SIYAPATHA FINANCE PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2024

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Siyapatha Finance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Siyapatha Finance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2024, and the statement of income, 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 policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for Expected Credit Losses of Financial Assets measured at Amortised Cost

Allowance for expected credit losses of financial assets measured at amortised cost as stated in Note 40.4.1 is determined by management in accordance with the accounting policies described in Note 3.1.7.

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Risk Description	Our Response:
The Company uses the Expected Credit Loss (ECL) model to calculate the allowance for expected credit losses in accordance with SLFRS 9- Financial Instruments (SLFRS 9). High degree of complexity and judgment are involved in estimating ECL. There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. Additional subjectivity and judgement are required due to the heightened uncertainty associated with the impact of the economic outlook and its impact on customers, increasing our audit effort thereon. We have identified the allowance for expected credit losses as a key audit matter due to the significance of the loans and advances to these financial statements, the inherent complexity of the Company's ECL models used to measure ECL allowances.	Our audit procedures included: • Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain and volatile macro-economic environment; • Challenging the key assumptions in the ECL models, including staging, PD, and LGD and evaluating the reasonableness of Management's key judgments and estimates; • Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; • Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; • Assessing the reasonableness of the Company's considerations of the prevailing uncertain and volatile macro-economic environment; • Working with our internal FRM specialists in order to assess the management computation of ECL model including staging, PD, LGD, and appropriateness of incorporating the forward-looking factors, and assumptions to the ECL model; • Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

Information Technology (IT) Systems Controls over Financial Reporting

Risk Description	Our Response:
The Company's businesses utilize many interdependent Information Technology (IT) systems to process and record a high volume of transactions.	We worked with our internal IT specialists to perform audit procedures to test the technology control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls

The controls over access, changes to and operation of IT systems are key to the recording of financial information and the preparation of financial statements which provide a true and fair view of the Company's financial position and performance. The IT systems and controls, as they impact the recording and reporting of financial transactions, is a key audit matter as our audit approach could significantly differ depending on the effective operation of the Company's IT controls.	embedded within these systems which link the technology-enabled business processes. Our further audit procedures included: *General IT controls design, observation and operation* • Assessing the governance and higher-level controls in place across the IT Environment, including those regarding policy design, policy review and awareness, and IT Risk Management practices; • Obtaining an understanding and testing operating effectiveness of the sample of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, monitor system integrity, program development and computer operations; and • Data integrity of critical system reporting used by us in our audit to select samples and analyze data used by management to generate financial statements. *Application controls* Design and operating effectiveness testing of key automated business process controls including those relating to enforcing segregation of duties to avoid conflicts from inappropriate role combinations within IT applications. • On sample basis, re-performed selected automated computations and compared our results with those from the system and the general Ledger. *User access controls operation* Design and operating effectiveness testing of key controls across the user access Management. • Assessing the management's evaluation of access rights granted to applications relevant to financial accounting and reporting systems; • Evaluate the design and operating effectiveness of IT controls, including those related to user access and change management; and

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	• Assessing the operating effectiveness of controls over granting, removal and appropriateness of access rights.

Other Matter

The financial statements of Siyapatha Finance PLC for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on February 14, 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

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KPMG
Colombo, Sri Lanka
14/02/2025

INCOME STATEMENT

Year ended 31 December 2024

	Note	2024 Rs.'000	2023 Rs.'000
Interest income		9,842,826	10,130,371
Less: Interest expenses		(5,309,323)	(7,009,764)
Net interest income	6	4,533,503	3,120,607
Fee and commission income		349,015	331,729
Less: Fee and commission expenses		(2,905)	(3,981)
Net fee and commission income	7	346,110	327,748
Other operating income	8	1,097,165	600,661
Total operating income		5,976,778	4,049,016
Less: Credit loss expense on financial assets and other losses	9	136,912	(80,869)
Net operating income		6,113,690	3,968,147
Less: Operating expenses			
Personnel expenses	10	(2,097,640)	(1,368,823)
Other operating expenses	11	(1,108,098)	(922,017)
Operating profit before taxes on financial services		2,907,952	1,677,307
Less: Taxes on financial services	12	(802,667)	(478,089)
Profit before income tax		2,105,285	1,199,218
Less: Income tax expense	13	(901,912)	(489,016)
Profit for the year		1,203,373	710,202
Basic/Diluted earnings per share (Rs.)	14	11.98	7.07
Dividend per share (Rs.)	15	0.07	2.33

The Accounting policies and Notes to the Financial Statements from pages 12 to 89 form an integral part of these Financial Statements.

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STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	Note	2024 Rs.'000	2023 Rs.'000
Profit for the year		1,203,373	710,202
Other comprehensive income/ (expenses)			
Other comprehensive income not to be reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plan	34.3	6,103	4,733
Deferred tax effect on actuarial gains/(losses)	28	(1,832)	(1,420)
Other comprehensive income for the year, net of tax		4,271	3,313
Total comprehensive income for the year, net of tax		1,207,644	713,515
Attributable to :			
Equity holders of the parent company		1,207,644	713,515
		1,207,644	713,515

The Accounting policies and Notes to the Financial Statements from pages 12 to 89 form an integral part of these Financial Statements.

Siyapatha Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 Rs. '000	2023 Rs. '000
Assets			
Cash and bank balances	17	260,579	285,352
Securities purchased under repurchase agreements		5,001,843	250,123
Factoring receivables	18	95,417	95,969
Gold loan receivables	19	11,412,292	7,930,227
Assets held for sale		24,838	114,043
Loan receivables	20	3,829,072	1,343,011
Lease receivables	21	30,717,750	26,640,517
Hire purchase receivables	22	-	-
Other assets	23	812,692	735,058
Equity instruments at fair value through other comprehensive income	24	56	56
Debt instruments at amortized cost	25	4,335,257	5,799,840
Property, plant & equipment	26	2,486,547	2,465,349
Right-of-use assets	27	482,732	380,579
Deferred tax assets	28	233,834	184,308
Intangible assets	29	16,033	16,068
Total Assets		59,708,942	46,240,500
Liabilities			
Bank overdraft		128,514	135,930
Due to other customers	30	32,197,075	23,565,911
Debt issued and other borrowed funds	31	15,642,339	13,148,267
Other payables	32	2,373,259	1,577,908
Current tax liabilities	33	754,721	427,797
Retirement benefit obligations	34	159,713	137,957
Total Liabilities		51,255,621	38,993,770
Equity			
Stated capital	35	2,872,846	2,866,876
Statutory reserve fund	36	375,000	314,000
Revaluation reserve	37	154,295	154,295
Retained earnings	38	5,051,180	3,911,559
Total Equity		8,453,321	7,246,730
Total Liabilities and Equity		59,708,942	46,240,500
Net asset value per share (Rs.)		84.18	72.23
Commitments and contingencies	42	30,206	30,643

We certify that these Financial Statements are presented in compliance with the requirements of the Companies Act No.7 of 2007.

....
Managing Director

....
Chief Financial Officer

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

....
Chairman

....
Director

The Accounting policies and Notes to the Financial Statements from pages 12 to 89 form an integral part of these Financial Statements.

14 February 2025
Colombo

KPMG Chartered Accountants

Siyapatha Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Note	Stated Capital	Statutory Reserve Fund	Revaluation Reserve	Retained Earnings	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at 01 January 2023		2,674,439	278,000	154,295	3,460,442	6,567,176
Profit for the year		-	-	-	710,202	710,202
Other comprehensive income, net of tax		-	-	-	3,313	3,313
Transfer to Statutory Reserve Fund	36	-	36,000	-	(36,000)	-
Scrip dividend paid		192,437	-	-	(226,397)	(33,960)
Balance as at 31 December 2023		2,866,876	314,000	154,295	3,911,559	7,246,731
Profit for the year		-	-	-	1,203,373	1,203,373
Other comprehensive income, net of tax		-	-	-	4,271	4,271
Transfer to Statutory Reserve Fund	36	-	61,000	-	(61,000)	-
Scrip dividend paid		5,970	-	-	(7,023)	(1,053)
Balance as at 31 December 2024		2,872,846	375,000	154,295	5,051,180	8,453,321

The Accounting policies and Notes to the Financial Statements from pages 12 to 89 form an integral part of these Financial Statements.

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STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 Rs. '000	2023 Rs. '000
Cash flows from operating activities			
Profit before taxation from operations		2,105,285	1,199,218
Interest expenses	6.2	5,309,323	7,009,764
Fee & commission expenses	7	2,905	3,981
Credit loss expense on financial assets	9	(136,912)	80,869
Provision for staff gratuity	34.2	43,074	42,007
Provision for depreciation	26.1	164,379	155,545
Amortization of software	29	5,266	7,856
Amortization expenses on right-of-use assets	27	89,172	80,119
(Profit)/Loss on sale of motor vehicles		(680)	(1,695)
		5,476,527	7,378,445
Operating profit before working capital changes		7,581,812	8,577,663
(Increase)/Decrease in lease receivables		(3,911,427)	(1,798,308)
(Increase)/Decrease in hire purchase receivables		936	293
(Increase)/Decrease in factoring receivables		10,474	45,082
(Increase)/Decrease in gold loan receivables		(3,478,583)	738,561
(Increase)/Decrease in loan receivables		(2,409,095)	(269,756)
Increase/(Decrease) in due to other customers		8,586,181	3,757,012
(Increase)/Decrease in other assets		(303,426)	(481,828)
Increase/(Decrease) in other payables		945,987	402,193
		(558,952)	2,393,249
Cash generated from operating activities		7,022,860	10,970,912
Interest expense paid		(5,154,724)	(6,824,516)
Gratuity paid	34.1	(15,214)	(16,169)
Income tax paid	33	(626,347)	(373,343)
Surcharge tax paid paid		-	-
Dividend tax paid		(1,053)	(33,960)
Net cash inflow from operating activities		1,225,521	3,722,924
Cash flow from investing activities			
Net investments in government bonds & government securities		1,897,145	(393,121)
Purchase of property, plant and equipment and intangible assets		(226,148)	(92,087)
Proceeds from sale of property, plant and equipment		36,019	1,837
Net cash outflow from investing activities		1,707,016	(483,371)
Net cash inflow before financing activities		2,932,537	3,239,553
Cash flow from financing activities			
Proceeds from long term loans & securitizations	31.1	2,000,000	2,500,000
Repayments of long long term loans & securitizations	31.1	(4,118,449)	(3,919,897)
Debentures redeemed	31.4	(1,500,000)	(2,000,000)
Proceeds from Debentures	31.4	4,000,000	-
Share application money pending allotment	35.1	-	-
Net proceeds from short term borrowings	31.1	2,000,000	1,260,000
Repayment of principal portion of lease liabilities	32.1	(147,165)	(130,205)
Net cash outflow from financing activities		2,234,386	(2,290,102)
Net increase in cash and cash equivalents		5,166,923	949,451
Cash & cash equivalents at the beginning of the year		3,112,229	2,162,778
Cash and cash equivalents at end of the year		8,279,152	3,112,229

Analysis of the cash and cash equivalents at the end of the year

	2024 Rs. '000	2023 Rs. '000
Cash and bank balances (Note 17)	260,681	285,454
Securities purchased under repurchase agreements less than three months	5,001,841	250,123
Investment in Government securities less than three months	3,145,144	2,712,582
Bank overdraft	(128,514)	(135,930)
	8,279,152	3,112,229

The Accounting policies and Notes to the Financial Statements from pages 12 to 89 form an integral part of these Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Siyapatha Finance PLC ("The Company"), formerly known as Siyapatha Finance Limited is a domiciled, public limited liability company incorporated in Sri Lanka on 03 March 2005 under the Companies Act No. 17 of 1982. The Company was re-registered with the Registrar General of Companies as per the requirements of the Companies Act No.7 of 2007. It is a Licensed Finance Company under the Finance Business Act No.42 of 2011 and amendments thereto. The registered office of the Company is located at. No. 111, Dudley Senanayake Mawatha, Colombo 08.

The debentures of the Company were initially listed on the Colombo Stock Exchange on 02 January 2015.

The staff strength of the Company as at 31 December 2024 was 967 (2023:849).

1.2 Principal Activities and Nature of Operations

The Company provides a comprehensive range of financial services encompassing accepting deposits, providing finance lease, vehicle loan facilities, mortgage loans, gold loan, debt factoring, revolving loans, business/personal loans, and fast draft loans.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking /ultimate parent and the controlling party is Sampath Bank PLC, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 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 Listing Rules of the Colombo Stock Exchange and the CBSL Guidelines.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the Financial Statements as per Sri Lanka Accounting Standards and the provisions of the Companies Act No.7 of 2007.

2.3 Approval of Financial Statements by Directors

The Financial Statements of the Company as at and for the year ended 31 December 2024 were authorised for issue by the Board of Directors in accordance with the resolution of the Directors on 14 February 2025.

2.4 Basis of Measurement

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

- Financial Assets at fair value through other comprehensive income at fair value (Note 24)
- Land and buildings, which are measured at cost at the time of acquisition subsequently, measured at revalued amounts, which are the fair values at the date of revaluation (Note 26)
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets (Note 34)

2.5 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (Rs), which is the currency of the primary economic environment in which Siyapatha Finance PLC operates. The Financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand unless indicated otherwise. There was no change in the Company’s presentation and functional currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position 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 on recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 41 to the financial statements.

2.7 Materiality, Aggregation and Offsetting

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

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

2.8 Comparative Information

The comparative information is re-classified whenever necessary to conform to the current year's classification in order to provide a better presentation.

2.9 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 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. 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 include cash in hand, balances with banks, placements with banks (less than 3 months), money at call and short notice, net of unfavourable bank balances, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (less than three months).

2.10 Significant Accounting Judgements, 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:

2.10.1 Going Concern

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

2. 10.2 Impairment losses on loans and receivables

The measurement of impairment losses under Sri Lanka Accounting Standard - SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company reviews its individually significant loans and advances at each financial reporting date to assess whether an impairment loss should be recorded in the Income Statement. In particular, the management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss.

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.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their independencies. 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. The above assumptions and judgements are discussed in detail under Note 3.1.7 to the Financial Statements.

During the review period, the Company conducted a reassessment of its loans and advances portfolio within the individually significant loans (ISL) category, considering both the financial resilience of customers and external macroeconomic pressures. Moreover, the proactive provisioning approach implemented by the Company in the previous financial year to address potential risks associated with customers has persisted throughout 2024.The collective impairment models applied in 2023 were continued in 2024 to ensure sufficient buffers were in place to mitigate any potential credit risks that may arise in the future. Additionally, owing to favourable shifts in major macroeconomic indicators, the Economic Factor Adjustment (EFA) has been appropriately updated to reflect these positive changes. Furthermore, the probability weighting applied to the worst-case economic scenario decreased from 70% to 40% in response to the positive trends observed in macroeconomic variables during 2024.

A breakdown of the loans and advances of the Company classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively. Further, the sensitivity of the impairment provision of the Company to a feasible change in property realisation period, PDs, LGDs and forward looking macro-economic information is also given in Note 40.4.1(f).

2.10.3 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.

Equity instruments classified as FVOCI are not subjective for impairment assessment.

2.10.4 Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position for which there is no observable market price on using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in Note 39 to the Financial Statements.

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.

2.10.5 Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception in to different accounting categories. The classification of financial instruments is given in Note 16 "Analysis of Financial Instruments by Measurement Basis".

2.10.6 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax laws, at the time of preparation of these Financial Statements. The details of the deferred tax computation are given in Note 28 to the Financial Statements.

2.10.7 Defined Benefit Plans

The cost of defined benefit pension plan and the present value of its obligation are determined using actuarial valuation. The actuarial valuation involves making assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the 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 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 rate and expected future salary increase rate of the Company. The sensitivity of assumptions used in actuarial valuations are set out in Note 34 to the Financial Statements.

2.10.8 Fair Value of Property, Plant & Equipment

The freehold land and building of the Company is reflected at fair value at the date of revaluation less any accumulated impairment losses. The Company engages an independent valuation specialist to determine the fair value of freehold land and building in terms of Sri Lanka Accounting Standard –SLFRS 13, (Fair Value Measurement). The details of freehold land and buildings including methods of valuation are given in Note 26 to the Financial Statements.

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

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

2.10.10 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote. Details of commitments and contingencies are given in Note 42 to the Financial Statements.

2.10.11 Classification of Investment Properties

Management requires using its judgment to determine whether a property qualifies as an investment property. The Company has developed criteria so it can exercise its judgment consistently. A property that is held to earn rentals or for capital appreciation or both and which generates cash flows largely independently of the other assets held by the Company are accounted for as investment properties. On the other hand, a property that is used for operations or in the process of providing services or for administrative purposes and which do not directly generate cash flows as a standalone asset are accounted for as property, plant and equipment. The Company assesses on an annual basis, the accounting classification of its properties taking into consideration the current use of such properties. Currently the Company does not have any investment property.

