LOLC FINANCE PLC

FINANCIAL STATEMENT

31 MARCH 2023

Building a better working world

Ernst & Young
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LOLC FINANCE PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LOLC Finance PLC ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Key audit matter	How our audit addressed the key audit matter
Provision for credit impairment on financial assets carried at amortized cost As at 31 March 2023, provision for credit impairment on financial assets carried at amortized cost net of impairment allowances amounted to LKR 247Bn and is disclosed in notes 6 & 7. This was a key audit matter due to the materiality of the reported provision for credit impairment which involved complex calculations; degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the provision for credit impairment included the following; ▪ Management overlays to incorporate the current economic contraction. ▪ The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures included the following key procedures. ▪ We assessed the alignment of the Company's provision for credit impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. ▪ We evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. ▪ We checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Company. ▪ In addition to the above, following procedures were performed. ▪ For Lease receivables, Loans & advances assessed on an individual basis for impairment: - We evaluated the reasonableness of credit quality assessment. - We checked the arithmetical accuracy of the underlying individual impairment calculations. - We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows. ▪ For Lease receivables, Loans & advances assessed on a collective basis for impairment: - We tested key inputs as disclosed in note 2.24.3 and the calculations used in the provision for credit impairment.

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Key audit matter	How our audit addressed the key audit matter
	- We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each of those scenarios. ▪ We assessed the adequacy of the related financial statement disclosures set out in notes 6 & 7.
Information Technology (IT) systems and internal controls over financial reporting Company's financial reporting process is significantly reliant on multiple IT systems with automated processes and 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 and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following: ▪ We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. ▪ We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. ▪ We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the company and the actions taken to address these risks. ▪ We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.
Valuation of Investment Properties Investment properties are carried at fair value in accordance with its accounting policies and note disclosed in notes 2.5 and 12 respectively. This was a key audit matter due to the: - materiality of the reported Investment Properties which amounted to LKR 41 Bn as of reporting date; and - degree of assumptions, judgements and estimation uncertainties associated with the fair valuation of investment properties such as reliance on comparable market transactions and consideration of current market conditions.	Our audit procedures included the following; ▪ We assessed the competency, capability and objectivity of the external valuer engaged by the Group. ▪ We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property. ▪ We assessed the reasonableness of the significant judgements made by the valuer and valuation techniques used, per perch price and value per square foot used by the valuer in the valuation of each property. ▪ We have also assessed the adequacy of the disclosures made in notes 2.5 and 12 in the financial statements.

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Key audit matter	How our audit addressed the key audit matter
Key areas of significant judgments, estimates and assumptions used in the valuation of the investment properties as disclosed in note 12 included the following: - Estimate of per perch value of the investment properties - Estimate of the per square foot value of the buildings	

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.

29 June 2023
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	Mar 23 Rs.	Mar 22 Rs.
ASSETS			
Cash and bank balances	3	16,484,821,741	12,282,959,936
Deposits with banks and other financial institutions		2,493,925,171	8,885,610,812
Investment in government securities and others	4	31,452,712,476	23,841,482,770
Derivative financial instruments	5.1	64,428,025	3,450,265,935
Financial assets at amortised cost			
Rentals receivable on leased assets	6	62,066,670,371	56,960,214,609
Loans and advances	7	175,582,031,440	141,614,957,527
Factoring receivable	7.6	2,270,162,033	1,418,432,849
Margin trading receivable	7.5	6,649,394,997	6,816,480,464
Investment securities	8	4,732,580,531	6,288,566,228
Investment in associate	9	564,084,948	1,833,660,667
Amount due from related companies	10	57,161,090	47,381,972
Other receivables	11	5,477,987,295	1,084,330,013
Inventories		146,134,701	428,031,504
Investment properties	12	41,252,661,173	38,287,958,119
Property and equipment and right-of-use assets	13	11,552,981,653	8,326,734,940
Total assets		**360,847,737,644**	**311,567,068,345**
LIABILITIES			
Bank overdraft	3	8,783,895,368	5,675,768,259
Interest bearing borrowings	14	31,429,413,795	44,309,903,398
Deposits from customers	15	201,270,901,382	159,252,382,263
Trade payables	16	258,736,201	1,141,928,384
Accruals and other payables	17	10,890,336,109	7,835,592,729
Derivative financial instruments	5.2	11,634,977	13,175,698
Amount due to related companies	18	1,069,238,403	3,719,367,746
Current tax payable	29.1	2,681,710,123	2,525,556,194
Deferred tax liability	29.2	2,990,836,600	2,974,781,275
Employee benefits	19.2	652,806,770	565,709,494
Total liabilities		**260,039,509,727**	**228,014,165,440**
SHAREHOLDERS' FUNDS			
Stated capital	20	306,993,805,501	211,581,447,542
Statutory reserve	21.1	5,213,771,358	4,444,108,028
Revaluation reserve	21.2	1,247,187,997	1,505,632,154
Cash flow hedge reserve	21.3	41,014,495	(83,701,505)
Fair value through OCI reserve	21.4	331,628,639	140,752,964
Regulatory loss allowance reserve	21.5	3,231,500,379	-
Merger reserve	21.6	(262,914,889,649)	(169,284,516,561)
Retained earnings	21.7	46,664,209,197	35,249,180,283
Total equity		**100,808,227,917**	**83,552,902,905**
Total liabilities and equity		**360,847,737,644**	**311,567,068,345**
Commitments and Contingencies	36	**31,665,622,336**	**22,863,999,342**
Net asset value per share		**3.05**	**4.34**

These financial statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

(Mr.) Buddhika Weeratunga
Head of Finance

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

(Mr.) Krishan Thilakaratne - Director / CEO

(Mr.) Conrad Dias - Chairman / Non Executive Director

The annexed notes to the financial statements on pages 10 through 84 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO
29 June 2023
Rajagiriya (Greater Colombo)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	Note	Mar 23 Rs.	Mar 22 Rs.
Interest income	22	69,027,128,557	30,569,862,999
Interest expense	23	(36,124,595,817)	(8,979,991,819)
Net interest income		32,902,532,740	21,589,871,180
Net other operating income	24	12,767,702,863	11,522,271,915
Direct expenses excluding interest cost	25	(879,932,477)	(863,534,058)
Allowance for impairment & write-offs	26	(6,396,889,918)	(2,991,759,900)
Personnel expenses	27.1	(6,057,681,094)	(3,564,802,548)
Depreciation	13	(734,219,712)	(207,247,901)
General & administration expenses		(11,289,223,941)	(5,904,664,088)
Profit from operations	27	20,312,288,461	19,580,134,600
Taxes on financial services	25.1	(4,023,910,543)	(1,837,501,042)
Profit from operating activities		16,288,377,918	17,742,633,558
Share of profit / (loss) of equity accounted investee		(895,111,321)	-
Profit before tax		15,393,266,597	17,742,633,558
Income tax (expense) / reversal	29	-	(792,048,095)
Profit for the year		15,393,266,597	16,950,585,463
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability - gain / (loss)	19.2.b	51,711,081	24,422,219
Related tax	29	(28,785,054)	(5,861,333)
		22,926,027	18,560,886
Revaluation gain on property, plant and equipment	21.2	-	1,495,420,151
Related tax	21.2	(258,444,158)	(318,626,179)
		(258,444,158)	1,176,793,972
Movement in fair value (Equity investments at FVOCI)		12,376,236	95,307,266
Total of items that will never be reclassified to profit or loss		(223,141,895)	1,290,662,124
Items that are or may be reclassified to profit or loss			
Movement in fair value through OCI reserve	4.1.2	175,480,700	-
Related tax	4.1.2	3,018,739	-
		178,499,439	-
Movement in hedge reserve	21.3	155,895,000	(119,316,738)
Related tax	21.3	(31,179,000)	8,007,481
		124,715,999	(111,309,257)
Total of items that are or may be reclassified to profit or loss		303,215,438	(111,309,257)
Total other comprehensive income, net of tax		80,073,543	1,179,352,867
Total comprehensive income for the year		15,473,340,140	18,129,938,330
Basic earnings per share	30	0.72	3.23

The annexed notes to the financial statements on pages 10 through 84 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Note	Stated Capital	Statutory Reserve	Revaluation Reserve	Cash flow Hegde Reserve	Fair Value Through OCI Reserve	Regulatory loss allowance reserve	Merger Reserve	Retained Earnings	Total Equity
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021		**12,762,500,000**	**3,596,578,755**	**328,838,183**	**27,607,752**	**45,445,698**	-	-	**19,127,563,206**	**35,888,533,593**
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	16,950,585,463	16,950,585,463
Other comprehensive income, net of income tax										
Remeasurements of defined benefit liability - gain / (loss)	19.2 / 29.2	-	-	-	-	-	-	-	18,560,886	18,560,886
Revaluation gain on property, plant and equipment	21.2	-	-	1,176,793,972	-	-	-	-	-	1,176,793,972
Revaluation gain on fair value through OCI investments	8.2.2	-	-	-	-	95,307,266	-	-	-	95,307,266
Net movement of cashflow hedges	21.3 / 29.2	-	-	-	(111,309,257)	-	-	-	-	(111,309,257)
		-	-	1,176,793,972	(111,309,257)	95,307,266	-	-	18,560,886	1,179,352,868
Total comprehensive income for the year		-	-	**1,176,793,972**	**(111,309,257)**	**95,307,266**	-	-	**16,969,146,349**	**18,129,938,330**
Transactions recorded directly in equity										
Transfer to statutory reserve fund	21.1	-	847,529,273	-	-	-	-	-	(847,529,273)	-
Shares issued during the year	20	198,818,947,542	-	-	-	-	-	-	-	198,818,947,542
Excess of the investment and other adjustments on merger with subsidiary	21.6	-	-	-	-	-	-	(169,284,516,561)	-	(169,284,516,561)
Total transactions recorded directly in equity		**198,818,947,542**	**847,529,273**	-	-	-	-	**(169,284,516,561)**	**(847,529,273)**	**29,534,430,981**
Balance as at 31 March 2022		**211,581,447,542**	**4,444,108,028**	**1,505,632,154**	**(83,701,504)**	**140,752,964**	-	**(169,284,516,561)**	**35,249,180,282**	**83,552,902,905**
Balance as at 01 April 2022		**211,581,447,542**	**4,444,108,028**	**1,505,632,154**	**(83,701,504)**	**140,752,964**	-	**(169,284,516,561)**	**35,249,180,282**	**83,552,902,905**
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	-	-	15,393,266,597	15,393,266,597
Other comprehensive income, net of income tax										
Remeasurements of defined benefit liability - gain / (loss)	19.2 / 29.2	-	-	-	-	-	-	-	22,926,027	22,926,027
Revaluation gain on property, plant and equipment	21.2	-	-	(258,444,158)	-	-	-	-	-	(258,444,158)
Revaluation gain on fair value through OCI investments	8.2.2	-	-	-	-	12,376,236	-	-	-	12,376,236
Movement in fair value through OCI reserve	4.1.2	-	-	-	-	178,499,439	-	-	-	178,499,439
Net movement of cashflow hedges	21.3 / 29.2	-	-	-	124,715,999	-	-	-	-	124,715,999
		-	-	(258,444,158)	124,715,999	190,875,675	-	-	22,926,027	80,073,543
Total comprehensive income for the year		-	-	**(258,444,158)**	**124,715,999**	**190,875,675**	-	-	**15,416,192,623**	**15,473,340,140**
Transactions recorded directly in equity										
Transfer to regulatory loss allowance reserve	21.5	-	-		-	-	3,231,500,379	-	(3,231,500,379)	-
Transfer to statutory reserve fund	21.1	-	769,663,330	-	-	-	-	-	(769,663,330)	-
Shares issued during the year	20	95,412,357,959	-	-	-	-	-	-	-	95,412,357,959
Excess of the investment and other adjustments on merger with subsidiary	21.6	-	-	-	-	-	-	(93,630,373,088)	-	(93,630,373,088)
Total transactions recorded directly in equity		**95,412,357,959**	**769,663,330**	-	-	-	**3,231,500,379**	**(93,630,373,088)**	**(4,001,163,709)**	**1,781,984,871**
Balance as at 31 March 2023		**306,993,805,501**	**5,213,771,358**	**1,247,187,997**	**41,014,495**	**331,628,639**	**3,231,500,379**	**(262,914,889,649)**	**46,664,209,197**	**100,808,227,917**

The annexed notes to the financial statements on pages 10 through 84 form an integral part of these financial statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Note	Mar 23 Rs.	Mar 22 Rs.
Cash flows from operating activities			
Profit before income tax expense		15,393,266,597	17,742,633,558
Adjustments for:			
Depreciation	13	734,219,712	207,247,901
(Profit)/ loss on sales of investment property and PPE	24	(48,178,109)	(10,787,672)
Change in fair value of derivatives - forward contracts	24	2,864,647,190	(1,790,082,378)
Provision for fall / (increase) in value of investments	24	(51,672,111)	(518,067,319)
Impairment provision for the year	26	1,685,314,523	(6,593,369,409)
Change in fair value of investment property	24	(3,525,884,968)	(6,925,550,077)
Provision for defined benefit plans	19.2	62,301,733	25,946,126
Share profit of equity accounted investee		895,111,321	-
Investment income		(5,695,903,918)	(2,423,673,259)
Finance costs	23	36,124,595,817	8,979,991,819
Operating profit before working capital changes		48,437,817,788	8,694,289,290
Change in other receivables		(3,504,044,855)	(633,795,513)
Change in inventories		309,974,623	(147,913,565)
Change in trade and other payables		1,857,820,262	817,923,498
Change in amounts due to / due from related parties		(2,698,991,721)	21,850,967
Change in lease receivables		5,583,532,125	3,032,196,059
Change in loans and advances		(28,542,014,918)	(7,725,596,676)
Change in factoring receivables		(737,609,652)	-
Change in margin trading advances		212,402,274	(6,808,029,485)
Change in fixed deposits from customers		31,483,788,815	7,817,174,260
Change in savings deposits from customers		(7,102,997,505)	5,300,554,673
Cash (used in) / generated from operations		45,299,677,236	10,368,653,508
Finance cost paid on deposits		(23,301,640,135)	(8,312,826,411)
Gratuity paid	19.2	(37,477,082)	(22,311,473)
Income tax paid	29.1	(7,523,981)	(10,570,091)
Net cash from / (used in) operating activities		21,953,036,037	2,022,945,533
Cash flows from investing activities			
Acquisition of property, plant & equipment & investment property		(2,505,371,926)	(6,084,962,864)
Proceeds from sale of property, plant & equipment & investment property		329,772,361	299,161,584
Purchase of government securities		(76,882,231,614)	(31,393,852,407)
Proceeds from sale of government securities		71,794,463,715	27,628,388,944
Net proceeds from investments in commercial papers		(3,454,854,860)	-
Net proceeds from investments in term deposits		6,391,685,641	(779,142,636)
Net proceeds from investments securities		4,982,965,607	696,021,218
Interest received		5,695,903,918	2,423,673,259
Net cash flows used in investing activities		6,352,332,842	(7,210,712,902)
Cash flows from financing activities			
Proceeds from interest bearing loans & borrowings		(21,638,670,777)	218,510,687
Lease rentals paid	14.2.1	(11,045,700)	(26,703,945)
Finance cost paid on borrowings		(6,061,266,990)	(1,044,961,881)
Net cash flows from / (used in) financing activities		(27,710,983,468)	(853,155,139)
Net increase / (decrease) in cash and cash equivalents		594,385,412	(6,040,922,509)
Addition on merger with subsidiary		499,349,282	1,086,427,307
Cash and cash equivalents at the beginning of the year		6,607,191,677	11,561,686,879
Cash and cash equivalents at the end of the year (note 3)		7,700,926,372	6,607,191,677

The annexed notes to the financial statements on pages 10 through 84 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

1. GENERAL

1.1 REPORTING ENTITY

1.1.1 Corporate Information

LOLC Finance PLC ("the Company") is a quoted public company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company's immediate parent is LOLC Ceylon Holdings PLC and ultimate parent undertaking and controlling entity is LOLC Holding PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprised of leasing, loans, margin trading, mobilization of public deposits and alternative financing.

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

1.1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards.

1.1.5 Number of Employees

The staff strength of the Company as at 31 March 2023 was 5,098 (Mar 2022 – 4,850).

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1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and amendments there to.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the period under review;
- a Statement of Financial Position providing the information on the financial position of the Company as at the period-end;
- a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the company's accounting policies are included in Note 2

1.2.2 Date of authorization of issue

The Financial Statements were authorized for issue by the Board of Directors on 29 June 2023.

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.
Derivative financial instruments	Fair value	5
Non-derivative financial instruments at fair value through profit or loss	Fair value	8.1
Available for sale financial assets / fair value through other comprehensive income	Fair value	4.1.2
Investment property	Fair value	12
Land and buildings	Fair value	13
Net defined benefit assets / (liabilities)	Actuarially valued and recognized at the present value	19.2

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settled the liability simultaneously.

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

1.2.4 Materiality and aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

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1.2.5 Going concern basis of accounting

Upon the recent merger, the Directors of the Company expect significant growth in assets as the synergies of the combined entity will unlock new market opportunities and would be a controlling arm of the NBFI sector as the market leader.

The management has formed reasonable judgement that the Company has adequate resources to continue its business operations for the foreseeable future monitoring its business performance and continuity by adopting risk mitigation initiatives. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates (the functional currency). These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the company's presentation and functional currency during the period under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRSs/ 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

Critical Accounting estimate / judgment	Disclosure reference Note
Fair value measurement of financial instruments / investment properties / land and buildings	1.4.1 / 12.1 / 13.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on available for sale investments	1.4.4

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Critical Accounting estimate / judgment	Disclosure reference Note
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group CFO.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 12 – Investment property;
Note 13 – Property, plant and equipment; and
Note 2.3 & 2.3.4 – Financial instruments;

1.4.2 Financial assets and liability classification into categories

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets or liabilities into categories, the Company has determined that it meets the description of trading assets and liabilities set out in Note 2.3.1.b. In classifying financial assets as held to maturity, the Company has determined that it has both the positive intention and ability to hold the assets unit their maturity date as required by Note 2.3.1.b

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1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.3.10.

