681,424           | -                    | -                     | -                    | -                    | 355,681,424           |
| Financial Assets at Amortised Cost - Loans and Advances          | 989,039,271           | 2,418,719,806        | 1,233,442,486         | 839,622,581          | 15,370,118           | 5,496,194,262         |
| Financial Assets at Amortised Cost - Lease Rentals Receivables   | 3,563,515,580         | 6,123,807,007        | 11,757,463,341        | 2,260,625,327        | 8,037,608            | 23,713,448,863        |
| Financial Assets - Fair Value through Other Comprehensive Income | 312,010,351           | -                    | 2,342,724,067         | 3,399,017,493        | 694,331,332          | 6,748,083,243         |
| Other Financial Assets   | 108,084,811           | -                    | 20,961,805            | -                    | -                    | 129,046,616           |
| Other Non Financial Assets                                       | 86,427,940            | 4,716,704            | -                     | -                    | -                    | 91,144,644            |
| Investment Properties  | -                     | -                    | -                     | -                    | 107,000,000          | 107,000,000           |
| Property, Plant & Equipment                                      | -                     | -                    | -                     | -                    | 116,576,331          | 116,576,331           |
| Intangible Assets  | -                     | -                    | -                     | -                    | 427,621,807          | 427,621,807           |
| Deferred Tax Asset   | -                     | -                    | -                     | -                    | 102,499,697          | 102,499,697           |
| Right of Use Assets  | 13,760,847            | 38,851,216           | 68,671,407            | 7,856,696            | -                    | 129,140,166           |
| <b>TOTAL ASSETS</b>  | <b>5,428,520,224</b>  | <b>8,586,094,733</b> | <b>15,423,263,106</b> | <b>6,507,122,097</b> | <b>1,471,436,893</b> | <b>37,416,437,053</b> |
| <b>LIABILITIES</b>   |                       |                      |                       |                      |                      |                       |
| Bank Overdraft   | 295,755,405           | -                    | -                     | -                    | -                    | 295,755,405           |
| Financial Liabilities at Amortized Cost - Due to Depositors      | 166,225,470           | 240,070,000          | 273,800,000           | -                    | 500,000              | 680,595,470           |
| Debt Instruments Issued and Other Borrowed Funds                 | 14,874,549,639        | 2,075,300,006        | 2,807,899,972         | 687,500,000          | -                    | 20,445,249,617        |
| Other Financial Liabilities                                      | 1,126,541,589         | 22,751,126           | 61,058,225            | 42,515,326           | -                    | 1,252,866,266         |
| Other Non Financial Liabilities                                  | 150,204,953           | 94,456,103           | -                     | -                    | -                    | 244,661,056           |
| Income Tax Payable   | -                     | 441,428,693          | -                     | -                    | -                    | 441,428,693           |
| Retirement Benefit Obligations                                   | -                     | 20,101,192           | -                     | 63,205,090           | 76,884,189           | 160,190,471           |
| <b>TOTAL LIABILITIES</b>   | <b>16,613,277,056</b> | <b>2,894,107,120</b> | <b>3,142,758,197</b>  | <b>793,220,416</b>   | <b>77,384,189</b>    | <b>23,520,746,978</b> |
| <b>As at 31 March 2023</b>                                       |                       |                      |                       |                      |                      |                       |
|  | Rs.                   | Rs.                  | Rs.                   | Rs.                  | Rs.                  | Rs.                   |
| <b>ASSETS</b>  |                       |                      |                       |                      |                      |                       |
| Cash and Bank Balances   | 251,308,863           | -                    | -                     | -                    | -                    | 251,308,863           |
| Deposits with Licensed Commercial Banks                          | -                     | 174,784,421          | -                     | -                    | -                    | 174,784,421           |
| Financial Assets at Amortised Cost - Loans and Advances          | 408,623,339           | 374,339,880          | 533,893,113           | 106,512,846          | 2,363,407            | 1,425,732,585         |
| Financial Assets at Amortised Cost - Lease Rentals Receivables   | 3,211,808,195         | 5,413,290,615        | 11,872,862,018        | 4,030,365,902        | 46,229,186           | 24,574,555,916        |
| Financial Assets - Fair Value through Other Comprehensive Income | 439,545,214           | -                    | 417,212,750           | 3,895,552,110        | 480,830,150          | 5,233,140,224         |
| Other Financial Assets   | 124,937,237           | -                    | 21,676,710            | -                    | -                    | 146,613,947           |
| Other Non Financial Assets                                       | 65,873,544            | 4,727,031            | -                     | -                    | -                    | 70,600,575            |
| Investment Properties  | -                     | -                    | -                     | -                    | 193,800,000          | 193,800,000           |
| Property, Plant & Equipment                                      | -                     | -                    | -                     | -                    | 103,365,280          | 103,365,280           |
| Intangible Assets  | -                     | -                    | -                     | -                    | 433,009,718          | 433,009,718           |
| Income Taxation Receivable                                       | -                     | 106,490,226          | -                     | -                    | -                    | 106,490,226           |
| Deferred Tax Asset   | -                     | -                    | -                     | -                    | 777,442,660          | 777,442,660           |
| Right of Use Assets  | 10,677,699            | 29,196,064           | 58,769,464            | 8,632,995            | -                    | 107,276,222           |
| <b>TOTAL ASSETS</b>  | <b>4,512,774,091</b>  | <b>6,102,828,237</b> | <b>12,904,414,055</b> | <b>8,041,063,853</b> | <b>2,037,040,401</b> | <b>33,598,120,637</b> |
| <b>LIABILITIES</b>   |                       |                      |                       |                      |                      |                       |
| Bank Overdraft   | 1,273,528,835         | -                    | -                     | -                    | -                    | 1,273,528,835         |
| Financial Liabilities at Amortized Cost - Due to Depositors      | 200,382,890           | 1,000,000            | -                     | -                    | -                    | 201,382,890           |
| Debt Instruments Issued and Other Borrowed Funds                 | 16,092,062,248        | 1,850,174,336        | 1,600,000,016         | 249,999,964          | -                    | 19,792,236,564        |
| Other Financial Liabilities                                      | 667,048,600           | 22,751,126           | 61,058,225            | 42,515,326           | -                    | 793,373,277           |
| Other Non Financial Liabilities                                  | 51,782,479            | -                    | -                     | -                    | -                    | 51,782,479            |
| Retirement Benefit Obligations                                   | -                     | 16,384,819           | -                     | 51,187,545           | 59,535,800           | 127,108,164           |
| <b>TOTAL LIABILITIES</b>   | <b>18,284,805,052</b> | <b>1,890,310,281</b> | <b>1,661,058,241</b>  | <b>343,702,835</b>   | <b>59,535,800</b>    | <b>22,239,412,209</b> |



#### 41. RISK MANAGEMENT

##### 41.1 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, 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.

##### 41.1.1 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 tolerance 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 two Non Executive Directors, an Executive Director & the Executive Director and Chief Executive Officer of the Company.