2.10.12 Assets-Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets held for sale are classified separately as current items in the statement of financial position.

2.10.13 SLFRS 16 - Leases

The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right of- use assets. It also uses judgement in the determination of the discount rate in the calculation of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. As the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that the Company would have to pay, to borrow an amount similar to the value of the lease asset, over a similar term and with similar security in similar economic environment. Further, the Company applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

2.10.14 Impact of climate risk

The Company and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. The following items and balances may be impacted by climate-related matters:

Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. On the whole, the Company is of the view that the counterparties who have exposures to climate risk are not expected to be materially impacted by physical or transition risk associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high-risk geographical areas. As a result, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with SLFRS 13 Fair Value Measurement. Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market’s participants’ view of climate risk variables.

3. MATERIAL ACCOUNTING POLICIES

Application of Accounting Policies

The Company has consistently applied the accounting policies for all periods presented in the financial statements. The Company has adopted the standards set out in Note 3 during the year. The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective as given in Note 5.
Apart from the material accounting policies set out below, the specific accounting policies pertaining to each item in the financial statements have been presented within the respective notes to the financial statements. These material accounting policies have been applied consistently to all periods presented in the financial statements of the Company, unless otherwise indicated.
The accounting policies have been consistently applied by the entity where applicable and deviations if any have been disclosed accordingly. Further the changes in accounting policies due to adoption of new standards and interpretations have been presented in Note 4 to the financial statements.

3.1 Financial Instruments-Initial Recognition, Classification and Subsequent Measurement

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 with in the time frame generally established by regulation or convention in the market place.

3.1.2 Initial measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, and except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for “Day 1 profit or loss”, as described below.

3.1.2.1 ‘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.

3.1.3 Measurement categories of Financial Assets and Financial Liabilities

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,
- Fair value through other comprehensive income (FVOCI) or
- Fair value through profit or loss(FVPL)

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

3.1.3.1 Financial Assets at Amortised cost:

The Company only measures loans and advances, receivables, and other financial investments, 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 in order 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, gold loan receivables and other assets.

The details of the above conditions are outlined below.

3.1.3.1 (a) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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 assets 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 values of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

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

3.1.3.1 (b) The SPPI test

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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 the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

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

3.1.3.2 Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in income statement as other operating income 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.

Currently, the Company has recorded its non- quoted equity investments FVOCI at cost less ECL if any. The details of equity instruments at FVOCI are given in Note 24 to the Financial Statements.

3.1.3.3 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. The company does not have compound financial instruments which contains both a liability and an equity component and require separation as at the date of the issue.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, securitizations and debentures.

3.1.3.4 Financial guarantees and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the Financial Statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and ECL Provision under SLFRS 9.

The premium received is recognised in the Income Statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in within the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded - in the Statement of Financial Position. The nominal values of these instruments are disclosed in Note 42.

3.1.4 Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities, other than loan commitments and financial guarantees, are measured as,

(i) Financial liabilities at Fair Value through Profit or Loss (FVTPL)
  a) Financial liabilities held for trading
  b) Financial liabilities designated at fair value through profit or loss
(ii) Financial liabilities at amortised cost, when they are held for trading, derivative instruments or the fair value designation is applied.

The subsequent measurement of financial liabilities depends on their classification.

i. Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognized in the Income Statement.

ii. Financial Liabilities at Amortised Cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft', 'due to other customers', 'debt issued and other borrowed funds' and 'other payables' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

Currently, the Company has recorded Debt issued and other borrowed funds as Financial Liabilities at Amortised Cost in the form of term loans, short term loans, securitizations and debentures.

3.1.5 Derecognition of Financial Assets and Financial Liabilities

3.1.5.1 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, as set out below, 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.

3.1.5.2 Derecognition other than for substantial modification

3.1.5.2 (a) Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset, if and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset
  or
- It retains the rights to cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients

- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if 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

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.
When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises as associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.1.5.2 (b) Derecognition - Financial Liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the income statement.

3.1.6 Determination of Fair Value

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 -Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 39 to the Financial Statements.

3.1.7 Impairment of Financial Assets

3.1.7.1 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 (expected credit losses) for all loans and advances, debt & other financial instruments not held at FVPL, together with loan commitments, financial guarantee contracts, letter of credit and acceptances. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 40.4.1(b).

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

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

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

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

Stage 1: When loans and advances are first recognised, the Company recognises an allowance based on 12mECLs.Stage 1 loans and advances also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans and advances also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans and advances considered credit-impaired. The Company records an allowance for the LTECLs.

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

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

3.1.7.2 The 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.

Key elements of the ECL calculations are outlined below.

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 3.1.7.4 (a).

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.1.7.4 (b).

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 LGD is further explained in Note 3.1.7.4 (c).

With the exception of debt factoring and other revolving facilities, for which the treatment is separately set out in Note 3.1.7.7 the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company has the legal right to call it earlier.

3.1.7.3 Calculation of ECLs for individually significant loans and advances

The Company first assesses ECLs individually for financial assets that are individually significant to the Company. In the event the Company determines that such assets are not impaired, moves in to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The criteria used to determine whether individually significant customer is in default is discussed in Note 40.4.1(a).

If the asset is impaired, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. In determining the expected future cash flows, the Company takes in to account the base case, the best case and the worst case scenarios considering various modes of settlement of the impaired credit facilities. The impairment on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses reassessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment is only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on individually impaired assets continues to be recognised through the unwinding of the discount.

When ECLs are determined for individually significant financial assets, following factors are considered:

- Aggregate exposure to the customer including any undrawn exposures;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The likely dividend available on liquidation or bankruptcy

3.1.7.4 Grouping financial assets measured on a collective basis

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include:

All customers whose exposure is more than or equal to the internal threshold for classifying them as individually significant. However, if the customer is determined to be not impaired such customers are moved back to collective ECL calculation.

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

- Product type
- Type of collateral
- Industry of the borrower
- Whether the facility is restructured/ rescheduled

3.1.7.4 (a) The internal rating and PD estimation process

The Company has its own internal rating models. These models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Although these PDs are used for regulatory purposes, the same is not used for PD estimation under SLFRS 9.

PD estimation for loans and advances under SLFRS 9 is largely based on the Days Past Due (DPD) of the customers which is common for most Banks and Non-Bank Financial Institutions in the country at present.

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.

However, for loans granted to banks, debt & other financial instruments classified as amortised cost/FVOCI, the Company relies on external credit ratings in determining their respective PDs. Due to limited stage movements in loan portfolios under moratorium schemes, the Company has used additional assessments of SICR as explained in Note 40.4.1(b) to build an allowance of overlay to better reflect the portfolio position.

3.1.7.4 (b) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months. However, if a Stage 1 loan that is expected to default within the 12 months from the balance sheet date is also expected to cure and subsequently default again, then all linked default events are considered. 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.

3.1.7.4 (c) Loss given default

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

- Secured against cash/deposits held within the Company
- Secured against immovable property
- Secured against motor vehicles and other movable properties
- Secured against gold
- Secured against lease receivables

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. Further, recent data and forward-looking economic scenarios are used in order to determine the LGD for each collateral type. The LGD rates, where possible, are calibrated through back testing against recent recoveries.

3.1.7.5 Financial Guarantee contracts:

The Company’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose the Company estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability - weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within provisions.

3.1.7.6 Debt instruments measured at fair value through OCI

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

3.1.7.7 Debt factoring and revolving loans

The Company's product offering includes debt factoring and revolving loan facilities, in which the Company has the right to cancel and/or reduce the facilities within a short notice. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECLs for these products, is limited to 12 months.

The ongoing assessment of whether a significant increase in credit risk has occurred for debt factoring and revolving loan facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in utilization.

3.1.7.8 Forward looking information

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

- GDP growth
- Unemployment rate
- Central Bank base rates
- Inflation

The Company revisited the weightages assigned for multiple economic scenarios under the Economic Factor Adjustment (EFA) and decreased the weightage for the worst-case scenario by considering the positive movements in major macro-economic variables. Further, macro-economic variables such as GDP growth, inflation rate, interest rate, exchange rate etc., used in the EFA model were also revised to reflect the most recent economic data, available as at the reporting date.

	2024	**2023**
Base Case	40%	20%
Best Case	20%	10%
Worst Case	40%	70%

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

To ensure completeness and accuracy, the Company obtains the above data primarily from the Central Bank of Sri Lanka. Other third party sources such as World Bank and International Monetary Fund etc. are also used when CBSL data is not available.

3.1.7.9 Reversals of impairment

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

3.1.7.10 Rescheduled and restructured loans and advances

The Company sometimes makes concessions or modifications to the original terms of loans and advances as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan renegotiated when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Reschedule/restructure may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of the terms.
It is the Company's policy to monitor rescheduled/restructured loans and advances to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 rescheduled/restructured asset until it collected or written off.

When the loan has been rescheduled/restructured or modified but not derecognised, the Company also reassesses whether there has been a significant increase in credit risk, as set out in Note 40.4.1(b). The Company also considers whether the assets should be classified as Stage 3.

If modifications are substantial, the loan is derecognised as explained in Note 3.1.7.10.

3.1.7.11 Write-off of Financial Assets

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

3.1.7.12 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 cash, gold, 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.

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. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuation specialists, Audited Financial Statements and other independent sources.

3.1.7.13 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 years ended 31 December 2024 and 2023.

3.1.8 Offsetting Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of Financial Position. Income and expenses are presented on a net basis only when permitted under LKAS/ SLFRS, or for gains and losses arising from a group of similar transactions such as in the group’s trading activity.

3.1.9 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2 Leases

At inception of a contract, the 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 a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company considers whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has right to obtain substantially all of the economic benefits from use of asset throughout the period of use; and
- The Company has right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;
- The Company has the right to operate the asset; or
- The Company designed the asset in a way that predetermines how and for what purpose it will be used.

3.2.1 Company as the Lessee

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 and are in the range of 1 to 10 years.
In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’ 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 if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets under Note 27 to the financial statements while the corresponding lease liability is presented in Note 32, 'Other Liabilities'.

3.2.1 (a) Short term leases and leases of low value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short term leases (that have a lease term of 12 months or less) and leases of low value assets. The Company recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

3.2.2 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 21, '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.

3.3 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.

3.4 Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Company which do not relate directly to the amounts of principal outstanding for loans and advances. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.5 Impairment of Non-Financial Assets

The carrying amounts of the Company's nonfinancial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.6 Recognition of Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria that must be met before revenue is recognized is discussed under Note 6- Net Interest Income, Note 7- Net Fee and Commission Income, Note 8 - Other Operating Income.

3.7 Other Taxes

3.7.1 Value Added Tax (VAT)

VAT on financial services is calculated in accordance with Value Added Tax (VAT) 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 payable to employees including cash benefits, non-cash benefits & provisions relating to terminal benefits.

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

3.7.2 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) and amendments thereto, 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 in to Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

3.8 Regulatory provisions

3.8.1 Deposit Insurance and Liquidity Support Scheme

In terms of the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 02 of 2021" issued on 06 August 2021, all Finance Companies are required to insure their deposit liabilities in the "Sri Lanka Deposit Insurance and Liquidity Support Scheme".

The 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 member institutions
- Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management

Personnel, other related parties, excluding shareholders as defined in the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies

- Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month.

3.8.2 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.

- 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 on January 1, 2023.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEAR/CHANGES TO ALREADY EXISTING ACCOUNTING STANDARDS

The Company applied for the first-time certain standards and amendments, if applicable, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- Non-current Liabilities with Covenants – Amendments to IAS 1
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE AS AT 31 DECEMBER 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 for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- **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 17 is effective for annual reporting periods beginning on or after 1 January 2026, with comparative figures required.

The Financial Statements of the Company is not expected to have a material impact from SLFRS 17 - Insurance Contracts.

- **IFRSs 18 Presentation and Disclosure in Financial Statements**

  SLFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

  - Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
  - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
  - Enhanced guidance is provided on how to group information in the financial statements.
    In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.
    The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

- **SLFRS S1 General requirements for disclosure of sustainability related financial information and SLFRS S2 Climate-related disclosures**

  - SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information requires an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

  - SLFRS S2 Climate-related Disclosures is to requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

  - These standards will become effective for the Company from 1 April 2025. No financial impact is expected on the Company except for additional disclosures.

- **Other accounting standards**

  The following new and amended accounting standards are not expected to have a significant impact on the Company's consolidated financial statements.

  - Lack of Exchangeability (Amendments to IAS 21)
  - Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

6. NET INTEREST INCOME

ACCOUNTING POLICY

Recognition of Interest Income

The Company recognises interest income for all financial instruments measured at amortised cost, financial instruments designated at FVPL and interest-bearing financial assets measured at FVOCI using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

When a financial asset becomes credit-impaired (as set out in Note 40.4.1. (a)) and is, therefore, regarded as ‘Stage 3’, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate under net interest income.

Interest Income on Overdue Rentals

Interest from overdue rentals has been accounted for on cash received basis.

		2024 Rs. '000	2023 Rs. '000
6.1	**Interest income**		
	Interest income on lease receivables	5,877,363	5,291,753
	Interest income on hire purchase receivables	72	157
	Interest income on factoring receivables	20,468	35,527
	Interest income accrued on impaired financial assets (Note 18.5 & 18.6)	541	1,561
	Interest income on loan receivables	419,863	215,148
	Interest income on gold loan receivables	1,877,449	2,465,862
	Interest income on government securities	862,378	1,347,816
	Interest income on overdue rentals	757,691	746,782
	Interest income on staff loans	26,126	22,944
	Interest income on placements with banks	876	2,821
	Total interest income	9,842,826	10,130,371
6.2	**Interest expenses**		
	Bank overdraft	4,411	12,461
	Short term borrowings	409,983	627,114
	Lease liabilities (Note 32.1)	61,675	56,334
	Customer deposits	3,534,285	4,426,114
	Long term borrowings	666,460	1,062,853
	Securitization loans	63,196	365,991
	Redeemable debentures	569,313	458,897
	Total interest expenses	5,309,323	7,009,764
	Net interest income	4,533,503	3,120,607

7. NET FEE AND COMMISSION INCOME

ACCOUNTING POLICY

Fee Income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees etc. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Fee Income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of an acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised as the related services are performed.

Other fee and commission expense

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

	2024 Rs. '000	2023 Rs. '000
Documentation charges	92,441	64,031
Insurance commission	145,965	147,521
Service charges-Gold loan	106,446	116,809
Processing fees	444	717
Fee based income-Savings	1	60
Other fee & commission income	3,718	2,591
Total fee and commission income	349,015	331,729
Fee and commission expenses		
Guarantee fee	96	1,058
Processing fees - Bank loans	2,809	2,923
Total fee and commission expenses	2,905	3,981
Net fee and commission income	346,110	327,748

8. OTHER OPERATING INCOME

ACCOUNTING POLICY

Dividend Income

Dividend Income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Recovery of Bad Debts Written Off

Recovery of amounts written off as bad and doubtful debts is recognised when received.

Other Income

Other Income is recognised on an accrual basis.

	2024 Rs. '000	2023 Rs. '000
Profit on early terminations	798,000	376,209
Profit on disposal of motor vehicles	680	1,695
Recovery of bad debts written off	128,347	81,133
Recovery of charges	33,370	31,289
Gain on Assets Held for Sale	25,502	-
Sundry income	111,266	110,335
Total other operating income	1,097,165	600,661

9. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

ACCOUNTING POLICY

The accounting policies adopted in determining the impairment allowance for financial assets including loans and advances are given in Note 3.1.7. to the Financial Statements.

	2024 Rs. '000	2023 Rs. '000
Bank balances (Note 17.1)		
Stage 1	-	62
Stage 2	-	-
Stage 3	-	-
	-	62
Factoring receivables (Note 18.5 & 18.6)		
Stage 1	(3,141)	(18,620)
Stage 2	-	-
Stage 3	(6,782)	(9,638)
	(9,922)	(28,258)
Gold loan receivables (Note 19.4 & 19.5)		
Stage 1	5,682	6,974
Stage 2	(561)	(5,113)
Stage 3	(8,604)	(4,573)
	(3,483)	(2,712)
Loan receivables (Note 20.5 & 20.6)		
Stage 1	12,775	8,169
Stage 2	(3,193)	(65,836)
Stage 3	(86,548)	(22,128)
	(76,966)	(79,795)
Lease receivables (Note 21.6 & 21.7)		
Stage 1	17,314	15,751
Stage 2	(1,522)	(43,996)
Stage 3	(181,599)	48,574
	(165,807)	20,329
Hire purchase receivables (Note 22.6 & 22.7)		
Stage 1	-	-
Stage 2	-	-
Stage 3	(937)	954
	(937)	954
Repossessed stock (Note 23.1 & 23.2)		
Stage 1	-	-
Stage 2	-	-
Stage 3	110,858	167,977
	110,858	167,977
Other receivables (Note 23.3)		
Stage 1	-	-
Stage 2	-	-
Stage 3	12,813	735
	12,813	735
Credit related commitments & contingencies (Note 42.2)		
Stage 1	(3,471)	1,577
Stage 2	-	-
Stage 3	-	-
	(3,471)	1,577
	(136,912)	80,869

10. PERSONNEL EXPENSES

ACCOUNTING POLICY

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliably.

