## FINANCIAL CALENDAR

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2024/25** | **2025/26** |
| **Interim financial statements publication** | Q1 ended 30 June | 13 August 2024 | Before 15 August 2025 |
|  | Q2 ended/ending 30 September | 12 November 2024 | Before 15 November 2025 |
|  | Q3 ended/ending 31 December | 13 February 2025 | Before 15 February 2026 |
|  | Q4 ended/ending 31 March | 29 May 2025 | Before 31 May 2026 |
| **Financial statements publication** | Six months ended 30 September 2024 | 29 November 2024 |  |
|  | Year ended 31 March 2025 | Before 30 June 2025 |  |
|  | Six months ending 30 September 2025 |  | Before 30 November 2025 |
|  | Year ending 31 March 2026 |  | Before 30 June 2026 |
| **Annual Report publication** | Publication of Annual Report | June 2025 | June 2026 |

**STATEMENT OF DIRECTORS’ RESPONSIBILITIES**

The responsibility of the Directors in relation to the Financial Statements of People’s Leasing & Finance PLC (the Company)

and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) in accordance with the provisions of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards, the Directions issued by the Monetary Board of the Central Bank of Sri Lanka, Finance Business Act No. 42 of

2011 and the Rules of the Colombo Stock Exchange is set out in this statement.

The responsibilities of the External Auditors in relation to the Financial Statements are set out in the “Independent Auditor’s Report” given on pages 281 to 287.

The Directors confirm that the Financial Statements of the Company and the Group give a true and fair view of the financial position as at 31 March 2025 and the financial performance for the financial year then ended and place the

same before the Annual General Meeting. These Financial Statements comprise:

0 Statement of Financial Position

0 Statement of Profit or Loss

0 Statement of Comprehensive Income

0 Statement of Changes in Equity

0 Statement of Cash flows

0 Notes to the Financial Statements

The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report. The Directors confirm that in preparing these Financial Statements;

The appropriate accounting policies have been selected and applied in a consistent manner, material departures if any, have been disclosed and explained;

All applicable accounting standards as relevant have been followed; and

Reasonable and prudent Judgments and estimates have been made.

The Directors of the Company and the Group have responsibility for ensuring that the Company and the Group keeps

proper books of accounts of all the transactions as per sections 150 (1), 151,

152 and 153(1) & (2) of the Companies Act

No. 07 of 2007.

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The Financial Statements of the Company and the Group have been certified by the Company’s Deputy General Manager - Finance, the officer responsible for their preparation as required by section 150(1)

(b) and of 152(1) (b) of the Companies Act No. 07 of 2007. In addition, the Financial Statements of the Company and the Group have been signed by two Directors on 30 May 2025 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act No. 07 of 2007 and other regulatory requirement.

In compliance with section 148 (1) of the Companies Act No. 07 of 2007, the

Directors are also responsible for ensuring that proper accounting records which explain the Company’s transactions and assist in determining the Company’s financial position with reasonable accuracy at point of time, are maintained by the Company and the Group enabling the preparation of Financial Statements and further enabling the Financial Statements to be readily and properly audited. The Financial Statements for the year 2024/25 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Finance Business Act No. 42 of 2011 and Directions issued thereunder, Listing Rules of Colombo Stock Exchange, the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Board of Directors reviews financial reporting system directly at their regular

meetings and through the Board Audit Committee (BAC), the report of which is given on pages 242 to 244 to ensure that the Company and Group maintain proper books of accounts. Interim Financial Statements published by the Company and the Group are also approved by the Board following a review by Board Audit Committee (BAC).

The Directors are also responsible for taking reasonable steps to safeguard assets of the Company and the Group and in this regard give proper consideration

to the establishment of an appropriate system of internal control for managing significant risks in the Company and the Group. The “Directors’ Statement on Internal Control over Financial Reporting” is given on page 278

The Board of Directors also wish to confirm that as required under sections 166 (1) and 167 (1) of the Companies Act No. 07 of 2007, it has prepared this Annual Report in time and ensured that it is released to the shareholders within

the stipulated period of time as required by Rule No. 7.5 (a) and (b) of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders have been treated in an equitable manner in accordance with the original terms of issue.

The Company has hosted a soft copy of this Annual Report in the Financial Information and KPI section of the Company’s website (ht[tps://www.plc.lk/](http://www.plc.lk/) financial-information- and-kpi/annual- reports/), in addition to the soft copy

thereof available in the CSE website, for the benefit of other shareholders within the stipulated period of the time as required by the Rule No. 7.5 (a) and (b) of continuing Listing Requirements of the Listing Rules of the CSE.

The Directors are required to prepare the Financial Statements and to provide the Auditor with every opportunity to take whatever steps and undertake whatever inspections they may consider appropriate to enable them to give their

audit opinion. People’s Leasing & Finance PLC falls under the definition of “Auditee Entity” and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company

# STATEMENT OF DIRECTORS’ RESPONSIBILITIES

and their responsibilities in relation to the Financial Statements are set out in the “Independent Auditor’s Report” given on pages 281 to 284.

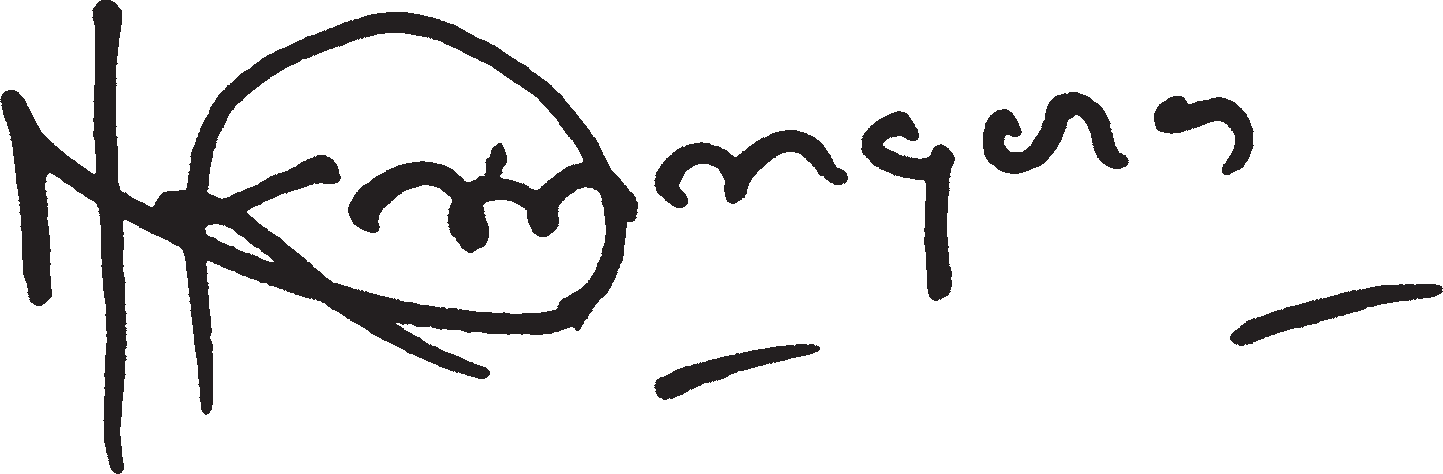
The Company’s External Auditors, The Auditor General who were appointed in terms of National Audit Act No.19 of 2018 were provided with every opportunity

to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and minutes of shareholders’ and Directors’ meetings and expressed their opinion in the “Independent Auditor’s Report” which appears as reported by them on pages 281 to 284

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and

the Group, all contributions, levies and taxes payable relating to employees of the Company and the Group, and the Government and other statutory bodies that were due in respect of the Company and the Group as at the reporting date have been paid or, where relevant provided for.

Accordingly the Board of Directors is of the view that it has discharged its responsibilities as set out in this statement. By order of the Board,



Nirosha Kannangara

*Company Secretary*

30 May 2025

Colombo

## INDEPENDENT ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

****

Chairman

People’s Leasing & Finance PLC

Assurance Report of the Auditor General to the Board of Directors on the Directors’ statement on Internal Control Over Financial Reporting included in the

Director’s Statement on Internal control of People’s Leasing & Finance PLC

**INTRODUCTION**

This report is to provide assurance on the Director’s Statement on Internal Control Over Financial Reporting included in the Director’s Statement on Internal Control (the “Statement”) of People’s Leasing & Finance PLC (the “Company”) included in the annual report for the year ended 31 March 2025.

**MANAGEMENT’S RESPONSIBILITY**

Management is responsible for the preparation and presentation of the Statement in accordance with the “Guidance for Directors of License Finance Company/ Finance Leasing Company

on the Directors’ Statement on Internal Control” issued in compliance with the section 16 (1) (ix) of the Finance Companies Corporate Governance Direction no. 05

of 2021, by the Institute of Chartered Accountants of Sri Lanka.

**MY RESPONSIBILITY AND COMPLIANCE WITH SLSAE 3051**

My responsibility is to assess whether the Statement is both supported by the

documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

I conducted my engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors’ Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that I plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, I am not responsible for updating or reissuing any reports, nor have I, in the course of this engagement, performed an audit or review of the financial information.

**SUMMARY OF WORK PERFORMED**

I conducted my engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence

of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require me to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company’s risk and control procedures. SLSAE 3051 also does not require me to consider whether the processes described to deal with material

internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

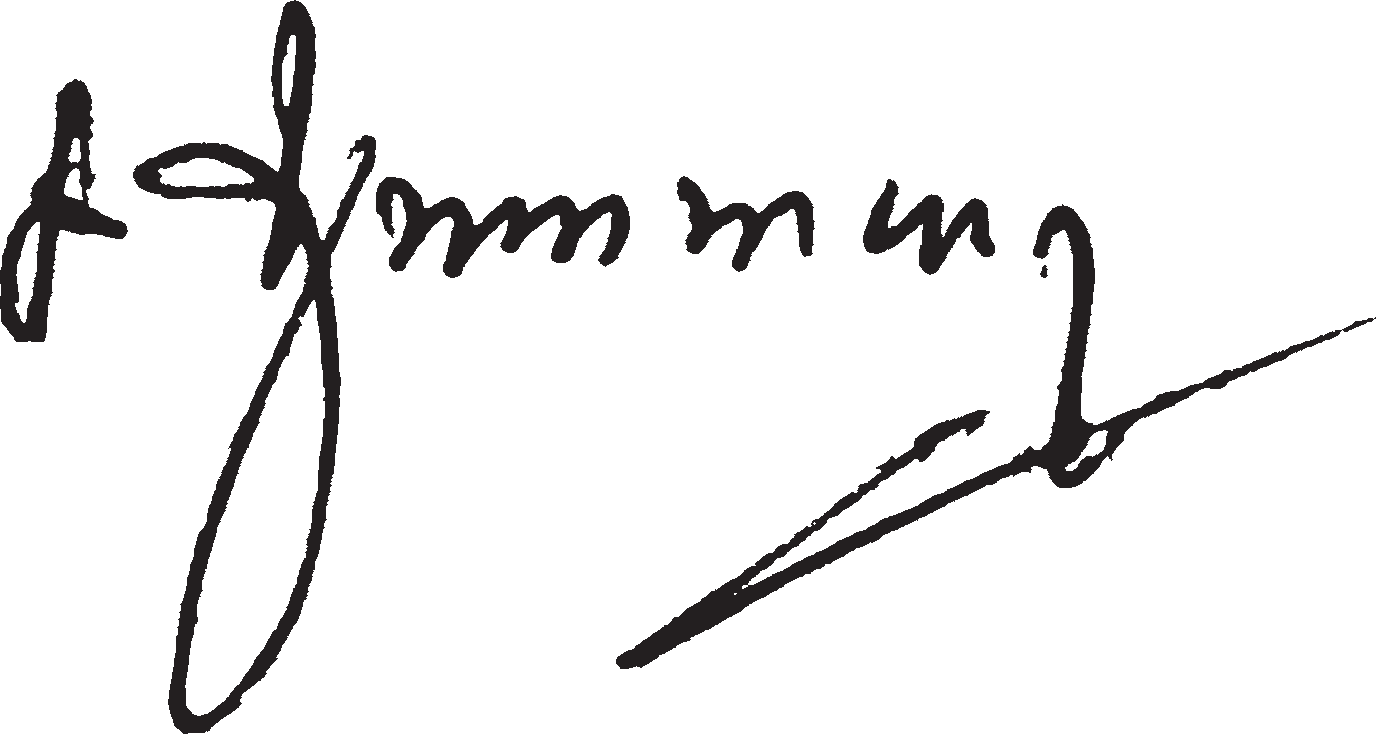
The procedures selected depend on my judgment, having regard to my understanding of the nature of the Company, the event or transaction in

respect of which the Statement has been prepared.

I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

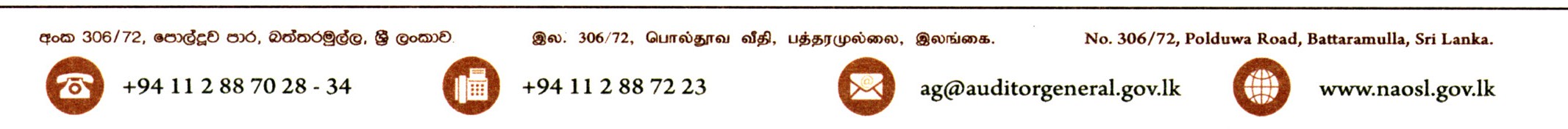
**CONCLUSION**

Based on the procedures performed, nothing has come to my attention that causes me to believe that the statement included in the annual report is inconsistent with my understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.



G.H.D. Dharmapala

*Auditor General (Acting)*



## DIRECTORS STATEMENT ON INTERNAL CONTROL

**DIRECTOR’S STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**RESPONSIBILITY**

The Board of Directors (“the Board”) of Peoples’ Leasing & Finance PLC (the

Company) presents this report on internal control over Financial Reporting, in compliance with Section 16 (1) (ix) of the Finance Business Act Direction No. 05 of 2021-Corporate Governance.

The Board of Directors (“the Board”) is responsible for the adequacy and effectiveness of the system of Internal Control in place at People’s Leasing & Finance PLC. (“the Company”).

The Board has established an ongoing process for identifying, evaluating, and managing the significant risks faced by the Company, and this process includes the system of Internal Control over Financial Reporting, which is regularly reviewed

and enhanced by the Board, taking into account the changes in the business environment and regulatory guidelines.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the Board’s policies and procedures pertaining to risks and controls over Financial Reporting by identifying and assessing the risks faced, and in the design, operation, and monitoring of suitable internal controls to mitigate and control these risks.

**PROCESS ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING**

The key features of the process adopted are as follows:

0 The Board has appointed various sub-committees to assist in ensuring the effectiveness of the Company’s day-to-day operations and to ensure that all such operations are carried

out in accordance with the corporate objectives, strategies, and the annual budget as well as the policies and the business directions approved by the Board.

0 Key functional areas of the Company are governed by policies/charters that are approved by the Board. Board- appointed committees review and recommend such policies/charters before seeking the board’s approval. Such policies/charters are regularly reviewed, updated and approved by the Board.

0 The Internal Audit Department of the Company conducts ongoing

assessments to verify compliance with established policies and procedures, as well as to evaluate the effectiveness of internal control and information system control mechanisms. These audits are primarily sample-based

and aim to identify instances of

non-compliance. Audit activities are carried out in accordance with the annual audit plan, which is reviewed and approved by the Board Audit Committee. The type and frequency of audits across business units and processes are determined based on the level of risk assessed, ensuring independent and objective reporting.

All significant findings identified by the Internal Audit Department are reported to the Board Audit Committee.

0 The Board Audit Committee reviews internal control issues/ non-compliances identified by the

Internal Audit Department, regulatory authorities, External Auditors, and Management. The BAC also evaluates the effectiveness of the internal audit function with particular emphasis on the scope, independence of internal audit, and resources. The minutes of the Board Audit Committee meetings are forwarded to the Board on a periodic basis. Details of the activities undertaken by the Board Audit Committee are set out in the “Board Audit Committee Report”.

0 In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant

accounts and disclosures in the company’s Financial Statements. The internal audit department of the Company is, in turn, monitoring and checking these on an ongoing

basis for the suitability of the design, implementation, and effectiveness.

The Company adopts Sri Lanka Accounting Standards comprising SLFRSs and LKASs and progressive improvements on processes to comply with requirements of recognition, measurement, classification and disclosure are being made whilst further strengthening of processes will continue in its financial reporting and management information.

The Board has given due consideration to the requirements of SLFRS 9 – Financial Instruments. In this regard, a reputed audit firm was engaged to develop the Expected Credit Loss (ECL) models for Gold Loans and Margin Trading product. This initiative aims to enhance the model’s relevance and effectiveness in credit risk management.

Keeping the model abreast of the latest economic trends and industry norms is pivotal for strengthening the company’s credit risk management. This proactive measure ensures the model’s accuracy and flexibility amidst market fluctuations, thereby representing a significant stride in refining the ECL model to align with current economic dynamics and industry best practices.

**CONFIRMATION**

Based on the above processes, the Board of Directors confirm that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes have been performed in accordance

with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka and the Colombo Stock Exchange.

**REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR**

The External Auditor has reviewed the above Directors’ Statement on Internal Control over Financial Reporting for the year ended 31 March 2025 and reported to the Board that nothing has come to their attention that causes them to believe that the Financial Statement is inconsistent

with their understanding of the process adopted by the Board in the review of the design and effectiveness of the system

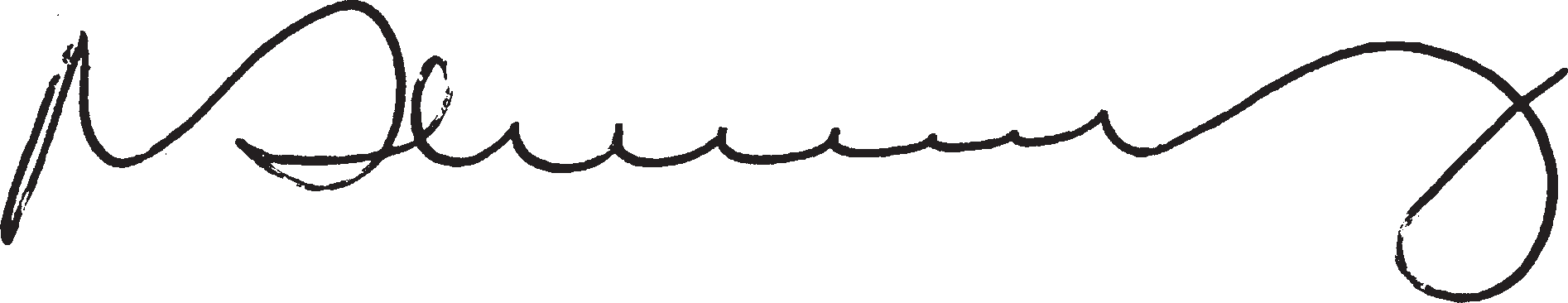
of Internal Control of the Company. Their report on the statement of internal control over financial reporting is given on page 278 of this annual report.

 *GRI 2-27*

**STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS, LAWS AND INTERNAL CONTROLS**

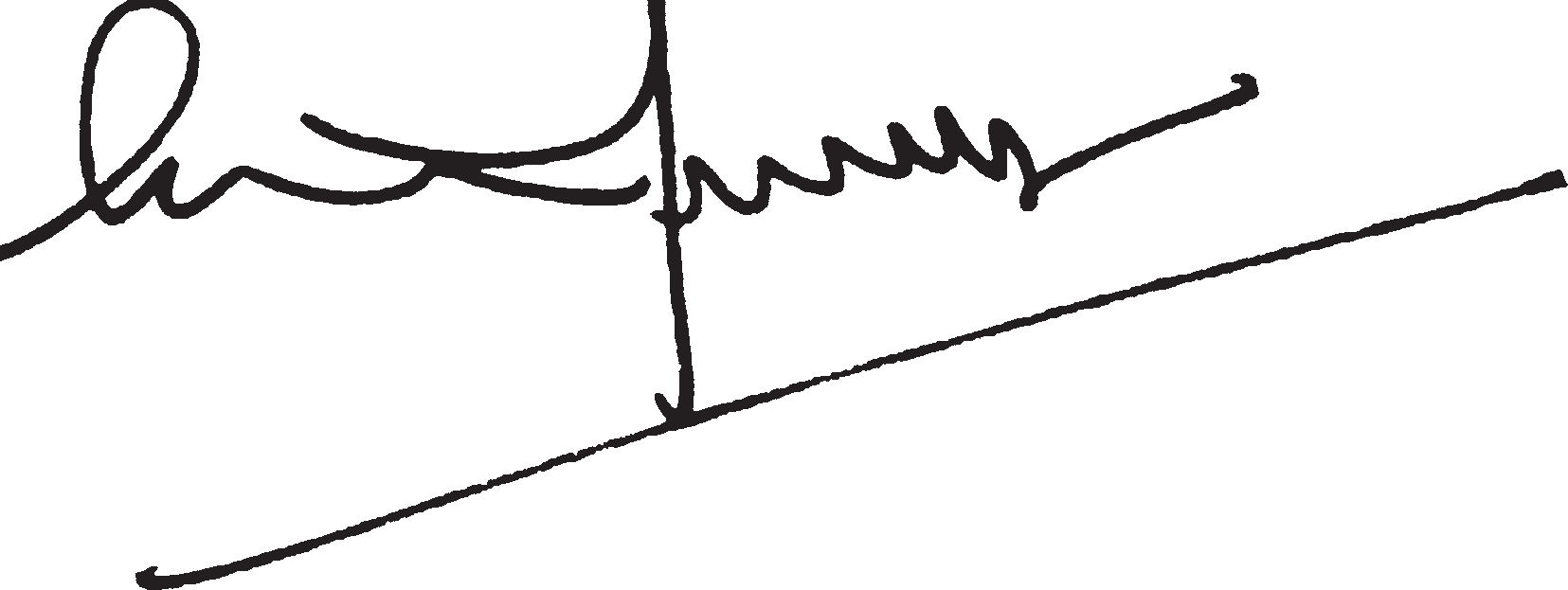
The Board has implemented sufficient system of internal controls to ensure adherence to statutory and regulatory obligations. The Board affirms that the Company complies with all relevant prudential requirements, regulations and laws.

The Board confirms that there are no significant regulatory or supervisory concerns on lapses in the Company’s Risk Management or non-compliance with Act, rules and directions. Thus, there are no regulatory directives issued by Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka requiring public disclosure, and no actions to be taken in this regard.

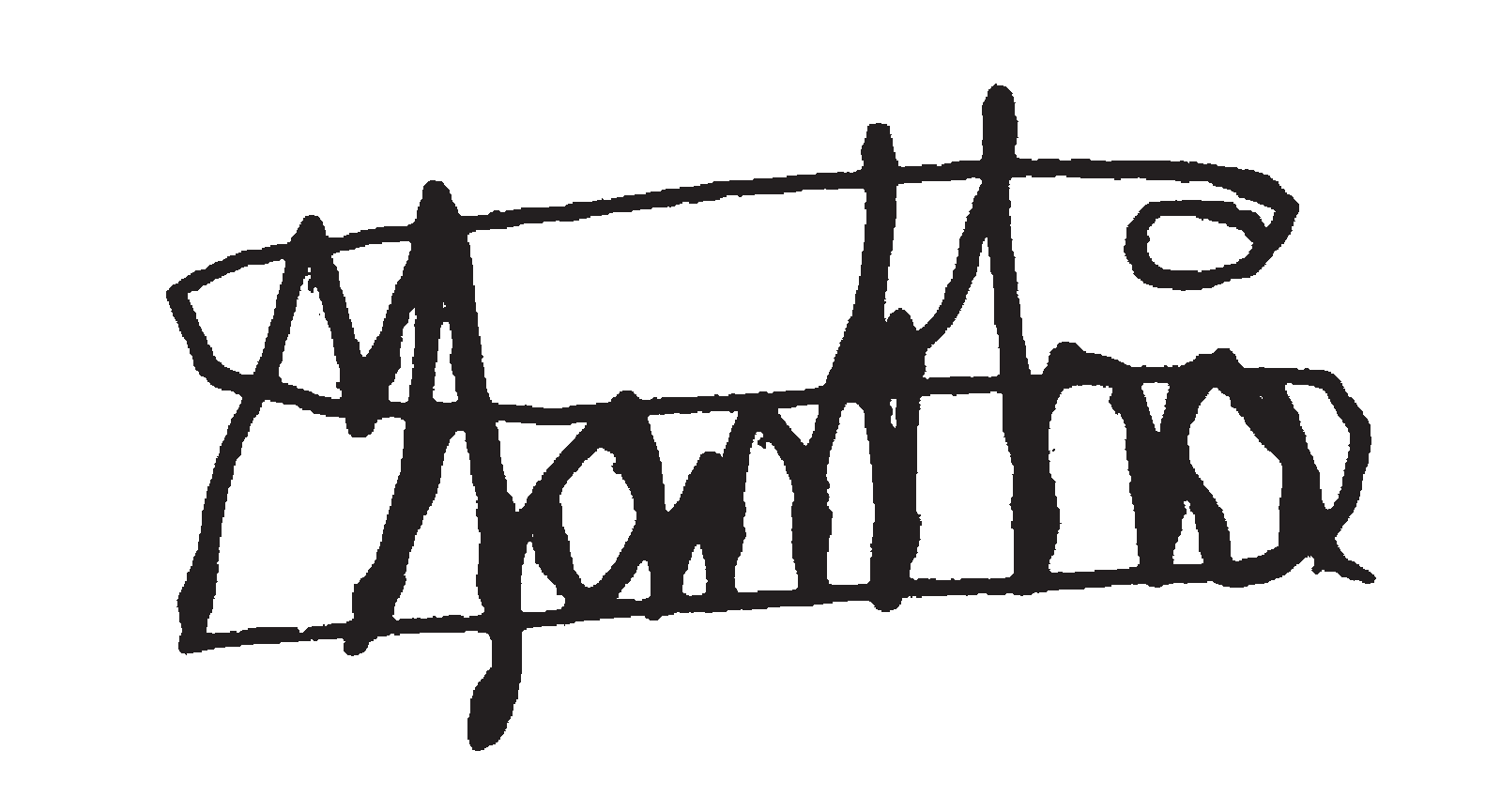


Pravir Samarasinghe

*Chairman-Board Audit Committee*

**

Clive Fonseka

*Director*

Prof. Ajantha Samarakoon

*Chairman*

30 May 2025

Colombo

## CHIEF EXECUTIVE OFFICER’S AND CHIEF FINANCIAL OFFICER’S RESPONSIBILITY STATEMENT

The Financial Statements of People’s Leasing & Finance PLC (the Company) and the Consolidated Financial Statements

of the Company and its subsidiaries (the Group) as at 31 March 2025 are prepared and presented in conformity with the following requirements:

0 Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

0 Companies Act No.07 of 2007and amendments there to.

0 Sri Lanka Accounting and Auditing Standards Act No 15 of 1995.

0 Directions issued to Licensed Finance Companies by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.

0 Directions, Determinations, Orders, Circulars and Guidelines issued by the Central Bank of Sri Lanka (CBSL).

0 Listing Rules of the Colombo Stock Exchange, and

0 Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Group on a quarterly basis presents Interim Financial Statements to its shareholders in compliance with the Listing Rules of the Colombo Stock Exchange.

The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Group. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, have

been disclosed and explained. Significant accounting policies and estimates that involved a high degree of judgment

and complexity were discussed with the Company’s External Auditor and the Board Audit Committee.

The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order to ensure that the Financial Statements

are reflected in a true and fair manner, the form and substance of transactions and the Company’s state of affairs is reasonably presented. We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

To ensure this, the Company and the Group has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Internal Audit Department has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company and the

group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Board Audit Committee reviewed all of the internal and external audit and inspection programmes, the efficiency of the internal control systems and procedures, the quality of accounting policies and their adherence to statutory

and regulatory requirements, the external audit plan and the management letters and also followed up on any issues

raised during the statutory audit, the details of which are given in the “Board Audit Committee Report” on pages 242 and 244 of this Annual Report. The

Financial Statements of the Company and Consolidated Financial Statements of the

Group were audited by Auditor General and his report is given on pages 281 to 284 of this Annual Report.

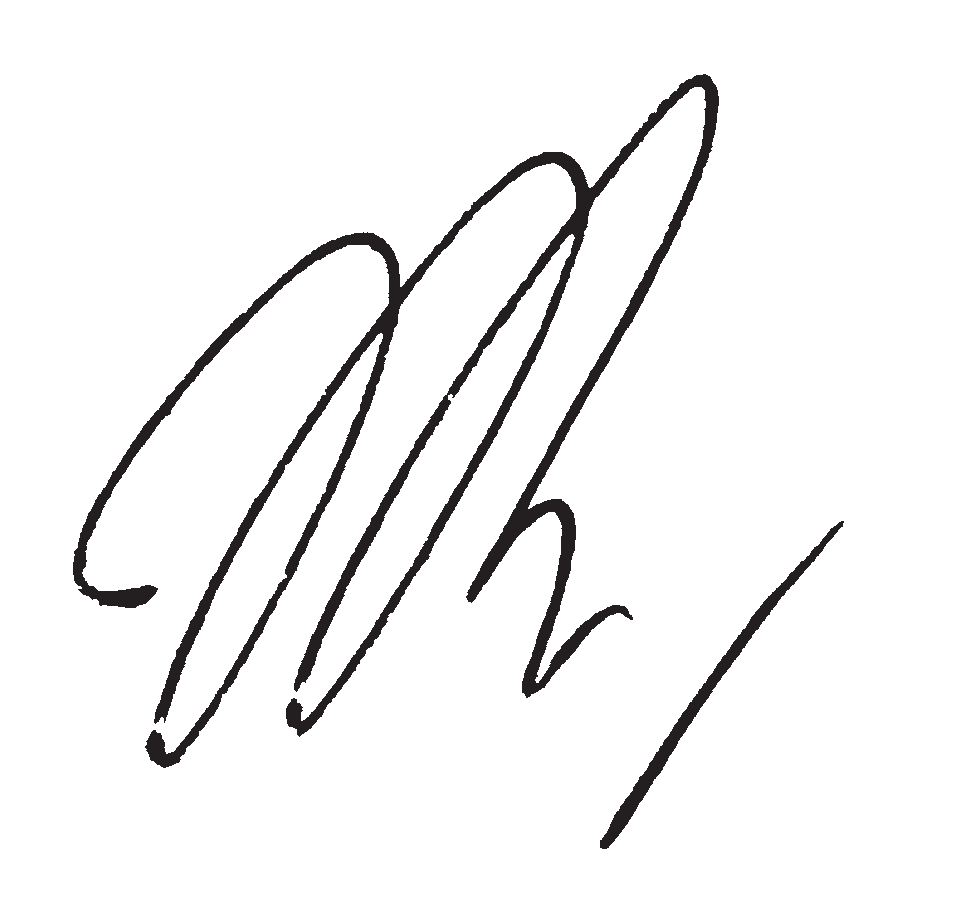
We confirm that.

0 The Group has complied with all applicable laws, regulations and prudential requirements, there is no material non- compliance.

0 There are no material litigations that are pending against the Group other than those disclosed in Note 50.1.1 on page 383 of the Financial Statements of this Annual Report.

All taxes, duties, levies and al statutory payments by the Group and all contributions, levies and taxes payable on behalf of and

In respect of the employees as at 31 March 2025 have been paid, or where relevant provided for.



Sanjeewa Bandaranayake

*Chief Executive Officer/ GM*

**

Priyankara Gangabadage

*Senior Manager-Finance*

30 May 2025

Colombo

## INDEPENDENT AUDITORS’ REPORT

****

Chairman

People’s Leasing & Finance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People’s Leasing & Finance PLC and its subsidiaries for the year ended 31

March 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. **FINANCIAL STATEMENTS**

##### Opinion

The audit of the financial statements of the People’s Leasing & Finance PLC

(“the Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025 and the statement of profit and loss, statement

of comprehensive income, statement of changes in equity and statement of cash

flows for the year then ended, and notes to the financial statements, including, material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in

conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

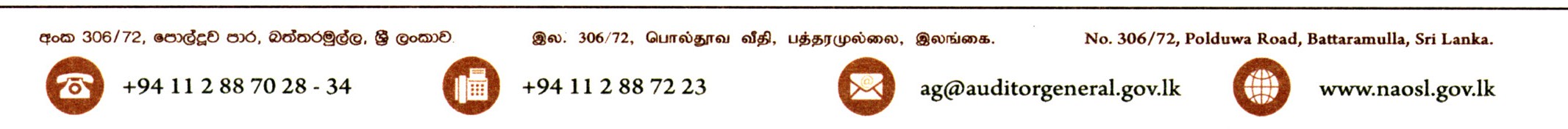
In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2025, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context



# INDEPENDENT AUDITORS’ REPORT

****

|  |  |
| --- | --- |
| Key Audit Matter | How my audit addressed the key audit matter |
| Allowances for Expected Credit Losses of loans and lease receivables measured at amortised cost.  Allowances for expected credit losses of loans and lease receivables measured at amortised cost as stated in Note 25, is determined by management on the accounting policies described in Note  25.6 to the financial statements.  This was a key audit matter due to  0 The involvement of significant management judgements, assumptions and level of estimation uncertainty associated in estimating future cash flows to recover such loans and lease receivables; and  0 The materiality of the reported amount of Allowances for expected credit losses.  Key areas of significant judgements, assumptions and estimates used by management in the assessment of the allowances for expected credit losses for loans and lease receivables include forward-looking macroeconomic scenarios and their associated weightages. These are subject to inherently heightened levels of estimation uncertainty and subjectivity.  Further information on the key estimates, assumptions and judgements is disclosed in Note 25.6 | In addressing the adequacy of the allowances for expected credit losses of loans and lease receivables, my audit procedures included the following key procedures:  0 Assessed the alignment of the Company’s allowances for expected credit losses computations and underlying methodology including responses to economic conditions with its accounting policies, on the best available information up to the date of my report.  0 Evaluated the design, implementation and operating effectiveness of controls over estimation of expected credit losses, which included assessing the level of oversight, review and approval of allowances for expected credit losses, policies and procedures by the Board and the management.  0 Tested the completeness, accuracy and reasonableness of the underlying data used in the expected credit loss computations by cross checking to relevant source documents and accounting records of the Company.  0 Evaluated the reasonableness of credit quality assessments and related stage classifications.  0 In addition to the above, the following procedures were performed:  For loans and lease receivables assessed on an individual basis for impairment:  0 Tested the arithmetical accuracy of the underlying individual impairment calculations.  0 Evaluated the reasonableness of key inputs used in the allowances for expected credit losses made with economic conditions. Such evaluations were carried out considering the value and timing of cash flow forecasts particularly relating to elevated risk industries and status of recovery action of the collaterals.  For loans and lease receivables assessed on a collective basis for impairment:  0 Tested the key inputs and the calculations used in the impairment for expected credit losses.  0 Assessed the reasonableness of judgements, assumptions and estimates used by the Management in the underlying methodology and the management overlays. My testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered, and probability weighting assigned to each scenario.  0 Assessed the adequacy of the related financial statement disclosures set out in Notes 11 & 25. |
| Information Technology (IT) systems related internal controls over financial reporting  Group’s financial reporting process is significantly reliant on multiple IT  systems and related internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems that are compiled and formulated with the use of spreadsheets.  Accordingly, IT systems related internal controls over financial reporting were considered a key audit matter. | My audit procedures included the following key procedures:  0 Obtained an understanding of the internal control environment of the relevant significant processes and test checked key controls relating to financial reporting and related disclosures.  0 Involved my internal specialized resources and;  0 Obtained and understanding IT Governance Structure of the Company  0 Identified, evaluated and tested the design and operating effectiveness of IT systems related internal controls over financial reporting, relating to user access and change management, and  0 Obtained a high-level understanding of the cyber security risks affecting the company and the actions taken to address these risks primarily through inquiry.  0 Tested source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations. |



##### Other information included in the Group’s 2025 Annual Report

The other information comprises the information included in the 2025

Annual Report but does not include the financial statements and my auditor’s report thereon, which is expected to

be made available to me after the date of this auditor’s report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material

misstatements therein, I am required to communicate that matter to those

charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

##### 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 determine 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 Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company & Group financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

##### Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

0 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 my 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.

0 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 internal controls of the Company and the Group.

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

0 Conclude on the appropriateness of the 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 Group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

0 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.

0 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible

# INDEPENDENT AUDITORS’ REPORT

****

for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1. **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**
   1. National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.
      1. I have obtained all the information and explanation that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the

requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

* + 1. The financial statement of the Company complies with

requirement of section 151 of the Companies Act No 07 of 2007.

* + 1. The financial statements presented is consistent with the preceding year as per the requirement of section 6

(1) (d) (iii) of the National Audit Act, No. 19 of 2018.

* + 1. The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1)

(d) (iv) of the National Audit Act, No. 19 of 2018.

* 1. Based on the procedures performed and evidence obtained which were limited to matters that are material, nothing has come to my attention;
     1. To state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the

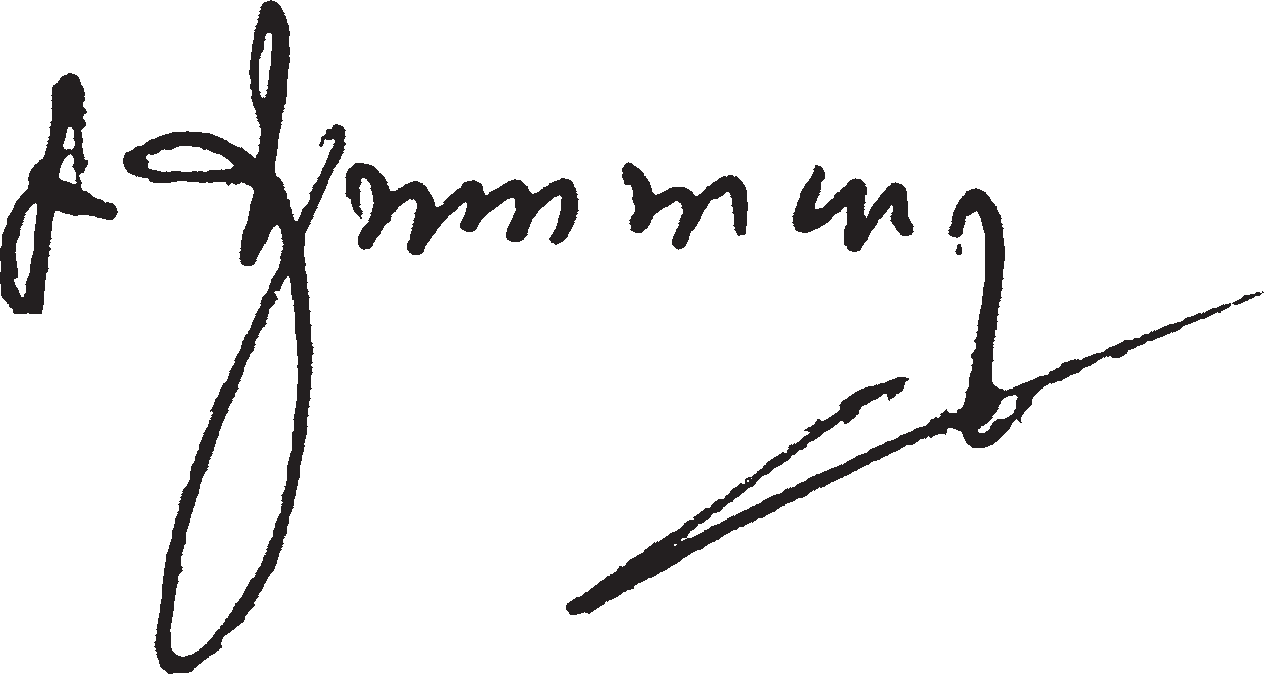
normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

* + 1. To state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the

requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

* + 1. To state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
    2. To state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with

the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.