In addition to the BIRM Committee, Risk Management function is managed by Risk Management Division (RMD). RMD is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The division works closely with the Risk Committee to ensure that procedures are compliant with the overall framework. RMD is also responsible for monitoring compliance with risk principles, policies and limits across the Company. This division also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a monthly basis, where necessary, to the Risk Committee, 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.

##### 41.1.2 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.





**41. RISK MANAGEMENT (Contd..)****41.2 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 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 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.

**41.2.1 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 120 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.

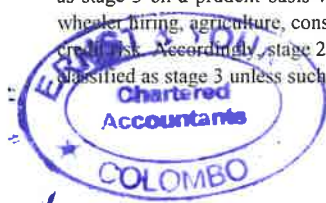
- Significant financial difficulty of the borrower or issuer
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- It is probable that the borrower will enter bankruptcy or other financial reorganisation or
- The disappearance of an active market for a security because of financial difficulties,
- The borrower is deceased

The Company's policy 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 three wheeler hiring, agriculture, construction & trading of hardware items, tourism, transport and labor related services 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.



41. RISK MANAGEMENT (Contd...)

41.2 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 Loans and 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.

41.2.1.1 Assessment of Provision for Impairment

Analysis of the total provision for impairment is as follows

| As at 31 March 2024   | Note   | Stage 1            | Stage 2            | Stage 3              | Total                |
|---|--------|--------------------|--------------------|----------------------|----------------------|
| Financial assets at Amortised Cost - Loans and Advances       | 18.1   | 21,453,584         | 12,834,974         | 134,598,085          | 168,886,643          |
| Financial assets at Amortised Cost - Lease Rentals Receivable | 19.1   | 207,356,216        | 506,065,718        | 1,190,157,680        | 1,903,579,614        |
| Other Charges Receivable from Client                          | 21.1.1 | 1,321,270          | 1,094,170          | 4,380,741            | 6,796,181            |
| Total provision for impairment                                |        | <u>230,131,070</u> | <u>519,994,862</u> | <u>1,329,136,506</u> | <u>2,079,262,438</u> |

| As at 31 March 2023   | Note   | Stage 1           | Stage 2            | Stage 3              | Total                |
|---|--------|-------------------|--------------------|----------------------|----------------------|
| Deposits with Licensed Commercial Banks                       | 17     | 31,075            | -                  | -                    | 31,075               |
| Financial assets at Amortised Cost - Loans and Advances       | 18.1   | 7,930,670         | 17,865,443         | 162,303,032          | 188,099,145          |
| Financial assets at Amortised Cost - Lease Rentals Receivable | 19.1   | 72,697,314        | 483,446,972        | 1,850,227,705        | 2,406,371,991        |
| Other Charges Receivable from Client                          | 21.1.1 | 1,387,832         | 1,980,763          | 7,426,484            | 10,795,079           |
| Total provision for impairment                                |        | <u>82,046,891</u> | <u>503,293,178</u> | <u>2,019,957,221</u> | <u>2,605,297,290</u> |



## 41. RISK MANAGEMENT (Contd...)

## 41.2.1.1 Assessment of Provision for Impairment (Contd...)

| Movement of the total provision for impairment during the period | 2024<br>Rs.          | 2023<br>Rs.          |
|--|----------------------|----------------------|
| Balance as at 1st April  | 2,605,297,291        | 2,558,024,184        |
| Net charge to profit or loss                                     | (526,034,853)        | 47,273,107           |
| Balance as at 31st March   | <u>2,079,262,438</u> | <u>2,605,297,291</u> |

## 41.2.1.2 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, 2024, 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, 2024 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 |
|--|---|--------------|--------------|--------------|--|
|  | Stage 1   | Stage 2      | Stage 3      | Total        |  |
| <b>Change in Probability of Default (PD)</b>                             |   |              |              |              |  |
| PD 1% increase across all age buckets                                    | 12,733,270  | 4,160,895    | -            | 16,894,165   | (16,894,165)                           |
| PD 1% decrease across all age buckets *                                  | (12,733,270)  | (4,160,895)  | -            | (16,894,165) | 16,894,165                             |
| <b>Change in Loss Given Default (LGD)</b>                                |   |              |              |              |  |
| LGD 1% increase  | 16,352,958  | 38,510,156   | 22,333,167   | 77,196,281   | (77,196,281)                           |
| LGD 1% decrease *  | (16,352,958)  | (38,510,156) | (22,333,167) | (77,196,281) | 77,196,281                             |
| <b>Changes in Probability Weighted Economic Scenarios (EFA)</b>          |   |              |              |              |  |
| EFA Worse case 5% increase, best case 5% decrease, base case constant ** | 5,813,075   | 4,954,026    | -            | 10,767,101   | (10,767,101)                           |
| Worse case 5% decrease, best case 5% increase, base case constant **     | (5,813,075)   | (4,954,026)  | -            | (10,767,101) | 10,767,101                             |

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

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

## 41.2.2 Analysis of Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial assets and fair value of collateral held by the Company.

|  | 2024                            |                      | 2023                            |                      |
|--|---------------------------------|----------------------|---------------------------------|----------------------|
|  | Maximum Exposure to Credit Risk | Net Exposure         | Maximum Exposure to Credit Risk | Net Exposure         |
|  | Rs.                             | Rs.                  | Rs.                             | Rs.                  |
| Cash and Bank Balance  | 355,681,424                     | 60,835,052           | 251,308,863                     | 26,041,628           |
| Deposits with Licensed Commercial Banks                          | -                               | -                    | 174,784,421                     | 174,784,421          |
| Financial Assets at amortised cost - Loans and Advances          | 5,496,194,262                   | -                    | 1,425,732,585                   | -                    |
| Financial Assets at amortised cost - Lease Rentals Receivable    | 23,713,448,863                  | -                    | 24,574,555,916                  | -                    |
| Financial Assets - Fair Value through Other Comprehensive Income | 6,748,083,243                   | 6,748,083,243        | 5,233,140,224                   | 5,233,140,224        |
| Other Financial Assets   | 129,046,616                     | 38,472,299           | 146,613,947                     | 27,373,706           |
|  | <u>36,442,454,408</u>           | <u>6,847,390,594</u> | <u>31,806,135,956</u>           | <u>5,461,339,979</u> |