Defined Contribution Plans

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

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

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund. Further, the Company also contributes 12% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to "Defined Contribution Plans" as defined in the Sri Lanka Accounting Standard - LKAS 19 (Employee Benefits).

Defined Benefit Plan - Gratuity

All the employees of the company are eligible for gratuity under the Payment of Gratuity Act No. 12 of 1983, at the rate of one half of the Gross Basic Salary applicable to the last month of the financial year in which the employment is terminated or resigned, for each year of completed service, for those who have served in excess of 5 years.

An actuarial valuation is carried out at every year end to ascertain the full liability under gratuity.

Funding Arrangements

The gratuity liability is not externally funded.

The Company determines the interest expense on this defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds (15 years) that have maturity dates approximating to the terms of the Company's obligations.During the year, treasury bond rates experienced a notable decrease attributed to a decline in risk premia. Accordingly, the discount rate used to measure the defined benefit liability has decreased due to this effect.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 31 December 2024 (current service cost) has been recognised in the Income Statement under 'Personnel expenses' together with the net interest expense. The Company recognises the total actuarial gain/loss that arises in calculating the Company's obligation in respect of gratuity in other comprehensive income during the period in which it occurs. There were no plan amendments or curtailments affecting the Company's gratuity liabilities during the year ended 31 December 2024 other than those disclosed in Note 34.4 to the Financial Statements.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawals from service and retirement on medical grounds etc.

	2024 Rs. '000	2023 Rs. '000
Salaries and bonus	1,626,609	1,122,637
Contributions to EPF & ETF	116,915	96,946
Provision on gratuity (Note 34.2)	43,074	42,007
Others	311,042	107,233
	2,097,640	1,368,823

11. OTHER OPERATING EXPENSES

	2024 Rs. '000	2023 Rs. '000
Directors' emoluments	43,627	38,922
Auditors' remuneration (Note 11.1)	6,660	4,395
Professional & legal expenses	28,685	28,687
Depreciation & amortization expenses (Note 11.2)	258,816	243,520
Deposit insurance premium	39,443	32,868
Donations	510	-
Office administration & establishment expenses	547,517	440,514
Advertising expenses	88,909	50,322
Expenses on sustainable financial activities	1,369	1,964
Other expenses	92,562	80,826
	1,108,098	922,017

11.1 Auditors' remuneration

	2024 Rs. '000	2023 Rs. '000
Audit fees	2,000	1,980
Audit related fees & expenses	2,535	1,461
Non - audit expenses	2,125	954
	6,660	4,395

11.2 Depreciation & amortization expenses

ACCOUNTING POLICY

Depreciation of Property, Plant and 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. Freehold land of the Company not depreciated.

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 asset becomes idle or is retired from active use unless the asset is fully depreciated.

Asset Category	Depreciation Rate per Annum (%)	
	2024	2023
Freehold buildings	2.50	2.50
Office equipment *	5.00-15.00	5.00-15.00
Computer equipment	16.67	16.67
Office furniture	15.00	15.00
Motor vehicles (except Motor Bicycles)	12.50	12.50
Motor bicycles	20.00	20.00
Fixtures **	4.00-20.00	4.00-20.00

*Transformers, generator and mechanical ventilation & air conditioning system are depreciated at 5% per annum.
**Fire protection system, elevators, and puzzle parking system depreciated at 4%, 5% and 6.67% per annum respectively.

11. OTHER OPERATING EXPENSES (Contd…)

11.2 Depreciation & amortization expenses (Contd…)

Amortisation of Intangible Assets

Intangible assets, except for goodwill, are amortised on a straight-line basis in the Income Statement from the date when the asset is available for use, over the best estimate of its useful economic life, based on a pattern in which the asset's economic benefits are consumed by the Company. The Company assumes that there is no residual value for its intangible assets.

Asset Category	Amortisation Rate per Annum (%)	
	2024	2023
Computer software & Licenses	25.00	25.00

Amortisation of Right-of-Use Assets

The right of use assets are 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 and are in the range of 1 to 10 years.

Changes in Estimates

Depreciation/amortization methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31 December 2024, the Company conducted an operational efficiency review and estimates were revised accordingly.

	2024 Rs. '000	2023 Rs. '000
Depreciation on property, plant & equipment (Note 26.1)	164,378	155,545
Amortization of intangible assets (Note 29)	5,266	7,856
Amortisation expenses on right-of-use assets (Note 27)	89,172	80,119
	258,816	243,520

12. TAXES ON FINANCIAL SERVICES

ACCOUNTING POLICY

Value Added Tax (VAT) on Financial Services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) 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 payable to employees including cash, non-cash benefits and provisions relating to terminal benefits.

As per the Extraordinary Gazette Notification No. 2363/22 dated December 19, 2023, published under section 2A of the Value Added Tax Act No. 14 of 2002, VAT rate was revised to 18% from 15% with effect from January 01, 2024. Meanwhile, VAT Rate applicable on supply of financial services remains unchanged at Eighteen per centum (18%).

12. TAXES ON FINANCIAL SERVICES (Contd…)

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) and amendments thereto, 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 in to Chapter III A of the Value Added Tax Act No. 14 of 2002.

	2024 Rs. '000	2023 Rs. '000
Value added tax on financial services	704,781	419,508
Social security contribution levy	97,886	58,581
	802,667	478,089

13. INCOME TAX EXPENSE

ACCOUNTING POLICY

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 in which case it is recognised in equity or in other comprehensive income. The Company applied IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment” in the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have any significant impact on the financial statements of the Company to provide additional disclosures in the financial statements.

Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified in Note 13.3 to the Financial Statements.

Deferred Taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent it is probable that sufficient taxable profit will be available to allow the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and 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 the tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

13. INCOME TAX EXPENSE (Contd…)

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intentions to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction. Details of current tax liabilities and deferred tax liabilities / (assets) are given in Note 33 and Note 28 to the Financial Statements respectively.

13.1 The major components of income tax expense for the year ended 31 December are as follows.

		2024	2023
		Rs. '000	**Rs. '000**
13.1.1	**Current tax expense**		
	Current tax based on profit for the year (Note 13.2)	846,223	447,181
	(Over)/Under provision in respect of previous years,including settlements (Note 13.2)	107,048	1,779
	Total current tax expense	953,271	448,960
13.1.2	**Deferred tax expense**		
	- Due to change in temporary differences (Note 28)	(51,359)	40,056
	Total deferred taxation reversal (Note 28)	(51,359)	40,056
	Income tax expense (Note 13.2)	901,912	489,016
	Effective tax rate	42.8%	40.8%

13.2 Reconciliation of the accounting profit to current tax expense

	2024		2023	
	%	**Rs. '000**	**%**	**Rs. '000**
Profit before tax		2,105,285		1,199,218
Tax effect on accounting profit before tax	30.0%	631,586	30.0%	359,765
Tax effect of non deductible expenses	18.7%	392,827	22.4%	268,470
Tax effect of other allowable credits	-8.5%	(178,190)	-15.1%	(181,054)
	40.2%	846,223	37.3%	447,181
(Over)/ Under provision of current taxes in respect of previous years	5.1%	107,048	0.1%	1,779
Deferred tax charge/(reversal)				
- Due to change in temporary differences	-2.4%	(51,359)	3.3%	40,057
	42.8%	901,912	40.8%	489,016

13.3 Applicable Income Tax Rates

	2024	2023
Applicable Income Tax Rate	30%	30%

The Company was liable for income tax on local dividend received for the year 2024 at 15% (2023 -15%).

13. INCOME TAX EXPENSE (Contd…)

13.4 Income Tax Rate

13.4.1 For the year ended 31 December 2024

The Company applied the 30% tax rate and other amendments in line with the Inland Revenue (Amendment) Act No. 45 of 2022 to calculate the income tax and deferred tax assets/liabilities as of 31 December 2024 and 31 December 2023.

14. EARNINGS PER ORDINARY SHARE - BASIC/DILUTED

ACCOUNTING POLICY

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. 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.

	2024 Rs. '000	2023 Rs. '000
Profit attributable to ordinary shareholders (Rs.)	1,203,373	710,202
Weighted average number of ordinary shares during the year (14.1)	100,421,363	100,421,363
Basic/Diluted earnings per ordinary share (Rs.)	11.98	7.07

14.1 Weighted average number of ordinary shares (basic)

	Outstanding No: of Shares		Weighted Average No: of Shares	
	2024	2023	2024	2023
Number of shares in issue as at 01 January	100,329,537	97,166,011	100,329,537	100,329,537
Add:				
Number of shares issued due to scrip dividend 2022		3,163,526		-
Number of shares issued due to scrip dividend 2023	91,826		91,826	91,826
Number of shares in issue/weighted average number of ordinary shares at 31 December	100,421,363	100,329,537	100,421,363	100,421,363

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements, which would require the restatement of EPS.

15. DIVIDEND PAID

ACCOUNTING POLICY

Dividends on ordinary shares are recognised as a liability and deducted in 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’.

	2024	2023
Scrip dividends paid (Rs. 000)	7,023	226,397
Number of Ordinary Shares	100,329,537	97,166,011
Dividends per Ordinary Share (Rs.)	0.07	2.33

A scrip dividend of Rs. 0.07 per share for the year 2023 was paid in March 2024. (A scrip dividend of Rs. 2.33 per share for the year 2022 was paid in April 2023).

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instruments is measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) under headings of the Statement of Financial Position.

As at 31 December 2024	Amortised Cost Rs'000	Fair value through Other Comprehensive Income Rs'000	Total Rs'000
Financial Assets			
Cash and bank balances	260,579	-	260,579
Securities purchased under repurchase agreements	5,001,843	-	5,001,843
Factoring receivables	95,417	-	95,417
Gold loan receivables	11,412,292	-	11,412,292
Loan Receivables	3,829,072	-	3,829,072
Lease receivables	30,717,750	-	30,717,750
Hire purchase receivables	-	-	-
Other assets	688,958	-	688,958
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	4,335,257	-	4,335,257
Total Financial Assets	56,341,168	56	56,341,223
Financial Liabilities			
Bank overdraft	128,514	-	128,514
Due to other customers	32,197,075	-	32,197,075
Debt issued and other borrowed funds	15,642,339	-	15,642,339
Other payables	1,829,797	-	1,829,797
Total Financial Liabilities	49,797,725	-	49,797,725

16. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (Contd…)

As at 31 December 2023	Amortised Cost Rs'000	Fair value through Other Comprehensive Income Rs'000	Total Rs'000
Financial Assets			
Cash and bank balances	285,352	-	285,352
Securities purchased under repurchase agreements	250,123	-	250,123
Factoring receivables	95,969	-	95,969
Gold loan receivables	7,930,227	-	7,930,227
Loan Receivables	1,343,011	-	1,343,011
Lease receivables	26,640,517	-	26,640,517
Hire purchase receivables	-	-	-
Other assets	644,961	-	644,961
Equity instruments at fair value through OCI	-	56	56
Debt instruments at amortised cost	5,799,840	-	5,799,840
Total Financial Assets	42,990,000	56	42,990,056
Financial Liabilities			
Bank overdraft	135,930	-	135,930
Due to other customers	23,565,911	-	23,565,911
Debt issued and other borrowed funds	13,148,267	-	13,148,267
Other payables	1,332,374	-	1,332,374
Total Financial Liabilities	38,182,482	-	38,182,482

17. CASH AND BANK BALANCES

ACCOUNTING POLICY

Cash and bank balances comprise cash in hand, balances with banks, money at call and short notice that are subject to an insignificant risk of changes in their value. Cash and bank balances are carried at amortised cost in the Statement of Financial Position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above, placements with banks (less than 3 months) net of unfavourable balances with local banks, securities purchased under repurchase agreement (less than three months) and investments in treasury bills (less than three months).

	2024 Rs. '000	2023 Rs. '000
Cash in hand	244,308	236,084
Balances with local banks	16,373	49,370
Less: Allowance for expected credit losses(Note 17.1)	(102)	(102)
	260,579	285,352

17.1 The movement in provision for expected credit losses is as follows.

	Rs. '000	Rs. '000
Stage 1		
Balance as at 01 January	102	40
Charge/(Reversal) for the year (Note 9)	-	62
Balance as at 31 December	102	102

18. FACTORING RECEIVABLES

	2024 Rs. '000	2023 Rs. '000
Factoring receivables	142,982	154,003
Less: VAT suspense	(39)	(39)
Gross factoring receivable	142,943	153,964
Less : Allowance for expected credit losses/ individual impairment '(Note 18.3)	(43,427)	(50,755)
Allowance for expected credit losses/ collective impairment(Note 18.4)	(4,099)	(7,240)
	95,417	95,969

18.1 Analysis of factoring receivables on maximum exposure to credit risk As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Individually impaired factoring receivables	-	-	45,312	45,312
Factoring receivables subject to collective impairment	97,336	-	295	97,631
Gross factoring receivables	97,336	-	45,607	142,943
Allowance for expected credit losses(ECL) (Note 18.5)	(4,099)	-	(43,427)	(47,526)
	93,237	-	2,179	95,417

18.2 Analysis of factoring receivables on maximum exposure to credit risk As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Individually impaired factoring receivables	-	-	55,374	55,374
Factoring receivables subject to collective impairment	98,590	-	-	98,590
Gross factoring receivables	98,590	-	55,374	153,964
Allowance for expected credit losses(ECL) (Note 18.6)	(7,240)	-	(50,755)	(57,995)
	91,350	-	4,619	95,969

18.3 Allowance for expected credit losses/Impairment Individually impaired loans

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	50,755	231,834
Charge/ (Reversal) to income statement	(6,781)	(10,857)
Write-off during the year	-	(170,130)
Interest income accrued on impaired loans(Note 6.1)	(541)	(1,561)
Other movements	(5)	1,469
Balance as at 31 December	43,427	50,755

18.4 Allowance for expected credit losses/Impairment Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	7,240	24,641
Charge/ (Reversal) to income statement	(3,141)	(17,401)
Balance as at 31 December	4,099	7,240

18.5 Movement in allowance for expected credit losses As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	7,240	-	50,755	57,995
Charge/ (Reversal) to income statement (Note 9)	(3,141)	-	(6,782)	(9,923)
Write-off during the year	-	-	-	-
Interest income accrued on impaired loans(Note 6.1)	-	-	(541)	(541)
Other movements	-	-	(5)	(5)
Balance as at 31 December 2024	4,099	-	43,427	47,526

18. FACTORING RECEIVABLES (Contd..)

18.6 Movement in allowance for expected credit losses
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2023	25,860	-	230,615	256,475
Charge/ (Reversal) to income statement (Note 9)	(18,620)	-	(9,638)	(28,258)
Write-off during the year	-	-	(170,130)	(170,130)
Interest income accrued on impaired loans(Note 6.1)	-	-	(1,561)	(1,561)
Other movements	-	-	1,469	1,469
Balance as at 31 December 2023	7,240	-	50,755	57,995

19. GOLD LOAN RECEIVABLES

	2024 Rs. '000	2023 Rs. '000
Gold loan receivables	11,446,479	7,967,897
Less : Allowance for expected credit losses/ collective impairment(Note 19.3)	(34,187)	(37,670)
	11,412,292	7,930,227

19.1 Analysis of gold loan receivables on maximum exposure to credit risk
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gold loan receivables- subject to collective impairment	10,287,582	1,098,876	60,022	11,446,479
Allowance for expected credit losses(ECL) (Note 19.4)	(26,657)	(7,065)	(464)	(34,187)
	10,260,925	1,091,810	59,558	11,412,292

19.2 Analysis of gold loan receivables on maximum exposure to credit risk
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gold loan receivables- subject to collective impairment	6,197,792	1,133,547	636,558	7,967,897
Allowance for expected credit losses(ECL) (Note 19.5)	(20,975)	(7,627)	(9,068)	(37,670)
	6,176,817	1,125,920	627,490	7,930,227

19.3 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	37,670	40,382
Charge/ (Reversal) to income statement	(3,483)	(2,712)
Balance as at 31 December	34,187	37,670