1.4.4 Impairment losses on available for sale investments

The Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on available for sale investments is disclosed in Note 2.3.10.

1.4.5 Impairment losses on other assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the circumstances that necessitate doing so. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Specific Accounting Policies on impairment of non-financial assets are discussed in Note 2.7.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.8.3 for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

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2. SIGNIFICANT ACCOUNTING POLICIES

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

2.1 Basis of consolidation

2.1.1 Business combinations under common control

Business combinations under common control are accounted for using the book value method. The consideration transferred in the acquisition is generally measured at fair value, and the identifiable net assets acquired are measured at their carrying amounts reflected in the acquiree entity. Any excess or deficit that arises is recognized in equity and no goodwill is recognized as control is not transitory.

2.1.2 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period.

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

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) are recognized in other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

2.3 Financial assets and financial liabilities

2.3.1 Non-derivative financial assets

2.3.1.a Initial recognition of financial assets

Date of recognition
The Company initially recognizes loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets
The classification of financial instruments at initial recognition depends on their cash flow characteristics and business model for managing the instrument. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Financial Reporting Standard – SLFRS 09 on 'Financial Instruments'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

'Day 1' profit or loss on employee below market loans
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.3.1.b Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:
- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL).

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2.3.1.c Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- 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;

- how the performance of the portfolio is evaluated and reported to the management;
- 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;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test of its classification process. In assessing whether the contractual cash flows are solely payments of principal and interest on principal amount outstanding, the Company considers the contractual terms of the instrument.

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.

Based on above assessments, subsequent measurement of financial assets are classified as follows.

Amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition measured at amortized cost using the effective interest method, less any impairment losses.

This includes cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

- *Rentals receivable on leased assets*

  When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

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- *Loans and advances*

  Advances and other loans to customers comprised of revolving loans and loans with fixed installment

  Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.

- *Financial guarantees*

  Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Financial assets at fair value through other comprehensive income (FVOCI)

Instruments are measured at FVOCI, if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments that are solely payments of principal and interest on principal outstanding. This comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other investments are measured at fair value after initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

All financial assets other than those classified at amortized 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. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognized in statement of profit or loss as incurred.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss

Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as amortized cost.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the AFS reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss

2.3.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities
The Company initially recognizes non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

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Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortized cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortized cost using the effective interest method.

2.3.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges

ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

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If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedges.

2.3.3.a Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.3.4 Reclassification of financial assets and liabilities

As per SLFRS 9, Financial assets are not reclassified subsequent to their initial recognition, except and only in its objective of the business model for managing such financial assets which may include the acquisition, disposal or termination of a business line.

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

2.3.5 Derecognition of financial assets and financial liabilities

Financial assets
The Company derecognizes a financial asset when the rights to receive cash flows from the asset have expired or the 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.

a) The Company has transferred substantially all the risks and rewards of the asset, or

b) The 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 (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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2.3.6 Modification of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses measured using pre modification interest rate. In other cases, it is presented as interest income.

As per the Circular Nos. 4 and 5 of 2020 issued by CBSL dated May 4, 2020 and June 9, 2020 and Circular Nos. 4 and 9 of 2021 issued by CBSL dated March 12, 2021 and October 6, 2021 respectively, the Company granted payment deferrals to eligible customers affected by COVID-19, modifying the original contract. In this regard, NBFIs were allowed to charge upto a maximum of 11.5% per annum on the deferred instalments during the moratorium period of equated monthly instalments (EMI) loans. For other loans various types of interest rate concessions were given to the customers. Further, with the view of meeting the challenges faced by businesses and individuals due to the second wave of COVID-19, CBSL directed banks to extend the debt moratorium to such businesses and individuals further during the financial year 2021/22 as well. Finance Companies were expected to convert the capital and interest falling due during the moratorium period into a term loan. Repayment period of the new loans shall be minimum of two years, however, may vary based on the terms and conditions agreed with the borrower. NBFIs were allowed to recover interest at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available by April 01, 2021, plus 5.5 per cent per annum and shall not exceed 11.5% per annum.

So, the Company has made an assessment in this regard and it shows there is more than 4% PV difference across all the category of the loan due to the first moratorium. Further, in our view such difference would be further increased considerable considering the second moratorium offered by CBSL. Further, the loss of other fees that the Company used to charge its customers at the time of a modification and the penal interest also considerable due to moratorium. In the absence of any prescribed guidelines within SLFRS 9, entities need to develop their own policies and methods while performing the quantitative and qualitative evaluation of such modifications. So, based on the business model and the overall lending strategy, any PV loss beyond 3% will be significant to the Company. Therefore, from the date of moratorium started, the interest accrual will be made based on the revised effective interest rate adjusting applicable costs and fees.

Modification of financial liabilities

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. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.3.7 Offsetting of 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the company's trading activity

2.3.8 Amortized cost measurement

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

2.3.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value
The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models

2.3.10 Impairment

Overview of the expected credit loss (ECL) principles
SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

Stage 1: A financial asset that is not originally credit-impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

Stage 2: If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Company records an allowance for LTECL.

Stage 3: If a financial asset is credit impaired, it is moved to Stage 3 and the Company recognises an allowance for LTECL, with probability of default at 100%. So it is defined as credit impaired and default.

The key judgements and assumption adopted in addressing the requirements of SLFRS 9 are discussed below:

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available. Based on that, management has decided that an exposure to have significantly increased credit risk when contractual payments of a customer are more than 90 days past due and loss to take place after 180 days in accordance with the rebuttable presumption in SLFRS 9.

Individually Significant Impairment Assessment and Loans which are Not Impaired Individually
Company will individually assess all significant customer exposures to identify whether there are any indicators of impairment. Loans with objective evidence of incurred losses are classified as Stage 3. Loans which are individually significant but not impaired will be assessed collectively for impairment under either Stage 1 or Stage 2, based on the above specified criteria to identify whether there have been a significant credit deterioration since origination.

While establishing significant credit deterioration, Company will consider the following criteria:
- Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated

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- Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instrument
- Other Information related to the borrower, such as changes in the price of a borrower's debt/equity instrument
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet it's obligation
- An actual or expected significant change in the operating results of the borrower in relation to actual/expected decline in revenue, increase in operating risk, working capital deficiency, decrease in asset quality, increase in gearing and liquidity management problems
- Significant increase in credit risk on other financial instruments of the same borrower
- An actual or expected significant adverse change in the regulatory, economic or technological environment of the borrower that results in a significant change in the borrower's ability to meet the debt obligation

Grouping Financial Assets Measured on a Collective Basis

As explained above, Company calculates ECL either on a collective or individual basis. Asset classes where Company calculates ECL on an individual basis includes all individually significant assets which belong to stage 3. All assets which belong to stage 1 and 2 will be assessed collectively for Impairment.

Company groups smaller homogeneous exposures based on a combination of internal and external characteristics such as product type, customer type, days past due etc.

Calculation of ECL

The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest Rate (EIR).

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculation are outlined below and the key elements are as follows:

- Probability of Default (PD): PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default (EAD): EAD is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise and expected draw downs on committed facilities.
- Loss Given Default (LGD): LGD is an estimate of the loss arising, where a default occurs at a given time calculated based on historical recovery data. It is usually expressed as a % of the EAD.

When estimating ECL, Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios are associated with different loss rates. For all products, Company considers the maximum period over which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information

Company relies on broad range of qualitative/quantitative forward-looking information as economic inputs such as the following in its Eco model.

Quantitative inputs	Qualitative inputs
- GDP growth	- Changes in Lending Policies and Procedure
- Inflation	- Changes in Bankruptcy and lending related Legislations
- Unemployment	- Credit Growth
- Interest rates	- Position of the Portfolio within the Business Cycle

Accordingly, under the collective assessment, customers operating in risk elevated industries including Tourism, Transportation and Construction were assessed for Lifetime ECL. Exposures outstanding from the borrowers operating in these industries have been classified as stage 2 unless such exposures are individually significant and have specifically been identified as stage 1 reflecting forward looking view of the economy in relation to the business.

2.4 Leases

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

2.4.1 Finance Leases

Finance leases – Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance cost in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases – Company as a lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in "Rentals receivable on leased assets". The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

2.4.2 Operating Leases

Leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased items to the lessee are operating leases

Operating leases – Company as a lessor
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.

2.5 Investment property

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 property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.6 Property plant and equipment

2.6.1 Recognition and measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in other income/other expenses in profit or loss.

Cost model

The Company applies the cost model to all property, plant and equipment except freehold land, buildings and motor vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Company revalues its land, buildings and motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. In previous financial years, motor vehicles were under cost model and from the financial year 2021/22, it was changed from the cost model to the revaluation model and has not led to a retrospective restatement due to the exemption available in paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

On revaluation of land, buildings and motor vehicles, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

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2.6.2 Subsequent costs

The cost of replacing a component of an item of property, plant or 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.6.3 Depreciation

Depreciation is recognized in 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 most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current period are as follows:

Motor vehicles	4-8 years
Buildings	40 years

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

2.6.4 Right-of-Use Assets

Right-of-use assets are presented together with property, plant and equipment in the Statement of Financial Position. Right-of-use assets of the Company include land and buildings under long term rental agreements for its use as offices and branches. The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight-line basis over the lease term.

2.7 Impairment - non-financial assets

The carrying amounts of the company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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2.8 Employee benefits

2.8.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.8.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.8.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

2.9 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.10 Equity movements

2.10.1 Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

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2.10.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

2.10.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.11 Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

2.12 Events occurring after the reporting date

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

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES –RECOGNITION OF INCOME AND EXPENSES

2.13 Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortized cost, fair value through other comprehensive Income (FVOCI) and fair value through profit or loss (FVTPL) calculated on an effective interest basis.

2.13.1 Income from leases and term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognized as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

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2.13.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.14 Fees, commission and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognized as the related services are performed.

Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.15 Dividends

Dividend income is recognized when the right to receive income is established.

2.16 Expenditure recognition

Expenses are recognized 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 has been charged to income in arriving at the profit for the period.

2.16.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on the prescribed rate.

The VAT on financial service is recognized as expense in the period it becomes due.

2.16.2 Nation Building Tax on financial services (NBT)

With effect from January 01, 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services.

2.16.3 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.17 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Note 29 represent the major components of income tax expense to the financial statements.

2.17.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

2.17.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The relevant disclosures are given in Note 29.2 to the financial statements.

2.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Specific disclosures are included in Note 30.1. 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, which comprise share options granted to employees. The relevant disclosures are given in 30.2 to the financial statements.

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SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.19 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

SIGNIFICANT ACCOUNTING POLICIES – GENERAL

2.20 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 33 to the Financial Statements.

2.21 Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has three reportable segments, Conventional financial services, Islamic financial services and Factoring, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 35. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

2.22 Fair value measurement

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

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

The principal or the most advantageous market must be accessible to the company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

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Fair Value Hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1
Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;
(a) quoted market in active markets for similar instruments,
(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3
Inputs that are unobservable

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

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.23 New accounting standards issued not yet effective as at reporting date

The new and amended standards and interpretations that are issued up to the date of issuance of the Company's financial statements but are not effective for the current annual reporting period, are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue

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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 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:

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

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 01 January 2022. Earlier application is permitted.

Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 01 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

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The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adoption

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

LKAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

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The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1
In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- Highly Probable Requirement: when determining whether a forecast transaction is highly probable to be designated as a hedged item, an entity shall assume that the interest rate benchmark on which the hedged cashflows are based is not altered as a result of the reform

- Prospective assessments: when performing prospective assessments to evaluate whether a hedging relationship qualifies for hedge accounting, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- LKAS 39 retrospective assessment: an entity is not required to undertake the 'LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.

- Separately identifiable risk components: For hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the requirement of risk component (or a portion) to be separately identifiable to be eligible for hedge accounting, only at the inception of such hedging relationships.

IBOR reform Phase 2
In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include several practical expedients.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context.

2.24 Financial risk management

2.24.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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2.24.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management (ERM) and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by ERM. ERM undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2.24.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

2.24.3.1 Management of credit risk

1) Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.

3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries

5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.

6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.

7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

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2) Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of expected losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

3) Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2023 (March 2022: no collateral held).

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4) Credit quality by class of financial assets at amortized cost *(In Rs'mn)*

	Leases		Mortgage Loans		Other Loans and Advances		Margin Trading		Factoring Receivables		Total	
	Mar-23	Mar-22	Mar-23	Mar-22	Mar-23	Mar-22	Mar-23	Mar-22	Mar-23	Mar-22	Mar-23	Mar-22
Carrying amount	**62,065**	**56,960**	**1,686**	**4,506**	**175,562**	**137,109**	**6,649**	**6,816**	**2,270**	**1,418**	**248,232**	**206,810**
Assets at amortized cost												
Individually impaired - Gross amount	2,717	805	-	248	1,676	2,437	-	-	552	611	**4,945**	**4,101**
Less : Allowance for impairment	(1,540)	(279)	-	(37)	(310)	(716)	-	-	(223)	(342)	**(2,073)**	**(1,375)**
Carrying amount	**1,177**	**526**	-	**211**	**1,366**	**1,721**	-	-	**329**	**269**	**2,872**	**2,727**
Portfolio subject to collective impairment - Gross amount	64,141	58,872	1,721	4,370	180,679	140,676	6,679	6,892	1,961	1,164	**255,181**	**211,973**
Less : Allowance for impairment	(3,253)	(2,438)	(35)	(75)	(6,484)	(5,288)	(30)	(75)	(20)	(15)	**(9,821)**	**(7,890)**
Carrying amount	**60,888**	**56,434**	**1,686**	**4,295**	**174,195**	**135,388**	**6,650**	**6,816**	**1,941**	**1,149**	**245,360**	**204,083**

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An estimate made at the time of borrowing / at the time of impairment evaluation, of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below;

(In Rs'mn)	Mar-23	Mar-22
Against individually impaired customers :		
Property	1,074	2,348
Vehicles	1,498	615

(In Rs'mn)	Mar-23	Mar-22
Against Collectively impaired customers :		
Vehicles	170,976	125,845
Others	128,467	74,593

Details of non-financial assets obtained by the Company by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements during the period and held at the end of the period are shown below;

(In Rs'mn)	Mar-23	Mar-22
Property	-	-
Vehicles	1,498	646

Income from individually impaired customers recognized in the statement of profit or loss;

(In Rs'mn)	Mar-23	Mar-22
Leases	-	13
Mortgage Loan	22	173
Other loans & advances	130	503

The Company's policy is to pursue timely realization of the collateral in an orderly manner. Properties acquired by foreclosure has been considered as investment properties of the Company

Age analysis of facilities considered for collective impairment as of 31 March 2023

Rs' Mn

Category	Leases	Mortgage Loans	Other Loans and Advances	Factoring Receivable	Margin Trading	Total
Not due / current	21,986	461	112,046	6,655	964	**142,112**
Overdue:						
Less than 30 days	13,205	252	14,214	10	328	**28,009**
31 - 60 days	8,716	133	19,592	6	88	**28,535**
61 - 90 days	6,081	18	8,450	4	21	**14,574**
91 - 120 days	3,829	9	4,827	3	6	**8,674**
above 120 days	10,324	848	21,550	1	554	**33,277**
Total	**64,141**	**1,721**	**180,679**	**6,679**	**1,961**	**255,181**

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Age analysis of facilities considered for collective impairment as of 31 March 2022

Rs' Mn

Category	Leases	Mortgage Loans	Other Loans and Advances	Factoring Receivable	Margin Trading	Total
Not due / current	22,976	1,802	86,307	1,050	6,892	**119,027**
Overdue:						
Less than 30 days	8,194	774	12,065	100	-	**21,133**
31 - 60 days	5,811	531	16,414	5	-	**22,760**
61 - 90 days	3,340	77	4,564	9	-	**7,990**
91 - 120 days	10,081	110	7,538	-	-	**17,728**
121 - 150 days	1,661	32	3,094	-	-	**4,788**
151 - 180 days	1,368	50	2,636	-	-	**4,054**
above 180 days	5,442	994	8,058	-	-	**14,493**
Total	**58,871**	**4,370**	**140,676**	**1,164**	**6,892**	**211,973**

Sensitivity Analysis of Allowance for Impairment Losses as at 31 March 2023 and 31 March 2022.