## 41. RISK MANAGEMENT (Contd...)

## 41.2.3 Credit Quality by Class of Financial Assets

| As at 31 March 2024  | Not subject to ECL   | Subject to ECL        |                      |                      | ECL                  | Carrying Amount       |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
|  |                      | Stage 1<br>Rs.        | Stage 2<br>Rs.       | Stage 3<br>Rs.       |                      |                       |
| <b>Assets</b>  |                      |                       |                      |                      |                      |                       |
| Cash and Bank Balances   | 355,681,424          | -                     | -                    | -                    | -                    | 355,681,424           |
| Financial Assets at amortised cost - Loans and Advances          | -                    | 5,065,734,918         | 400,063,874          | 199,282,113          | 168,886,643          | 5,496,194,262         |
| Financial Assets at amortised cost - Lease Rentals Receivable    | -                    | 16,140,577,345        | 6,212,549,962        | 3,263,901,170        | 1,903,579,614        | 23,713,448,863        |
| Financial Assets - Fair Value through Other Comprehensive Income | 6,748,083,243        | -                     | -                    | -                    | -                    | 6,748,083,243         |
| Other Financial Assets   | 38,472,300           | 20,685,455            | 15,399,950           | 61,285,092           | 6,796,181            | 129,046,616           |
| <b>Total</b>   | <b>7,142,236,967</b> | <b>21,226,997,718</b> | <b>6,628,013,786</b> | <b>3,524,468,375</b> | <b>2,079,262,438</b> | <b>36,442,454,408</b> |

| As at 31 March 2023  | Not subject to ECL   | Subject to ECL        |                      |                      | ECL                  | Carrying Amount       |
|--|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|
|  |                      | Stage 1<br>Rs.        | Stage 2<br>Rs.       | Stage 3<br>Rs.       |                      |                       |
| <b>Assets</b>  |                      |                       |                      |                      |                      |                       |
| Cash and Bank Balances   | 251,308,863          | -                     | -                    | -                    | -                    | 251,308,863           |
| Deposits with Licensed Commercial Banks                          | -                    | 174,815,496           | -                    | -                    | 31,075               | 174,784,421           |
| Financial Assets at amortised cost - Loans and Advances          | -                    | 1,253,082,836         | 136,598,231          | 224,150,663          | 188,099,145          | 1,425,732,585         |
| Financial Assets at amortised cost - Lease Rentals Receivable    | -                    | 12,856,153,383        | 5,802,739,301        | 8,322,035,223        | 2,406,371,991        | 24,574,555,916        |
| Financial Assets - Fair Value through Other Comprehensive Income | 5,233,140,224        | -                     | -                    | -                    | -                    | 5,233,140,224         |
| Other Financial Assets   | 27,373,706           | 16,467,666            | 17,198,747           | 96,368,907           | 10,795,079           | 146,613,947           |
| <b>Total</b>   | <b>5,511,822,793</b> | <b>14,300,519,381</b> | <b>5,956,536,279</b> | <b>8,642,554,793</b> | <b>2,605,297,290</b> | <b>31,806,135,956</b> |

In accordance with the default definition change to 90 days past due, the staging classification for the previous year (2022/23) is also conducted using the 90 days past due criteria.

## Aging analysis of loans &amp; leases

| As at March 2024      | Stage 1               | Stage 2              | Stage 3              | Total                 | Mix           |
|-----------------------|-----------------------|----------------------|----------------------|-----------------------|---------------|
|                       | Rs.                   | Rs.                  | Rs.                  | Rs.                   |               |
| Current               | 15,706,466,416        | -                    | 4,517,354            | 15,710,983,770        | 50.0%         |
| Overdue below 30 days | 5,520,531,302         | -                    | 737,173              | 5,521,268,475         | 17.6%         |
| Overdue 30 to 90 days | -                     | 6,628,013,786        | 14,713,859           | 6,642,727,645         | 21.2%         |
| Overdue above 90 days | -                     | -                    | 3,504,499,989        | 3,504,499,989         | 11.2%         |
| <b>Total</b>          | <b>21,226,997,718</b> | <b>6,628,013,786</b> | <b>3,524,468,375</b> | <b>31,379,479,879</b> | <b>100.0%</b> |
| Mix                   | 67.6%                 | 21.1%                | 11.2%                | 100.0%                |               |

| As at March 2023      | Stage 1               | Stage 2              | Stage 3              | Total                 | Mix           |
|-----------------------|-----------------------|----------------------|----------------------|-----------------------|---------------|
|                       | Rs.                   | Rs.                  | Rs.                  | Rs.                   |               |
| Current               | 9,869,236,535         | -                    | 16,624,004           | 9,885,860,539         | 34.4%         |
| Overdue below 30 days | 4,256,467,350         | -                    | 4,103,747            | 4,260,571,097         | 14.8%         |
| Overdue 30 to 90 days | -                     | 5,956,536,279        | 12,791,166           | 5,969,327,445         | 20.8%         |
| Overdue above 90 days | -                     | -                    | 8,609,035,876        | 8,609,035,876         | 30.0%         |
| <b>Total</b>          | <b>14,125,703,885</b> | <b>5,956,536,279</b> | <b>8,642,554,793</b> | <b>28,724,794,957</b> | <b>100.0%</b> |
| Mix                   | 49.2%                 | 20.7%                | 30.1%                | 100.0%                |               |

In accordance with the default definition change to 90 days past due, the staging classification for the previous year (2022/23) is also conducted using the 90 days past due criteria.