19.4 Movement in allowance for expected credit losses
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	20,975	7,627	9,068	37,670
Charge/ (Reversal) to income statement (Note 9)	5,682	(561)	(8,604)	(3,483)
Balance as at 31 December 2024	26,657	7,065	464	34,187

19.5 Movement in allowance for expected credit losses
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2023	14,001	12,740	13,641	40,382
Charge/ (Reversal) to income statement (Note 9)	6,974	(5,113)	(4,573)	(2,712)
Balance as at 31 December 2023	20,975	7,627	9,068	37,670

20. LOAN RECEIVABLES

	2024 Rs. '000	2023 Rs. '000
Revolving loan receivables	67,707	70,378
Fast draft loans receivables	3,252,784	635,818
Personal/Business loan receivables	1,513,638	1,726,466
Gross loan receivables	4,834,129	2,432,662
Less : Allowance for expected credit losses/ individual impairment(Note 20.3)	(847,939)	(915,774)
Less : Allowance for expected credit losses/ collective impairment(Note 20.4)	(157,118)	(173,877)
	3,829,072	1,343,011

20.1 Analysis of loan receivables on maximum exposure to credit risk
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Individually impaired loan receivables	-	7,203	903,137	910,340
Loan receivables subject to collective impairment	3,555,170	208,830	159,790	3,923,789
Allowance for expected credit losses(ECL) (Note 20.5)	(21,966)	(8,775)	(974,316)	(1,005,057)
	3,533,204	207,258	88,611	3,829,072

20.2 Analysis of loan receivables on maximum exposure to credit risk
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Individually impaired loan receivables	-	18,881	1,039,603	1,058,484
Loan receivables subject to collective impairment	1,058,225	44,497	271,456	1,374,178
Allowance for expected credit losses(ECL) (Note 20.6)	(9,191)	(11,968)	(1,068,492)	(1,089,651)
	1,049,034	51,410	242,567	1,343,011

20.3 Allowance for expected credit losses/Impairment
Individually impaired loans

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	915,774	954,569
Charge/ (Reversal) to income statement	(67,834)	101,743
Write-off during the year	-	(140,538)
Balance as at 31 December	847,939	915,774

20.4 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	173,877	355,415
Charge/ (Reversal) to income statement	(9,132)	(181,538)
Write-off during the year	(7,628)	-
Balance as at 31 December	157,118	173,877

20.5 Movement in allowance for expected credit losses
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	9,191	11,968	1,068,492	1,089,651
Charge/ (Reversal) to income statement (Note 9)	12,775	(3,193)	(86,548)	(76,966)
Write-off during the year	-	-	(7,628)	(7,628)
Balance as at 31 December 2024	21,966	8,775	974,316	1,005,057

20.6 Movement in allowance for expected credit losses
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2023	1,022	77,804	1,231,158	1,309,984
Charge/ (Reversal) to income statement (Note 9)	8,169	(65,836)	(22,128)	(79,795)
Write-off during the year	-	-	(140,538)	(140,538)
Balance as at 31 December 2023	9,191	11,968	1,068,492	1,089,651

21. LEASE RECEIVABLES
At Amortized cost

	2024 Rs. '000	2023 Rs. '000
Total lease rentals receivable	42,274,296	38,504,993
Less: Unearned lease interest income	(9,727,455)	(9,431,280)
Gross lease receivable	32,546,841	29,073,713
Less: Allowance for expected credit losses/ collective impairment(Note 21.5)	(1,829,090)	(2,433,196)
Net lease receivable (Note 21.1 & 21.2)	30,717,751	26,640,517

Lease receivables include receivables amounting to Rs.15,892,671,996/- (2023- Rs.15,479,184,918/-) that have been assigned under term loan funding arrangement.

21.1 Maturity analysis of net lease receivable
As at 31 December 2024

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	18,422,460	23,796,437	55,400	42,274,296
Less: Unearned lease interest income	(4,775,799)	(4,948,713)	(2,944)	(9,727,456)
Gross lease receivable	13,646,661	18,847,723	52,456	32,546,840
Less: Allowance for expected credit losses	(775,354)	(1,050,811)	(2,925)	(1,829,090)
Net lease receivable	12,871,307	17,796,912	49,531	30,717,750

21.2 Maturity analysis of net lease receivable
As at 31 December 2023

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Total lease rentals receivable (Net of VAT suspense and prepaid rentals)	17,403,807	21,085,324	15,862	38,504,993
Less: Unearned lease interest income	(4,621,122)	(4,808,963)	(1,195)	(9,431,280)
Gross lease receivable	12,782,685	16,276,361	14,667	29,073,713
Less: Allowance for expected credit losses	(1,086,784)	(1,345,200)	(1,212)	(2,433,196)
Net lease receivable	11,695,901	14,931,161	13,455	26,640,517

21.3 Analysis of lease receivables on maximum exposure to credit risk
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross lease receivables- subject to collective impairment	12,658,212	17,066,668	2,821,960	32,546,840
Allowance for expected credit losses(ECL) (Note 21.6)	(134,775)	(763,438)	(930,878)	(1,829,090)
	12,523,437	16,303,230	1,891,082	30,717,750

21.4 Analysis of lease receivables on maximum exposure to credit risk
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross lease receivables- subject to collective impairment	9,167,233	14,475,627	5,430,853	29,073,713
Allowance for expected credit losses(ECL) (Note 21.7)	(117,461)	(764,959)	(1,550,776)	(2,433,196)
	9,049,772	13,710,668	3,880,077	26,640,517

21.5 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	2,433,196	2,564,025
Charge/ (Reversal) to income statement(Note 9)	(165,807)	20,329
Write-off during the year	(438,299)	(151,158)
Balance as at 31 December	1,829,090	2,433,196

21. LEASE RECEIVABLES (Contd…)

21.6 Movement in allowance for expected credit losses
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	117,461	764,959	1,550,776	2,433,196
Charge/ (Reversal) to income statement (Note 9)	17,314	(1,522)	(181,599)	(165,807)
Write-off during the year	-	-	(438,299)	(438,299)
Balance as at 31 December 2024	134,775	763,438	930,878	1,829,090

21.7 Movement in allowance for expected credit losses
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2023	101,710	808,955	1,653,360	2,564,025
Charge/ (Reversal) to income statement (Note 9)	15,751	(43,996)	48,574	20,329
Write-off during the year	-	-	(151,158)	(151,158)
Balance as at 31 December 2023	117,461	764,959	1,550,776	2,433,196

22. HIRE PURCHASE RECEIVABLES

	2024 Rs. '000	2023 Rs. '000
Total hire purchase rentals receivable	1,340	2,393
Less: Unearned hire purchase interest income	-	(116)
Gross hire purchase receivable	1,340	2,277
Less: Allowance for expected credit losses/ collective impairment(Note 22.5)	(1,340)	(2,277)
Net hire purchase receivable (Note 22.1 & 22.2)	-	-

No hire purchase receivables have been assigned under term loan funding arrangements as at 31 December 2024.(2023-Nil).

22.1 Maturity analysis of net hire purchase receivable
As at 31 December 2024

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Total hire purchase rentals receivable	1,340	-	-	1,340
Less: Unearned hire purchase interest income	-	-	-	-
Gross hire purchase receivable	1,340	-	-	1,340
Less: Allowance for expected credit losses	(1,340)	-	-	(1,340)
	-	-	-	-

22.2 Maturity analysis of net hire purchase receivable
As at 31 December 2023

	1 Year Rs. '000	1- 5 Year Rs. '000	More than 5 Year Rs. '000	Total Rs. '000
Total hire purchase rentals receivable	2,393	-	-	2,393
Less: Unearned hire purchase interest income	(116)	-	-	(116)
Gross hire purchase receivable	2,277	-	-	2,277
Less: Allowance for expected credit losses	(2,277)	-	-	(2,277)
	-	-	-	-

22.3 Analysis of hire purchase receivables on maximum exposure to credit risk
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross hire purchase receivables- subject to collective impairment	-	-	1,340	1,340
Allowance for expected credit losses(ECL) (Note 22.6)	-	-	(1,340)	(1,340)
	-	-	-	-

22. HIRE PURCHASE RECEIVABLES (Contd…)

22.4 Analysis of hire purchase receivables on maximum exposure to credit risk
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Gross hire purchase receivables- subject to collective impairment	-	-	2,277	2,277
Allowance for expected credit losses(ECL) (Note 22.7)	-	-	(2,277)	(2,277)
	-	-	-	-

22.5 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	2,277	1,323
Charge/ (Reversal) to income statement (Note 9)	(937)	954
Write-off during the year	-	-
Balance as at 31 December	1,340	2,277

22.6 Movement in allowance for expected credit losses
As at 31 December 2024

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2024	-	-	2,277	2,277
Charge/ (Reversal) to income statement (Note 9)	-	-	(937)	(937)
Write-off during the year	-	-	-	-
Balance as at 31 December 2024	-	-	1,340	1,339

22.7 Movement in allowance for expected credit losses
As at 31 December 2023

	Stage 1 Rs. '000	Stage 2 Rs. '000	Stage 3 Rs. '000	Total Rs. '000
Balance as at 01 January 2023	-	-	1,323	1,323
Charge/ (Reversal) to income statement (Note 9)	-	-	954	954
Write-off during the year	-	-	-	-
Balance as at 31 December 2023	-	-	2,277	2,277

23. OTHER ASSETS

	2024 Rs. '000	2023 Rs. '000
Financial Assets		
Repossessed stock	81,882	209,306
Less: Provision for repossessed stock (Note 23.1 & 23.2)	(81,882)	(209,306)
Insurance premium receivable	416,038	439,484
Less: Provision for insurance premium receivable	(999)	(5,537)
Staff loan	194,201	129,358
Less: Staff loan fair value adjustment	(26,014)	(13,794)
Insurance commission receivable	138,357	112,097
Less: Provision for insurance commission receivable	(50,676)	(38,272)
Other financial assets	18,050	21,625
	688,958	644,961
Non Financial Assets		
Pre paid expenses	67,596	38,340
Pre-paid staff cost (Note 23.4)	26,014	13,794
Advance payments	7,051	13,955
Inventories	4,609	809
Taxes receivable	284	284
Other non financial assets	18,179	22,915
	123,735	90,097
	812,692	735,058

23. OTHER ASSETS (Contd..)

23.1 Movement in provision for repossessed stock
As at 31 December 2024

	Lease	Hire purchase	Loan	Factoring	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2024	203,173	1,530	4,271	332	209,306
Charge/ (Reversal) during the year (Note 9)	109,022	303	969	565	110,858
Write-off during the year	(236,991)	(1,291)	-	-	(238,282)
Balance as at 31 December 2024	75,204	541	5,240	897	81,882

23.2 Movement in provision for repossessed stock
As at 31 December 2023

	Lease	Hire purchase	Loan	Factoring	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2023	88,877	1,185	5,542	2,299	97,903
Charge/ (Reversal) during the year (Note 9)	165,211	1,610	528	628	167,977
Write-off during the year	(50,915)	(1,265)	(1,799)	(2,595)	(56,574)
Balance as at 31 December 2023	203,173	1,530	4,271	332	209,306

Repossessed stock of the Company and the corresponding ECL allowances are grouped under Stage 3.

23.3 Movement in provision for other receivables

	2024	2023
	Rs. '000	Rs. '000
Stage 3		
Balance as at 01 January	43,809	43,074
Write-off during the year	(4,947)	-
Charge/(Reversal) for the year (Note 9)	12,813	735
Balance as at 31 December	51,675	43,809

23.4 The movement in the pre-paid staff cost

	2024	2023
	Rs. '000	Rs. '000
Balance as at 1 January	13,794	18,939
Add:Adjustment for new grants (net of settlements)	20,669	3,691
Charge to personnel expenses	(8,449)	(8,836)
Balance as at 31 December	26,014	13,794

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	Rs. '000	Rs. '000
Equity instruments at fair value through other comprehensive income (FVOCI)	56	56
	56	56

Unquoted equity instruments at FVOCI are recorded at cost, since there is no market value for these investments and the company intends to hold them for the long run.

25. DEBT INSTRUMENTS AT AMORTISED COST

	2024	2023
	Rs. '000	Rs. '000
Government debt securities - treasury bills	4,335,257	5,799,840
	4,335,257	5,799,840

25.1 Analysis of debt instruments at amortised cost

	2024	2023
	Rs. '000	Rs. '000
By collateralisation		
Pledged as collateral	-	-
Unencumbered	4,335,257	5,799,840
	4,335,257	5,799,840

26. PROPERTY, PLANT & EQUIPMENT

ACCOUNTING POLICY

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. 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. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

The Company applies the cost model to property, plant & equipment except for freehold land & buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of the day to day servicing of property, plant and equipment are charged to the Income Statement as incurred.

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.

26. PROPERTY, PLANT & EQUIPMENT(Contd..)

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 Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset have been capitalised as part of the cost of the asset in accordance with Sri Lanka Accounting Standard - LKAS 23 (Borrowing Costs). A qualifying asset is an asset which takes 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 profit or loss in the period in which they are 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 loss arising from de-recognition of an item of property, plant and equipment is included in the Income Statement 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 inspection is derecognised.

Rates of depreciation for each category of property, plant and equipment are given in Note 11, 'Depreciation & amortization expenses'.

26. PROPERTY, PLANT & EQUIPMENT (Contd…)

26.1 Cost

	Freehold Land & Buildings Rs. '000	Fixtures Rs. '000	Office furniture Rs. '000	Office equipment Rs. '000	Motor vehicles Rs. '000	Computer equipment Rs. '000	Total Rs. '000
Balance as at 31 December 2022	1,825,192	605,937	48,336	238,149	2,721	316,198	3,036,533
Additions and improvements	-	22,092	2,233	18,486	-	40,642	83,453
Revaluation surplus	-	-	-	-	-	-	-
Disposals during the year	-	-	-	-	(1,687)	-	(1,687)
Revaluation adjustment on accumulated depreciation	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-
Balance as at 31 December 2023	1,825,192	628,029	50,569	256,635	1,034	356,840	3,118,299
Additions and improvements	-	71,359	7,020	40,049	10,625	87,496	216,549
Disposals/ Adjustments during the year	28,974	(42,604)	(2,147)	(20,563)	-	(7,868)	(44,208)
Balance as at 31 December 2024	1,854,166	656,784	55,442	276,121	11,659	436,468	3,290,640
Accumulated Depreciation							
Balance as at 31 December 2022	-	229,167	38,281	88,330	2,527	140,647	498,951
Depreciation charge for the year	35,017	56,961	3,928	16,628	50	42,960	155,544
Disposals during the year	-	-	-	(2)	(1,543)	-	(1,545)
Balance as at 31 December 2023	35,017	286,128	42,208	104,956	1,034	183,607	652,950
Depreciation charge for the year	38,848	50,910	4,468	16,319	583	53,250	164,379
Disposals/Adjustments during the year	-	(1,356)	(2,147)	(2,792)	-	(6,941)	(13,236)
Balance as at 31 December 2024	73,865	335,682	44,530	118,483	1,617	229,916	804,093
Net book value as at 31 December 2024	1,780,301	321,102	10,912	157,638	10,042	206,552	2,486,547
Net book value as at 31 December 2023	1,790,175	341,901	8,361	151,679	-	173,233	2,465,349

26. PROPERTY, PLANT & EQUIPMENT(Contd..)

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

	2024 Cost Rs. '000	2024 Carrying value Rs. '000	2023 Cost Rs. '000	2023 Carrying value Rs. '000
Freehold land	204,079	204,079	204,079	204,079
Freehold buildings	1,400,691	1,355,800	1,400,691	1,365,674
Total	1,604,770	1,559,879	1,604,770	1,569,753

26.3 Details of land and buildings stated at valuation

Valuer/Location	Date of Valuation	Method of Valuation	Net Book Value before Revaluation		Revaluation Amount		Revaluation Gain/(Loss)		Revaluation Gain/ (Loss) Recognised in 2022	
Valuer -C Wellappilli			**Land**	**Building**	**Land**	**Building**	**Land**	**Building**	**Income Statement**	**OCI**
			Rs'Million	**Rs'Million**	**Rs'Million**	**Rs'Million**	**Rs'Million**	**Rs'Million**	**Rs'Million**	**Rs'Million**
No:111,Dudley Senanayake Mawatha,Colombo 08	31.12.2022	Income basis	367.90	1,400.69	424.50	1,400.69	56.60	-	-	56.60
Total			367.90	1,400.69	424.50	1,400.69	56.60	-	-	56.60

Significant unobservable inputs	Range (weighted average) 2022
Estimated price per perch	Rs.5 Million-Rs.18 Million

"Significant increases/ (decreases) of significant unobservable input (Estimated price per perch) would result in a significantly higher/ (lower) fair value".