Sensitivity effect on impairment allowance Increase *Rs' Mn*

Changed criteria	Changed factor	Mar-23	Mar-22
Probability of default (PD)	Increase by 1%	304	230
Loss given default (LGD)	Increase by 10%	821	1,589

Analysis of total impairment for expected credit losses
As at 31st March 2023

Rs' Mn

	Stage 01	Stage 02	Stage 03	Total
Financial assets at amortized cost				
Rentals receivable on leased assets	227	167	4,399	**4,793**
Loans and advances	580	296	5,953	**6,829**
Factoring receivable	16	3	223	**243**
Margin trading receivable	30	-	-	**30**
Other financial assets	4,625	-	-	**4,625**
Commitments and Contingencies	-	2	-	**2**
Total impairment for expected credit losses	**5,478**	**469**	**10,576**	**16,522**

As at 31st March 2022

Rs' Mn

	Stage 01	Stage 02	Stage 03	Total
Financial assets at amortized cost				
Rentals receivable on leased assets	382	661	1,674	**2,717**
Loans and advances	1,727	1,223	3,166	**6,116**
Factoring receivable	15	-	342	**357**
Margin trading receivable	75	-	-	**75**
Other financial assets	1,531	-	-	**1,531**
Commitments and Contingencies	-	2	-	**2**
Total impairment for expected credit losses	**3,730**	**1,886**	**5,182**	**10,798**

5) Concentrations of credit risk

The Company monitors concentrations of credit risk by sector to which the lending was made. The analysis is provided in Note 7.7.1 to the financial statements

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2.24.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

2.24.4.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

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The maturity analysis of financial liabilities based on undiscounted gross outflow is reflected below

In Rs'Mn

	Carrying amounts	Gross nominal outflow / (inflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
As at 31st March 2023							
Bank overdraft	8,784	8,784	8,784	-	-	-	-
Borrowings	31,429	29,499	2,508	11,077	14,370	1,351	192
Deposits from customers	201,271	202,527	75,952	65,303	39,553	21,719	-
Trade payables	259	259	259	-	-	-	-
Accruals and other payables	10,890	10,890	9,918	287	-	685	-
Derivative liabilities	12	12	12	-	-	-	-
Amount due to related companies	1,069	1,069	1,069	-	-	-	-
Total liabilities	253,714	253,039	98,501	76,668	53,923	23,755	192
As at 31st March 2022							
Bank overdraft	5,676	8,196	8,196	-	-	-	-
Borrowings	44,310	48,523	14,516	10,609	11,962	10,916	519
Deposits from customers	197,974	153,120	55,901	74,503	18,966	3,749	-
Trade payables	3,775	3,775	3,775	-	-	-	-
Accruals and other payables	5,237	5,237	3,766	203	-	215	1,052
Derivative liabilities	13	13	13	-	-	-	-
Amount due to related companies	3,719	3,719	3,719	-	-	-	-
Total liabilities	**260,704**	**222,584**	**89,888**	**85,316**	**30,928**	**14,881**	**1,571**

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The maturity analysis of financial assets based on undiscounted gross inflows / (outflows) is reflected below

In Rs' mn

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
As at 31st March 2023							
Cash and cash equivalents	16,485	16,485	16,485	-	-	-	-
Deposits with banks and other financial institutions	2,494	2,522	2,522	-	-	-	-
Investment in government securities	31,453	40,550	15,428	9,773	4,022	4,411	6,915
Derivative assets	64	9,837	9,837	-	-	-	-
Financial assets at amortized cost							
Rentals receivable on leased assets	62,067	88,057	15,895	24,914	42,436	4,813	-
Loans and advances	175,582	206,235	62,533	51,777	79,225	12,623	78
Factoring receivable	2,270	2,513	2,513	-	-	-	-
Margin trading receivables	6,649	6,679	6,679	-	-	-	-
Investment securities	4,733	4,733	132	4,292	-	-	308
Investment in associates	564	564	564	-	-	-	-
Amount due from related companies	57	57	57	-	-	-	-
Other receivables	1,832	1,832	1,832	-	-	-	-
	304,250	**380,064**	**134,478**	**90,756**	**125,683**	**21,847**	**7,300**
As at 31st March 2022							
Cash and cash equivalents	15,890	19,497	15,890	-	-	-	-
Deposits with banks and other financial institutions	9,789	7,997	7,997	-	-	-	-
Investment in government securities	29,167	25,445	11,391	1,495	6,844	728	4,985
Derivative assets	4,414	5,811	2,697	3,114	-	-	-
Financial assets at amortized cost							
Rentals receivable on leased assets	56,960	77,011	11,417	18,051	38,580	8,948	14
Loans and advances	141,615	167,142	31,198	43,840	68,231	23,491	383
Factoring receivable	3,550	1,775	1,586	1	189	-	-
Margin trading receivables	6,816	6,892	6,892	-	-	-	-
Investment securities	6,289	6,289	4,211	-	-	-	2,078
Investment in associates	1,834	-	-	-	-	-	-
Amount due from related companies	47	47	47	-	-	-	-
Other receivables	147	147	147	-	-	-	-
	276,518	**318,051**	**93,473**	**66,501**	**113,844**	**33,166**	**7,461**

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Contractual Maturities of Commitments & Contingencies

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.

As at 31st March 2023

(In Rs Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	401	-	-	-	-	401
Total	**401**	-	-	-	-	**401**
Commitments						
Unutilized loan facilities & letter of credit	20,968	-	-	-	-	20,968
Forward exchange contracts - (commitment to purchase)	10,293	-	-	-	-	10,293
Allowance for ECL / impairment	2	-	-	-	-	2
Total	**31,264**	-	-	-	-	**31,264**

As at 31st March 2022

(In Rs Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the company	625	-	-	-	-	625
Total	**625**	-	-	-	-	**625**
Commitments						
Unutilized loan facilities & letter of credit	11,929	-	-	-	-	11,929
Forward exchange contracts - (commitment to purchase)	10,308	-	-	-	-	10,308
Allowance for ECL / impairment	2	-	-	-	-	2
Total	**22,239**	-	-	-	-	**22,239**

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2.24.5 Market risk

The Company is exposed to the market risk due to changes in market, such as Foreign exchange rates, Interest rate, and equity prices.

Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

Sensitivity analysis as at 31st March 2023

In Rs'Mn

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.23
Interest earning assets						
Deposits with banks and other financial institutions	2,494	-	-	-	-	2,494
Investment in government securities & others	17,614	6,379	975	1,499	4,986	31,453
Financial assets at amortized cost	-	-	-	-	-	-
Rentals receivable on leased assets	13,415	16,515	28,592	3,545	-	62,067
Loans and advances	50,657	44,698	68,447	11,702	78	175,582
Factoring receivable	2,270	-	-	-	-	2,270
Margin trading receivables	6,649	-	-	-	-	6,649
Total interest earning assets	**93,100**	**67,591**	**98,014**	**16,746**	**5,064**	**280,515**
Interest bearing liabilities						
Bank overdraft	8,784	-	-	-	-	8,784
Interest bearing borrowings	4,445	11,075	14,366	1,351	192	31,429
Deposits from customers	87,742	59,842	34,158	19,528	-	201,271
Total interest bearing liabilities	**100,971**	**70,917**	**48,524**	**20,880**	**192**	**241,484**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(7,870)	(3,326)	49,490	(4,134)	4,872	39,031
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(79)	(33)	495	(41)	49	
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	79	33	(495)	41	(49)	

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Sensitivity analysis as at 31st March 2022

In Rs'Mn

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.22
Interest earning assets						
Deposits with banks and other financial institutions	8,625	260	-	-	-	8,886
Investment in government securities & others	11,265	1,647	7,799	45	3,086	23,841
Financial assets at amortized cost	-	-	-	-	-	-
Rentals receivable on leased assets	4,203	16,264	29,025	7,454	15	56,960
Loans and advances	27,875	32,556	59,657	21,189	339	141,615
Factoring receivable	1,267	1	151	-	-	1,418
Margin trading receivables	6,816	-	-	-	-	6,816
Total interest earning assets	**60,052**	**50,728**	**96,631**	**28,688**	**3,439**	**239,537**
Interest bearing liabilities						
Bank overdraft	5,676	-	-	-	-	5,676
Interest bearing borrowings	14,500	10,762	11,579	7,002	467	44,310
Deposits from customers	71,395	68,992	15,587	3,278	-	159,252
Total interest bearing liabilities	**91,571**	**79,754**	**27,166**	**10,280**	**467**	**209,238**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(31,519)	(29,027)	69,465	18,408	2,972	30,299
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(315)	(290)	695	184	30	
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	315	290	(695)	(184)	(30)	

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2.24.6 Capital Management

The Company's capital management is performed primarily considering regulatory capital. The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Capital Adequacy Requirements) Direction No.03 of 2018 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company's regulatory capital under the CBSL guidelines is as follows;

In Rs'mn

Capital element	As at 31.03.2023	As at 31.03.2022
Ordinary share capital	306,994	211,581
Statutory reserve	5,214	4,444
Retained earnings	46,664	35,165
(-) Investment property revaluation	(19,828)	(16,302)
Other negative reserves and adjustments	(262,919)	(169,919)
Tier I capital	**76,125**	**64,969**
Subordinated debt	500	1,000
Provisions allowances & adjustments	1,316	(316)
Tier II capital	**1,816**	**684**
Total capital	**77,941**	**65,653**

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2.25 Financial assets and liabilities

2.25.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities.

As at 31st March 2023	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized cost / Not measured at fair value**	**Total Carrying amount**	**Fair value**	**Fair value measurement level**
Cash and cash equivalents	-	-	16,485	16,485	**16,485**	
Deposits with banks & other financial institutions	-	-	2,494	2,494	**2,494**	
Investment in government securities & others	-	-	31,453	31,453	**24,946**	Level 1
Derivative assets	64	-	-	64	**64**	Level 2
Investment securities	4,425	307	1	4,733	**4,733**	Level 1 / 3
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	62,067	62,067	**59,673**	Level 2
Loans and advances	-	-	184,502	184,502	**182,891**	Level 2
Amount due from related companies	-	-	57	57	**57**	
Other financial assets	-	-	647	647	**647**	
Total financial assets	**4,489**	**307**	**297,705**	**302,501**	**291,990**	
Bank overdraft	-	-	8,784	8,784	**8,784**	
Interest bearing borrowings	-	-	31,429	31,429	**30,822**	Level 2
Deposits from customers	-	-	201,271	201,271	**205,194**	Level 2
Trade payables	-	-	259	259	**259**	
Accruals and other payables	-	-	10,785	10,785	**10,785**	
Derivative liabilities	12	-	-	12	**12**	Level 2
Amount due to related companies	-	-	1,069	1,069	**1,069**	
Total financial liabilities	**12**	-	**253,597**	**253,609**	**256,924**	

Note – For carrying amounts which fair value measurement level is not mentioned are approximate to the fair value.

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As at 31st March 2022	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	12,283	**12,283**	**12,283**	
Deposits with banks & other financial institutions	-	-	8,886	**8,886**	**8,886**	
Investment in government securities & others	-	-	23,841	**23,841**	**18,391**	Level 1
Derivative assets	3,450	-	-	**3,450**	**3,450**	Level 2
Investment securities	5,993	294	1	**6,289**	**6,289**	Level 1 / 3
Financial assets at amortized cost						
Rentals receivable on leased assets	-	-	56,960	**56,960**	**57,595**	Level 2
Loans and advances	-	-	148,431	**148,431**	**146,754**	Level 2
Amount due from related companies	-	-	47	**47**	**47**	
Other financial assets	-	-	255	**255**	**255**	
Total financial assets	**9,443**	**294**	**250,705**	**260,443**	**253,950**	
Bank overdraft	-	-	5,676	**5,676**	**5,676**	
Interest bearing borrowings	-	-	44,310	**44,310**	**43,737**	Level 2
Deposits from customers	-	-	159,252	**159,252**	**157,835**	Level 2
Trade payables	-	-	1,142	**1,142**	**1,142**	
Accruals and other payables	-	-	7,542	**7,542**	**7,542**	
Derivative liabilities	13	-	-	**13**	**13**	Level 2
Amount due to related companies	-	-	3,719	**3,719**	**3,719**	
Total financial liabilities	**13**	-	**221,642**	**221,655**	**219,665**	

Note – For carrying amounts which fair value measurement level is not mentioned are approximate to the fair value.

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2.25.2 Valuation technique

Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the actual transaction in similar instrument

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortized cost) discounted cash flows have been used to derive the fair value.

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3. CASH AND CASH EQUIVALENTS

		Mar 23 Rs.	Mar 22 Rs.
3.1	**Favourable cash & cash equivalents balance**		
	Cash in hand and at bank	16,484,821,741	12,282,959,936
3.2	**Unfavourable cash & cash equivalent balances**		
	Bank overdraft	(8,783,895,368)	(5,675,768,259)
	Total cash and cash equivalents for the purpose of cash flow statement	**7,700,926,373**	**6,607,191,677**

4. INVESTMENT IN GOVERNMENT SECURITIES AND OTHERS

	Mar 23 Rs.	Mar 22 Rs.
Financial instruments - measured at amortized cost		
Investment in government securities (note 4.1)	27,997,857,616	23,841,482,770
Investment in commercial papers (note 4.2)	3,454,854,860	-
	31,452,712,476	23,841,482,770

4.1 Investment in government securities

	Mar 23		Mar 22	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Investment in Government Standing Deposit Facili	7,007,080,828	7,007,080,828	7,758,177,941	7,758,177,941
Investment in Treasury Bills	597,839,900	699,730,500	928,649,750	909,729,900
Investment in Treasury Bonds	25,017,871,919	14,857,320,851	16,685,566,604	11,253,966,794
Allowance for impairment (ECL)	(4,624,935,030)	(4,624,935,030)	(1,530,911,525)	(1,530,911,525)
	27,997,857,616	17,939,197,149	23,841,482,770	18,390,963,110

4.1.1 Fair value adjustments recognized in other comprehensive income - (net of transfers to P&L)

	Mar 23 Rs.	Mar 22 Rs.
Investment in Treasury Bonds	175,480,700	-
Amount transferred to P&L on disposal	-	-
Total recognized in OCI	175,480,700	-

4.1.2 Fair value adjustments recognized in other comprehensive income - cumulative

	Mar 23	Mar 22
Investment in Treasury Bonds	172,461,961	-
Related Tax	3,018,739	-
	175,480,700	-

4.2 Investment in commercial papers

	Mar 23		Mar 22	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Investment in commercial papers	3,454,854,860	3,454,854,860	-	-

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5. DERIVATIVE FINANCIAL INSTRUMENTS

	Mar 23 Rs.	Mar 22 Rs.
Net derivative assets / (liabilities)		
Derivative assets (note 5.1)	64,428,025	3,450,265,935
Derivative liabilities (note 5.2)	11,634,977	13,175,698
Net derivative assets / (liabilities)	52,793,048	3,437,090,237

5.1 Derivative assets

Forward exchange contracts	64,428,025	3,450,265,935

5.2 Derivative liabilities

Forward exchange contracts	11,634,977	13,175,698

5.3 Change in fair value during the year - gain / (loss)

Recognized in profit or loss	(2,864,647,190)	1,790,082,378
Recognized in OCI	519,650,000	(358,134,304)
	(2,344,997,190)	1,431,948,073

6. RENTALS RECEIVABLE ON LEASED ASSETS

	Mar 23 Rs.	Mar 22 Rs.
Rentals receivable	96,189,377,881	84,592,969,340
Unearned income	(25,694,810,372)	(20,948,611,569)
Net rentals receivable (note 6.1)	70,494,567,509	63,644,357,771
Deposits received from lessees	(3,634,645,842)	(3,966,847,378)
Allowance for ECL / impairment (note 6.2)	(4,793,251,296)	(2,717,295,784)
	62,066,670,371	56,960,214,609

6.a Analysis of rentals receivable on leased assets on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
As at 31 March 2023				
Rentals receivable on leased assets	43,901,128,131	9,917,311,977	13,041,481,558	66,859,921,667
Impairment for expected credit losses (note 6.b)	(227,209,567)	(166,649,287)	(4,399,392,441)	(4,793,251,296)
Net rentals receivable on leased assets	43,673,918,564	9,750,662,690	8,642,089,117	62,066,670,371
As at 31 March 2022				
Rentals receivable on leased assets	40,304,034,392	13,126,414,535	6,247,061,465	59,677,510,393
Impairment for expected credit losses (note 6.b)	(382,310,013)	(661,030,801)	(1,673,954,970)	(2,717,295,784)
Net rentals receivable on leased assets	39,921,724,379	12,465,383,735	4,573,106,495	56,960,214,609

6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	382,310,013	661,030,801	1,673,954,970	2,717,295,784
Net charge to profit or loss	(273,674,649)	(631,288,724)	1,501,473,159	596,509,786
Addition on merger with subsidiary	118,574,203	136,907,211	1,223,964,312	1,479,445,725
Balance as at 31 March 2023	227,209,567	166,649,287	4,399,392,441	4,793,251,296
Balance as at 01 April 2021	323,812,191	1,604,127,397	2,026,512,515	3,954,452,103
Net charge to profit or loss	(50,070,200)	(1,096,254,082)	(915,656,823)	(2,061,981,104)
Addition on merger with subsidiary	108,568,022	153,157,485	563,099,278	824,824,785
Balance as at 31 March 2022	382,310,013	661,030,801	1,673,954,970	2,717,295,784

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6. RENTALS RECEIVABLE ON LEASED ASSETS (Contd...)

6.1 Net Rentals Receivable

	Mar 23 Rs.	Mar 22 Rs.
Receivable -more than one year		
Rentals receivable	41,222,543,991	39,371,375,934
Unearned income	(14,290,783,835)	(10,862,694,621)
	26,931,760,156	28,508,681,313
Receivable within one year		
Rentals receivable	48,888,650,510	41,406,649,904
Unearned income	(11,404,026,537)	(10,085,916,949)
	37,484,623,973	31,320,732,956
Overdue		
Rentals receivable	6,078,183,380	3,814,943,502
	70,494,567,509	63,644,357,771

6.2 Allowance for ECL / impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	2,717,295,784	3,954,452,103
Provision / (reversal) for the year	596,509,787	(2,061,981,104)
Addition on merger with subsidiary	1,479,445,724	824,824,785
Balance at the end of the year	4,793,251,296	2,717,295,784

6.2.1 Individually significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	279,229,198	465,550,368
Provision / (reversal) for the year	928,340,948	(272,450,235)
Addition on merger with subsidiary	332,689,473	86,129,065
Balance at the end of the year	1,540,259,619	279,229,198

6.2.2 Individually non-significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	2,438,066,587	3,488,901,735
Provision / (reversal) for the year	(331,831,161)	(1,789,530,870)
Addition on merger with subsidiary	1,146,756,251	738,695,721
Balance at the end of the year	3,252,991,677	2,438,066,587

7. LOANS AND ADVANCES

	Mar 23 Rs.	Mar 22 Rs.
Mortgage Loans (note 7.1)	6,018,379,360	4,505,565,976
Sundry Loans (note 7.2)	135,194,498,854	119,331,422,448
Gold Loan (note 7.3)	30,581,367,213	15,511,144,393
Credit Cards (note 7.4)	3,787,786,013	2,266,824,709
	175,582,031,440	141,614,957,527

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7. LOANS AND ADVANCES (Contd...)