## 41. RISK MANAGEMENT (Contd...)

## 41.2.4 Analysis of Risk Concentration

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

| As at March 2024                | Cash and Bank Balances | Deposits with Licensed Commercial Banks | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable | Financial Assets - FVOCI | Other Financial Assets |
|---------------------------------|------------------------|---|---|---|--------------------------|------------------------|
|                                 | Rs.                    | Rs.                                     | Rs.   | Rs.   | Rs.                      | Rs.                    |
| Agriculture                     | -                      | -                                       | 218,998,841   | 6,363,474,389   | -                        | 24,174,111             |
| Construction                    | -                      | -                                       | 213,449,445   | 1,363,950,746   | -                        | 5,873,088              |
| Conversion Category - Undefined | -                      | -                                       | -   | 140,443   | -                        | -                      |
| Industry & Manufacture          | -                      | -                                       | 242,125,794   | 636,116,465   | -                        | 1,979,310              |
| Services                        | -                      | -                                       | 2,317,533,939   | 9,645,316,723   | -                        | 33,851,391             |
| Tourism                         | -                      | -                                       | 145,785,685   | 323,531,937   | -                        | 1,992,525              |
| Trading                         | -                      | -                                       | 2,121,761,490   | 3,218,290,341   | -                        | 11,042,384             |
| Transport                       | -                      | -                                       | 401,904,332   | 4,065,589,058   | -                        | 18,457,687             |
| Bank & Finance                  | 355,681,424            | -                                       | -   | -   | -                        | -                      |
| Government                      | -                      | -                                       | -   | -   | 6,748,083,243            | -                      |
| Others                          | -                      | -                                       | 3,521,378   | 618,373   | -                        | 38,472,301             |
| Less: allowance for impairment  | -                      | -                                       | (168,886,642)   | (1,903,579,614)   | -                        | (6,796,181)            |
| <b>Total</b>                    | <b>355,681,424</b>     | <b>-</b>                                | <b>5,496,194,262</b>                                    | <b>23,713,448,863</b>   | <b>6,748,083,243</b>     | <b>129,046,616</b>     |

| As at March 2023                             | Cash and Bank Balances | Deposits with Licensed Commercial Banks | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable | Financial Assets - Fair Value through Other Comprehensive Income | Other Financial Assets |
|--|------------------------|---|---|---|--|------------------------|
|  | Rs.                    | Rs.                                     | Rs.   | Rs.   | Rs.  | Rs.                    |
| Agriculture                                  | -                      | -                                       | 57,924,997  | 6,279,240,400   | -  | 30,198,060             |
| Construction                                 | -                      | -                                       | 51,422,418  | 1,544,152,207   | -  | 8,145,723              |
| Conversion Category - Industry & Manufacture | -                      | -                                       | -   | 518,214   | -  | -                      |
| Services                                     | -                      | -                                       | 620,833,420   | 9,974,156,067   | -  | 47,237,011             |
| Tourism                                      | -                      | -                                       | 24,955,079  | 268,364,456   | -  | 1,311,653              |
| Trading                                      | -                      | -                                       | 659,406,925   | 2,796,044,852   | -  | 10,443,182             |
| Transport                                    | -                      | -                                       | 98,274,366  | 5,545,765,781   | -  | 30,307,033             |
| Bank & Finance                               | 251,308,863            | 174,815,496                             | -   | -   | -  | -                      |
| Government                                   | -                      | -                                       | -   | -   | 5,233,140,224  | -                      |
| Others                                       | -                      | -                                       | -   | 609,806   | -  | 27,373,706             |
| Less: allowance for impairment               | -                      | (31,075)                                | (188,099,144)   | (2,406,371,991)   | -  | (10,795,079)           |
| <b>Total</b>                                 | <b>251,308,863</b>     | <b>174,784,421</b>                      | <b>1,425,732,585</b>                                    | <b>24,574,555,916</b>   | <b>5,233,140,224</b>   | <b>146,613,947</b>     |



41. RISK MANAGEMENT (Contd...)

41.2.4 Credit Quality by Class of Financial Assets (contd...)

The provincial breakdown for Gross Loans and Advances & Lease Rentals Receivable is as follows.

| Province     | 2024  |   |                       | 2023  |   |                       |
|--------------|---|---|-----------------------|---|---|-----------------------|
|              | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable | Total                 | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable | Total                 |
|              | Rs.   | Rs.   | Rs.                   | Rs.   | Rs.   | Rs.                   |
| Western      | 3,156,318,399   | 4,105,801,260   | 7,262,119,660         | 934,697,510   | 4,760,130,244   | 5,694,827,754         |
| Central      | 430,595,947   | 3,110,598,349   | 3,541,194,296         | 138,644,831   | 3,206,955,357   | 3,345,600,188         |
| Southern     | 472,736,576   | 3,044,063,269   | 3,516,799,844         | 107,577,704   | 3,505,250,305   | 3,612,828,010         |
| Sabaragamuwa | 415,685,278   | 2,786,337,739   | 3,202,023,017         | 75,146,362  | 3,069,761,947   | 3,144,908,309         |
| NorthWestern | 332,175,429   | 2,608,564,198   | 2,940,739,627         | 52,033,935  | 2,563,558,351   | 2,615,592,286         |
| Uva          | 151,634,104   | 2,343,805,199   | 2,495,439,302         | 22,188,110  | 2,589,770,461   | 2,611,958,571         |
| NorthCentral | 190,063,290   | 2,204,498,572   | 2,394,561,863         | 30,257,582  | 2,023,545,586   | 2,053,803,169         |
| Eastern      | 78,656,460  | 1,941,914,060   | 2,020,570,520         | 14,014,944  | 1,652,273,127   | 1,666,288,071         |
| Northern     | 268,328,778   | 1,567,866,217   | 1,836,194,995         | 51,171,605  | 1,203,310,537   | 1,254,482,143         |
| <b>Total</b> | <b>5,496,194,262</b>                                    | <b>23,713,448,863</b>   | <b>29,209,643,125</b> | <b>1,425,732,585</b>                                    | <b>24,574,555,916</b>   | <b>26,000,288,501</b> |

Stage-wise analysis of collateral held against Loans & Advances and Lease Rentals Receivable

The following table sets out the principal types of collateral held by the Company against loans and advances. For each loan, the value of the collateral is capped at the amortised cost of the loan.