26.4 Freehold land and buildings

Location	Land extent Perches	Buildings Sq.ft	No. of Buildings in the Location	Cost/Revaluation of Land	Cost/Revaluation of Building	Total Value	Accumulated Depreciation	2024 Net Book Value	2023 Net Book Value
				Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
No:111,Dudley Senanayake Mawatha,Colombo 08	29.1	61,370	1	424,500	1,429,666	1,854,166	73,865	1,780,300	1,790,174
				424,500	1,429,666	1,854,166	73,865	1,780,300	1,790,174

26. PROPERTY, PLANT & EQUIPMENT(Contd..)

26.5 Fully Depreciated Property, Plant and Equipment

A class-wise analysis of the initial cost of fully depreciated property, plant and equipment of the Company which are still in use as at reporting date is as follows.

As at 31 December	2024 Rs. '000	2023 Rs. '000
Computer equipment	95,767	88,274
Fixtures	203,518	159,373
Motor vehicles	8,529	8,529
Office equipment	70,740	61,138
Office furniture	32,060	26,774
Computer software	144,232	143,772
Total	554,847	487,860

26.6 Temporarily idle Property, Plant and Equipment

The Company does not have any temporarily idle property, plant & equipment as at 31 December 2024 (2023-NIL).

26.7 Title restriction on Property, Plant and Equipment

There were no restrictions on the title of property, plant and equipment as at 31 December 2024 (2023: NIL).

26.8 Property, Plant and Equipment pledged as security against liabilities

The Company's freehold land and building have been pledged as collateral against a term loan arrangement with its Parent Company, Sampath Bank PLC.

26.9 Compensation from third parties for items of Property, Plant and Equipment

There were no compensations received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2023: NIL).

27. RIGHT-OF-USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year.

	2024 Rs. '000	2023 Rs. '000
Cost		
Balance as at 01 January	869,450	780,596
Additions and improvements	191,325	88,854
Cost as at 31 December	1,060,775	869,450
Accumulated amortisation		
Balance as at 01 January	488,871	408,752
Amortisation expenses for the year	89,172	80,119
Accumulated amortisation as at 31 December	578,043	488,871
Net book value as at 31 December	482,732	380,579

27.1 Sensitivity of Right-of-Use Assets/Lease Liability to Key Assumptions

27.1.1 Sensitivity to Discount Rates

1% increase/(decrease) in discount rate as at 31 December 2024 would have (decreased)/increased the lease liability by approximately Rs.32.77 Million with a similar (decrease)/increase in the right-of-use asset. Had the Company increased/(decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs.2.30 Million.

27. RIGHT-OF-USE ASSETS (Contd…)

27.1.2 Sensitivity to Lease Term

Had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31 December 2024 would have increased by Rs. 74.7 Million with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs. 31.2 Million.

28. DEFERRED TAX LIABILITIES/(ASSETS)

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

	Accelerated depreciation for tax purposes		Provision for loan losses	Revaluation on land	Retirement benefit obligation	Right of use assets	Lease liabilities	Total
	Property, plant & equipment Rs.000	Leased assets Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Balance as at 01 January 2023	22,343	17,650	(296,847)	66,126	(35,057)	-	-	(225,785)
Income statement								
Due to rate revision								-
Due to change in temporary differences	30,833	(15,503)	32,477	-	(7,750)	-	-	40,056
Other comprehensive income								
Due to rate revision								-
Due to change in temporary differences	-	-	-	-	1,420	-	-	1,420
Balance as at 31 December 2023	53,176	2,147	(264,370)	66,126	(41,387)	-	-	(184,308)
Income statement								
Due to change in temporary differences	27,963	(2,092)	(45,635)	-	(8,358)	144,821	(168,057)	(51,359)
Other comprehensive income								
Due to change in temporary differences	-	-	-	-	1,832	-	-	1,832
Balance as at 31 December 2024	81,139	55	(310,005)	66,126	(47,913)	144,821	(168,057)	(233,835)

29. INTANGIBLE ASSETS

ACCOUNTING POLICY

Recognition

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company in accordance with the Sri Lanka Accounting Standard LKAS 38 on Intangible assets.

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses if any.

Subsequent Expenditure

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

29. INTANGIBLE ASSETS (Contd…)

Derecognition of Intangible Assets

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

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

Intangible assets of the Company as at 31 December 2024 only include computer software and cost of licenses. Rates of amortization for computer software and licenses are given in Note 11.2, 'Depreciation & amortization expenses'.

	2024 Rs. '000	2023 Rs. '000
Cost		
Balance as at 01 January	161,731	153,098
Additions and improvements	9,600	8,633
Disposals / adjustments	(4,368)	-
Cost as at 31 December	166,963	161,731
Accumulated amortisation		
Balance as at 01 January	145,663	137,807
Amortisation for the year	5,266	7,856
Write off during the year	-	-
Accumulated amortisation as at 31 December	150,930	145,663
Net book value as at 31 December	16,033	16,068

30. DUE TO OTHER CUSTOMERS

	2024 Rs. '000	2023 Rs. '000
Term deposits	31,929,041	23,364,009
Saving deposits	268,034	201,902
	32,197,075	23,565,911

31. DEBT ISSUED AND OTHER BORROWED FUNDS

	2024 Rs. '000	2023 Rs. '000
Loans (31.2)	9,792,186	9,471,351
Securitizations (31.3)	-	549,506
Redeemable debentures (31.4)	5,850,153	3,127,410
	15,642,339	13,148,267

The company has not had any default of principal, interest or other breaches with regard to any liability during 2024 & 2023.

31.1 Movement in Debt issued and other borrowed funds

	2023 Rs. '000	Grantings/ Accrual Rs. '000	Repayments Rs. '000	2024 Rs. '000
Long-term borrowings & securitizations	5,580,186	2,000,000	(4,118,449)	3,461,737
Short-term borrowings	4,310,000	2,000,000	-	6,310,000
Redeemable debentures	3,000,000	4,000,000	(1,500,000)	5,500,000
Capital outstanding of debt issued and other borrowed funds	12,890,186	8,000,000	(5,618,449)	15,271,737
Interest on debt issued and other borrowed funds	258,081	1,775,038	(1,662,518)	370,602
	13,148,267	9,775,038	(7,280,967)	15,642,339

31. DEBT ISSUED AND OTHER BORROWED FUNDS (Contd…)

31.2 Loans - on terms

	Period	Amortised cost 2024 Rs. '000	2023 Rs. '000
Short term loans			
Sampath Bank PLC	06 Month	1,750,770	1,403,224
Hatton National Bank PLC	01 Month	1,751,819	756,484
Nations Trust Bank PLC	01 Month	301,235	864,900
Seylan Bank PLC	01 Month	1,250,456	1,304,316
		5,054,280	4,328,924
Long term loans			
Sampath Bank PLC	60-240 Months	1,902,868	2,789,947
Commercial Bank PLC	60 Months	293,333	795,438
Hatton National Bank PLC	60 Months	-	250,387
Nations Trust Bank PLC	60 Months	475,415	814,009
Seylan Bank PLC	60 Months	-	-
Cargills Bank Limited	60 Months	392,234	492,646
Commercial Bank PLC	50 Months	1,674,057	
		4,737,906	5,142,427
		9,792,186	9,471,351

31.2.1 Loans - on maturity

As at 31 December 2024	Payable within 1 year Rs'000	Payable after 1 year Rs'000	Total Rs'000
Short term loans and long lerm loans payable	1,451,207	3,286,699	4,737,906
	1,451,207	3,286,699	4,737,906

31.3 Securitizations

As at 31 December 2024	Payable within 1 year Rs'000	Payable after 1 year Rs'000	Total Rs'000
Securitizations payable	-	-	-
	-	-	-

31.4 Redeemable debentures - movement

	2024 Rs. '000	2023 Rs. '000
Balance as at 01 January	3,127,410	5,237,136
Debentures issued	4,000,000	-
Debentures redeemed	(1,500,000)	(2,000,000)
	5,627,410	3,237,136
Interest payable	572,896	457,124
Interest paid	(350,153)	(566,850)
Balance as at 31 December	5,850,153	3,127,410

31.4.1 Redeemable debentures - maturity

As at 31 December 2024	Payable within 1 Year Rs'000	Payable after 1 Year Rs'000	Total Rs'000
Debentures payable	-	5,850,153	5,850,153
	-	5,850,153	5,850,153

31.4.2 Details of debentures issued

	No of Debentures	Issue Date	Maturity Date	Rate of Interest	Amortised cost 2024 Rs. '000	2023 Rs'000
Rated unsecured subordinated redeemable debentures	15,000,000	08-Aug-19	07-Aug-24	13.33%	-	1,579,980
Rated unsecured senior redeemable debentures *	40,000,000	06-Jun-24	06-Jun-29	13.20%	4,302,334	-
Rated unsecured subordinated redeemable debentures	15,000,000	01-Sep-21	01-Sep-26	9.46%	1,547,818	1,547,430
					5,850,152	3,127,410

*The Company has redeemed these debentures on 07 August 2024.

32. OTHER PAYABLES

	2024 Rs'000	2023 Rs'000
Financial Liabilities		
Vendor payable	271,200	175,396
Insurance premium payable	397,043	332,483
Lease liabilities (Note 32.1 & 32.2)	560,189	454,356
Other financial liabilities	601,364	370,139
	1,829,797	1,332,374
Non Financial Liabilities		
VAT payable	1,239	1,661
Other taxes payable	160,849	127,871
Accrued expenses	89,535	37,651
Deposit insurance premium	3,952	2,871
Deferred guarantee income	6	9
Other non financial liabilities	287,881	75,471
	543,462	245,534
	2,373,259	1,577,908

32.1 Movement of lease liabilities during the year is as follows.

	2024 Rs'000	2023 Rs'000
Balance as at 01 January	454,356	439,373
Additions	191,325	88,854
Accretion of interest (Note 6.2)	61,675	56,334
Payments during the year	(147,165)	(130,205)
Balance as at 31 December	560,189	454,356

32.2 Maturity analysis of lease liabilities

	2024 Rs'000	2023 Rs'000
Less than 1 year	210,267	193,425
1 to 5 years	260,220	203,882
More than 5 years	89,702	57,049
Total lease liabilities as at 31 December	560,189	454,356

33. CURRENT TAX LIABILITIES

	2024 Rs'000	2023 Rs'000
Balance as at 01 January	427,797	352,180
Current tax based on profit for the year (Note 13.1)	846,223	447,181
Under provision in respect of previous years (Note 13.1)	107,048	1,779
Payment of tax	(626,347)	(373,343)
Balance as at 31 December	754,721	427,797

34. RETIREMENT BENEFIT OBLIGATIONS

An actuarial valuation of the gratuity fund of the Company was carried out as at 31 December 2024 by Messrs. Piyal S Goonethilleke & Associates, a firm of professional actuaries. The valuation method used by the actuary to value the fund is the "Projected Unit Credit Actuarial Cost Method", recommended by Sri Lanka Accounting Standard-LKAS 19 (Employee Benefits).

34. RETIREMENT BENEFIT OBLIGATIONS (Contd…)

34.1 Defined benefit obligation reconciliation

	2024 Rs'000	2023 Rs'000
Balance as at 01 January	137,957	116,852
Amount recognised in the income statement (34.2)	43,074	42,007
Amounts recognised in other comprehensive income (34.3)	(6,103)	(4,733)
Benefits paid by the plan	(15,214)	(16,169)
Balance as at 31 December	159,713	137,957

34.2 Amount recognised in the Income Statement

	2024 Rs'000	2023 Rs'000
Current service cost for the year	25,140	20,974
Interest on the defined benefit liability	17,934	21,033
Gain on plan amendment during the year	-	-
Total amount recognised in income statement	43,074	42,007

34.3 Amounts recognised in Other Comprehensive Income (OCI)

	2024 Rs'000	2023 Rs'000
Actuarial (gain)/loss due to changes in assumptions	110	430
Liability experience (gains)/losses arising during the year	(6,213)	(5,163)
Total amount recognized in OCI	(6,103)	(4,733)

34.4 Assumptions

	2024	2023
Financial assumptions*		
Discount rate	12.00%	13.00%
Future salary increment rate	11.00%	12.00%
Demographic assumptions		
Mortality	GA 1983 Mortality Table	GA 1983 Mortality Table
Retirement age	60 years	60 years

*Discount rate used for the actuarial valuation was revised during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the change in market interest rates.
* In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 12% p.a (2023-13% p.a) has been used to discount future retirement benefit liabilities.

Expected average future working life of the active participants is 16.3 years (2023: 16.3 years)
The weighted average duration of the defined benefit obligation is 14.4 years (2023:14.7 years)

34. RETIREMENT BENEFIT OBLIGATIONS (Contd..)

34.5 Sensitivity 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 employment benefit liability measurement.

The sensitivity of the Income Statement and Gratuity liability is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

		2024		2023	
Variable	**Rate Change**	**Sensitivity Effect on Comprehensive Income-(Charge)/ Reversal (Rs. Mn.)**	**Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.)**	**Sensitivity Effect on Comprehensive Income-(Charge)/ Reversal (Rs. Mn.)**	**Sensitivity Effect on gratuity liability-Increase/ (Decrease) in the Liability (Rs. Mn.)**
Discount rate	1.00%	18.40 Million	(18.40 Million)	16.04 Million	(16.04 Million)
Discount rate	-1.00%	(22.00 Million)	22.00 Million	(19.20 Million)	19.20 Million
Salary Increment rate	1.00%	(21.66 Million)	21.66 Million	(18.91 Million)	18.91 Million
Salary Increment rate	-1.00%	18.45 Million	(18.45 Million)	16.10 Million	(16.10 Million)

35. STATED CAPITAL

	2024		2023	
	No. of shares	**Rs.000**	**No. of shares**	**Rs.000**
Issued and Fully Paid-Ordinary shares				
Ordinary shares as at 01 January	100,329,537	2,866,876	97,166,011	2,674,439
Rights issue	-	-	-	-
Scrip dividend	91,826	5,970	3,163,526	192,437
Ordinary shares as at 31 December	100,421,363	2,872,846	100,329,537	2,866,876

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 the Annual General Meeting of the Company.

36. STATUTORY RESERVE FUND

The statutory reserve fund is maintained as required by Finance Companies (Capital Funds) Direction No.1 of 2003 as Finance Companies Act (amended) issued to Registered 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. Accordingly 5% of the net profit for the year is transferred to the Reserve Fund as long as the capital funds are not less than 25% of total deposit liabilities.

As at 31 December	**2024 Rs.000**	**2023 Rs.000**
Balance as at 01 January	314,000	278,000
Transfer during the year	61,000	36,000
Balance as at 31 December	375,000	314,000

37. REVALUATION RESERVE

Revaluation Reserve represents the fair value changes of freehold land and building as at the date of revaluation.

As at 31 December	**2024 Rs.000**	**2023 Rs.000**
Balance as at 01 January	154,295	154,295
Revaluation surplus(net of tax)	-	-
Balance as at 31 December	154,295	154,295

38. 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 dividends payable.

39. FAIR VALUE OF ASSET AND LIABILITIES

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than a year) it is assumed that the carrying amounts approximate their fair value.

Equity instruments at fair value through other comprehensive income

Equity instruments at fair value through other comprehensive income primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities.

Fixed Rate Financial Instruments

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

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 and non financial assets carried at fair value in the financial statements.

	2024 Rs. '000	Fair value measurement using				2023 Rs. '000	Fair value measurement using			
	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying value	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
FINANCIAL ASSETS										
Factoring receivables	95,417	-	95,417	-	95,417	95,969	-	95,969	-	95,969
Gold loan receivables	11,412,292	-	11,471,785	-	11,471,785	7,930,227	-	7,981,787	-	7,981,787
Loan receivables	3,829,072	-	4,689,227	-	4,689,227	1,343,011	-	1,335,345	-	1,335,345
Lease receivables	30,717,750	-	33,787,111	-	33,787,111	26,640,517	-	30,290,430	-	30,290,430
Debt instruments at amortised cost	4,335,257	-	4,335,257	-	4,335,257	5,799,840	-	5,799,840	-	5,799,840
Equity instruments at fair value through OCI	56	-	-	56	56	56	-	-	56	56
Hire purchase receivables	-	-	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	50,389,844	-	54,378,795	56	54,378,851	41,809,620	-	45,503,371	56	45,503,427
FINANCIAL LIABILITIES										
Due to other customers	32,197,075	-	32,091,005	-	32,091,005	23,565,911	-	23,971,023	-	23,971,023
Debt instruments issued and other borrowed funds	15,642,339	-	15,688,625	-	15,688,625	13,148,267	-	12,981,016	-	12,981,016
TOTAL FINANCIAL LIABILITIES	47,839,414	-	47,779,629	-	47,779,629	36,714,178	-	36,952,039	-	36,952,039

There were no transfers between levels of fair value hierarchy during 2023 and 2024.