7.a Analysis of loans and receivables on Exposure to Credit Risk

	Stage 01	Stage 02	Stage 03	Total
Balance as at 31 March 2023	Rs.	Rs.	Rs.	Rs.
Loans and advances :				
Mortgage Loans	3,731,729,933	516,956,756	1,993,598,237	6,242,284,926
Speed Draft	54,017,161,868	1,253,035,910	3,294,320,846	58,564,518,623
Group Loans	3,721,932,619	695,354,602	2,797,048,867	7,214,336,088
Sundry Loans	56,379,324,527	7,298,294,796	11,750,758,416	75,428,377,739
Gold Loan	24,011,792,907	2,992,147,743	3,832,758,297	30,836,698,947
Credit Cards	3,221,911,132	527,873,384	373,170,567	4,122,955,083
Gross loans and advances	145,083,852,986	13,283,663,191	24,041,655,230	182,409,171,407
Impairment for expected credit losses (note 7.b)	(579,816,124)	(296,151,147)	(5,953,172,695)	(6,829,139,967)
Net loans and advances	144,504,036,862	12,987,512,044	18,088,482,534	175,580,031,440
Balance as at 31 March 2022				
Loans and advances :				
Mortgage Loans	3,183,897,469	192,134,700	1,241,548,142	4,617,580,311
Speed Draft	40,436,570,597	2,675,677,169	1,760,550,332	44,872,798,097
Group Loans	9,502,592,784	1,503,467,838	1,763,519,495	12,769,580,118
Sundry Loans	52,165,208,919	8,216,509,027	6,718,714,210	67,100,432,155
Gold Loan	14,916,562,199	643,842,821	150,242,442	15,710,647,462
Credit Cards	2,336,414,128	205,331,083	118,181,436	2,659,926,647
Gross loans and advances	122,541,246,096	13,436,962,637	11,752,756,057	147,730,964,790
Impairment for expected credit losses (note 7.b)	(1,726,845,258)	(1,222,778,787)	(3,166,383,218)	(6,116,007,263)
Net loans and advances	120,814,400,837	12,214,183,851	8,586,372,838	141,614,957,527

7.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01	Stage 02	Stage 03	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022	1,726,845,258	1,222,778,787	3,166,383,218	6,116,007,263
Net charge to profit or loss	(1,229,445,630)	(1,007,788,451)	42,445,935	(2,194,788,146)
Addition on merger with subsidiary	82,416,496	81,160,812	2,744,343,542	2,907,920,850
Balance as at 31 March 2023	579,816,124	296,151,147	5,953,172,695	6,829,139,967
Balance as at 01 April 2021	1,612,677,843	2,124,934,155	5,478,022,744	9,215,634,742
Net charge to profit or loss	(579,654,767)	(1,360,496,710)	(3,741,168,858)	(5,681,320,334)
Addition on merger with subsidiary	693,822,182	458,341,341	1,429,529,332	2,581,692,856
Balance as at 31 March 2022	1,726,845,258	1,222,778,787	3,166,383,218	6,116,007,263

7.1 Mortgage Loans

	Mar 23	Mar 22
	Rs.	Rs.
Rentals receivable	9,023,050,349	6,132,712,489
Unearned income	(2,780,765,423)	(1,515,132,178)
Net rentals receivable (note 7.1.1)	6,242,284,926	4,617,580,311
Allowance for ECL / impairment (note 7.1.2)	(223,905,566)	(112,014,335)
	6,018,379,360	4,505,565,976

7.1.1 Net rentals receivable - Mortgage Loans

	Mar 23	Mar 22
Receivable -more than one year		
Installments receivable	3,078,010,675	2,846,919,277
Unearned income	(1,279,446,536)	(688,362,950)
	1,798,564,139	2,158,556,326
Receivable within one year		
Installments receivable	5,023,300,783	2,459,872,779
Unearned income	(1,501,318,887)	(826,769,228)
	3,521,981,897	1,633,103,551
Overdue		
Installments receivable	921,738,890	825,920,433
	6,242,284,926	4,617,580,311

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7. LOANS AND ADVANCES (Contd...)

7.1.2 Allowance for ECL / impairment - Mortgage Loans

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	112,014,335	174,988,431
Provision / (reversal) for the year	111,891,231	(95,784,409)
Addition on merger with subsidiary	-	32,810,313
Balance at the end of the year	223,905,566	112,014,335

7.1.2.a Individually significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	36,987,577	174,988,431
Provision / (reversal) for the year	(36,982,762)	(138,000,854)
Balance at the end of the year	4,815	36,987,577

7.1.2.b Individually non-significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	75,026,757	-
Provision / (reversal) for the year	148,873,993	42,216,444
Addition on merger with subsidiary	-	32,810,313
Balance at the end of the year	223,900,751	75,026,757

7.2 Sundry Loans

	Mar 23 Rs.	Mar 22 Rs.
Total receivable	156,992,696,268	140,226,171,076
Unearned income	(15,785,463,818)	(15,483,360,706)
Net receivable (note 7.2.1)	141,207,232,451	124,742,810,370
Allowance for ECL / impairment (note 7.2.2)	(6,012,733,597)	(5,411,387,922)
	135,194,498,854	119,331,422,448

7.2.1 Net receivable - Sundry Loans

	Mar 23 Rs.	Mar 22 Rs.
Receivable -more than one year		
Installments receivable	79,539,096,639	81,724,693,584
Unearned income	(8,727,707,003)	(8,285,403,696)
	70,811,389,636	73,439,289,888
Receivable within one year		
Installments receivable	67,565,204,521	51,387,934,922
Unearned income	(7,057,756,814)	(7,197,957,010)
	60,507,447,706	44,189,977,912
Overdue		
Installments receivable	9,888,395,109	7,113,542,570
	141,207,232,451	124,742,810,370

7.2.2 Allowance for ECL / impairment - Sundry Loans

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	5,411,387,922	8,777,078,705
Provision / (reversal) for the year	(2,306,575,176)	(5,912,980,441)
Addition on merger with subsidiary	2,907,920,850	2,547,289,658
Balance at the end of the year	6,012,733,597	5,411,387,922

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7. LOANS AND ADVANCES (Contd...)

7.2.2.a Individually significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	715,475,900	1,979,461,820
Provision / (reversal) for the year	(405,420,274)	(1,593,407,656)
Addition on merger with subsidiary	36,235	329,421,736
Balance at the end of the year	310,091,861	715,475,900

7.2.2.b Individually non-significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	4,695,912,022	6,797,616,885
Provision for the year	(1,901,154,902)	(4,319,572,785)
Addition on merger with subsidiary	2,907,884,615	2,217,867,922
Balance at the end of the year	5,702,641,735	4,695,912,022

7.3 Gold loans

	Mar 23 Rs.	Mar 22 Rs.
Gross amount outstanding at year end	30,836,698,947	15,710,647,461
Allowance for ECL / impairment (note 7.3.1)	(255,331,734)	(199,503,068)
Balance at the end of the year	30,581,367,213	15,511,144,393

7.3.1 Allowance for ECL / impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	199,503,068	36,654,822
Provision / (reversal) for the year	55,828,666	161,255,362
Addition on merger with subsidiary	-	1,592,884
Balance at the end of the year	255,331,734	199,503,068

7.3.1.a Individually significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	928,015	-
Provision / (reversal) for the year	(928,015)	-
Addition on merger with subsidiary	-	928,015
Balance at the end of the year	-	928,015

7.3.1.b Individually non-significant clients - impairment

	Mar 23	Mar 22
Balance at the beginning of the year	198,575,053	36,654,822
Provision for the year	56,756,681	161,255,362
Addition on merger with subsidiary	-	664,869
Balance at the end of the year	255,331,734	198,575,053

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7. LOANS AND ADVANCES (Contd...)

7.4 Credit Card

	Mar 23 Rs.	Mar 22 Rs.
Gross amount outstanding at year end	4,122,955,083	2,659,926,647
Allowance for ECL / impairment (note 7.4.1)	(335,169,070)	(393,101,938)
Balance at the end of the year	3,787,786,013	2,266,824,709

7.4.1 Allowance for ECL / impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	393,101,938	226,912,784
Provision / (reversal) for the year	(57,932,867)	166,189,154
Balance at the end of the year	335,169,070	393,101,938

7.4.1.a Individually non-significant clients - impairment

Balance at the beginning of the year	393,101,938	226,912,784
Provision for the year	(57,932,867)	166,189,154
Balance at the end of the year	335,169,070	393,101,938

7.5 Margin Trading Receivables

	Mar 23 Rs.	Mar 22 Rs.
Gross amount outstanding at year end	6,679,180,382	6,891,582,656
Allowance for ECL / impairment (note 7.5.1)	(29,785,385)	(75,102,192)
Net balance on margin trading	6,649,394,997	6,816,480,464

7.5.1 Allowance for ECL / impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	75,102,192	-
Provision / (reversal) for the year	(45,316,807)	75,102,192
Balance at the end of the year	29,785,385	75,102,192

7.5.1.a Individually non-significant clients - impairment

Balance at the beginning of the year	75,102,192	-
Provision for the year	(45,316,807)	75,102,192
Balance at the end of the year	29,785,385	75,102,192

7.6 Factoring Receivables

Gross receivable	2,512,831,380	1,775,221,728
Allowance for ECL / impairment (note 7.6.1)	(242,669,348)	(356,788,879)
	2,270,162,033	1,418,432,849

7.6.a Analysis of factoring receivable on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2023				
Factoring receivable	1,932,312,117	26,681,561	553,837,702	2,512,831,380
Impairment for expected credit losses (note 7.6.b)	(16,350,691)	(3,293,940)	(223,024,717)	(242,669,348)
Net factoring receivable	1,915,961,426	23,387,622	330,812,985	2,270,162,033
Balance as at 31 March 2022				
Factoring receivable	1,163,734,294	450,293	611,037,141	1,775,221,728
Impairment for expected credit losses (note 7.6.b)	(14,673,150)	(34,010)	(342,081,718)	(356,788,879)
Net factoring receivable	1,149,061,144	416,283	268,955,422	1,418,432,849

7.6.b Movement in impairment for Expected Credit Losses (ECL) based on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 01 April 2022	14,673,150	34,010	342,081,718	356,788,879
Net charge to profit or loss	1,677,541	3,259,929	(119,057,001)	(114,119,531)
Addition on merger with subsidiary	-	-	-	-
Balance as at 31 March 2023	16,350,691	3,293,940	223,024,717	242,669,348
Balance as at 01 April 2021	-	-	-	-
Net charge to profit or loss	-	-	-	-
Addition on merger with subsidiary	14,673,150	34,010	342,081,718	356,788,879
Balance as at 31 March 2022	14,673,150	34,010	342,081,718	356,788,879

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7. LOANS AND ADVANCES (Contd...)

7.6.1 Allowance for ECL / impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	356,788,879	-
Provision / (reversal) for the year	(114,119,531)	-
Addition on merger with subsidiary	-	356,788,879
Balance at the end of the year	242,669,348	356,788,879

7.6.1.a Individually significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	342,081,719	-
Provision / (reversal) for the year	(119,442,781)	-
Addition on merger with subsidiary	-	342,081,719
Balance at the end of the year	222,638,938	342,081,719

7.6.1.b Individually non-significant clients - impairment

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	14,707,160	-
Provision / (reversal) for the year	5,323,250	-
Addition on merger with subsidiary	-	14,707,160
Balance at the end of the year	20,030,409	14,707,160

7.7 Portfolio Analysis

7.7.1 Sectorwise exposure of the lending portfolio - before impairment provision

	Mar 23 Rs.	Mar 22 Rs.
Agriculture	32,271,705,000	31,986,891,420
Manufacturing	14,605,189,000	14,274,816,278
Economics and Social	13,791,766,000	8,213,636,481
Trade	41,700,751,000	38,175,306,947
Factoring	2,509,405,000	1,775,221,728
Margin Trading	6,679,180,382	6,891,582,656
Tourism	2,403,188,000	1,655,324,955
Services	64,615,955,000	46,159,207,633
Transportation	27,717,747,000	30,427,109,070
Construction	15,713,374,000	17,297,635,819
Mining and Quarrying	2,275,000	1,092,660,288
Others	36,450,569,454	18,125,886,293
	258,461,104,836	216,075,279,566

7.7.2 Product wise analysis of portfolio

	Mar 23 Rs.	Mar 22 Rs.
Lease receivables	61,947,454,035	56,713,068,754
Loans & Advances	164,055,911,504	135,026,563,000
Factoring receivables	2,512,831,380	1,775,221,728
Margin trading receivables	6,679,180,382	6,891,582,656
Alternative finance portfolio - Ijarah receivables	4,912,467,632	2,964,441,639
Alternative finance portfolio - Other receivables (Murabaha, Musharakah etc.)	18,353,259,902	12,704,401,789
Gross portfolio	258,461,104,836	216,075,279,566
Less : Allowance for ECL / impairment	(11,892,845,995)	(9,265,194,118)
Net portfolio	246,568,258,840	206,810,085,448

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7. LOANS AND ADVANCES (Contd...)

	Mar 23 Rs.	Mar 22 Rs.
7.7.3 Net portfolio		
Rentals receivable on leased assets (note 6)	62,066,670,371	56,960,214,609
Loans and advances (note 7)	175,582,031,440	141,614,957,527
Margin trading receivable (note 7.5)	6,649,394,997	6,816,480,464
Factoring receivable (note 7.6)	2,270,162,033	1,418,432,849
	246,568,258,840	206,810,085,449

8. INVESTMENT SECURITIES

	Mar 23 Rs.	Mar 22 Rs.
Investment securities measured at amortised cost (note 8.2)	977,218	966,218
Investment securities measured at FVTPL – debt / equity investments (note 8.1)	4,424,824,113	5,993,197,046
Investment securities measured at FVOCI – equity investments (note 8.2.2)	306,779,200	294,402,964
	4,732,580,531	6,288,566,228

8.1 Investment securities measured at FVTPL – debt / equity investments

Equity shares

Name of the company	Original Cost	Balance as at 01 April 2022	Investments during the year	Fair value - recognized in profits	Disposal during the year	Addition on merger with subsidiary	Balance as at 31 March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Expo Lanka Holdings PLC	1,653,174	19,080,384	-	(6,406,050)	-	-	12,674,334
LOLC Myanmar Micro Finance Co. Ltd (note 8.1.a)	861,125,000	1,782,263,402	-	-	-	-	1,782,263,402
Sampath Bank PLC	469,738	330,618	-	47,539.50	-	-	378,158
ACL Cables PLC	1,653,448	3,149,636	-	1,390,032.00	-	-	4,539,668
Access Engineering PLC	269,990	150,000	-	(8,000.00)	-	-	142,000
Aitken Spence Hotel Holdings PLC	403,468	133,000	-	94,620.00	-	-	227,620
Cemical Industries Colombo PLC (NV)	-	900	-	882.00	-	-	1,782
Commercial Bank of Ceylon PLC	713,656	345,563	-	19,437.40	-	-	365,000
Commercial Bank of Ceylon PLC (NV)	125,982	305,474	-	(28,265.60)	-	-	277,208
Softlogic Finance PLC	1,233,775	224,660	-	(38,240.00)	-	-	186,420
Nations Lanka Finance PLC	181,666	56,700	-	(16,200.00)	-	-	40,500
Colombo Dockyard PLC	106,682	45,000	-	(6,600.00)	-	-	38,400
Piramal Glass Ceylon PLC	603,484	1,762,500	-	944,700.00	-	-	2,707,200
Laugfs Gas PLC	798,342	247,250	-	152,650.00	-	-	399,900
Nestle Lanka PLC	171,819	81,120	-	10,814.00	-	-	91,934
Nations Trust Bank PLC	1,528,176	826,830	-	420,530.00	-	-	1,247,360
Swisstek (Ceylon) PLC	602,195	1,180,812	-	(450,573.00)	-	-	730,239
Peoples Leasing & Finance PLC	2,443,373	1,516,249	-	25,483.40	-	-	1,541,732
Renuka Agri Foods PLC	790,758	663,000	-	221,000.00	-	-	884,000
Seylan Bank PLC (NV)	1,876,908	3,237,509	-	(25,431.30)	-	-	3,212,078
Union Bank of Colombo Limited	17,500	5,460	-	840.00	-	-	6,300
United Motors Lanka PLC	495,407	300,000	-	(500.00)	-	-	299,500
The Lanka Hospitals Corporation PLC	502,566	501,000	-	629,000.00	-	-	1,130,000
Merchant Bank of Sri Lanka	79,874	27,500	-	(10,500.00)	-	-	17,000
Total equity shares	**877,846,981**	**1,816,434,567**	**-**	**(3,032,832)**	**-**	**-**	**1,813,401,735**