| Collateral/Security Type          | Mix           | 2024  |   | Mix           | 2023  |   |
|-----------------------------------|---------------|---|---|---------------|---|---|
|                                   |               | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable |               | Financial Assets at amortised cost - Loans and Advances | Financial Assets at amortised cost - Lease Rentals Receivable |
|                                   |               | Rs.   | Rs.   |               | Rs.   | Rs.   |
| <b>Stage 1</b>                    |               |   |   |               |   |   |
| Immovable Properties              | 0.2%          | 46,744,816  | -   | 0.3%          | 36,677,342  | -   |
| Personal and Corporate Guarantees | 0.5%          | 98,357,679  | -   | 2.1%          | 291,831,951   | -   |
| Shares and Debt Securities-Listed | 2.6%          | 545,487,405   | -   | 0.7%          | 99,855,811  | -   |
| Vehicles and Machinery            | 96.7%         | 4,353,691,434   | 15,933,221,129  | 96.9%         | 816,759,770   | 12,783,462,618  |
|                                   | <b>100.0%</b> | <b>5,044,281,334</b>                                    | <b>15,933,221,129</b>   | <b>100.0%</b> | <b>1,245,124,874</b>                                    | <b>12,783,462,618</b>   |
| <b>Stage 2</b>                    |               |   |   |               |   |   |
| Immovable Properties              | 0.1%          | 3,099,244   | -   | 0.3%          | 18,830,440  | -   |
| Personal and Corporate Guarantees | 0.1%          | 8,612,902   | -   | 0.6%          | 31,885,546  | -   |
| Vehicles and Machinery            | 99.8%         | 375,516,754   | 5,706,484,244   | 99.1%         | 70,379,808  | 5,644,943,061   |
|                                   | <b>100.0%</b> | <b>387,228,900</b>                                      | <b>5,706,484,244</b>  | <b>100.0%</b> | <b>121,095,794</b>                                      | <b>5,644,943,061</b>  |
| <b>Stage 3</b>                    |               |   |   |               |   |   |
| Immovable Properties              | 0.3%          | 6,692,579   | -   | 0.1%          | 5,805,125   | -   |
| Personal and Corporate Guarantees | 1.5%          | 33,089,814  | -   | 0.2%          | 12,713,059  | -   |
| Vehicles and Machinery            | 98.2%         | 24,901,635  | 2,073,743,490   | 99.7%         | 40,993,733  | 6,146,150,237   |
|                                   | <b>100.0%</b> | <b>64,684,028</b>                                       | <b>2,073,743,490</b>  | <b>100.0%</b> | <b>59,511,917</b>                                       | <b>6,146,150,237</b>  |

Assets obtained by taking possession of collateral

Repossession of collaterals is resorted to in extreme situations where action is necessitated to recover the dues. The repossessed assets are disposed, 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.

41.3 Interest Rate Risk

Interest rate risk refers to the variability in value borne by an interest-bearing asset, such as a loan or a bond, due to variability of interest rates. In general, as rates rise, the price of a fixed rated bond or Loan Portfolio will fall, and vice versa. Asset liability management is a common name for the complete set of techniques used to manage interest rate risk within a general enterprise risk management framework.

The fluctuation of interest rates is an external factor which is beyond the control of the company. Assetline Finance Limited is affected by 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 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 done 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.

• **Setting the Tolerance level:** 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

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 41. RISK MANAGEMENT (contd...)

## 41.3.1 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<br>(Decrease) in<br>basis points | Sensitivity to<br>Profit Before Tax |         | Sensitivity to<br>Profit After Tax |        |
|-----------------------------------|---|-------------------------------------|---------|------------------------------------|--------|
|                                   |   | Rs. Mn                              | Rs. Mn  | Rs. Mn                             | Rs. Mn |
|                                   | %   |                                     |         |                                    |        |
| Term Loans linked to AWPLR - 2024 | +1/ (-1)                                  | (154)/154                           | (77)/77 | (77)/77                            |        |
| Term Loans linked to AWPLR - 2023 | +1/ (-1)                                  | (184)/184                           | (92)/92 | (92)/92                            |        |

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 72.10% of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Statement of Profit or loss and to Equity.

## 41.3.2 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 repricing or maturity dates.

As at 31 March 2024

| Assets   | Up to 03 Months      |                      | 03-12 Months          |                      | 01-03 Years        |          | 03-05 Years          |                    | Over 05 Years      |                    | Non Interest Bearing |                    | Total                 |     |
|--|----------------------|----------------------|-----------------------|----------------------|--------------------|----------|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------|-----------------------|-----|
|  | Rs.                  | Rs.                  | Rs.                   | Rs.                  | Rs.                | Rs.      | Rs.                  | Rs.                | Rs.                | Rs.                | Rs.                  | Rs.                | Rs.                   | Rs. |
| Cash and Bank Balances   | 33,272,336           | -                    | -                     | -                    | -                  | -        | -                    | -                  | -                  | -                  | 322,409,088          | -                  | 355,681,424           |     |
| Deposits with Licensed Commercial Banks                          | -                    | -                    | -                     | -                    | -                  | -        | -                    | -                  | -                  | -                  | -                    | -                  | -                     |     |
| Financial Assets at amortised cost - Loans and Advances          | 989,039,272          | 2,418,719,806        | 1,233,442,486         | 839,622,580          | 15,370,118         | -        | -                    | -                  | -                  | -                  | -                    | -                  | 5,496,194,262         |     |
| Financial Assets at amortised cost - Lease Rentals Receivable    | 3,563,515,580        | 6,123,807,007        | 11,757,463,341        | 2,260,625,327        | 8,037,608          | -        | -                    | -                  | -                  | -                  | -                    | -                  | 23,713,448,863        |     |
| Financial Assets - Fair Value through Other Comprehensive Income | 312,010,351          | -                    | 2,342,724,067         | 3,399,017,493        | 694,136,632        | -        | -                    | -                  | -                  | -                  | 194,700              | -                  | 6,748,083,243         |     |
| Other Financial Assets   | 90,574,316           | -                    | -                     | -                    | -                  | -        | -                    | -                  | -                  | -                  | 38,472,300           | -                  | 129,046,616           |     |
| <b>Total Assets</b>  | <b>4,988,411,855</b> | <b>8,542,526,813</b> | <b>15,333,629,894</b> | <b>6,499,265,400</b> | <b>717,544,358</b> | <b>-</b> | <b>6,499,265,400</b> | <b>717,544,358</b> | <b>361,076,088</b> | <b>361,076,088</b> | <b>361,076,088</b>   | <b>361,076,088</b> | <b>36,442,454,408</b> |     |



41. RISK MANAGEMENT (contd...)

41.3.2 Interest Rate Risk (Contd...)

As at 31 March 2024

| Liabilities   | Up to 03 Months<br>Rs.  | 03-12 Months<br>Rs.  | 01-03 Years<br>Rs.    | 03-05 Years<br>Rs.   | Over 05 Years<br>Rs. | Non Interest<br>Bearing<br>Rs. | Total<br>Rs.          |
|---|-------------------------|----------------------|-----------------------|----------------------|----------------------|--------------------------------|-----------------------|
| Bank Overdraft  | 295,755,405             | -                    | -                     | -                    | -                    | -                              | 295,755,405           |
| Financial Liabilities at Amortized Cost - Due to Depositors | 166,225,470             | 240,070,000          | 273,800,000           | -                    | 500,000              | -                              | 680,595,470           |
| Debt Instruments Issued and Other Borrowed Funds            | 14,874,549,639          | 2,075,300,006        | 2,807,899,972         | 687,500,000          | -                    | -                              | 20,445,249,617        |
| Other Financial Liabilities                                 | 7,472,829               | 22,751,126           | 61,058,225            | 42,515,326           | -                    | 1,119,068,760                  | 1,252,866,266         |
| <b>Total Liabilities</b>                                    | <b>15,344,003,343</b>   | <b>2,338,121,132</b> | <b>3,142,758,197</b>  | <b>730,015,326</b>   | <b>500,000</b>       | <b>1,119,068,760</b>           | <b>22,674,466,738</b> |
| <b>Total Interest Sensitivity Gap</b>                       | <b>(10,355,591,488)</b> | <b>6,204,405,681</b> | <b>12,190,871,697</b> | <b>5,769,250,074</b> | <b>717,044,358</b>   | <b>(757,992,672)</b>           | <b>13,767,987,650</b> |

As at 31 March 2023

| Assets   | Up to 03 Months<br>Rs. | 03-12 Months<br>Rs.  | 01-03 Years<br>Rs.    | 03-05 Years<br>Rs.   | Over 05 Years<br>Rs. | Non Interest<br>Bearing<br>Rs. | Total<br>Rs.          |
|--|------------------------|----------------------|-----------------------|----------------------|----------------------|--------------------------------|-----------------------|
| Cash and Bank Balances   | 7,805,091              | -                    | -                     | -                    | -                    | 243,503,773                    | 251,308,863           |
| Deposits with Licensed Commercial Banks                          | -                      | 174,784,421          | -                     | -                    | -                    | -                              | 174,784,421           |
| Financial Assets at amortised cost - Loans and Advances          | 408,623,339            | 374,339,880          | 533,893,113           | 106,512,846          | 2,363,407            | -                              | 1,425,732,585         |
| Financial Assets at amortised cost - Lease Rentals Receivable    | 3,211,808,195          | 5,413,290,615        | 11,872,862,018        | 4,030,365,902        | 46,229,186           | -                              | 24,574,555,916        |
| Financial Assets - Fair Value through Other Comprehensive Income | 439,545,214            | -                    | 417,212,750           | 3,895,552,110        | 480,635,450          | 194,700                        | 5,233,140,224         |
| Other Financial Assets   | 119,240,241            | -                    | -                     | -                    | -                    | 27,373,706                     | 146,613,947           |
| <b>Total Assets</b>  | <b>4,187,022,080</b>   | <b>5,962,414,916</b> | <b>12,823,967,881</b> | <b>8,032,430,858</b> | <b>529,228,043</b>   | <b>271,072,179</b>             | <b>31,806,135,956</b> |

Liabilities

|   |                       |                      |                      |                    |          |                    |                       |
|---|-----------------------|----------------------|----------------------|--------------------|----------|--------------------|-----------------------|
| Bank Overdraft  | 1,273,528,835         | -                    | -                    | -                  | -        | -                  | 1,273,528,835         |
| Financial Liabilities at Amortized Cost - Due to Depositors | 200,382,890           | 1,000,000            | -                    | -                  | -        | -                  | 201,382,890           |
| Debt Instruments Issued and Other Borrowed Funds            | 16,092,062,248        | 1,850,174,336        | 1,600,000,016        | 249,999,964        | -        | -                  | 19,792,236,564        |
| Other Financial Liabilities                                 | 7,472,829             | 22,751,126           | 61,058,225           | 42,515,326         | -        | 659,575,771        | 793,373,277           |
| <b>Total Liabilities</b>                                    | <b>17,573,446,802</b> | <b>1,873,925,462</b> | <b>1,661,058,241</b> | <b>292,515,290</b> | <b>-</b> | <b>659,575,771</b> | <b>22,060,321,566</b> |

Total Interest Sensitivity Gap

|                                       |                         |                      |                       |                      |                    |                      |                      |
|---------------------------------------|-------------------------|----------------------|-----------------------|----------------------|--------------------|----------------------|----------------------|
| <b>Total Interest Sensitivity Gap</b> | <b>(13,386,424,722)</b> | <b>4,088,489,454</b> | <b>11,162,909,639</b> | <b>7,739,915,568</b> | <b>529,228,043</b> | <b>(388,503,592)</b> | <b>9,745,614,390</b> |
|---------------------------------------|-------------------------|----------------------|-----------------------|----------------------|--------------------|----------------------|----------------------|





## 41. RISK MANAGEMENT (contd...)

## 41.4 Liquidity Risk

Liquidity risk refers to the availability of sufficient cash balances to meet contractual borrowings and other commitments and to meet new lending targets as well as provide a flow of net liquid assets. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity.

## Management of Liquidity Risk

The Company's risk for managing liquidity risk and oversight of the implementation is administered by ALCO. Finance Department manages the Company's liquidity position on a day to day basis.

The Company's approach to managing liquidity is to ensure, as far as possible, 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.

The Company has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. A key element of these systems is monitoring and assessing the firm's current and future fund requirement including debt obligations and planning for any unexpected funding needs, regardless of whether they arise from firm-specific factors, or from systemic (economy-wide) factors.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

## 41.4.1 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 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

As at 31st March 2024, the Company maintained Statutory Liquid Asset ratio at 33.12%. (As at 31st March 2023 - 24.60%)

## 41.4.2 Contractual Maturities of Undiscounted Cash Flows of Financial Assets &amp; 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 2024  | Up to 03 Months       | 03-12 Months          | 01-03 Years           | 03-05 Years          | Over 05 Years      | Non Interest Bearing | Total                 |
|--|-----------------------|-----------------------|-----------------------|----------------------|--------------------|----------------------|-----------------------|
|  | Rs.                   | Rs.                   | Rs.                   | Rs.                  | Rs.                | Rs.                  | Rs.                   |
| <b>Assets</b>  |                       |                       |                       |                      |                    |                      |                       |
| Cash and Bank Balances   | 33,272,336            | -                     | -                     | -                    | -                  | 322,409,088          | 355,681,424           |
| Deposits with Licensed Commercial Banks                          | -                     | -                     | -                     | -                    | -                  | -                    | -                     |
| Financial Assets at amortised cost - Loans and Advances          | 1,118,629,507         | 2,758,354,491         | 1,813,797,773         | 994,486,538          | 16,416,733         | -                    | 6,701,685,042         |
| Financial Assets at amortised cost - Lease Rentals Receivable    | 5,299,217,028         | 10,368,164,454        | 16,564,375,282        | 2,709,825,882        | 8,599,881          | -                    | 34,950,182,527        |
| Financial Assets - Fair Value through Other Comprehensive Income | -                     | -                     | 2,548,171,083         | 4,011,235,293        | 806,511,282        | 194,700              | 7,366,112,358         |
| Other Financial Assets   | 90,574,316            | -                     | -                     | -                    | -                  | 38,472,300           | 129,046,616           |
| <b>Total Financial Assets</b>                                    | <b>6,541,693,187</b>  | <b>13,126,518,945</b> | <b>20,926,344,138</b> | <b>7,715,547,713</b> | <b>831,527,896</b> | <b>361,076,088</b>   | <b>49,502,707,967</b> |
| <b>Liabilities</b>   |                       |                       |                       |                      |                    |                      |                       |
| Bank Overdraft   | 295,755,405           | -                     | -                     | -                    | -                  | -                    | 295,755,405           |
| Financial Liabilities at Amortized Cost - Due to Depositors      | 146,188,876           | 575,249,231           | -                     | 838,055              | -                  | -                    | 722,276,162           |
| Debt Instruments Issued and Other Borrowed Funds                 | 15,134,599,475        | 2,488,026,151         | 3,317,692,748         | 747,317,466          | -                  | -                    | 21,687,635,840        |
| Other Financial Liabilities                                      | 15,479,656            | 44,084,149            | 113,107,895           | 41,929,306           | -                  | 1,093,587,737        | 1,308,188,743         |
| <b>Total Financial Liabilities</b>                               | <b>15,592,023,412</b> | <b>3,107,359,531</b>  | <b>3,430,800,643</b>  | <b>790,084,827</b>   | <b>-</b>           | <b>1,093,587,737</b> | <b>24,013,856,150</b> |



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 41. RISK MANAGEMENT (contd...)

| As at 31 March 2023  | Up to 03 Months       |                       | 03-12 Months          |                      | 01-03 Years        |                    | 03-05 Years           |     | Over 05 Years |     | Non Interest Bearing |     | Total          |     |
|--|-----------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------|-----------------------|-----|---------------|-----|----------------------|-----|----------------|-----|
|  | Rs.                   | Rs.                   | Rs.                   | Rs.                  | Rs.                | Rs.                | Rs.                   | Rs. | Rs.           | Rs. | Rs.                  | Rs. | Rs.            | Rs. |
| Assets   |                       |                       |                       |                      |                    |                    |                       |     |               |     |                      |     |                |     |
| Cash and Bank Balances   | 7,805,091             | -                     | -                     | -                    | -                  | -                  | -                     | -   | -             | -   | 243,503,772          | -   | 251,308,863    |     |
| Deposits with Licensed Commercial Banks                          | -                     | 191,068,921           | -                     | -                    | -                  | -                  | -                     | -   | -             | -   | -                    | -   | 191,068,921    |     |
| Financial Assets at amortised cost - Loans and Advances          | 449,290,740           | 460,775,544           | 653,171,330           | 133,018,722          | 2,500,354          | 48,121,069         | 36,812,152,208        |     |               |     |                      |     | 1,698,756,690  |     |
| Financial Assets at amortised cost - Lease Rentals Receivable    | 4,872,241,332         | 9,606,724,950         | 17,516,419,842        | 4,768,645,015        | 600,000,000        | 194,700            | 6,051,386,358         |     |               |     |                      |     |                |     |
| Financial Assets - Fair Value through Other Comprehensive Income | -                     | -                     | 500,000,000           | 4,951,191,658        | 600,000,000        | 194,700            | 6,051,386,358         |     |               |     |                      |     |                |     |
| Other Financial Assets   | 119,240,241           | -                     | -                     | -                    | -                  | -                  | -                     | -   | -             | -   | 27,373,706           | -   | 146,613,947    |     |
| <b>Total Financial Assets</b>                                    | <b>5,448,577,404</b>  | <b>10,258,569,415</b> | <b>18,669,591,172</b> | <b>9,852,855,395</b> | <b>650,621,423</b> | <b>271,072,178</b> | <b>45,151,286,987</b> |     |               |     |                      |     |                |     |
| Liabilities  |                       |                       |                       |                      |                    |                    |                       |     |               |     |                      |     |                |     |
| Bank Overdraft   | 1,273,528,835         | -                     | -                     | -                    | -                  | -                  | -                     | -   | -             | -   | -                    | -   | 1,273,528,835  |     |
| Financial Liabilities at Amortized Cost - Due to Depositors      | 203,833,333           | 1,195,000             | -                     | -                    | -                  | -                  | -                     | -   | -             | -   | -                    | -   | 205,028,333    |     |
| Debt Instruments Issued and Other Borrowed Funds                 | 16,295,844,386        | 2,061,710,441         | 1,790,446,778         | 255,343,798          | -                  | -                  | -                     | -   | -             | -   | -                    | -   | 20,403,345,402 |     |
| Other Financial Liabilities                                      | 10,029,391            | 34,533,077            | 82,723,066            | 49,185,575           | -                  | -                  | -                     | -   | -             | -   | 659,575,771          | -   | 836,046,880    |     |
| <b>Total Financial Liabilities</b>                               | <b>17,783,235,945</b> | <b>2,097,438,518</b>  | <b>1,873,169,844</b>  | <b>304,529,373</b>   | <b>-</b>           | <b>-</b>           | <b>22,717,949,451</b> |     |               |     |                      |     |                |     |

## 41.5 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The company cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.



**42. 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.

**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.

**Regulatory Capital Requirements**

In accordance with the directions issued by CBSL, the Company needs to maintain minimum tier 1 core capital ratio of 8.5% (8.5% - 2023) and total capital adequacy ratio of 12.5% (12.5% - 2023) as at March 31, 2024.

The Company has always maintained capital adequacy ratio above the minimum regulatory requirement. Accordingly, the Company has recorded 32.84% (29.42% - 2023) of tier 1 and 32.84% (30.37% - 2023) of total capital adequacy ratio as at March 31, 2024.

| <b>43. NET ASSETS VALUE PER SHARE</b>       | <b>2024</b>    | <b>2023</b>    |
|---|----------------|----------------|
|   | <b>Rs.</b>     | <b>Rs.</b>     |
| Total Equity Attributable to Equity Holders | 13,895,690,075 | 11,358,708,428 |
| Total Number of Ordinary Shares             | 133,958,971    | 133,958,971    |
| <b>Net Asset Value per Share</b>            | <b>103.73</b>  | <b>84.79</b>   |

**44. COMMITMENTS AND CONTINGENT LIABILITIES**

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

**44.2 Commitments**

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.

|  | <b>2024</b>        | <b>2023</b>        |
|--|--------------------|--------------------|
|  | <b>Rs.</b>         | <b>Rs.</b>         |
| <b>Un - Utilised Facilities</b>          |                    |                    |
| - Margin trading                         | 196,186,569        | 81,238,534         |
| - Factoring                              | -                  | 8,216,573          |
| - Dealer Finance                         | 33,824,448         | 47,148,203         |
| - Pledge Loans                           | 154,562,637        | 193,492,344        |
| Capital Commitments on Intangible Assets | 24,686,112         | 3,600,000          |
| <b>Total Commitments</b>                 | <b>409,259,766</b> | <b>333,695,654</b> |

**45. 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.

The Company decided to sell its investment property located on Pelawatta - Parliament Road, initiating the sale process at the beginning of the current financial year based on the valuation confirmation obtained from Mr. U.S. Silva, Chartered Valuation Surveyor, on 14 March 2023. Subsequently, the property was sold after the end of the current financial year, on 15 May 2024, for its fair value of Rs. 107Mn.

**46. COMPARATIVE INFORMATION**

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



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

47. 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 2024                                    | Leasing and Loans<br>Rs. | Investments<br>Rs. | Others<br>Rs.      | Total<br>Rs.         |
|---|--------------------------|--------------------|--------------------|----------------------|
| Interest Income   | 8,597,586,414            | 1,340,365,084      | -                  | 9,937,951,498        |
| Interest Expense  | (2,640,477,863)          | (608,123,965)      | (9,642,630)        | (3,258,244,458)      |
| <b>Net Interest Income</b>  | <b>5,957,108,551</b>     | <b>732,241,119</b> | <b>(9,642,630)</b> | <b>6,679,707,040</b> |
| Other Operating Income  | 397,208,468              | 938,863            | 14,644,396         | 412,791,727          |
| <b>Total Operating Income</b>                                       | <b>6,354,317,019</b>     | <b>733,179,982</b> | <b>5,001,766</b>   | <b>7,092,498,767</b> |
| Impairment Charges & Net Write Off                                  | (1,573,087,045)          | (31,076)           | -                  | (1,573,118,121)      |
| <b>Net Operating Income</b>   | <b>4,781,229,974</b>     | <b>733,148,906</b> | <b>5,001,766</b>   | <b>5,519,380,646</b> |
| Operating Expenses  | (2,171,399,903)          | (500,091,418)      | (7,929,627)        | (2,679,420,948)      |
| <b>Operating Profit before VAT &amp; SSCL on Financial Services</b> | <b>2,609,830,071</b>     | <b>233,057,488</b> | <b>(2,927,861)</b> | <b>2,839,959,698</b> |
| VAT & SSCL on Financial Services                                    |                          |                    |                    | (717,660,872)        |
| <b>Profit before Income Tax</b>                                     |                          |                    |                    | <b>2,122,298,826</b> |
| Income Tax Expense  |                          |                    |                    | (833,826,191)        |
| <b>Profit for the Period</b>  |                          |                    |                    | <b>1,288,472,635</b> |

As at 31 March 2024

| Segment Assets             |                |               |             |                |
|----------------------------|----------------|---------------|-------------|----------------|
| Total Assets               | 30,322,241,021 | 6,983,463,755 | 110,732,277 | 37,416,437,053 |
| <b>Segment Liabilities</b> |                |               |             |                |
| Total Liabilities          | 19,061,188,480 | 4,389,949,898 | 69,608,600  | 23,520,746,978 |

| For the Year ended 31 March 2023                                    | Leasing and Loans<br>Rs. | Investments<br>Rs.   | Others<br>Rs.       | Total<br>Rs.         |
|---|--------------------------|----------------------|---------------------|----------------------|
| Interest Income   | 7,226,379,533            | 618,705,577          | -                   | 7,845,085,110        |
| Interest Expense  | (3,648,311,676)          | (755,365,643)        | (27,069,508)        | (4,430,746,827)      |
| <b>Net Interest Income</b>  | <b>3,578,067,857</b>     | <b>(136,660,066)</b> | <b>(27,069,508)</b> | <b>3,414,338,283</b> |
| Other Operating Income  | 134,772,308              | 640,767              | 11,728,183          | 147,141,258          |
| <b>Total Operating Income</b>                                       | <b>3,712,840,165</b>     | <b>(136,019,299)</b> | <b>(15,341,325)</b> | <b>3,561,479,541</b> |
| Impairment Charges & Net Write Off                                  | (856,958,517)            | (25,241)             | -                   | (856,983,758)        |
| <b>Net Operating Income</b>   | <b>2,855,881,648</b>     | <b>(136,044,540)</b> | <b>(15,341,325)</b> | <b>2,704,495,783</b> |
| Operating Expenses  | (1,769,001,425)          | (366,263,362)        | (13,125,523)        | (2,148,390,310)      |
| <b>Operating Profit before VAT &amp; SSCL on Financial Services</b> | <b>1,086,880,223</b>     | <b>(502,307,902)</b> | <b>(28,466,848)</b> | <b>556,105,473</b>   |
| VAT & SSCL on Financial Services                                    |                          |                      |                     | (270,966,315)        |
| <b>Profit before Income Tax</b>                                     |                          |                      |                     | <b>285,139,158</b>   |
| Income Tax Expense  |                          |                      |                     | 620,018,132          |
| <b>Profit for the Period</b>  |                          |                      |                     | <b>905,157,290</b>   |

As at 31 March 2023

| Segment Assets             |                |               |             |                |
|----------------------------|----------------|---------------|-------------|----------------|
| Total Assets               | 27,664,955,951 | 5,727,898,025 | 205,266,661 | 33,598,120,637 |
| <b>Segment Liabilities</b> |                |               |             |                |
| Total Liabilities          | 18,312,106,376 | 3,791,434,844 | 135,870,989 | 22,239,412,209 |