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

Assets
Cash and bank balances
Securities purchased under repurchase agreements
Placements with banks
Other assets

Liabilities
Bank overdraft
Other payables

40. RISK MANAGEMENT

40.1 Introduction

Risk is inherent in the 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, Regulatory & Compliance Risk, Reputation Risk and Environmental Risk.

40.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Board Integrated Risk Management Committee (BIRMC), which is a sub-committee of the Board, oversees the risk management function in line with the Board approved policies and strategies. The Integrated Risk Management Committee shall develop the policy and operations for Company-wide risk management. The Committee comprises of Executive and Non-Executive Directors. Meeting of the BIRMC are held regularly, and the Board of Directors are duly updated of its activities.

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

Risk appetite of the Company is defined in both qualitative and quantitative terms. These risk appetite parameters are dynamic and subject to changes in line with the changing business strategies of the Company and changing market conditions. Risk appetite of the Company is defined through the Risk tolerance limits approved by the Board of Directors.

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 said Committee consists of such number of members, as the Board may determine from time to time. The Committee currently consists of membership of 4 Directors, Managing Director and key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

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

40. RISK MANAGEMENT (Contd…)

40.3 Risk measurement & Reporting System and Risk Mitigation

Prudent management of risk exposures relevant to the Company's business operations would be ensured through a mechanism of "Three Lines of Defense". These levels consist of management of risk by the relevant risk-assuming function, independent risk management & compliance functions and internal & external audit functions.

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. Tabulated below is the Risk Console that is used in identification of Key Risks and Risk Measures taken by the company together with mitigating measures suggested.

Credit Risk	**1.Default Risk** Potential loss due to borrower/ counterparty unable or unwilling to meet its obligations **2. Concentration Risk** Credit Exposure being concentrated to few sectors/ groups (insufficient diversification)	· Probability of Default · Loss Given Default · Sector / Asset / Client / Branch Concentrations of Lending Portfolio · Concentrations in Repossessed assets · Macro Credit Portfolio risk measures such as a) Provision Coverage b) Net NPL as a % of Equity Funds	· Board approved credit policies/ procedures/ framework and annual review · Delegated authority levels/ segregation of duties · Setting Prudential limits on maximum exposure - Overall NPL Ratio setting based on risk appetite - Credit Limit Exposures (for Asset Type and Sector) that takes account of NPL / Infection ratios and movement in NPL ratios - Concentration limits for clients/ groups, asset types · Monitoring of exposures against the limits · Trend analysis reported to BIRMC Strict compliance with CBSL Guidelines
Interest rate risk	Adverse effect on Net Interest Income	· Net Interest Yield and Movement in Net Interest Yield · Lending to Borrowing Ratio · Tracking of Movements in Money Market rates · Marginal Cost of funds / Risk based Pricing · Gaps in asset Liability Re-Pricing · Cumulative Gaps as a % of Cumulative Liabilities	· Setting of Marginal Pricing with Risk Premiums for Different classes of Lending assets · Setting of Lending to Borrowing ratios · Gaps limits for structural liquidity, · Liquidity contingency planning and Limits of minimum stocks of high quality liquid assets
Liquidity Risk	Inability to meet obligations as they fall due	· Gaps in dynamic liquidity flows · Stocks of high quality liquid assets	· Volatile Liability Dependency measures · Balance sheet ratios

40. RISK MANAGEMENT (Contd…)

40.4 Credit Risk

Credit risk is the risk of financial loss to the Company, if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's credit facilities given to customers and investments in debt securities. 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 credit risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the level of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Management of Credit Risk

In credit risk management, the rigorous credit screening process adopted has been a core competency of the Company. The multiple layers of approving lines ensure that credit risk is mitigated in all aspects.

At the initial level, the credit facilities are preliminary screened at the branch level and a credit evaluation is done. Then based on the exposure the facility is escalated upwards for approval along with a credit risk assessment. 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.

Post approval pre-disbursement stage is covered by the Credit Administration department under which security documentation and disbursement is done. Post disbursement monitoring is efficiently carried out by both the branch network and the recoveries department based on the repayment pattern.

Early warnings signals captured through trigger lists done by credit risk management is also shared with respective departments to aid the post disbursement monitoring. Further timely reviews of facilities also ensure that any early warning signs are captured and required corrective steps are taken to arrest any unexpected default.

40.4.1 Impairment Assessment

The methodology of the impairment assessment has explained in Note 3.1.7 under Accounting policies. The references below should be read in conjunction with those Accounting policies.

40.4.1. (a) Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

* Internal assessment of the borrower indicating default or near-default
* The borrower requesting emergency funding from the Company
* The borrower having past due liabilities to public creditors or employees
* The borrower is deceased
* A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral

40. RISK MANAGEMENT (Contd…)

* A material decrease in the borrower's turnover or the loss of a major customer
* A covenant breach not waived by the Company
* The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
* Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

40.4.1(b) Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have a significantly increased 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, offering a range of industry-wide financial assistance measures initiated by the Central Bank of Sri Lanka. All individually significant customers who were under moratorium for a prolonger period of time have been classified at least under stage 2 on a prudent basis when calculating the impairment provisions. Furthermore, a case-by-case analysis has been conducted on the most significant exposures and have been classified as stage 3 when the circumstances demand so. The exposures which are not individually significant have been moved to stage 2 based on the industry risk of the underlying borrowers. The Company has identified industries such as tourism, manufacturing, construction (including condominiums), and transportation as industries carrying an increased credit risk. Accordingly, exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and has specifically identified as stage 1.An analysis of the loans classified under stage 2 and stage 3 is given in Note 40.4.1(h) and Note 40.4.1(i) respectively.

40. RISK MANAGEMENT (Contd…)

40.4.1 Assessment of Expected Credit Losses

40.4.1 (c) Analysis of the total allowance for expected credit losses is as follows.

As at 31 December	2024				2023			
	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000	Stage 1 Rs.000	Stage 2 Rs.000	Stage 3 Rs.000	Total Rs.000
Cash & cash equivalents	102	-	-	102	102	-	-	102
Loans & Advances:								
Factoring receivables	4,099	-	43,427	47,526	7,240	-	50,755	57,995
Gold loan receivables	26,657	7,065	464	34,187	20,975	7,627	9,068	37,670
Loan receivables	21,966	8,775	974,316	1,005,057	9,191	11,968	1,068,492	1,089,651
Lease receivables	134,775	763,438	930,878	1,829,090	117,461	764,959	1,550,776	2,433,196
Hire purchase receivables	-	-	1,340	1,340	-	-	2,277	2,277
Repossessed stock	-	-	81,882	81,882	-	-	209,306	209,306
Insurance premium receivable	-	-	999	999	-	-	5,537	5,537
Insurance commission receivable	-	-	50,676	50,676	-	-	38,272	38,272
Credit related commitments & contingencies	923	-	-	923	4,394	-	-	4,394
Total impairment for expected credit losses	188,522	779,278	2,083,982	3,051,783	159,363	784,554	2,934,483	3,878,400

40.4.1(d) Movement of the total allowance for expected credit losses during the year

	2024 Rs.000	2023 Rs.000
Balance as at 01 January	3,878,400	4,316,023
Net charge to profit or loss (Note 9)	(136,912)	80,869
Write-off during the year	(689,158)	(518,400)
Interest income accrued on impaired loans & receivables (Note 6.1)	(541)	(1,561)
Other movements	(5)	1,469
Balance as at 31 December	3,051,784	3,878,400

The methodology used in the determination of expected credit losses is explained in Note 3.1.7 to Financial Statements.

40. RISK MANAGEMENT (Contd…)

40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts and provision for impairment of loans and advances.

	2024							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000
Loans and advances at amortised cost								
Balance as at 1 January 2024	16,723,243	154,867	15,827,375	784,554	7,844,250	2,896,211	40,394,868	3,835,632
- Transfer to stage 1	919,238	48,736	(715,113)	(25,107)	(209,975)	(20,735)	(5,850)	2,894
- Transfer to stage 2	(1,370,687)	(22,151)	2,046,888	105,052	(686,874)	(83,132)	(10,674)	(231)
- Transfer to stage 3	(280,252)	(6,097)	(1,124,692)	(74,204)	1,225,785	27,599	(179,159)	(52,701)
Net remeasurement of impairment		(2,628)				(9,141)	-	(11,769)
New financial assets originated or purchased	22,446,924	100,148	10,808,350	246,572	336,129	535,588	33,591,403	882,308
Financial assets that have been derecognised	(11,539,269)	(85,064)	(8,296,808)	(257,590)	(3,636,078)	(636,264)	(23,472,154)	(978,918)
Write-offs	-	-	-	-	(680,593)	(676,577)	(680,593)	(676,577)
Interest accrued on impaired loans and advances	-	-	-	-		(595)	-	(595)
Other changes	-	-	-	-		40	-	40
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Balance as at 31 December 2024	26,899,196	187,811	18,545,999	779,278	4,192,643	2,032,994	49,637,841	3,000,083

40. RISK MANAGEMENT (Contd…)

40.4.1(e) Credit exposure & provision for impairment movement-Loans & Advances (Contd…)

	2023							
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000	Gross carrying amount Rs.000	Provision for impairment Rs.000
Loans and advances at amortised cost								
Balance as at 1 January 2023	12,901,708	142,593	16,293,083	899,501	10,199,443	3,232,801	39,394,234	4,274,895
- Transfer to stage 1	506,432	428,930	(380,945)	(374,925)	(125,487)	(54,005)	-	-
- Transfer to stage 2	(294,885)	(12,063)	597,977	95,638	(303,092)	(83,575)	-	-
- Transfer to stage 3	(98,199)	(56,116)	(448,609)	(190,254)	546,808	246,370	-	-
Net remeasurement of impairment	-	239	-	16	-	13	-	268
New financial assets originated or purchased	13,097,982	92,068	9,144,057	399,358	1,790,246	227,408	24,032,285	718,834
Financial assets that have been derecognised	(9,389,795)	(440,784)	(9,378,188)	(44,780)	(3,745,268)	(154,309)	(22,513,251)	(639,873)
Write-offs	-	-	-	-	(518,400)	(518,400)	(518,400)	(518,400)
Interest accrued on impaired loans and advances	-	-	-	-	-	(1,561)	-	(1,561)
Other changes	-	-	-	-	-	1,469	-	1,469
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	16,723,243	154,867	15,827,375	784,554	7,844,250	2,896,211	40,394,868	3,835,632

40. RISK MANAGEMENT (Contd…)

40.4.1(f) Sensitivity of factors used to determine impairment provisions

Management judgement is involved in the determination of impairment allowance for loans and advances. Key variables such as PD, LGD, EFA and properly foreclosure period for individually significant loans are affected by management judgement and changes in any variables can result in different levels of impairment allowance. The following table demonstrates the sensitivity of the impairment provision of the Company to the above variables, as at 31 December 2024 and 31 December 2023.

As at 31 December 2024

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Change in Property realisation period of individually significant impaired customers					
- Advanced by one year	-	(2,044)	(31,815)	(33,859)	33,859
- Deferred by one year	-	826	25,923	26,749	(26,749)
Change in Probability of Default (PD)					
- Increase existing PD by 10% across all age buckets	183,913	138,102	2	322,017	(322,017)
- Decrease existing PD by 10% across all age buckets	(177,186)	(138,152)	(2)	(315,340)	315,340
Change in Loss Given Default (LGD)					
- 1% increase	27,858	79,840	22,258	129,956	(129,956)
- 1% decrease	(27,858)	(79,767)	(22,258)	(129,883)	129,883
Change in Economic Factor Adjustment(EFA)					
- Worse case 5% increase, best case 5% decrease, base case constant	1,352	4,213	0	5,566	(5,566)
- Worse case 5% decrease, best case 5% increase, base case constant	(1,392)	(3,910)	(0)	(5,302)	5,302

40. RISK MANAGEMENT (Contd…)

As at 31 December 2023

	Sensitivity effect on Statement of Financial Position [Increase/(Decrease) in impairment provision]				Sensitivity effect on Income Statement
	Stage 1	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Change in Property realisation period of individually significant impaired customers					
- Advanced by one year	-	(2,044)	(31,815)	(33,859)	33,859
- Deferred by one year	-	826	25,923	26,749	(26,749)
Change in Probability of Default (PD)					
- Increase existing PD by 10% across all age buckets	74,320	159,712	0	234,032	(234,032)
- Decrease existing PD by 10% across all age buckets	(68,857)	(148,670)	0	(217,527)	217,527
Change in Loss Given Default (LGD)					
- 1% increase	28,955	91,698	68,195	188,848	(188,848)
- 1% decrease	(24,772)	(91,263)	(59,357)	(175,392)	175,392
Change in Economic Factor Adjustment(EFA)					
- Worse case 5% increase, best case 5% decrease, base case constant	268	1,547	1,495	3,310	(3,310)
- Worse case 5% decrease, best case 5% increase, base case constant	(499)	(2,810)	(0)	(3,309)	3,309

40. RISK MANAGEMENT (Contd…)

40.4.1(g) Stage-wise analysis of collateral held against loans & advances

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.

	2024		2023	
	Mix	**Amortised Cost**	**Mix**	**Amortised Cost**
	Rs.000	**Rs.000**	**Rs.000**	**Rs.000**
Stage 1				
Cash Collateral	1%	314,588	2%	395,342
Property, plant and machinery	0%	-	0%	-
Treasury Guarantee	0%	-	0%	-
Vehicles	60%	16,019,785	60%	9,999,290
Gold Articles	38%	10,287,582	37%	6,197,792
Others	1%	277,245	1%	130,819
Unsecured	0%	-	0%	-
	100%	26,899,200	100%	16,723,243
Stage 2				
Cash Collateral	0%	37,012	0%	42,956
Property, plant and machinery	0%	-	0%	1,443
Treasury Guarantee	0%	-	0%	-
Vehicles	94%	17,398,377	92%	14,631,169
Gold Articles	6%	1,098,876	7%	1,133,547
Others	0%	11,730	0%	18,260
Unsecured	0%		0%	-
	100%	18,545,995	100%	15,827,375
Stage 3				
Cash Collateral	1%	26,969	1%	80,114
Property, plant and machinery	7%	305,260	5%	367,959
Treasury Guarantee	0%	-	0%	-
Vehicles	73%	3,052,412	75%	5,915,371
Gold Articles	1%	60,022	8%	636,558
Others	18%	747,979	11%	842,594
Unsecured	0%	-	0%	1,654
	100%	4,192,642	100%	7,844,250

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 reduce or recover the outstanding claims and the amounts recovered in excess of the dues are refunded to the customers.

40. RISK MANAGEMENT (Contd…)

40.4.1(h) Breakdown of loans classified under stage 2

Loans classified under the Stage 2 includes contractually past due loans and loans which have been pushed to Stage 2 based on the criteria specified in the Note 40.4.1(b).

	2024				2023			
	Not Contractually Past due	Contractually Past due		Total	Not Contractually Past due	Contractually Past due		Total
		31 - 60 Days	61 - 90 Days			31 - 60 Days	61 - 90 Days	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Gold loan receivables	-	689,732	409,144	1,098,876	-	742,469	391,078	1,133,547
Loan receivables	-	162,995	53,038	216,033	9,755	29,886	23,740	63,381
Lease receivables	9,769,646	4,295,540	3,001,482	17,066,668	7,109,600	3,798,716	3,567,311	14,475,627
Other receivables	107,288	41,752	42,742	191,782	66,329	38,794	49,697	154,820
	9,876,934	5,190,018	3,506,406	18,573,358	7,185,684	4,609,865	4,031,826	15,827,375

40.4.1(i) Breakdown of loans classified under stage 3

Loans classified under the Stage 3 includes contractually past due loans and loans which have been pushed to Stage 3 based on the criteria specified in the Note 40.4.1(b).

	2024				2024	2023
	Contractually Past due			Contractually Past Due	Total	Total
	0-30 Days	31 - 60 Days	61 - 90 Days	Above 90 Days		
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Factoring receivables				45,607	45,607	55,374
Gold loan receivables			-	60,022	60,022	636,558
Loan receivables	-	-	-	1,062,927	1,062,927	1,311,059
Lease receivables	76,598	41,988	21,273	2,682,099	2,821,959	5,430,854
Hire purchase receivables	-	-		1,339	1,339	2,278
Other receivables	716	448	521	199,104	200,788	408,127
	77,314	42,436	21,794	4,051,097	4,192,641	7,844,250

40.4.1(j) Overview of rescheduled / restructured loans and advances (except individually impaired loans and advances)

An analysis of rescheduled/restructured loans and advances of the Company which are in stage 2 and stage 3 is given below along with the impairment for ECL. This does not include individually significant impaired loans and advances for which ECLs have been derived by discounting future cash flows of such loans.