G.H.D. Dharmapala

*Auditor General (Acting)*

## FINANCIAL STATEMENT - TABLE OF CONTENTS

### Financial Statements

*Page No. Page No.*

**Statement of Financial Position - Liabilities**

[Statement of Profit or Loss 286](#_TOC_250057)

[Statement of Comprehensive Income 287](#_TOC_250056)

[Statement of Financial Position 288](#_TOC_250055)

Statement of Changes in Equity 289

[Statement of Cash Flows 291](#_TOC_250054)

Notes to the Financial Statement

1. [Corporate and Group Information 292](#_TOC_250053)
2. [Basis of Preparation 292](#_TOC_250052)
3. [Material Accounting Policies 295](#_TOC_250051)

[4 Standards issued but not yet effective 299](#_TOC_250050)

Statement of Profit or Loss

1. [Gross income 301](#_TOC_250049)
2. [Net Interest Income 301](#_TOC_250048)
3. [Net Earned Premium 303](#_TOC_250047)
4. [Fee and Commission Income 304](#_TOC_250046)
5. [Net gains/(losses) on financial assets - FVTPL 305](#_TOC_250045)
6. [Other Operating Income 305](#_TOC_250044)
7. [Impairment Charges for Loans and Receivables and Other Losses 306](#_TOC_250043)
8. [Personnel Expenses 309](#_TOC_250042)
9. [Depreciation and Amortisation 309](#_TOC_250041)
10. [Benefits, Claims and Underwriting Expenditure 310](#_TOC_250040)

[15 Other Operating Expenses 311](#_TOC_250039)

1. [Tax on financial services 311](#_TOC_250038)
2. [Income Tax Expense 312](#_TOC_250037)
3. [Basic / Diluted earnings per ordinary share (EPS) 315](#_TOC_250036)
4. [Dividend per Ordinary Share 316](#_TOC_250035)

Statement of Financial Position - Assets

1. Analysis of Financial Instruments by Measurement Basis 316
2. [Fair Value of Assets and Liabilities 318](#_TOC_250034)
3. [Cash and Cash Equivalents 325](#_TOC_250033)
4. [Balances with Banks & Financial Institutions 327](#_TOC_250032)
5. [Financial assets -Fair value through profit or loss 327](#_TOC_250031)
6. [Loans and receivables - Amortised cost 329](#_TOC_250030)
7. [Insurance and Reinsurance Receivables 346](#_TOC_250029)
8. Financial assets - Fair value through other

comprehensive income 346

1. [Debt instrument - Amortised cost 347](#_TOC_250028)
2. [Investments in Subsidiaries 349](#_TOC_250027)
3. [Investment Property 351](#_TOC_250026)
4. [Other Assets 353](#_TOC_250025)
5. [Property, Plant and Equipment 354](#_TOC_250024)
6. [Right of use assets 359](#_TOC_250023)
7. [Goodwill and Intangible Assets 360](#_TOC_250022)
8. [Due to Banks 362](#_TOC_250021)
9. [Due to Customers 364](#_TOC_250020)
10. [Debt Securities Issued 365](#_TOC_250019)
11. [Other Financial Liabilities 367](#_TOC_250018)
12. [Insurance Liabilities and Reinsurance Payable 368](#_TOC_250017)
13. [Lease Liabilities 370](#_TOC_250016)
14. [Current Tax Liabilities 371](#_TOC_250015)
15. [Other Liabilities 372](#_TOC_250014)

[43 Retirement Benefit Obligation 373](#_TOC_250013)

1. [Deferred Tax Liabilities / (Assets) 376](#_TOC_250012)

Statement of Financial Position - Equity

1. [Stated capital 379](#_TOC_250011)
2. [Statutory Reserve Fund 380](#_TOC_250010)
3. [Retained Earnings 380](#_TOC_250009)
4. [Other Reserves 380](#_TOC_250008)
5. [Non - Controlling Interest 382](#_TOC_250007)

Other Financial Disclosures

1. [Contingent Liabilities and Commitments 382](#_TOC_250006)
2. [Net Assets Value per Ordinary Share 384](#_TOC_250005)
3. [Current/Non Current Analysis 385](#_TOC_250004)
4. [Financial Reporting by Segment 386](#_TOC_250003)
5. [Assets Pledged 388](#_TOC_250002)
6. [Related Party Disclosure 388](#_TOC_250001)
7. Risk Management 394
8. [Events after the Reporting Period 419](#_TOC_250000)

## STATEMENT OF PROFIT OR LOSS

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** | *Page No.* |
| For the Year Ended 31st March | Note | Page No. | 2025  Rs. '000 | 2024  Rs. '000 | Change  % | 2025  Rs. '000 | 2024  Rs. '000 | Change  % |
| Gross income | 5 | 301 | 28,427,584 | 31,036,624 | (8.41) | 35,916,302 | 37,552,858 | (4.36) |
| Interest income | 6.1 | 302 | 26,088,017 | 28,853,306 | (9.58) | 29,525,694 | 32,216,697 | (8.35) |
| Less: Interest expense | 6.2 | 302 | 12,016,685 | 17,200,885 | (30.14) | 13,065,611 | 18,266,659 | (28.47) |
| Net interest income | 6 | 301 | 14,071,332 | 11,652,421 | 20.76 | 16,460,083 | 13,950,038 | 17.99 |
|  | | |  |  | |  |  | |
| Net earned premium | 7 | 303 | - | - | - | 4,574,399 | 3,735,325 | 22.46 |
| Fee and commission income | 8 | 304 | 1,756,723 | 1,544,820 | 13.72 | 1,262,706 | 979,395 | 28.93 |
| Net gains/(losses) on financial assets  - FVTPL | 9 | 305 | 146,186 | 135,892 | 7.58 | 182,398 | 124,229 | 46.82 |
| Other operating income | 10 | 305 | 436,658 | 502,606 | (13.12) | 371,105 | 497,212 | (25.36) |
| Total operating income | | | 16,410,899 | 13,835,739 | 18.61 | 22,850,691 | 19,286,199 | 18.48 |
| Less: Impairment charges for loans and receivables and other losses | 11 | 306 | (403,301) | (1,155,776) | (65.11) | (383,497) | (1,354,204) | (71.68) |
| Net operating income | | | 16,814,200 | 14,991,515 | 12.16 | 23,234,188 | 20,640,403 | 12.57 |
| Less: Expenses |  |  | 4,864,568 |  |  | 6,448,279 |  |  |
| Personnel expenses | 12 | 309 | 4,248,112 | 14.51 | 5,541,660 | 16.36 |
| Depreciation and amortisation | 13 | 309 | 682,989 | 669,936 | 1.95 | 638,254 | 613,868 | 3.97 |
| Benefits, claims and underwriting expenditure | 14 | 310 | - | - | - | 2,937,798 | 2,668,198 | 10.10 |
| Other operating expenses | 15 | 311 | 3,471,383 | 2,776,611 | 25.02 | 4,222,297 | 3,391,028 | 24.51 |
| Total operating expenses | | | 9,018,940 | 7,694,659 | 17.21 | 14,246,628 | 12,214,754 | 16.63 |
| Operating profit before taxes on financial services | | | 7,795,260 | 7,296,856 | 6.83 | 8,987,560 | 8,425,649 | 6.67 |
| Less : Tax on financial services | 16 | 311 | 2,006,924 | 1,920,924 | 4.48 | 2,108,182 | 1,996,425 | 5.60 |
| Profit before income tax expense | | | 5,788,336 | 5,375,932 | 7.67 | 6,879,378 | 6,429,224 | 7.00 |
| Less : Income tax expense | 17 | 312 | 2,184,959 | 1,835,435 | 19.04 | 2,789,133 | 2,231,793 | 24.97 |
| Profit for the year | | | 3,603,377 | 3,540,497 | 1.78 | 4,090,245 | 4,197,431 | (2.55) |
| Profit attributable to |  |  | 3,603,377 |  |  | 3,998,783 |  |  |
| Equity holders of the Company |  |  | 3,540,497 | 1.78 | 3,994,917 | 0.10 |
| Non-controlling interest | 49 | 382 | - | - | - | 91,462 | 202,514 | (54.84) |
| Profit for the year | | | 3,603,377 | 3,540,497 | 1.78 | 4,090,245 | 4,197,431 | (2.55) |
| Basic / Diluted earnings per ordinary share (Rs.) | 18 | 315 | 1.67 | 1.64 | 1.83 | 1.86 | 1.85 | 0.54 |
| Dividend per Ordinary share (Rs.) | 19 | 316 | 1.40 | 1.40 | - | - | - | - |

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

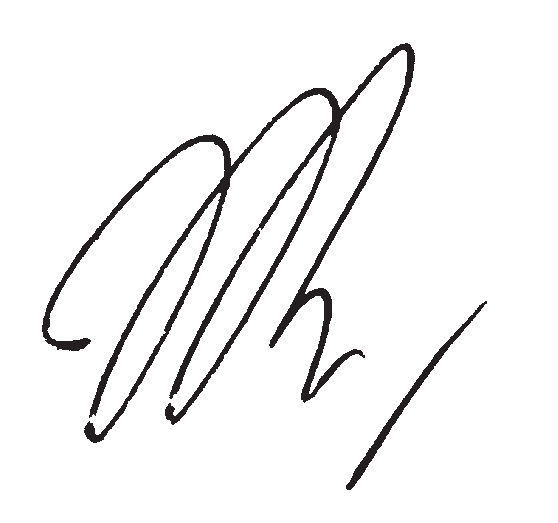
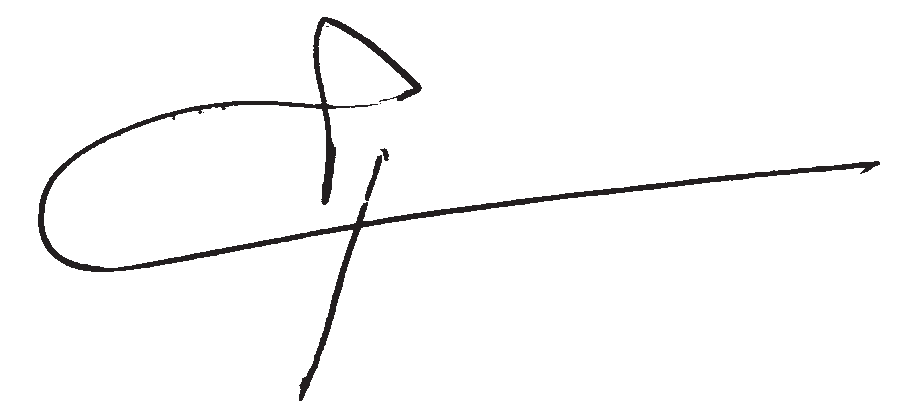
## STATEMENT OF COMPREHENSIVE INCOME

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** |  |
| For the Year Ended 31st March | Note | Page No. | 2025  Rs. '000 | 2024  Rs. '000 | Change  % | 2025  Rs. '000 | 2024  Rs. '000 | Change  % |
| Profit for the year | | | 3,603,377 | 3,540,497 | 1.78 | 4,090,245 | 4,197,431 | (2.55) |
| Other comprehensive income, net of tax Items to be reclassified to profit or loss in subsequent years (net of tax): |  |  | - |  |  | (148,962) |  |  |
| Net gains/(losses) arising from translating the Financial Statements of the foreign subsidiary | 48.4 | 382 | - | - | (625,269) | (76.18) |
| Net items to be reclassified to profit or loss in subsequent years | | | - | - | - | (148,962) | (625,269) | (76.18) |
| Items not to be reclassified to profit or loss in subsequent years (net of tax): |  |  | (134,126) |  |  | (143,496) |  |  |
| Net actuarial gains/(losses) on defined benefit plans |  |  |  |  |  |  |
| Actuarial gains and losses on retirement benefit obligation | 43.2 | 374 | (17,890) | 649.73 | (26,787) | 435.69 |
| Deferred tax effect on actuarial gains and losses | 44.1 | 377 | 40,238 | 5,368 | 649.73 | 43,048 | 8,139 | 428.92 |
| Financial assets - Fair value through other comprehensive income | | |  |  | |  |  | |
| Gains/(losses) on re-measuring | 48.3 | 381 | 131,792 | 214,016 | (38.42) | 83,694 | 329,798 | (74.62) |
| Deferred tax effect on above | 44.1 | 377 | (39,537) | (64,200) | (38.42) | (25,108) | (97,944) | (74.36) |
| Net items not to be reclassified to profit or loss in subsequent years | | | (1,633) | 137,294 | (101.19) | (41,862) | 213,206 | (119.63) |
| Other comprehensive income for the year, net of tax | | | (1,633) | 137,294 | (101.19) | (190,824) | (412,063) | (53.69) |
| Total comprehensive income for the year | | | 3,601,744 | 3,677,791 | (2.07) | 3,899,421 | 3,785,368 | 3.01 |
| Attributable to: |  |  | (1,633) |  |  | (107,775) |  |  |
| Equity holders of the Company |  |  | 137,294 | (101.19) | (124,716) | (13.58) |
| Non-controlling interest | 49 | 382 | - | - | - | (83,049) | (287,347) | (71.10) |
| Other comprehensive income for the year, net of tax | | | (1,633) | 137,294 | (101.19) | (190,824) | (412,063) | (53.69) |
| Total comprehensive income for the year | | | 3,601,744 | 3,677,791 | (2.07) | 3,899,421 | 3,785,368 | 3.01 |

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

## STATEMENT OF FINANCIAL POSITION

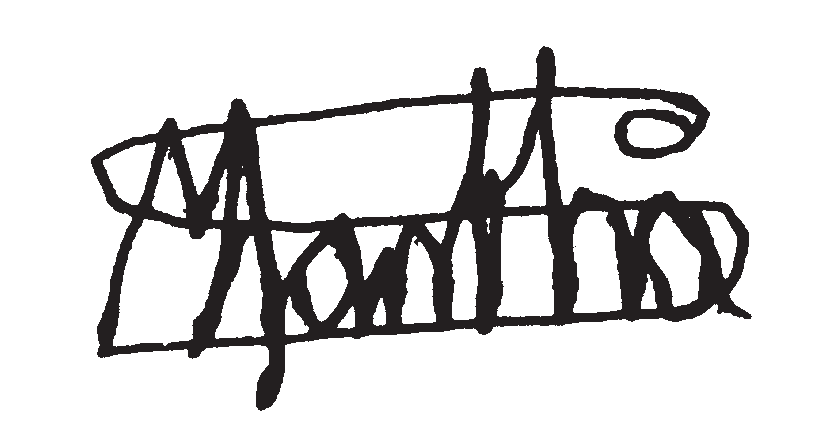
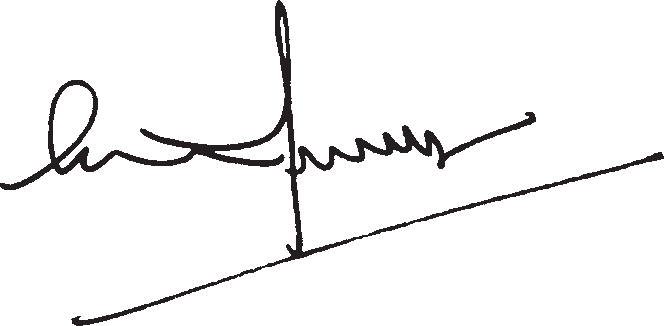
|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** |  |
| As at 31 March | Note | Page | 2025  Rs. '000 | 2024  Rs. '000 | Change  % | 2025  Rs. '000 | 2024  Rs. '000 | Change  % |
| Assets |  |  | 18,696,732 |  |  | 19,583,402 |  |  |
| Cash and cash equivalents | 22 | 325 | 9,728,132 | 92.19 | 10,636,505 | 84.12 |
| Balances with banks & financial  institutions | 23 | 327 | 3,031,551 | 14,288,282 | (78.78) | 5,694,373 | 17,562,955 | (67.58) |
| Financial assets -Fair value through  profit or loss | 24 | 327 | 275,550 | 1,339,867 | (79.43) | 1,290,581 | 1,451,613 | (11.09) |
| Loans and receivables - Amortised cost | 25 | 329 | 157,092,387 | 103,650,453 | 51.56 | 170,451,841 | 116,919,950 | 45.79 |
| Insurance and reinsurance receivables | 26 | 346 | - | - | - | 1,698,354 | 1,586,697 | 7.04 |
| Financial assets - Fair value through  other comprehensive income | 27 | 346 | 1,292,140 | 1,158,669 | 11.52 | 1,827,482 | 1,720,475 | 6.22 |
| Debt instrument - Amortised cost | 28 | 347 | 5,161,177 | 18,372,055 | (71.91) | 11,561,272 | 23,826,514 | (51.48) |
| Investments in subsidiaries | 29 | 349 | 3,832,151 | 3,455,229 | 10.91 | - | - | - |
| Investment property | 30 | 351 | 302,000 | 295,465 | 2.21 | 1,375,175 | 1,305,512 | 5.34 |
| Other assets | 31 | 353 | 1,040,658 | 3,981,818 | (73.86) | 1,065,584 | 4,166,268 | (74.42) |
| Property, plant and equipment | 32 | 354 | 1,787,796 | 1,361,384 | 31.32 | 4,281,701 | 3,779,689 | 13.28 |
| Right of use assets | 33 | 359 | 1,872,168 | 1,360,775 | 37.58 | 1,553,402 | 1,287,033 | 20.70 |
| Deferred tax assets | 44 | 376 | 59,322 | 818,949 | (92.76) | 26,569 | 829,351 | (96.80) |
| Goodwill and intangible assets | 34 | 360 | 34,719 | 41,010 | (15.34) | 172,552 | 185,304 | (6.88) |
| Current tax receivables | 41 | 371 | 52,589 | - | 100.00 | - | - | - |
| Total assets | | | 194,530,940 | 159,852,088 | 21.69 | 220,582,288 | 185,257,866 | 19.07 |
| Liabilities |  |  | 11,436,573 |  |  | 16,828,985 |  |  |
| Due to banks | 35 | 362 | 2,263,494 | 405.26 | 7,181,365 | 134.34 |
| Due to customers | 36 | 364 | 124,529,684 | 97,437,726 | 27.80 | 130,068,713 | 103,843,054 | 25.26 |
| Debt securities issued | 37 | 365 | 5,014,652 | 11,032,248 | (54.55) | 5,014,652 | 11,032,248 | (54.55) |
| Other financial liabilities | 38 | 367 | 6,415,071 | 3,188,693 | 101.18 | 8,187,438 | 3,926,092 | 108.54 |
| Insurance liabilities and reinsurance  payable | 39 | 368 | - | - | - | 5,458,788 | 5,508,693 | (0.91) |
| Lease Liabilities | 40 | 370 | 2,236,091 | 1,636,537 | 36.64 | 1,778,792 | 1,554,027 | 14.46 |
| Current tax liabilities | 41 | 371 | - | 295,474 | (100.00) | 326,594 | 536,436 | (39.12) |
| Other liabilities | 42 | 372 | 1,486,395 | 1,393,241 | 6.69 | 1,737,036 | 1,632,768 | 6.39 |
| Retirement Benefit Obligation | 43 | 373 | 1,000,719 | 778,537 | 28.54 | 1,155,916 | 897,355 | 28.81 |
| Total liabilities | | | 152,119,185 | 118,025,950 | 28.89 | 170,556,914 | 136,112,038 | 25.31 |
| Equity |  |  | 19,230,479 |  |  | 19,230,479 |  |  |
| Stated capital | 45 | 379 | 19,230,479 | - | 19,230,479 | - |
| Statutory reserve fund | 46 | 380 | 3,147,965 | 2,967,853 | 6.07 | 3,325,935 | 3,107,595 | 7.03 |
| Retained earnings | 47 | 380 | 19,976,739 | 19,884,827 | 0.46 | 24,431,095 | 23,976,101 | 1.90 |
| Other reserves | 48 | 380 | 56,572 | (257,021) | (122.01) | 633,005 | 431,456 | 46.71 |
| Total equity attributable to equity  holders of the Company | | | 42,411,755 | 41,826,138 | 1.40 | 47,620,514 | 46,745,631 | 1.87 |
| Non-controlling interest | 49 | 382 | - | - | - | 2,404,860 | 2,400,197 | 0.19 |
| Total equity | | | 42,411,755 | 41,826,138 | 1.40 | 50,025,374 | 49,145,828 | 1.79 |
| Total liabilities and equity | | | 194,530,940 | 159,852,088 | 21.69 | 220,582,288 | 185,257,866 | 19.07 |
| Contingent liabilities and  commitments | 50 | 382 | 19,052,614 | 14,240,316 | 33.79 | 19,250,948 | 14,402,895 | 33.66 |
| Net asset value per ordinary share (Rs.) | 51 | 384 | 19.69 | 19.41 | 1.40 | 22.10 | 21.70 | 1.87 |

We certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

*Priyankara Gangabadage Sanjeewa Bandaranayake*

*Senior Manager - Finance Chief Executive Officer*

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

*Prof. Ajantha Samarakoon Clive Fonseka*

*Chairman Director*

30 May 2025

Colombo

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

## STATEMENT OF CHANGES IN EQUITY - COMPANY

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Company |  |  | Other Reserves | |  |  |
|  | Capital | Statutory Reserve Fund | Regulatory  loss allowance reserve | Fair Value Reserve | Retained Earnings | Total Equity |
|  | Rs. '000 | Rs. '000 | Rs. ‘000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April 2023 | 18,015,559 | 2,790,828 | - | (571,148) | 19,556,826 | 39,792,065 |
| Total comprehensive income for the year |  |  |  |  |  |  |
| Profit/(loss) for the year | - | - | - | - | 3,540,497 | 3,540,497 |
| Other comprehensive income (net of tax) | - | - | - | 214,016 | (76,722) | 137,294 |
| Total comprehensive income for the year | - | - | - | 214,016 | 3,463,775 | 3,677,791 |
| Transactions with equity holders, recognised directly in equity |  |  |  |  |  |  |
| Transfers to reserves | - | 177,025 | 100,111 | - | (277,136) | - |
| Dividend paid - Scrip | 1,214,920 | - | - | - | (1,429,319) | (214,399) |
| - Cash | - | - | - | - | (1,429,319) | (1,429,319) |
| Total transactions with equity holders | 1,214,920 | 177,025 | 100,111 | - | (3,135,774) | (1,643,718) |
| Balance as at 31st March 2024 | 19,230,479 | 2,967,853 | 100,111 | (357,132) | 19,884,827 | 41,826,138 |
|  |  | | | | | |
| Balance as at 1st April 2024 | 19,230,479 | 2,967,853 | 100,111 | (357,132) | 19,884,827 | 41,826,137 |
| Total comprehensive income for the year |  |  |  |  |  |  |
| Profit/(loss) for the year | - | - | - | - | 3,603,377 | 3,603,377 |
| Other comprehensive income (net of tax) | - | - | - | 131,792 | (133,426) | (1,634) |
| Total comprehensive income for the year | - | - | - | 131,792 | 3,469,951 | 3,601,743 |
| Transactions with equity holders, recognised directly in equity |  |  |  |  |  |  |
| Transfers to reserves | - | 180,112 | 181,801 | - | (361,914) | - |
| Dividend paid - Scrip | - | - | - | - | - | - |
| - Cash | - | - | - | - | (3,016,126) | (3,016,126) |
| Total transactions with equity holders | - | 180,112 | 181,801 | - | (3,378,039) | (3,016,126) |
|  |  | | | | | |
| Balance as at 31st March 2025 | 19,230,479 | 3,147,965 | 281,912 | (225,340) | 19,976,739 | 42,411,755 |

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

Group Other Reserves

Capital Statutory

Reserve

Fund

Regulatory

loss allowance reserve

Fair Value Reserve

Foreign Currency Translation

Reserve

Retained Earnings

Total Non- controlling Interest

Total Equity

Rs.'000 Rs.'000 Rs.’000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000 Rs.'000

**STATEMENT OF CHANGES IN EQUITY - GROUP**

Balance as at 1st April 2023 18,015,559 2,905,660 - (627,839) 977,219 23,248,550 44,519,149 2,485,029 47,004,178

Total comprehensive income for the year

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Profit/(loss) for the year | - | - | - - | | - | 3,994,917 | 3,994,917 | 202,514 | 4,197,431 |
| Other comprehensive income (net of tax) | - | - | 300,852 | | (318,887) | (106,681) | (124,716) | (287,347) | (412,063) |
| Total comprehensive income for the year | - | - | - 300,852 | | (318,887) | 3,888,236 | 3,870,201 | (84,833) | 3,785,368 |
| Transactions with equity holders, recognised directly in equity  Transfers to reserves | - | 201,936 | 100,111 | - | - | (302,047) | - | - | - |
| Dividend paid - Scrip | 1,214,920 | - | - - | | - | (1,429,319) | (214,399) | - | (214,399) |
| Cash | - | - | - - | | - | (1,429,319) | (1,429,319) | - | (1,429,319) |
| Total transactions with equity holders | 1,214,920 | 201,936 | 100,111 | - | - | (3,160,685) | (1,643,718) | - | (1,643,718) |
| Balance as at 31st March 2024 | 19,230,479 | 3,107,596 | 100,111 | (326,987) | 658,332 | 23,976,101 | 46,745,632 | 2,400,196 | 49,145,828 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Balance as at 1st April 2024 | 19,230,479 | 3,107,596 | 100,111 | (326,987) | 658,332 | 23,976,101 46,745,632 | 2,400,196 | 49,145,828 |
| Movement due to change in ownership | - | - | - | - |  | - - | 150,555 | 150,555 |
| Total comprehensive income for the year  Profit/(loss) for the year | - | - | - | - | - | 3,998,783 3,998,783 | 91,462 | 4,090,245 |
| Other comprehensive income (net of tax) | - | - | - | 95,719 | (75,971) | (127,523) (107,775) | (83,049) | (190,824) |
| Total comprehensive income for the year | - | - | - | 95,719 | (75,971) | 3,871,260 3,891,008 | 158,968 | 4,049,976 |
| Transactions with equity holders, recognised directly in equity  Transfers to reserves Dividend paid - Scrip | - 218,339 181,801 - - (400,140) - - -  - - - - - - - (154,304) (154,304) | | | | | | | |
| Cash | - | - | - | - | - | (3,016,126) (3,016,126) | - | (3,016,126) |
| Total transactions with equity holders | - | 218,339 | 181,801 | - | - | (3,416,266) (3,016,126) | (154,304) | (3,170,430) |
|  |  | | | | | | | |
| Balance as at 31st March 2025 | 19,230,479 | 3,325,935 | 281,912 | (231,268) | 582,361 | 24,431,095 47,620,514 | 2,404,860 | 50,025,374 |

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

## STATEMENT OF CASH FLOWS

**Company**

**Group**

The Statement of Cash Flows has been prepared by using the ‘Direct Method’ of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on ‘Statement of Cash Flows’, whereby operating activities, investing activities and financing activities are separately 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.

**Accounting Policy**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash flows from operating activities | | |  |  |  |  |
| Income from cash and cash equivalent | | | 724,963 | 532,545 | 727,193 | 562,002 |
| Payments to loans and receivables | | | (166,432,887) | (82,001,794) | (175,731,375) | (92,308,567) |
| Receipts from loans and receivables | | | 141,513,583 | 118,689,051 | 153,231,820 | 128,330,292 |
| Investment in balances with banks & financial institutions | | | (8,987,388) | (83,467,031) | (10,986,869) | (85,259,719) |
| Receipts from balances with banks & financial institutions | | | 21,097,377 | 101,913,162 | 24,607,215 | 105,971,828 |
| Investment in debt instrument at amortized cost | | | (30,660,972) | (64,224,591) | (39,053,120) | (68,672,625) |
| Receipts from debt instrument at amortized cost | | | 48,062,787 | 57,374,968 | 55,509,300 | 61,324,640 |
| Payment of due to customers | | | (141,572,835) | (130,632,152) | (147,375,385) | (135,582,552) |
| Receipts from due to customers | | | 157,217,301 | 111,782,579 | 161,951,468 | 115,507,546 |
| Receipt from other income | | | 3,946 | 14,285 | 204,750 | 184,865 |
| Investment in financial assets - fair value through profit or loss | | | (6,000,000) | (1,200,000) | (6,924,544) | (1,200,000) |
| Proceeds from financial assets - fair value through profit or loss | | | 7,210,503 | 200,000 | 7,267,974 | 217,709 |
| Receipt from Financial assets - fair value through OCI | | | 81,846 | 81,549 | 178,574 | 103,589 |
| Investment in Financial assets - fair value through OCI | | | - | - | - | - |
| Payment for personnel expenses | | | (4,918,235) | (4,158,611) | (6,422,964) | (5,419,653) |
| Payment for operating lease liability | | | (711,549) | (658,199) | (593,020) | (436,000) |
| Payment for other operating activities | | | (5,170,064) | (4,567,545) | (5,683,396) | (5,073,934) |
| Premium received from customers | | | - | - | 4,462,741 | 3,646,693 |
| Claims paid | | | - | - | (2,987,704) | (2,366,126) |
| Dividend income from investments | | | 4,757 | 257,556 | 5,430 | 9,772 |
| Gratuity paid | 43 | 373 | (70,168) | (88,382) | (91,537) | (107,113) |
| Income tax paid | 41.1 | 372 | (1,685,532) | (1,836,478) | (1,969,527) | (2,142,485) |
| Net cash generated from/(used in) operating activities | | | 9,707,433 | 18,010,912 | 10,327,024 | 17,290,162 |
| Cash flows from investing activities |  |  | (585,981) | (168,935) | (783,457) | (206,483) |
| Purchase of property, plant and equipment | 32 | 354 |
| Proceeds from the sale of property, plant and equipment | | | 726 | 236,008 | 17,304 | 256,152 |
| Purchase of intangible assets | 34 | 360 | (4,384) | (30,248) | (15,768) | (64,610) |
| Net cash (used in)/generated from investing activities | | | (589,639) | 36,825 | (781,921) | (14,941) |
| Cash flows from financing activities | | |  |  |  |  |
| Payment for due to banks | 35.1 | 362 | (15,954,862) | (6,598,526) | (18,138,301) | (8,041,178) |
| Borrowing from due to banks | 35.1 | 362 | 24,500,000 | - | 26,823,963 | 2,581,519 |
| Payment for debt securities issued | 37.1 | 365 | (6,613,134) | (6,594,697) | (6,613,134) | (6,450,482) |
| Dividend paid to shareholders | | | (3,006,809) | (1,426,208) | (3,006,809) | (1,426,208) |
| Dividend paid to non-controlling interest | | | - | - | (3,750) | - |
| Net cash (used in)/generated from financing activities | | | (1,074,805) | (14,619,431) | (938,031) | (13,336,349) |
| Net (decrease) in cash & cash equivalents | | | 8,042,989 | 3,428,306 | 8,607,072 | 3,938,872 |
| Cash and cash equivalents at the beginning of the year | | | 9,220,384 | 5,792,078 | 9,111,511 | 5,172,639 |
| Cash and cash equivalents at the end of the year | | | 17,263,373 | 9,220,384 | 17,718,583 | 9,111,511 |
| Cash and cash equivalents | | | 18,696,731 | 9,728,132 | 19,583,401 | 10,636,506 |
| Bank overdraft | | | (1,433,358) | (507,748) | (1,864,818) | (1,524,995) |
| Cash and cash equivalents at the end of the year | | | 17,263,373 | 9,220,384 | 17,718,583 | 9,111,511 |

The Notes appearing on pages 292 to 419 form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

 *GRI 2-1*

#### CORPORATE AND GROUP INFORMATION

##### Corporate Information

People’s Leasing & Finance PLC (the ‘Company’), is a Public Limited Liability Company incorporated on 22 August 1995 and domiciled in Sri Lanka. It is a licensed finance company under the Finance Business Act No. 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange on 24 November 2011. The Company was re- registered under the Companies Act No. 07 of 2007.

Its registered office and the principal place of the business is at No. 1161, Maradana Road, Colombo 08.

##### Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended 31 March 2025 comprise People’s Leasing & Finance PLC (Parent Company), its subsidiaries (together referred to as the ‘Group’).

##### Parent Entity and Ultimate Parent Entity

The Company’s parent entity is People’s Bank which is a Government owned entity.

##### Number of Employees

The staff strength of the Company and Group as at 31st March 2025 is 2,679 and 3,685 respectively. (2,052 and 2,902 as at 31st March 2024).

* 1. **Group Information**

**Principal Activities and Nature of Operations**

**Company**

**People’s Leasing & Finance PLC**

The principal business activities are providing finance leases, term loans, Islamic finance, margin trading, share trading, issue of debt instruments, factoring, gold loans and mobilisation of public deposits.

##### Subsidiaries

#### BASIS OF PREPARATION

##### Statement of Compliance

The consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2025 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs),laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

and in compliance with the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011,

Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Sri Lanka Accounting Standards are available at ‘[www.casrilanka.com/www.](http://www.casrilanka.com/www) slaasc.lk’.

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

Details of the Group’s Material

Accounting Policies followed during the

Name of the

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Subsidiaries |  | Incorporation | 2025 | 2024 |
| People’s Leasing Fleet Management Limited | Vehicle valuation and insurance assessment. | Sri Lanka | 100% | 100% |
| People’s Leasing Property Development Limited | Carrying out mixed development projects and property development activities. | Sri Lanka | 100% | 100% |
| People’s Insurance PLC | Carrying out general insurance business. | Sri Lanka | 75% | 75% |
| People's Leasing Havelock Properties Limited | Construct and operate an office complex. | Sri Lanka | 100% | 100% |
| People's Micro- commerce Ltd | Providing non-bank financial services to low income earners and micro enterprises. | Sri Lanka | 100% | 100% |
| Alliance Finance PLC | Providing lease/loans and advances, issue of debt instruments and mobilization of public deposits. | Bangladesh | 51% | 51% |

Principal activities Country of

% Equity interest

year are given in Notes 3.

##### Responsibility for Financial Statements

The Board of Directors is responsible for these Financial Statements of the Company and the Group as per the

provision of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility as set out in the “Annual Report of the Board of Directors on the Affairs of the Company”, “Directors’ Responsibility for Financial Reporting” and in the certification on the Statement of Financial Position.

These financial statements include the following components:

0 Statement of Profit or Loss and Statement of Comprehensive Income providing the information on the

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

financial performance of the Company and the Group for the year under review;

0 Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end;

0 Statement of Changes in Equity depicting all changes in shareholders‘ equity during the year under review of the Company and the Group;

0 Statement of Cash Flows providing the information to the users, on how the Company and the Group to generated and distribute cash and cash equivalents during the period.

0 Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

##### Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31 March 2025 (including comparatives) were approved and authorised for issue on 30 May 2025 in accordance with the resolution of the Board of Directors on 30 May 2025.

##### Basis of Measurement

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

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Basis of measurement | Note | Page No. |
| Financial assets -Fair value through profit or loss | Fair Value | 24 | 327 |
| Financial assets - Fair value through other comprehensive income | Fair Value | 27 | 346 |
| Investment property | Fair Value | 30 | 351 |
| Retirement benefit obligation | Liability is recognised as the present value of the retirement benefit obligation, plus actuarial gains and losses. | 43 | 373 |

##### Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 52 on page 385 (Current/ non-current analysis). No adjustments have been made for inflationary factors affecting the Financial Statements.

##### Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

##### Functional and Presentation Currency

The Financial Statements of the Group and the Company are presented in Sri Lanka Rupees (Rs.), which is the currency of primary economic environment, in which the Group operates (Group functional currency).

The information presented in US Dollars in the Section on “Supplementary Information” does not form part of the Financial Statements and is made available solely for the information of stakeholders.

##### Rounding

The amounts in the Financial Statements have been rounded-off to the nearest Rupees thousands, except where otherwise indicated as permitted by

the Sri Lanka Accounting Standard- LKAS 01 on “Presentation of Financial Statements”.

##### Materiality and Aggregation

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

##### Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRSs and LKASs requires management to make judgments, estimates and assumptions

that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within

the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period

in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related Notes.

##### Going Concern

The Directors have made an assessment of the Group’s ability to continue as a going concern and are satisfied that it has adequate resources to continue its operations for the foreseeable future.

This assessment has taken into account current macroeconomic conditions, regulatory developments, and the financial and operational position of the Group, including its capital adequacy,

# NOTES TO THE FINANCIAL STATEMENTS

liquidity, and risk management framework.

The assessment also considered the potential impact of external economic factors to make reasonable projections regarding future business performance and sustainability. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern.

Accordingly, the financial statements have been prepared on the assumption that the Group will continue as a going concern.

##### Classification of financial assets and liabilities

As per SLFRS 9, the significant accounting Policies of the Group provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the following criteria;

0 The entity’s business model for managing the financial assets as set out in Note 3.5.2 on page 296

0 The contractual cash flow characteristics of the financial assets as set out in Note 3.5.2 on page 296

##### Classification of Investment Property

Management uses its judgment to classify properties as investment properties if they are held to earn rental income or for capital appreciation, generating independent cash flows.

Properties used in production, supply, or administrative purposes, generating cash flows with other

assets, are classified as Property, Plant & Equipment. The Group annually reassesses the classification based on the current use of the properties.

##### Impairment losses on Financial Assets

The measurement of impairment losses both under 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.

The Group/Company assesses at each reporting date, whether there is any objective evidence that a financial

asset or a group of financial assets are impaired.

##### Impairment Losses on Loans and Receivables

Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the Statement of Profit or Loss. 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.

These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

Details of the ‘impairment losses on loans and receivables’ are given in Note 25.6 on page 339 to the financial statements.

##### Impairment charges on financial investments

Financial investments are categorised under amortised cost subject to Impairment in accordance with SLFRS 9 -Financial Investment. The Company/ Group does not have historical loss experience on debt instruments

at amortised cost .Thus the Group considers PDs published by the external sources i.e. – Bloomberg for external credit rating. LGD for debt securities issued by the Government of Sri Lanka in rupees is considered as 0%, and for all other instruments, industry average is considered as LGD.

Credit risk has not increased significantly relating to financial investments, since initial recognition. Therefore Group

did not record expected credit loss in the financial statements for those investments.

##### Impairment of FVOCI

Details of the ‘Impairment of FVOCI’ are given in Note 27 on page 346 to the financial statements.

##### Useful Life Time of the Property, Plant and Equipment

The Group reviews the residual values, useful lives and methods of depreciation of property, plant and equipment

at each reporting date. Judgment of the management is exercised in

the estimation of these values, rates, methods and hence they are subject to uncertainty.

##### Useful Life Time of the Intangible Assets

Details of the ‘useful life-time of the intangible assets’ are given in Note 34 to the financial statements on page 360.

##### Fair Value of Investment Property

Significant judgments and estimates are used to determine the fair value,

including comparable sales, future rental income, and discount rates. Details of the Fair Value of Investment Property are given in Note 30 on page 351.

##### SLFRS 16 Lease Liabilities and Right- of-Use Assets

Significant Judgments are required for lease terms and incremental borrowing rates, with estimates for renewal options and calculating lease liabilities and right-of-use assets. Details of the Lease liabilities and Right-of-use assets are given in note 40 and 33 on page 370/359.

##### Transfer Pricing Regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer

pricing regulations. Accordingly critical judgments and estimates were used

in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm’s length prices and selection of appropriate pricing mechanism. The current tax charge is

subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management’s interpretation and application of transfer pricing regulation.

##### Deferred Tax

Details of the ‘deferred tax’ are given in Note 44 on page 376 to the financial statements.

##### Retirement Benefit Obligation

Details of the ‘retirement benefit obligation’ are given in Note 43 on page 373 to the financial statements.

##### Provisions for Liabilities, Commitments, and Contingencies

Significant Judgments are made to recognize provisions for present obligations, estimating the outflow of resources. Contingent liabilities are disclosed when outflows are not probable or cannot be reliably

measured. Commitments are disclosed as future contractual obligations.

Details of Provisions for Liabilities, Commitments, and Contingencies are given in note no 42 and 50 on page 372/382.

##### Valuation of General Insurance Contract Liabilities of Subsidiary People’s Insurance PLC

The estimates of general insurance contracts have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims Incurred, But Not yet Reported, at the reporting date (IBNR). It can take a significant period of time before the

ultimate claims cost can be established with certainty. The main assumption underlying estimating the amounts of outstanding claims is the past claims development experience.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjusted estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims, inflation or loss ratios.

##### Events after the Reporting Date

Management reviews events after the reporting date for adjustments or disclosures. Adjusting events provide

evidence of conditions at the end of the reporting period, while non-adjusting events are disclosed if material. Details of Events after the Reporting Date are given in note 57 on page 419.

##### Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period’s Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous

year are amended, where relevant for better presentation and to be comparable with those of the current year.

#### MATERIAL ACCOUNTING POLICIES

##### Basis of Consolidation

The Consolidated Financial Statements of the Group for the year ended 31st March 2025 include the Company, its subsidiaries. The financial statements of the Company’s and subsidiaries are prepared for the same reporting year except for People’s Insurance PLC and Alliance Finance PLC , subsidiaries

of People’s Leasing & Finance PLC, whose financial year ends on December 31st. For consolidation purpose same reporting year has been used.

##### Business Combination and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non- controlling interest in the acquiree, less the net recognised amount of

the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is

recognised immediately in Statement of Profit or Loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group’s interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes

in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash–generating units (CGUs) or group of CGUs, which are expected to benefit

from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the

operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

##### Common Control Business Combination

Common control business combinations are accounted using the guidelines issued under Statement

of Recommended Practice (SoRP) - Merger accounting for common control business combination issued by The Institute of Chartered Accountants of Sri Lanka.

##### Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in Statement of Profit or Loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

##### Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising

from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as

# NOTES TO THE FINANCIAL STATEMENTS

unrealized gains, but only to the extent that there is no evidence of impairment.

##### Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at

the spot exchange rate at the date of the transactions were affected. In this regard, the Group’s practice is to use the middle rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting

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

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the

spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign

currency are translated using the spot exchange rates at the date when the fair value was determined.

##### SLFRS 15 – Revenue From Contracts With Customers

SLFRS 15 provides a comprehensive framework for determining whether, how much, and when revenue is recognised.

SLFRS 15 requires new qualitative and quantitative disclosure aimed at

enabling users of Financial Statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities are required to apply five-step model to determine when to recognise revenue and at what amount. The model specifies that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount at which the entity expects to be entitled.

##### New and Amended Standard and Interpretation

In these financial statements, the Group has applied Sri Lanka Accounting Standard - Amendments to LKAS

1, LKAS 16 and LKAS 7 for financial reporting which became effective for the annual reporting periods beginning on or after 1st January 2024, for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not effective.

##### Classification of Liabilities as Current or Non-Current and Non-current Liabilities - Amendments to LKAS 1

These amendments clarify that the classification of liabilities as current or non-current should consider whether the entity has a substantive right to defer settlement at the end of the reporting period. Furthermore, it clarifies the treatment of covenants that must be complied with after the reporting date (future covenants). The amendments apply specifically to loan arrangements and support better clarity in classification of liabilities. The application of these amendments had no material effect on the Company’s liability classifications.

##### Lease Liability in a Sale and Leaseback

**- Amendments to SLFRS 16.**

This amendment clarifies how a seller- lessee should account for lease liabilities in sale and leaseback transactions, ensuring that gains or losses related

to the retained right-of-use are not recognised immediately. The

Company has evaluated its leaseback arrangements and concluded that the amendment did not materially affect the financial statements.

##### Disclosure of Accounting Policies - Amendments to LKAS 7 and SLFRS 7

These amendments require enhanced disclosures about supplier finance arrangements, including the terms and conditions, the carrying amounts of liabilities, and the associated

cash flow impacts. The Company has reviewed its supplier financing practices and determined that while

such arrangements exist, the required disclosures were not material to the financial statements.

##### Financial Instruments – Initial Recognition and Subsequent Measurement

* + 1. **Date of Recognition**

All financial assets and liabilities except ‘regular way trades’ are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the

instrument. ‘Regular way trades’ means purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Those trades are initially recognised on the settlement date.

##### Classification and Subsequent Measurement of Financial Assets

As per SLFRS 9, the Group classifies all of its financial assets based on the business model for managing the

assets and the assets’ contractual terms measured at either;

0 Amortised cost

0 Fair value through other comprehensive income (FVOCI)

0 Fair value through profit or loss (FVTPL)

The subsequent measurement of financial assets depends on their classification.

##### Business Model Assessment

With effect from 1 April 2018, the Group makes an assessment of the objective of a business model in which an asset

is held at a portfolio level and not assessed on instrument-by- instrument basis because this best reflects the way the business is managed and

information is provided to management. The information considered includes:

0 The stated policies and objectives for the portfolio and the operation of

those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to

the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

0 How the performance of the portfolio is evaluated and reported to the Group’s management;

0 The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

0 How managers of the business are compensated – e.g. whether compensation is based on the fair

value of the assets managed or the contractual cash flows collected; and

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales

activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Group’s original expectations, the Group 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.

##### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on 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).

“Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In contrast, contractual terms that introduce a more than the minimise 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 principal amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

0 Contingent events that would change the amount and timing of cash flows;

0 Leverage features;

0 Prepayment and extension terms;

0 Terms that limit the Group’s claim to cash flows from specified assets; and

0 Features that modify consideration of the time value of money..

The Group holds a portfolio of long- term fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Details on different types of financial assets recognised on the SOFP.

##### Financial assets measured at amortised cost

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

0 The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

0 The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are given in Notes 22,23,25,26,28 and 35 to 40 on page 325/327/329/346/ 347 and 362 to 370.

##### Financial assets measured at FVOCI

Financial assets at FVOCI include debt and equity instruments measured at fair value through other comprehensive income. Financial assets measured at

FVOCI are given in Notes 27 on page 346.

##### Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortised cost or FVOCI are classified as measured

at FVTPL. Financial assets at fair value through profit or loss include financial assets that are held for trading or

managed and whose performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and financial assets designated upon initial recognition at fair value through profit or loss which are discussed in Notes 24 on page 327.

##### Financial assets designated at fair value through profit or loss

As per SLFRS 9, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at

amortised cost or at FVOCI as at FVTPL when such designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss as at the end of the reporting period.

##### Reclassification of Financial Instruments

Financial assets are not reclassified after their initial recognition, except in rare circumstances when the Group changes its business model for managing those financial assets. This may occur due to the acquisition, disposal, or termination of a business line.

##### From FVTPL:

To FVOCI: Fair value on reclassification date becomes the new gross carrying amount. EIR is recalculated. Subsequent fair value changes go to OCI.

To Amortised Cost: Fair value on reclassification date becomes the new carrying amount. EIR is recalculated.

##### From FVOCI:

To FVTPL: Accumulated OCI balance is transferred to profit or loss.

To Amortised Cost: Asset is reclassified at fair value, OCI balance adjusts this value to become amortised cost. EIR and initial carrying amount remain unchanged.

##### From Amortised Cost:

To FVOCI: Asset is remeasured to fair value, differences are recognised in OCI. EIR remains unchanged

To FVTPL: Fair value on reclassification date becomes the new carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS

Difference between amortised cost and fair value goes to profit or loss.

There is no reclassification within the Group during the financial year.

##### Classification and Subsequent Measurement of Financial Liabilities

The Group classifies financial liabilities, excluding financial guarantees and loan commitments, into the following categories:

##### Financial Liabilities at FVTPL:

0 Held-for-Trading

0 Designated at FVTPL

Financial Liabilities Measured at Amortised Cost

##### Financial Liabilities at FVTPL

The Group currently has no financial liabilities classified as at FVTPL as of the end of the reporting period.

##### Financial Liabilities at Amortised Cost

Financial liabilities not measured at FVTPL are classified as financial liabilities at amortised cost, which include:

Due to Banks: Details in Note 35 on page 362.

Due to Customers: Details in Note 36 on page 364.

Debt securities Issued: Details in Note 37 on page 365.

Other Financial Liabilities: Details in Note 38 on page 367.

After initial recognition, these financial liabilities are measured at amortised cost using the Effective Interest Rate (EIR) method. The EIR amortisation is included in “Interest expense” in profit or loss. Gains and losses are recognised in profit or loss upon derecognition of the liabilities.

##### Derecognition of Financial Assets and Financial Liabilities

**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;

0 The rights to receive cash flows from the asset which have expired;

0 The Group and Company has transferred its rights to receive cash

flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement; and either;

0 The Group and Company has transferred substantially all the risks and rewards of the asset; or

0 The Group and Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received and any cumulative gain or loss that has been recognised in Statement of Comprehensive Income is recognised in Statement of Profit or Loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained

substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group’s continuing involvement in the asset. In that case,

the group also recognises an associated liability. The transferred asset and

the associated liability are measured on a basis that reflects the rights and

obligations that the group 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 that the group could be required to repay.

##### Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 Statement of Profit or Loss.

##### Offsetting Financial Instruments

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 LKASs / SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

##### Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 21 on page 318.

##### Impairment of Non–financial Assets

The carrying amounts of the Group’s non financial assets, other than deferred tax assets are reviewed at each Reporting date whether there is an indication that an asset may be impaired. If any indication exists, or

when annual impairment testing of an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists the Group estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the

last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed

its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in Statement of Profit or Loss.

##### Property, Plant, and Equipment

Policies regarding the recognition, measurement, depreciation, and impairment of tangible assets include Note 32 on page 354.

##### Right of use asset

Policies for recognising, measuring, and depreciating right-of-use assets arising from lease contracts include Note 33 on page 359.

##### Intangible Assets

Policies on recognising and measuring intangible assets such as software and goodwill, including their amortisation and impairment includes Note 34 on page 360.

##### Lease liability

Policies for recognising, measuring, and presenting lease contracts includes Note 40 on page 370.

##### Retirement Benefit obligation

Policies for recognising and measuring post employment benefits includes Note 43 on page 373.

##### Provisions

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of

a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on ‘Provision, Contingent Liabilities and Contingent Assets’. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and

uncertainties surrounding the obligation at that date. The expense relating

to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

##### Borrowing Costs

As per Sri Lanka Accounting Standard- LKAS 23 on ‘Borrowing Costs’, the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset.

A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

##### Income tax

 *GRI 207-1,207-2*

##### Current tax

Details of the ‘income tax expense’ are given in Note 17 on page 312 to the financial statements. Accordingly, income tax rate of 30% was applied as per Inland Revenue (amendment) Act No.45 of 2022.

##### Deferred Tax

Details of the ‘deferred tax’ are given in Note 44 on page 376 to the financial statements. Deferred tax assets and liabilities are estimate based on the income tax rate 30%.

##### Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from April

1, 2013 and is payable to the National

Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

##### Value Added tax on financial services

Details of the ‘VAT on financial services are given in Note 16 on page 311 to the financial statements. VAT on FS calculates at the rate of 18% based on the value addition attributable to the financial services of the Company.

##### Social Security Contribution Levy (SSCL)

Details of the “SSCL on financial services” are given in Note 16 on page 311 to the financial statements. The Company liable to pay SSCL on FS at the rate of 2.5% based on the value addition attributable to the financial services.

Further, company non-financial services liable on the turnover at the rate of 2.5%.

##### Value Added Tax (VAT)

VAT rate of 18% was applied as per the VAT (Amendment) Act No 16 of 2024.

#### STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards and interpretations were issued by The Institute of Chartered Accountants of Sri Lanka but not yet effective as at 31st March 2025.

Accordingly these accounting standards have not been applied in the preparation of the Financial Statements for the

year ended 31 March 2025. Following amendment is not expected to have a material impact on the Financial

Statements of the Company/Group in the foreseeable future.

##### IFRS 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 IFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. .

SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them,

as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide

# NOTES TO THE FINANCIAL STATEMENTS

an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are

largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

0 A specific adaptation for contracts with direct participation features (the variable fee approach).

0 A simplified approach (the premium allocation approach) mainly for short- duration contracts.

The Group has an ongoing implementation process to ensure the successful adherence with the standard by 2026. According to the position papers concluded, significant portion of the Group’s the position papers concluded, significant portion of the entities products will be qualified to be measured under the simplified Premium Allocation Approach. The entity is currently in process of evaluating and finalizing the applicable accounting policies, transition approach including the possible effects on comparative

information, impact on current practices of the entity and the appropriate methodology for implementation.

As such, the financial impact of initial application of SLFRS 17 Insurance

Contracts has not been disclosed in these financial statements as it is not yet reasonably estimated.

##### Lack of exchangeability – Amendments to LKAS 21

The amendments specify how an entity should assess whether a currency

is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The Company /Group is in the process of assessing the potential impact of these new standards on its future financial reporting and disclosures. Necessary systems and processes will be put in place to ensure compliance with the

new requirements once they become effective.

#### GROSS INCOME

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company/Group and revenue can be reliably measured. The specific recognition criteria, for each type of income, given under the respective income notes.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Interest income | 6.1 | 302 | 26,088,017 | 28,853,306 | 29,525,694 | 32,216,697 |
| Net earned premium | 7. | 303 | - | - | 4,574,399 | 3,735,325 |
| Fee and commission income | 8. | 304 | 1,756,723 | 1,544,820 | 1,262,706 | 979,395 |
| Net gains/(losses) on financial assets - FVTPL | 9 | 305 | 146,186 | 135,892 | 182,398 | 124,229 |
| Other operating income | 10 | 305 | 436,658 | 502,606 | 371,105 | 497,212 |
| Total | | | 28,427,584 | 31,036,624 | 35,916,302 | 37,552,858 |

#### NET INTEREST INCOME

For all financial instruments measured at amortised cost, interest income or expense is recorded using the Effective Interest Rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Interest income on financial assets measured at amortised cost (AC) including Cash and cash equivalents, Balances with banks & financial institutions, Loans and receivables and Debt instruments are calculated using Effective Interest Rate.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as ‘Interest income’ for financial assets and ‘Interest expense’ for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Revenue can be recognized only when it is probable that the economic benefit associate with the transaction will flow to the entity. However when uncertainty arise about the recoverability, revenue recognition should be ceased. With the adoption of SLFRS 9 –“Financial instrument”, Customer default point (Uncertainty about the recoverability) has been change to 90 days past due. Accordingly interest income can be recognized only up to 90 days past due in accordance with SLFRS 9.

**Interest on Overdue Rentals**

Interests from overdue rentals have been accounted for on a cash basis.

**Accounting Policy**

# NOTES TO THE FINANCIAL STATEMENTS

#### NET INTEREST INCOME

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Interest income | 6.1 | 302 | 26,088,017 | 28,853,306 | 29,525,694 | 32,216,697 |
| Interest expenses | 6.2 | 302 | 12,016,685 | 17,200,885 | 13,065,611 | 18,266,659 |
| Net interest income | | | 14,071,332 | 11,652,421 | 16,460,083 | 13,950,038 |

* 1. **Interest income**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | | | 730,653 | 532,545 | 760,103 | 562,002 |
| Balances with banks & financial institutions | | | 881,661 | 3,087,990 | 1,483,384 | 3,699,208 |
| Loans and receivables | 6.1.1 | 302 | 23,148,924 | 21,578,075 | 25,556,085 | 23,692,636 |
| Debt instrument - Amortised cost | | | 1,326,779 | 3,654,696 | 1,726,122 | 4,262,851 |
| Total interest income | | | 26,088,017 | 28,853,306 | 29,525,694 | 32,216,697 |

* + 1. **Interest income - Loans and receivables**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/ Ijarah receivable | 14,945,220 | 11,605,428 | 14,945,993 | 11,606,944 |
| Hire-Purchase/ Murabah receivable | 846 | 1,643 | 1,015,332 | 853,194 |
| Term Loan/ Musharakah/ Staff Loan/ Related Party loans | 8,202,858 | 9,971,004 | 9,594,760 | 11,232,498 |
| Total interest Loans and receivables | 23,148,924 | 21,578,075 | 25,556,085 | 23,692,636 |

* 1. **Interest expenses**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Due to banks | 6.2.1 | 303 | 338,312 | 682,321 | 622,134 | 1,190,871 |
| Due to customers | 6.2.1 | 303 | 10,811,512 | 15,352,185 | 11,649,576 | 15,938,105 |
| Debt securities issued | 6.2.1 | 303 | 595,538 | 920,896 | 595,538 | 917,774 |
| SLFRS 16-Incremantal Borrowing Cost | 40 | 370 | 271,323 | 245,483 | 198,363 | 219,909 |
| Total interest expenses | | | 12,016,685 | 17,200,885 | 13,065,611 | 18,266,659 |

#### NET INTEREST I NCOME (CONTD…)

* + 1. **Interest expenses - product wise**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the Year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Due to banks |  |  | 198 | 1,272 | 86,912 | 129,425 |
| Interest on bank overdraft |  |  |
| Interest on short term loan | | | 137,777 | - | 137,777 | - |
| Interest on term loan | | | 76,259 | 436,604 | 397,445 | 817,001 |
| Interest on securitisation | | | - | 244,445 | - | 244,445 |
| Subtotal | | | 214,234 | 682,321 | 622,134 | 1,190,871 |
| Due to customers |  |  | 10,935,590 | 15,352,185 | 11,649,576 | 15,938,105 |
| Interest cost on deposits |  |  |
| Subtotal | | | 10,935,590 | 15,352,185 | 11,649,576 | 15,938,105 |
| Debt securities issued |  |  | 595,538 | 920,896 | 595,538 | 917,774 |
| Interest on debentures | 37.1 | 365 |
| Subtotal | | | 595,538 | 920,896 | 595,538 | 917,774 |
| Lease Liabilities |  |  | 271,323 | 245,483 | 198,363 | 219,909 |
| SLFRS 16-Incremental Borrowing Cost |  |  |
| Subtotal | | | 271,323 | 245,483 | 198,363 | 219,909 |
| Total interest expenses | | | 12,016,685 | 17,200,885 | 13,065,611 | 18,266,659 |

#### NET EARNED PREMIUM

**Product classification of insurance and investment contracts**

SLFRS 4 - “Insurance Contracts”, requires contracts written by insurer to be classified as either ‘Insurance contracts’ or ‘Investment contracts’ depending in the level of insurance risk transferred.

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non- financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the People’s Insurance PLC (Subsidiary of PLC) are insurance contracts and therefore classified as insurance contracts under SLFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

**Accounting Policy**

# NOTES TO THE FINANCIAL STATEMENTS

1. **NET EARNED PREMIUM (CONTD...)**

**Revenue recognition of gross written premium**

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

**Insurance - Revenue Recognition Gross Written Premium**

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

**Reinsurance Premium**

Non-life insurance gross written premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

**Unearned Premium Reserve**

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis.

**Unearned Reinsurance Premium Reserve**

Unearned reinsurance premium is the proportion of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the Year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross written premium | - | - | 6,384,198 | 5,482,095 |
| Less : Premium ceded to reinsurers | - | - | 1,426,241 | 2,236,515 |
| Less : Change in reserve unearned premium | - | - | 383,558 | (489,745) |
| Total | - | - | 4,574,399 | 3,735,325 |

#### FEE AND COMMISSION INCOME

Fee and commission income that are integral to the EIR of a financial asset are capitalised and included in the measurement of the EIR and recognised in the Income Statement over the expected life of the instrument.

As per SLFRS 15, the Group adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised only when all of the following criteria are met :

0 The parties to the contract have approved the contract/s;

0 The Group can identify each party’s rights regarding the goods or services to be transferred;

0 The Group can identify the payment terms for the goods or services to be transferred;

0 The contract has the commercial substance;

0 It is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

0 The applicability of SLFRS 15 to the Company is limited for fee and commission income.

**Accounting Policy**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the Year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Service charges | 415,782 | 424,985 | 122,546 | 69,548 |
| Other fees and commission | 1,340,941 | 1,119,835 | 1,140,160 | 909,847 |
| Total | 1,756,723 | 1,544,820 | 1,262,706 | 979,395 |

#### NET GAINS/(LOSSES) ON FINANCIAL ASSETS - FVTPL

**Company**

**Group**

**Company**

**Group**

Net gains/(losses) on financial assets /FVTPL comprises gains less losses related to trading assets , and include all realised and unrealised fair value changes, related capital gains and losses, from trading assets .

**Accounting Policy**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the Year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net mark-to-market (losses)/gain | 17,096 | 128,951 | 46,457 | 114,938 |
| Net capital gains | 129,090 | 6,941 | 135,941 | 9,291 |
| Total | 146,186 | 135,892 | 182,398 | 124,229 |

#### OTHER OPERATING INCOME

**Accounting Policy**

Other Operating income includes income earned on other sources ,which are not directly related to the normal operations of the group is recognized on accrual basis.

**Dividend Income**

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

**Gain or Losses on Disposal of Property, Plant & Equipment**

Gains or losses resulting from the disposal of property, plant and equipment are accounted for on cash basis in the Statement of Profit or Loss, in the period in which the sale occurs.

**Valuation income**

Valuation income is recognised when they are realised or realisable.

**Insurance fee income**

Insurance Policy holders are charged for policy administration services and other contract fees. These fees are recognised as income upon receipt or become due.

**Other Income**

Other income is recognised on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

**Company**

**Group**

1. **OTHER OPERATING INCOME (CONTD..)**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gain on sale of property, plant and equipment | 279 | 111,049 | 7,407 | 126,037 |
| Rent income from investment property | - | - | 83,077 | 81,846 |
| Dividend income from - FVOCI | 4,264 | 1,422 | 4,264 | 1,422 |
| - Subsidiaries | 419,688 | 373,334 | - | - |
| - FVTPL | 2,846 | 2,516 | 2,846 | 8,350 |
| Gain/(Loss) of investment properties | 6,535 | 10,504 | 63,128 | 105,195 |
| Valuation income | - | - | 91,575 | 76,682 |
| Insurance fee income | - | - | 108,638 | 87,335 |
| Other income | 3,046 | 3,781 | 10,170 | 10,345 |
| Total | 436,658 | 502,606 | 371,105 | 497,212 |

#### IMPAIRMENT CHARGES FOR LOANS AND RECEIVABLES AND OTHER LOSSES

The Company and the Group recognise the changes in the impairment provisions for loans and receivables which are assessed as per the SLFRS 9 - Financial Instruments. The methodology adopted by the Company and the Group is explained in Note 25 on page 329 to these financial statements.

**Loss on disposal of collaterals including write offs**

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

**Recovery of written off debts and disposal losses**

Recovery of amounts written off as bad and doubtful debts is recognised on a cash basis.

**Accounting Policy**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Individual impairment | 11.3/11.4 | 308 | (212,126) | 114,912 | (167,977) | 41,704 |
| Collective impairment | 11.3/11.4 | 308 | (2,611,490) | (1,669,381) | (2,616,348) | (1,784,977) |
| Other receivable | | | 12,501 | (121) | (11,475) | (8,234) |
| Loss on disposal of collaterals including write offs | | | 2,528,671 | 463,002 | 2,533,648 | 463,002 |
| Recovery of written-off debts/disposal losses | | | (120,857) | (64,188) | (121,345) | (65,699) |
| Total | 11.1/11.2 | 307 | (403,301) | (1,155,776) | (383,497) | (1,354,204) |

1. **IMPAIRMENT CHARGES FOR LOANS AND RECEIVABLES AND OTHER LOSSES (CONTD...)**
   1. **Impairment charge/(reversal) for loans and other losses (Detailed breakdown) - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | | | |
| Disposal loss/ Write-offs  (net of recovery) | Charge | (Reversal) | Net Amount |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/ Ijarah receivable | 788,642 | 724,064 | (1,568,844) | (56,138) |
| Hire-Purchase/ Murabah receivable | 118,576 | 27 | (144,023) | (25,420) |
| Term Loan and receivables | 1,500,596 | 968,878 | (2,803,718) | (334,244) |
| Other receivables | - | 12,501 | - | 12,501 |
| Total | 2,407,814 | 1,705,470 | (4,516,585) | (403,301) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2024 | | | |
|  | Disposal loss/ Write-offs  (net of recovery) | Charge | (Reversal) | Net Amount |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/ Ijarah receivable | 364,140 | 561,926 | (1,616,235) | (690,169) |
| Hire-Purchase/ Murabah receivable | (5,135) | 4,582 | (11,149) | (11,702) |
| Term Loan and receivables | 39,809 | 870,241 | (1,363,834) | (453,784) |
| Other receivables | (121) |  |  | (121) |
| Total | 398,814 | 1,436,749 | (2,991,339) | (1,155,776) |

* 1. **Impairment charge/(reversal) for loans and other losses - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | | | |
| Disposal loss/ Write-offs  (net of recovery) | Charge | (Reversal) | Net Amount |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/ Ijarah receivable | 809,031 | 725,345 | (1,570,125) | (35,749) |
| Hire-Purchase/ Murabah receivable | 115,734 | 109,011 | (243,777) | (19,032) |
| Term Loan and receivables | 1,487,539 | 1,271,467 | (3,076,247) | (317,241) |
| Other receivable |  |  | (11,475) | (11,475) |
| Total | 2,412,304 | 2,105,823 | (4,901,624) | (383,497) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2024 | | | |
|  | Disposal loss/ Write-offs  (net of recovery) | Charge | (Reversal) | Net Amount |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease/ Ijarah receivable | 362,629 | 561,926 | (1,616,235) | (691,680) |
| Hire-Purchase/ Murabah receivable | (5,135) | 4,582 | (59,080) | (59,633) |
| Term Loan and receivables | 39,809 | 615,455 | (1,249,921) | (594,657) |
| Other receivable | (8,234) | - | - | (8,234) |
| Total | 389,069 | 1,181,963 | (2,925,236) | (1,354,204) |

# NOTES TO THE FINANCIAL STATEMENTS

* 1. **Impairment charge to the income statement – Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | | | |
| Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial assets at amortised cost – Loans and advances |  |  |  |  |
| - Individual impairment | - | 39,060 | (251,186) | (212,126) |
| - Collective impairment | 371,380 | (45,968) | (2,936,902) | (2,611,490) |
| Total | 371,380 | (6,908) | (3,188,088) | (2,823,616) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2024 | | | |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial assets at amortised cost – Loans and advances |  |  |  |  |
| - Individual impairment | - | 27,335 | 87,577 | 114,912 |
| - Collective impairment | (593,483) | (609,876) | (466,022) | (1,669,381) |
| Total | (593,483) | (582,541) | (378,445) | (1,554,469) |

* 1. **Impairment charge to the income statement – Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | | | |
| Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial assets at amortised cost – Loans and advances |  |  |  |  |
| - Individual impairment | - | 66,395 | (234,372) | (167,977) |
| - Collective impairment | 314,777 | 15,365 | (2,946,490) | (2,616,348) |
| Total | 314,777 | 81,760 | (3,180,862) | (2,784,325) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2024 | | | |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial assets at amortised cost – Loans and advances |  |  |  |  |
| - Individual impairment | - | - | 41,704 | 41,704 |
| - Collective impairment | (591,263) | (719,810) | (473,904) | (1,784,977) |
| Total | (591,263) | (719,810) | (432,200) | (1,743,273) |

#### PERSONNEL EXPENSES

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

Employees are eligible for Employees’ Provident Fund (EPF) contribution and Employees’ Trust Fund (ETF) contributions in accordance with the respective statutes and regulations.

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

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Remuneration | | | 4,420,233 | 3,816,895 | 5,860,086 | 4,985,581 |
| Employee benefit - Defined contribution plans - EPF | | | 228,889 | 204,678 | 306,882 | 269,510 |
| Employee benefit - Defined contribution plans - ETF | | | 57,222 | 51,169 | 74,709 | 65,208 |
| Employee benefit - Retirement benefit obligation - Gratuity | 43 | 373 | 158,224 | 175,370 | 206,602 | 221,361 |
| Total | | | 4,864,568 | 4,248,112 | 6,448,279 | 5,541,660 |

#### DEPRECIATION AND AMORTISATION

##### Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the Income Statement. Freehold land is not depreciated. Right-of-use assets are depreciated over the useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, the assets are depreciated over the shorter of the estimated useful lives and the lease terms.

##### The estimated useful lives are as follows;

|  |  |  |
| --- | --- | --- |
| Class of asset | % per annum | Period |
| Freehold buildings | 2 | 50 years |
| Improvement of leasehold property | 25 | 4 years |
| Motor vehicles | 12.5 - 20 | 5 - 8 years |
| Computer hardware | 20 | 5 years |
| Office equipments | 10 - 20 | 5 -10 years |
| Furniture and fittings | 20 | 5 years |

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate 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 the management. 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 methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Note 32 on page 354.

##### Amortisation of Right of Use assets

The right of use asset is subsequently depreciated. Depreciation is over the shorter of the useful life of the asset and the lease term.

##### Amortisation of intangible assets

Intangible assets are amortised using the straight-line method to write down the cost over its estimated useful economic lives from the date on which it is available for use at the rates as specified below;

|  |  |  |
| --- | --- | --- |
| Class of asset | % per annum | Period |
| Computer software | 20 | 5 years |

# NOTES TO THE FINANCIAL STATEMENTS

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

All classes of intangible assets together with the reconciliation of carrying amounts and accumulated amortisation at the beginning and at the end of the year are given in Note 34 on page 360.

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Deprecation of property, plant and equipment | 32 | 354 | 159,123 | 159,024 | 271,430 | 262,934 |
| Amortisation of Right of use assets | 33 | 359 | 513,191 | 502,481 | 343,657 | 332,642 |
| Amortisation of intangible assets | 34 | 360 | 10,675 | 8,431 | 23,167 | 18,292 |
| Total | | | 682,989 | 669,936 | 638,254 | 613,868 |

#### BENEFITS CLAIMS AND UNDERWRITING EXPENDITURE

**Recognition of gross claims**

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

**Recognition of reinsurance claims**

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the re-insured business.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net Benefits and claims | - | - | 2,424,673 | 2,501,723 |
| Underwritings and net acquisition costs | - | - | 513,125 | 166,475 |
| Total | - | - | 2,937,798 | 2,668,198 |

#### OTHER OPERATING EXPENSES

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

**Directors’ emoluments**

Directors’ emoluments include fees paid to Non-Executive Directors.

**Crop Insurance Levy (CIL)**

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

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Directors' emoluments | 27,668 | 18,727 | 50,818 | 37,865 |
| Auditors' remunerations | 7,580 | 7,032 | 15,655 | 14,959 |
| Non-audit fees to auditors | 3,755 | 1,351 | 3,755 | 1,466 |
| Professional fees | 70,986 | 108,084 | 103,655 | 123,231 |
| Advertising expenses | 42,585 | 56,582 | 83,927 | 107,460 |
| Legal fees | 13,169 | 9,594 | 24,624 | 17,587 |
| Deposits Insurance Premium | 134,749 | 134,224 | 134,749 | 134,224 |
| Crop Insurance Levy | 30,371 | 35,911 | 30,371 | 35,911 |
| Operational expenses arising from investment property | - | - | 15,467 | 18,186 |
| Office administration and establishment expenses | 3,140,520 | 2,405,106 | 3,759,276 | 2,900,139 |
| Total | 3,471,383 | 2,776,611 | 4,222,297 | 3,391,028 |

#### TAX ON FINANCIAL SERVICES

**VAT on financial services**

VAT on financial services is calculated in accordance with Value Added Tax(VAT) Act No. 14 of 2002 and subsequent amendments thereto. The value base for the computation of value added tax on financial services is calculated by adjusting the economic depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before income tax and emoluments payable. Emoluments payable include cash benefits, non cash benefits including terminal benefits. VAT on financial services rate applied for the current financial year is 18% (2023/2024-18%).

**SSCL on Financial Services**

Social Security Contribution Levy (SSCL) shall be paid by any person carrying on the business of supplying financial services, on the liable turnover specified in the Second Schedule of the Social Security Contribution Levy Act No.25 of 2022 (SSCL Act), at the rate of 2.5%. 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.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| VAT on financial services | 1,762,177 | 1,691,301 | 1,847,219 | 1,758,576 |
| SSCL on financial services | 244,747 | 229,623 | 260,963 | 237,849 |
| Total | 2,006,924 | 1,920,924 | 2,108,182 | 1,996,425 |

# NOTES TO THE FINANCIAL STATEMENTS

#### INCOME TAX EXPENSE

This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on “Income Taxes”. 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.

**Current Tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

A 30% income tax rate was applied in the income tax calculation during the year of assessment 2024/25.

**Accounting Policy**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company |  | Page | Current Tax rate | |
|  | Note | No. | 2025 | 2024 |
| People’s Leasing & Finance PLC | | | 30% | 30% |
| People’s Leasing Fleet Management Limited | | | 30% | 30% |
| People’s Micro-commerce Ltd | | | 30% | 30% |
| People’s Insurance PLC | 17.1 | 312 | 30% | 30% |
| People’s Leasing Property Development Limited | 17.2 | 312 | 20%-30% | 20%-30% |
| People’s Leasing Havelock Properties Limited | 17.3 | 312 | 20% | 10% |
| Alliance Finance PLC | 17.4 | 312 | 40% | 40% |

##### People’s Insurance PLC

Current tax is the expected tax payable on the taxable income for the year using tax rate enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous year. 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.

##### People’s Leasing Property Development Limited

Pursuant to the agreement dated 03 December 2008 entered into by People’s Leasing Property Development Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period. Non BOI income is liable for normal rate of 30%.

##### People’s Leasing Havelock Properties Limited

Pursuant to the agreement dated 16 December 2010 entered into by People’s Leasing Havelock Properties Limited with the Board of Investment under Section 17 of the Board of Investment Law, for the business of setting up and operating a mixed development project, the Inland Revenue Act relating to the imposition, payment and recovery of income tax shall not apply for a period of five years reckoned from the year in which the Company makes profit or any year of assessment not later than two years reckoned from the date of commencement of its commercial operations whichever is earliest. The Company is eligible for a 10% concessionary tax rate for a period of 2 years immediately succeeding the last date of tax exemption period and a 20% concessionary tax rate after the expiration of the 10% concessionary tax period.

##### Alliance Finance PLC

According to Bangladesh Income Tax Ordinance, 1984 and amendments made thereto, tax rate applicable for Alliance Finance PLC is 40%

#### 17. INCOME TAX EXPENSE (CONTD...)

* 1. **Income tax expense**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Statement of Profit or Loss |  |  | 1,426,032 | 1,377,756 | 2,004,290 | 1,731,114 |
| Current income tax charge | 17.6 | 314 |
| Deferred tax (reversal)/charge for the year | 44 | 376 | 758,927 | 457,679 | 784,843 | 500,679 |
| Income tax expense recognised in Statement of Profit or Loss | | | 2,184,959 | 1,835,435 | 2,789,133 | 2,231,793 |
| Statement of Comprehensive Income |  |  | 701 | 58,832 | 17,941 | 89,805 |
| Deferred tax charge/(reversal) for the year | 44 | 376 |
| Income tax charge/(reversal) recognised in Statement of Comprehensive Income | | | 701 | 58,832 | 17,941 | 89,805 |
| Effective tax rate (excluding deferred tax ) | | | 24.64% | 25.63% | 29.13% | 26.93% |
| Effective tax rate | | | 37.75% | 34.14% | 40.54% | 34.71% |

# NOTES TO THE FINANCIAL STATEMENTS

#### 17. INCOME TAX EXPENSE (CONTD...)

* 1. **Reconciliation of Accounting Profit and Taxable Income**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Profit Before Income Tax Expense | | | 5,788,336 | 5,375,932 | 6,879,378 | 6,429,224 |
| Add: Disallowable expenses | | | 461,050 | 1,302,721 | 957,707 | 1,478,041 |
| Add: Lease capital recoverable | | | 477,026 | 165,688 | 514,617 | 165,688 |
| Less: Allowable expenses | | | 1,538,907 | 1,380,520 | 1,895,007 | 2,013,309 |
| Less: Exempted /allowable income | | | 280,768 | 377,272 | 747,557 | 839,391 |
| Statutory income | | | 4,906,737 | 5,086,549 | 5,709,138 | 5,220,253 |
| Assessable income | | | 4,906,737 | 5,086,549 | 5,709,138 | 5,220,253 |
| Taxable income | | | 4,906,737 | 5,086,549 | 5,709,138 | 5,220,253 |
| Income tax expense at the statutory income | 17.8 | 314 | 1,428,189 | 1,525,924 | 2,008,214 | 1,876,053 |
| (Over)/ under provision- previous years | | | (2,157) | (148,168) | (3,924) | (144,939) |
| Current tax on profits for the year | | | 1,426,032 | 1,377,756 | 2,004,290 | 1,731,114 |
| Deferred tax charged/(reversal) for the year | 44 | 376 | 758,927 | 457,679 | 784,843 | 500,679 |
| Tax expense for the year | | | 2,184,959 | 1,835,435 | 2,789,133 | 2,231,793 |

* 1. **Tax Losses Brought Forward and Utilised during the Year**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |

|  |  |  |
| --- | --- | --- |
| Tax losses brought forward | - - 67,971 | 67,971 |
| Tax losses utilised during the year | - - - | - |
| Tax losses not utilised and carried forward | - - 67,971 | 67,971 |
| **17.8 Income tax expense at the statutory income** | **Company Group** |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| People's Leasing & Finance PLC | 1,428,189 | 1,525,924 | 1,428,189 | 1,525,924 |
| People’s Leasing Fleet Management Limited | - | - | 11,299 | 14,548 |
| People’s Micro-commerce Ltd | - | - | 105,619 | 34,868 |
| People’s Insurance PLC | - | - | 271,938 | 227,776 |
| People’s Leasing Property Development Limited | - | - | 77,547 | 32,716 |
| Alliance Finance PLC | - | - | 113,622 | 40,221 |
| Total income tax at the effective rate | 1,428,189 | 1,525,924 | 2,008,214 | 1,876,053 |

#### INCOME TAX EXPENSE (CONTD...)

**17.9 Summary of the taxes paid during the year**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Direct taxes | 1,685,532 | 1,836,478 | 1,969,527 | 2,142,485 |
| Income tax |
| Value added tax on financial services | 1,769,703 | 1,750,444 | 1,860,309 | 1,805,240 |
| SSCL on financial services | 245,792 | 228,534 | 256,615 | 236,760 |
| Crop insurance levy | 39,326 | 29,752 | 42,361 | 33,791 |
| Total direct taxes | 3,740,353 | 3,845,208 | 4,128,812 | 4,218,276 |
| Indirect taxes (collected and paid) | 375,886 | 290,857 | 1,295,634 | 1,074,467 |
| Value added tax |
| SSCL on other income base | 40,026 | 33,416 | 238,826 | 202,158 |
| Stamp Duty | 538,141 | 296,808 | 547,743 | 305,308 |
| Withholding tax on dividend and interest | 938,353 | 920,867 | 1,005,948 | 971,089 |
| PAYE/APIT | 417,048 | 311,661 | 500,018 | 341,058 |
| Total indirect taxes | 2,309,454 | 1,853,609 | 3,588,169 | 2,894,080 |
| Total taxes paid during the financial year | 6,049,807 | 5,698,817 | 7,716,981 | 7,108,317 |

#### BASIC / DILUTED EARNINGS PER ORDINARY SHARE (EPS)

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year , as per Sri Lanka Accounting Standard - LKAS 33 - Earnings per share.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Profit attributable to equity holders (Rs.) | 3,603,380,844 | 3,540,498,468 | 3,998,786,847 | 3,994,914,903 |
| Number of ordinary shares as at 31st March 2025 | 2,154,375,750 | 2,154,375,750 | 2,154,375,750 | 2,154,375,750 |
| Basic/ Diluted earnings per ordinary share (Rs.) | 1.67 | 1.64 | 1.86 | 1.85 |

# NOTES TO THE FINANCIAL STATEMENTS

#### DIVIDEND PER ORDINARY SHARE

**Company**

|  |  |  |
| --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 |
| Cash dividend Paid (Rs.'000) | 3,016,126 | 1,429,319 |
| Scrip dividend Paid (Rs.'000) | - | 1,429,319 |
| *Total dividend paid (Rs.'000)* | 3,016,126 | 2,858,638 |
| Dividend per Ordinary share (Rs.) | 1.40 | 1.40 |

1. **ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS**

Financial instruments are measured on an ongoing basis either at fair value or at amortised cost. The summary of Material accounting policies describes 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 : Recognition and Measurement’ under the headings of the Statement of Financial Position.

* 1. **Company**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March 2025 |  | Financial instruments recognised at fair value  through profit  or loss (FVTPL) | | Financial instruments at amortised cost (AC) | Financial instruments at fair value through other  comprehensive  income (FVOCI) | Total |
|  | Page |  |  |  |
| Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 22 | 325 | - | 18,696,732 | - | 18,696,732 |
| Balances with banks & financial institutions | 23 | 327 | - | 3,031,551 | - | 3,031,551 |
| Financial assets -Fair value through profit or loss | 24 | 327 | 275,550 | - | - | 275,550 |
| Loans and receivables | 25 | 329 | - | 157,092,387 | - | 157,092,387 |
| Financial assets - Fair Value through other comprehensive income | 27 | 346 | - | - | 1,292,140 | 1,292,140 |
| Debt Instrument at amortised cost | 28 | 347 | - | 5,161,177 | - | 5,161,177 |
| Other financial assets | 31 | 353 | - | 76,511 | - | 76,511 |
| Total financial assets |  |  | 275,550 | 184,058,358 | 1,292,140 | 185,626,048 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 35 | 362 | - | 11,436,573 | - | 11,436,573 |
| Due to customers | 36 | 364 | - | 124,529,684 | - | 124,529,684 |
| Debt securities issued | 37 | 365 | - | 5,014,652 | - | 5,014,652 |
| Other financial liabilities | 38 | 367 | - | 6,415,071 | - | 6,415,071 |
| Lease Liability | 40 | 370 |  | 2,236,091 |  | 2,236,091 |
| Total financial liabilities |  |  | - | 149,632,071 | - | 149,632,071 |

#### 20. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD...)

* 1. **Company**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March 2024 |  | Financial instruments recognised through profit or loss (FVTPL) | | Financial instruments at amortised cost  (AC) | Financial instruments at fair value through other  comprehensive  income (FVOCI) | Total |
|  |  | Page |  |  |  |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 22 | 325 | - | 9,728,132 | - | 9,728,132 |
| Balances with banks & financial institutions | 23 | 327 | - | 14,288,282 | - | 14,288,282 |
| Financial assets -Fair value through profit or loss | 24 | 327 | 1,339,867 | - | - | 1,339,867 |
| Loans and receivables-Amotised Cost | 25 | 329 | - | 103,650,453 | - | 103,650,453 |
| Financial assets - Fair Value through other comprehensive income | 27 | 346 | - | - | 1,158,669 | 1,158,669 |
| Debt Instrument at amortised cost | 28 | 347 | - | 18,372,055 | - | 18,372,055 |
| Other financial assets | 31 | 353 | - | 69,989 | - | 69,989 |
| Total financial assets |  |  | 1,339,867 | 146,108,911 | 1,158,669 | 148,607,447 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 35 | 362 | - | 2,263,494 | - | 2,263,494 |
| Due to customers | 36 | 364 | - | 97,437,726 | - | 97,437,726 |
| Debt securities issued | 37 | 365 | - | 11,032,248 | - | 11,032,248 |
| Other financial liabilities | 38 | 367 | - | 3,188,693 | - | 3,188,693 |
| Lease Liability | 40 | 370 |  | 1,636,537 | - | 1,636,537 |
| Total financial liabilities |  |  | - | 115,558,698 | - | 115,558,698 |

* 1. **Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March 2025 |  |  | Financial instruments recognised at fair value  through profit or loss (FVTPL) | Financial instruments at amortised cost (AC) | Financial instruments at fair value through other  comprehensive  income (FVOCI) | Total |
|  | Page |  |  |
| Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 22 | 325 | - | 19,583,402 | - | 19,583,402 |
| Balances with banks & financial institutions | 23 | 327 | - | 5,694,373 | - | 5,694,373 |
| Financial assets -Fair value through profit or loss | 24 | 327 | 1,290,581 | - | - | 1,290,581 |
| Loans and receivables - Amortised cost | 25 | 329 |  | 170,451,841 | - | 170,451,841 |
| Insurance and reinsurance receivables | 26 | 346 | - | 1,698,354 | - | 1,698,354 |
| Financial assets - Fair Value through other comprehensive income | 27 | 346 | - | - | 1,827,482 | 1,827,482 |
| Debt Instrument at amortised cost | 28 | 347 | - | 11,561,272 | - | 11,561,272 |
| Total financial assets |  |  | 1,290,581 | 208,989,242 | 1,827,482 | 212,107,305 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 35 | 362 | - | 16,828,985 | - | 16,828,985 |
| Due to customers | 36 | 364 | - | 130,068,713 | - | 130,068,713 |
| Debt securities issued | 37 | 365 | - | 5,014,652 | - | 5,014,652 |
| Other financial liabilities | 38 | 367 | - | 8,187,438 | - | 8,187,438 |
| Insurance liabilities and reinsurance payable | 39 | 368 | - | 5,458,788 | - | 5,458,788 |
| Lease liability | 40 | 370 |  | 1,778,792 |  | 1,778,792 |
| Total financial liabilities |  |  | - | 167,337,368 | - | 167,337,368 |

# NOTES TO THE FINANCIAL STATEMENTS

* 1. **Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March 2024 |  | Financial instruments recognised at fair value  through profit  or loss (FVTPL) | | Financial instruments at amortised cost (AC) | Financial instruments at fair value through other  comprehensive  income (FVOCI) | Total |
|  |  | Page |  |  |  |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 22 | 325 | - | 10,636,505 | - | 10,636,505 |
| Balances with banks & financial institutions | 23 | 327 | - | 17,562,955 | - | 17,562,955 |
| Financial assets -Fair value through profit or loss | 24 | 327 | 1,451,613 | - | - | 1,451,613 |
| Loans and receivables - Amortised cost | 25 | 329 | - | 116,919,950 | - | 116,919,950 |
| Insurance and reinsurance receivables | 26 | 346 | - | 1,586,697 | - | 1,586,697 |
| Financial assets - Fair Value through other comprehensive income | 27 | 346 | - | - | 1,720,475 | 1,720,475 |
| Debt Instrument at amortised cost | 28 | 347 | - | 23,826,514 | - | 23,826,514 |
| Total financial assets |  |  | 1,451,613 | 170,532,621 | 1,720,475 | 173,704,709 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 35 | 362 | - | 7,181,365 | - | 7,181,365 |
| Due to customers | 36 | 364 | - | 103,843,054 | - | 103,843,054 |
| Debt securities issued | 37 | 365 | - | 11,032,248 | - | 11,032,248 |
| Other financial liabilities | 38 | 367 | - | 3,926,092 | - | 3,926,092 |
| Lease liability | 40 | 370 | - | 1,554,027 | - | 1,554,027 |
| Insurance liabilities and reinsurance payable | 39 | 368 | - | 5,508,693 | - | 5,508,693 |
| Total financial liabilities |  |  | - | 133,045,479 | - | 133,045,479 |

#### FAIR VALUE OF ASSETS AND LIABILITIES

The following is a description of how fair values are determined for financial and non-financial assets and liabilities that are recorded at fair value using valuation techniques. These incorporate the Group’s/Company’s estimate of assumptions that a market participant would make when valuing the instruments.

**Accounting Policy**

##### Determination of Fair Value and Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities

**Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

**Level 3:** techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

##### Financial assets - Fair Value through other comprehensive income

Financial assets - Fair Value through other comprehensive income valued using valuation techniques or pricing models primarily consist of quoted investment securities. These quoted investment securities are valued using quoted market price in an active market of each securities.

##### Financial assets -Fair value through profit or loss

Financial assets -Fair value through profit or loss valued using valuation techniques primarily consist of quoted investments. These quoted assets are valued using quoted market price in an active market of each securities.

#### 21. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

##### Financial Assets and Liabilities Carried at Amortised Cost

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under level 2 in the fair value hierarchy.

##### Property, Plant and Equipment Disclosed at Fair Value

Freehold land and buildings are disclosed at revalued amount, being their fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

##### Valuation Model

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument’s fair value, with greater weight given to information that is considered to be more relevant and reliable.

##### Valuation Framework

The Company has an established control framework with respect to the measurement of fair values of trading and investment operations and all other significant assets and liabilities. Specific controls include;

0 Periodic (daily, monthly or quarterly) reviewing of fair value measurements against observable market data.

0 Periodic (at least annually) reviewing of fair value measurement models against changes in market conditions, significant judgments and assumptions.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2025 |  | Page | Date of | Level 1 | Level 2 | Level 3 | Total |
| Company | Note | No. | Valuation | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |
| Financial assets - Fair value through other comprehensive income |  |  |  |  |  |  |  |
| Quoted Investments | 27 | 346 | 31.03.2025 | 315,005 | - | - | 315,005 |
| Debentures |  |  | 31.03.2025 | - | 977,135 | - | 977,135 |
| Subtotal |  |  |  | 315,005 | 977,135 | - | 1,292,140 |
| Financial assets -Fair value through profit or loss |  |  |  |  |  |  |  |
| Quoted Investments | 24 | 327 | 31.03.2025 | 275,550 | - | - | 275,550 |
| Investment in Unit Trust | 24 | 327 | 31.03.2025 | - | - | - | - |
| Subtotal |  |  |  | 275,550 | - | - | 275,550 |
| Non financial assets - Investment property |  | | | | | | |
| Land and building | 30 | 351 | 31.03.2025 | - | - | 302,000 | 302,000 |
| Subtotal |  |  |  | - | - | 302,000 | 302,000 |
| Total |  |  |  | 590,555 | 977,135 | 302,000 | 1,869,690 |
| Non financial assets disclosed at fair value |  |  |  |  |  |  |  |
| Freehold land & buildings (included under property, plant & equipment). | 32.4 | 354 |  | - | - | 1,565,514 | 1,565,514 |
| Total |  |  |  | - | - | 1,565,514 | 1,565,514 |

# NOTES TO THE FINANCIAL STATEMENTS

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 31st March 2024 |  | Page | Date of | Level 1 | Level 2 | Level 3 | Total |
| Company | Note | No. | Valuation | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |
| Financial assets - Fair value through other comprehensive income |  |  |  |  |  |  |  |
| Quoted Investments | 27 | 346 | 31.03.2024 | 234,492 | - | - | 234,492 |
| Debentures |  |  | 31.03.2024 | - | 924,177 | - | 924,177 |
| Subtotal |  |  |  | 234,492 | 924,177 | - | 1,158,669 |
| Financial assets -Fair value through profit or loss |  |  |  |  |  |  |  |
| Quoted Investments | 24 | 327 | 31.03.2024 | 280,717 | - | - | 280,717 |
| Investment in Unit Trust | 24 | 327 | 31.03.2024 | - | 1,059,150 | - | 1,059,150 |
| Subtotal |  |  |  | 280,717 | 1,059,150 | - | 1,339,867 |
| Non financial assets - Investment property |  |  |  |  |  |  |  |
| Lands and buildings | 30 | 351 | 31.03.2024 | - | - | 295,465 | 295,465 |
| Subtotal |  |  |  | - | - | 295,465 | 295,465 |
| Total |  |  |  | 515,209 | 1,983,327 | 295,465 | 2,794,001 |
| Non financial assets disclosed at fair value |  |  |  |  |  |  |  |
| Freehold lands & buildings (included under property, plant & equipment). | 32.4 | 358 |  | - | - | 1,243,058 | 1,243,058 |
| Total |  |  |  | - | - | 1,243,058 | 1,243,058 |

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2025 |  | Page | Date of | Level 1 | Level 2 | Level 3 | Total |
| Group | Note | No. | Valuation | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |
| Financial assets - Fair value through other comprehensive income |  |  |  |  |  |  |  |
| Quoted Investments | 27 | 346 | 31.03.2025 | 315,005 | - | - | 315,005 |
| Treasury bills | 27 | 346 | 31.03.2025 | - | 535,342 | - | 535,342 |
| Debentures | 27 | 346 | 31.03.2025 | - | 977,135 | - | 977,135 |
| Subtotal |  |  |  | 315,005 | 1,512,477 | - | 1,827,482 |
| Financial assets -Fair value through profit or loss |  |  |  |  |  |  |  |
| Quoted Investments | 24 | 327 | 31.03.2025 | 334,188 | - | - | 334,188 |
| Investment in Unit Trust | 24 | 327 | 31.03.2025 | - | 956,393 | - | 956,393 |
| Subtotal |  |  |  | 334,188 | 956,393 | - | 1,290,581 |
| Non financial assets - Investment property |  |  |  |  |  |  |  |
| Land and building | 30 | 351 | 31.03.2025 | - | - | 1,375,175 | 1,375,175 |
| Subtotal |  |  |  | - | - | 1,375,175 | 1,375,175 |
| Total |  |  |  | 649,193 | 2,468,870 | 1,375,175 | 4,493,238 |
| Non financial assets disclosed at fair value |  |  |  |  |  |  |  |
| Freehold land & buildings (included under property, plant & equipment). | 32.4 | 358 |  | - | - | 8,665,514 | 8,665,514 |
| Total |  |  |  | - | - | 8,665,514 | 8,665,514 |

#### 21. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2024 |  | Page | Date of | Level 1 | Level 2 | Level 3 | Total |
| Group | Note | No. | Valuation | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |
| Financial assets - Fair value through other comprehensive income |  |  |  |  |  |  |  |
| Quoted Investments | 27 | 346 | 31.03.2024 | 234,492 | - | - | 234,492 |
| Treasury bills | 27 | 346 | 31.03.2024 | - | 561,806 | - | 561,806 |
| Debentures | 27 | 346 | 31.03.2024 | - | 924,177 | - | 924,177 |
| Subtotal |  |  |  | 234,492 | 1,485,983 | - | 1,720,475 |
| Financial assets -Fair value through profit or loss |  |  |  |  |  |  |  |
| Quoted Investments | 24 | 327 | 31.03.2024 | 392,463 | - | - | 392,463 |
| Investment in Unit Trust | 24 | 327 | 31.03.2024 |  | 1,059,150 |  | 1,059,150 |
| Subtotal |  |  |  | 392,463 | 1,059,150 | - | 1,451,613 |
| Non financial assets - Investment property |  |  |  |  |  |  |  |
| Land and building | 30 | 351 | 31.03.2024 | - | - | 1,305,512 | 1,305,512 |
| Subtotal |  |  |  | - | - | 1,305,512 | 1,305,512 |
| Total |  |  |  | 626,955 | 2,545,133 | 1,305,512 | 4,477,600 |
| Non financial assets disclosed at fair value |  |  |  |  |  |  |  |
| Freehold land & buildings (included under property, plant & equipment). | 32.4 | 358 |  | - | - | 7,893,058 | 7,893,058 |
| Total |  |  |  | - | - | 7,893,058 | 7,893,058 |

There were no material transfers between level 1 and level 2 during the 2024/2025 and 2023/2024. Valuation was carried out for lands and buildings by professionally qualified independent valuer in compliance with Sri Lanka Accounting Standard - SLFRS 13 - Fair Value Measurement. Details of qualified independent valuer are given Note 32.4 Page 358.

The following table show total fair value gains/losses recognised in Statement of Profit or Loss during the year relating to assets and liabilities held at the respective year ended.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets | 146,186 | 135,892 | 182,398 | 124,229 |
| Financial assets -Fair value through profit or loss |
| Quoted Investments |
| Total | 146,186 | 135,892 | 182,398 | 124,229 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 21. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

##### Level 3 fair value measurement Reconciliation

The following note shows a reconciliation from the beginning balances to the ending balances of fair value measurements in level 3 of the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** |  |
|  | Note | Page No. | Investment property | Freehold  Land Buildings | Total | Investment property | Freehold  Land Buildings | Total |
|  |  |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1 April 2023 |  |  | 284,961 | 1,243,058 | 1,528,019 | 1,200,317 | 6,227,702 | 7,428,019 |
| Additions |  |  | - | - | - | - | - | - |
| Disposals / transfers |  |  | - | - | - | - | - | - |
| Total gains / (losses) recognised in profit or loss; |  |  |  |  |  |  |  |  |
| Fair value recognised during the year |  |  | 10,504 | - | 10,504 | 105,195 | - | 105,195 |
| Depreciation of buildings |  |  | - | - | - | - | (63,805) | (63,805) |
| Fair value disclosed during the year |  |  | - | - | - | - | 708,610 | 708,610 |
| Balance as at 31 March 2024 | 32.4 | 358 | 295,465 | 1,243,058 | 1,538,523 | 1,305,512 | 6,872,507 | 8,178,019 |
| Balance as at 1 April 2024 | | | 295,465 | 1,243,058 | 1,538,523 | 1,305,512 | 6,872,507 | 8,178,019 |
| Additions | | | - | 322,456 | 322,456 | - | 322,456 | 322,456 |
| Disposals / transfers | | | - | - | - | - | - | - |
| Total gains / (losses) recognised in profit or loss; | | |  | | | | | |
| Fair value recognised during the year | | | 6,535 | - | 6,535 | 69,663 | - | 69,663 |
| Depreciation of buildings | | | - | - | - | - | (63,674) | (63,674) |
| Fair value disclosed during the year | | | - | - | - | - | 444,011 | 444,011 |
| Balance as at 31 March 2025 | 32.4 | 358 | 302,000 | 1,565,514 | 1,867,514 | 1,375,175 | 7,575,300 | 8,950,475 |

#### 21. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

##### Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31st March 2025 and 31st March 2024 in measuring non financial instruments categorised as level 3 in the fair value hierarchy. The Company has disclosed fair value of following non financial assets except investment property which is accounted for fair value in the Financial Statements.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Type of instrument | Date of | Fair value | Valuation | Significant unobservable inputs | Weighted average range of estimates for unobservable inputs | Fair value measurement sensitivity to unobservable inputs |
|  | Valuation | Rs. '000 | Technique |
| Company | |  |  |  |  |  |
| As at 31st March 2025 | |  |  |  |  |  |
| Investment Property | |  |  |  |  |  |
| Freehold lands | 31.03.2025 | 239,017 | MCM | Estimated price per perch | Rs.400,000-8,200,000 | \* |
| Freehold buildings | 31.03.2025 | 62,983 | MCM | Estimated price per sq.ft | Rs.3,500-5,000 | \* |
| Property, plant and equipment | | | | | | |
| Freehold lands | 31.12.2022 | 1,489,514 | MCM | Estimated price per perch | Rs. 60,000 - 6,000,000 | \* |
| Freehold buildings | 31.12.2022 | 76,000 | MCM | Estimated price per sq.ft | Rs. 1,000 - 4,000 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 20 - 60 | \* |
| As at 31st March 2024 |  |  |  |  |  |  |
| Property, plant and equipment |  |  |  |  |  |  |
| Freehold lands | 31.12.2022 | 1,167,058 | MCM | Estimated price per perch | Rs. 60,000 - 6,000,000 | \* |
| Freehold buildings | 31.12.2022 | 76,000 | MCM | Estimated price per sq.ft | Rs. 1,000 - 4,000 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 20 - 60 | \* |
| Group |  |  |  |  |  |  |
| As at 31st March 2025 |  |  |  |  |  |  |
| Investment Property |  |  |  |  |  |  |
| Freehold lands | 31.12.2024 | 370,975 | MCM | Estimated price per perch | Rs. 6,000,000 -  17,500,000 | \* |
| Freehold buildings | 31.12.2024 | 702,200 | MCM | Estimated price per sq.ft | Rs. 17500 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 295 - 357 | \* |
| Property, plant and equipment |  |  |  |  |  |  |
| Freehold lands | 31.12.2024 | 3,958,539 | MCM | Estimated price per perch | Rs. 50,000 - 13,000,000 | \* |
| Freehold buildings | 31.12.2024 | 3,633,800 | MCM | Estimated price per sq.ft | Rs. 500 - 11,000 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 15 - 250 | \* |
| As at 31st March 2024 |  |  |  |  |  |  |
| Investment Property |  |  |  |  |  |  |
| Freehold lands | 31.12.2023 | 343,500 | MCM | Estimated price per perch | Rs. 600,000 - 17,500,000 | \* |
| Freehold buildings | 31.12.2023 | 666,547 | MCM | Estimated price per sq.ft | Rs. 17,500 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 175 - 310 | \* |
| Property, plant and equipment |  |  |  |  |  |  |
| Freehold lands | 31.12.2023 | 3,663,558 | MCM | Estimated price per perch | Rs. 50,000 - 13,000,000 | \* |
| Freehold buildings | 31.12.2023 | 3,219,453 | MCM | Estimated price per sq.ft | Rs. 500 - 11,000 | \* |
|  |  |  | Income basis | Estimated rental value per sq.ft. | Rs. 15 - 250 | \* |

MCM - Market comparable method

\* Significant increases / (decreases) in any of these inputs in isolation would result in a significantly higher / (lower) fair value.

# NOTES TO THE FINANCIAL STATEMENTS

#### 21. FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

* 1. **FAIR VALUE OF ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE**

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

- -

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | | | 2024 | | | | |
| Company | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | 18,696,732 |  | 18,696,732 | 18,696,732 | - | 9,728,132 |  | 9,728,132 | 9,728,132 |
| Balances with banks & financial  institutions | - | 3,646,180 |  | 3,646,180 | 3,031,551 | - | 15,136,114 |  | 15,136,114 | 14,288,282 |
| Loans and receivables (Gross) | - | 166,252,107 |  | 166,252,107 | 163,123,558 | - | 130,253,601 |  | 130,253,601 | 112,505,204 |
| Debt instrument - Amortised cost | - | 4,866,785 |  | 4,866,785 | 5,161,177 | - | 18,463,247 |  | 18,463,247 | 18,372,055 |
| Other financial assets | - | 76,511 |  | 76,511 | 76,511 | - | 69,989 |  | 69,989 | 69,989 |
| Total | - | 193,358,315 |  | 193,358,315 | 190,089,529 | - | 173,651,083 |  | 173,651,083 | 154,963,698 |
| Financial Liabilities |  |  |  |  |  |  |  |  |  |  |
| Due to banks | - | 11,436,573 |  | 11,436,573 | 11,436,573 | - | 2,261,237 |  | 2,261,237 | 2,263,494 |
| Due to customers | - | 124,806,329 |  | 124,806,329 | 124,529,684 | - | 99,373,010 |  | 99,373,010 | 97,437,726 |
| Debt Securities issued | - | 4,866,785 |  | 4,866,785 | 5,014,652 | - | 9,178,853 |  | 9,178,853 | 11,032,248 |
| Other Financial liabilities | - | 6,415,071 |  | 6,415,071 | 6,415,071 | - | 3,188,693 |  | 3,188,693 | 3,188,693 |
| Lease Liabilities | - | 2,273,973 |  | 2,273,973 | 2,236,091 |  | 1,534,352 |  | 1,534,352 | 1,636,537 |
| Total | - | 149,798,731 |  | 149,798,731 | 149,632,071 | - | 115,536,145 |  | 115,536,145 | 115,558,698 |

- -

-

- -

- -

- -

- -

- -

- -

- -

-

- -

- -

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | | | 2024 | | | | |
| Group | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount | Level 1 | Level 2 | Level 3 | Total fair Value | Carrying amount |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | - | 19,583,402 |  | 19,583,402 | 19,583,402 | - | 10,636,505 |  | 10,636,505 | 10,636,505 |
| Balances with banks & financial  institutions | - | 6,410,128 |  | 6,410,128 | 5,694,373 | - | 18,528,137 |  | 18,528,137 | 17,562,955 |
| Loans and receivables (Gross) | - | 178,629,217 |  | 178,629,217 | 177,417,915 | - | 144,313,634 |  | 144,313,634 | 126,632,467 |
| Insurance and reinsurance  receivables | - | 1,698,354 |  | 1,698,354 | 1,698,354 | - | 1,586,697 |  | 1,586,697 | 1,586,697 |
| Debt instrument - Amortised cost | - | 11,839,300 |  | 11,839,300 | 11,561,272 | - | 24,739,582 |  | 24,739,582 | 23,826,514 |
| Total | - | 218,788,476 |  | 218,788,476 | 215,955,316 | - | 199,804,555 |  | 199,804,555 | 180,245,138 |
| Financial Liabilities |  |  |  |  |  |  |  |  |  |  |
| Due to banks | - | 16,825,813 |  | 16,825,813 | 16,828,985 | - | 7,317,086 |  | 7,317,086 | 7,181,365 |
| Due to customers | - | 130,118,804 |  | 130,118,804 | 130,068,713 | - | 105,426,170 |  | 105,426,170 | 103,843,054 |
| Debt Securities issued | - | 4,866,785 |  | 4,866,785 | 5,014,652 | - | 9,178,853 |  | 9,178,853 | 11,032,248 |
| Other Financial liabilities | - | 8,187,438 |  | 8,187,438 | 8,187,438 | - | 3,926,092 |  | 3,926,092 | 3,926,092 |
| Insurance liabilities and  reinsurance payable | - | 5,458,788 |  | 5,458,788 | 5,458,788 | - | 5,508,693 |  | 5,508,693 | 5,508,693 |
| Lease Liabilities |  | 1,816,674 |  | 1,816,674 | 1,778,792 | - | 1,496,451 |  | 1,496,451 | 1,554,027 |
| Total | - | 167,274,302 |  | 167,274,302 | 167,337,368 | - | 132,853,345 |  | 132,853,345 | 133,045,479 |

- -

- -

- -

- -

- -

- -

- -

- -

- -

- -

-

- -

#### FAIR VALUE OF ASSETS AND LIABILITIES (CONTD...)

##### Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The valuation techniques used to establish the Group’s fair values are consistent with those used to calculate the fair values of financial instruments carried at fair value. The fair values calculated are for disclosure purposes only and do not have any impact on the Group’s reported financial performance or position. The fair values calculated by the Group may be different from the actual amount that will be received / paid on the settlement or maturity of the financial instrument. As certain categories of financial instruments are not traded there is a significant level of management judgment involved in calculating the fair values.

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

##### Balances with Banks and Financial Institutions

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

##### Loan and Receivables

The fair value of loans and advances to customers with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of loans and advances with maturity of more than one year represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### Due to Customers

The estimated fair value of deposits with no maturity period (Savings Deposits) is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits (Fixed Deposits) without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar risk and remaining maturity.

##### Due to Banks and Debt Securities Issued

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

The fair value of fixed rate borrowings with a maturity of less than one year generally approximates the carrying value, subject to any significant movement in credit spreads. The estimated fair value of fixed rates borrowing with maturity of more than one year represents the discounted amount of future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

##### Lease Liabilities

Estimated fair value of the lease liability represents the discounted amount of lease payment expected to be paid in the future. Expected cash flows are discounted using incremental borrowing rate at the reporting date.

#### CASH AND CASH EQUIVALENTS

**Accounting Policy**

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They are brought to financial statements at their face values or the gross values, where appropriate. There were no cash and cash equivalent held by the Group companies that were not available for use by the Group.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

**Securities Purchased Under Reverse Repurchase Agreements**

Securities purchased under agreements to re-sell at a specified future date are recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within ‘Cash and cash equivalents’, reflecting the transaction’s economic substance as alone by the Group. The difference between the purchase and resale prices is recorded in ‘Interest income’ and is accrued over the life of the agreement using the EIR.

# NOTES TO THE FINANCIAL STATEMENTS

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash in hand | | | 1,526,684 | 1,174,532 | 1,575,773 | 1,211,180 |
| Balance with banks | 22.1 | 326 | 2,101,182 | 1,368,045 | 2,639,809 | 1,795,308 |
| Savings Account with banks | | | 4,946,197 | 976,423 | 5,064,779 | 1,420,885 |
| Saving deposit in foreign currency | | | 33 | 33 | 33 | 33 |
| Securities under reverse repurchase agreement | | | 10,122,636 | 6,209,099 | 10,303,008 | 6,209,099 |
| Total | | | 18,696,732 | 9,728,132 | 19,583,402 | 10,636,505 |
| Fair value | | | 18,696,732 | 9,728,132 | 19,583,402 | 10,636,505 |

* 1. **Balance with banks**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Local banks | 2,101,182 | 1,368,045 | 2,639,809 | 1,795,308 |
| Total | 2,101,182 | 1,368,045 | 2,639,809 | 1,795,308 |

#### BALANCES WITH BANKS & FINANCIAL INSTITUTIONS

Balances with banks & financial institutions include fixed deposits and deposits in foreign currency. Balances with banks & financial institutions are carried at amortised cost in the Statement of Financial Position.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed deposits | 3,031,551 | 14,288,282 | 5,661,414 | 17,551,790 |
| Local currency |
| Foreign currency | - | - | 32,959 | 11,165 |
| Total | 3,031,551 | 14,288,282 | 5,694,373 | 17,562,955 |
| Fair value | 3,646,180 | 15,136,114 | 6,410,128 | 18,528,137 |

#### FINANCIAL ASSETS -FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies financial assets as financial assets recognised through profit or loss (FATPL) when they have been purchased primarily for short term profit making through trading activities. FATPL are recorded and measured at fair value and changes in fair value are recognised in the Net gains/(losses) on financial assets - FVTPL in the Statement of Profit or Loss.

SLFRS 9 requires financial instruments to be classified based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. FATPL include quoted equity securities that have been acquired principally for short term profit making and are recorded at fair value using the market prices published by the Colombo Stock Exchange.

Further as per SLFRS 9, financial assets recognised through profit or loss includes all financial assets other than those classified under FVOCI and amortised cost.

Dividend income or expense is recorded in ‘Net trading income’ according to the terms of the contract, or when the right to receive the payment has been established.

The Group evaluates its portfolio of assets FVOCI, to determine if the intention to sell them in the near future is still appropriate. When the Group can not sell these financial assets due to inactive markets and the management intention to sell them in the foreseeable future significant changes, the Group may choose to reclassify these financial assets. Financial assets FVOCI measure the fair value using the prices obtained from Colombo Stock Exchanges.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Quoted equity securities | 24.1 | 328 | 275,550 | 280,717 | 334,188 | 392,463 |
| Investment in Unit Trust | 24.3 | 329 | - | 1,059,150 | 956,393 | 1,059,150 |
| Total | | | 275,550 | 1,339,867 | 1,290,581 | 1,451,613 |
| Fair value | | | 275,550 | 1,339,867 | 1,290,581 | 1,451,613 |

# NOTES TO THE FINANCIAL STATEMENTS

#### FINANCIAL ASSETS -FAIR VALUE THROUGH PROFIT OR LOSS (CONTD…)

##### Quoted equity securities

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
|  | No. of Shares | Total Cost | Market Value | No. of Shares | Total Cost | Market Value |
| Company |  | Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. '000 |
| Capital Goods |  |  |  |  |  |  |
| John Keells Holdings PLC | 13,641,080 | 188,294 | 275,550 | 1,364,108 | 188,294 | 264,637 |
| Hemas Holding PLC | - | - | - | 200,000 | 14,157 | 16,080 |
| Sub total |  | 188,294 | 275,550 |  | 202,451 | 280,717 |
|  |  | | |  | | |
| Total |  | 188,294 | 275,550 |  | 202,451 | 280,717 |
| Mark to market gains/(losses) | 87,256 | | | 78,266 | | |
| Market value of equity securities | 275,550 | | | 280,717 | | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
| Group | No. of Shares | Total Cost | Market Value | No. of Shares | Total Cost | Market Value |
| Shares Listed In Sri Lanka |  | Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. '000 |
| Capital Goods |  |  |  |  |  |  |
| John Keells Holdings PLC | 1,364,108 | 188,294 | 275,550 | 1,364,108 | 188,294 | 264,637 |
| Hemas Holding PLC |  | - | - | 200,000 | 14,157 | 16,080 |
| Subtotal |  | 188,294 | 275,550 |  | 202,451 | 280,717 |
| Shares Listed In Bangladesh |  |  |  |  |  |  |
| British American Tobacco Bangladesh | 10,000 | 15,978 | 7,889 | 10,000 | 17,977 | 11,081 |
| Berger Paints Bangladesh Ltd. | - | - | - | 999 | 4,919 | 4,901 |
| Beximco Pharma | 12,000 | 5,742 | 2,900 | 12,000 | 6,459 | 3,833 |
| BRAC Bank Ltd. | - | - | - | 32,250 | 4,094 | 3,558 |
| City Bank Ltd. | - | - | - | 114,750 | 8,005 | 7,274 |
| Dutch Bangla Bank Ltd. | 69,471 | 10,025 | 8,488 | 59,125 | 11,280 | 9,054 |
| Eastern Bank Ltd. | - | - | - | 30,000 | 2,483 | 2,635 |
| Grameenphone Limited | - | - | - | 28,000 | 26,427 | 18,273 |
| Marico Bangladesh Ltd. | 1,452 | 8,605 | 8,627 | 1,000 | 6,805 | 6,710 |
| Reckitt Benckiser | 310 | 3,919 | 2,920 | 310 | 4,411 | 3,988 |
| Global Islami Bank Limited | 455,652 | 10,081 | 4,112 | 433,955 | 11,342 | 9,289 |
| Square Pharmaceuticals Ltd. | 30,000 | 17,298 | 16,105 | 30,000 | 19,464 | 17,923 |
| Summit Power | 150,000 | 17,542 | 5,451 | 150,000 | 19,738 | 9,838 |
| Walton Hi-Tech Industries | 1,900 | 5,120 | 2,146 | 1,900 | 5,754 | 3,389 |
| Subtotal |  | 94,310 | 58,637 |  | 149,158 | 111,746 |
| Total |  | 282,604 | 334,188 |  | 351,609 | 392,463 |
| Mark to market gains/(losses) | 51,584 | | | 40,854 | | |
| Market value of equity securities | 334,188 | | | 392,463 | | |

* 1. **Industry/sector composition of equity securities – Company and Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
| Company | Total Cost | Market Value | Composition | Total Cost | Market Value | Composition |
| Industry/Sector | Rs. '000 | Rs. '000 | % | Rs. '000 | Rs. '000 | % |
| Capital Goods | 188,294 | 275,550 | 100.00% | 202,451 | 280,717 | 100.00% |
| Subtotal | 188,294 | 275,550 | 100.00% | 202,451 | 280,717 | 100.00% |
| Mark to market gains/(losses) | 87,256 | | | 78,266 | | |
| Market value of equity securities | 275,550 | | | 280,717 | | |
| Group |  | | |  | | |
| Capital Goods | 188,294 | 275,550 | 82.45% | 202,451 | 280,717 | 71.53% |
| Shares Listed In Bangladesh | 94,310 | 58,638 | 17.55% | 149,158 | 111,746 | 28.47% |
| Subtotal | 282,604 | 334,188 | 100.00% | 351,609 | 392,463 | 100.00% |
| Mark to market gains/(losses) | 51,584 | | | 40,854 | | |
| Market value of equity securities | 334,188 | | | 392,463 | | |

Sensitivity analysis of financial assets - FVTPL - equity is given in Note 56.4.3. on page no. 415.

* 1. **Investment in Unit Trust**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Company** |  |  | **Group** |  |
| As at 31st March |  | 2025 | 2024 |  | 2025 | 2024 |
|  | No. of Units | Rs. '000 | Rs. '000 | No. of Units | Rs. '000 | Rs. '000 |
| CAL Investment | - | - | 1,059,150 | 22,655 | 824,256 | 1,059,150 |
| NDB Wealth Management | - | - | - | 3,687 | 132,137 | - |
| - | | - | 1,059,150 | | 956,393 | 1,059,150 |

#### LOANS AND RECEIVABLES - AMORTISED COST

**Accounting Policy**

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

0 Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss

0 Those that the Group and Company, upon initial recognition, designates as FVOCI

0 Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

‘Loans and receivables’ are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in ‘Interest income’ in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in ‘impairment charges for loans and receivables and other losses’.

**Leasing**

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

# NOTES TO THE FINANCIAL STATEMENTS

#### 25. LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

##### Group/Company as a Lessee

Leases that do not transfer to the Group/Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

##### Group/Company as a Lessor

Leases where the Group/Company does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### Receivables on Lease, Hire Purchase and Islamic Finance

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognises assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs. The finance income receivable is recognised in “interest income” over the periods of the leases so as to achieve a constant rate of return on the net investment in the leases.

##### ‘Day 1’ Difference for Staff Loans

All staff loans granted at below market interest rates were recognised at fair value. The difference between the fair value and the amount disbursed were treated as ‘day 1’ difference and amortised as staff cost over the loan period by using effective interest rate (EIR). The staff loans were subsequently measured at amortised costs. Refer Note 31.2 on page 353.

##### Renegotiated Loans and Receivables

Where possible, the Group/Company seeks to restructure loans and receivables rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new receivable conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the receivable is no longer considered past due. Management continually reviews renegotiated loans and receivables to ensure that all criteria are met and that future payments are likely to occur. The receivable continue to be subject to any criteria are met and that future payments are likely to occur. The loans and receivables continue to be measured at amortised cost using original EIR and subject to an individual or collective impairment assessment.

##### Impairment allowance for loans and receivable to customers

Details on the impairment allowance for loans and receivable to customers disclosed in the note 25.7 Page 342.

##### 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 impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

##### Written off of loans and receivables

Loans and receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group 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 Company’s procedures for recovery of amounts due.

##### Collateral Valuation

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

The assessed fair value of the immovable properties does not consider for the measurement of regulatory provisions for bad and doubtful debts as per Direction No 01 of 2020 and subsequent amendments thereto issued by CBSL.

##### Collateral Repossessed

Repossessed collateral will not be taken into books of accounts unless the Group has taken those collaterals into its business operations. However such additions from the repossessed collaterals to the business operations are not significant.

##### Non-Accrual Receivables

Interest income recognition stops when receivables are over 90 days past due, involved in legal action, backed by untraceable or unattainable collaterals, or deemed uncollectible. For non-accrual receivables, financing revenue is recognized only when payments are received, with payments applied first to outstanding interest and then to the principal balance.

#### LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Loans and receivables | 25.1.2 | 332 | 163,123,558 | 112,505,240 | 177,417,915 | 126,632,467 |
| (Less): |  |  |  |  |  |  |
| Individual impairment Allowance | 25.7 | 342 | 2,048,292 | 2,260,418 | 2,019,233 | 2,187,210 |
| Collective impairment Allowance | 25.7 | 342 | 3,982,879 | 6,594,369 | 4,946,841 | 7,525,307 |
| Net loans and receivables | | | 157,092,387 | 103,650,453 | 170,451,841 | 116,919,950 |
| Fair value | | | 166,252,107 | 130,253,601 | 178,629,217 | 144,313,634 |

* 1. **Analysis** 25.1.1Analysis by stage wise **Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March 2025 | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Loans and receivables | 143,413,112 | 10,151,081 | 9,559,365 | 163,123,558 |
| (Less): |  |  |  |  |
| Individual impairment Allowance | - | 66,395 | 1,981,897 | 2,048,292 |
| Collective impairment Allowance | 686,434 | 167,389 | 3,129,056 | 3,982,879 |
| Net loans and receivables | 142,726,678 | 9,917,297 | 4,448,412 | 157,092,387 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Loans and receivables | 84,239,819 | 10,439,263 | 17,826,158 | 112,505,240 |
| (Less): |  |  |  |  |
| Individual impairment Allowance | - | 27,335 | 2,233,083 | 2,260,418 |
| Collective impairment Allowance | 315,054 | 213,357 | 6,065,958 | 6,594,369 |
| Net loans and receivables | 83,924,765 | 10,198,571 | 9,527,117 | 103,650,453 |

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March 2025 | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Loans and receivables | 155,321,360 | 12,208,166 | 9,888,389 | 177,417,915 |
| (Less): |  |  |  |  |
| Individual impairment Allowance | - | 66,395 | 1,952,838 | 2,019,233 |
| Collective impairment Allowance | 962,384 | 449,472 | 3,534,985 | 4,946,841 |
| Net loans and receivables | 154,358,975 | 11,692,299 | 4,400,566 | 170,451,841 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March 2024 | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Loans and receivables | 95,124,774 | 12,411,576 | 19,096,116 | 126,632,467 |
| (Less): |  |  |  |  |
| Individual impairment Allowance | - | - | 2,187,210 | 2,187,210 |
| Collective impairment Allowance | 609,726 | 434,107 | 6,481,475 | 7,525,308 |
| Net loans and receivables | 94,515,048 | 11,977,469 | 10,427,431 | 116,919,949 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 25. LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

* + 1. Analysis by product

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| By product |  |  | 90,229,304 | 61,953,264 | 90,229,496 | 61,950,810 |
| Lease/Ijarah receivable | 25.4.1/25.5.1 | 335/337 |
| Hire-Purchase/ Murabah receivable | 25.4.2/25.5.2 | 335/337 | 41,305 | 184,992 | 4,416,698 | 3,020,693 |
| Term Loan and receivables | 25.4.3/25.5.3 | 336/338 | 71,215,899 | 48,977,273 | 82,771,721 | 61,660,964 |
| Related party receivables | 25.2 | 333 | 1,637,050 | 1,389,711 | - | - |
| Gross total | | | 163,123,558 | 112,505,240 | 177,417,915 | 126,632,467 |

* + 1. Analysis by Currency

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Sri Lankan Rupee | 163,123,558 | 112,505,240 | 166,268,536 | 114,047,504 |
| Bangladesh Taka | - | - | 11,149,379 | 12,584,963 |
| Gross total | 163,123,558 | 112,505,240 | 177,417,915 | 126,632,467 |

* + 1. Analysis by Industry

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Agriculture, Forestry & Fishing | 20,271,319 | 24,068,961 | 21,214,126 | 24,631,279 |
| Arts, Entertainment & Recreation | 825,904 | 847,930 | 878,592 | 851,205 |
| Construction & Infrastructure Development | 10,601,352 | 7,357,034 | 11,054,435 | 7,308,784 |
| Consumption | 48,109,047 | 7,297,156 | 48,553,463 | 8,443,036 |
| Education | 2,515,533 | 2,060,396 | 2,579,138 | 2,060,832 |
| Financial Services | 12,117,847 | 7,482,293 | 14,614,966 | 10,357,850 |
| Health Care, Social Services & Support Services | 6,333,545 | 7,001,076 | 8,898,764 | 7,501,618 |
| Information Technology And Communication | 1,060,960 | 1,413,598 | 1,096,380 | 2,556,816 |
| Manufacturing | 7,119,867 | 7,097,228 | 11,143,734 | 12,396,221 |
| Professional, Scientific & Technical Activities | 5,775,752 | 8,989,175 | 6,872,145 | 10,384,508 |
| Tourism | 3,185,110 | 2,478,577 | 3,587,488 | 2,491,645 |
| Transportation & Storage | 24,747,085 | 20,245,475 | 24,921,854 | 20,346,201 |
| Wholesale & Retail Trade | 20,126,980 | 15,198,784 | 21,550,252 | 15,618,303 |
| Other | 333,257 | 967,557 | 452,578 | 1,684,169 |
| Gross total | 163,123,558 | 112,505,240 | 177,417,915 | 126,632,467 |

* 1. **Related Party Receivables**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| People’s Leasing Property Development Limited | 433,894 | 462,396 | - | - |
| People’s Leasing Havelock Properties Limited | 827,798 | 843,719 | - | - |
| People’s Micro-commerce Ltd. | 259,264 | 9,554 | - | - |
| People’s Insurance PLC | 89,833 | 47,532 | - | - |
| Alliance Finance PLC | 26,261 | 26,510 | - | - |
| Total | 1,637,050 | 1,389,711 | - | - |

* 1. **Movement in gross loan and receivables during the year**

**Movement in gross loan and receivables 2024/25 - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross carrying amount as at 1st April 2024 | 84,239,819 | 10,439,263 | 17,826,158 | 112,505,240 |
| New assets originated or purchased | 104,114,534 | 4,253,549 | 1,088,485 | 109,456,568 |
| Assets derecognised or repaid (excluding write offs) | (42,087,373) | (7,030,204) | (7,326,059) | (56,443,636) |
| Transfers to Stage 2 and 3 | (4,344,530) | 3,812,145 | 532,385 | - |
| Transfers to Stage 1 and 3 | 1,159,417 | (1,875,937) | 716,520 | - |
| Transfers to Stage 1 and 2 | 331,245 | 552,265 | (883,510) | - |
| Amounts written off | - | - | (2,394,614) | (2,394,614) |
| Gross carrying amount as at 31st March 2025 | 143,413,112 | 10,151,081 | 9,559,365 | 163,123,558 |

**Movement in gross loan and receivables 2023/24 - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross carrying amount as at 1st April 2023 | 92,643,506 | 14,701,075 | 17,342,620 | 124,687,201 |
| New assets originated or purchased | 37,489,556 | 975,258 | 108,152 | 38,572,966 |
| Assets derecognised or repaid (excluding write offs) | (42,133,378) | (7,305,534) | (1,316,015) | (50,754,927) |
| Transfers to Stage 2 and 3 | (7,175,071) | 5,589,122 | 1,585,949 | - |
| Transfers to Stage 1 and 3 | 2,484,625 | (4,379,148) | 1,894,523 | - |
| Transfers to Stage 1 and 2 | 930,581 | 858,490 | (1,789,071) | - |
| Gross carrying amount as at 31st March 2024 | 84,239,819 | 10,439,263 | 17,826,158 | 112,505,240 |

# NOTES TO THE FINANCIAL STATEMENTS

**Movement in gross loan and receivables 2024/25 - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross carrying amount as at 1st April 2024 | 95,124,775 | 12,411,576 | 19,096,116 | 126,632,467 |
| New assets originated or purchased | 111,992,418 | 4,857,910 | 1,118,941 | 117,969,269 |
| Assets derecognised or repaid (excluding write offs) | (47,215,194) | (7,140,859) | (8,091,007) | (62,447,060) |
| Transfers to Stage 2 and 3 | (4,431,421) | 3,888,388 | 543,033 | - |
| Transfers to Stage 1 and 3 | 1,275,359 | (2,063,531) | 788,172 | - |
| Transfers to Stage 1 and 2 | 364,370 | 607,492 | (971,862) | - |
| Amounts written off |  |  | (2,394,614) | (2,394,614) |
| Foreign exchange adjustments | (1,788,947) | (352,810) | (200,390) | (2,342,147) |
| Gross carrying amount as at 31st March 2025 | 155,321,360 | 12,208,166 | 9,888,389 | 177,417,915 |

**Movement in gross loan and receivables 2023/24 - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross carrying amount as at 1st April 2023 | 100,865,905 | 17,257,359 | 18,762,110 | 136,885,374 |
| New assets originated or purchased | 42,673,551 | 1,462,666 | 129,929 | 44,266,146 |
| Assets derecognised or repaid (excluding write offs) | (43,713,985) | (7,981,447) | (1,414,388) | (53,109,820) |
| Transfers to Stage 2 and 3 | (7,318,572) | 5,700,904 | 1,617,668 | - |
| Transfers to Stage 1 and 3 | 2,733,088 | (4,817,063) | 2,083,975 | - |
| Transfers to Stage 1 and 2 | 1,023,639 | 944,339 | (1,967,978) | - |
| Foreign exchange adjustments | (1,138,851) | (155,182) | (115,200) | (1,409,233) |
| Gross carrying amount as at 31st March 2024 | 95,124,774 | 12,411,576 | 19,096,116 | 126,632,467 |

* 1. **Remaining Contractual Maturity Analysis -Company**
     1. Lease/Ijarah receivable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross rentals receivable | 47,021,516 | 69,842,544 | 94,314 | 116,958,374 | 37,665,486 | 41,791,184 | 14,207 | 79,470,877 |
| Less: Unearned income | 13,207,498 | 13,512,601 | 7,143 | 26,727,242 | 9,353,538 | 8,163,090 | 296 | 17,516,924 |
| Net rentals receivable | 33,814,018 | 56,329,943 | 87,171 | 90,231,132 | 28,311,948 | 33,628,094 | 13,911 | 61,953,953 |
| Less : Rentals received in advance | 425 | | | | 688 | | | |
| Lease/Ijarah receivable before impairment provision | 90,230,707 | | | | 61,953,265 | | | |
| Less : Allowance for impairment losses |  | | | |  | | | |
| Individual Impairment |
| Stage 1 | - | | | | - | | | |
| Stage 2 | 1,403 | | | | - | | | |
| Stage 3 | 25,999 | | | | - | | | |
| Total individual impairment | 27,402 | | | | - | | | |
| Collective Impairment | 333,663 | | | | 231,521 | | | |
| Stage 1 |
| Stage 2 | 122,845 | | | | 159,977 | | | |
| Stage 3 | 1,239,526 | | | | 2,175,315 | | | |
| Total collective impairment | 1,696,034 | | | | 2,566,813 | | | |
| Total net rentals receivable | 33,814,018 | 56,329,943 | 87,171 | 88,507,271 | 28,311,948 | 33,628,094 | 13,911 | 59,386,452 |

* + 1. Hire-Purchase/ Murabah receivable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross rentals receivable | 43,857 | 2,036 | - | 45,893 | 196,280 | 2,516 | - | 198,796 |
| Less: Unearned income | 4,573 | 16 | - | 4,589 | 13,591 | 38 | - | 13,629 |
| Net rentals receivable | 39,284 | 2,020 | - | 41,304 | 182,689 | 2,478 | - | 185,167 |
| Less : Rentals received in advance | - | | | | 174 | | | |
| Hire-Purchase/ Murabah receivable before impairment provision | 41,304 | | | | 184,993 | | | |
| Less : Allowance for impairment losses | - | | | |  | | | |
| Individual Impairment |
| Stage 1 | - | | | | - | | | |
| Stage 2 | - | | | | - | | | |
| Stage 3 | - | | | | - | | | |
| Total individual impairment | - | | | | - | | | |
| Collective Impairment | 1,171 | | | | 1,145 | | | |
| Stage 1 |
| Stage 2 | - | | | | - | | | |
| Stage 3 | 36,787 | | | | 180,808 | | | |
| Total collective impairment | 37,958 | | | | 181,953 | | | |
| Total net rentals receivable | 39,284 | 2,020 | - | 3,346 | 182,689 | 2,478 | - | 3,040 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 25. LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

* + 1. Term Loan and receivables

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Motor Loans | 6,701,740 | 10,401,573 | 18,797 | 17,122,110 | 7,501,218 | 7,746,909 | 1,784 | 15,249,911 |
| Short and medium loans | 3,185,929 | 3,538,391 | 37,078 | 6,761,398 | 4,502,741 | 1,929,926 | 7,196 | 6,439,863 |
| Clean Basis Loan | 236,012 | 6,686 | - | 242,698 | 821,567 | 15,511 | - | 837,078 |
| Self E Cash Loan | 2,584,609 | 1,167,139 | - | 3,751,748 | 3,564,760 | 1,161,484 | - | 4,726,244 |
| Fast Track Loan | 5,544,909 | 3,027,066 |  | 8,571,975 | 1,033,287 | 245,514 | - | 1,278,801 |
| Trading Murabah | 85,412 | 15,616 | - | 101,028 | 209,839 | 23,017 | - | 232,856 |
| Musharakah | 1,020,471 | 1,513,267 | 55,118 | 2,588,856 | 742,240 | 712,869 | - | 1,455,109 |
| Gold Loan | 20,286,342 | - | - | 20,286,342 | 10,957,789 | - | - | 10,957,789 |
| Factoring receivable | 1,120,919 | - | - | 1,120,919 | 1,122,792 | - | - | 1,122,792 |
| Margin trading | 9,650,568 | - | - | 9,650,568 | 5,714,267 | - | - | 5,714,267 |
| Staff loans | 321,842 | 448,355 | 165,581 | 935,778 | 200,464 | 577,107 | 54,890 | 832,461 |
| Sundry loans | 82,001 | 506 | - | 82,507 | 126,141 | 4,143 | - | 130,284 |
| Less ; Prepaid Rentals | (28) | - | - | (28) | (181) | - | - | (181) |
| Loan receivable before impairment provision | 50,820,725 | 20,118,599 | 276,574 | 71,215,899 | 36,496,924 | 12,416,480 | 63,870 | 48,977,274 |
| Less : Allowance for impairment losses |  | | | |  | | | |
| Individual Impairment |
| Stage 1 | - | | | | - | | | |
| Stage 2 | 64,992 | | | | - | | | |
| Stage 3 | 1,926,839 | | | | 2,187,210 | | | |
| Total individual impairment | 1,991,831 | | | | 2,187,210 | | | |
| Collective Impairment |  | | | |  | | | |
| Stage 1 | 317,512 | | | | 82,388 | | | |
| Stage 2 | 45,947 | | | | 53,380 | | | |
| Stage 3 | 1,852,743 | | | | 3,709,835 | | | |
| Total collective impairment | 2,216,202 | | | | 3,845,603 | | | |
| Total net rentals receivable | 50,820,725 | 20,118,599 | 276,574 | 67,007,866 | 36,496,924 | 12,416,480 | 63,870 | 42,944,461 |

##### Remaining Contractual Maturity Analysis -Group

* + 1. Lease/Ijarah receivable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross rentals receivable | 47,021,708 | 69,842,544 | 94,314 | 116,958,566 | 37,662,701 | 41,791,183 | 14,208 | 79,468,092 |
| Less: Unearned income | 13,207,498 | 13,512,601 | 7,143 | 26,727,242 | 9,353,207 | 8,163,090 | 296 | 17,516,593 |
| Net rentals receivable | 33,814,210 | 56,329,943 | 87,171 | 90,231,324 | 28,309,494 | 33,628,093 | 13,912 | 61,951,499 |
| Less : Rentals received in advance | 425 | | | | 688 | | | |
| Lease/Ijarah receivable before impairment provision | 90,230,899 | | | | 61,950,811 | | | |
| Less : Allowance for impairment losses |  | | | |  | | | |
| Individual Impairment |
| Stage 1 | - | | | | - | | | |
| Stage 2 | 1,403 | | | | - | | | |
| Stage 3 | 25,999 | | | | - | | | |
| Total individual impairment | 27,402 | | | | - | | | |
| Collective Impairment | 333,663 | | | | 231,521 | | | |
| Stage 1 |
| Stage 2 | 122,845 | | | | 159,977 | | | |
| Stage 3 | 1,239,526 | | | | 2,175,316 | | | |
| Total collective impairment | 1,696,034 | | | | 2,566,814 | | | |
| Total net rentals receivable | 33,814,210 | 56,329,943 | 87,171 | 88,507,463 | 28,309,494 | 33,628,093 | 13,912 | 59,383,997 |

* + 1. Hire-Purchase/ Murabah receivable

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Gross rentals receivable | 2,791,261 | 3,384,850 | - | 6,176,111 | 2,159,024 | 1,982,320 | - | 4,141,344 |
| Less: Unearned income | 985,400 | 774,013 | - | 1,759,413 | 614,308 | 506,168 | - | 1,120,476 |
| Net rentals receivable | 1,805,861 | 2,610,837 | - | 4,416,698 | 1,544,716 | 1,476,152 | - | 3,020,868 |
| Less : Rentals received in advance | - | | | | 174 | | | |
| Hire-Purchase/ Murabah receivable before impairment provision | 4,416,698 | | | | 3,020,694 | | | |
| Less : Allowance for impairment losses |  | | | |  | | | |
| Individual Impairment |
| Stage 1 | - | | | | - | | | |
| Stage 2 | - | | | | - | | | |
| Stage 3 | - | | | | - | | | |
| Total individual impairment | - | | | | - | | | |
| Collective Impairment | 54,409 | | | | 28,015 | | | |
| Stage 1 |
| Stage 2 | 19,784 | | | | 40,286 | | | |
| Stage 3 | 168,104 | | | | 308,762 | | | |
| Total collective impairment | 242,297 | | | | 377,063 | | | |
| Total net rentals receivable | 1,805,861 | 2,610,837 | - | 4,174,401 | 1,544,716 | 1,476,152 | - | 2,643,631 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 25. LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

* + 1. Term Loan and receivables

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 | |  |  | 2024 | |  |
| Within one  year | 1-5 years | Over 5 years | Total | Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Motor Loans | 6,701,740 | 10,401,573 | 18,797 | 17,122,110 | 7,501,218 | 7,746,909 | 1,784 | 15,249,911 |
| Short and medium loans | 8,520,317 | 7,865,134 | 1,749,202 | 18,134,653 | 10,809,630 | 6,227,625 | 1,983,669 | 19,020,924 |
| Clean Basis Loan | 236,012 | 6,686 | - | 242,698 | 821,567 | 15,511 | - | 837,078 |
| Self E Cash Loan | 2,584,609 | 1,167,139 | - | 3,751,748 | 3,564,760 | 1,161,484 | - | 4,726,244 |
| Fast Track Loan | 5,544,909 | 3,027,066 | - | 8,571,975 | 1,033,287 | 245,514 | - | 1,278,801 |
| Trading Murabah | 85,412 | 15,616 | - | 101,028 | 209,839 | 23,017 | - | 232,856 |
| Musharakah | 1,020,471 | 1,513,267 | 55,118 | 2,588,856 | 742,240 | 712,869 | - | 1,455,109 |
| Gold Loan | 20,286,342 | - | - | 20,286,342 | 10,957,789 | - | - | 10,957,789 |
| Factoring receivable | 1,120,919 | - | - | 1,120,919 | 1,122,792 | - | - | 1,122,792 |
| Margin trading | 9,650,568 | - | - | 9,650,568 | 5,714,267 | - | - | 5,714,267 |
| Staff loans | 382,258 | 537,368 | 198,718 | 1,118,345 | 224,357 | 637,140 | 73,593 | 935,090 |
| Sundry loans | 82,001 | 506 | - | 82,507 | 126,141 | 4,143 | - | 130,284 |
| Less :Prepaid Rentals | (28) | - | - | (28) | (181) | - | - | (181) |
| Loan receivable before impairment provision | 56,215,530 | 24,534,355 | 2,021,835 | 82,771,721 | 42,827,706 | 16,774,212 | 2,059,046 | 61,660,964 |
| Less : Allowance for impairment losses |  | | | |  | | | |
| Individual Impairment |  | | | |  | | | |
| Stage 1 | - | | | | - | | | |
| Stage 2 | 64,992 | | | | - | | | |
| Stage 3 | 1,926,839 | | | | 2,187,210 | | | |
| Total individual impairment | 1,991,831 | | | | 2,187,210 | | | |
| Collective Impairment |  | | | |  | | | |
| Stage 1 | 574,312 | | | | 350,190 | | | |
| Stage 2 | 308,246 | | | | 233,844 | | | |
| Stage 3 | 2,127,355 | | | | 3,997,397 | | | |
| Total collective impairment | 3,009,913 | | | | 4,581,431 | | | |
| Total net rentals receivable | 56,215,529 | 24,534,355 | 2,021,835 | 77,769,977 | 42,827,706 | 16,774,212 | 2,059,046 | 54,892,323 |

##### Impairment Allowance for Loans and Receivables

**Accounting Policy**

The Group recognises impairment (Expected Credit Loss) on Loan and Receivables in accordance with SLFRS 9 - Financial Instruments.

##### Allowance for Expected Credit Loss

The Group records an allowance for Expected Credit Loss (ECL) for all loans and receivables and other financial assets without held at Fair Value through Profit or Loss (FVPL), including loan commitments, financial guarantee contracts, and letters of credit, collectively referred to as “financial instruments.” Equity instruments are not subject to impairment under SLFRS 9.

The Expected Credit Loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset [Life Time Expected Credit Loss (LTECL)] when there is a significant increase in credit risk since origination. In all other instances, ECL is based on the 12-month ECL (12mECL). The Group’s policies for determining if there has been a significant increase in credit risk are detailed in the relevant company policy documents.

The 12-month ECL represents the portion of lifetime ECLs that results from default events on financial instruments possible within 12 months after the reporting date.

Both lifetime ECLs and 12-month ECLs are calculated either on an individual basis or a collective basis, based on a predetermined threshold of customer exposures. If a particular loan is credit impaired under individual impairment (Explained in Note 56.2.2), the amount of loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows. If an individually assessed asset is determined not to be credit impaired under individual impairment, such financial assets are then collectively assessed for impairment along with other portfolios having similar risk characteristics under collective impairment. The Group’s policy for grouping financial assets measured on a collective basis is explained in the relevant company policy documents.

In accordance with SLFRS 9, the Group adopts a three-stage model for impairment based on changes in credit quality since initial recognition.

Stage 1: Initial Recognition and Performing Assets

A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their Expected Credit Loss (ECL) measured at an amount equal to the portion of Lifetime Expected Credit Loss (LTECL) resulting from default events possible within the next 12 months (12mECL). This stage also includes financial assets for which the credit risk has improved and have been reclassified from Stage 2 and Stage 3.

Stage 2: Significant Increase in Credit Risk (SICR)

A financial asset is moved to Stage 2 if a Significant Increase in Credit Risk (SICR) since origination is identified. In this stage, the Group records an allowance for LTECL. This reflects the credit losses expected to arise over the life of the asset, considering all possible default events. Stage 2 also includes financial assets for which the credit risk has improved and have been reclassified from Stage 3.

Stage 3: Credit-Impaired Assets

If a financial asset is credit-impaired, it is moved to Stage 3. In this stage, the Group recognizes an allowance for LTECL, with the probability of default set at 100%. This reflects the full extent of expected credit losses due to impairment. Credit impairment is identified based on criteria outlined in the relevant policy documents.

### Significant Increase in Credit Risk

When determining whether the risk of default on financial instruments has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without incurring excessive cost or effort. This evaluation includes both quantitative and qualitative analyses based on the Group’s historical experience, expert credit assessment, and forward-looking information.

The Group considers a financial exposure to have significantly increased credit risk when contractual payments are more than 30 days past due, in accordance with the rebuttable presumption in SLFRS 9. Additionally, other factors such as changes in economic conditions, the creditworthiness of counterparties, and adverse changes in industry outlooks are also taken into account.

# NOTES TO THE FINANCIAL STATEMENTS

#### LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

##### Impairment Allowance for Loans and Receivable to Customers (Contd…)

**Calculation of Expected Credit Loss (ECL)**

The Group calculates Expected Credit Losses (ECLs) using a three-stage approach to measure the expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR). A cash shortfall is defined as the difference between the cash flows due to the entity in accordance with the contract and the cash flows the entity expects to receive.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate, is performed on an individual basis or a collective basis according to the Group’s impairment policy. Collective assessments are conducted separately for portfolios of facilities with similar credit risk characteristics.

The mechanics of ECL calculations are outlined below, with key elements under collective impairment assessment, such as Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), explained as follows:

##### Probability of Default (PD)

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may occur at a specific time during the assessed period if the facility has not been previously derecognised and remains in the portfolio.

##### Exposure at Default (EAD)

The Exposure at Default (EAD) 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, and expected drawdowns on committed facilities. To calculate EAD for a Stage 1 loan, the Group assesses possible default events within 12 months. For all other loans, EAD is considered for default events over the lifetime of the financial instruments.

##### Loss Given Default (LGD)

The Loss Given Default (LGD) is an estimate of the loss arising in the event of a default at a given time. It is based on the difference between the contractual cash flows due and those the lender expects to receive, including from the realization of any collateral. LGD is calculated on a discounted cash flow basis using EIR as the discounting factor and is usually expressed as a percentage of the EAD.

These parameters are generally derived from internally developed statistical models and historical data, adjusted to reflect forward-looking information.

##### Forward-Looking Information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. When estimating ECLs, the Group considers three economic scenarios: base case, best case, and worst case. Quantitative economic factors are based on economic data and forecasts published by CBSL and other reliable sources.

In its ECL models, the Group relies on a broad range of forward-looking information, such as:

Quantitative factors: GDP growth, unemployment rate, rate of inflation, interest rate, and exchange rate.

Qualitative factors: government policies, Status of the Industry Business and Regulatory Impact .

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements.

##### Revolving Facilities

The Company offers revolving facilities, such as Fast Track, and calculates only the 12-month Expected Credit Loss (12mECL) allowance on these facilities. The Exposure at Default (EAD) is determined by taking the higher of either the sanctioned limit adjusted for the Credit Conversion Factor (CCF) or the gross carrying amount of the loan (utilised amount).

For Stage 3 contracts, the EAD is limited to the gross carrying amount, which is the utilised amount, as the Group freezes the limits of these contracts up to the utilised amount. The expected 12-month default probabilities are then applied to the EAD, multiplied by the expected Loss Given Default (LGD), and discounted using an approximation to the original Effective Interest Rate (EIR).

##### Movement in Individual and collective impairment charges during the year

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Lease | Hire Purchase | Ijarah | Term Loans | Re-finance  loans | Related Party Loans | Murabah | Trading Murabah | Factoring | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| At 1st April 2023 | 3,528,919 | 184,293 | 92,203 | 4,942,811 | 49,497 | - | 4,228 | 196,978 | 1,410,327 | 10,409,256 |
| Charge/(Reversal) for the year | (1,028,832) | (5,423) | (25,477) | (280,156) | (2,007) | 73,208 | (1,145) | 27,144 | (311,781) | (1,554,469) |
| At 31st March 2024 | 2,500,087 | 178,870 | 66,726 | 4,662,655 | 47,490 | 73,208 | 3,083 | 224,122 | 1,098,546 | 8,854,787 |
| Individual impairment |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | - | - | - | - | - |  | - | - | - | - |
| Stage 2 | - | - | - | - | - | 27,335 | - | - | - | 27,335 |
| Stage 3 | - | - | - | 1,071,777 | 16,887 | 45,873 |  | - | 1,098,546 | 2,233,083 |
| Total Individual impairment | - | - | - | 1,071,777 | 16,887 | 73,208 | - | - | 1,098,546 | 2,260,418 |
| Collective impairment |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | 221,584 | 1,075 | 9,937 | 57,548 | - | - | 70 | 24,840 | - | 315,054 |
| Stage 2 | 155,470 | - | 4,507 | 53,380 | - | - | - | - | - | 213,357 |
| Stage 3 | 2,123,033 | 177,795 | 52,282 | 3,479,950 | 30,603 | - | 3,013 | 199,282 | - | 6,065,958 |
| Total Collective impairment | 2,500,087 | 178,870 | 66,726 | 3,590,878 | 30,603 | - | 3,083 | 224,122 | - | 6,594,369 |
| Total | 2,500,087 | 178,870 | 66,726 | 4,662,655 | 47,490 | 73,208 | 3,083 | 224,122 | 1,098,546 | 8,854,787 |

) )

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Lease | Hire Purchase |  | Ijarah |  | Term Loans | Re-finance  loans |  | Related Party Loans |  | Murabah |  | Trading Murabah |  | Factoring | Total |
| Rs. '000 | Rs. '000 |  | Rs. '000 |  | Rs. '000 | Rs. '000 |  | Rs. ‘000 |  | Rs. '000 |  | Rs. '000 |  | Rs. '000 | Rs. '000 |
| At 1st April 2024 | 2,500,087 | 178,870 |  | 66,726 |  | 4,662,655 | 47,490 |  | 73,208 |  | 3,083 |  | 224,122 |  | 1,098,546 | 8,854,787 |
| Charge/(Reversal) for the year | (86,754) | (20,121) |  | (3,902 |  | (283,274) | (32,193 | ) | (10,061 | ) | (196 | ) | (14,874 |  | 22,373 | (429,002) |
| Amounts written off | (737,136) | (121,827 | ) | (16,988 |  | (1,387,026) | (12,693 | ) |  |  | (1,851 | ) | (117,093 |  | - | (2,394,614) |
| At 31st March 2025 | 1,676,197 | 36,922 |  | 45,836 |  | 2,992,355 | 2,604 |  | 63,147 |  | 1,036 |  | 92,155 |  | 1,120,919 | 6,031,171 |
| Individual impairment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stage 1 |  | - |  | - |  |  | - |  | - |  | - |  | - |  | - | - |
| Stage 2 | 1,403 | - |  | - |  | 64,992 | - |  | - |  | - |  | - |  | - | 66,395 |
| Stage 3 | 25,999 | - |  | - |  | 799,955 | 2,409 |  | 29,059 |  |  |  | 3,556 |  | 1,120,919 | 1,981,897 |
| Total Individual impairment | 27,402 | - |  | - |  | 864,947 | 2,409 |  | 29,059 |  | - |  | 3,556 |  | 1,120,919 | 2,048,292 |
| Collective impairment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | 319,645 | 1,101 |  | 14,018 |  | 315,938 | - |  | 34,088 |  | 70 |  | 1,574 |  | - | 686,434 |
| Stage 2 | 115,919 | - |  | 5,523 |  | 43,202 | - |  | - |  | - |  | 2,745 |  | - | 167,389 |
| Stage 3 | 1,213,231 | 35,821 |  | 26,295 |  | 1,768,268 | 195 |  | - |  | 966 |  | 84,280 |  | - | 3,129,056 |
| Total Collective impairment | 1,648,795 | 36,922 |  | 45,836 |  | 2,127,408 | 195 |  | 34,088 |  | 1,036 |  | 88,599 |  | - | 3,982,879 |
| Total | 1,676,197 | 36,922 |  | 45,836 |  | 2,992,355 | 2,604 |  | 63,147 |  | 1,036 |  | 92,155 |  | 1,120,919 | 6,031,171 |

) )

# NOTES TO THE FINANCIAL STATEMENTS

##### Movement in Individual and collective impairment charges during the year

A reconciliation of the allowance for impairment losses for loans and receivables, by class, is as follows:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Lease | Hire Purchase | Ijarah | Term Loans | Re-finance  loans | Related Party Loans | Murabah | Trading Murabah | Factoring | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| At 1st April 2023 | 3,528,919 | 500,706 | 92,203 | 5,724,612 | 49,497 | - | 4,228 | 196,978 | 1,410,327 | 11,507,470 |
| Charge/(Reversal) for the year | (1,028,832) | (126,726) | (25,477) | (274,449) | (2,007) | - | (1,145) | 27,144 | (311,781) | (1,743,273) |
| Exchange rate variance | - | - | - | (51,680) | - | - | - | - | - | (51,680) |
| At 31st March 2024 | 2,500,087 | 373,980 | 66,726 | 5,398,483 | 47,490 | - | 3,083 | 224,122 | 1,098,546 | 9,712,517 |
| Individual impairment |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | - | - | - | - | - | - | - | - | - | - |
| Stage 2 | - | - | - | - | - | - | - | - | - | - |
| Stage 3 | - | - | - | 1,071,777 | 16,887 | - | - | - | 1,098,546 | 2,187,210 |
| Total Individual impairment | - | - | - | 1,071,777 | 16,887 | - | - | - | 1,098,546 | 2,187,210 |
| Collective impairment |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | 221,584 | 27,945 | 9,937 | 325,350 | - | - | 70 | 24,840 | - | 609,726 |
| Stage 2 | 155,470 | 40,286 | 4,507 | 233,844 | - | - | - | - | - | 434,107 |
| Stage 3 | 2,123,034 | 305,749 | 52,282 | 3,767,512 | 30,603 | - | 3,013 | 199,282 | - | 6,481,475 |
| Total Collective impairment | 2,500,088 | 373,980 | 66,726 | 4,326,706 | 30,603 | - | 3,083 | 224,122 | - | 7,525,307 |
| Total | 2,500,088 | 373,980 | 66,726 | 5,398,483 | 47,490 | - | 3,083 | 224,122 | 1,098,546 | 9,712,517 |

-

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Lease | Hire Purchase |  | Ijarah | Term Loans |  | Re-finance  loans | Related Party Loans | Murabah |  | Trading Murabah |  | Factoring | Total |
| Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. ‘000 | Rs. '000 |  | Rs. '000 |  | Rs. '000 | Rs. '000 |
| At 1st April 2024 | 2,500,087 | 373,980 |  | 66,726 | 5,398,483 |  | 47,490 |  | 3,083 |  | 224,122 |  | 1,098,546 | 9,712,517 |
| Charge/(Reversal) for the year | (86,754) | (10,892 | ) | (3,902) | (263,274) |  | (32,193) |  | (196 | ) | (14,874 |  | 22,373 | (389,712) |
| Amounts written off | (737,136) | (121,827 | ) | (16,988) | (1,387,026 |  | (12,693) |  | (1,851 | ) | (117,093 |  | - | (2,394,614) |
| Exchange rate variance | - | - |  | - | 37,883 |  | - |  | - |  | - |  | - | 37,883 |
| At 31st March 2025 | 1,676,197 | 241,261 |  | 45,836 | 3,786,066 |  | 2,604 |  | 1,036 |  | 92,155 |  | 1,120,919 | 6,966,074 |
| Individual impairment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | - | - |  | - | - |  | - |  | - |  | - |  | - | - |
| Stage 2 | 1,403 | - |  | - | 64,992 |  | - |  | - |  | - |  | - | 66,395 |
| Stage 3 | 25,999 | - |  | - | 799,955 |  | 2,409 |  | - |  | 3,556 |  | 1,120,919 | 1,952,838 |
| Total Individual impairment | 27,402 | - |  | - | 864,947 |  | 2,409 |  | - |  | 3,556 |  | 1,120,919 | 2,019,233 |
| Collective impairment |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Stage 1 | 319,645 | 54,339 |  | 14,018 | 572,738 |  | - |  | 70 |  | 1,574 |  | - | 962,384 |
| Stage 2 | 115,919 | 19,784 |  | 5,523 | 305,501 |  | - |  | - |  | 2,745 |  | - | 449,472 |
| Stage 3 | 1,213,231 | 167,138 |  | 26,295 | 2,042,880 |  | 195 |  | 966 |  | 84,280 |  | - | 3,534,985 |
| Total Collective impairment | 1,648,795 | 241,261 |  | 45,836 | 2,921,119 |  | 195 |  | 1,036 |  | 88,599 |  | - | 4,946,841 |
| Total | 1,676,197 | 241,261 |  | 45,836 | 3,786,066 |  | 2,604 |  | 1,036 |  | 92,155 |  | 1,120,919 | 6,966,074 |

- )

) )

-

-

-

-

-

-

-

-

-

-

-

* 1. **Movement in provision for impairment during the year**

**Movement in impairment 2024/25 - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ECL allowance as at 1st April 2024 under SLFRS 9 | 342,389 | 213,357 | 8,299,041 | 8,854,787 |
| New assets originated or purchased | 564,005 | 85,007 | 307,536 | 956,548 |
| Assets derecognised or repaid (excluding write offs) | (341,817) | (197,262) | (601,297) | (1,140,376) |
| Transfers to Stage 2 and 3 | (138,639) | 53,067 | 85,572 | - |
| Transfers to Stage 1 and 3 | 5,307 | (92,612) | 87,305 | - |
| Transfers to Stage 1 and 2 | 3,235 | 74,247 | (77,482) | - |
| Impact on year end ECL of exposures transferred between stages during the year | 52,341 | 68,232 | (616,667) | (496,094) |
| Changes to contractual cash flows due to modifications not resulting in derecognition |  |  | - | - |
| Changes to models and inputs used for ECL calculations | 199,613 | 29,748 | 21,559 | 250,920 |
| Amounts written off | - | - | (2,394,614) | (2,394,614) |
| Balance as at 31st March 2025 | 686,434 | 233,784 | 5,110,953 | 6,031,171 |

**Movement in impairment 2023/24 - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ECL allowance as at 1st April 2023 under SLFRS 9 | 908,537 | 823,233 | 8,677,486 | 10,409,256 |
| New assets originated or purchased | 124,238 | 16,890 | 13,209 | 154,337 |
| Assets derecognised or repaid (excluding write offs) | (752,469) | (532,260) | (207,637) | (1,492,366) |
| Transfers to Stage 2 and 3 | (395,514) | 103,481 | 292,033 | - |
| Transfers to Stage 1 and 3 | 23,800 | (352,159) | 328,359 | - |
| Transfers to Stage 1 and 2 | 15,274 | 24,783 | (40,057) | - |
| Impact on year end ECL of exposures transferred between stages during the year | 434,676 | 152,962 | (703,029) | (115,391) |
| Changes to models and inputs used for ECL calculations | (16,153) | (23,573) | (61,323) | (101,049) |
| Balance as at 31st March 2024 | 342,389 | 213,357 | 8,299,041 | 8,854,787 |

# NOTES TO THE FINANCIAL STATEMENTS

#### LOANS AND RECEIVABLES - AMORTISED COST (CONTD…)

**Movement in impairment 2024/25 - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | Stage 1 | Stage 2 | Stage 3 | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ECL allowance as at 1st April 2024 under SLFRS 9 | 609,726 | 434,107 | 8,668,685 | 9,712,517 |
| New assets originated or purchased | 757,265 | 170,889 | 317,999 | 1,246,152 |
| Assets derecognised or repaid (excluding write offs) | (277,542) | (319,397) | (622,541) | (1,219,480) |
| Transfers to Stage 2 and 3 | (351,412) | 264,128 | 87,284 | (1) |
| Transfers to Stage 1 and 3 | 5,838 | (161,873) | 156,035 | 1 |
| Transfers to Stage 1 and 2 | 3,559 | 81,671 | (85,230) | 1 |
| Impact on year end ECL of exposures transferred between stages during the year | 54,959 | 70,279 | (604,334) | (479,096) |
| Changes to models and inputs used for ECL calculations | 209,592 | 30,641 | 21,127 | 261,360 |
| Amounts written off | - | - | (2,394,614) | (2,394,614) |
| Foreign exchange adjustments | (49,600) | (54,578) | (56,588) | (160,766) |
| Balance as at 31st March 2025 | 962,384 | 515,867 | 5,487,823 | 6,966,074 |

**Movement in impairment 2023/24 - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | Stage 1 | Stage 2 | Stage 3 | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| ECL allowance as at 1st April 2023 under SLFRS 9 | 1,252,668 | 1,153,917 | 9,100,885 | 11,507,470 |
| New assets originated or purchased | 308,796 | 54,063 | 20,334 | 383,193 |
| Assets derecognised or repaid (excluding write offs) | (791,756) | (782,736) | (355,134) | (1,929,626) |
| Transfers to Stage 2 and 3 | (613,424) | 315,551 | 297,874 | - |
| Transfers to Stage 1 and 3 | 26,180 | (447,375) | 421,195 | - |
| Transfers to Stage 1 and 2 | 16,801 | 27,261 | (44,063) | - |
| Impact on year end ECL of exposures transferred between stages during the year | 456,410 | 157,551 | (680,315) | (66,354) |
| Changes to models and inputs used for ECL calculations | (16,961) | (24,280) | (60,097) | (101,338) |
| Foreign exchange adjustments | (28,988) | (19,845) | (31,994) | (80,827) |
| Balance as at 31st March 2024 | 609,726 | 434,107 | 8,668,685 | 9,712,518 |

#### INSURANCE AND REINSURANCE RECEIVABLES

##### Accounting Policy

**Insurance - Product Classification**

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders, if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by

comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

##### Insurance Receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn’t exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), nonperforming (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

##### De-recognition due to substantial modification of terms and conditions

Group de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, Group considers the following factors::

0 Loss of insurable interest

0 Change in counterparty

##### Assessment of impairment of insurance receivables

The Group assessed the impairment provision based on the ECL method.

##### Reinsurance receivable

The Company cedes insurance risk to reinsurance in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short-term and credit risk doesn’t exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual

cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

##### Assessment of impairment of reinsurance receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts, section 20. Impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

# NOTES TO THE FINANCIAL STATEMENTS

#### INSURANCE AND REINSURANCE RECEIVABLES (CONTD…)

**Deferred Expenses**

**Deferred Acquisition Costs (DAC)**

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance expenses which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) are amortised over the period on the basis unearned premium is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC are derecognised when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

**Reinsurance Commissions**

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Reinsurance receivables | - | - | 409,604 | 469,767 |
| Insurance Receivables | - | - | 1,288,750 | 1,116,930 |
| Total | - | - | 1,698,354 | 1,586,697 |
| Fair value | - | - | 1,698,354 | 1,586,697 |

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

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments held for strategic purpose, 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 or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

Unrealised gains and losses were recognised in Equity through OCI in the “Fair value reserve”. When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transfered to retained earnings. Dividend earned while holding financial assets - FVOCI were recognised in the Income Statement as “Operating income” when the right to receive the payment had been established. Equity Instruments at FVOCI are not subject to an impairment assessment.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Equity securities | 27.1 | 347 | 315,005 | 234,492 | 315,005 | 234,492 |
| Treasury bills | | | - | - | 535,342 | 561,806 |
| Debentures | 27.1 | 347 | 977,135 | 924,177 | 977,135 | 924,177 |
| Total | | | 1,292,140 | 1,158,669 | 1,827,482 | 1,720,475 |
| Fair value | | | 1,292,140 | 1,158,669 | 1,827,482 | 1,720,475 |

* 1. **Equity & Debt securities - Company**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  |  |  | 2025 |  |  | 2024 |  |
|  |  | Page | No of Shares/ Debentures | Cost of Investment | Market Value | No of Shares/ Debentures | Cost of Investment | Market Value |
|  | Note | No. |  | Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. '000 |
| Quoted Investments |  |  |  |  |  |  |  |  |
| People's Merchant Finance PLC |  |  | 25,014,002 | 237,633 | 180,101 | 25,014,002 | 237,633 | 117,566 |
| Asiri Hospital Holdings PLC | | | 500,000 | 20,730 | 12,900 | 500,000 | 20,730 | 12,500 |
| Windforce PLC | | | 1,000,000 | 18,489 | 25,000 | 1,000,000 | 18,489 | 19,600 |
| Lanka credit and business Finance PLC | | | 5,000,000 | 50,000 | 13,000 | 5,000,000 | 50,000 | 11,000 |
| Sanasa Development Bank PLC | | | 2,320,270 | 215,532 | 83,994 | 2,271,260 | 213,853 | 73,816 |
| Subtotal | | |  | 542,384 | 314,995 |  | 540,705 | 234,482 |
| Unquoted Investments |  |  |  |  |  |  |  |  |
| Credit Information Bureau of Sri Lanka | 27.2 | 347 | 200 | 10 | 10 | 200 | 10 | 10 |
| Subtotal | | | 10 | | | 10 | | |
| Debenture investments |  |  |  |  |  |  |  |  |
| Ceylon Electricity Board |  |  | 9,180,900 | 1,000,086 | 977,135 | 9,180,900 | 1,000,086 | 924,177 |
| Subtotal | | |  | 1,000,086 | 977,135 | 9,180,900 | 1,000,086 | 924,177 |
| Total | | |  | 1,540,801 | 1,292,140 |  | 1,540,801 | 1,158,669 |

* 1. **Credit Information Bureau of Sri Lanka**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 10 | 10 | 10 | 10 |
| Remeasurement recognised in OCI | - | - | - | - |
| Balance as at 31st March | 10 | 10 | 10 | 10 |

#### DEBT INSTRUMENT - AMORTISED COST

**Accounting Policy**

As per SLFRS 9, “Financial investments” are measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

0 The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

0 The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these are subsequently measured at amortised cost (gross carrying amount using the EIR, less provision for impairment). Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest Income” while the losses arising from impairment are recognised in “impairment charges for loans and other losses” in the Income Statement.

# NOTES TO THE FINANCIAL STATEMENTS

#### 28. DEBT INSTRUMENT - AMORTISED COST (CONTD...)

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | Note | Page No. | 2025 | 2024 | 2025 | 2024 |
|  |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Treasury bills | | | 5,161,177 | 18,372,055 | 5,161,177 | 18,372,055 |
| Treasury bonds | | | - | - | 4,320,266 | 3,429,548 |
| Unquoted preference shares | | | - | - | 1,116,718 | 420,538 |
| Debentures | 28.1 | 348 | - | - | 963,111 | 1,604,373 |
| Total | | | 5,161,177 | 18,372,055 | 11,561,272 | 23,826,514 |
| Fair value | | | 4,866,785 | 18,463,247 | 11,839,300 | 24,739,582 |

1. **DEBT INSTRUMENT- AMORTISED COST**

##### Debentures

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  |  | 2025 | | 2024 | |
|  | Rate | Maturity date | No. of Debentures | Carrying  Value | No. of Debentures | Carrying  Value |
|  |  |  |  | Rs. '000 |  | Rs. '000 |
| Siyapatha Finance PLC | 13.33% | 8-Aug-24 | - | - | 1,500,000 | 162,636 |
| National Development Bank PLC | 13.95% | 30-Mar-24 | - | - | 2,000,000 | 228,031 |
| DFCC Bank PLC | 13.00% | 29-Mar-25 | 844,500 | 95,475 | 844,500 | 95,539 |
| 11.00% | 12-Jun-25 | 1,190,000 | 129,429 | 1,190,000 | 129,435 |
| MTD Walkers PLC | 11.75% | 30-Sep-19 | 254,784 | 26,954 | 254,784 | 26,954 |
| Hatton National Bank PLC | 12.30% | 22-Sep-24 | - | - | 413,300 | 43,901 |
| Nations Trust Bank PLC | 12.80% | 23-Dec-24 | - | - | 2,000,000 | 206,602 |
| Ceylon Electricity Board | 9.35% | 15-Apr-26 | 4,000,000 | 405,035 | 4,000,000 | 435,794 |
| LOLC PLC | 10.25% | 24-Feb-26 | 3,000,000 | 333,629 | 3,000,000 | 302,892 |
| Subtotal | | | 990,522 | | 1,631,784 | |
| Less : Allowance for expected credit losses | | | (27,412) | | (27,412) | |
| Total | | | 963,112 | | 1,604,373 | |

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

#### INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Statement of Profit or Loss in the Company’s Financial Statements and it is in accordance with the Sri Lanka Accounting Standard LKAS 27 on ‘Consolidated and Separate Financial Statements’

Subsidiaries are entities that are controlled by the Group/Company. Subsidiaries are consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intra-group balances and transactions, income, expenses and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the Consolidated Financial Statements.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company.

Non-controlling interests are presented separately in the consolidated Statement of Profit or Loss and within equity in the consolidated Statement of Financial Position, but separate from parent shareholders’ equity. Any losses applicable to the non- controlling interests are allocated against the interests of the non-controlling interest even if this results in a deficit balance.

Acquisitions of non-controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

**Accounting Policy**

All subsidiaries of the Company have been incorporated in Sri Lanka other than Alliance Finance PLC which is incorporated in Bangladesh. A list of subsidiaries with there principal activities are given in the Note 1.2 on page 292.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 |  |  | 2024 |  |
|  | Holding | Cost | Directors'/  market valuation | Holding | Cost | Directors'/  market valuation |
| Company | % | Rs. '000 | Rs. '000 | % | Rs. '000 | Rs. '000 |
| People’s Leasing Fleet Management Limited | 100.00 | 175,000 | 217,016 | 100.00 | 175,000 | 201,797 |
| People’s Leasing Property Development Limited | 100.00 | 892,215 | 2,560,499 | 100.00 | 713,625 | 2,524,509 |
| People’s Leasing Havelock Properties Limited | 100.00 | 600,000 | 1,762,366 | 100.00 | 600,000 | 1,779,117 |
| People’s Micro-commerce Ltd | 100.00 | 150,000 | 770,956 | 100.00 | 150,000 | 628,627 |
| People’s Insurance PLC | 75.00 | 663,750 | 4,352,644 | 75.00 | 600,000 | 3,450,000 |
| Alliance Finance PLC | 51.00 | 1,351,186 | 1,676,604 | 51.00 | 1,216,604 | 1,667,335 |
| Total |  | 3,832,151 | 11,340,085 |  | 3,455,229 | 10,251,385 |

Subsidiaries are not quoted in the Colombo stock exchange except People’s Insurance PLC. The directors’ valuation of investment in subsidiaries except for People’s has been carried out on net asset basis. People’s Insurance PLC has been valued at market value basis.

# NOTES TO THE FINANCIAL STATEMENTS

#### INVESTMENTS IN SUBSIDIARIES (CONTD…)

The following table summaries the information relating to the Group's subsidiary that has a material non-controlling interest (NCI).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| For the year ended 31st March |  | 2025 |  |  | 2024 |  |
| People's Insurance  PLC | Alliance Finance  PLC | Total | People's Insurance  PLC | Alliance Finance  PLC | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Non-controlling interest (NCI) percentage | 25% | 49% | - | 25% | 49% | - |
| Net operating income | 5,190,003 | 461,827 | 5,651,830 | 4,674,252 | 624,005 | 5,298,257 |
| Less : Operating expenses | 4,521,576 | 367,578 | 4,889,154 | 4,028,321 | 333,794 | 4,362,115 |
| Profit before income tax | 668,427 | 94,249 | 762,676 | 645,931 | 290,211 | 936,142 |
| Less : Income tax expense | 287,941 | 101,717 | 389,658 | 208,243 | 100,227 | 308,470 |
| Profit for the year | 380,486 | (7,468) | 373,018 | 437,688 | 189,984 | 627,672 |
| Profit allocated to Non-controlling interest (NCI) | 95,121 | (3,659) | 91,462 | 109,422 | 93,092 | 202,514 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 |  |  | 2024 |  |
| People's Insurance  PLC | Alliance Finance  PLC | Total | People's Insurance  PLC | Alliance Finance  PLC | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 367,750 | 254,227 | 621,977 | 732,308 | 139,371 | 871,679 |
| Balances with banks & financial institutions | 3,248,407 | 987,912 | 4,236,319 | 3,410,573 | 884,700 | 4,295,273 |
| Loans and receivables | 163,744 | 11,035,982 | 11,199,726 | 97,634 | 12,474,999 | 12,572,633 |
| Insurance and reinsurance receivables | 2,298,818 | - | 2,298,818 | 2,096,469 | - | 2,096,469 |
| Financial assets - Fair value through other comprehensive income | 535,342 | - | 535,342 | 561,806 | - | 561,806 |
| Debt Instrument at amortised cost | 5,283,377 | 1,116,718 | 6,400,095 | 5,033,920 | 420,538 | 5,454,458 |
| Property, plant and equipment / intangible assets & ROUA | 358,210 | 133,412 | 491,622 | 309,916 | 138,237 | 448,153 |
| Other assets | 1,233,233 | 182,948 | 1,416,181 | 203,630 | 284,722 | 488,352 |
| Total assets | 13,488,881 | 13,711,199 | 27,200,080 | 12,446,256 | 14,342,567 | 26,788,823 |
| Due to banks | 46,076 | 2,310,221 | 2,356,297 | 11,944 | 2,787,553 | 2,799,497 |
| Due to customers | - | 7,489,978 | 7,489,978 | - | 7,756,925 | 7,756,925 |
| Other financial liabilities | 1,553,726 | 433,654 | 1,987,380 | 1,000,130 | 415,726 | 1,415,856 |
| Other liabilities | 533,351 | 189,887 | 723,238 | 459,526 | 113,079 | 572,605 |
| Insurance liabilities and reinsurance payable | 5,595,322 | - | 5,595,322 | 5,605,452 | - | 5,605,452 |
| Total liabilities | 7,728,475 | 10,423,740 | 18,152,215 | 7,077,052 | 11,073,283 | 18,150,335 |
| Net assets value | 5,760,406 | 3,287,459 | 9,047,865 | 5,369,204 | 3,269,284 | 8,638,488 |

#### INVESTMENT PROPERTY

##### Accounting Policy

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

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Statement of Financial Position date. Gains or losses arising from changes in fair value are included in the Statement of Profit or Loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per Sri Lanka Accounting Standard - LKAS 16 - “Property, Plant and Equipment”.

##### Derecognition

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Profit or Loss in the year of retirement or disposal.

##### Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss. When the Company completes the construction or development of a self constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Profit or Loss.

##### Fair Value of Investment Property

Investment property of the Group and Company is reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information, the Group and Company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking into consideration of the discounted cash flow projections based on the estimates, derived from the evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

##### Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio every year. In financial periods within that period the fair value is determined by the board of directors.

The fair values are based on market values, being the estimated amount for which a property could be sold in an orderly transaction between market participants at the measurement date.

##### Investment Property Leased within the Group

Any property leased out to parent or subsidiary is considered as owner-occupied from the perspective of the Group and adjustments are made for consolidation purposes.

##### Owner Occupied Properties and Investment Property:

In determining if a property qualifies as Investment Property the Group/Company makes a judgment whether the property generates independent cash flows rather than cash flows that are attributable not only to the property but also other assets. Judgment is also applied in determining if ancillary services are significant, so that a property does not qualify as investment property.

# NOTES TO THE FINANCIAL STATEMENTS

#### INVESTMENT PROPERTY (CONTD…)

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 295,465 | 284,961 | 1,305,512 | 1,200,317 |
| Addition during the year | - | - | - | - |
| Gain from fair value adjustment | 6,535 | 10,504 | 69,663 | 105,195 |
| Balance as at 31st March | 302,000 | 295,465 | 1,375,175 | 1,305,512 |

##### Company

* 1. **Valuation of investment properties**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Date of Valuation | Method of Valuation | Land Extent | Number of Building | Building  Area | 2025  Cost | 2025  Revaluation | 2024  Revaluation |
| Location | Address | |  | (Perches) |  | (Sq.ft) | Rs. '000 | Rs. '000 | Rs. '000 |
| Penideniya - Kandy | No. 210, Daulagala Road, Penideniya |  |  |  |  |  |  |  | 61,340 |
|  | 31.03.2025 | MCM | 13.5 | 1 | 10,948 | 60,000 | 63,000 |
| Uragasmanhandiya - Ambalangoda | No. 490D, Siripura, Nawadagala | 31.03.2025 | MCM | 35.00 | - | - | 11,961 | 14,000 | 13,125 |
| Katugasthota - Kandy | No. 396,  Katugasthota Road, Kandy |  |  |  |  |  |  |  | 221,000 |
|  | 31.03.2025 | MCM | 26.45 | 1 | 2,355 | 213,000 | 225,000 |
| Total |  |  |  |  | 2 |  | 284,961 | 302,000 | 295,465 |

The company carries investment property at Market Value. Valuation of the above company investment properties were carried out as at 31.03.2025 by S.A.M.A. Perera (MRICS.U.K), Chartered valuation Surveyor, who is professional independent valuer. There are three lands located at; Pendeniya – Kandy, Katugasthota – Kandy and Urugasmanhandiya – Ambalangoda.

##### Group

Land and building at No. 7 and 9, Havelock Road, Colombo 5 is rented to People’s Bank, People’s Insurance PLC and People’s Leasing & Finance PLC by the People’s Leasing Havelock Properties Limited during the year. In the Group Financial Statements, such property have separated and part rented to People’s Bank has been clarified as Investment Property to the Group. Basis for the separation is based on the number of sq.ft rented.

The Group carries investment property at Market value. Market valuation of the above investment property (except for Company investment property) was carried out as at 31st December 2024 by Mr.K.T.D.Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Details of valuation of Group investment properties other than company included in note 32.4 on page 358.

Rent income recognized in respect to the above investment property is disclosed in Note 10 on page 305..

Direct operational expenses recognized in respect to the above investment property is disclosed in Note 15 on page 311.

#### OTHER ASSETS

The Company and the Group classify all their other assets as other financial assets and other non financial assets. Other non financial assets mainly comprises of advance payments, VAT recoverable, inventory and sundry receivables. Advance payments are carried at historical cost.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Other financial assets - Insurance Commission | | | 76,511 | 69,989 | - | - |
| Non financial assets | 31.1 | 353 | 964,147 | 3,911,829 | 1,065,584 | 4,166,268 |
| Total | | | 1,040,658 | 3,981,818 | 1,065,584 | 4,166,268 |

* 1. **Non Financial Assets**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Advance payments | | | 205,535 | 145,494 | 279,166 | 139,875 |
| Inventories | | | 47,257 | 45,404 | 72,805 | 81,845 |
| Prepaid Expense | | | 184,623 | 187,305 | 62,870 | 102,919 |
| Unamortised cost on staff loans (Day 1 difference) | 31.2 | 353 | 263,086 | 383,859 | 263,170 | 384,218 |
| Differed expenses | | | - | - | (29,144) | 1,366 |
| Other receivables | | | 263,646 | 3,149,767 | 416,717 | 3,456,045 |
| Total | | | 964,147 | 3,911,829 | 1,065,584 | 4,166,268 |

* 1. **Unamortised cost on staff loans (Day 1 difference)**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 383,859 | 370,151 | 384,218 | 370,235 |
| Charge for the year | (120,773) | 13,708 | (121,048) | 13,983 |
| Balance as at 31st March | 263,086 | 383,859 | 263,170 | 384,218 |

# NOTES TO THE FINANCIAL STATEMENTS

#### PROPERTY, PLANT AND EQUIPMENT

##### Accounting Policy Basis of Recognition

Property, Plant and Equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year.

Property, Plant and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

##### Basis of 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 or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company and Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

##### Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

##### Repairs & Maintenance

Repairs and maintenance are charged to the Statement of 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 Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

##### Derecognition

Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘Other operating income’ in the Statement of Profit or Loss in the year the asset is derecognised.

##### Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight–line basis over the estimated useful lives of each part of an item of property, plant and equipment since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

#### PROPERTY, PLANT AND EQUIPMENT (CONTD...)

The estimated useful lives are as follows;

|  |  |  |
| --- | --- | --- |
| Class of asset | % per annum | Period |
| Freehold buildings | 2 | 50 years |
| Improvement of leasehold property | 25 | 4 years |
| Motor vehicles | 12.5 - 20 | 5 - 8 years |
| Computer hardware | 20 | 5 years |
| Office equipments | 10 - 20 | 5 -10 years |
| Furniture’s and fittings | 20 | 5 years |

The above rates are consistently used by all the Group entities. The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate 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 the management. 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 methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

##### Useful Lives of Property, Plant and Equipment

The Group and Company depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management’s estimate of the period that the Group and Company intends to derive future economic benefits from the use of the Group’s property, plant and equipment. The residual value reflects management’s estimated amount that the Group/Company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges.

* 1. **Property, Plant and Equipment - Company**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Freehold Land and Buildings | Improvement of Leasehold Properties | Motor Vehicles | Computer Hardware | Office Equipments | Furniture  and Fittings | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost |  |  |  |  |  |  |  |
| Balance as at 1st April 2024 | 723,542 | 56,872 | 427,978 | 803,282 | 800,035 | 436,983 | 3,248,692 |
| Additions | 322,456 | - |  | 141,545 | 100,990 | 20,990 | 585,981 |
| Disposals | - | - | (126) |  | (604) | (747) | (1,477) |
| Transfers/adjustments | - | - | - | 316 | 300 | (616) | - |
| Balance as at 31st March 2025 | 1,045,998 | 56,872 | 427,852 | 945,143 | 900,721 | 456,610 | 3,833,196 |
| (Less): Accumulated depreciation |  | | | | | | |
| Balance as at 1st April 2024 | 4,647 | 56,872 | 118,452 | 674,218 | 629,407 | 403,714 | 1,887,310 |
| Charge for the year | 471 | - | 24,848 | 57,711 | 63,073 | 13,020 | 159,123 |
| Disposals | - | - | (78) |  | (208) | (747) | (1,033) |
| Transfers/adjustments | - | - | 875 | (559) | 300 | (616) | - |
| Balance as at 31st March 2025 | 5,118 | 56,872 | 144,097 | 731,370 | 692,572 | 415,371 | 2,045,400 |
| Net book value at 31st March 2025 | 1,040,880 | - | 283,755 | 213,773 | 208,149 | 41,239 | 1,787,796 |
|  | Freehold Land and Buildings | Improvement of Leasehold Properties | Motor Vehicles | Computer Hardware | Office Equipments | Furniture and  Fittings | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost |  |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 723,542 | 56,872 | 592,523 | 833,105 | 699,495 | 442,805 | 3,348,343 |
| Additions | - | - | 555 | 44,323 | 106,306 | 17,751 | 168,935 |
| Disposals | - | - | (165,100) | (74,146) | (5,766) | (23,573) | (268,585) |
| Balance as at 31st March 2024 | 723,542 | 56,872 | 427,978 | 803,282 | 800,035 | 436,983 | 3,248,693 |
| (Less): Accumulated depreciation |  |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 4,176 | 56,872 | 120,922 | 688,623 | 579,519 | 417,227 | 1,867,338 |
| Charge for the year | 471 | - | 36,261 | 59,648 | 52,584 | 10,060 | 159,024 |
| Disposals | - | - | (38,731) | (74,053) | (2,696) | (23,573) | (139,053) |
| Balance as at 31st March 2024 | 4,647 | 56,872 | 118,452 | 674,218 | 629,407 | 403,714 | 1,887,309 |
| Net book value at 31st March 2024 | 718,895 | - | 309,526 | 129,064 | 170,629 | 33,270 | 1,361,384 |

# NOTES TO THE FINANCIAL STATEMENTS

##### Property, Plant and Equipment - Group

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Freehold Land and Buildings | Improvement of Leasehold Properties | Motor Vehicles | Computer Hardware | Office Equipments | Furniture and fittings | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost |  |  |  |  |  |  |  |
| Balance as at 1st April 2024 | 3,687,089 | 58,583 | 270,198 | 960,045 | 1,151,476 | 550,586 | 6,677,977 |
| Additions | 322,456 | - | 59,213 | 206,960 | 142,894 | 51,934 | 783,457 |
| Disposals | - | - | (8,575) | - | (1,211) | (807) | (10,593) |
| Transfers | - | - | - | 316 | 3,981 | (4,297) | - |
| Exchange rate variance | - | - | (1,694) | (7,639) | (2,826) | (1,472) | (13,631) |
| Balance as at 31st March 2025 | 4,009,545 | 58,583 | 319,142 | 1,159,682 | 1,294,314 | 595,944 | 7,437,210 |
| (Less): Accumulated depreciation | - | | | | | | |
| Balance as at 1st April 2024 | 573,132 | 57,349 | 129,809 | 804,842 | 844,767 | 488,389 | 2,898,288 |
| Charge for the year | 63,674 | - | 36,176 | 71,168 | 80,865 | 19,547 | 271,430 |
| Additions due to acquisition of subsidiary | - | - | - | - | - | - | - |
| Disposals | - | - | (4,587) | - | (1,531) | (795) | (6,913) |
| Transfers | - | - | 875 | (559) | 300 | (616) | - |
| Exchange rate variance | - | - | (720) | (2,850) | (2,647) | (1,079) | (7,296) |
| Balance as at 31st March 2025 | 636,806 | 57,349 | 161,553 | 872,601 | 921,754 | 505,446 | 3,155,509 |
| Net book value at 31st March 2025 | 3,372,739 | 1,234 | 157,589 | 287,081 | 372,560 | 90,498 | 4,281,701 |
|  | Freehold Land and Buildings | Improvement of Leasehold Properties | Motor Vehicles | Computer Hardware | Office Equipments | Furniture and fittings | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost |  |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 3,687,089 | 58,583 | 449,737 | 984,343 | 1,044,769 | 553,643 | 6,778,164 |
| Additions | - | - | 14,567 | 53,727 | 114,087 | 24,102 | 206,483 |
| Disposals | - | - | (192,400) | (74,146) | (5,766) | (23,706) | (296,018) |
| Exchange rate variance | - | - | (1,706) | (3,879) | (1,614) | (3,453) | (10,652) |
| Balance as at 31st March 2024 | 3,687,089 | 58,583 | 270,198 | 960,045 | 1,151,476 | 550,586 | 6,677,977 |
| (Less): Accumulated depreciation |  |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 509,327 | 57,349 | 150,522 | 810,707 | 781,163 | 497,877 | 2,806,945 |
| Charge for the year | 63,805 | - | 40,206 | 73,772 | 69,368 | 15,783 | 262,934 |
| Disposals | - | - | (60,357) | (77,021) | (3,299) | (24,219) | (164,896) |
| Exchange rate variance | - | - | (562) | (2,616) | (2,465) | (1,052) | (6,695) |
| Balance as at 31st March 2024 | 573,132 | 57,349 | 129,809 | 804,842 | 844,767 | 488,389 | 2,898,288 |
| Net book value at 31st March 2024 | 3,113,957 | 1,234 | 140,389 | 155,203 | 306,709 | 62,197 | 3,779,689 |

* 1. **Fully Depreciated Property, Plant and Equipment**

The initial cost of fully depreciated property, plant and equipment, which are still in use as at reporting date is as follows.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Improvement of leasehold properties | 56,872 | 56,872 | 56,872 | 56,872 |
| Motor vehicles | 107,261 | 49,745 | 107,665 | 50,149 |
| Computer hardware | 590,742 | 534,609 | 691,159 | 621,252 |
| Office equipment | 555,623 | 503,641 | 630,828 | 565,953 |
| Furniture and fittings | 385,185 | 372,139 | 446,990 | 425,832 |
| Total | 1,695,683 | 1,517,006 | 1,933,514 | 1,720,058 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 32. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

##### Group Freehold lands & buildings

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Location | Address | Date of Valuation | Method of Valuation | Land Extent | Number of Building | Building  Area | 2025  Cost | 2025  Revaluation | 2024  Revaluation |
|  |  |  |  | (Perches) |  | (Sq.ft) | Rs. '000 | Rs. '000 | Rs. '000 |
| People's Leasing & Finance PLC | |  |  |  |  |  |  |  | 53,000 |
| Vehicle yards |  |  |  |  |  |  |  |  |
| Makola | No. 496, Makola North, Makola |  |  |  |  |  |  |  |
|  | 31.12.2022 | MCM | 90 | 1 | 11,600 | 7,632 | 53,000 |
| Mabima | No. 225/D, Nayagala Road, Heiyantuduwa, Mabima |  |  |  |  |  |  |  | 88,000 |
|  | 31.12.2022 | MCM | 330.75 | 1 | 820 | 22,532 | 88,000 |
| Meegahamulla | Kandepalla, Beligamuwa, Galewala |  |  |  |  |  |  |  | 31,000 |
|  | 31.12.2022 | MCM | 260 | 1 | 1,836 | 27,558 | 31,000 |
| Monaragala | No. 10, Pothuwil Road, Monaragala |  |  |  |  |  |  |  | 100,000 |
|  | 31.12.2022 | MCM | 125.9 | 1 | 1,376 | 46,905 | 100,000 |
| Administrative purpose | |  |  |  |  |  |  |  | 50,000 |
| Bandarawela | No. 35/2D, Welimada Road, Bandarawela |  |  |  |  |  |  |  |
|  | 31.12.2022 | MCM | 8.3 | 1 | 5,194 | 31,257 | 50,000 |
| Jaffna | No. 10, Mahathma Gandhi Road, Jaffna |  |  |  |  |  |  |  | 155,063 |
|  | 31.12.2022 | MCM | 44.72 | - | - | 45,764 | 155,063 |
| Matara | No. 367, Anagarika Darmapala Mawatha Matara |  |  |  |  |  |  |  | 120,000 |
|  | 31.12.2022 | MCM | 40 | - | - | 93,599 | 120,000 |
| Kandy | No. 296, Senanayaka Road, Kandy |  |  |  |  |  |  |  | 203,700 |
|  | 31.12.2022 | MCM | 47.1 | - | - | 142,711 | 203,700 |
| Anuradhapura | No. 50, Maithripala Senanayake Road, Anuradhapura |  |  |  |  |  |  |  | 182,295 |
|  | 31.12.2022 | MCM | 40.51 | - | - | 155,882 | 182,295 |
| Colombo | No 10d/8 Kaduwela | 31.12.2022 | MCM | 94.3 | - | - | 149,702 | 260,000 | 260,000 |
| Colombo | No. 1173,Maradana Road,Colombo 08. |  |  |  |  |  |  |  | - |
|  |  |  | 27.09 | - | - | 322,456 | 322,456 |
| Subtotal |  |  |  |  | 5 |  | 1,045,998 | 1,565,514 | 1,243,058 |
| People's Leasing Property Development Limited | |  |  |  |  |  |  |  |  |
| Borella | No. 1161, Maradana  Road, Colombo 08 |  |  |  |  |  |  |  |  |
|  | 31.12.2024 | MCM | 104.9 | 2 | 127,621 | 1,532,414 | 3,700,000 | 3,450,000 |
| Subtotal |  |  |  |  | 2 |  | 1,532,414 | 3,700,000 | 3,450,000 |
| People's Leasing Havelock Properties Limited | |  |  |  |  |  |  |  | 3,200,000 |
| Colombo 05\* | No. 07, Havelock  Road, Colombo 05 |  |  |  |  |  |  |  |
|  | 31.12.2024 | MCM | 111.45 | 1 | 84,024 | 2,059,690 | 3,400,000 |
| Subtotal |  |  |  |  | 1 |  | 2,059,690 | 3,400,000 | 3,200,000 |
| Total |  |  |  |  | 8 |  | 4,638,102 | 8,665,514 | 7,893,058 |

MCM : Market Comparable Method

\* Land and building value of Rs.628,556,600 is classified as investment property and Rs. 1,431,133,056 is clasiffied as property, plant and equipment in the group financial statements. .

Market valuation of the above Land & Buildings was carried out by Mr. K.T.D. Tissera, FRICS (Eng), who is independent valuer not connected with the Company. Investment method, Contractor’s Test method and Comparison method have been used for the valuation. Freehold land and buildings of the Company are considered under Level 3 of fair value hierarchy.

##### Temporarily idle property, plant and equipment

There were no property, plant and equipment of the Group/Company idle as at 31st March 2025 and 31st March 2024.

##### Property, plant and equipment retired from active use

There were no property, plant and equipment of the Group/Company retired from active use as at 31st March 2025 and 31st March 2024.

##### Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment of the Group/Company as at 31st March 2025 and 31st March 2024.

##### Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment of the Group/Company pledged as securities for liabilities other than disclosed in Note 54 on page 380. (asset pledged) to the Financial Statements.

##### Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment of the Group/ Company that were impaired, lost or given up (2024 : Nil).

##### Unobservable input used in measuring fair value

Significant unobservable input used in measuring non-financial assets categorised as level 3 in fair value hierarchy disclosed in to Note - 21.6 on page 319 to the Financial Statements.

#### RIGHT OF USE ASSETS

**SLFRS 16 – Leases**

**Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts for branches/head office that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to

exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided. Leasehold property comprising of land use rights and is amortised on a straight line basis over the remaining lease term.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost | 3,815,915 | 3,639,518 | 2,766,130 | 2,606,244 |
| Balance as at 1st April |
| Transfer from other asset (Prepaid rentals) | 28,362 | 11,747 | 28,362 | 11,747 |
|  | 3,844,277 | 3,651,265 | 2,794,492 | 2,617,991 |
| Additions | 996,222 | 283,704 | 584,348 | 293,956 |
| Disposals | - | (119,054) | - | (119,054) |
| Exchange rate variance | - | - | (8,447) | (26,763) |
| Balance as at 31st March | 4,840,499 | 3,815,915 | 3,370,393 | 2,766,130 |
| (Less): Accumulated amortisation |  |  |  |  |
| Balance as at 1st April | 2,455,140 | 2,023,579 | 1,479,098 | 1,233,821 |
| Amortisation | 513,191 | 502,481 | 343,657 | 332,642 |
| Disposal |  | (70,920) | - | (70,920) |
| Exchange rate variance | - | - | (5,764) | (16,445) |
| Balance as at 31st March | 2,968,331 | 2,455,140 | 1,816,991 | 1,479,098 |
| Net book value at 31st March | 1,872,168 | 1,360,775 | 1,553,402 | 1,287,032 |

# NOTES TO THE FINANCIAL STATEMENTS

#### GOODWILL AND INTANGIBLE ASSETS

##### Accounting Policy

The Group’s intangible assets include the goodwill and customer list which acquired in business combination and value of computer software.

##### Basis of 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 Group/Company in accordance with the Sri Lanka Accounting Standard- LKAS 38 - ‘Intangible Assets’.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are stated in the Statement of Financial Position at cost less any accumulated amortisation and any accumulated impairment losses if any.

##### Subsequent Expenditure

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

##### Useful Economic Lives, Amortisation and Impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates in accordance with LKAS 8. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight– line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

|  |  |  |
| --- | --- | --- |
| Class of asset | % per annum | Period |
| Computer software | 20 | 5 years |

The unamortised balances of intangible assets with finite lives are reviewed for impairment annually and whenever there is an indication for impairment and recognised in Statement of Profit or Loss to the extent that they are no longer probable of being recovered from the expected future benefits.

Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss in such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill with infinite useful lives are assessed for impairment annually. The assessment of infinite life is reviewed annually to determine whether the infinite life continues to be supportable.

##### Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the Statement of Profit or Loss in the year the asset is derecognised.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Company** |  |  | **Group** |  |
|  | Computer software | Goodwill | Total | Computer software | Goodwill | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cost |  |  |  |  |  |  |
| Balance as at 1st April 2024 | 248,110 | 308,545 | 556,655 | 324,682 | 417,099 | 741,781 |
| Additions | 4,384 | - | 4,384 | 15,768 | - | 15,768 |
| Exchange rate variance | - | - | - | (3,901) | - | (3,901) |
| Balance as at 31st March 2025 | 252,494 | 308,545 | 561,039 | 336,549 | 417,099 | 753,648 |
| (Less): Accumulated amortisation |  | | | | | |
| Balance as at 1st April 2024 | 207,100 | 308,545 | 515,645 | 247,932 | 308,545 | 556,477 |
| Amortisation | 10,675 | - | 10,675 | 23,168 | - | 23,168 |
| Exchange rate variance | - | - | - | 1,452 | - | 1,452 |
| Balance as at 31st March 2025 | 217,775 | 308,545 | 526,320 | 272,552 | 308,545 | 581,097 |
| Net book value at 31st March 2025 | 34,719 | - | 34,719 | 63,997 | 108,554 | 172,551 |
| Cost |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 217,862 | 308,545 | 526,407 | 259,290 | 417,099 | 676,389 |
| Additions | 30,248 | - | 30,248 | 67,916 | - | 67,916 |
| Exchange rate variance | - | - | - | (2,524) | - | (2,524) |
| Balance as at 31st March 2024 | 248,110 | 308,545 | 556,655 | 324,682 | 417,099 | 741,781 |
| (Less): Accumulated amortisation |  |  |  |  |  |  |
| Balance as at 1st April 2023 | 198,669 | 308,545 | 507,214 | 230,408 | 308,545 | 538,953 |
| Amortisation | 8,431 | - | 8,431 | 18,292 | - | 18,292 |
| Exchange rate variance | - | - | - | (768) | - | (768) |
| Balance as at 31st March 2024 | 207,100 | 308,545 | 515,645 | 247,932 | 308,545 | 556,477 |
| Net book value at 31st March 2024 | 41,010 | - | 41,010 | 76,750 | 108,554 | 185,304 |

Intangible assets include fully amortised software amounting to Rs. 199,492,821 for the company and Rs. 267,437,368 for the Group as at 31st March 2025 (Rs. 184,373,402 for Company and Rs. 185,272,902 for Group as at 31st March 2024), which are still in use as at the reporting date.

##### Impairment Tests for Goodwill

The Group undertakes an annual test for impairment, based on value in use computation using cash flow projections based on financial budgets approved by the senior management. The discount rate of 17.86% and the projected growth rate based on GDP are the key assumptions used for this purpose. The discount rate was estimated based on an average percentage of cost of equity of the company. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the units to exceed their recoverable amount.

There were no restrictions existed on the title of the intangible assets of the Group/Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2024/25.

# NOTES TO THE FINANCIAL STATEMENTS

#### DUE TO BANKS

Due to banks include bank overdrafts and long term and short term loans obtained from banks. Subsequent to initial recognition, these are measured at their 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 an integral part of the EIR. The EIR amortisation is included in ‘interest expenses’ in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognise as well as through the EIR amortisation process.

Company has not had any defaults of principal, interest or other breaches with regard to Due to Banks during 2025 or 2024.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overdrafts | 1,433,358 | 507,748 | 1,864,818 | 1,524,995 |
| Term loans | 10,003,215 | 1,755,746 | 14,964,167 | 5,656,370 |
| Total | 11,436,573 | 2,263,494 | 16,828,985 | 7,181,365 |
| Fair value | 11,436,573 | 2,261,237 | 16,825,813 | 7,317,086 |

##### Movement of due to banks

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1 April | 1,755,746 | 7,671,951 | 5,656,370 | 9,925,158 |
| Amount borrowed during the year | 24,500,000 | - | 26,823,963 | 2,581,519 |
| Repayments during the year | (16,590,843) | (6,598,526) | (18,138,300) | (8,041,178) |
| Interest expenses during the year | 338,312 | 682,321 | 622,134 | 1,190,871 |
| Subtotal | 10,003,215 | 1,755,746 | 14,964,167 | 5,656,370 |
| Overdrafts | 1,433,358 | 507,748 | 1,864,818 | 1,524,995 |
| Balance as at 31 March | 11,436,573 | 2,263,494 | 16,828,985 | 7,181,365 |

* 1. **Long term loan details**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name of the borrower | Granted date | Facility amount  Rs. '000 | Period | Interest Rate | Security status |
| Hatton National Bank PLC | 27.03.2025 | 4,000,000 | 04 years | 1-2 year 10.90%  3 year 11.00% | Secured |
| Seylan Bank PLC | 28.03.2025 | 5,000,000 | 03 years | 10.90% | Secured |

\* The interest rate for each securitisation is given as the weighted average interest rate.

Details of the securities disclosed in Note 54 on page 388 - ‘Asset pledged’ to the Financial Statements.

* 1. **Contractual Maturity Analysis**
     1. **Remaining Contractual Maturity Analysis of Due to bank -Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overdrafts | 1,433,358 | - | - | 1,433,358 |
| Long term loans | 3,670,682 | 6,332,533 | - | 10,003,215 |
| Total | 5,104,040 | 6,332,533 | - | 11,436,573 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one  year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overdrafts | 507,748 | - | - | 507,748 |
| Long term loans | 1,755,746 | - | - | 1,755,746 |
| Total | 2,263,494 | - | - | 2,263,494 |

* + 1. **Remaining Contractual Maturity Analysis of Due to bank -Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overdrafts | 1,864,818 | - | - | 1,864,818 |
| Long term loans | 7,385,182 | 7,578,985 | - | 14,964,167 |
| Total | 9,250,000 | 7,578,985 | - | 16,828,985 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Overdrafts | 1,524,995 | - | - | 1,524,995 |
| Long term loans | 3,270,653 | 2,385,717 | - | 5,656,370 |
| Total | 4,795,648 | 2,385,717 | - | 7,181,365 |

# NOTES TO THE FINANCIAL STATEMENTS

#### DUE TO CUSTOMERS

Due to customers include fixed deposits and savings deposits. Subsequent to initial recognition, these are measured at their amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in ‘interest expenses’

in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

Deposits of 7.1 billion (2023/24 Rs.12.1 billion) held as collateral for Loans against deposits were included in Due to customers.

In compliance with the Finance Companies (Insurance of Deposit Liabilities) Direction No. 02 of 2010 all the eligible deposit liabilities have been insured with the Sri Lanka Deposit Insurance and Liquidity Support Scheme, as a safety net measure that will safeguard customer rights and confidence. The company has paid Rs. 134.75 Mn as the premium for the above insurance scheme during the year. (2023/24 -134.22 Mn).

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed Deposits | 117,512,800 | 92,577,092 | 123,067,554 | 99,027,354 |
| Savings Deposits | 7,016,884 | 4,860,634 | 7,001,159 | 4,815,700 |
| Total | 124,529,684 | 97,437,726 | 130,068,713 | 103,843,054 |
| Fair value | 124,806,329 | 99,373,010 | 130,118,804 | 105,426,170 |

* 1. **Remaining Contractual Maturity Analysis of Due to Customers - Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed Deposits | 75,874,846 | 41,637,954 | - | 117,512,800 |
| Savings Deposits | 6,708,757 | 103,400 | 204,727 | 7,016,884 |
| Total | 82,583,603 | 41,741,354 | 204,727 | 124,529,684 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2024 | | | | |
| As at 31st March | Within one year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed Deposits | 74,366,470 | 18,210,622 | - | 92,577,092 |
| Savings Deposits | 4,571,920 | 94,918 | 193,796 | 4,860,634 |
| Total | 78,938,390 | 18,305,540 | 193,796 | 97,437,726 |

* 1. **Remaining Contractual Maturity Analysis of Due to Customers - Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed Deposits | 82,085,219 | 40,982,335 | - | 123,067,554 |
| Savings Deposits | 6,692,381 | 103,400 | 205,378 | 7,001,159 |
| Total | 88,777,600 | 41,085,735 | 205,378 | 130,068,713 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Fixed Deposits | 81,482,883 | 17,544,471 | - | 99,027,354 |
| Savings Deposits | 4,526,986 | 94,918 | 193,796 | 4,815,700 |
| Total | 86,009,869 | 17,639,389 | 193,796 | 103,843,054 |

#### DEBT SECURITIES ISSUED

Accounting Policy

Debt Securities issued represent the funds borrowed by the Company and Group for long term and short term liquidity fund requirements. Subsequent to initial recognition, these are measured at their 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 an integral part of the EIR. The EIR amortisation is included in ‘interest expenses’ in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Listed Debentures | 37.2 | 366 | 5,014,652 | 11,032,248 | 5,014,652 | 11,032,248 |
| Total | | | 5,014,652 | 11,032,248 | 5,014,652 | 11,032,248 |
| Fair value | | | 4,866,785 | 9,178,853 | 4,866,785 | 9,178,853 |

* 1. **Movement of debt securities issued**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1 April | 11,032,248 | 16,706,049 | 11,032,248 | 16,564,956 |
| Redemption of debt securities issued | (5,362,869) | (5,295,400) | (5,362,869) | (5,169,620) |
| Interest expenses on debt securities issued | 595,538 | 920,896 | 595,538 | 917,774 |
| Interest paid on debt securities issued | (1,250,265) | (1,299,297) | (1,250,265) | (1,280,862) |
| Balance as at 31 March | 5,014,652 | 11,032,248 | 5,014,652 | 11,032,248 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 37. DEBT SECURITIES ISSUED (CONTD…)

* 1. **Listed debentures**

**Company**

**Group**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Face value | Interest | Repayment | Type | 2025 | 2024 | 2025 | 2024 |
| Issued date | Maturity date | Rs. '000 | rate | term |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Senior, unsecured,redeemable, A+ rated | |  |  |  |  | - | 3,091,864 | - | 3,091,864 |
| 5-Aug-2021 | 5-Aug-2024 | 2,942,940 | 8.00% | Annually | Type A |
| 5-Aug-2021 | 5-Aug-2024 | 2,419,929 | 8.00% | At Maturity | Type B | - | 2,944,024 | - | 2,944,024 |
| 5-Aug-2021 | 5-Aug-2026 | 4,272,360 | 9.00% | Annually | Type C | 4,516,284 | 4,539,490 | 4,516,284 | 4,539,490 |
| 5-Aug-2021 | 5-Aug-2026 | 364,766 | 9.00% | At Maturity | Type D | 498,368 | 456,870 | 498,368 | 456,870 |
| 9,999,995 | | | | | | 5,014,652 | 11,032,248 | 5,014,652 | 11,032,248 |

* + 1. **Utilisation of Funds Raised via Capital Market**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Objective as per Prospectus | Amount allocated as per Prospectus | Proposed date of utilisation as per Prospectus | Amount allocated  from proceeds in | % of total proceeds | Amounts utilised in Rs. | % of utilisation against allocation | Clarification if not fully utilised including  where the funds are  invested |
| Rs. '000 | |  | Rs. '000(A) |  | (B) | (B/A) |  |
| Issue of listed, senior, unsecured, redeemable, rated debentures during the year 2021/22 | | | | | | | |
| The funds raised through the Debenture Issue will be utilised to expand the lending portfolio of the Company | 10,000,000 | Within 06 months from the Date of Allotment | 10,000,000 | 100 | 10,000,000 | 100 | N/A |

**Remaining Contractual Maturity Analysis of Debt Security -Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Listed Debentures | 384,977 | 4,629,675 | - | 5,014,652 |
| Total | 384,977 | 4,629,675 | - | 5,014,652 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2024 | | | | |
| As at 31st March | Within one  year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Listed Debentures | 6,400,684 | 4,631,564 | - | 11,032,248 |
| Total | 6,400,684 | 4,631,564 | - | 11,032,248 |

**Remaining Contractual Maturity Analysis of Debt Security -Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Listed Debentures | 384,977 | 4,629,675 | - | 5,014,652 |
| Total | 384,977 | 4,629,675 | - | 5,014,652 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Listed Debentures | 6,400,684 | 4,631,564 | - | 11,032,248 |
| Total | 6,400,684 | 4,631,564 | - | 11,032,248 |

#### OTHER FINANCIAL LIABILITIES

Other financial liabilities includes amount payable to suppliers, insurance payable, dividend payable and other payables. These liabilities are non interest bearing and recorded at amounts expected to be payable as at the reporting date.

All other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost.

**Amount payable to suppliers**

Amount payable to suppliers includes obligation to pay for vehicle suppliers in the ordinary course of business.

**Insurance payable**

Insurance payable includes premium amount payable to insurance companies in relation to vehicles.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Amount payable to suppliers | 5,167,955 | 2,009,627 | 6,038,332 | 2,347,382 |
| Insurance payable | 600,465 | 509,772 | - | - |
| Other payables | 646,651 | 669,294 | 2,149,106 | 1,578,710 |
| Total | 6,415,071 | 3,188,693 | 8,187,438 | 3,926,092 |

# NOTES TO THE FINANCIAL STATEMENTS

#### INSURANCE LIABILITIES AND REINSURANCE PAYABLE

##### Accounting Policy

**Provision for net unearned premium**

Provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance

technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the Statement of Profit or Loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Group performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

##### Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

##### Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels

of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

##### Insurance Contract Liabilities

**Non-life Insurance Contract Liabilities**

Non-life insurance contract liabilities are recognised when contracts are entered and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Group reviews

its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance

technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognized in the statement of income by setting up a provision for liability adequacy.

##### De-recognition of Insurance Payable

Insurance payables are derecognised when the obligation under the liability is discharged, canceled or expired.

##### Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the Company’s held unearned premium reserves less deferred acquisition cost with the expected amount decided based on the significant management judgment. In estimating the unexpired risk liability, assumptions are made on the expected net claim ratio for each of business and claim management expenses incurred whilst these policies remain exposed for claims.

##### Non-life Insurance Contract Liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter- Ferguson methods and Frequency/severity method.

The main assumption underlying these techniques is that a company’s past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident periods and significant business lines, but can also be further analysed by geographical area and claim types. Large claims may be separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most

cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels

of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

All general insurance contracts are subject to a Liability Adequacy Test (LAT). The LAT was carried out by M/s. NMG Financial Services Consulting Pte Limited, Singapore.

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

# NOTES TO THE FINANCIAL STATEMENTS

#### INSURANCE LIABILITIES AND REINSURANCE PAYABLE (CONTD…)

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Insurance Liabilities | 39.1 | 370 | - | - | 4,830,545 | 4,326,861 |
| Reinsurance payables | | | - | - | 628,243 | 1,181,832 |
| Total | | | - | - | 5,458,788 | 5,508,693 |

* 1. **Insurance Liabilities**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Outstanding claims provision | - | - | 1,977,060 | 814,643 |
| Provision for unearned premiums (net) | - | - | 2,853,485 | 3,512,218 |
| Total | - | - | 4,830,545 | 4,326,861 |

#### LEASE LIABILITIES

The Company recognises lease liabilities measured at present value of lease payments to be made over the lease term at the commencement date of the lease. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

The Group applied modified retrospective approach in accordance with SLFRS 16 when adopting the standards and used 13.05% as a weighted average incremental borrowing rate in order to record the right of use assets and lease Liabilities (2024 - 14.91%).

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 1,636,537 | 1,753,723 | 1,554,027 | 1,477,875 |
| Additions/renewal of operating lease agreements during the year | 996,222 | 283,704 | 584,348 | 293,956 |
| Accretion of interest | 271,323 | 245,483 | 198,363 | 219,909 |
| Payments to lease creditors | (667,991) | (586,137) | (557,946) | (377,477) |
| Expiration of operating lease agreements during the year | - | (60,236) | - | (60,236) |
| Balance as at 31st March | 2,236,091 | 1,636,537 | 1,778,792 | 1,554,027 |

##### Sensitivity analysis of lease liability

The impact arising from the possible changes in the incremental borrowing rate on the lease liability disclosed in Risk Management Disclosure 56.4.1 on page 410.

##### Remaining Contractual Maturity Analysis of Lease Liability

Company

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease Liability | 561,593 | 1,380,554 | 293,944 | 2,236,091 |
| Total | 561,593 | 1,380,554 | 293,944 | 2,236,091 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one  year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease Liability | 397,870 | 1,013,774 | 224,893 | 1,636,537 |
| Total | 397,870 | 1,013,774 | 224,893 | 1,636,537 |

Group

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | |
| Within one  year | 1-5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease Liability | 445,665 | 1,096,350 | 236,777 | 1,778,792 |
| Total | 445,665 | 1,096,350 | 236,777 | 1,778,792 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2024 | | | |
|  | Within one  year | 1-5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Lease Liability | 389,352 | 957,817 | 206,858 | 1,554,027 |
| Total | 389,352 | 957,817 | 206,858 | 1,554,027 |

#### 41 CURRENT TAX LIABILITIES

The Group and Company is subject to income taxes and other taxes including VAT and SSCL on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Group and Company recognized assets and liabilities for current deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact the income, deferred tax amounts in the period in which the determination is made.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Page | 2025 | 2024 | 2025 | 2024 |
| As at 31st March | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Current tax payable/ receivable | 41.1 | 372 | (52,589) | 295,474 | 326,594 | 536,436 |
| Total | | | (52,589) | 295,474 | 326,594 | 536,436 |

# NOTES TO THE FINANCIAL STATEMENTS

#### CURRENT TAX LIABILITIES (CONTD…)

##### Current tax liability/ receivable

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 295,474 | 1,013,703 | 536,436 | 1,406,648 |
| Provision for the year | 1,428,189 | 1,525,924 | 2,008,215 | 1,876,053 |
| Under/(Over) provision in respect of previous year | (2,157) | (148,168) | (3,924) | (144,939) |
| Payment of income tax | (1,685,532) | (1,836,478) | (1,969,527) | (2,142,485) |
| Tax credits(\*) | (88,563) | (259,507) | (244,605) | (458,841) |
| Balance as at 31st March | (52,589) | 295,474 | 326,595 | 536,436 |

* 1. **Withholding Tax (WHT)/ Advance Income Tax (AIT)**

WHT has been reinstated in accordance with Sections 84 and 85 of the Inland Revenue Act No. 24 of 2017 and the amendments thereto (No. 10 of 2021 and No. 45 of 2022). A 5% withholding tax is applied to service fees exceeding Rs. 100,000, 10% to rent exceeding Rs. 100,000, 5% to any amount of interest and 15% to dividends.

#### OTHER LIABILITIES

Other liabilities include VAT on financial services payable, Social Security Contribution Levy (SSCL), Value Added Tax (VAT) payable, other tax payable and other payable. These Non-Financial Liabilities should be measured at amounts that would rationally be paid to settle the present obligation or amount to transfer it to a third party on the balance sheet date.

**Accounting Policy**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| VAT on financial services Payable | 242,044 | 249,569 | 254,754 | 270,349 |
| SSCL Payable | 31,759 | 31,781 | 58,518 | 53,036 |
| Value Added Tax (VAT) Payable | 58,115 | 68,571 | 186,861 | 201,942 |
| W.H.T. Payable | 36,044 | 46,627 | 69,416 | 48,592 |
| Crop Insurance Levy Payable | 8,851 | 17,806 | 8,851 | 17,806 |
| Amount payable to customers | 527,615 | 478,329 | 530,766 | 478,618 |
| Stamp Duty Payable | 159,024 | 133,907 | 162,250 | 136,554 |
| Other Payable | 422,943 | 366,336 | 465,620 | 425,871 |
| Total | 1,486,395 | 1,393,241 | 1,737,036 | 1,632,768 |

 *GRI 201-3*

#### RETIREMENT BENEFIT OBLIGATION

##### Employee Benefits

**Retirement Benefit Obligation - Gratuity**

The Group/Company measures the present value of the promised retirement benefits for gratuity, which is a retirement benefit plan with the advice of an independent professional actuary using the ‘Projected Unit Credit method’ (PUC) as required by the Sri Lanka Accounting Standard- LKAS 19 - ‘Employee Benefits’.

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

##### Recognition of Actuarial Gains and Losses

The Group/Company recognises the total actuarial gains and losses that arise in calculating the Company’s obligation in respect of the plan in Statement of Comprehensive Income during the period in which it occurs.

##### Funding Arrangements

The gratuity liability is not externally funded.

##### Defined Contribution Plans -Employees’ Provident Fund & Defined Contribution Plans - Employees’ Trust Fund

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

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

The Group/Company and employees contribute to the Employees’ Provident Fund managed by the Central Bank of Sri Lanka at 12% and 8% respectively on the gross salary of each employee.

The Group/Company contributes to the Employees’ Trust Fund at 3% on the gross salary of each employee.

##### Retirement Benefit Obligation

The cost of the retirement benefit obligation is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future gratuity increases. Due to the long term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date.

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 01st April | | | 778,537 | 673,659 | 897,355 | 756,320 |
| Amount recognise in Statement of Profit or Loss | 43.1 | 374 | 158,224 | 175,370 | 206,602 | 221,361 |
| Amount recognise in Statement of Comprehensive Income | 43.2 | 374 | 134,126 | 17,890 | 143,496 | 26,787 |
| Benefits paid during the year | | | (70,168) | (88,382) | (91,537) | (107,113) |
| Balance as at 31st March | | | 1,000,719 | 778,537 | 1,155,916 | 897,355 |

# NOTES TO THE FINANCIAL STATEMENTS

#### RETIREMENT BENEFIT OBLIGATION (CONTD…)

##### Amount recognise in Statement of Profit or Loss

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Current service cost | 64,800 | 54,111 | 102,887 | 77,202 |
| Net interest on the net defined benefit liability | 93,424 | 121,259 | 103,715 | 144,159 |
| Total amount recognised in Statement of Profit or Loss | 158,224 | 175,370 | 206,602 | 221,361 |

* 1. **Amount recognise in Statement of Comprehensive Income**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Losses/(Gains) due to changes in assumptions | 94,403 | 56,806 | 103,773 | 63,097 |
| Experience Losses/(Gains) arising during the year | 39,723 | (38,916) | 39,723 | (36,310) |
| Total actuarial (losses)/gain recognised in Statement of Comprehensive Income | 134,126 | 17,890 | 143,496 | 26,787 |

An actuarial valuation of the retirement benefit obligation was carried out as at 31 March 2025 by Messrs Actuarial & Management Consultants (Private) Limited, a firm of professional actuaries (31 March 2024 by Messrs Actuarial & Management Consultants (Private) Limited). The valuation method used by the actuaries to value the liability is the ‘Projected Unit Credit (PUC)’, the method recommended by the Sri Lanka Accounting Standard, LKAS 19 - ‘Employee Benefits’.

|  |  |  |
| --- | --- | --- |
| As at 31st March | 2025 | 2024 |
| Company /Group |
| Actuarial assumptions | 10.00% | 12.00% |
| Discount rate |
| Future salary increment rate | 10.00% | 10.00% |
| Mortality | A1967/70 ultimate  mortality | A1967/70 ultimate  mortality |
| Disability | Standard RI rates | Standard RI rates |
| Retirement age | 60 Years | 60 Years |

Expected average working life of the active participants is 6 years for the year ended 31st March 2025. (6 - 2024)

##### Sensitivity of Assumptions Employed in Actuarial Valuation

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

The sensitivity of the Statement of Comprehensive Income and the Statement of Financial Position is the effect of the assumed changes in discount rate & salary increment rate on the employment benefit obligation for the year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | | 2024 | |
| Effect on Statement of Comprehensive Income increase/ (reduction) in results for the  year | Effect on employee benefit obligation increase/ (reduction) in the  liability | Effect on Statement of Comprehensive Income increase/ (reduction) in results for the  year | Effect on employee benefit obligation increase/ (reduction) in the  liability |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Increase/ (decrease) in discount rate |  | |  | |
| 1% | 953,451 | (953,451) | 35,693 | (35,693) |
| -1% | (1,052,656) | 1,052,656 | (39,166) | 39,166 |
| Increase/ (decrease) in salary Increment |  | |  | |
| 1% | 1,051,807 | (1,051,807) | 39,246 | (39,246) |
| -1% | (953,373) | 953,373 | (36,357) | 36,357 |

##### Analysis of retirement benefit obligation by Maturity Profile

Following note analysed the defined benefit obligation by expected future working life time of each individual employee. The expected future working life considers the probability of an exit due to withdrawal, death or disability prior to retirement date.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Within the next 12 months | 149,708 | 121,465 | 182,914 | 138,366 |
| Between 1-5 years | 478,888 | 376,817 | 536,002 | 423,931 |
| Beyond 5 years | 372,123 | 280,255 | 437,000 | 335,058 |
| Total | 1,000,719 | 778,537 | 1,155,916 | 897,355 |

# NOTES TO THE FINANCIAL STATEMENTS

 *GRI 2- 207-1,207-2*

#### DEFERRED TAX LIABILITIES / (ASSETS)

##### Accounting Policy

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:

0 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 nor taxable profit or loss; and

0 In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

0 Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

0 In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the Statement of Profit or Loss.

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

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Recognised under assets | 213,519 | 818,949 | 832,154 | (875,915) |
| Recognised under liabilities | (154,197) | - | (805,585) | 46,564 |
| Deferred tax liability/(asset) | 59,322 | (818,949) | 26,569 | (829,351) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Temporary difference | 30% | 30% | 20%-40% | 20%-40% |
| Current tax rate | 30% | 30% | 20%-40% | 20%-40% |

#### DEFERRED TAX ASSETS/LIABILITIES (CONTD…)

Net deferred tax assets/liabilities of one entity cannot set-off against another entity’s assets/liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of deferent entities are separately recognised in the Statement of Financial Position.

* 1. **Summery of Deferred Tax**
     1. **Movement in Deferred Tax**

**Company**

**Group**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | 2025 | | 2024 | | 2025 | | 2024 | |
|  | Note | Page No. | Temporary difference | Tax effect | Temporary difference | Tax effect | Temporary difference | Tax effect | Temporary difference | Tax effect |
|  |  |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | | | (2,729,829) | (818,949) | (4,451,533) | (1,335,460) | (2,764,507) | (829,352) | (4,732,787) | (1,419,836) |
| Temporary differences affect the income statement by changing the tax expense through deferred tax | 44.2 | 378 | 2,529,756 | 758,927 | 1,525,597 | 457,679 | 2,616,139 | 784,842 | 1,668,930 | 500,679 |
| The origination and reversal of temporary differences impact the Statement of Profit or Loss and Other Comprehensive Income | 44.2 | 378 | 2,334 | 700 | 196,107 | 58,832 | 59,802 | 17,941 | 299,350 | 89,805 |
| Balance as at 31st March | | | (197,739) | (59,322) | (2,729,829) | (818,949) | (88,566) | (26,570) | (2,764,507) | (829,351) |

* + 1. **Reconciliation of effective tax rate between Temporary difference and Differed tax**

A reconciliation of the temporary differences set-off by deferred tax is provided below:

**Company**

**Group**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | 2025 | | 2024 | | 2025 | | 2024 | |
|  | Note | Page No. | Amount | Tax effect | Amount | Tax effect | Amount | Tax effect | Amount | Tax effect |
|  |  |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Profit before income tax expense | | | 5,788,336 | 1,736,501 | 5,375,932 | 1,612,780 | 6,879,378 | 2,063,813 | 6,429,224 | 1,928,767 |
| Add :Temporary difference | | |  | |  | |  | |  | |
| Disallowed expenses / Lease Capital recoverable | 17.6 | 314 | (876,849) | (263,055) | (269,916) | (80,975) | (1,014,222) | (304,267) | (964,384) | (289,315) |
| Less:Temporary difference | | |  | |  | |  | |  | |
| Allowable expenses / Exempted income | 17.6 | 314 | (1,652,907) | (495,872) | (1,255,592) | (376,678) | (2,078,875) | (623,663) | (1,928,767) | (578,630) |
| Temporary difference  - Taxable income | | | 3,258,580 | 977,574 | 3,850,424 | 1,155,127 | 3,786,281 | 1,135,884 | 3,536,073 | 1,060,822 |
| Deferred tax adjustment | 44.2 | 378 | - | 758,927 | - | 457,679 | - | 784,842 | - | 500,679 |
| Total Tax on Temporary difference | | | - | 1,736,501 | - | 1,612,806 | - | 1,920,726 | - | 1,561,501 |

Effective tax rate on

# NOTES TO THE FINANCIAL STATEMENTS

##### Reconciliation of Deferred tax – Company

Statement of financial position

Profit or loss Other Comprehensive

Income

Statement of Changes in Equity

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at / for the year ended March 31st 2025 |  |  |  |  |  |  |  |  |
| Deferred tax Assets |  |  |  |  |  |  |  |  |
| Post employment benefit obligation | 259,978 | 233,561 | (26,417) | (8,761) | 40,238 | (5,369) | 40,238 | (5,369) |
| Provision for impairment charges | (105,263) | 781,223 | 886,485 | 542,852 | - | - | - | - |
| Right-of-use assets (SLFRS 16) | 58,804 | 51,342 | (7,462) | (570) | - | - | - | - |
| Carry forward tax losses | - | - | - | - | - | - | - | - |
|  | 213,519 | 1,066,126 | 852,606 | 533,521 | 40,238 | (5,369) | 40,238 | (5,369) |
| Deferred tax Liabilities |  |  |  |  |  |  |  |  |
| Accelerated depreciation for tax purposes – Property, Plant and Equipment | 71,802 | 55,880 | (15,922) | 27,468 | - | - | - | - |
| Accelerated depreciation for tax purposes – Leased assets | 42,858 | 185,881 | 143,723 | 48,374 | - | - | - | - |
| Fair value on OCI | 39,537 | 5,416 | (34,122) | - | 39,537 | (64,200) | 39,537 | (64,200) |
|  | 154,197 | 247,177 | 93,679 | 75,842 | 39,537 | (64,200) | 39,537 | (64,200) |
|  |  |  |  |  |  |  |  |  |
| Deferred tax effect on profit or loss for the year | - | - | 758,927 | 457,679 | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | 701 | 58,831 | - | - |
| Recognised under equity | - | - | - | - | - | - | 701 | 58,831 |
| Net deferred tax asset as at March 31st | 59,322 | 818,949 | - | - | - | - | - | - |

##### Reconciliation of Deferred tax – Group

Statement of financial position

Profit or loss Other Comprehensive

Income

Statement of Changes in Equity

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at / for the year ended March 31st 2025 |  |  |  |  |  |  |  |  |
| Deferred tax Assets |  |  |  |  |  |  |  |  |
| Post employment benefit obligation | 362,406 | 264,520 | (140,934) | (4,109) | 43,049 | (8,139) | 43,049 | (8,139) |
| Provision for impairment charges | 350,735 | 805,012 | 454,278 | 501,110 | - | - | - | - |
| Right-of-use assets (SLFRS 16) | 119,013 | 51,342 | (67,671) | (570) | - | - | - | - |
| Carry forward tax losses | - | 63,798 | 63,798 | (25,130) | - | - | - | - |
| Fair value gain/Loss on Investment property | - | 21,594 | 21,594 | 32,159 |  |  |  |  |
|  | 832,154 | 1,206,266 | 331,065 | 503,460 | 43,049 | (8,139) | 43,049 | (8,139) |
| Deferred tax Liabilities |  |  |  |  |  |  |  |  |
| Accelerated depreciation for tax purposes – Property, Plant and Equipment | 432,488 | 163,148 | (269,340) | (50,297) | - | - | - | - |
| Accelerated depreciation for tax purposes – Leased assets | 92,717 | 194,226 | 101,509 | 53,078 | - | - | - | - |
| Fair value on OCI | 280,380 | 19,541 | (285,947) | - | 25,108 | (97,944) | 25,108 | (97,944) |
|  | 805,585 | 376,915 | (453,778) | 2,781 | 25,108 | (97,944) | 25,108 | (97,944) |
|  |  |  |  |  |  |  |  |  |
| Deferred tax effect on profit or loss for the year | - | - | 784,843 | 500,679 | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | 17,941 | 89,805 | - | - |
| Recognised under equity | - | - | - | - | - | - | 17,941 | 89,805 |
| Net deferred tax asset as at March 31st | 26,569 | 829,351 | - | - | - | - | - | - |

#### STATED CAPITAL

##### Capital

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the Central Bank of Sri Lanka. The adequacy of the Company’s capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Sri Lanka .

The Company has complied in full with all its externally imposed capital requirements over the reported period.

##### Capital management

The primary objectives of the Company’s capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Company/Group** | | **Company/Group** | |
| 2025 | | 2024 | |
| Number | Rs. '000 | Number | Rs. '000 |
| Balance as at 1 April | 2,154,375,750 | 19,230,479 | 2,041,883,116 | 18,015,559 |
| Scrip Dividend | - | - | 112,492,634 | 1,214,920 |
| Balance as at 31 March | 2,154,375,750 | 19,230,479 | 2,154,375,750 | 19,230,479 |

##### Rights, preferences and restrictions of classes of capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are entitled to one vote per share at the Annual General Meeting of the Company.

##### Regulatory capital

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | 2024 | |
| Actual | Required | Actual | Required |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Tier 1 Capital/ Core capital | 41,548,341 | 2,500,000 | 40,454,374 | 2,000,000 |
| Tier 1 Capital Ratio / Core capital ratio | 22.94% | 10.00% | 30.00% | 10.00% |
| Total Capital Ratio / Total risk weighted capital ratio | 22.68% | 14.00% | 29.70% | 14.00% |

As per Finance Business Act Directions No 3 of 2018, regulatory capital consists of Tier 1 capital, which comprises stated capital, statutory reserved fund, retained earnings including current year profit, general & other reserves less goodwill, other intangible assets, other comprehensive income losses, shortfall of the cumulative impairment to total provisions and interest in suspense and 50% of investment in banking and financial companies.

# NOTES TO THE FINANCIAL STATEMENTS

#### STATUTORY RESERVE FUND

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 2,967,853 | 2,790,828 | 3,107,595 | 2,905,660 |
| Transfer during the year | 180,112 | 177,025 | 218,340 | 201,935 |
| Balance as at 31st March | 3,147,965 | 2,967,853 | 3,325,935 | 3,107,595 |

##### People's Leasing & Finance PLC

According to the Paragraph 3 (a) of Finance Companies (Capital Funds) Direction No.1 of 2003, every finance company shall maintain reserve fund and as per Paragraph 3 (b) (i) of the said direction, so long the capital funds are not less than twenty five (25) per cent of total deposit liabilities, a sum equal to not less than five (5) per cent of the net profits shall be transferred to reserve fund each year.

Since the capital funds are not less than twenty five (25) per cent of total deposit liabilities, company has transferred five (5) per cent of the net profits to reserve fund.

##### Alliance Finance PLC

As per Financial regulation 1994, every Non-Banking Financial Institution is required to transfer at least 20% of it's current years profit to the fund until such reserve fund equal to its paid up share capital and share premium (if any). In conformity with the above requirement the Company transferred 20% of net profit to statutory reserve before declaration of dividend.

#### RETAINED EARNINGS

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 1st April | 19,884,827 | 19,556,826 | 23,976,101 | 23,248,550 |
| Profit for the year | 3,603,377 | 3,540,497 | 3,998,783 | 3,994,917 |
| Comprehensive income | (133,426) | (76,722) | (127,523) | (106,681) |
| Transfers to reserves | (361,913) | (277,136) | (400,140) | (302,047) |
| Dividend paid | (3,016,126) | (2,858,638) | (3,016,126) | (2,858,638) |
| Balance as at 31st March | 19,976,739 | 19,884,827 | 24,431,093 | 23,976,101 |

#### OTHER RESERVES

##### Equity Reserves

The reserves recorded in equity (Statement of Comprehensive Income) on the Statement of Financial Position include;

0 The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income (Refer Note 48.3) on page 381.

0 Foreign currency translation reserve

As at the reporting date, the assets and liabilities of the Alliance Finance PLC a subsidiary of the Company was translated into the presentation currency (Sri Lankan Rupee) at the exchange rate ruling at the reporting date and the Statement of Profit or Loss and Statement of Other Comprehensive Income was translated at the average exchange rate for the period. The exchange differences arising on the translation of these Financial Statement is taken to foreign currency translation reserve through Statement of other comprehensive income (Refer Note 48.4) on page 382.

0 Regulatory loss allowance reserve

In accordance with Section 7.1 of the Finance Business Act Directions (Classification and Measurement of Credit Facilities) No. 01 of 2020, a non-distributable regulatory loss allowance reserve must be established through an appropriation of retained earnings whenever the loss allowance for expected credit loss (impairment) is less than the regulatory provision. Consequently, the company has transferred Rs.100MN from retained earnings to the regulatory loss allowance reserve during the year.

* 1. **Current Year 2025**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** |  |
|  |  |  | Opening balance at 01-04-2024 | Movement transfers | Closing balance at 31-03-2025 | Opening balance at 01-04-2024 | Movement transfers | Closing balance at 31-03-2025 |
|  |  | Page |  |  |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Regulatory loss allowance reserve |  |  | 100,111 | 181,801 | 281,912 | - | 281,912 | 281,912 |
| Fair value reserve | 48.3 | 381 | (357,132) | 131,792 | (225,340) | (326,987) | 95,719 | (231,268) |
| Foreign currency translation reserve | 48.4 | 382 | - | - | - | 658,332 | (75,971) | 582,361 |
| Total |  |  | (257,021) | 313,593 | 56,572 | 331,345 | 301,660 | 633,005 |

* 1. **Previous year 2024**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Company** |  |  | **Group** |  |
|  |  |  | Opening balance at 01-04-2023 | Movement transfers | Closing balance at 31-03-2024 | Opening balance at 01-04-2023 | Movement transfers | Closing balance at 31-03-2024 |
|  |  | Page |  |  |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Regulatory loss allowance reserve | 48.3 | 381 | - | 100,111 | 100,111 | - | 100,111 | 100,111 |
| Fair value reserve |  |  | (571,148) | 214,016 | (357,132) | (627,839) | 300,852 | (326,987) |
| Foreign currency translation reserve | 48.4 | 382 | - | - | - | 977,219 | (318,887) | 658,332 |
| Total |  |  | (571,148) | 314,127 | (257,021) | 349,380 | 82,076 | 431,456 |

* 1. **Fair value reserve**

The fair value reserve comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income until such investments are derecognised or impaired.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 01st April | (357,132) | (571,148) | (326,987) | (627,839) |
| Net fair value gains/(losses) on remeasuring financial investments | 131,792 | 214,016 | 83,694 | 329,798 |
| Transfer to NCI |  |  | 12,025 | (28,946) |
| Balance as at 31st March | (225,340) | (357,132) | (231,268) | (326,987) |

# NOTES TO THE FINANCIAL STATEMENTS

#### 48. OTHER RESERVES (CONTD…)

##### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign subsidiary.

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 01st April | - | - | 658,332 | 977,219 |
| Net gains/(losses) arising from translating the Financial Statements | - | - | (148,962) | (625,269) |
| Transfer to NCI | - | - | 72,991 | 306,382 |
| Balance as at 31st March | - | - | 582,361 | 658,332 |

#### NON -CONTROLLING INTEREST

Non controlling interest are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non controlling interest represents 25% of net assets of the Subsidiary, People’s Insurance PLC and 49% of net assets of the subsidiary, Alliance Finance PLC.

**Group**

|  |  |  |
| --- | --- | --- |
| As at 31st March | 2025 | 2024 |
| Rs. '000 | Rs. '000 |
| Balance as at 01st April | 2,400,197 | 2,485,030 |
| Acquisition of a subsidiary with non-controlling interest | 150,554 | - |
| Profit for the year | 91,462 | 202,514 |
| Other comprehensive income | (83,049) | (287,347) |
| Dividend paid for the year | (154,304) | - |
| Balance as at 31st March | 2,404,860 | 2,400,197 |

#### CONTINGENT LIABILITIES AND COMMITMENTS

##### Commitments and Contingencies

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard- LKAS 37 - ‘Provisions, Contingent Liabilities and Contingent Assets’. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Contingent liabilities | 50.1 | 383 | 463,182 | 353,254 | 661,516 | 515,833 |
| Commitments | 50.2 | 383 | 18,589,432 | 13,887,062 | 18,589,432 | 13,887,062 |
| Total | | | 19,052,614 | 14,240,316 | 19,250,948 | 14,402,895 |

##### Contingent Liabilities

In the normal course of business, the Group and Company makes various irrecoverable commitments and incur certain contingent liabilities with legal recourse to its customers and would be a party to litigation due to its operations. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain operational risk and therefore form a part of the overall risk profile of the Group and Company. However no material losses are anticipated as a result of these transactions.

**Company**

**Group**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | Page | 2025 | 2024 | 2025 | 2024 |
|  | Note | No. | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Litigation against the Company | 50.1.1 | 383 | 394,026 | 294,821 | 394,026 | 294,821 |
| Guarantees - Others | 50.1.2 | 383 | 69,156 | 58,433 | 69,156 | 58,433 |
| Assessment received from Inland Revenue Department | | | - | - | 198,334 | 162,579 |
| Total | | | 463,182 | 353,254 | 661,516 | 515,833 |

##### Litigation against the Company

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Company has formal controls and policies for managing legal claims. Pending legal claims where the Company had already made provisions for possible losses in its Financial Statements or has a reasonable security to cover the damages are not included below as the Company does not expect cash outflows from such claims.

As of the date of the Statement of Financial Position, fifty five (55) clients have filed cases against the company. The Company’s legal counsel is of the opinion that litigation which is currently pending will not have a material impact on the reported financial results or future operations of the Company.

##### Guarantees - Other

Guarantee provided by the Company with the request of Fixed deposits customers to third party and assure to make the obligation at the time of customer is unable to settle the payment.

##### Commitments

The Group/Company has commitments for acquisition of property, plant and equipment, intangible assets and un-utilised facilities incidental to the ordinary course of business as at 31st March as follows:

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Capital Commitments | 1,537,092 | 1,870,197 | 1,537,092 | 1,870,197 |
| Approved but not contracted for |
| Subtotal | 1,537,092 | 1,870,197 | 1,537,092 | 1,870,197 |
| Un-utilised facilities | 9,812,170 | 6,794,683 | 9,812,170 | 6,794,683 |
| Margin trading |
| Fast track | 2,073,298 | 144,472 | 2,073,298 | 144,472 |
| Selfy e Cash | 5,154,518 | 5,072,542 | 5,154,518 | 5,072,542 |
| Gold Loan- Wadiah | 7,482 | 5,168 | 7,482 | 5,168 |
| Gold Loan-Card | 4,872 | - | 4,872 | - |
| Subtotal | 17,052,340 | 12,016,865 | 17,052,340 | 12,016,865 |
| Total | 18,589,432 | 13,887,062 | 18,589,432 | 13,887,062 |

In the computation of Expected Credit Loss company consider un utilised amount of revolving facility. Therefore allowance for un utilised facility is included in Note 25.7 on page 341.

# NOTES TO THE FINANCIAL STATEMENTS

#### NET ASSETS VALUE PER ORDINARY SHARE

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Total equity attributable to equity holders of the Company (Rs. '000) | 42,411,755 | 41,826,138 | 47,620,514 | 46,745,631 |
| Total number of shares | 2,154,375,750 | 2,154,375,750 | 2,154,375,750 | 2,154,375,750 |
| Net assets value per share (Rs.) | 19.69 | 19.41 | 22.10 | 21.70 |

#### CURRENT/NON CURRENT ANALYSIS

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
|  | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| Company | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 18,696,732 | - | 18,696,732 | 9,728,132 | - | 9,728,132 |
| Balances with banks & financial institutions | 3,031,551 | - | 3,031,551 | 14,288,282 | - | 14,288,282 |
| Financial assets -Fair value through profit or loss | 275,550 | - | 275,550 | 1,339,867 | - | 1,339,867 |
| Loans and receivables | 94,366,827 | 62,725,560 | 157,092,387 | 59,170,793 | 44,479,660 | 103,650,453 |
| Financial assets - Fair value through other comprehensive income | 1,292,130 | 10 | 1,292,140 | 1,158,659 | 10 | 1,158,669 |
| Debt instrument - Amortised cost | 5,161,177 | - | 5,161,177 | 18,372,055 | - | 18,372,055 |
| Investments in subsidiaries | - | 3,832,151 | 3,832,151 | - | 3,455,229 | 3,455,229 |
| Investment property | - | 302,000 | 302,000 | - | 295,465 | 295,465 |
| Other assets | 889,844 | 150,814 | 1,040,658 | 3,829,337 | 152,481 | 3,981,818 |
| Property, plant and equipment | - | 1,787,796 | 1,787,796 | - | 1,361,384 | 1,361,384 |
| Right to use assets | - | 1,872,168 | 1,872,168 | - | 1,360,775 | 1,360,775 |
| Deferred tax assets | - | 59,322 | 59,322 | - | 818,949 | 818,949 |
| Goodwill and intangible assets | - | 34,719 | 34,719 | - | 41,010 | 41,010 |
| Current tax receivables | 52,589 | - | 52,589 | - | - | - |
| Total assets | 123,766,400 | 70,764,540 | 194,530,940 | 107,887,125 | 51,964,963 | 159,852,088 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 5,104,040 | 6,332,533 | 11,436,573 | 2,263,494 | - | 2,263,494 |
| Due to customers | 82,583,603 | 41,946,081 | 124,529,684 | 78,938,390 | 18,499,336 | 97,437,726 |
| Debt securities issued | 384,977 | 4,629,675 | 5,014,652 | 6,400,684 | 4,631,564 | 11,032,248 |
| Other financial Liabilities | 6,415,071 | - | 6,415,071 | 3,188,693 | - | 3,188,693 |
| Lease Liabilities | 561,593 | 1,674,498 | 2,236,091 | 344,617 | 1,291,920 | 1,636,537 |
| Current tax Liabilities | - | - | - | 295,474 | - | 295,474 |
| Other Liabilities | 1,486,395 | - | 1,486,395 | 1,393,241 | - | 1,393,241 |
| Retirement Benefit Obligation | 149,709 | 851,010 | 1,000,719 | 121,465 | 657,072 | 778,537 |
| Total liabilities | 96,685,388 | 55,433,797 | 152,119,185 | 92,946,058 | 25,079,892 | 118,025,950 |
| Net assets | 27,028,423 | 15,383,332 | 42,411,755 | 14,941,067 | 26,885,071 | 41,826,138 |

1. **CURRENT/NON CURRENT ANALYSIS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
|  | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| Group | Rs. ‘000 | Rs. '000 | Rs. '000 | Rs. ‘000 | Rs. '000 | Rs. '000 |
| Assets |  |  |  |  |  |  |
| Cash and cash equivalents | 19,583,402 | - | 19,583,402 | 10,636,505 | - | 10,636,505 |
| Balances with banks & financial institutions | 5,694,373 | - | 5,694,373 | 17,562,955 | - | 17,562,955 |
| Financial assets -Fair value through profit or loss | 1,290,581 | - | 1,290,581 | 1,451,613 | - | 1,451,613 |
| Loans and receivables | 96,915,172 | 73,536,669 | 170,451,841 | 66,223,220 | 50,696,730 | 116,919,950 |
| Reinsurance and insurance receivables | 1,698,354 | - | 1,698,354 | 1,586,697 | - | 1,586,697 |
| Financial assets - Fair value through other comprehensive income | 1,827,472 | 10 | 1,827,482 | 1,720,465 | 10 | 1,720,475 |
| Debt instrument - Amortised cost | 10,941,728 | 619,544 | 11,561,272 | 22,787,970 | 1,038,544 | 23,826,514 |
| Investment properties | - | 1,375,175 | 1,375,175 | - | 1,305,512 | 1,305,512 |
| Other assets | 914,770 | 150,814 | 1,065,584 | 4,013,787 | 152,481 | 4,166,268 |
| Property, plant and equipment | - | 4,281,701 | 4,281,701 | - | 3,779,689 | 3,779,689 |
| Right to use assets | - | 1,553,402 | 1,553,402 | - | 1,287,033 | 1,287,033 |
| Deferred tax assets | - | 26,569 | 26,569 | - | 829,351 | 829,351 |
| Goodwill and intangible assets | - | 172,552 | 172,552 | - | 185,304 | 185,304 |
| Total assets | 138,865,852 | 81,716,436 | 220,582,288 | 125,983,212 | 59,274,654 | 185,257,866 |
| Liabilities |  |  |  |  |  |  |
| Due to banks | 9,250,000 | 7,578,985 | 16,828,985 | 4,795,648 | 2,385,717 | 7,181,365 |
| Due to customers | 88,777,600 | 41,291,113 | 130,068,713 | 86,009,869 | 17,833,185 | 103,843,054 |
| Debt securities issued | 384,977 | 4,629,675 | 5,014,652 | 6,400,684 | 4,631,564 | 11,032,248 |
| Other financial liabilities | 8,187,438 | - | 8,187,438 | 3,926,092 | - | 3,926,092 |
| Insurance and reinsurance payable | - | 5,458,788 | 5,458,788 | - | 5,508,693 | 5,508,693 |
| Lease Liabilities | 104,294 | 1,674,498 | 1,778,792 | 341,565 | 1,212,462 | 1,554,027 |
| Current tax liabilities | 326,594 | - | 326,594 | 536,436 | - | 536,436 |
| Other liabilities | 1,737,036 | - | 1,737,036 | 1,632,768 | - | 1,632,768 |
| Retirement benefit obligation | 202,913 | 953,003 | 1,155,916 | 138,366 | 758,989 | 897,355 |
| Total liabilities | 108,970,852 | 61,586,062 | 170,556,914 | 103,781,428 | 32,330,610 | 136,112,038 |
| Net assets | 29,895,000 | 20,130,374 | 50,025,374 | 22,201,784 | 26,944,044 | 49,145,828 |

# NOTES TO THE FINANCIAL STATEMENTS

#### FINANCIAL REPORTING BY SEGMENT

##### Accounting Policy

The group’s segmental reporting is based on the Business Segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Group.

Inter-segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation

As per the provision of Sri Lanka Reporting Standard -SLFRS- 8, the operating segment of the group has been identify based on the product and services offered by the group of which level of risk and rewards are significantly differ from one another.

Top management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows;

##### Lease & Hire-purchase

This segment includes Leasing and Hire Purchase products offered to the customers.

##### Loans

This segment includes Loan products offered to the customers.

##### Islamic

This segment includes Ijarah, Murabah, Musharakah and Trading Murabah products offered to the customers.

##### Insurance business

Insurance business segment includes general insurance

##### Other business

This segment include all other business activities that group engaged other than above segments.

For the year

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ended 31st | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| March | 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 |
| Interest income | 15,403,947 | 12,333,980 | 9,158,211 | 10,589,539 | 1,086,637 | 828,950 | 1,108,849 | 1,391,108 | 3,185,446 | 7,530,937 | (417,396) | (457,817) | 29,525,694 | 32,216,697 |
| Net earned premium | - | - | - | - | - | - | 4,833,404 | 3,969,415 | - | - | (259,005) | (234,090) | 4,574,399 | 3,735,325 |
| Net fee and commission income | 1,265,710 | 936,245 | 752,511 | 803,828 | 89,287 | 62,924 | - | - | 290,113 | 288,531 | (1,134,915) | (1,112,133) | 1,262,706 | 979,395 |
| Net trading income | - | - | - | - | - | - | 35,393 | - | 147,005 | 124,229 | - | - | 182,398 | 124,229 |
| Other operating income | 166,459 | 286,042 | 98,966 | 245,586 | 11,742 | 19,225 | 130,208 | 118,785 | 369,858 | 178,366 | (406,128) | (350,792) | 371,105 | 497,212 |
| Gross income | 16,836,116 13,556,267 10,009,688 11,638,953 | | | | 1,187,666 | 911,099 | 6,107,854 | 5,479,308 | 3,992,422 | 8,122,063 | (2,217,444) | (2,154,832) | 35,916,302 | 37,552,858 |
| Interest |  | | | |  |  |  |  |  |  |  |  |  |  |
| expenses 7,088,059 7,415,894 4,214,110 6,367,036 | | | | | 500,011 | 498,413 | - | - | 1,680,822 | 4,443,135 | (417,391) | (457,819) | 13,065,611 | 18,266,659 |
| Total Operating  income 9,748,057 6,140,373 5,795,578 5,271,917 | | | | | 687,655 | 412,686 | 6,107,854 | 5,479,308 | 2,311,600 | 3,678,928 | (1,800,053) | (1,697,013) | 22,850,691 | 19,286,199 |
| Credit loss  expenses 827,475 (726,672) 1,083,297 (617,527) | | | | | 111,819 | (1,771) | - | - | (11,474) | (8,234) | - | - | 2,011,117 | (1,354,204) |
| Net operating  income 8,920,582 6,867,045 4,712,281 5,889,444 | | | | | 575,836 | 414,457 | 6,107,854 | 5,479,308 | 2,323,074 | 3,687,162 | (1,800,053) | (1,697,013) | 20,839,574 | 20,640,403 |
| Depreciation 346,244 262,673 281,742 238,117 | | | | | 29,271 | 21,548 | 116,416 | 102,678 | 44,202 | 157,365 | (179,621) | (168,513) | 638,254 | 613,868 |
| Segment result  before taxes 4,478,581 3,196,557 2,662,682 2,744,453 | | | | | 315,932 | 214,836 | 734,371 | 627,587 | 1,062,024 | 1,915,172 | (266,030) | (272,956) | 8,987,560 | 8,425,649 |
| Less : Tax on financial  services 1,108,278 841,439 658,912 650,288 | | | | | 78,181 | 50,905 | - | - | 262,810 | 453,793 | - | - | 2,108,182 | 1,996,425 |
| Income tax  expense 1,389,850 846,707 826,317 726,953 | | | | | 98,044 | 56,906 | 227,899 | 166,236 | 329,581 | 507,292 | (82,558) | (72,301) | 2,789,133 | 2,231,793 |
| Profit attributable to  equity holder 1,980,453 1,592,438 1,177,453 1,367,212 | | | | | 139,707 | 107,025 | 506,472 | 312,647 | 469,633 | 954,087 | (183,472) | (200,655) | 4,090,245 | 4,197,431 |
|  | | | | |  |  |  |  |  |  |  |  |  |  |
| As at 31st March  Segment  assets 105,833,816 69,085,195 86,118,140 62,626,580  Total assets 105,833, 816 69,085,195 86,118,140 62,626,580  Segment  liabilities 82,986,610 51,431,804 67,527,113 46,623,559  Total liability 82,986,610 51,431,804 67,527,113 46,623,559 | | | | | 8,947,001  8,947,001  7,015,539  7,015,539 | 5,667,203  5,667,203  4,219,058  4,219,058 | 13,488,882  13,488,882  7,728,475  7,728,475 | 12,446,256  12,446,256  7,077,051  7,077,051 | 13,510,998  13,510,998  10,594,268  10,594,268 | 41,388,072  41,388,072  30,812,144  30,812,144 | (7,316,576)  (7,316,576)  (5,295,084)  (5,295,084) | (5,955,440)  (5,955,440)  (4,051,578)  (4,051,578) | 220,582,261  220,582,261  -  170,556,921  170,556,921 | 185,257,866  185,257,866  136,112,038  136,112,038 |

Lease & HP Loans Islamic Insurance Other Eliminations Group

# NOTES TO THE FINANCIAL STATEMENTS

#### ASSETS PLEDGED

The following assets have been pledged as securities for liabilities.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | Carrying Amo | | unt Pledged | |  |
|  |  | **Company** | | **Group** | |  |
|  |  | 31 March  2025 | 31 March  2024 | 31 March  2025 | 31 March  2024 |  |
| Nature of Assets | Nature of Liabilities | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Included under |
| Rentals receivables on lease | Securitisation | - | - | - | - | Loans and receivables |
| Term loan | - | 2,179,094 | - | 2,179,094 | Loans and receivables |
| Short term loans | 20,689,756 | 23,509,389 | 20,689,756 | 23,509,389 | Loans and receivables |
| Rentals receivables on hire- purchase | Securitisation | - | - | - | - | Loans and receivables |
| Term loan | - | - | 3,781,101 | 1,037,255 | Loans and receivables |
| Short term loans | - | - | - | 46,705 | Loans and receivables |
| Rentals receivables on loans | Securitisation | - | - | - | - | Loans and receivables |
| Short term loans | 853,153 | - | 853,153 | Loans and receivables | |
| Fixed deposits | Bank guarantee for assessment | - | - | 125,700 | 125,700 | Contingent liabilities and commitments |
| Fixed deposits | Overdrafts | - | - | 150,839 | 75,000 | Balances with banks & financial institutions |
| Freehold lands and buildings | Term loan | - | - | 3,818,007 | 3,818,007 | Property, plant & equipment &  investment property |

#### RELATED PARTY DISCLOSURE

The Company and the Group 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 Disclosure), the details of which are reported below:

##### Parent and ultimate controlling party

The immediate Parent of the Company is People’s Bank which is a Government owned entity.

##### Transactions with Key Management Personnel (KMP) and their Family Members

As per the Sri Lanka Accounting Standard - LKAS -24) - “Related Party Disclosures”, the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, Immediate parent Company and members of the Corporate Management of the Company have been classified as KMPs of the Company.

The Company carries out transactions with KMPs & their close family members in the ordinary course of its business on an arms length basis at commercial rates.

Close family members of KMPs are those family members who may be expected to influence, or be influenced by, those KMPs in their dealing with the entity.

* + 1. **Transactions with Key Management personnel and their Close Family Members**

**Remuneration to Key Management Personnel**

1. **Remuneration to Board of Directors**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Short term employees benefits | 27,668 | 18,727 | 50,818 | 37,865 |
| Total | 27,668 | 18,727 | 50,818 | 37,865 |

1. **Remuneration to Corporate Management**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Short term employees benefits | 260,251 | 270,450 | 367,351 | 342,398 |
| Post employment benefits | 17,035 | 19,647 | 37,546 | 22,111 |
| Total | 277,286 | 290,097 | 404,897 | 364,509 |

In addition to the above, the Company has also provided non cash benefits such as Company maintained vehicles to KMPs in line with the approved employment terms of the Company.

* + 1. **Share Transactions with Key management Personnel**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| No. of ordinary shares held | 397,340 | 972,820 | 399,376 | 1,078,985 |
| Cash dividend paid (Rs. '000) | 455 | 681 | 455 | 681 |
| Scrip dividend (No. of shares) | - | 53,588 | - | 58,088 |

* + 1. **Transactions, Arrangements and Agreements involving Key Management Personnel (KPMs), includes Key Management personnel, his/her Close Family Members (CFMs) and entities where the Key Management Personnel and his/her Close Family Member have control or joint control.**

1. **Items in Statement of Profit or Loss**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Board of | Directors | Corporate Ma | nagement | To | tal |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Interest income | - | 57 | 156 | 806 | 156 | 863 |
| Interest expense | 10 | 1,619 | 26,624 | 37,031 | 26,634 | 38,650 |

1. **Items in Statement of Financial Position**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Board of | Directors | Corporate Ma | nagement | To | tal |
| As at 31st March | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | - | - | 904 | 6,475 | 904 | 6,475 |
| Loans and receivables |
| Total | - | - | 904 | 6,475 | 904 | 6,475 |
| Liabilities | 209 | 10,723 | 170,167 | 213,326 | 170,376 | 224,049 |
| Due to customers |
| Total | 209 | 10,723 | 170,167 | 213,326 | 170,376 | 224,049 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 55. RELATED PARTY DISCLOSURE (CONTD…)

* 1. **Net accommodation and Net accommodation as a Percentage of Capital funds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | % | % |
| People's Bank | 433,894 | 462,396 | 1.02 | 1.11 |
| People’s Leasing Property Development Limited |
| People’s Leasing Fleet Management Limited | - | - | - | - |
| People’s Leasing Havelock Properties Limited | 827,798 | 843,719 | 1.95 | 2.02 |
| People’s Micro-commerce Ltd | 259,264 | 80,044 | 1.00 | - |
| People’s Insurance PLC | 89,833 | 47,532 | 0.21 | 0.11 |
| Alliance Finance PLC | 26,261 | 26,510 | 0.06 | 0.06 |
| Board of Directors | - | - | - | - |
| Corporate Management | 904 | 6,475 | 0.00 | 0.02 |
| Total net accommodation | 1,637,954 | 1,466,676 | 4.24 | 3.32 |

* 1. **Transactions with Related Entities**

**Transactions with Government of Sri Lanka and Government Related Entities**

The immediate parent of the Company is People’s Bank which is Government owned entity. The Company enters into transactions, arrangements and agreements with Government of Sri Lanka and its related entities. The significant financial dealings during the year and as at the Statement of Financial Position date are as follows:

##### Items in Statement of Profit or Loss

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Interest income | 91 | 1,332 | 91 | 1,332 |
| Interest expenses | 387,721 | 1,129,126 | 387,721 | 1,129,126 |

1. **Items in Statement of Financial Position**

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | 1,052 | 5,679 | 1,052 | 5,679 |
| Loans and receivables |
| Total | 1,052 | 5,679 | 1,052 | 5,679 |
| Liabilities | - | - | - | - |
| Due to banks |
| Due to customer | 4,988,739 | 3,415,159 | 4,988,563 | 3,415,159 |
| Total | 4,988,739 | 3,415,159 | 4,988,563 | 3,415,159 |

Further, transactions as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities

0 Investments in Treasury Bills, Treasury Bonds

0 Payments of statutory rates and taxes

0 Payments for utilities mainly comprising of telephone, electricity and water

0 Payments for employment retirement benefits - ETF

0 Payment of incidentals such as RMV charges and CRIB fees that are paid based on standard rates.

##### Individual Significant Transactions

There were no individual significant transactions with the Government of Sri Lanka and Government related entities, other than on normal day-to-day business operations.

##### Company

The Company had the under mentioned financial dealings during the financial year with the following related entities

1. **Items in Statement of Profit or Loss**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Par | ent | Subsidi | aries |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Interest income | 1,974,337 | 6,201,705 | 213,801 | 272,829 |
| Interest expense | 431,931 | 410,497 | 286,951 | 226,191 |
| Fee and Commission income | - | - | 712,680 | 690,539 |
| Other operating income | - | - | 429,818 | 377,135 |
| Benefits, claims and underwriting expenditure | - | - | 242,960 | 220,573 |
| Depreciation and amortisation | 3,548 | 4,301 | 226,020 | 215,824 |
| Other operating expenses | - | - | 1,631 | 16,986 |

1. **Items in Statement of Financial Position**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Par | ent | Subsidi | aries |
| As at 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Assets | 12,047,568 | 2,340,575 | - | - |
| Cash and cash equivalents |
| Balances with banks & financial institutions | 3,031,551 | 2,989,538 | - | - |
| Loans and receivables | - | - | 1,637,050 | 1,462,655 |
| Financial assets - Amortised cost | 5,161,177 | 18,372,055 | - | - |
| Investments in subsidiaries / Associate (net of impairment) | - | - | 3,832,151 | 3,455,229 |
| Other assets | - | 4,670 | 252,946 | 111,842 |
| Right of use asset | 22,975 | 14,430 | 489,710 | 152,524 |
| Total | 20,263,271 | 23,721,268 | 6,211,857 | 5,182,250 |
| Liabilities | 1,423,816 | 498,705 | - | - |
| Due to banks |
| Due to customers | 4,988,563 | 3,415,159 | 1,949,173 | 1,350,179 |
| Other Financial liabilities | - | - | 731,099 | 601,598 |
| Other liabilities | - | - | 24,108 | 15,929 |
| Lease liability | 26,050 | 23,962 | 551,086 | 189,003 |
| Total | 6,438,429 | 3,937,826 | 3,255,466 | 2,156,709 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 55. RELATED PARTY DISCLOSURE (CONTD…)

1. Transactions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Par | ent | Subsidi | aries |
| For the year ended 31st March | 2025 | 2024 | 2025 | 2024 |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Building rent paid | 600 | 4,035 | 284,342 | 284,342 |
| Building rent received | - | - | 12,606 | 13,217 |
| Cash and cash equivalents - Repo investments | 9,250,000 | 65,410,137 | - | - |
| Cash and cash equivalents - Repo settlements | 4,296,613 | 65,461,426 | - | - |
| Cash and cash equivalents - Money market account investments | 83,775,226 | 33,616,500 | - | - |
| Cash and cash equivalents - Money market account withdrawals | 80,034,053 | 32,924,701 | - | - |
| Cash and cash equivalents - Call Deposit Investments | - | 7,662,226 | - | - |
| Cash and cash equivalents - Call Deposit withdrawals | - | 10,814,419 | - | - |
| Balances with banks and financial institutions - FD investments | 514,803 | 56,680,782 | - | - |
| Balances with banks and financial institutions - FD withdrawals | 1,041,494 | 82,695,645 | - | - |
| Loans and receivables - Grantings | - | - | 383,840 | 351,395 |
| Loans and receivables - Repayments | - | - | 375,552 | 339,732 |
| Debt instrument - Amortised cost - Investments | 30,660,972 | 64,224,591 | - | - |
| Debt insturment - Amortised cost - Settlements | 45,112,787 | 60,074,968 | - | - |
| Due to banks - Borrowings | - | - | - | - |
| Due to banks - Repayment | - | 295,487 | - | - |
| Due to customers - Investments | 5,109,519 | 3,558,902 | 2,174,275 | 1,063,578 |
| Due to customers - Settlements | 4,681,511 | 3,536,263 | 4,028,275 | 945,304 |
| Other financial liabilities - Services obtained | - | - | 8,258 | 10,203 |
| Other financial liabilities - Repayment | - | - | 8,258 | 10,910 |
| Dividend paid | 4,524,189 | 2,143,977 | - | - |
| Dividend received | - | - | 419,688 | 367,500 |
| Insurance premium paid in respect of customers introduced by People's Leasing & Finance PLC | - | - | 669,928 | 1,884,034 |
| Total | 269,001,767 | 489,104,058 | 8,365,022 | 5,270,215 |

##### Group

The group had the under mentioned financial dealings during the financial year with the following related entities.

1. **Items in Statement of Profit or Loss**

|  |  |  |
| --- | --- | --- |
|  | Immedia | te Parent |
| As at 31st March | 2025 | 2024 |
| Rs. '000 | Rs. '000 |
| Interest income | 2,112,845 | 6,463,156 |
| Interest expenses | 433,806 | 419,069 |
| Net earned premiums | 365,909 | 347,954 |
| Fee and commission income | 27,783 | 26,316 |
| Other operating income | 125,240 | 112,227 |
| Benefits, claims and underwriting expenditure | 39,373 | 34,790 |
| Depreciation and amortisation | 3,548 | 4,301 |

1. **Items in Statement of Financial Position**

|  |  |  |
| --- | --- | --- |
|  | Immedia | te Parent |
| As at 31st March | 2025 | 2024 |
| Rs. '000 | Rs. '000 |
| Assets | 12,382,904 | 2,584,359 |
| Cash and cash equivalents |
| Balances with banks & financial institutions | 4,092,113 | 4,441,178 |
| Insurance and reinsurance receivables | 309,017 | 294,726 |
| Financial assets - Amortised cost | 5,161,177 | 18,372,055 |
| Other assets | 4,962 | 4,670 |
| Right of use assets | 22,975 | 14,430 |
| Total | 21,973,148 | 25,711,418 |
| Liabilities | 1,694,029 | 540,649 |
| Due to banks |
| Due to customers | 4,988,563 | 3,415,159 |
| Other liabilities | 8,871 | 7,851 |
| Lease liabilities | 26,050 | 23,962 |
| Total | 6,717,513 | 3,987,621 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 55. RELATED PARTY DISCLOSURE (CONTD…)

##### Transactions exceeding 10% of the gross income of the Company.

Transaction value Transaction value as a % of

gross income

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| For the Ended 31st March | Relationship | Nature of the transaction | 2025 | 2024 | 2025 | 2024 | Terms and conditions |
| Name of the Related party |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| People's Bank | Immediate Parent | Repo investments | 9,250,000 | 65,410,137 | 32.54% | 210.75% | Normal terms |
|  |  | Repo settlements | 4,296,613 | 65,461,426 | 15.11% | 210.92% | Normal terms |
|  |  | FD investments | 514,803 | 56,680,782 | 1.81% | 182.63% | Normal terms |
|  |  | FD withdrawals | 1,041,494 | 82,695,645 | 3.66% | 266.45% | Normal terms |
|  |  | Tbill investments | 30,660,972 | 64,224,591 | 107.86% | 206.93% | Normal terms |
|  |  | Tbill settlements | 45,112,787 | 60,074,968 | 158.69% | 193.56% | Normal terms |
|  |  | Call deposit investments | - | 7,662,226 | 0.00% | 24.69% | Normal terms |
|  |  | Call deposit Withdrawals | - | 10,814,419 | 0.00% | 34.84% | Normal terms |
|  |  |  |  |  |  |  | |
| People's Insurance PLC | Subsidiary | Insurance premium | 669,928 | 1,884,034 | 2.36% | 6.07% | Normal terms |

#### RISK MANAGEMENT (COMPANY/GROUP)

##### Introduction

Risk is inherent in the Group’s activities, but is 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, sustainability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is primarily exposed to credit risk, liquidity risk and market risk. It is also subject to various operating risks. Detailed risk analysis is given in risk management section.

##### Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed a subcommittee, Integrated Risk Management (IRM) Committee, which has the responsibility to monitor the overall risk process within the Company.

The IRM Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The IRM Committee is responsible for managing risk decisions and monitoring risk levels and reports on a periodical basis to the Board.

The Risk Management & Control Unit is responsible for monitoring compliance with risk principles, policies and limits across the Company.

##### Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Executive Officer. Other permanent members of the ALCO include, Senior Deputy General Managers- Operations, Deputy General Manager-Risk & Control, Deputy General Manager- Recoveries & Administration, Deputy General Manager-Marketing, Head of Deposits, Head of Finance, Head of Treasury and the Committee Secretary. The Committee meetings should be held at least once a month to monitor and manage the assets and liabilities of the Company and also overall liquidity position to keep the Company’s liquidity at healthy levels, whilst satisfying regulatory requirements. The Chairman of ALCO upon a request of any permanent member may convene a special meeting of the Committee when an issue arises that cannot wait until the next regularly scheduled meeting.

##### Integrated Risk Management Operating Committee (IRMOC)

Integrated Risk Management Operating Committee (“IRMOC” or “the Committee”) has been formed as a management level committee to further strengthen the Risk Governance Structure of the Company and support the Board, Board Sub-Committees and the Corporate Management in managing the risks associated with the business operations of the Company in an integrated manner.

The TOR of the Committee clearly set out the authority, constitution, meeting frequency, accountability and responsibilities, quorum, reporting and other procedures of the Committee. This TOR has been adopted by the Board in March 2019.

IRMOC is chaired by the Head of Risk. The members of the Committee include the members of Corporate Management, Chief Managers-Operations and Senior Managers (except the Senior Managers attached to Branches). All business managers that involved in the operations of the Company can be recognised as “Risk Owners” as they negotiate to assume risk exposures with potential customers within the Board approved Risk Management policies and Risk Tolerance limits. Accordingly, Members of Senior Management involved in business operations can be considered as Senior Risk Owners. Therefore, At IRMOC, it is mandatory to have a higher level of involvement by the Senior Risk Owners of the Company.

The Committee shall focus on reviewing assumed risks at the front-line, specifically focusing on Credit Risk, Operational Risk and Compliance Risk.

The IRMOC shall meet at least quarterly or more frequently as and when required. The Committee met four (04) times quarterly during the year under review. The IRMOC is accountable to the Integrated Risk Management Committee (IRMC). The Committee submitted the highlights of the Minutes of IRMOC Meetings to the IRMC for seeking the Committee’s views, concurrence and or specific directions.

##### Credit risk

Credit risk refers to the potential loss a company may incur if its customers or counterparties fail to fulfill their contractual obligations. To manage and control this risk, the company establishes limits on the level of risk it is willing to accept from individual and group counterparties, as well as from specific geographical regions and industries. The company also monitors exposures to ensure they remain within these predetermined limits.

##### Credit Risk Management

Recognising the critical importance of managing Default Risk, the Company employs a comprehensive array of tools and techniques. The process begins with rigorous credit evaluation, guided by a Board-approved Credit Policy and Standard Operating Procedures (SOPs). Credit proposals undergo thorough review by the Central Credit Department, with high-limit cases scrutinised by the Management Credit Committee. Retail and SME exposures are assessed using CRIB data, while corporate borrowers undergo individual evaluation.

Post-disbursement, the Company conducts independent monthly reviews, ensuring any identified gaps are promptly addressed. The focus on vehicle leasing/mortgages necessitates maintaining a pool of registered property values. Monitoring Default Risk is a shared responsibility, with Corporate Management providing oversight to ensure adherence to internal controls and SOPs. Recovery structures guide branch teams, and centralised units monitor early warning signals and handle litigation.

Credit Concentration Risk is managed within Board-approved thresholds. Regular monitoring by the Risk and Control Department ensures adherence to these limits, with a robust credit stress testing program in place. In FY 2023/24, the Company maintained

a cautious lending stance initially, gradually expanding into low-risk lending in response to economic recovery. A new Credit Evaluation System and dedicated Credit Department were implemented to streamline processes and enhance credit quality. Post-disbursement reviews were expanded, providing greater insights into concentration risks, which were closely monitored and reported to executive committees for review and action

##### Impairment assessment

At each reporting date, an allowance for expected credit losses (ECL) is recorded. This allowance is determined based on either 12-month ECLs or lifetime ECLs, contingent upon whether there has been a significant increase in credit risk for the financial instrument since its initial recognition. Any changes to the ECL allowance are recognized in the profit and loss statement as an impairment gain or loss.(Explained in Note 25.6).

##### Definition of Default

The company defines default and classification as Stage 3 (credit-impaired) for ECL calculations for collective purpose when contractual payments are overdue by more than 90 days or exceed the sanctioned limit for a similar duration. Additionally, any credit facilities classified as Stage 3 under SLFRS 9 are considered defaulted.

##### Reschedule and Refinance Facilities

Rescheduled and refinance contracts undergo an upgrade only after demonstrating satisfactory performance throughout the relevant monitoring period, during which the customer adheres to the applicable terms of repayment.

##### Significant Increase in Credit Risk

The Company continuously monitors assets for Expected Credit Losses (ECL). To determine whether an instrument or portfolio falls under 12-month ECL or Lifetime ECL (LTECL), the Company assesses if there has been a significant increase in credit risk since initial recognition.

Additionally, the Company uses qualitative methods to identify significant increases in credit risk, such as moving an account to the watch list due to restructuring or refinancing or/and other qualitative indicators

For estimating ECLs collectively, the Company categorises credit exposures into below stages:

Stage 1: Accounts with no signs of deterioration since origination, considered Low Credit Risk (LCR), and less than or equal to 30 days past due. A 12-month ECL is applied

Stage 2: Accounts showing significant credit deterioration since origination, 31 to 90 days past due. Lifetime ECLs are applied.

Stage 3: Impaired assets, including those more than 90 days past due. Lifetime ECLs are applied

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Individual Impairment

As detailed in Note 25.6 on page 339, the Company calculates Expected Credit Losses (ECLs) either collectively or individually based on certain factors. An individual impairment assessment is conducted for exposures exceeding the Individually Significant Threshold of LKR 50 Million.

The company performs both qualitative and quantitative evaluations of default for its individually significant customers. This involves analysing a variety of indicators that signal the likelihood of payment default, which could result in the reclassification of a customer to either Stage 3 or Stage 2.

Exposures assessed individually and recognised with an impairment provision are excluded from the collective impairment assessment. If no objective evidence of expected loss is found for an individually assessed exposure, it is included in a group of similar credit risk exposures for collective impairment assessment.

##### Maximum exposure to credit risk

**Credit quality by class of financial assets**

The Company manages the credit quality of financial assets using internal credit evaluation system. The tables below show the credit quality by the class of asset for all financial assets exposed to credit risk, based on the Company’s internal credit evaluation system. The amounts presented are gross of impairment allowances.

##### Definition of Past Due

The Company considers that any amounts uncollected one day or more beyond their contractual due date as ‘past due’.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Neither past due nor impaired |  | Past due but not impaired | |  | Individually impaired | Total |
| As at 31st March 2025 | 1-30 Days | 31-60 days | 61-90 days | Over 90 days |  |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 17,170,048 | - | - | - | - | - | 17,170,048 |
| Balances with banks & financial institutions | 3,031,551 | - | - | - | - | - | 3,031,551 |
| Financial assets -Fair value through profit or loss | 275,550 | - | - | - | - | - | 275,550 |
| Loans and receivables - Amortised cost | 122,704,211 | 20,708,901 | 7,499,810 | 2,229,659 | 6,126,543 | 3,854,434 | 163,123,558 |
| Financial assets - Fair value other comprehensive income | 1,292,140 | - | - | - | - | - | 1,292,140 |
| Debt instrument - Amortised cost | 5,161,177 | - | - | - | - | - | 5,161,177 |
| Other financial assets | 76,511 | - | - | - | - | - | 76,511 |
| Total | 149,711,188 | 20,708,901 | 7,499,810 | 2,229,659 | 6,126,543 | 3,854,434 | 190,130,535 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company | Neither past due nor  impaired |  | Past due but not impaired | |  | Individually impaired | Total |
| As at 31st March 2024 | 1-30 Days | 31-60 days | 61-90 days | Over 90 days |  |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 8,553,600 | - | - | - | - | - | 8,553,600 |
| Balances with banks & financial institutions | 14,288,282 | - | - | - | - | - | 14,288,282 |
| Financial assets -Fair value through profit or loss | 1,339,867 | - | - | - | - | - | 1,339,867 |
| Loans and receivables - Amortised cost | 69,528,050 | 14,711,770 | 7,068,333 | 3,822,291 | 13,123,549 | 4,251,247 | 112,505,240 |
| Financial assets - Fair value other comprehensive income | 1,158,669 | - | - | - | - | - | 1,158,669 |
| Debt instrument - Amortised cost | 18,372,055 | - | - | - | - | - | 18,372,055 |
| Other financial assets | 69,989 | - | - | - | - | - | 69,989 |
| Total | 113,310,512 | 14,711,770 | 7,068,333 | 3,822,291 | 13,123,549 | 4,251,247 | 156,287,702 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Neither past due nor impaired |  | Past due but not impaired | |  | Individually impaired | Total |
| As at 31st March 2025 | 1-30 Days | 31-60 days | 61-90 days | Over 90 days |  |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 18,007,629 | - | - | - | - | - | 18,007,629 |
| Balances with banks & financial institutions | 5,694,373 | - | - | - | - | - | 5,694,373 |
| Financial assets -Fair value through profit or loss | 1,290,581 | - | - | - | - | - | 1,290,581 |
| Loans and receivables - Amortised cost | 133,864,139 | 21,457,221 | 9,129,951 | 3,078,215 | 6,887,828 | 3,000,561 | 177,417,915 |
| Insurance and reinsurance receivables | 1,698,354 | - | - | - | - | - | 1,698,354 |
| Financial assets - Fair value other comprehensive income | 1,827,482 | - | - | - | - | - | 1,827,482 |
| Debt instrument - Amortised cost | 11,561,272 | - | - | - | - | - | 11,561,272 |
| Total | 173,943,830 | 21,457,221 | 9,129,951 | 3,078,215 | 6,887,828 | 3,000,561 | 217,497,606 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group | Neither past due nor impaired |  | Past due but not impaired | |  | Individually impaired | Total |
| As at 31st March 2024 | 1-30 Days | 31-60 days | 61-90 days | Over 90 days |  |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 9,425,325 | - | - | - | - | - | 9,425,325 |
| Balances with banks & financial institutions | 17,562,955 | - | - | - | - | - | 17,562,955 |
| Financial assets - Held-for-trading | 1,451,613 | - | - | - | - | - | 1,451,613 |
| Loans and receivables - Amortised cost | 80,563,974 | 14,560,800 | 7,475,834 | 4,935,743 | 16,178,828 | 2,917,288 | 126,632,467 |
| Insurance and reinsurance receivables | 1,586,697 | - | - | - | - | - | 1,586,697 |
| Financial assets - Fair value other comprehensive income | 1,720,475 | - | - | - | - | - | 1,720,475 |
| Debt instrument - Amortised cost | 23,826,514 | - | - | - | - | - | 23,826,514 |
| Total | 136,137,553 | 14,560,800 | 7,475,834 | 4,935,743 | 16,178,828 | 2,917,288 | 182,206,046 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Analysis of Risk Concentration by Industry

The following table shows the risk concentration by industry for the components of the statement of financial position.

##### Industry analysis Company

- - - - -

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2025 | Financial Services\* | Agriculture | Manufacturing | Tourism | Transport | Construction | | Traders | Services | Industry | Others | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 18,696,732 |  | - |  | - |  |  | - |  | - |  | 18,696,732 |
| Balances with banks & financial institutions | 3,031,551 |  | - |  | - |  |  | - |  | - |  | 3,031,551 |
| Financial assets -Fair value through profit or loss | - |  | - |  | - |  |  | - | 275,550 | - |  | 275,550 |
| Loans and receivables - Amortised cost | 12,117,847 | 20,271,319 | 7,119,867 | 3,185,110 | 24,747,085 | 10,601,352 | 20,126,980 | | 14,624,830 | 1,886,864 | 48,442,304 | 163,123,558 |
| Less - Impairment charges | - | - | - | - | - | - |  | - | - | - | - | 6,031,171 |
| Net loans and receivables | - | - | - | - | - | - |  | - | - | - | - | 157,092,387 |
| Financial assets  - Fair value other  comprehensive income | 277,095 |  | - |  | - |  |  | - | 1,015,045 | - |  | 1,292,140 |
| Debt instrument - Amortised cost | 5,161,177 |  | - |  | - |  |  | - |  | - |  | 5,161,177 |
| Other financial assets | 76,511 |  | - |  | - |  |  | - |  | - |  | 76,511 |

- - - - -

- - - -

- - - -

##### Company

- - - - -

- - - - -

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2024 | Financial Services\* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 9,728,132 | - | - | - | - | - | - | - | - | - | 9,728,132 |
| Balances with Banks & financial institutions | 14,288,282 | - | - | - | - | - | - | - | - | - | 14,288,282 |
| Financial assets -Fair value through profit or loss | 1,059,150 | - | - | - | - | - | - | 280,717 | - | - | 1,339,867 |
| Loans and receivables - Amortised cost | 7,482,293 | 24,068,961 | 7,097,228 | 2,478,577 | 20,245,475 | 7,357,034 | 15,198,784 | 18,050,647 | 2,261,527 | 8,264,713 | 112,505,240 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 8,854,787 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 103,650,453 |
| Financial assets  - Fair value other  comprehensive income | 202,382 | - | - | - | - | - | - | 956,287 | - | - | 1,158,669 |
| Debt instrument - Amortised cost | 18,372,055 | - | - | - | - | - | - | - | - | - | 18,372,055 |
| Other financial assets | 69,989 | - | - | - | - | - | - | - | - | - | 69,989 |

\* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

##### Industry analysis Group

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2025 | Financial Services\* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 19,583,402 | - | - | - | - | - | - | - | - | - | 19,583,402 |
| Balances with banks & financial institutions | 5,694,373 | - | - | - | - | - | - | - | - | - | 5,694,373 |
| Financial assets -Fair value through profit or loss | 968,993 | - | - | - | - | - | - | 321,588 | - | - | 1,290,581 |
| Loans and receivables - Amortised cost | 14,614,966 | 21,214,126 | 11,143,734 | 3,587,488 | 24,921,854 | 11,054,435 | 21,550,252 | 18,350,047 | 1,974,972 | 49,006,041 | 177,417,915 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 6,966,074 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 170,451,841 |
| Reinsurance and insurance receivable | - | - | - | - | - | - | - | - | - | 1,698,354 | 1,698,354 |
| Financial assets  - Fair value other comprehensive income | 812,437 | - | - | - | - | - | - | 1,015,045 | - | - | 1,827,482 |
| Debt instrument - Amortised cost | 11,561,272 | - | - | - | - | - | - | - | - | - | 11,561,272 |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31 March 2024 | Financial Services\* | Agriculture | Manufacturing | Tourism | Transport | Construction | Traders | Services | Industry | Others | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents | 10,636,505 | - | - | - | - | - | - | - | - | - | 10,636,505 |
| Balances with banks & financial institutions | 17,562,955 | - | - | - | - | - | - | - | - | - | 17,562,955 |
| Financial assets -Fair value through profit or loss | 1,090,960 | - | - | - | - | - | - | 360,653 | - | - | 1,451,613 |
| Loans and receivables - Amortised cost | 10,357,850 | 24,631,279 | 12,396,221 | 2,491,645 | 20,346,201 | 7,308,784 | 15,618,303 | 19,946,958 | 3,408,020 | 10,127,205 | 126,632,467 |
| Less - Impairment charges | - | - | - | - | - | - | - | - | - | - | 9,712,517 |
| Net loans and receivables | - | - | - | - | - | - | - | - | - | - | 116,919,950 |
| Reinsurance and insurance receivable | - | - | - | - | - | - | - | - | - | 1,586,697 | 1,586,697 |
| Financial assets  - Fair value other  comprehensive income | 764,188 | - | - | - | - | - | - | 956,287 | - | - | 1,720,475 |
| Debt instrument - Amortised cost | 23,826,514 | - | - | - | - | - | - | - | - | - | 23,826,514 |

\* Financial services include banks, finance institutions, insurance companies, stock brokering companies and fund management companies, venture capital companies and investment advisory services companies.

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Geographical distribution of loans and receivables

Provincial breakdown for loans and receivable within Sri Lanka is as follows;

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Company | Lease/Ijarah receivable | Hire- Purchase/ Murabah receivable | Term Loan and receivables | Related party receivables | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at 31 March 2025 |  |  |  |  |  |
| Central | 10,864,346 | 3,822 | 4,126,451 | - | 14,994,619 |
| Eastern | 3,998,032 | 861 | 2,232,065 | - | 6,230,958 |
| North Central | 5,840,842 | 1,003 | 1,812,859 | - | 7,654,704 |
| Northern | 3,705,808 | - | 2,089,370 | - | 5,795,178 |
| North Western | 9,175,979 | 2,063 | 2,763,319 | - | 11,941,361 |
| Sabaragamuwa | 7,617,274 | 3,347 | 3,016,592 | - | 10,637,213 |
| Southern | 12,803,300 | 3,018 | 6,526,299 | - | 19,332,617 |
| Uva | 6,476,366 | 1,355 | 2,227,912 | - | 8,705,633 |
| Western | 29,747,357 | 25,836 | 46,421,032 | 1,637,050 | 77,831,275 |
| Total | 90,229,304 | 41,305 | 71,215,899 | 1,637,050 | 163,123,558 |
| As at 31 March 2024 |  |  |  |  |  |
| Central | 7,408,537 | 11,142 | 3,744,741 | - | 11,164,420 |
| Eastern | 2,923,457 | 8,370 | 2,444,336 | - | 5,376,164 |
| North Central | 3,681,503 | 7,955 | 1,376,644 | - | 5,066,102 |
| Northern | 5,800,516 | 13,753 | 2,422,502 | - | 8,236,770 |
| North Western | 2,348,189 | 2,065 | 2,454,552 | - | 4,804,806 |
| Sabaragamuwa | 4,983,146 | 7,917 | 1,822,552 | - | 6,813,615 |
| Southern | 9,147,608 | 19,536 | 4,585,224 | - | 13,752,368 |
| Uva | 4,431,732 | 11,151 | 1,627,351 | - | 6,070,234 |
| Western | 21,228,576 | 103,103 | 28,499,371 | 1,389,711 | 51,220,760 |
| Total | 61,953,264 | 184,992 | 48,977,273 | 1,389,711 | 112,505,240 |

**Geographical distribution of loans and receivables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | Lease/Ijarah receivable | Hire- Purchase/ Murabah receivable | Term Loan and receivables | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at 31 March 2025 |  |  |  |  |
| Central | 10,864,346 | 715,038 | 4,144,150 | 15,723,534 |
| Eastern | 3,998,032 | 533,480 | 2,268,775 | 6,800,287 |
| North Central | 5,840,842 | 787,188 | 1,832,820 | 8,460,850 |
| Northern | 3,705,808 | 4,222 | 2,089,370 | 5,799,400 |
| North Western | 9,175,979 | 153,057 | 2,786,265 | 12,115,301 |
| Sabaragamuwa | 7,617,274 | 335,606 | 3,030,256 | 10,983,136 |
| Southern | 12,803,300 | 439,805 | 6,607,676 | 19,850,781 |
| Uva | 6,476,366 | 842,319 | 2,276,081 | 9,594,766 |
| Western | 29,747,549 | 605,983 | 46,587,141 | 76,940,673 |
| Bangladesh | - | - | 11,149,379 | 11,149,379 |
| Total | 90,229,496 | 4,416,698 | 82,771,913 | 177,418,107 |
| As at 31 March 2024 |  |  |  |  |
| Central | 7,408,537 | 440,260 | 3,747,875 | 11,596,672 |
| Eastern | 2,923,457 | 436,760 | 2,447,146 | 5,807,364 |
| North Central | 3,681,503 | 452,817 | 1,378,918 | 5,513,238 |
| Northern | 5,800,516 | 13,753 | 2,422,502 | 8,236,771 |
| North Western | 2,348,189 | 103,476 | 2,455,541 | 4,907,206 |
| Sabaragamuwa | 4,983,146 | 223,634 | 1,824,148 | 7,030,928 |
| Southern | 9,147,608 | 259,383 | 4,587,105 | 13,994,096 |
| Uva | 4,431,732 | 650,373 | 1,631,473 | 6,713,578 |
| Western | 21,226,122 | 440,237 | 28,581,293 | 50,247,651 |
| Bangladesh | - | - | 12,584,963 | 12,584,963 |
| Total | 61,950,810 | 3,020,693 | 61,660,964 | 126,632,467 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Fair value of collateral and credit enhancements held

As a general principle, the Company endeavours to obtain adequate collateral to secure its credit portfolios. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. Management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values.

The main types of collateral obtained are, as follows:

0 For commercial lending, charges over real estate properties, inventory and trade receivables and transfer of ownership over the vehicles.

0 For retail lending, mortgages over residential properties and transfer of ownership over the vehicles.

The general creditworthiness of significant customers tends to be the most relevant indicator of credit quality of a facility extended to those parties. However, collateral provides additional security and the Company generally requests large borrowers to provide same. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets

and other liens and guarantees. As Company’s focus on corporate customers is mainly based on their credit worthiness, business standing and reputation, Company does not insist on updated valuation of collateral from corporate clients. Such valuations will only be called for from corporate clients only if there is a foreseeable deterioration in credit standing or evidence of possible credit risk. Accordingly, the Company does not routinely update the valuation of collateral held against all facilities to significant

customers. For impaired facilities, the Company usually obtains the current market value of the collateral, since it may be an input to the impairment measurement.

The following tables show the fair value of collateral and credit enhancements held by the Company & the Group.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Company | 31 March 2025 | | 31 March 2024 | |
| Maximum exposure to credit risk | Net exposure | Maximum exposure to credit risk | Net exposure |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 17,170,048 | 17,170,048 | 8,553,600 | 8,553,600 |
| Balances with banks & financial institutions | 3,031,551 | 3,031,551 | 14,288,282 | 14,288,282 |
| Financial assets -Fair value through profit or loss | 275,550 | 275,550 | 1,339,867 | 1,339,867 |
| Loans and receivables - Amortised cost | 157,092,387 | 82,728 | 103,650,453 | 201,752 |
| Financial assets - Fair value through other comprehensive income | 1,292,140 | 1,292,140 | 1,158,669 | 1,158,669 |
| Debt instrument - Amortised cost | 5,161,177 | 5,161,177 | 18,372,055 | 18,372,055 |
| Other financial assets | 76,511 | 76,511 | 69,989 | 69,989 |
| Total | 184,099,364 | 27,089,705 | 147,432,915 | 43,984,214 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Group | 31 March 2025 | | 31 March 2024 | |
| Maximum exposure to credit risk | Net exposure | Maximum exposure to credit risk | Net exposure |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Cash and cash equivalents (excluding cash in hand) | 18,007,629 | 18,007,629 | 9,425,325 | 9,425,325 |
| Balances with banks & financial institutions | 5,694,373 | 5,694,373 | 17,562,955 | 17,562,955 |
| Financial assets -Fair value through profit or loss | 1,290,581 | 1,290,581 | 1,451,613 | 1,451,613 |
| Loans and receivables - Amortised cost | 170,451,841 | 82,728 | 116,919,950 | 201,752 |
| Reinsurance and insurance receivable | 1,698,354 | 1,698,354 | 1,586,697 | 1,586,697 |
| Financial assets - Fair value through other comprehensive income | 1,827,482 | 1,827,482 | 1,720,475 | 1,720,475 |
| Debt instrument - Amortised cost | 11,561,272 | 11,561,272 | 23,826,514 | 23,826,514 |
| Total | 210,531,532 | 40,162,419 | 172,493,529 | 55,775,331 |

The below table provides an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even if the future value of collateral is forecasted using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Type of collateral or credit enhancement | Fair value of collateral and credit enhancements held under the base case scenario | | |  |  |  |
| Rs.'000 | Maximum exposure  to credit risk | Movable securities | Immovable securities | Total collateral | Net exposure | Associated  ECL |
| Company |  | | | | | |
| As at 31 March 2025 |
| Loans and receivables | 9,559,365 | 6,924,407 | 9,460,900 | 16,385,307 | (6,825,942) | 5,110,953 |
| As at 31 March 2024 |  |  |  |  |  |  |
| Loans and receivables | 17,826,158 | 11,926,818 | 9,111,034 | 21,037,852 | (3,211,694) | 8,299,041 |
| Group |  | | | | | |
| As at 31 March 2025 |
| Loans and receivables | 9,888,389 | 7,324,498 | 9,994,974 | 21,406,794 | (11,518,405) | 5,487,823 |
| As at 31 March 2024 |  |  |  |  |  |  |
| Loans and receivables | 19,096,116 | 12,294,550 | 9,112,244 | 21,406,794 | (2,310,678) | 8,668,685 |

##### Offsetting financial assets & liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when the group 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.

##### 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 agreements 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.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March |  | 2025 |  |  | 2024 |  |
| Gross amount | Amount subject to  netting but do not qualify for offsetting | Net amount | Gross amount | Amount subject to  netting but do not qualify for offsetting | Net amount |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Assets |  |  |  |  |  |  |
| Loans & receivables | 12,109,103 | 3,820,825 | 8,288,278 | 12,109,103 | 4,767,983 | 7,341,120 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

* + 1. **Sensitivity of impairment provision on loans and receivables**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in  impairment provision] | | | | Sensitivity effect on income |
| Stage 1 | Stage 2 | Stage 3 | Total |  |
| (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | Rs. '000 |
| Company - As at 31 March 2025 |  |  |  |  |  |
| PD 1% increase across all age buckets | 4,180 | 1,523 | - | 5,703 | 5,703 |
| PD 1% decrease across all age buckets | (4,180) | (1,523) | - | (5,703) | (5,703) |
| LGD 5% increase | 20,899 | 7,998 | 77,116 | 106,013 | 106,013 |
| LGD 5% decrease | (20,899) | (7,998) | (77,116) | (106,013) | (106,013) |
| Probability weighted Economic Scenarios |  | | | | |
| – Base case 10% increase, worst case 5% decrease and best case 5% decrease | 1,276 | 233 | - | 1,509 | 1,509 |
| – Base case 10% decrease, worst case 5% increase and best case 5% increase | (1,276) | (233) | - | (1,509) | (1,509) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in  impairment provision] | | | | | Sensitivity effect on income |
|  | Stage 1 | Stage 2 | Stage 3 | Total |  |
|  | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | Rs. '000 |
| Company - As at 31 March 2024 |  |  |  |  |  |
| PD 1% increase across all age buckets | 2,917 | 2,236 | - | 5,153 | 5,153 |
| PD 1% decrease across all age buckets | (2,917) | (2,236) | - | (5,153) | (5,153) |
| LGD 5% increase | 13,308 | 10,651 | 98,370 | 122,329 | 122,329 |
| LGD 5% decrease | (13,308) | (10,651) | (98,370) | (122,329) | (122,329) |
| Probability weighted Economic Scenarios |  |  |  |  |  |
| – Base case 10% increase, worst case 5% decrease and best case 5% decrease | (91) | (173) | - | (264) | (264) |
| – Base case 10% decrease, worst case 5% increase and best case 5% increase | 91 | 173 | - | 264 | 264 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in  impairment provision] | | | | Sensitivity effect on income |
| Stage 1 | Stage 2 | Stage 3 | Total |  |
| (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | Rs. '000 |
| Group - As at 31 March 2025 |  |  |  |  |  |
| PD 1% increase across all age buckets | 4,421 | 1,611 | - | 6,032 | 6,032 |
| PD 1% decrease across all age buckets | (4,421) | (1,611) | - | (6,032) | (6,032) |
| LGD 5% increase | 22,571 | 8,638 | 83,285 | 114,494 | 114,494 |
| LGD 5% decrease | (22,571) | (8,638) | (83,285) | (114,494) | (114,494) |
| Probability weighted Economic Scenarios |  | | | | |
| – Base case 10% increase, worst case 5% decrease and best case 5% decrease | 1,295 | 236 | - | 1,531 | 1,531 |
| – Base case 10% decrease, worst case 5% increase and best case 5% increase | (1,295) | (236) | - | (1,531) | (1,531) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Sensitivity on ECL sensitivity effect on Statement of Financial Position [Increase/(Decrease) in  impairment provision] | | | | | Sensitivity effect on income |
|  | Stage 1 | Stage 2 | Stage 3 | Total |  |
|  | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | (Rs. ’000) | Rs. '000 |
| Group - As at 31 March 2024 |  |  |  |  |  |
| PD 1% increase across all age buckets | 3,085 | 2,365 | - | 5,450 | 5,450 |
| PD 1% decrease across all age buckets | (3,085) | (2,365) | - | (5,450) | (5,450) |
| LGD 5% increase | 14,373 | 11,503 | 106,240 | 132,115 | 132,115 |
| LGD 5% decrease | (14,373) | (11,503) | (106,240) | (132,115) | (132,115) |
| Probability weighted Economic Scenarios |  |  |  | - | - |
| – Base case 10% increase, worst case 5% decrease and best case 5% decrease | (92) | (176) | - | (268) | (268) |
| – Base case 10% decrease, worst case 5% increase and best case 5% increase | 92 | 176 | - | 268 | 268 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, the management has arranged diversified funding sources in addition to its deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

In compliance with Finance Companies (Liquid Assets) Direction No: 4 of 2013 which shall not as the close of the business on any day, be less than the total of;

1. 10% of the outstanding value of the time deposits and accrued interest payable at the close of the business on such day and
2. 15% of outstanding value of the saving deposit and accrued interest payable at the close of the business on such day and
3. 10% of the total outstanding borrowings

Further the company shall maintaining liquid assets in the form of Sri Lankan government Treasury Bills & Government securities equivalent to 7.5% of the average of its month end total deposit liabilities and borrowings of the 12 months preceding financial year.

The Company stresses the importance of savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer savings accounts and fixed deposits.

The ratios at the end of the year was as follows:

**Company**

**Group**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| As at 31 March | 2025 | 2024 | 2025 | 2024 |
| Liquidity ratios | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Advances to deposit ratios (Times) | 1.26 | 1.06 | 1.31 | 1.13 |
| Liquidity Assets to Deposit (%) | 12 | 36 | 14 | 38 |

##### Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summaries the maturity profile of the undiscounted cash flows of the Company’s financial assets and liabilities as at 31 March 2025.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date the Company could be required to pay and the table does not reflect the expected cash flows indicated by the Company’s deposit retention history.

* + 1. **Remaining Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company  As at 31st March 2025 | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset |  |  |  |  |  |  |  |
| Cash and cash equivalents | 8,574,096 | 10,122,636 |  | - | - | - | 18,696,732 |
| Balances with banks & financial institutions | - |  | - | 7,478 | 4,778,041 | - | 4,785,519 |
| Financial assets -Fair value through profit or loss | - | 275,550 | - | - | - | - | 275,550 |
| Loans and receivables - Amortised cost | 8,742,875 | 43,302,563 | 51,303,361 | 72,661,981 | 20,832,941 | 376,113 | 197,219,834 |
| Financial assets - Fair value through other comprehensive income | - | 400,846 | - | 1,003,931 | - |  | 1,404,777 |
| Debt instrument - Amortised cost | - | 5,192,759 | - | - | - | - | 5,192,759 |
| Other financial assets | - | 76,511 | - | - | - | - | 76,511 |
| Total undiscounted financial assets | 17,316,971 | 59,370,865 | 51,303,361 | 73,673,390 | 25,610,982 | 376,113 | 227,651,682 |
| Financial liabilities |  |  |  |  |  |  |  |
| Due to banks | 1,431,684 | 1,896,741 | 2,595,947 | 6,173,580 | 1,056,501 | - | 13,154,453 |
| Due to customers | 6,777,490 | 35,770,419 | 45,564,217 | 46,639,776 | 5,917,491 | 204,727 | 140,874,120 |
| Debt securities issued | - | 554 | 384,512 | 5,218,138 | - | - | 5,603,204 |
| Other financial liabilities | - | 6,415,071 | - | - | - | - | 6,415,071 |
| Lease Liabilities | - | 178,840 | 543,902 | 1,197,180 | 612,390 | 330,876 | 2,863,188 |
| Total undiscounted financial liabilities | 8,209,174 | 44,261,625 | 49,088,578 | 59,228,674 | 7,586,382 | 535,603 | 168,910,036 |
| Net undiscounted financial assets/(liabilities) | 9,107,797 | 15,109,240 | 2,214,782 | 14,444,716 | 18,024,601 | (159,491) | 58,741,646 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Company  As at 31st March 2024 | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset |  |  |  |  |  |  |  |
| Cash and cash equivalents | 3,519,033 | 6,276,202 | - | - | - | - | 9,795,235 |
| Balances with banks & financial institutions | - | 11,913,537 | - | - | 4,785,519 | - | 16,699,056 |
| Financial assets -Fair value through profit or loss | - | 1,339,867 | - | - | - | - | 1,339,867 |
| Loans and receivables - Amortised cost | 13,751,137 | 28,274,112 | 39,597,951 | 43,027,687 | 8,868,749 | 204,166 | 133,723,802 |
| Financial assets -Fair value through profit or loss | - | 1,158,659 | - | - | - | 10 | 1,158,669 |
| Debt instrument - Amortised cost | - | 9,123,110 | 9,736,373 | - | - | - | 18,859,483 |
| Other financial assets | - | 69,989 | - | - | - | - | 69,989 |
| Total undiscounted financial assets | 17,270,170 | 58,155,476 | 49,334,324 | 43,027,687 | 13,654,268 | 204,176 | 181,646,101 |
| Financial liabilities |  |  |  |  |  |  |  |
| Due to banks | 507,748 | 604,341 | 1,179,341 | - | - | - | 2,291,430 |
| Due to customers | 4,652,100 | 42,133,884 | 37,162,583 | 11,101,283 | 15,431,220 | 193,796 | 110,674,866 |
| Debt securities issued | - | - | 6,611,425 | 5,602,650 | - | - | 12,214,075 |
| Other financial liabilities | - | 3,188,693 | - | - | - | - | 3,188,693 |
| Lease Liabilities | - | 171,599 | 346,687 | 915,909 | 472,468 | 262,692 | 2,169,354 |
| Total undiscounted financial liabilities | 5,159,848 | 46,098,517 | 45,300,036 | 17,619,842 | 15,903,688 | 456,488 | 130,538,418 |
| Net undiscounted financial assets/(liabilities) | 12,110,322 | 12,056,959 | 4,034,288 | 25,407,845 | (2,249,419) | (252,312) | 51,107,684 |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Remaining Contractual Maturities of Undiscounted Cash Flows of Financial Assets and Liabilities

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group  As at 31st March 2025 | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset |  |  |  |  |  |  |  |
| Cash and cash equivalents | 9,460,766 | 10,122,636 | - | - | - | - | 19,583,402 |
| Balances with banks & financial institutions | 37,210 | 513,920 | 2,549,868 | 7,478 | 5,437,241 | - | 8,545,717 |
| Financial assets -Fair value through profit or loss | - | 1,290,581 | - | - | - | - | 1,290,581 |
| Loans and receivables - Amortised cost | 8,897,939 | 46,789,997 | 56,393,445 | 80,075,646 | 23,360,970 | 3,025,133 | 218,543,130 |
| Reinsurance and insurance receivable | - | 1,268,209 | 572,030 | - | - | - | 1,840,239 |
| Financial assets - Fair value through other comprehensive income | - | 1,827,472 | - | - | - | 10 | 1,827,482 |
| Debt instrument - Amortised cost | - | 6,702,844 | 3,395,336 | 1,188,195 | - | - | 11,286,375 |
| Total undiscounted financial assets | 18,395,915 | 68,515,659 | 62,910,679 | 81,271,319 | 28,798,211 | 3,025,143 | 262,916,926 |
| Financial liabilities |  |  |  |  |  |  |  |
| Due to banks | 1,863,144 | 2,486,590 | 4,058,867 | 8,997,942 | 1,999,945 | - | 19,406,488 |
| Due to customers | 6,777,490 | 42,743,045 | 47,498,899 | 46,690,254 | 5,950,755 | 213,455 | 149,873,898 |
| Debt securities issued | - | 554 | 384,512 | 5,218,138 | - | - | 5,603,204 |
| Other financial liabilities | - | 8,187,438 | - | - | - | - | 8,187,438 |
| Insurance and reinsurance payable | 5,420,071 | 38,717 | - | - | - | - | 5,458,788 |
| Lease Liabilities | - | 109,137 | 336,403 | 910,141 | 485,158 | 191,776 | 2,032,615 |
| Total undiscounted financial liabilities | 14,060,705 | 53,565,481 | 52,278,680 | 61,816,476 | 8,435,858 | 405,231 | 190,562,431 |
| Net undiscounted financial assets/(liabilities) | 4,335,210 | 14,950,178 | 10,631,999 | 19,454,844 | 20,362,353 | 2,619,912 | 72,354,495 |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Group  As at 31 March 2024 | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Financial Asset |  |  |  |  |  |  |  |
| Cash and cash equivalents | 4,185,051 | 6,451,454 | - | - | - | - | 10,636,505 |
| Balances with banks & financial institutions | 15,416 | 12,427,457 | 2,446,656 | - | 5,444,719 | - | 20,334,248 |
| Financial assets -Fair value through profit or loss | - | 1,451,613 | - | - | - | - | 1,451,613 |
| Loans and receivables - Amortised cost | 13,906,202 | 31,798,085 | 44,646,300 | 49,933,073 | 11,387,952 | 2,870,292 | 154,541,904 |
| Reinsurance and insurance receivable | - | 1,268,209 | 572,030 | - | - | - | 1,840,239 |
| Financial assets - Fair value through other comprehensive income | - | 1,720,465 | - | - | - | 10 | 1,720,475 |
| Debt instrument - Amortised cost | - | 10,633,195 | 13,131,709 | 1,188,195 | - | - | 24,953,099 |
| Total undiscounted financial assets | 18,106,669 | 65,750,478 | 60,796,695 | 51,121,268 | 16,832,671 | 2,870,302 | 215,478,083 |
| Financial liabilities |  |  |  |  |  |  |  |
| Due to banks | 1,530,087 | 1,110,899 | 2,349,865 | 2,075,379 | 491,063 | - | 7,557,293 |
| Due to customers | 4,652,100 | 49,106,510 | 39,097,265 | 11,151,761 | 15,464,484 | 202,524 | 119,674,644 |
| Debt securities issued | - | - | 6,611,425 | 5,602,650 | - | - | 12,214,075 |
| Other financial liabilities | - | 3,926,092 | - | - | - | - | 3,926,092 |
| Reinsurance and insurance payable | 5,469,976 | 38,717 | - | - | - | - | 5,508,693 |
| Lease Liabilities | - | 109,137 | 336,403 | 910,141 | 485,158 | 191,776 | 2,032,615 |
| Total undiscounted financial liabilities | 11,652,163 | 54,291,355 | 48,394,958 | 19,739,931 | 16,440,705 | 394,300 | 150,913,412 |
| Net undiscounted financial assets/(liabilities) | 6,454,506 | 11,459,123 | 12,401,737 | 31,381,337 | 391,966 | 2,476,002 | 64,564,671 |

* + 1. **Commitments and Guarantees**

The table below shows the contractual expiry by maturity of the Company’s contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Company | On Demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at 31st March 2025 |  |  |  |  |  |  |
| Guarantees | - | 27,800 | 41,093 | 263 | - | 69,156 |
| Assessment received from Inland Revenue Department | - | - | - | - | - | - |
| Litigation against the Company | - | 214,005 | 180,021 | - | - | 394,026 |
| Capital commitment | - | 17,436,613 | 1,152,819 | - | - | 18,589,432 |
| Total commitments and guarantees | - | 17,678,418 | 1,373,933 | 263 | - | 19,052,614 |
| As at 31st March 2024 |  |  |  |  |  |  |
| Guarantees | - | 16,910 | 41,225 | 298 | - | 58,433 |
| Assessment received from Inland Revenue Department | - | - | - | - | - | - |
| Litigation against the Company | - | 226,650 | 68,171 | - | - | 294,821 |
| Capital commitment | - | 12,484,415 | 1,402,648 | - | - | 13,887,063 |
| Total commitments and guarantees | - | 12,727,975 | 1,512,044 | 298 | - | 14,240,316 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Group | On Demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| As at 31st March 2025 |  |  |  |  |  |  |
| Guarantees | - | 27,800 | 41,093 | 263 | - | 69,156 |
| Assessment received from Inland Revenue Department | - | - | - | 198,334 | - | 198,334 |
| Litigation against the Company | - | 214,005 | 180,021 | - | - | 394,026 |
| Capital commitment | - | 17,436,613 | 1,152,819 | - | - | 18,589,432 |
| Total commitments and guarantees | 198,334 | 17,678,418 | 1,373,933 | 263 | - | 19,250,948 |
| As at 31st March 2024 |  |  |  |  |  |  |
| Guarantees | - | 16,910 | 41,225 | 298 | - | 58,433 |
| Assessment received from Inland Revenue Department | - | - | - | 162,579 | - | 162,579 |
| Litigation against the Company | - | 226,650 | 68,171 | - | - | 294,821 |
| Capital commitment | - | 12,484,415 | 1,402,648 | - | - | 13,887,062 |
| Total commitments and guarantees | - | 12,727,974 | 1,512,044 | 162,877 | - | 14,402,895 |

The Company expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Total liquid assets

The table below sets out the components of the Company's liquid assets;

|  |  |  |
| --- | --- | --- |
| As at 31st March | 2025 | 2024 |
| Amount | Amount |
| Rs. '000 | Rs. '000 |
| Cash in hand | 1,518,172 | 1,167,062 |
| Balances in current accounts | 454,062 | 577,194 |
| Deposits in commercial banks | 7,977,781 | 15,264,738 |
| Securities under reverse repurchase agreement | 10,122,636 | 6,209,999 |
| Treasury bills and Treasury Bonds | 5,161,108 | 18,460,778 |
| Total liquidity assets | 25,233,759 | 41,678,871 |

##### Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Company classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately.

Currently, increased volatility and decline in value of many financial asset classes may impact the trading books of most company due to the increased market risk. The uncertainty caused by the pandemic could lead to increased pressure on the local currency resulting in higher foreign exchange risk.

Company estimate how the reduction in interest rates will impact their rate sensitive assets and liabilities and the subsequent implication on profitability.

##### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s long-

term debt obligations with floating interest rates. The Company policy is to continuously monitor interest rates on regular basis. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities.

The following table demonstrates the sensitivity of the Company's Statement of Profit or Loss for the year ended 31st March 2025 and 31st March 2024 to a reasonable possible change in interest rates, with all other variable constant.

|  |  |  |
| --- | --- | --- |
| As at 31st March | 2025 | 2024 |
| Rs. '000 | Rs. '000 |
| Impact on Statement of Profit or Loss due to interest rate shocks | (79,492) | (30,211) |
| 0.50% |
| 1% | (158,985) | (60,421) |
| -0.50% | 79,492 | 30,211 |
| -1% | 158,985 | 60,421 |

##### Sensitivity of Lease Liability to Key Assumption

Sensitivity to Incremental Borrowing Rates

|  |  |  |
| --- | --- | --- |
| As at 31st March | 2025 | 2024 |
| Rs. '000 | Rs. '000 |
| Impact on Company's Statement of Financial Position due to interest rate shocks | (285,687) | (32,520) |
| 1% |
| -1% | 285,687 | 33,677 |

##### Interest Rate Risk Exposure on Financial Asset and Liabilities

The table below analyses the Company’s interest rate risk exposure on non–trading financial assets and liabilities. The Company’s assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company  As at 31st March 2025 | Carrying amount | On demand | Less than 3 'months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non– interest  bearing |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 |
| Assets |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 18,696,732 | 4,946,230 | 10,122,636 | - | - | - | - | 3,627,866 |
| Balances with banks & financial institutions | 3,031,551 | 1,028,481 | - | - | 3,070 | 2,000,000 | - | - |
| Financial assets -Fair value through profit or loss | 275,550 | - | - | - | - | - | - | 275,550 |
| Loans and receivables - Amortised cost | 163,123,558 | 14,458,978 | 39,682,780 | 46,256,240 | 48,803,776 | 13,628,433 | 293,351 | - |
| Less - Impairment charges | 6,031,171 | - | - | - | - | - | - | - |
| Net loans and receivables | 157,092,387 | - | - | - | - | - | - | - |
| Financial assets - Fair value through other comprehensive income | 1,292,140 | - | - | - | 977,135 | - | - | 315,005 |
| Debt instrument - Amortised cost | 5,161,177 | - | 5,161,177 | - | - | - | - | - |
| Other financial assets | 76,511 | - | - | - | - | - | - | 76,511 |
| Total | 191,657,219 | 20,433,689 | 54,966,593 | 46,256,240 | 49,783,981 | 15,628,433 | 293,351 | 4,294,932 |
| Liabilities |  |  |  |  |  |  |  |  |
| Due to banks | 11,436,573 | 1,431,683 | 1,671,757 | 2,000,600 | 5,334,933 | 997,600 | - | - |
| Due to customers | 124,529,684 | 7,742,239 | 34,385,693 | 40,455,671 | 38,191,668 | 3,549,686 | 204,727 | - |
| Debt securities issued | 5,014,652 | 384,977 | - | - | 4,629,675 | - | - | - |
| Other Financial liabilities | 6,415,071 | - | - | - | - | - | - | 6,415,071 |
| Lease Liabilities | 2,236,091 | - | 198,431 | 363,162 | 898,290 | 482,264 | 293,944 | - |
| Total | 149,632,071 | 9,558,899 | 36,255,881 | 42,819,433 | 49,054,566 | 5,029,550 | 498,671 | 6,415,071 |
| Total interest sensitivity gap | 42,025,148 | 10,874,790 | 18,710,712 | 3,436,807 | 729,415 | 10,598,883 | (205,320) | - |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

##### Interest Rate Risk Exposure on Financial Asset and Liabilities

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Company  As at 31st March 2024 | Carrying amount | On demand | Less than 3 'months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non– interest bearing |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 |
| Assets |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 9,728,132 | 976,455 | 6,209,099 | - | - | - | - | 2,542,578 |
| Balances with banks & financial institutions | 14,288,282 | 714,865 | 11,570,347 | - | - | 2,003,070 | - | - |
| Financial assets -Fair value through profit or loss | 1,339,867 | - | - | - | - | - | - | 1,339,867 |
| Loans and receivables - Amortised cost | 112,505,240 | 17,542,913 | 24,841,576 | 31,122,411 | 33,052,043 | 5,872,083 | 74,214 | - |
| Less - Impairment charges | 8,854,787 | - | - | - | - | - | - | - |
| Net loans and receivables | 103,650,453 | - | - | - | - | - | - | - |
| Financial assets - Fair value through other comprehensive income | 1,158,669 | - | 924,177 | - | - | - | - | 234,492 |
| Debt instrument - Amortised cost | 18,372,055 | 738,656 | 8,517,164 | 9,116,235 | - | - | - | - |
| Other financial assets | 69,989 | - | - | - | - | - | - | 69,989 |
| Total | 148,607,447 | 19,972,889 | 52,062,363 | 40,238,646 | 33,052,043 | 7,875,153 | 74,214 | 4,186,926 |
| Liabilities |  |  |  |  |  |  |  |  |
| Due to banks | 2,263,494 | 1,513,884 | 249,870 | 499,740 | - | - | - | - |
| Due to customers | 97,437,726 | 10,797,794 | 37,093,264 | 31,047,332 | 6,268,895 | 12,036,645 | 193,796 | - |
| Debt securities issued | 11,032,248 | 1,044,248 | - | 5,356,436 | 4,631,564 | - | - | - |
| Other financial liabilities | 3,188,693 | - | - | - | - | - | - | 3,188,693 |
| Lease Liability | 1,636,537 | 72,062 | 119,449 | 206,359 | 654,952 | 358,822 | 224,893 | - |
| Total | 115,558,698 | 13,427,988 | 37,462,583 | 37,109,867 | 11,555,411 | 12,395,467 | 418,689 | 3,188,693 |
| Total interest sensitivity gap | 33,048,749 | 6,544,902 | 14,599,780 | 3,128,779 | 21,496,632 | (4,520,314) | (344,475) |  |

**Interest Rate Risk Exposure on Financial Asset and Liabilities (Contd…)**

The table below analyses the Group’s interest rate risk exposure on non–trading financial assets and liabilities. The Group’s assets and liabilities are included at carrying amount and categorised by the earlier of contractual re–pricing or maturity dates.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Group  As at 31st March 2025 | Carrying amount | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non– interest bearing |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 |
| Assets |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 19,583,402 | 5,070,127 | 10,297,888 | - | - | - | - | 4,215,387 |
| Balances with banks & financial institutions | 5,694,373 | 1,331,368 | 1,434,608 | 387,012 | 421,385 | 2,120,000 | - | - |
| Financial assets -Fair value through profit or loss | 1,290,581 | - | - | - | - | - | - | 1,290,581 |
| Loans and receivables - Amortised cost | 177,417,915 | 14,120,019 | 43,545,766 | 48,336,036 | 54,124,145 | 15,286,474 | 2,005,475 | - |
| Less-Impairment charges | 6,966,074 | - | - | - | - | - | - | - |
| Net loans and receivables | 170,451,841 | - | - | - | - | - | - | - |
| Reinsurance and insurance receivable | 1,698,354 | - | - | - | - | - | - | 1,698,354 |
| Financial assets - Fair value through other comprehensive income | 1,827,482 | - | 535,342 | - | 977,135 | - | - | 315,005 |
| Debt instrument - Amortised cost | 11,561,272 | 957,298 | 6,317,314 | 3,667,117 | 619,544 | - | - | - |
| Total | 212,107,305 | 21,478,813 | 62,130,918 | 52,390,165 | 56,142,209 | 17,406,474 | 2,005,475 | 7,519,326 |
| Liabilities |  |  |  |  |  |  |  |  |
| Due to banks | 16,828,985 | 1,863,143 | 2,185,787 | 3,308,785 | 7,936,029 | 1,535,242 | - | - |
| Due to customers | 130,068,713 | 7,374,502 | 39,445,425 | 41,957,675 | 37,534,251 | 3,551,484 | 205,378 | - |
| Debt securities issued | 5,014,652 | 384,977 | - | - | 4,629,675 | - | - | - |
| Other financial liabilities | 8,187,438 | - | - | - | - | - | - | 8,187,438 |
| Insurance liabilities and reinsurance payables | 5,458,788 | - | - | - | - | - | - | 5,458,788 |
| Lease Liability | 1,778,792 | 75,870 | 139,914 | 229,882 | 716,018 | 380,332 | 236,777 | - |
| Total | 167,337,368 | 9,698,492 | 41,771,126 | 45,496,342 | 50,815,973 | 5,467,058 | 442,155 | 13,646,226 |
| Total interest sensitivity gap | 44,769,937 | 11,780,321 | 20,359,792 | 6,893,823 | 5,326,236 | 11,939,416 | 1,563,320 |  |

# NOTES TO THE FINANCIAL STATEMENTS

#### 56. RISK MANAGEMENT (CONTD…)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Group  As at 31st March 2024 | Carrying amount | On demand | Less than 3  months | 3 to 12 months | 1 to 3 years | 3 to 5 years | Over 5 years | Non– interest  bearing |
|  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. ‘000 |
| Assets |  |  |  |  |  |  |  |  |
| Cash and cash equivalents | 10,636,505 | 1,245,885 | 6,384,351 | - | - | - | - | 3,006,269 |
| Balances with banks & financial institutions | 17,562,955 | 1,386,051 | 13,577,631 | 596,203 | - | 2,003,070 | - | - |
| Financial assets -Fair value through profit or loss | 1,451,613 | - | - | - | - | - | - | 1,451,613 |
| Loans and receivables - Amortised cost | 126,632,467 | 17,691,869 | 27,831,216 | 35,120,002 | 35,872,665 | 7,311,688 | 2,069,390 | - |
| Less-Impairment charges | 9,712,517 | - | - | - | - | - | - | - |
| Net loans and receivables | 116,919,950 | - | - | - | - | - | - | - |
| Reinsurance and insurance receivable | 1,586,697 | - | - | - | - | - | - | 1,586,697 |
| Financial assets - Fair value through other comprehensive income | 1,720,475 | - | 1,485,983 | - | - | - | - | 234,492 |
| Debt instrument - Amortised cost | 23,826,514 | 1,240,724 | 9,703,668 | 11,843,578 | 1,038,544 | - | - | - |
| Total | 173,704,709 | 21,564,529 | 58,982,849 | 47,559,783 | 36,911,209 | 9,314,758 | 2,069,390 | 6,279,071 |
| Liabilities |  |  |  |  |  |  |  |  |
| Due to banks | 7,181,365 | 2,536,223 | 711,040 | 1,548,385 | 1,907,032 | 478,685 | - | - |
| Due to customers | 103,843,054 | 10,514,019 | 42,823,652 | 32,672,198 | 6,302,623 | 11,336,766 | 193,796 | - |
| Debt securities issued | 11,032,248 | 1,044,248 | - | 5,356,436 | 4,631,564 | - | - | - |
| Other financial liabilities | 3,926,092 | - | - | - | - | - | - | 3,926,092 |
| Lease Liability | 1,554,027 | 66,283 | 122,235 | 200,834 | 625,543 | 332,274 | 206,858 | - |
| Insurance liabilities and reinsurance payables | 5,508,693 | - | - | - | - | - | - | 5,508,693 |
| Total | 133,045,479 | 14,160,773 | 43,656,927 | 39,777,853 | 13,466,762 | 12,147,725 | 400,654 | 9,434,785 |
|  |  |  |  |  |  |  |  |  |
| Total interest sensitivity gap | 40,659,230 | 7,403,756 | 15,325,922 | 7,781,930 | 23,444,447 | (2,832,967) | 1,668,736 |  |

##### Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Since investments in USD deposits were low, the currency risk of the Company/Group is minimal.

The tables below indicate the currencies to which the Company had significant exposures as at 31st March 2025 and the effect to the Gains/Losses in case of a market exchange rates up/drop by 1%. The analysis calculates the effect of a reasonably possible movement of the currency rate against the LKR, with all other variables held constant, on the Statement of Profit or Loss (due to the fair value of currency sensitive non trading monetary assets and liabilities).

##### Impact on Statement of Profit or Loss due to Exchange Rate Shocks

**Company**

**Group**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | 2025 | 2024 | 2025 | 2024 |
| For the year ended 31st March | Change in currency rate in % | Effect on  profit before tax | Effect on  profit before tax | Effect on  profit before tax | Effect on  profit before tax |
|  |  | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| USD | 1 | - | - | 330 | 1,927 |
| USD | -1 | - | - | (330) | (1,927) |

* + 1. **Equity Price Risk**

The sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of

+/- 1%.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| As at 31st March | 2025 | | | 2024 | | |
|  | Effect on net asset value | Effect on profit before tax | Effect on comprehensive  income | Effect on net asset value | Effect on profit before tax | Effect on comprehensive  income |
| 1% increase/decrease in equity market prices | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Company |  |  |  |  |  |  |
| Financial assets - FVTPL | 3,150 | - | - | 2,807 | 2,807 | - |
| Financial assets - FVOCI | - | - | 3,150 | 3,665 | - | 3,665 |
| Group |  |  |  |  |  |  |
| Financial assets - FVTPL | 3,339 | 3,339 | - | 3,924 | 3,924 | - |
| Financial assets - FVOCI | 3,150 | - | 3,150 | 3,665 | - | 3,665 |

##### Commodity price risk

Commodity price risk refers to the uncertainty of future market value and future income scale caused by commodity price fluctuations. Given the importance of the gold loan to the group, volatility in gold prices may adversely affect Statement of Profit or Loss. Fluctuations in gold prices lead to market risk, which is the main source of credit risk associated with this product.

Following strategies are used to manages the credit and market risks arising from adverse changes in gold prices by the Group.

0 LTV - The Group implements a process of revising the advance payments for each gold sovereign to reflect market value volatility to maintain an ideal loan-to-value ratio.

0 Product Lifetime - As a credit risk management strategy, the Group deliver services in less time, enabling a faster recovery process.

##### Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risk of the Company are managed through a Board approved operational risk management policy control framework which consists of monitoring and responding to potential risks.

##### Insurance Risks

People’s Insurance PLC (PIL) is a subsidiary of the Company whose principle line of business is carrying out general insurance business. The following are the risks and their management arising from PI for its statutory year ended 31 March 2025.

##### Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the PI is satisfactorily managing affairs for policyholders’ benefit. At the same time, regulators are also interested in ensuring that the PI maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the PI are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). PI has taken necessary action to comply with and complied with applicable regulations throughout the year.

# NOTES TO THE FINANCIAL STATEMENTS

#### RISK MANAGEMENT (CONTD…)

##### Nature and Extent of Risks Arising from Insurance Contracts

**Objectives, Policies and Processes for Managing Risks Arising from Insurance Contracts**

PI willingly assumes risks of other organisations as its prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. PI’s risk management framework focuses on strategic risk, assumed risks and the potential risks. PI identifies and categorises risks in terms of their source, their impact on PI and preferred strategies for dealing with them.

##### Method used to Manage Risks

Risk Appetite and Risk Tolerance

PI has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. PI manages the volatility and potential downward risk through diversification.

Identification of Shock Losses

There are three areas of risk which have the potential to materially damage economic value that PI identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. PI manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that PI is willing to expose.

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 31-Mar-25 | | | 31-Mar-24 | | |
| Gross liabilities | Reinsurance receivable | Net liabilities | Gross liabilities | Reinsurance receivable | Net liabilities |
| Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Motor | 4,505,311 | 770,102 | 3,735,209 | 654,585 | 110,140 | 544,445 |
| Marine | 58,990 | 42,374 | 16,616 | 16,261 | 9,621 | 6,640 |
| Fire | 727,937 | 503,947 | 223,990 | 111,737 | 87,117 | 24,620 |
| Miscellaneous | 1,024,896 | 443,236 | 581,660 | 303,370 | 138,591 | 164,779 |
| Total | 6,317,134 | 1,759,659 | 4,557,475 | 1,085,953 | 345,469 | 740,484 |

##### Claims Development Table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date

**Gross Non-Life Insurance Outstanding Claims Provision for 2025**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accident Current estimate of cumulative claims incurred | | | | | | | | | | | | | | | | |
| Period | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q1 | 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 | Rs. '000 | Rs. '000 |
| 2011 | 213,653 | 2,762 | 4,224 | 3,148 | 1,465 | 1,703 | (945) | (844) | (120) | - | 193 | - | (1,253) | (650) | (150) | 223,187 |
| 2012 | - | 1,396,938 | (58,704) | 50,297 | 1,577 | 6,377 | (113) | 4,738 | 11,385 | 42,085 | 10,771 | 558 | (5,240) | (23,893) | 6,150 | 1,442,927 |
| 2013 | - | - | 2,042,934 | (167,837) | 28,391 | (5,165) | (17,006) | (608) | 51 | 5,515 | 2,942 | (1,319) | (4,004) | (10,190) | 9,027 | 1,882,731 |
| 2014 | - | - | - | 2,042,094 | (15,126) | 35,874 | (8,555) | 8,298 | (8,584) | 1,591 | 1,485 | (600) | 560 | (4,891) | 4,318 | 2,056,464 |
| 2015 | - | - | - | - | 2,040,473 | 31,044 | 5,397 | 5,704 | 4,918 | 1,014 | 705 | (7) | 8,045 | (14,099) | 1,470 | 2,084,665 |
| 2016 | - | - | - | - | - | 2,182,704 | 50,267 | 21,071 | (9,647) | 2,662 | 2,602 | (907) | (7,319) | (8,967) | 11,474 | 2,243,940 |
| 2017 | - | - | - | - | - | - | 2,635,203 | 33,255 | 21,099 | 4,183 | 7,258 | 2,629 | (9,297) | (21,790) | 2,640 | 2,675,179 |
| 2018 | - | - | - | - | - | - | - | 2,792,805 | 73,912 | 31,282 | 7,573 | 6,465 | (2,855) | (19,128) | 7,244 | 2,897,298 |
| 2019 | - | - | - | - | - | - | - | - | 3,165,480 | 92,881 | 32,132 | 4,197 | (11,824) | (15,073) | 5,700 | 3,273,492 |
| 2020 | - | - | - | - | - | - | - | - | - | 3,803,005 | (27,248) | 47,351 | (5,845) | (10,124) | 1,003 | 3,808,141 |
| 2021 | - | - | - | - | - | - | - | - | - | - | 2,738,130 | 67,214 | 53,369 | 4,504 | (14,858) | 2,848,359 |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | 3,014,295 | 347,744 | 76,409 | 13,640 | 3,452,088 |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | 3,517,983 | 316,981 | 64,745 | 3,899,709 |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,013,747 | 218,107 | 3,231,854 |
| 2025 Q1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,686,747 | 3,686,747 |
| Current estimated of cumulative claims  incurred | 213,653 | 1,399,700 | 1,988,454 | 1,927,702 | 2,056,780 | 2,252,537 | 2,664,248 | 2,864,420 | 3,258,495 | 3,984,217 | 2,776,543 | 3,139,875 | 3,880,064 | 3,282,834 | 4,017,259 | 39,706,782 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accident Cumulative Payments to date | | | | | | | | | | | | | | | | |
| Period | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q1 | 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 | Rs. '000 | Rs. '000 |
| 2011 | (134,902) | (72,227) | (5,154) | (3,495) | (2,329) | (1,718) | (390) | (2,129) | - | - | (193) | - | (650) | - | - | (223,187) |
| 2012 | - | (893,615) | (311,763) | (57,574) | (19,215) | (16,664) | (8,262) | (8,627) | (16,329) | (84,791) | (3,154) | (58) | (387) | (4,357) | (4,594) | (1,429,390) |
| 2013 | - | - | (1,465,582) | (252,384) | (29,760) | (53,691) | (16,478) | (10,057) | (5,532) | (9,222) | (7,835) | (2,569) | (10,807) | (300) | (10,289) | (1,874,504) |
| 2014 | - | - | - | (1,621,312) | (329,993) | (28,525) | (12,958) | (10,447) | (14,079) | (4,101) | (4,584) | (2,428) | (11,439) | (2,194) | (8,488) | (2,050,549) |
| 2015 | - | - | - | - | (1,586,379) | (395,617) | (23,979) | (13,186) | (15,396) | (13,820) | (6,434) | (5,012) | (10,011) | (1,450) | (2,733) | (2,074,017) |
| 2016 | - | - | - | - | - | (1,743,315) | (389,878) | (30,768) | (26,780) | (21,259) | (10,697) | (3,402) | 6,738 | (1,832) | (13,731) | (2,234,924) |
| 2017 | - | - | - | - | - | - | (2,129,944) | (468,923) | (26,927) | (15,975) | (11,924) | (8,644) | 10,175 | (3,414) | (3,620) | (2,659,196) |
| 2018 | - | - | - | - | - | - | - | (2,267,584) | (515,478) | (39,809) | (12,594) | (12,075) | (3,340) | (10,694) | (10,559) | (2,872,133) |
| 2019 | - | - | - | - | - | - | - | - | (2,646,682) | (551,787) | (29,128) | (10,880) | 1,316 | (9,915) | (6,640) | (3,253,716) |
| 2020 | - | - | - | - | - | - | - | - | - | (2,956,804) | (737,058) | (41,866) | (7,386) | (13,410) | (18,018) | (3,774,542) |
| 2021 | - | - | - | - | - | - | - | - | - | - | (2,214,578) | (534,897) | (24,130) | (17,166) | (8,454) | (2,799,225) |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | (2,397,109) | (846,549) | (114,455) | (29,628) | (3,387,741) |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | (2,831,414) | (824,727) | (108,523) | (3,764,664) |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,396,800) | (734,492) | (3,131,292) |
| 2025 Q1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,856,598) | (2,856,598) |
| Cumulative payments to  date | (134,902) | (965,842) | (1,782,499) | (1,934,765) | (1,967,676) | (2,239,530) | (2,581,889) | (2,811,721) | (3,267,202) | (3,697,567) | (3,038,180) | (3,018,940) | (3,727,883) | (3,400,716) | (3,816,368) | (38,385,678) |
| Total Gross claims  outstanding | 78,751 | 433,858 | 205,955 | (7,063) | 89,104 | 13,007 | 82,359 | 52,699 | (8,707) | 286,650 | (261,636) | 120,935 | 152,180 | (117,882) | 200,892 | 1,321,104 |

# NOTES TO THE FINANCIAL STATEMENTS

##### Claims Development Table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date

##### Net Non-Life Insurance Outstanding Claims Provision for 2025

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accident Current estimate of cumulative claims incurred | | | | | | | | | | | | | | | | |
| Period | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q1 | 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 | Rs. '000 | Rs. '000 |
| 2011 | 209,132 | 4,621 | 4,239 | 3,157 | 1,465 | 1,599 | (945) | (844) | (120) | - | 193 | - | (2,589) | (650) | (150) | 219,109 |
| 2012 | - | 1,224,086 | (15,515) | 51,344 | 2,382 | 6,454 | (128) | 9,001 | 11,400 | 321 | 10,793 | 58 | (16,234) | (21,398) | 20,954 | 1,283,518 |
| 2013 | - | - | 1,976,422 | (158,485) | 28,151 | (3,982) | (16,949) | (608) | 51 | 5,515 | 2,942 | (1,387) | (37,642) | (9,190) | 14,767 | 1,799,605 |
| 2014 | - | - | - | 2,034,121 | (15,127) | 34,203 | (10,511) | 14,290 | (11,575) | 1,591 | 1,485 | 428 | (24,812) | (4,644) | 5,421 | 2,024,871 |
| 2015 | - | - | - | - | 2,023,094 | 16,076 | 6,864 | 5,742 | 5,037 | 1,014 | 705 | 718 | (10,677) | (13,495) | 6,171 | 2,041,248 |
| 2016 | - | - | - | - | - | 2,100,737 | 59,287 | 15,721 | (3,500) | 2,667 | 2,602 | 2,126 | 72,430 | (8,812) | 11,474 | 2,254,732 |
| 2017 | - | - | - | - | - | - | 2,549,666 | 37,716 | 24,501 | 4,325 | 6,735 | 4,019 | (12,733) | (13,169) | 5,362 | 2,606,423 |
| 2018 | - | - | - | - | - | - | - | 2,692,279 | 77,270 | 37,666 | 8,961 | 7,482 | (3,403) | (9,527) | 18,135 | 2,828,864 |
| 2019 | - | - | - | - | - | - | - | - | 3,106,289 | 79,873 | 33,117 | 8,701 | (17,256) | (5,143) | 10,169 | 3,215,750 |
| 2020 | - | - | - | - | - | - | - | - | - | 3,398,413 | 58,000 | 50,064 | (9,480) | 327 | 24,456 | 3,521,781 |
| 2021 | - | - | - | - | - | - | - | - | - | - | 2,601,103 | 121,616 | (1,385) | 13,362 | 30,216 | 2,764,913 |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | 2,719,396 | 420,682 | 81,006 | 49,386 | 3,270,471 |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | 3,067,091 | 246,771 | 235,759 | 3,549,621 |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,860,159 | 90,629 | 2,950,788 |
| 2025 Q1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,292,463 | 3,292,463 |
| Current estimated of cumulative claims  incurred | 209,132 | 1,228,707 | 1,965,146 | 1,930,137 | 2,039,965 | 2,155,087 | 2,587,284 | 2,773,296 | 3,209,354 | 3,531,385 | 2,726,638 | 2,913,221 | 3,423,993 | 3,115,597 | 3,815,213 | 37,624,156 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Accident Cumulative Payments to date | | | | | | | | | | | | | | | | |
| Period | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 Q1 | 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 | Rs. '000 | Rs. '000 |
| 2011 | (131,282) | (71,904) | (5,123) | (3,495) | (2,329) | (1,614) | (390) | (2,129) | - | - | (193) | - | (650) | - | - | (219,109) |
| 2012 | - | (881,711) | (248,760) | (32,280) | (17,417) | (16,664) | (8,244) | (8,627) | (16,329) | (13,201) | (3,154) | (58) | (387) | (4,357) | (4,594) | (1,255,783) |
| 2013 | - | - | (1,424,239) | (226,969) | (29,152) | (31,860) | (16,282) | (10,057) | (5,532) | (9,222) | (7,835) | (2,569) | (10,807) | (300) | (10,289) | (1,785,112) |
| 2014 | - | - | - | (1,593,260) | (329,883) | (27,883) | (12,833) | (10,432) | (11,079) | (4,101) | (4,584) | (2,428) | (11,439) | (2,194) | (8,488) | (2,018,605) |
| 2015 | - | - | - | - | (1,564,956) | (369,486) | (23,866) | (13,132) | (15,396) | (13,820) | (6,434) | (5,012) | (10,011) | (1,450) | (2,733) | (2,026,295) |
| 2016 | - | - | - | - | - | (1,756,890) | (387,579) | (30,608) | (26,799) | (21,259) | (10,697) | (3,402) | 6,738 | (1,832) | (13,731) | (2,246,060) |
| 2017 | - | - | - | - | - | - | (2,075,965) | (446,918) | (25,385) | (15,969) | (11,371) | (8,644) | 10,190 | (3,414) | (3,620) | (2,581,097) |
| 2018 | - | - | - | - | - | - | - | (2,209,836) | (492,761) | (32,630) | (12,311) | (12,075) | (3,340) | (10,694) | (10,559) | (2,784,208) |
| 2019 | - | - | - | - | - | - | - | - | (2,619,040) | (521,977) | (15,045) | (10,872) | 1,316 | (9,915) | (6,640) | (3,182,175) |
| 2020 | - | - | - | - | - | - | - | - | - | (2,902,120) | (487,549) | (37,663) | (3,707) | (13,410) | (18,018) | (3,462,468) |
| 2021 | - | - | - | - | - | - | - | - | - | - | (2,149,086) | (505,153) | (23,120) | (15,402) | (8,333) | (2,701,093) |
| 2022 | - | - | - | - | - | - | - | - | - | - | - | (2,331,752) | (774,441) | (94,330) | (27,730) | (3,228,253) |
| 2023 | - | - | - | - | - | - | - | - | - | - | - | - | (2,666,268) | (774,098) | (73,404) | (3,513,770) |
| 2024 | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,309,670) | (680,316) | (2,989,986) |
| 2025Q1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,604,135) | (2,604,135) |
| Cumulative payments to date | (131,282) | (953,615) | (1,678,122) | (1,856,004) | (1,943,737) | (2,204,397) | (2,525,159) | (2,731,738) | (3,212,322) | (3,534,299) | (2,708,260) | (2,919,629) | (3,485,927) | (3,241,066) | (3,472,590) | (36,598,148) |
| Total net claims  outstanding | 77,850 | 275,092 | 287,024 | 74,133 | 96,228 | (49,310) | 62,125 | 41,558 | (2,967) | (2,915) | 18,378 | (6,407) | (61,934) | (125,469) | 342,623 | 1,026,008 |

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation is provided below.

**Table 1: Impact on claim liability to changes in key variables**

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | Change in variable | 75% claim liabilities Change in 75% claim liabilities | Change in 75% claim liabilities |
|  |  | Rs. '000 | Rs. '000 |
| Original |  | 1,703,990 | - |
| Claim handling expenses (CHE) | 10% | 1,710,529 | 6,539 |
| Claim handling expenses (CHE) | -10% | 1,697,450 | (6,539) |
| Accident year-2024 ultimate loss ratio (ULR) | 10% | 2,042,815 | 338,825 |
| Accident year-2024 ultimate loss ratio (ULR) | -10% | 1,365,164 | (338,825) |
| Provision for adverse deviation (PRAD) | 100% | 1,864,267 | 160,277 |
| Provision for adverse deviation (PRAD) | 50% | 1,623,851 | (80,139) |

**Table 2: Impact on premium liability to changes in key variables**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variable | Change in variable | URR at 75%  confidence  level | Premium liabilities (PL) | Change in premium liabilities |
|  |  | Rs. '000 | Rs. '000 | Rs. '000 |
| Original |  | 2,509,659 | 2,568,663 | - |
| Unexpired risk reserves (URR) | 10% | 2,718,053 | 2,718,053 | 149,390 |
| Unexpired risk reserves (URR) | -10% | 2,301,265 | 2,568,663 | - |
| Claim handling expenses (CHE) | 10% | 2,560,228 | 2,568,663 | - |
| Claim handling expenses (CHE) | -10% | 2,459,089 | 2,568,663 | - |
| Provision for adverse deviation (PRAD) | 100% | 2,828,335 | 2,828,335 | 259,672 |
| Provision for adverse deviation (PRAD) | 50% | 2,350,321 | 2,568,663 | - |

#### EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue no circumstances have arisen since the reporting date which would require adjustments to, or disclosure in the Financial Statements.