Name of the company	Original Cost	Balance as at 01 April 2021	Investments during the year	Fair value - recognized in profits	Disposal during the year	Addition on merger with subsidiary	Balance as at 31 March 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Expo Lanka Holdings PLC	1,653,174	4,104,383	-	14,976,002	-	-	19,080,384
LOLC Myanmar Micro Finance Co. Ltd (note 8.1.a)	861,125,000	981,415,880	-	(56,845,617)	-	857,693,139	1,782,263,402
Sampath Bank PLC	469,738	-	-	-	-	330,618	330,618
ACL Cables PLC	1,653,448	-	-	-	-	3,149,636	3,149,636
Access Engineering PLC	269,990	-	-	-	-	150,000	150,000
Aitken Spence Hotel Holdings PLC	403,468	-	-	-	-	133,000	133,000
Cemical Industries Colombo PLC (NV)	-	-	-	-	-	900	900
Commercial Bank of Ceylon PLC	713,656	-	-	-	-	345,563	345,563
Commercial Bank of Ceylon PLC (NV)	125,982	-	-	-	-	305,474	305,474
Softlogic Finance PLC	1,233,775	-	-	-	-	224,660	224,660
Nations Lanka Finance PLC	181,666	-	-	-	-	56,700	56,700
Colombo Dockyard PLC	106,682	-	-	-	-	45,000	45,000
Piramal Glass Ceylon PLC	603,484	-	-	-	-	1,762,500	1,762,500
Laugfs Gas PLC	798,342	-	-	-	-	247,250	247,250
Nestle Lanka PLC	171,819	-	-	-	-	81,120	81,120
Nations Trust Bank PLC	1,528,176	-	-	-	-	826,830	826,830
Swisstek (Ceylon) PLC	602,195	-	-	-	-	1,180,812	1,180,812
Peoples Leasing & Finance PLC	2,443,373	-	-	-	-	1,516,249	1,516,249
Renuka Agri Foods PLC	790,758	-	-	-	-	663,000	663,000
Seylan Bank PLC (NV)	1,876,908	-	-	-	-	3,237,509	3,237,509
Union Bank of Colombo Limited	17,500	-	-	-	-	5,460	5,460
United Motors Lanka PLC	495,407	-	-	-	-	300,000	300,000
The Lanka Hospitals Corporation PLC	502,566	-	-	-	-	501,000	501,000
Merchant Bank of Sri Lanka	79,874	-	-	-	-	27,500	27,500
Total equity shares	**877,846,981**	**985,520,263**	**-**	**(41,869,615)**	**-**	**872,783,920**	**1,816,434,567**

8. INVESTMENT SECURITIES (Contd...)

	Mar 23 Rs.	Mar 22 Rs.
Investment in Unit Trusts		
Original cost	2,377,920,492	3,550,000,000
Carrying amount at the beginning of the year	3,562,534,214	4,120,231,452
Investments during the year	-	16,150,000,000
Adjustment for change in fair value - recognized in profits	147,564,393	243,004,216
Addition on merger with subsidiary	3,710,995,836	-
Disposal during the year	(4,910,927,669)	(16,950,701,454)
Carrying amount at the end of the year	2,510,166,775	3,562,534,214
Trading Gold Stock		
Original cost	94,432,872	227,866,473
Carrying amount at the beginning of the year	614,228,265	192,615,311
Investments during the year	148,038,356	104,680,236
Adjustment for change in fair value - recognized in profits	(92,859,451)	316,932,718
Disposal during the year	(568,151,568)	-
Carrying amount at the end of the year	101,255,603	614,228,265
Total investments held for trading	**4,424,824,113**	**5,993,197,046**

8.1.a Valuation technique - LOLC Myanmar Micro Finance Company Ltd

The fair value measurement for above equity investment has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Residual Income Approach	As at 31st March 2023, unobservable inputs based on cost of equity, terminal growth, exchange rate were improved and no revaluation gain recognized on conservative basis. 'As at 31st March 2022, value per share was derived based on cost of equity (16.11%), terminal growth (2%), exchange rate (MMK/LKR 0.1682) and forecasted cash flows.	The estimated fair value would increase (decrease) if: - Cost of equity was lesser / (higher) - Terminal growth was higher / (lesser) - Exchange rate was higher / (lesser) - Forecasted cashflows were higher / (lesser)

8.2 Investment securities measured at amortised cost and FVOCI

8.2.1 Investment securities measured at amortised cost

	Mar 23 Rs.	Mar 22 Rs.
Credit Information Bureau of Sri Lanka	608,468	597,468
Equity Investments Lanka Limited	168,750	168,750
Finance Houses Consortium (Pvt) Ltd.	400,000	400,000
Impairment for expected credit losses (Note 8.2.1.a)	(200,000)	(200,000)
	977,218	966,218

8.2.1.a Analysis of investment securities measured at amortised cost on Exposure to Credit Risk

	Stage 01 Rs.	Stage 02 Rs.	Stage 03 Rs.	Total Rs.
Balance as at 31 March 2023				
Investment securities measured at amortised cost	1,177,218	-	-	1,177,218
Impairment for expected credit losses (note 8.2.1.b)	(200,000)	-	-	(200,000)
Net Investment securities measured at amortised cost	977,218	-	-	977,218
Balance as at 31 March 2022	-	-	-	-
Investment securities measured at amortised cost	1,166,218	-	-	1,166,218
Impairment for expected credit losses (note 8.2.1.b)	(200,000)	-	-	(200,000)
Net Investment securities measured at amortised cost	966,218	-	-	966,218

8.2.2 Investment securities measured at FVOCI – equity investments

	Mar 23 Rs.	Mar 22 Rs.
LOLC Global (Pvt) Ltd		
Carrying amount at the beginning of the year	294,402,964	199,095,698
Adjustment for change in fair value - recognized in OCI	12,376,236	95,307,266
Carrying amount at the end of the year	306,779,200	294,402,964
Total	307,387,668	295,000,432

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9. INVESTMENT IN ASSOCIATE

	Ownership interest %	No. of shares	Mar 23 Cost Rs.	Mar 23 Carrying value Rs.	Mar 22 Cost Rs.	Mar 22 Carrying value Rs.
Commercial Insurance Brokers (Private) Limited	40.00	240,000	800,000	236,138,354	800,000	226,752,441
LOLC Development Finance PLC	44.33	105,499,048	-	-	1,265,987,676	1,606,908,226
LOLC El-Oula Microfinance Egypt	25.00	1,107,378	348,075,272	327,946,594	-	-
Total			348,875,272	564,084,948	1,266,787,676	1,833,660,667

The principal activities of the equity accounted investees are as follows;
Commercial Insurance Brokers (Private) Limited - Insurance Brokering
LOLC Development Finance PLC - Leasing / Loans / Deposit mobilisation
LOLC El-Oula Microfinance Egypt - Leasing / Loans / Deposit mobilisation

9.1 Summarised financial information

Summarised financial information to the carrying amount of the interest in the associate recognised in the Financial Statements is as follows:

	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.
Original cost of investment	800,000	800,000	1,265,987,676	1,265,987,676	348,075,272	-
Add: Share of profit applicable to the Company						
Investment in associate at the beginning of the year	226,752,441	-	1,606,908,226	-	-	-
Addition on merger with subsidiary	-	207,096,665	-	189,178,027	-	-
Disposal on merger with subsidiary	-	-	(722,539,668)	-	-	-
Total comprehensive income :	13,685,913	24,855,776	(884,368,558)	151,742,523	(20,128,678)	-
Profit or loss for the period recognised in income statement, net of tax (note 9.2.a)	17,672,167	12,114,359	(827,882,976)	172,173,881	(20,128,678)	-
Profit or loss and other comprehensive income, net of tax (note 9.2.a)	(3,986,254)	12,741,417	(56,485,582)	(20,431,357)	-	-
Dividend received	(5,100,000)	(6,000,000)	-	-	-	-
Carrying amount at the end of the year	236,138,354	226,752,441	-	1,606,908,226	327,946,594	-

9.2 Summarised financial information in respect of the associate is set out below:

9.2.a Summarised Income Statement

	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.
Revenue	225,901,283	204,239,311	5,493,240,261	5,452,004,858	1,513,566,470	-
Expenses	(159,921,262)	(168,455,721)	(7,258,282,886)	(4,889,749,683)	(1,519,794,774)	-
Income tax	(19,799,599)	(5,497,692)	(102,503,000)	(173,863,836)	(74,286,408)	-
Profit from continuing operations, net of tax	46,180,422	30,285,898	(1,867,545,625)	388,391,339	(80,514,712)	-
Company's share of profit from continuing operations, net of tax	13,372,169	12,114,359	(827,882,976)	172,173,881	(20,128,678)	-
Other comprehensive income, net of tax	(9,965,636)	31,853,542	(127,420,668)	(46,089,234)	-	-
Company's share of other comprehensive income from continuing operations, net of tax	(3,986,254)	12,741,417	(56,485,582)	(20,431,357)	-	-
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive	9,385,914	24,855,776	(884,368,558)	151,742,523	(20,128,678)	-

9.2.b Summarised Statement of Financial Position

	Commercial Insurance Brokers (Private) Limited		LOLC Development Finance PLC		LOLC El-Oula Microfinance Egypt	
	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.	Mar 23 Rs.	Mar 22 Rs.
Non-current assets	522,517,723	499,034,216	-	8,213,487,515	251,701,119	-
Current assets	239,694,838	229,873,313	-	13,709,673,493	3,242,646,506	-
Non-current liabilities	(148,914,405)	(120,431,041)	-	(5,322,652,796)	(2,544,812,208)	-
Current liabilities	(36,995,878)	(26,714,925)	-	(13,444,376,981)	(245,624,786)	-
Net assets	576,302,278	581,761,563	-	3,156,131,232	703,910,631	-
Company's share of net assets	230,520,911	232,704,625	-	1,399,112,975	175,977,658	-
Goodwill	5,617,443	(5,952,184)	-	207,795,251	151,968,936	-
Disposal on merger with subsidiary	-	-	-	-	-	-
Carrying amount of investment in associate	236,138,354	226,752,441	-	1,606,908,226	327,946,594	-

The Company recognises the share of net assets of the associate under the Equity Method to arrive at the Directors' valuation. The maturity analysis of investment in associate is given in

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10. AMOUNTS DUE FROM RELATED COMPANIES

	Relationship	Mar 23 Rs.	Mar 22 Rs.
Brown & Company PLC	Fellow subsidiary	4,189,200	-
Browns Engineering & Construction (Pvt) Ltd	Fellow subsidiary	2,131	-
Ceylon Graphene Technologies (Private) Limited	Fellow subsidiary	1,666	1,666
Dolphin Hotels PLC	Fellow subsidiary	3,695	-
Eden Hotel Lanka PLC	Fellow subsidiary	203,324	2,694
Forti Grains Pvt Ltd	Fellow subsidiary	1,170	-
Frontier Capital Lanka (Pvt) Ltd	Fellow subsidiary	1,170	-
Green Paradise Resorts (Private) Limited	Fellow subsidiary	38,789	1,010
Hotel Sigiriya PLC	Fellow subsidiary	9,393	-
Leapstitch Technologies Pvt Ltd	Fellow subsidiary	803,250	-
LOLC Advance Technologies (Pvt) Ltd	Fellow subsidiary	10,388,336	2,191,711
LOLC Asset Holding Co/ LOLC Life Assurance Co.	Fellow subsidiary	-	10,000
LOLC Factors Ltd	Fellow subsidiary	897,029	1,340,551
LOLC GEO Technologies Pvt Ltd	Fellow subsidiary	1,170	-
LOLC Insurance - General Ltd	Fellow subsidiary	34,409,225	27,817,558
LOLC Insurance - Life Ltd	Fellow subsidiary	2,203,566	7,829,887
LOLC Investment Holdings Six (Pvt.) Ltd	Fellow subsidiary	1,170	-
LOLC Motors Limited	Fellow subsidiary	651,467	-
LOLC Property Nine (Pvt) Ltd	Fellow subsidiary	1,170	-
LOLC Securities Ltd	Fellow subsidiary	-	7,899,885
LOLC Tea	Fellow subsidiary	-	3,879
Millennium Development Limited	Fellow subsidiary	359,825	-
Serendib Hotels PLC	Fellow subsidiary	2,933	-
Sun & Fun Resorts Ltd.	Fellow subsidiary	2,985,833	283,131
Taprobane Plantations (Private) Limited	Fellow subsidiary	5,579	-
		57,161,090	47,381,972

11. OTHER RECEIVABLES

	Mar 23 Rs.	Mar 22 Rs.
Financial Assets		
Staff loans	6,799,406	20,860,217
Other receivables	1,604,411,030	659,041,878
Provision on other receivable	(816,172,063)	(424,450,113)
	795,038,373	255,451,982
Non Financial Assets		
VAT receivable	241,990,374	250,542,628
WHT recoverable	-	-
Prepaid staff cost	28,156,756	30,696,082
Other Debtors & Prepayments	3,280,579,080	38,130,807
Miscellaneous receivables	1,132,222,712	509,508,513
	4,682,948,922	828,878,030
Total Other receivables	5,477,987,295	1,084,330,013

12. INVESTMENT PROPERTIES

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	38,287,958,119	21,088,740,181
Additions to Investment Properties from foreclosure of contracts	868,875,920	332,511,900
Additions and improvements		
Improvements	82,794,379	19,321,953
Additions	2,215,922,787	5,074,889,173
Transfers to property, plant and equipment	(3,332,500,000)	(492,800,000)
Addition on merger with subsidiary	44,500,000	5,361,501,000
Disposals	(440,775,000)	(21,756,165)
Change in fair value	3,525,884,968	6,925,550,077
Balance at the end of the year	41,252,661,173	38,287,958,119

- Investment Properties includes bare lands and land and buildings acquired by the company from clients who defaulted on accommodations granted and purchased properties. These properties are held by the Company for capital appreciation.

- The company incurred expenses for the improvements of the investment properties and received rent income amounting to Rs.65,343,555 during the current year (2021/22 - Rs.96,960,937) from these properties.

- During the year company has incurred expenses amounting to Rs.128,765,638 for maintenance of the investment property. (2021/22 - Rs.3[illegible])

- Changes in fair values are recognised as gains in profit or loss and included in 'Net other operating income'.

12. INVESTMENT PROPERTIES (Contd...)

12.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 March 2023. The fair value has been determine based on valuation perform by Mr. W M Chandrasena, FIV (SL) Marics (UK) Chartered Valuation Surveyor.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

2.) Valuation technique

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

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio as of March 2023 ranges from Rs.62,500 to Rs.28,000,000 in the Colombo area and Rs.43,750 to Rs.14,000,000 outside the Colombo area. As of March 2022, per perch values were ranges from Rs.470,000 to Rs.37,500,000 in the Colombo area and Rs.30,000 to Rs.4,750,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for year used.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

13. PROPERTY, PLANT AND EQUIPMENT

Company	Land	Building	Leasehold Motor Vehicles	Freehold Motor Vehicles	Other equipment and software	Right-of use assets	Total
Cost/Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2022	3,142,650,000	1,661,854,049	178,961,000	1,890,320,000	1,391,593,349	1,753,323,447	10,018,701,844
Additions	-	-	118,335,000	1,300,004	86,652,675	367,081	206,654,760
Addition on merger with subsidiary	-	-	-	10,231,902	367,107,629	322,718,905	700,058,436
Disposals	-	-	-	(9,750,000)	(113,795)	(5,330,792)	(15,194,587)
Revaluation	-	-	-	-	-	-	-
Transfers from investment properties	2,230,000,000	1,102,500,000	-	-	-	-	3,332,500,000
Transfers / Adjustment	-	3,601,641	-	-	176,443,843	-	180,045,484
Balance as at 31 March 2023	5,372,650,000	2,767,955,690	297,296,000	1,892,101,906	2,021,683,700	2,071,078,642	14,422,765,938
Accumulated Depreciation							
Balance as at 01 April 2022	-	504,048	67,999,000	(64,691,157)	987,244,157	700,910,856	1,691,966,904
Charge for the year	-	62,989,246	40,514,508	131,219,728	225,691,618	273,804,613	734,219,712
Depreciation on disposals	-	-	-	(193,718)	(113,795)	(21,613,149)	(21,920,662)
Addition on merger with subsidiary	-	-	-	1,028,714	300,865,746	136,033,059	437,927,519
Revaluation	-	-	-	-	-	-	-
Transfers to investment properties	-	-	-	-	-	-	-
Transfers / Adjustment	-	-	-	-	27,590,811		27,590,811
Balance as at 31 March 2023	-	63,493,294	108,513,508	67,363,566	1,541,278,536	1,089,135,380	2,869,784,284
Carrying Amount							
As at 31 March 2023	**5,372,650,000**	**2,704,462,396**	**188,782,492**	**1,824,738,340**	**480,405,164**	**981,943,262**	**11,552,981,653**

Company	Land	Building	Leasehold Motor Vehicles	Freehold Motor Vehicles	Other equipment and software	Right-of use assets	Total
Cost/Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2021	180,500,000	166,004,048	273,915,000	1,158,782,292	79,369,609	-	1,858,570,950
Additions	-	787,866	54,961,000	-	77,060,750	857,942,122	990,751,738
Addition arising from merger of subsidiary	2,387,650,000	1,167,850,000	-	173,470,000	1,235,162,989	895,381,325	5,859,514,314
Disposals	-	-	-	(10,300,000)	-	-	(10,300,000)
Revaluation	160,300,000	251,569,667	(790,000)	419,242,708	-	-	830,322,375
Transfers to investment properties	414,200,000	78,600,000	-	-	-	-	492,800,000
Transfers / Adjustment	-	(2,957,533)	(149,125,000)	149,125,000	-	-	(2,957,533)
Balance as at 31 March 2022	3,142,650,000	1,661,854,049	178,961,000	1,890,320,000	1,391,593,349	1,753,323,447	10,018,701,844
Accumulated Depreciation							
Balance as at 01 April 2021	-	1,624,811	119,527,979	518,128,780	56,070,941	-	695,352,512
Charge for the year	-	6,390,309	12,066,610	16,203,108	39,678,880	391,301,138	465,640,045
Depreciation on disposals	-	-	-	(5,031,930)	-	-	(5,031,930)
Addition arising from merger of subsidiary	-	-	-	-	891,494,335	309,609,718	1,201,104,053
Revaluation	-	(7,511,072)	(63,595,589)	(593,991,115)	-	-	(665,097,776)
Transfers to investment properties	-	-	-	-	-	-	-
Transfers / Adjustment	-	-	-	-	-	-	-
Balance as at 31 March 2022	-	504,048	67,999,000	(64,691,157)	987,244,157	700,910,856	1,691,966,904
Carrying Amount							
As at 31 March 2022	**3,142,650,000**	**1,661,350,000**	**110,962,000**	**1,955,011,157**	**404,349,192**	**1,052,412,591**	**8,326,734,940**

13. PROPERTY, PLANT AND EQUIPMENT (Contd...)

Property, plant and equipment pledged as security for liabilities

The carrying value of motor vehicles amount to Rs.188,782,492 as at 31 March 2023 (31 March 2022 - Rs.110,962,000) are purchased under finance leases and have been pledged as security for the related finance lease liabilities.

Assets given under operating leases

The motor vehicles of the company represents assets given under operating leases under short term and long term basis.
An analysis of the rentals to be received on such operating leases are as follows.

	Mar 23 Rs.	Mar 22 Rs.
Receivable within one year	291,255,951	118,546,500
Receivable within 1-5 years	262,014,586	214,124,965
Total	553,270,537	332,671,465

Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31 March 2023 and 31 March 2022.

Fully depreciated property, plant and equipment

There were motor vehicles amount to Rs.331,902 and office equipment amount to Rs.1,027,043,881 in property, plant and equipment fully depreciated as at 31 March 2023 and as at 31 March 2022 it was Rs.1,508,000 in motor vehicles and Rs.47,504,368 in office equipment.

13.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of property, plant and equipment was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 March 2023.

The fair value measurement for all of the land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The Company has decided to change its accounting policies relating to Motor Vehicles (both leasehold and free hold) from Cost Model to Revaluation Model as per LKAS 16 with effect from 31st March 2023. Management has voluntarily changed the aforementioned accounting policy with the view that it will provide more relevant and reliable information in financial statements to economic users.

2.) Valuation technique

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

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio as of March 2023 ranges from Rs.62,500 to Rs.28,000,000 in the Colombo area and Rs.43,750 to Rs.14,000,000 outside the Colombo area. As of March 2022, per perch values were ranges from Rs.470,000 to Rs.37,500,000 in the Colombo area and Rs.30,000 to Rs.4,750,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for year used.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

13.2 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

	Mar 23 Rs.	Mar 22 Rs.
Cost	4,808,105,690	1,991,063,382
Accumulated depreciation and impairment	(63,493,294)	(23,001,276)
Carrying value	4,744,612,395	1,968,062,106

14.	INTEREST BEARING BORROWINGS	Mar 23 Rs.	Mar 22 Rs.
	Short-term loans	363,291,900	14,650,000,000
	Long-term borrowings (note 14.1)	20,618,010,036	19,661,065,288
	Lease liability (note 14.2)	1,115,628,526	1,199,460,769
	Debentures (note 14.3)	7,500,000,000	7,500,000,000
	Total borrowings	29,596,930,462	43,010,526,058
	Interest payable	1,832,483,333	1,299,377,340
	Liability recognized in statement of financial position	31,429,413,795	44,309,903,398
14.1	**Long-term borrowings**		
	Balance at the beginning of the year	19,661,065,288	12,109,298,395
	Loans obtained during the year	3,000,000,000	11,957,391,781
	Loans transferred on merger with subsidiary	8,544,077,577	11,783,769,930
	Repaid during the year	(2,043,055,252)	(4,405,624,888)
	Balance at the end of the year	20,618,010,036	19,661,065,288
	Long-term borrowings - current	12,798,175,840	10,897,159,784
	Long-term borrowings - non-current (note 14.1.a)	7,819,834,196	8,763,905,504
		20,618,010,036	19,661,065,288
14.1.a	**Analysis of non-current portion of long-term borrowings**		
	Repayable within 1-3 years	6,802,748,258	4,117,066,969
	Repayable after 3 years	1,017,085,938	4,646,838,535
		7,819,834,196	8,763,905,504

14.2	**Lease liability**	Mar 23 Rs.	Mar 22 Rs.
	Finance leases (note 14.2.1)	32,973,284	40,073,154
	Obligation on lease liablity - right of use assets (note 14.2.2)	1,082,655,242	1,159,387,616
		1,115,628,526	1,199,460,769
14.2.1	**Finance leases**		
	Gross lease rentals payable at the beginning of the year	49,991,381	24,296,631
	Lease obtained during the year	-	52,398,695
	Lease rentals paid during the year	(11,045,700)	(26,703,945)
	Gross lease rentals payable at the end of the year	38,945,681	49,991,381
	Less: Interest in suspense	(5,972,397)	(9,918,228)
	Balance at the end of the year / present value of minimum lease payments	32,973,284	40,073,154
14.2.1.1	**Analysis of finance leases**		
	Repayable within one year (note 14.2.1.a)	7,706,451	6,849,194
	Repayable within 1-5 years (note 14.2.1.b)	25,266,833	33,223,960
		32,973,284	40,073,154
14.2.1.a	**Repayable within one year**		
	Gross lease rentals payable	10,334,834	10,307,940
	Less: interest in suspense	(2,628,383)	(3,458,746)
		7,706,451	6,849,194

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14. INTEREST BEARING BORROWINGS (Contd...)

		Mar 23 Rs.	Mar 22 Rs.
14.2.1.b	**Repayable within 1-5 years**		
	Gross lease rentals payable	28,610,847	39,683,441
	Less: interest in suspense	(3,344,014)	(6,459,482)
		25,266,833	33,223,960
14.2.2	**Obligation on lease liablity of right-of use assets**		
	Balance at the beginning of the year	1,159,387,616	-
	Addition during the year	367,081	583,030,088
	Accretion of interest	122,317,473	74,489,762
	Payments during the year	(424,566,225)	576,357,528
	Transferred on merger with subsidiary	225,149,297	604,463,763
	Balance at the end of the year	1,082,655,242	1,159,387,616
14.2.2.1	**Maturity analysis of obligation on lease liablity**		
	Less than 01 year	215,024,173	112,804,548
	01 to 05 years	539,708,432	702,526,277
	More than 05 years	327,922,637	344,056,791
		1,082,655,242	1,159,387,616

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

Sensitivity to Discount Rates 1% increase/(decrease) in discount rate as at 31st March 2023 would have (decreased)/increased the lease liability by approximately Rs 23.7 Mn with a similar (decrease)/increase in the right-of-use asset. Had the Company increased/(decreased) the discount rate by 1%, the Company's profit before tax for the year would have (decreased)/increased by approximately Rs 1.8 Mn.

Sensitivity to Lease Term had the lease term of all existing lease agreements been increased by further one year, lease liability of the Company as at 31st March 2023 would have increased by Rs 360 Mn with a similar increase in the right-of-use assets. Further, this would reduce the profit before tax of the Company by Rs 9.3 Mn.

		Mar 23 Rs.	Mar 22 Rs.
14.3	**Debentures**		
	Balance at the beginning of the year	7,500,000,000	2,500,000,000
	Transferred on merger with subsidiary	-	5,000,000,000
	Balance at the end of the year	7,500,000,000	7,500,000,000

The company issued rated unsecured subordinated redeemable debentures, thirty four million (34,110,193) totaling to Rs.2.5Bn in July 2018 with a five year maturity duration, incurring transaction costs and during the year as a result of the merger, fifty million (50,000,000) debentures totaling to Rs.5Bn had been issued in September 2020 transfered to the Company. These debentures are listed in the Colombo Stock Exchange. The amortization of the transaction cost is included in the interest payable amount.

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15. DEPOSITS FROM CUSTOMERS

	Mar 23 Rs.	Mar 22 Rs.
Customer deposits	191,186,788,263	155,929,957,835
Interest / profit payable		
Interest payable on deposits	9,310,622,324	3,170,194,369
Profits payable to alternative finance deposit holders	773,490,796	152,230,059
	10,084,113,119	3,322,424,428
Deposit liability recognized in statement of financial position	201,270,901,382	159,252,382,263

15.1 Analysis of customer deposits based on nature

	Mar 23 Rs.	Mar 22 Rs.
Fixed deposits - conventional	154,455,577,011	122,273,175,771
Fixed deposits - alternative finance - Mudharabah	1,925,877,004	3,177,560,799
Fixed deposits - alternative finance - Wakala	19,250,758,733	8,211,680,811
Fixed deposits - foreign currency	3,187,652,971	2,797,620,406
Fixed deposit bonds	4,176,036	4,176,036
Savings deposits - conventional	6,109,156,206	5,103,504,297
Savings deposits - alternative finance	1,128,062,348	1,033,581,299
Savings deposits - foreign currency	5,125,527,954	13,328,658,416
Total deposits	191,186,788,263	155,929,957,835

15.2 Deposits based on maturity

	Mar 23 Rs.	Mar 22 Rs.
Deposits maturing within one year	137,500,114,565	137,064,806,878
Deposits maturing after one year	53,686,673,698	18,865,150,958
	191,186,788,263	155,929,957,835

16. TRADE PAYABLES

	Mar 23 Rs.	Mar 22 Rs.
Creditors for lease equipment and approved facilities to be disbursed	258,736,201	1,141,928,384

17. ACCRUALS AND OTHER PAYABLES

	Mar 23 Rs.	Mar 22 Rs.
Excess payments received from clients	986,055,687	763,519,687
Insurance payable	37,523,399	381,074,621
VAT / other tax payable	330,730,819	244,341,865
Other miscellaneous creditors	9,246,139,115	5,408,566,906
Payable on matured deposits	287,459,197	1,001,198,999
Stamp duty payable	-	34,579,214
Allowance for impairment (ECL) - Undrawn credit facilities	2,427,891	2,311,437
	10,890,336,109	7,835,592,729

18. AMOUNTS DUE TO RELATED COMPANIES

	Relationship	Mar 23 Rs.	Mar 22 Rs.
LOLC Holding PLC	Parent	955,683,775	3,627,826,427
LOLC Factors Ltd	Fellow subsidiary	-	104,755
LOLC Information Technology Services Limited	Fellow subsidiary	110,018,244	62,435,438
LOLC Motors Ltd	Fellow subsidiary	-	12,272,550
LOLC Development Finance PLC	Fellow subsidiary	-	8,195
LOLC Corporate services Ltd	Fellow subsidiary	595,000	1,190,000
LOLC Property 1-4	Fellow subsidiary	2,941,384	2,895,875
LOLC Life Insurance	Fellow subsidiary	-	358,161
LOLC General Insurance	Fellow subsidiary	-	12,276,345
		1,069,238,403	3,719,367,746

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19. EMPLOYEE BENEFITS

19.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	Mar 23 Rs.	Mar 22 Rs.
Employees' Provident Fund		
Employers' contribution	268,926,628	182,952,644
Employees' contribution	179,284,418	121,968,430
Employees' Trust Fund	81,828,880	45,738,157

19.2 Defined benefit plan

Movement in the present value of the defined benefit obligation

	Mar 23 Rs.	Mar 22 Rs.
Defined benefit obligation at the beginning of the year	565,709,494	332,531,588
Transferred on merger with subsidiary	62,272,625	229,543,253
Expense included in Personnel Expenses (note 19.2.a)	114,012,814	50,368,345
Remeasurement Component	(51,711,081)	(24,422,219)
	124,574,358	255,489,379
Benefits paid	(37,477,082)	(22,311,473)
Defined benefit obligation at end of the year	**652,806,770**	**565,709,494**

19.2.a Expense included in Personnel Expenses

	Mar 23 Rs.	Mar 22 Rs.
Current Service Cost	17,955,815	42,170,878
Interest Cost	96,056,999	26,602,527
(Gain) / loss recognised during the year (due to plan amendment)	-	(18,405,060)
	114,012,814	**50,368,345**

19.2.b Actuarial gains and losses recognised in other comprehensive income

	Mar 23 Rs.	Mar 22 Rs.
Cumulative (gain) / loss at the beginning of the year	152,157,011	176,579,230
(Gain) / loss recognised during the year	(51,711,081)	(24,422,219)
Cumulative (gain) / loss at end of the year	**100,445,930**	**152,157,011**

Acturial valuation for defined benefit obligation was carried out as at 31 March 2023 by Mr. P.S. Goonatilleke, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Actuarial Cost Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

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19. EMPLOYEE BENEFITS (Contd...)

19.2 Defined benefit plan (Contd...)

19.2.c Key assumptions used in the above valuation are as follows:

	Mar 23	Mar 22
Discount Rate	14.00%	15.00%
Salary Increment Rate	11.50%	12.50%
Retirement Age	60	60
Staff Turnover	2.5% - 15.0%	2.5% - 15.0%

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service under the Payment of Gratuity Act No. 12 of 1983. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service. The obligation is not externally funded.

Current weighted average duration of the defined benefit obligation is 9 years.
Assumptions regarding future mortality are based on published statistics and mortality tables.

19.2.d Sensitivity analysis of the defined benefit obligation

The effect on the defined benefit obligation at the year end, as a result of changes in the actuarial assumptions used, is shown below.

	Mar 23 Rs.	Mar 22 Rs.
The defined benefit obligation under current assumptions	652,806,770	565,709,494
The defined benefit obligation if the discount rate increased by 100 basis points	604,718,294	489,926,544
The defined benefit obligation if the discount rate reduced by 100 basis points	708,182,101	589,545,097
The defined benefit obligation if the salary increment rate increased by 1%	707,983,316	594,778,970
The defined benefit obligation if the salary increment rate reduced by 1%	604,073,161	485,153,483
The change in the defined benefit obligation if the discount rate increased by 100 basis points	(48,088,476)	(75,782,950)
The change in the defined benefit obligation if the discount rate reduced by 100 basis points	55,375,332	23,835,604
The change in the defined benefit obligation if the salary increment rate increased by 1%	55,176,547	29,069,477
The change in the defined benefit obligation if the salary increment rate reduced by 1%	(48,733,609)	(80,556,011)

19.2.e Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years.

	Mar 23 Rs.	Mar 22 Rs.
Within the next 12 months	71,686,237	51,403,113
Between 1 and 2 years	67,914,542	71,962,635
Between 2 and 5 years	266,971,099	249,899,929
Between 5 and 10 years	785,049,551	646,935,870
Total expected payments	**1,191,621,429**	**1,020,201,547**

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20. STATED CAPITAL

	Mar 23		Mar 22	
	Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year	19,251,334,334	211,581,447,542	5,250,000,000	12,762,500,000
Issue of shares	13,827,877,965	95,412,357,959	14,001,334,334	198,818,947,542
Balance at the end of the year	33,079,212,299	306,993,805,501	19,251,334,334	211,581,447,542

Rights, preference and restrictions of classes of capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to have one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

21. RESERVES

	Mar 23 Rs.	Mar 22 Rs.
Statutory reserve (note 21.1)	5,213,771,358	4,444,108,028
Revaluation reserve (note 21.2)	1,247,187,997	1,505,632,154
Cash flow hedge reserve (note 21.3)	41,014,495	(83,701,505)
Fair value reserve (note 21.4)	331,628,639	140,752,964
Merger reserve (note 21.5)	(262,914,889,649)	(169,284,516,561)
Retained earnings (note 21.6)	46,664,209,197	35,249,180,283
	(209,417,077,963)	(128,028,544,636)

21.1 Statutory reserve

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	4,444,108,028	3,596,578,755
Transferred during the year	769,663,330	847,529,273
Balance at the end of the year	5,213,771,358	4,444,108,028

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transferred 5% (2020/21 - 5%) of its annual net profit after tax to this reserve in compliance with this direction.

21.2 Revaluation Reserve

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	1,505,632,154	328,838,183
Transferred during the year	-	1,495,420,151
Related tax	(258,444,158)	(318,626,179)
Balance at the end of the year	1,247,187,997	1,505,632,154

This reserve is created from the excess arising from the revaluation of land and buildings of the company.

21.3 Cash flow hedge reserve

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	(83,701,505)	27,607,752
Gain / (loss) arising from cash flow hedge recognized in OCI	155,895,000	(119,316,738)
Related tax - current tax - expense / (reversal) - note 29	(155,895,000)	85,952,233
Related tax - deferred tax - expense / (reversal) - note 29	124,716,000	(77,944,752)
Balance at the end of the year	41,014,495	(83,701,505)

The cash flow hedge reserve is maintained to recognise the change in the fair value of, the derivative (forward exchange contract) designated under the hedge relationship and the hedge item (portion of a foreign currency borrowing). The objective of the hedge is to mitigate the risk arising on the movement in foreign exchange rates and the resulting cash flows.

The hedging instrument are forward exchange contracts and as at 31 March 2023, there were assets with fair value of Rs.64,428,025 and liabilities with fair value of Rs.11,634,977.

The portion of the foreign currency loan that is subject to hedge accounting is to be settled during the financial years 2022/23 - 2021/22 and the derivative will be rolled over until that date.

The hedge is considered to be effective and is in effect at the reporting date and therefore no reclassification to profit or loss was made.

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21. RESERVES (Contd...)

21.4 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.

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	140,752,964	45,445,698
Investment in government securities measured at FVOCI	175,480,700	-
Investment securities measured at FVOCI – equity investments	12,376,236	95,307,266
Related Tax	3,018,739	-
Balance at the end of the year	331,628,639	140,752,964

21.5 Regulatory Loss Allowance Reserve

Balance at the beginning of the year	-	-
Transferred during the year	3,231,500,379	-
Balance at the end of the year	3,231,500,379	-

As per Section 7.1.3 of Finance Business Act Direction No.01 of 2020, where the loss allowance for expected credit loss falls below the regulatory provision, company shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings. In complint with the requirement, the Company has transferred additional loss allowance from retained earnings.

21.6 Merger Reserve

The merger reserve comprises the cost of the merge with Commercial Leasing and Finance PLC in excess of the carrying amounts of the identifiable assets and liabilities of the acquiree as at 31 March 2022.

Balance at the beginning of the year	(169,284,516,561)	-
Total cost on Common Control Transaction	(95,412,357,959)	(198,818,947,542)
Carrying amount of identifiable net assets merged (note 37)	1,781,984,871	29,534,430,981
Balance at the end of the year	(262,914,889,649)	(169,284,516,561)

21.7 Retained Earnings

Balance at the beginning of the year	35,249,180,283	19,127,563,207
Profit for the year	15,393,266,597	16,950,585,463
Premeasurements of defined benefit liability - gain / (loss)	22,926,027	18,560,886
Transfer to statutory reserve fund	(769,663,330)	(847,529,273)
Transfer to regulatory loss allowance reserve	(3,231,500,379)	-
Excess of investment on merger with subsidiary	-	-
Balance at the end of the year	46,664,209,197	35,249,180,283

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22. INTEREST INCOME

	Mar 23 Rs.	Mar 22 Rs.
Interest on leases	13,788,943,226	10,551,278,839
Interest on loans	39,930,243,994	11,217,759,011
Income from factoring portfolio	348,613,388	-
Interest from credit cards	854,568,738	356,619,107
Interest on margin trading	2,294,126,328	567,663,888
Income from operating lease and hire	446,010,788	308,632,840
Interest on overdue rentals and others	5,668,718,177	5,144,236,055
Interest income on government securities	4,188,505,587	2,121,806,104
Interest income on term deposits	727,010,296	301,867,155
Interest income on commercial papers	780,388,035	-
	69,027,128,557	30,569,862,999

23. INTEREST EXPENSE

	Mar 23 Rs.	Mar 22 Rs.
Interest on fixed deposits	26,552,777,301	6,864,919,204
Interest on savings deposits	557,766,944	182,550,142
Finance cost amortization of RTU assets	122,317,473	74,489,762
Profit distributed to alternative finance deposit holders	2,540,767,120	712,269,078
Interest on foreign currency deposits	289,699,990	100,801,752
Finance lease interest	3,235,547	1,854,773
Interest on loans & bank overdraft	6,058,031,444	1,043,107,108
	36,124,595,817	8,979,991,819

24. NET OTHER OPERATING INCOME

	Mar 23 Rs.	Mar 22 Rs.
Sundry income	1,281,987,863	965,476,710
Service charges	83,256,779	2,494,300
Arrangement and documentation fees	322,944,125	271,252,969
Collections from contracts written off	2,772,892,042	2,919,629,915
Fair value change in investment properties (Note 12)	3,525,884,968	6,925,550,077
Change in fair value of derivatives - forward contracts (note 5.3)	(2,864,647,190)	1,790,082,378
Net exchange gain / (loss)	7,520,854,195	(1,905,487,684)
Adjustment for increase / (decrease) in value of investments (note 8.1 / 8.2.2)	51,672,111	518,067,319
Interest income from staff loan	24,679,859	24,418,259
Disposal gain / (loss) on PPE	48,178,109	10,787,672
	12,767,702,863	11,522,271,915

25. DIRECT EXPENSES EXCLUDING INTEREST COST	Mar 23 Rs.	Mar 22 Rs.
Insurance expenses factored to accommodations	615,078,042	828,425,784
VAT on general expenses	166,716,994	35,108,274
Portfolio handling fee	98,137,442	-
Others	-	-
	879,932,477	863,534,058

25.1 Taxes on financial services		
Value added tax	3,765,180,462	1,837,501,042
Social security contribution levy	258,730,081	-
	4,023,910,543	1,837,501,042

26. ALLOWANCE FOR IMPAIRMENT & WRITE OFFS	Mar 23 Rs.	Mar 22 Rs.
Impairment provision / (reversal) for lease rentals receivable (Note 6.2)	596,509,787	(2,061,981,104)
Impairment provision / (reversal) for mortgage loan (Note 7.1.2)	111,891,231	(95,784,409)
Impairment provision / (reversal) for receivables from sundry loans (Note 7.2.2)	(2,306,575,176)	(5,912,980,441)
Impairment provision / (reversal) for credit card receivables (Note 7.4.1)	(57,932,867)	166,189,154
Impairment provision / (reversal) for receivables from Gold loans (Note 7.3.1)	55,828,666	161,255,362
Impairment provision / (reversal) for margin trading receivables (Note 7.5.1)	(45,316,807)	75,102,192
Impairment provision / (reversal) for factoring receivables (Note 7.6.1)	(114,119,531)	-
Impairment provision / (reversal) for other financial assets	3,108,037,302	1,072,984,259
Impairment provision / (reversal) for insurance receivable	336,991,919	1,845,579
Written-off during the year	4,711,575,395	9,585,129,309
	6,396,889,918	2,991,759,900

Comparison between provision for impairment as per SLFRS 09 and Central Bank (CBSL) requirement

	Impairment charge / (reversal) to Rs.	Written-off during the year Rs.	Charge / (reversal) to profit or loss net Rs.	Provision impact / (reversal) as per CBSL Rs.
Rentals receivable on leased assets	2,898,385,098	2,301,875,311	596,509,787	1,132,223,694
Loans and advances	202,554,132	2,399,342,279	(2,196,788,147)	695,718,192
Margin trading	(45,316,807)	-	(45,316,807)	(45,316,807)
Factoring receivable	(103,761,727)	10,357,804	(114,119,531)	(23,965,801)
Other financial assets	3,108,037,302	-	3,108,037,302	3,108,037,302
Insurance receivable	336,991,919	-	336,991,919	336,991,919
	6,396,889,918	4,711,575,395	1,685,314,523	5,203,688,499

27. PROFIT FROM OPERATIONS	Mar 23 Rs.	Mar 22 Rs.
Profit from operations is stated after charging all expenses including the following,		
Directors' emoluments	38,364,559	40,913,600
Audit fees and expense: - Audit Services	3,800,000	3,645,000
- Audit Related Services	1,475,000	1,298,000
Depreciation on property, plant and equipment	734,219,712	207,247,901

27.1 Personnel expenses		
- Salaries, wages & other related cost	5,592,912,773	3,285,743,402
- Defined contribution plans - EPF & ETF	350,755,507	228,690,801
- Defined benefit plan cost	114,012,814	50,368,345
	6,057,681,094	3,564,802,548

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28. MATURITY OF ASSETS AND LIABILITIES

28.1 An analysis of the total assets of the Company as at the year end based on the remaining year at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.2023	Total as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	16,484,821,741	-	-	-	-	16,484,821,741	12,282,959,936
Deposits with banks and other financial institutions	2,493,925,171	-	-	-	-	2,493,925,171	8,885,610,812
Investment in government securities	17,614,340,888	6,378,629,420	974,723,883	1,498,957,010	4,986,061,275	31,452,712,476	23,841,482,770
Derivative assets	64,428,025	-	-	-	-	64,428,025	3,450,265,935
Financial assets at amortized cost							
Rentals receivable on leased assets	16,317,985,364	16,959,997,398	29,793,221,075	3,788,717,829	-	66,859,921,667	59,677,510,393
(-) Allowance for ECL / impairment	-	-	-	-	-	(4,793,251,296)	(2,717,295,784)
Loans and advances	55,461,010,398	45,879,980,196	69,179,211,223	11,811,114,169	77,855,422	182,409,171,407	147,730,964,789
(-) Allowance for ECL / impairment	-	-	-	-		(6,827,139,967)	(6,116,007,263)
Factoring receivable	2,512,831,380	-	-	-	-	2,512,831,380	1,775,221,728
(-) Allowance for ECL / impairment	-	-	-	-	-	(242,669,348)	(356,788,879)
Margin trading receivable	6,679,180,382	-	-	-	-	6,679,180,382	6,891,582,656
(-) Allowance for ECL / impairment	-	-	-	-	-	(29,785,385)	(75,102,192)
Investments securities	132,393,936	4,292,430,177	-	-	307,756,418	4,732,580,531	6,288,566,228
Investment in associate	-	-	-	-	564,084,948	564,084,948	1,833,660,667
Amount due from related companies	57,161,090	-	-	-		57,161,090	47,381,972
Other receivables	3,670,747,814	1,797,807,134	2,847,510	6,584,837	-	5,477,987,295	1,084,330,013
Inventories	-	146,134,701	-	-	-	146,134,701	428,031,504
Investment properties	-	-	-	-	41,252,661,173	41,252,661,173	38,287,958,119
Property plant and equipment	-	-	-	-	11,552,981,653	11,552,981,653	8,326,734,940
Total Assets as at 31 March 2023	**121,488,826,188**	**75,454,979,027**	**99,950,003,691**	**17,105,373,844**	**58,741,400,889**	**360,847,737,644**	**311,567,068,344**
Total Assets as at 31 March 2022	**84,922,534,708**	**53,956,926,748**	**136,625,466,337**	**29,216,453,526**	**15,678,990,072**	**311,567,068,344**	

28.2 An analysis of the total liabilities of the Company as at the year end based on the remaining year at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.2023	Total as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank overdraft	8,783,895,368	-	-	-	-	8,783,895,368	5,675,768,259
Interest bearing borrowings	4,444,710,919	11,075,437,616	14,365,868,745	1,351,098,182	192,298,333	31,429,413,795	44,309,903,398
Deposits from customers	87,742,229,645	59,841,998,039	34,158,264,457	19,528,409,240	-	201,270,901,382	159,252,382,263
Trade payables	258,736,201	-	-	-	-	258,736,201	1,141,928,384
Accruals and other payables	9,918,149,643	287,459,197	-	684,727,269	-	10,890,336,109	7,835,592,729
Derivative liabilities	11,634,977	-	-	-	-	11,634,977	13,175,698
Amount due to related companies	1,069,238,403	-	-	-	-	1,069,238,403	3,719,367,746
Current tax payable	-	2,681,710,123	-	-	-	2,681,710,123	2,525,556,194
Deferred tax liability	-	-	2,990,836,600	-	-	2,990,836,600	2,974,781,275
Employee benefits	-	-	-	652,806,770	-	652,806,770	565,709,494
Stated capital	-	-	-	-	306,993,805,501	306,993,805,501	211,581,447,542
Statutory reserve	-	-	-	-	5,213,771,358	5,213,771,358	4,444,108,028
Revaluation Reserve	-	-	-	-	1,247,187,997	1,247,187,997	1,505,632,154
Cash flow hedge reserve	-	-	-	-	41,014,495	41,014,495	(83,701,505)
Fair value reserve	-	-	-	-	331,628,639	331,628,639	140,752,964
Regulatory loss allowance reserve	-	-	-	-	3,231,500,379	3,231,500,379	-
Merger reserve					(262,914,889,649)	(262,914,889,649)	(169,284,516,561)
Retained earnings	-	-	-	-	46,664,209,197	46,664,209,197	35,249,180,283
Total Liabilities & Equity as at 31 March 2023	**112,228,595,156**	**73,886,604,974**	**51,514,969,803**	**22,217,041,461**	**101,000,526,250**	**360,847,737,644**	**311,567,068,345**
Total Liabilities & Equity as at 31 March 2022	**102,810,360,119**	**82,483,124,924**	**30,140,836,040**	**11,060,823,139**	**85,071,924,123**	**311,567,068,345**	

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29. INCOME TAX EXPENSE

The major components of income tax expense for the year ended are as follows:

	Mar 23 Rs.	Mar 22 Rs.
Current tax - recognized in P&L		
Current tax charge	-	-
Deferred Tax		
Deferred tax expense / (reversal) (note 29.2)	-	792,048,095
Income tax expense reported in statement of profit or loss	**-**	**792,048,095**
Current tax - expense / (reversal) - recognized in OCI		
	155,895,000	(85,952,233)
Deferred tax charge / (reversal) recognized in OCI		
Available for sale financial assets	(3,018,739)	-
Property, plant and equipment	258,444,158	318,626,179
Defined benefit plans	28,785,054	5,861,333
Fair value change in derivatives recognized in hedge reserve	(124,716,000)	77,944,752
	159,494,473	402,432,263
Total income tax expense / (reversal) recognized in OCI	**315,389,473**	**316,480,030**

29.1 Current tax payable

	Mar 23 Rs.	Mar 22 Rs.
Tax payable at the beginning of the year	2,525,556,194	857,902,877
Current tax expense for the year - recognized in P&L	(155,895,000)	85,952,233
Current tax expense for the year - recognized in OCI	155,895,000	(85,952,233)
Addition on merger with subsidiary	163,677,909	1,678,223,409
Tax paid during the year	(7,523,981)	(10,570,091)
Tax payable	**2,681,710,123**	**2,525,556,194**

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Mar 23		Mar 22	
	%	Rs.	%	Rs.
Accounting profit before income tax		16,288,377,918		17,742,633,558
Tax effect at the statutory income tax rate of 30%	30%	4,886,513,375	24%	4,258,232,054
Tax effect of other allowable credits	17%	2,821,517,852	-34%	(6,086,521,907)
Tax effect of non deductible expenses	-23%	(3,672,161,830)	10%	1,828,289,853
Deferred tax adjustment	0%	-	4%	792,048,095
Tax benefit on acquisition of subsidiary	-25%	(4,035,869,397)	0%	-
Income tax expense	0%	-	4%	**792,048,095**

29.2 Deferred Taxation

	Mar 23 Rs.	Mar 22 Rs.
Balance at the beginning of the year	2,974,781,275	1,733,249,164
Deferred tax expense / (reversal) - recognized in P&L	-	792,048,095
Deferred tax expense / (reversal) - recognized in OCI	159,494,473	402,432,263
Addition on merger with subsidiary	(143,439,146)	47,051,752
Balance at the end of the year	**2,990,836,602**	**2,974,781,275**

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29. INCOME TAX EXPENSE (Contd...)

Recognized deferred tax assets and liabilities are attributable to the following.

Deferred tax is measured using a tax rate of 30% (2021/22 -24%) on temporary differences.

Deferred tax expense / (reversal)

Deferred tax liability / (asset)	Balance as at 01 April 2022	Recognized in P&L - expense / (reversal)	Recognized in OCI - expense / (reversal)	Addition on merger with subsidiary	Balance as at 31 March 2023
	Rs.	Rs.	Rs.	Rs.	Rs.
Recognized in P&L / Equity (retained earnings)					
Lease receivables	1,511,318,901	218,913,754	-	(11,539,034)	1,718,693,620
Finance lease liability	1,344,545	(1,344,545)	-	-	-
Property plant and equipment	239,776,983	381,037,496	-	4,142,350	624,956,829
Investment in unit trust - unrealized	-	-	-	-	-
Cost of acquisition of subsidiary (note 29.2.b)	(1,322,698,505)	(2,665,531,280)	-	-	(3,988,229,785)
Defined benefit plans	(99,252,596)	(88,856,807)	-	(18,480,662)	(206,590,065)
Forward exchange contracts (net)	468,863,012	(453,025,097)	-	-	15,837,914
Investment property	1,630,707,363	4,319,180,217	-	5,159,400	5,955,046,981
Provision for Impairment - SLFRS 9	(166,695,242)	(1,836,962,313)	-	(125,672,624)	(2,129,330,179)
Tax Losses	(126,588,575)	126,588,575	-	-	-
Recognized in OCI					
Available for sale financial assets	3,018,739	-	(3,018,739)	-	-
Property plant and equipment	746,788,331	-	258,444,158	2,951,424	1,008,183,912
Defined benefit plans	(36,517,683)	-	28,785,054	-	(7,732,628)
Forward exchange contracts (net)	124,716,000	-	(124,716,000)	-	-
Net deferred tax liability / (asset)	**2,974,781,275**	**-**	**159,494,473**	**(143,439,146)**	**2,990,836,600**

Deferred tax expense / (reversal)

Deferred tax liability / (asset)	Balance as at 01 April 2021	Recognized in P&L - expense / (reversal)	Recognized in OCI - expense / (reversal)	Addition on merger with subsidiary	Balance as at 31 March 2022
Recognized in P&L	Rs.	Rs.	Rs.	Rs.	Rs.
Lease receivables	1,590,276,362	(150,616,893)	-	71,659,432	1,511,318,901
Finance lease liability	31,219,811	(25,389,148)	-	(4,486,117)	1,344,545
Property plant and equipment	146,613,606	12,498,469	-	80,664,909	239,776,983
Investment in unit trust - unrealized	-	-	-	-	-
Cost of acquisition of subsidiary (note 29.2.b)	(859,067,322)	(167,892,942)	-	(295,738,240)	(1,322,698,505)
Defined benefit plans	(37,428,566)	(6,733,649)	-	(55,090,381)	(99,252,596)
Forward exchange contracts (net)	31,235,760	437,627,252	-	-	468,863,012
Investment property	795,515,045	692,555,008	-	142,637,310	1,630,707,363
Provision for Impairment - SLFRS 9	-	-		(166,695,242)	(166,695,242)
Tax Losses	-	-		(126,588,575)	(126,588,575)
Recognized in OCI					
Available for sale financial assets	3,018,739	-	-	-	3,018,739
Property plant and equipment	27,473,496	-	318,626,179	400,688,655	746,788,331
Defined benefit plans	(42,379,015)	-	5,861,333	-	(36,517,683)
Forward exchange contracts (net)	46,771,248	-	77,944,752	-	124,716,000
Net deferred tax liability / (asset)	**1,733,249,164**	**792,048,095**	**402,432,263**	**47,051,752**	**2,974,781,275**

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29. INCOME TAX EXPENSE (Contd...)

29.2.a Temporary differences

Temporary differences - taxable / (deductible)	Mar 23 Rs.	Mar 22 Rs.
Recognized in P&L / Equity (retained earnings)		
Lease receivables	5,728,978,735	6,297,162,088
Finance lease liability	-	5,602,273
Property plant and equipment	2,083,189,431	999,070,764
Investment in unit trust - unrealized	-	-
Cost of acquisition of subsidiary	(13,294,099,282)	(5,511,243,769)
Defined benefit plans	(688,633,550)	(413,552,483)
Forward exchange contracts (net)	52,793,048	1,953,595,882
Investment property	19,850,156,602	16,307,073,634
Provision for Impairment - SLFRS 9	(7,097,767,264)	(1,666,952,418)
Tax Losses	-	(1,265,885,747)
Recognized in OCI		
Available for sale financial assets	-	12,578,079
Property plant and equipment	3,360,613,041	3,111,618,044
Defined benefit plans	(25,775,427)	(152,157,011)
Forward exchange contracts (net)	-	519,650,000
Net taxable / (deductible) temporary difference	**9,969,455,334**	**20,196,559,335**

29.2.b Cost of acquisition of subsidiary and unrecognized deferred tax assets

During the financial year 2017/18, the Company paid Rs.12,291,200,000 to acquire 100% of LOLC Micro Credit Limited. In addition, during the financial year 2021/22 and 2022/23, the Company paid purchase consideration of Rs.198,818,947,542 and Rs.95,412,357,959 to be merged with Commercial Leasing and Finance PLC and LOLC Development Finance PLC respectively.

Since this was inline with the Central Bank of Sri Lanka's consolidation program, the Company is able to claim the purchase consideration as a qualifying payment in calculating the income tax liability.

During the year Rs.10,676,922,888 was claimed keeping inline with the requirements of the Inland Revenue Act. The Company expects to claim the remaining amount over the future year based on the profitability of the Company.

On a prudent basis the management has decided to evaluate the recoverability of this claim based on the projected taxable profits for the future years and expects to recover Rs.16,617,624,102 over such year and a deferred tax asset of Rs.3,988,229,785 was recognized during the year.

The management will annually re-evaluate the recoverability of this claim and adjust the deferred tax asset accordingly.

Unrecognized deferred tax asset	Mar 23 Rs.	Mar 22 Rs.
Remaining amount to be claimed at the beginning of the year	199,719,015,542	7,898,903,094
Consideration paid to acquire subsidiary	95,412,357,959	198,818,947,542
Previous year adjustment	(5,027,663,857)	371,477,494
Amount claimed during the year	(10,676,922,888)	(7,370,312,588)
Remaining amount to be claimed in future years	279,426,786,756	199,719,015,542
Tax rate	30%	24%
Deferred tax asset on remaining amount	83,828,036,027	47,932,563,730
Recognized deferred tax asset	(3,988,229,785)	(1,322,698,505)
Unrecognized deferred tax asset	**79,839,806,242**	**46,609,865,225**

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30. EARNINGS PER SHARE

30.1 Basic earnings per share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the Basic Earnings Per Share computation.

	Mar 23 Rs.	Mar 22 Rs.
Amounts used as the numerator:		
Profit attributable to ordinary shareholders for basic earnings per share	15,393,266,597	16,950,585,463

	Mar 23 No.	Mar 22 No.
Number of ordinary shares used as the denominator:		
Ordinary shares in issue at the beginning of the year	19,251,334,334	5,250,000,000
Effects of new shares issued during the year	2,235,191,233	-
Weighted average number of ordinary shares in issue applicable to basic	21,486,525,567	5,250,000,000
Basic earnings per share (Rs.)	**0.72**	**3.23**

30.2 Diluted earnings per share

There were no potential dilution at the year end. Therefore, diluted earnings/ (loss) per share is the same as basic earnings/ (loss) per share shown above.

31. COMPARATIVE FIGURES

Comparative information has been reclassified to conform to the current year presentation, where necessary. No information has been restated.

32. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.	Carrying Amount Pledged Rs.
Lease portfolio	Short term borrowing	24,155,519,559	27,065,754,655

These financial assets are pledged against the borrowings made. The lender has the right over the lease receivables in the event of non payment.

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33. RELATED PARTY DISCLOSURES

33.1 Parent and Ultimate Controlling Party

The Company's immediate parent is LOLC Private Ltd and ultimate parent undertaking and controlling entity is LOLC Holding PLC.

33.2 Transactions with Key Management Personnel (KMPs)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors and identified senior management personnel of the Company and its ultimate Parent Company LOLC Holding PLC. Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company.

33.2.1 Compensation of KMPs

	Mar 23 Rs.	Mar 22 Rs.
Short term employment benefits	175,679,305	117,818,470
Total	175,679,305	117,818,470

The short term employment benefits include only the directors fees and emoluments paid to Directors & KMPs.
This is also included under Note 27.1

33.2.2 Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMPs domestic partner and children, children of the KMPs domestic partner and dependents of the KMP or the KMPs domestic partner. The transactions are carried out on an arms length basis. The details of the transactions are as follows :

	Mar 23 Rs.	Mar 22 Rs.
Deposits held with the Company	187,080,078	45,458,944
Interest paid / charged	14,951,820	3,787,226
Interest payable	16,885,089	902,066
Loans granted (excluding Directors)	90,557,346	60,220,736
Capital outstanding on facilities granted to KMPs (excluding Directors)	80,015,672	67,431,302
Accommodation outstanding as a percentage of the Company's Capital Funds	0.10%	0.08%

No impairment losses have been recorded against balances outstanding with KMP and CFM.

33.3 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures, on an arms length basis. Details of related party transactions are reported below. (For information regarding outstanding balances (receivables / payables) at 31 March 2023 and 31 March 2022, refer notes no.10 and 17 accordingly).

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33. RELATED PARTY DISCLOSURES (Contd...)

Relationship	Description of Transactions	Nature	Mar 23 Rs.	Mar 22 Rs.
Parent Company	Net funds granted by the Parent during the year (excluding opening	Transaction value	2,672,142,652	106,714,854
	Reimbursement of expenses	Expense	718,906,823	255,889,572
	Asset hire charges	Expense	255,679,715	230,207,742
	Royalty	Expense	1,157,433,073	515,505,134
	Fund transfer interest	Expense	169,065,320	10,459,198
Fellow Subsidiaries & Associates	Deposits & other borrowings by the company	Deposits	459,098,849	148,825,360
	Interest paid/charge	Expense	23,117,958	2,810,459
	Interest payable	Expense	7,697,713	569,203
	Investments held by the company	Investment	-	3,683,574,592
	Consideration on merge with subsidiary	Transaction value	95,412,357,959	198,818,947,542
	IT service fee	Expense	1,013,296,344	506,429,266
	Yard fee	Expense	3,300,000	7,200,000
	Services / Maintenance fee	Expense	683,171,012	103,267,878
	Loan / lease granted	Disbursements	7,105,269,667	2,668,055,482
	Capital outstanding on facilities granted	Lending facilities	7,290,699,466	2,475,299,631
	Rental collections	Collections	1,003,585,602	453,801,391
	Interest income	Income	1,141,713,966	153,904,001
	Rent Income	Income	40,856,940	1,161,600
	Franchise fee income	Income	413,636,136	268,539,389
Other Related Parties	Services / Maintenance fee	Expense	406,710,018	388,109,246
	Deposits held with the company	Deposits	185,954,357	176,269,125
	Interest paid / charge	Expense	62,505,373	8,904,386
	Interest payable	Expense	6,438,588	1,967,120
	Rental collections	Collections	227,746,446	53,737,445
	Interest income	Income	612,767,113	55,237,112
Accommodation outstanding as a percentage of the Company's Capital Funds			9.00%	4.52%

All of the above transactions (including borrowing / lending / investing transactions) with related parties are on arm's length basis and are on terms that are generic to non-related parties.

34. EVENTS OCCURRING AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date, which would require adjustments to or disclosure in the financial statements.

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35. OPERATING SEGMENTS

	Operating Segment			
	SME Finance	Development Finance	Alternative Financial Services	Total
	Rs.	Rs.	Rs.	Rs.
For the year ended 31 March 2023				
Total revenue - Interest income & other income	55,321,724,413	21,281,618,981	5,191,488,025	81,794,831,420
Inter segmental revenue	-	-	-	-
External revenue	55,321,724,413	21,281,618,981	5,191,488,025	81,794,831,420
Net interest cost	(23,891,756,753)	(9,614,426,407)	(2,618,412,658)	(36,124,595,817)
Profit before operating expenses	**31,429,967,661**	**11,667,192,574**	**2,573,075,368**	**45,670,235,603**
Operating expenses	(12,422,092,887)	(5,006,501,182)	(1,532,463,155)	(18,961,057,225)
Allowance for impairment & write-offs	(2,804,456,734)	(3,534,281,719)	(58,151,465)	(6,396,889,918)
Value added tax on financial services	(3,318,732,003)	(476,909,950)	(228,268,589)	(4,023,910,543)
Results from operating activities	**12,884,686,036**	**2,649,499,723**	**754,192,159**	**16,288,377,918**
For the year ended 31 March 2022				
Total revenue - Interest income & other income	22,704,491,046	16,689,491,745	2,698,152,122	42,092,134,914
Inter segmental revenue	-	-	-	-
External revenue	22,704,491,046	16,689,491,745	2,698,152,122	42,092,134,914
Net interest cost	(4,804,322,274)	(3,440,207,015)	(735,462,530)	(8,979,991,819)
Profit before operating expenses	**17,900,168,772**	**13,249,284,730**	**1,962,689,592**	**33,112,143,095**
Operating expenses	(5,474,037,030)	(3,930,815,306)	(1,135,396,259)	(10,540,248,595)
Allowance for impairment & write-offs	(1,487,659,199)	(1,380,505,801)	(123,594,901)	(2,991,759,900)
Value added tax on financial services	(507,362,398)	(1,190,694,544)	(139,444,100)	(1,837,501,042)
Results from operating activities	**10,431,110,145**	**6,747,269,080**	**564,254,333**	**17,742,633,558**
Depreciation				
For the year ended 31 March 2023	623,192,907	111,026,805	-	734,219,712
For the year ended 31 March 2022	173,492,083	33,755,818	-	207,247,901
Capital expenditure - Property Plant and equipment				
For the year ended 31 March 2023	175,404,962	31,249,798	-	206,654,760
For the year ended 31 March 2022	829,381,539	161,370,199	-	990,751,738
As at 31-03-2023				
Total assets	279,631,195,117	49,818,536,006	31,398,006,521	360,847,737,644
Total liabilities	184,230,404,196	49,818,536,006	25,990,569,525	260,039,509,727
As at 31-03-2022				
Total assets	240,476,731,995	46,788,813,425	24,301,522,926	311,567,068,345
Total liabilities	161,577,073,926	46,788,813,425	19,648,278,089	228,014,165,440

36. COMMITMENTS AND CONTINGENCIES

	Mar 23	Mar 22
	Rs.	Rs.
36.1 Contingent liabilities		
Guarantees issued to banks and other institutions - backed by deposits	401,378,124	624,696,822
36.2 Commitments		
Forward exchange contracts - (commitment to purchase)	10,293,353,884	10,307,825,961
Unutilised loan facilities	20,968,462,437	11,929,165,122
Allowance for ECL / impairment	2,427,891	2,311,437
	31,665,622,336	22,863,999,342

On the commitment to purchase the foreign currencies the company will receive USD 28,296,594, GBP 2,055,000 and AUD 1,000,000.

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37. AMALGAMATION OF LOLC DEVELOPMENT FINANCE PLC (LODF) WITH LOLC FINANCE PLC (LOFC) IN TERMS OF THE PROVISIONS OF THE COMPANIES ACT, NO. 7 OF 2007 (LOFC / "THE COMPANY")

Pursuant to the Initial Corporate Disclosure made on Colombo Stock Exchange dated on 12th December 2022, LOLC Finance PLC (LOFC - The Company) has expressed its interest in proposed amalgamation of LOLC Development Finance PLC (LODF) under Master Plan for Consolidation of Non-Bank Financial Institution imposed by Central Bank of Sri Lanka (CBSL). Accordingly, the company has received the principal approval from both Central Bank of Sri Lanka and Securities and Exchange Commission of Sri Lanka and other relevant regulatory authorities to take effect the Amalgamation on the proposed effective date of 31st January 2023.

Accordingly, Board has sought the approval from Shareholders through an Extraordinary General Meeting in compliance to the requirement imposed under Companies Act No 07 of 2007 and Securities and Exchange Commission Act and accordingly relevant approval was received on 4th January 2023.

In terms of Section 08 of the Listing Rules of the Colombo Stock Exchange (CSE), subsequent communication made in terms of Rule 5.11.2 of the Listing Rules of the CSE "the value and/ or the consideration, for the purpose of amalgamation; the share exchange ratio is based on the Market Price of a share of LODF and LOFC, as at end of Trading Five (5) Market days, prior to the dated fixed for both shareholders meeting".

Accordingly, amalgamation was executed on following manner;

	Value **Rs.**
Existing number of shares of LODF	251,415,963
Number of new shares of LOFC issued to existing LODF shareholders	13,827,877,965
Price per share of LOFC on 31st January 2023 (effective date of amalgamation)	6.90
Total cost to LOFC on Common Control Transaction	95,412,357,959
Net assets of LODF on 31.01.2023	2,504,524,542
Excess of consideration over and above the net asset value	93,630,373,088

Proportion of the share exchange : 55 new LOFC shares for every 1 share of LODF

The carrying amounts of the identifiable assets and liabilities of the acquiree as at 31st January 2023, which the date of merger is as follows;

	31-Jan-23 **Rs.**
ASSETS	
Cash and cash equivalents	508,664,919
Investment securities	5,698,156,589
Leases, advances and other loans	15,383,644,443
Trade and other receivables	1,359,459,821
Investment properties	44,500,000
Property, plant and equipment	262,130,918
Total assets	**23,256,556,690**
LIABILITIES	
Bank overdrafts	9,315,637
Interest bearing loans & borrowings	8,811,512,284
Deposits from customers	10,889,021,977
Trade and other payables	959,670,863
Provision for taxation	20,238,762
Retirement benefit obligations	62,272,625
Total liabilities	**20,752,032,148**
Carrying amount of identifiable net assets	**2,504,524,542**

Results of the merger of above entity are as follows:

Total cost to LOFC on Common Control Transaction	95,412,357,959
Carrying amount of identifiable net assets merged	(2,504,524,542)
Carrying amount of equity investment in LODF	722,539,671
Resulting excess	**93,630,373,088**

37. AMALGAMATION OF LOLC DEVELOPMENT FINANCE PLC (LODF) WITH LOLC FINANCE PLC (LOFC) IN TERMS OF THE PROVISIONS OF THE COMPANIES ACT, NO. 7 OF 2007 (LOFC / "THE COMPANY") (Contd...)

Generally, the excess of Rs.262.9 billion would have been recognized as goodwill on amalgamation and would have been reflected as an asset of the amalgamated entity. However, as this transaction was between two subsidiaries of the LOLC Group, it is considered as a transaction under common control, hence not within the scope of the accounting standard SLFRS 03 – Business Combination. For transactions under common control such as this, the Statement of Recommended Practice (SORP) issued by the Institute of Chartered Accountants of Sri Lanka applies which requires any excess to be recognized in equity. Hence, the excess of Rs.262.9 billion was reflected as a negative reserve within equity ("Merger Reserve").

The break up of the equity value of the entity is as follows.

Description	**Amount (Rs.)**
Stated capital	306,993,805,501
Statutory reserve	5,213,771,358
Revaluation reserve	1,247,187,997
Cash flow hedge reserve	41,014,495
Fair value through OCI reserve	331,628,639
Regulatory loss allowance reserve	3,231,500,379
Merger reserve	(262,914,889,649)
Retained earnings	46,664,209,197
Total equity	**100,808,227,917**

As reflected above it is noted that the entity has sufficient positive reserves and the large Merger Reserve overshadows the other positive reserves.

As a result of this negative Merger Reserve, the net assets of the company as at 31.3.2023 is reflected less than half of the stated capital as at that date.

Description	**Amount (Rs.)**
Stated Capital immediately after the amalgamation	306,993,805,501
Net assets as of 31st March 2023	100,808,227,917

Section 220 (1) of the Companies Act No 2007 requires that "if at any time it appears to a director of a company that the net assets of the company are less than half of its stated capital, the Board shall within twenty working days of that fact becoming known to the director, call an Extraordinary General Meeting of shareholders of the company, to be held not later than forty working days from that date of calling of such meeting to notify this matter."

Section 220 (2) of the Companies Act also requires "The notice calling a meeting under this section shall be accompanied by a report prepared by the board, which advises shareholders of—

(a) the nature and extent of the losses incurred by the company;

(b) the cause or causes of the losses incurred by the company;

(c) the steps, if any, which are being taken by the board to prevent further such losses or to recoup the losses incurred.

As per this section, the company appears to be facing serious loss of capital situation. However, as the cause for the said serious loss of capital is due to the negative Merger Reserve referred to above and not due to operational losses, the Board of Directors are in the process of taking necessary actions to comply with the requirements of the Companies Act No.7 of 2007.

The company has retained earnings of Rs.46.7 billion as at 31st March 2023. The profits made by the company over the past years are as follows.

Year ended	**Profit for the year (Rs.)**
31.03.2023	15,393,266,597
31.03.2022	16,950,585,463
31.03.2021	4,365,938,557
31.03.2020	3,779,684,187
31.03.2019	5,962,868,027

Further, having reviewed the financial position, the Management is confident that there will not be any impact on the Company's ability to continue as a going concern due to following :

- Capital adequacy and the liquidity ratios of the company being well above the CBSL minimum requirements
- The current serious loss of capital position triggered by amalgamation accounting is expected to be recovered within the next 1-3 year with the profits of the Company.

Consolidated financial statements

As at the year end, since the subsidiary is merged with the parent, a separate consolidated statement of financial position is not presented as the parent's statement of financial position includes the financial position of the subsidiary as at 31st March 2023 with consolidation adjustments.

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