As at 31 December	2024							2023						
	Gross Carrying Value			Allowance for ECL			Net Carrying Value	Gross Carrying Value			Allowance for ECL			Net Carrying
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total		Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Lease receivables	390,864	396,340	787,205	15,755	94,266	110,021	677,184	363,478	743,544	1,107,022	14,376	191,733	206,109	900,913
Loan receivables	1,829	33,680	35,508	442	29,838	30,280	5,228	435	44,448	44,883	77	30,914	30,991	13,892
	392,693	430,020	822,713	16,197	124,104	140,301	682,412	363,913	787,992	1,151,905	14,453	222,647	237,100	914,805

40.4.1(k) Overview of rescheduled/restructured loans & advances upgraded during the year

The Company upgrades rescheduled/restructured loans from Stage 3/Stage 2 to Stage 1 as per the upgrading policy described in Note 3.1.8.10 of the Financial Statements. During the year the Company upgraded Rs 74.0 Million worth of rescheduled/restructured loans to Stage 1. Due to this upgrade, the impairment provision against these loans decreased from Rs 3.94 Million as at 31 December 2023 to Rs 1.26 Million as at 31 December 2024.

40. RISK MANAGEMENT (Contd…)

40.4.2 Risks on Credit-related Commitments

The Company makes available to its customers, guarantees that may require the Company to make payments on behalf of customers and enters into commitments to extend credit lines to secure their liquidity needs. Letters of guarantees are commitments to make payments on behalf of customers in the event of a specific act. Such commitments expose the Company to risks similar to loans and are mitigated by the same control processes and policies.

40.4.3 Maximum Exposure to Credit Risk

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained include mortgages over residential properties, motor vehicles, gold etc.

Management monitors the market value of collateral and will request additional collateral if the market values are not sufficient in accordance with the underlying agreement. It is the Company's policy to dispose repossessed properties in an orderly manner. The proceeds are used to recover the outstanding claim.

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

The Company does not provide for any allowances for ECL against financial assets secured by cash/deposits held within the Company. Further, no allowance for ECL has been recognised for government securities denominated in Sri Lankan rupees, other financial assets secured by government guarantees, treasury bills and treasury bonds.

The following table shows the maximum exposure and net exposure to credit risk by class of financial assets.

As at 31 December	**2024**		**2023**	
	Maximum Exposure To Credit Risk	**Net Exposure**	**Maximum Exposure To Credit Risk**	**Net Exposure**
	Rs'000	**Rs. '000**	**Rs'000**	**Rs. '000**
Financial Assets				
Cash and bank balances	260,579	16,373	285,352	49,370
Securities purchased under repurchase agreements	5,001,843	-	250,123	-
Factoring receivables	95,417	56,071	95,969	38,510
Gold loan receivables	11,412,292	-	7,930,227	-
Loan receivables	3,829,072	344,142	1,343,011	65,625
Lease receivables	30,717,750	-	26,640,517	-
Hire purchase receivables	-	-	-	-
Other assets	688,958	520,770	644,961	529,397
Equity instruments at fair value through OCI	56	56	56	56
Debt instruments at amortised cost	4,335,257	-	5,799,840	-
Total Financial Assets	56,341,224	937,412	42,990,056	682,958

Approximately 96.5% (2023:95.2%) of the loans and receivables are secured against securities including movable property, gold, lease receivables etc. Further, 0.8% and 0.6% (2023:0.8% and 1.3%) of the loans and receivables of the Company are secured against immovable property and deposits held within the Company respectively.

40. RISK MANAGEMENT (Contd…)

40. RISK MANAGEMENT (Contd…)

40.4.4 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the Statement of Financial Position 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.

40.4.5 Financial assets & liabilities not subject to offsetting

Amounts that do not qualify for offsetting include netting arrangements that only permit outstanding transactions with the same counterparty to be offset in an event of default or occurrence of other predetermined events. Such netting arrangements include repurchase arrangements and other similar secured lending and borrowing arrangements.

The amount of the financial collateral received or pledged subject to netting arrangements but not qualified for offsetting are disclosed below.

	2024			2023		
	Gross amount Rs.'000	Amount subject to netting but do not qualify for offsetting Rs.'000	Net amount Rs.'000	Gross amount Rs.'000	Amount subject to netting but do not qualify for offsetting Rs.'000	Net amount Rs.'000
Financial Assets						
Loan receivables	558,294	36,012	522,283	556,728	518,412	38,316

40. RISK MANAGEMENT (Contd…)

40.4.6 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position, including geography of counterparty and industry.

As at 31 December 2024 — **Rs' 000**

	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	260,579	-	-	260,579
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	5,001,843	-	-	-	5,001,843
Factoring receivables	61,834	-		27,271	-	363	5,949	-	-	-	-	95,417
Gold loan receivables	95,987	42,071	2,971,875	1,531,621	486,706	99,594	1,785,743	-		4,398,695	-	11,412,292
Loan receivables	257,634	113,679	103,500	769,224	343,239	186,734	1,191,751	-	-	863,312		3,829,072
Lease receivables	2,445,603	1,094,475	3,460,149	5,511,192	1,917,000	3,423,801	7,819,231			5,046,300		30,717,751
Hire purchase receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	36,074	57,649	45,744	64,843	32,546	13,758	270,317			62,295	105,732	688,957
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	4,335,257	-	-	-	4,335,257
	2,897,132	1,307,874	6,581,268	7,904,150	2,779,491	3,724,250	11,072,991	9,337,099	260,635	10,370,602	105,732	56,341,224

As at 31 December 2023 — **Rs' 000**

	Manufacturing	Tourism	Agriculture	Trade	Construction	Transport	Services	Government	Financial Institutions	Consumers	Others	Total
Cash and bank balances	-	-	-	-	-	-	-	-	285,352	-	-	285,352
Securities purchased under repurchase agreements	-	-	-	-	-	-	-	250,123	-	-	-	250,123
Factoring receivables	62,785	-	20,531	9,033	-	-	3,620	-	-	-	-	95,969
Gold loan receivables	-	-	-	-	-	-	-	-	-	7,930,227	-	7,930,227
Loan receivables	77,808	37,165	66,555	259,890	94,861	65,205	538,132	-	-	203,395	-	1,343,011
Lease receivables	2,444,401	834,891	3,359,657	4,979,098	1,853	2,870,216	9,352,111	-	-	2,798,290	-	26,640,517
Hire purchase receivables	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,549	17,132	49,025	76,627	1,538	60,720	159,332	-	-	144,587	95,451	644,961
Equity instruments at fair value through OCI	-	-	-	-	-	-	-	-	56	-	-	56
Debt instruments at amortised cost	-	-	-	-	-	-	-	5,799,840	-	-	-	5,799,840
	2,625,543	889,188	3,495,768	5,324,648	98,252	2,996,141	10,053,195	6,049,963	285,408	11,076,499	95,451	42,990,056

The provisional breakdown for factoring, gold loan,loans,leasing and hire purchases is as follows.

Province	2024 Rs.'000	2023 Rs.'000
Central	6,336,501	5,184,564
Eastern	4,717,225	3,492,720
North Central	1,622,095	1,571,400
North Western	4,856,017	3,779,380
Northern	1,446,343	1,290,806
Sabaragamuwa	2,866,392	2,422,091
Southern	3,166,344	2,819,881
Uva	878,020	496,145
Western	20,165,594	14,952,738
Total	46,054,532	36,009,725

40. RISK MANAGEMENT (Contd…)

40.5 Interest Rate Risk

Interest Rate Risk is the potential negative impact on the Net Interest Income and it refers to the vulnerability of an institution's financial condition due to the movement in interest rates. Changes in interest rate affect earnings, value of assets, liability, off-balance sheet items and cash flow. Hence, the objective of interest rate risk management is to maintain earnings, improve the capability, ability to absorb potential loss and to ensure the adequacy of the compensation received for the risk taken.

The fluctuation of interest rates is an external factor which is beyond the control of the Company. Though the Company 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 brands. ALCO is the monitoring body for compliance with these limits and assisted by Treasury 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.

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

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

- Minimum Net Interest Spread: In order to maintain the required Net Interest Spread at the budgeting level the required ROA, ROE are inputs. Further the NPL ratios for different categories of assets are used as a proxy for setting the risk premium.

-Setting the proportion of Variable Rated Borrowing's within the Overall Borrowing Mix. This would be set by using the extent to which Budgeted Net Interest Income (NII) is affected by the extensive use of Variable Rated Borrowings.

40.5.1 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.

			Rs. Million
Currency of Borrowings/ Advance	**Increase (Decrease) in basis points**	**Sensitivity of Profit or Loss**	**Sensitivity of Equity**
	2024	**2024**	**2024**
Term Loans linked to AWPLR	1/ (-1)	(15.24)/15.24	0.18%
	0.5 / (0.5)	(7.62)/7.62	0.09%
	0.25 / (0.25)	(3.81)/3.81	0.04%
	2023	**2023**	**2023**
Term Loans linked to AWPLR	1/ (-1)	(25.71)/25.71	0.35%
	0.5 / (0.5)	(12.85)/12.85	0.18%
	0.25 / (0.25)	(6.43)/6.43	0.09%

The base ratio considers in the Interest Rate Sensitivity Analysis is the AWPLR. Since 18.75% (2023-37.45%) of total borrowings are linked to AWPLR, the above sensitivity ratio indicates the impact on Income Statement and to Equity, due to changes in the Average Weighted Prime Lending Rate.

40. RISK MANAGEMENT (Contd…)

40.5.2 Interest Rate Risk (Contd..)

Interest Rate Risk Exposure On Non Trading Financial Assets & Liabilities

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

As at 31 December 2024	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Non Interest Bearing Rs'000	Total Rs'000
Financial Assets							
Cash and bank balances	260,579	-	-	-	-	-	260,579
Securities purchased under repurchase agreemen	5,001,843	-	-	-	-	-	5,001,843
Factoring receivables	43,542	51,875	-	-	-	-	95,417
Lease receivables	4,030,728	8,840,579	13,302,826	4,494,087	49,531	-	30,717,751
Hire purchase receivables	-	-	-	-	-	-	-
Gold loan receivables	8,361,688	3,050,604	-	-	-	-	11,412,292
Loan receivables	562,718	3,052,860	136,924	76,570	-	-	3,829,072
Other assets	421,299	73,510	107,095	68,064	18,989	-	688,958
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	3,145,145	1,190,112	-	-	-	-	4,335,257
Total Financial Assets	21,827,541	16,259,540	13,546,844	4,638,721	68,576	-	56,341,225
Financial Liabilities							
Bank overdraft	128,514	-	-	-	-	-	128,514
Due to other customers	7,122,560	16,370,972	8,015,678	682,794	5,071	-	32,197,075
Debt instruments issued and other borrowed funds	8,409,021	375,008	2,391,675	4,466,636	-	-	15,642,339
Other payables	-	-	-	-	-	1,829,797	1,829,797
Total Financial Liabilities	15,660,094	16,745,980	10,407,353	5,149,430	5,071	1,829,797	49,797,725
Interest Sensitivity Gap	6,167,447	(486,440)	3,139,492	(510,709)	63,505	(1,829,797)	6,543,499

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Non Interest Bearing Rs'000	Total Rs'000
Financial Assets							
Cash and bank balances	285,352	-	-	-	-	-	285,352
Securities purchased under repurchase agreemen	250,123	-	-	-	-	-	250,123
Factoring receivables	17,370	78,599	-	-	-	-	95,969
Lease receivables	4,468,887	7,227,014	11,702,741	3,228,421	13,454	-	26,640,517
Hire purchase receivables	-	-	-	-	-	-	-
Gold loan receivables	5,942,802	1,987,425	-	-	-	-	7,930,227
Loan receivables	387,090	728,426	161,578	65,917	-	-	1,343,011
Other assets	413,190	130,639	61,990	37,604	1,538	-	644,961
Equity instruments at FVOCI	-	-	-	-	56	-	56
Debt instruments at amortised cost	4,287,764	1,512,076	-	-	-	-	5,799,840
Total Financial Assets	16,052,578	11,664,179	11,926,309	3,331,942	15,048	-	42,990,056
Financial Liabilities							
Bank overdraft	135,930	-	-	-	-	-	135,930
Due to other customers	5,595,330	14,373,808	1,822,474	1,770,330	3,969	-	23,565,911
Debt instruments issued and other borrowed funds	9,339,113	2,117,493	1,691,661	-	-	-	13,148,267
Other payables	-	-	-	-	-	1,332,374	1,332,374
Total Financial Liabilities	15,070,373	16,491,301	3,514,135	1,770,330	3,969	1,332,374	38,182,482
Interest Sensitivity Gap	982,205	(4,827,122)	8,412,174	1,561,612	11,079	(1,332,374)	4,807,574

40. RISK MANAGEMENT (Contd…)

40.6 Liquidity Risk

Liquidity is generally defined as the ability of a financial institution to meet its debt obligations without incurring unacceptably large losses. Liquidity risk refers to the non-availability of sufficient cash balances to meet new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments.

An institution might lose liquidity if its credit rating falls, it experiences sudden unexpected cash outflows, or some other event causing 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. Treasury 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 key elements of the Company's liquidity strategy are as follows.

Company assesses available lines of credit, GAP analysis and volatile liability dependency ratio in order to assess the liquidity risk. In setting the Tolerance levels for Liquidity risk, the following metrics are used.

- Available Lines of Credit (reckoned in months of new lending) to be set at a level equal to future lending targets. Further the maturities of the available lines of credit are matched with the average lending maturities.

- Cumulative Gaps as a % of Cumulative maturing Liabilities to be set in accordance with industry norms as well as considering re-pricing risks associated with maturing assets and liabilities.

- Volatile Liability Dependency ratio to be set at a level that does not affect short term liquidity and re-pricing risks (Interest bearing liabilities maturity within 01 year as a percentage of total lending assets).

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.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more sensitive market conditions.

40. RISK MANAGEMENT (Contd…)

40.6 Liquidity Risk (Contd..)

40.6.1 Statutory Liquid Asset Ratio

Statutory Liquid Asset Calculation is performed based on the following calculations as prescribed in section 2, 3 & 4 of the Finance Companies (Liquid Assets) Direction No.04 of 2013 and amendments thereto.

The Company's liquid asset ratio is 25.47% (2023-16.51%) of average of month end deposit liabilities and borrowings of the twelve months of the preceding financial year (as per section 4 of the said direction and amendments thereto). Liquid assets are maintained with Sri Lanka Government securities.

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

The table below summarizes the maturity profile of the undiscounted cash flows of the Companies financial assets and liabilities as at 31 December 2024.
The tables below summarise the maturity profile of the expected undiscounted cash flows of the Company's financial assets and financial liabilities as at 31 December 2024. However, the Company expects that many customers will not request repayment on the earliest date it could be required to pay and the tables do not reflect the expected cash flows indicated by its deposit retention history based on the behavioural pattern.

As at 31 December 2024	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Financial Assets						
Cash and bank balances	260,681	-	-	-	-	260,681
Securities purchased under repurchase agreements	5,032,604	-	-	-	-	5,032,604
Factoring receivables	177,166	53,061	-	-	-	230,227
Lease receivables	5,801,921	12,880,784	18,405,965	5,390,472	55,400	42,534,541
Hire purchase receivables	1,664	-	-	-	-	1,664
Gold loan receivables	8,502,308	3,456,962	-	-	-	11,959,271
Loan receivables	7,335,587	2,089,180	69,765	810,966	-	10,305,498
Other assets	430,010	91,141	146,911	86,409	22,767	777,237
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	2,087,899	2,336,789	-	-	-	4,424,688
Total Financial Assets	29,629,840	20,907,917	18,622,641	6,287,847	78,222	75,526,468
Financial Liabilities						
Bank overdraft	128,514	-	-	-	-	128,514
Due to other customers	6,821,732	17,407,192	10,297,378	877,541	-	35,403,843
Debt instruments issued and other borrowed funds	4,097,151	3,946,504	4,623,494	5,778,381	1,402,835	19,848,366
Other payables	46,746	70,868	177,607	129,028	133,325	557,574
Total Financial Liabilities	11,094,143	21,424,564	15,098,479	6,784,951	1,536,160	55,938,297
Net Financial Asset/Liabilities	18,535,697	(516,647)	3,524,161	(497,104)	(1,457,938)	19,588,171

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Financial Assets						
Cash and bank balances	285,454	-	-	-	-	285,454
Securities purchased under repurchase agreements	250,123	-	-	-	-	250,123
Factoring receivables	155,868	80,277	-	-	-	236,145
Lease receivables	6,503,899	11,266,862	16,971,345	4,113,979	15,862	38,871,947
Hire purchase receivables	1,991	754	-	-	-	2,745
Gold loan receivables	6,057,696	2,324,102	-	-	-	8,381,798
Loan receivables	1,479,603	851,075	341,639	139,374	-	2,811,691
Other assets	417,784	143,964	82,961	47,432	1,792	693,933
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	4,385,260	1,598,000	-	-	-	5,983,260
Total Financial Assets	19,537,678	16,265,034	17,395,945	4,300,785	17,710	57,517,152
Financial Liabilities						
Bank overdraft	135,930	-	-	-	-	135,930
Due to other customers	5,298,151	15,850,406	2,285,521	3,016,791	-	26,450,869
Debt instruments issued and other borrowed funds	5,403,317	4,261,728	3,958,569	770,207	1,795,717	16,189,538
Other payables	130,535	59,275	124,073	79,809	57,049	450,741
Total Financial Liabilities	10,967,933	20,171,409	6,368,163	3,866,807	1,852,766	43,227,078
Net Financial Asset/Liabilities	8,569,745	(3,906,375)	11,027,782	433,978	(1,835,056)	14,290,074

41. MATURITY ANALYSIS

As at 31 December 2024	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Assets						
Cash and bank balances	260,579	-	-	-	-	260,579
Securities purchased under repurchase agreements	5,001,843	-	-	-	-	5,001,843
Factoring receivables	43,542	51,875	-	-	-	95,417
Gold loan receivables	8,361,688	3,050,604	-	-	-	11,412,292
Non current assets held for sale	24,838	-	-	-	-	24,838
Loan receivables	562,718	3,052,860	136,924	76,570	-	3,829,072
Lease receivables	4,030,728	8,840,579	13,302,826	4,494,087	49,531	30,717,750
Hire purchase receivables	-	-	-	-	-	-
Other assets	551,241	67,298	107,096	68,065	18,992	812,692
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	3,145,145	1,190,112	-	-	-	4,335,257
Property, plant & equipment	-	-	-	-	2,486,546	2,486,546
Right-of-use assets	55,943	74,142	153,954	108,885	89,809	482,732
Deferred tax assets	-	233,835	-	-	-	233,835
Intangible assets	-	-	-	-	16,033	16,033
Total Assets	22,038,265	16,561,305	13,700,799	4,747,606	2,660,967	59,708,942
Liabilities						
Bank overdraft	128,514	-	-	-	-	128,514
Due to other customers	7,122,560	16,370,972	8,015,678	682,794	5,071	32,197,075
Debt instruments issued and other borrowed funds	3,754,179	3,101,460	2,950,697	4,695,103	1,140,900	15,642,339
Other payables	1,694,974	328,363	151,774	108,447	89,702	2,373,261
Current tax liabilities	-	754,721	-	-	-	754,721
Retirement benefit obligations	-	-	-	-	159,713	159,713
Total Liabilities	12,700,228	20,555,516	11,118,149	5,486,345	1,395,386	51,255,621

As at 31 December 2023	Up to 03 Months Rs'000	03-12 Months Rs'000	01-03 Years Rs'000	03-05 Years Rs'000	Over 05 Years Rs'000	Total Rs'000
Assets						
Cash and bank balances	285,352	-	-	-	-	285,352
Securities purchased under repurchase agreements	250,123	-	-	-	-	250,123
Factoring receivables	17,370	78,599	-	-	-	95,969
Gold loan receivables	5,942,802	1,987,425	-	-	-	7,930,227
Non current assets held for sale	-	114,043	-	-	-	114,043
Loan receivables	387,090	728,426	161,578	65,917	-	1,343,011
Lease receivables	4,468,887	7,227,014	11,702,741	3,228,421	13,454	26,640,517
Hire purchase receivables	-	-	-	-	-	-
Other assets	421,926	163,754	79,103	51,411	18,864	735,058
Equity instruments at fair value through OCI	-	-	-	-	56	56
Debt instruments at amortised cost	4,287,764	1,512,076	-	-	-	5,799,840
Property, plant & equipment	-	-	-	-	2,465,349	2,465,349
Right-of-use assets	54,997	60,599	126,747	80,992	57,244	380,579
Deferred tax assets	-	-	-	-	184,308	184,308
Intangible assets	-	-	-	-	16,068	16,068
Total Assets	16,116,311	11,871,936	12,070,169	3,426,741	2,755,343	46,240,500
Total Liabilities						
Bank overdraft	135,930	-	-	-	-	135,930
Due to other customers	5,595,330	14,373,808	1,822,474	1,770,330	3,969	23,565,911
Debt instruments issued and other borrowed funds	5,100,257	3,492,932	3,017,311	328,467	1,209,300	13,148,267
Other payables	1,228,637	88,340	124,073	79,809	57,049	1,577,908
Current tax liabilities	50,851	376,946	-	-	-	427,797
Retirement benefit obligations	-	-	-	-	137,957	137,957
Total Liabilities	12,111,005	18,332,026	4,963,858	2,178,606	1,408,275	38,993,770

42. COMMITMENTS AND CONTINGENCIES

	2024					2023				
	Rs. '000					Rs. '000				
	On Demand	**With in 01 year**	**1-5 years**	**More than 5 years**	**Total**	**On Demand**	**With in 01 year**	**1-5 years**	**More than 5 years**	**Total**
Credit related commitments & contingencies										
Undrawn-direct credit facilities										
- Factoring	23,420	-	-	-	23,420	25,565	-	-	-	25,565
-Revolving Loans	-	-	-	-	-	-	-	-	-	-
Guarantees	-	1,000	-	-	1,000	-	3,000	-	-	3,000
Impairment for expected credit losses - credit related commitments & contingencies	(923)	-	-	-	(923)	(4,394)	-	-	-	(4,394)
	22,497	1,000	-	-	23,497	21,171	3,000	-	-	24,171
Other commitments & contingencies										
Capital commitments(Note 42.3)	-	6,709	-	-	6,709	-	6,472	-	-	6,472
Commitments & contingencies net of impairment for expected credit losses	22,497	7,709	-	-	30,206	21,171	9,472	-	-	30,643

42.1 Analysis of Credit Related Commitments and Contingencies based on the Exposure to Credit Risk

	2024				2023			
	Rs'000 Stage 1	**Rs'000 Stage 2**	**Rs'000 Stage 3**	**Rs'000 Total**	**Rs'000 Stage 1**	**Rs'000 Stage 2**	**Rs'000 Stage 3**	**Rs'000 Total**
Unutilised facilities-Direct credit facilities	23,420	-	-	23,420	25,565	-	-	25,565
Guarantees	1,000	-	-	1,000	3,000	-	-	3,000
Impairment for Expected Credit Losses	(923)	-	-	(923)	(4,394)	-	-	(4,394)
	23,498	-	-	22,497	24,171	-	-	21,171

42.2 Impairment for Expected Credit Losses- Credit Related Commitments and Contingencies

	2024				2023			
	Rs'000 Stage 1	**Rs'000 Stage 2**	**Rs'000 Stage 3**	**Rs'000 Total**	**Rs'000 Stage 1**	**Rs'000 Stage 2**	**Rs'000 Stage 3**	**Rs'000 Total**
Balance as at 01 January	4,394	-	-	4,394	2,817	-	-	2,817
Net charge for the year (Note 9)	(3,471)	-	-	(3,471)	1,577	-	-	1,577
Balance as at 31 December	923	-	-	923	4,394	-	-	4,394

42.3 Capital commitments

Capital expenditure approved by the Board of Directors, for which provisions have not been made in the Financial Statements are detailed below.

	2024 Rs'000	**2023 Rs'000**
Approved and contracted for	6,709	6,472
Approved but not contracted for	-	-
	6,709	6,472

42.4 Other Contingent Liabilities

42.4.1 Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken and in that light, the Company has formal controls and policies for managing and defending the legal actions instituted against it. Pursuant to obtaining professional advice and estimating any loss likely to be incurred, adjustments are made to the accounts of the Company in order to accommodate any adverse effects that such claims may have on its financial standing. There was no pending litigation against the Company as at 31 December 2024 which would have a material impact on the Financial Statements.

42.4.2 Litigation on Employment and Industrial Relations

There are no material legal issues outstanding against the Company on employment and industrial relations as at 31 December 2024.

43. EVENTS AFTER THE REPORTING PERIOD

ACCOUNTING POLICY

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the Financial Statements are authorized for issue. No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the financial statements.

44. RELATED PARTY TRANSACTIONS

The Company carry 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 of which are reported below.

44.1 Terms and Conditions

The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers with similar credit standing.

44.2 Parent and Ultimate Controlling Party

The Company is 100% owned by Sampath Bank PLC. Hence, Sampath Bank PLC is the parent company and the ultimate controlling party.

44.3 Transactions with Key Managerial Personnel (KMP)

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 (i.e. planning, directing and controlling the activities of the entity).Such KMPs include the Board of Directors of the Company, Managing Director and the KMPs of the Sampath Bank PLC.

44.3.1 Compensation to KMP

	2024 Rs'000	2023 Rs'000
Directors' fees & short term employee benefits	73,583	67,783
Total	73,583	67,783

In addition to the above, the Company has also paid for fuel and medical benefits to KMP who are employees of the Company in line with the approved benefit plans of the Company.

44.3.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (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 may include KMP's spouse, children, domestic partner, children of the KMP's spouse/domestic partner and dependents of the KMP, KMP's spouse/domestic partner. Aggregate value of the transactions with KMP and their CFMs are disclosed below.

As at 31 December	2024 Rs'000	2023 Rs'000
Term/Savings deposits	366,589	314,312
Debentures	30,000	7,500

For the year ended 31 December	2024 Rs'000	2023 Rs'000
Interest on term/savings deposits	44,397	64,640
Interest on Debentures	2,891	1,000

44.4 Transactions with Group Companies

44.4.1 Sampath Bank PLC - Parent Company

The Company has obtained short term loans, term loans and overdraft facilities from the bank. All the transactions with the bank were on terms and conditions similar to facilities obtained through other banks.

As at 31 December **Investment in government securities - REPOs/Treasury bills**	2024 Rs'000	2023 Rs'000
Opening Balance	2,918,469	876,841
Matured during the year	(870,802)	-
Net investments during the year	(0)	2,041,628
Closing Balance	2,047,667	2,918,469
Other payables	19	41

44. RELATED PARTY TRANSACTIONS (Contd..)

44.4 Transactions with Group Companies (Contd..)

44.4.1 Sampath Bank PLC (Contd..)

	2024 Rs'000	2023 Rs'000
Term Loan (Only capital)		
Opening Balance	2,783,333	2,633,333
Granted during the year	-	1,000,000
Less : Repayment during the year	(883,767)	(850,000)
Closing Balance	1,899,566	2,783,333
Short Term Loan (Only capital)	1,750,000	1,400,000
Bank Overdraft	128,514	135,931
Total Accommodation obtained	3,778,080	4,319,264
Less : Favorable balances in current accounts with bank	(11,167)	(39,384)
Net Accommodation	3,766,913	4,279,880
Net Accommodation as a percentage of Capital Funds	44.56%	59.06%

For the year ended 31 December	2024 Rs'000	2023 Rs'000
Expenses		
Interest expenses	405,107	933,315
Other expenses	354	7,810
Income		
Fee for locating ATM machines at Company's branch premises operations	684	252
Interest Income on short term government securities	386,865	391,918
Interest Income on call/savings deposits	875	2,821

The company has invested in short term government securities through Sampath Bank PLC.

Issue of scrip dividend		
Scrip Dividend(Gross)-number of shares- 91,826 (2023-3,163,526)	7,023	226,397

44.4.2 Sampath Information Technology Solutions Ltd

Sampath Information Technology Solutions Ltd is a subsidiary of Sampath Bank PLC which is the parent undertaking of Siyapatha Finance PLC.

The Company has obtained Hardware/ Software maintenance services from SITS and payments were made as per the maintenance agreement. The Company has purchased Leasing/ Loan Management & Pawning software and the same is disclosed below.

As at 31 December	2024 Rs'000	2023 Rs'000
Facilities granted	-	14
Deposits	298,275	230,000

For the year ended 31 December	2024 Rs'000	2023 Rs'000
Interest Income on leasing facility granted	-	147
Interest expense on deposits	33,515	19,134
Hardware/Software maintenance paid	5,793	11,150

44.4.3 Sampath Centre Ltd

	2024 Rs'000	2023 Rs'000
As at 31 December		
Facilities granted	-	-
Deposits	74,816	172,291

For the year ended 31 December	2024 Rs'000	2023 Rs'000
Interest income on loan facility granted	-	2,274
Interest expense on deposits	18,438	24,515

44.4.4 SC Securities (Pvt) Limited

	2024 Rs'000	2023 Rs'000
As at 31 December		
Deposits	-	9,456
For the year ended 31 December		
Interest expense on deposits	752	2,343

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2024

45 ASSETS PLEDGED

The following Financial assets have been pledged as securities against the long-term and short- term borrowings that have been disclosed under the Note 31.2 to the Financial Statements.

Funding Institute	Nature of Asset	Nature of Liability	Value of Assets Pledged Rs'000	Included Under
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	786,588	Gross Receivable
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,333,142	Gross Receivable
Sampath Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	667,102	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	192,510	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	250,562	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	133,658	Gross Receivable
Commercial Bank of Ceylon PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,170,377	Gross Receivable
Nations Trust Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	1,336,468	Gross Receivable
Nations Trust Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	877,980	Gross Receivable
Seylan Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	4,055,310	Gross Receivable
Cargills Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	588,475	Gross Receivable
Hatton National Bank PLC	Lending Portfolio	Long-Term Borrowings & Overdraft	2,500,500	Gross Receivable

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The company has transferred future receivables of lending portfolio, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lending portfolio.

46. SEGMENT INFORMATION

ACCOUNTING POLICY

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 chief operating decision maker 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 and hire purchase
- Gold Loan
- Others

Leasing, hire purchase represents the finance leasing, hire purchase businesses of the Company where as gold loan represents gold loan product offered to the customers. All other business activities other than the above are segmented under "Others".

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

Revenue from transactions with a single external customer or counterparty did not exceed 10% or more of the Company's total revenue in 2023 & 2024.

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

	Leasing and Hire Purchase		**Gold Loan**		**Others**		**Total**	
For the year ended 31 December	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Interest Income	7,245,428	7,001,082	2,055,693	2,744,109	541,705	385,180	9,842,826	10,130,371
Less: Interest expenses	(3,749,783)	(5,413,381)	(1,098,049)	(1,150,969)	(461,490)	(445,414)	(5,309,323)	(7,009,764)
Net interest income	3,495,644	1,587,701	957,644	1,593,140	80,216	(60,234)	4,533,503	3,120,607
Net fee and commission income	208,911	210,715	106,446	116,809	30,753	224	346,110	327,748
Other operating income	1,051,565	587,772	-	-	45,600	12,889	1,097,165	600,661
Total operating income	4,756,120	2,386,188	1,064,090	1,709,949	156,569	(47,121)	5,976,778	4,049,016
Less: Impairment (charges)/reversal on loans and losses	47,359	(189,430)	3,483	2,583	86,071	105,978	136,912	(80,869)
Net operating income	4,803,479	2,196,758	1,067,572	1,712,532	242,640	58,857	6,113,691	3,968,147
Less: Total operating expenses (Including Taxes on financial services)	(2,980,782)	(2,059,958)	(723,045)	(520,571)	(304,579)	(188,400)	(4,008,406)	(2,768,929)
Operating profit before taxes	1,822,697	136,800	344,528	1,191,961	(61,939)	(129,543)	2,105,285	1,199,218
Less: Income tax expenses							(901,912)	(489,016)
Profit for the year							1,203,373	710,202
Non-controlling interest							-	-
Profit attributable to equity holders of the Company							1,203,373	710,202
As at 31 December	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
	Rs'000	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**	**Rs'000**
Segment assets	30,717,750	26,640,517	11,412,292	7,930,228	17,578,900	11,669,755	59,708,942	46,240,500
Total assets	30,717,750	26,640,517	11,412,292	7,930,228	17,578,900	11,669,755	59,708,942	46,240,500
Segment liabilities	26,380,627	22,465,463	9,800,960	6,687,417	15,074,033	9,840,890	51,255,621	38,993,770
Total liabilities	26,380,627	22,465,463	9,800,960	6,687,417	15,074,033	9,840,890	51,255,621	38,993,770

47. 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, rules 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 shareholders' value.

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka(CBSL) sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%.The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements.