

**RICHARD PIERIS FINANCE LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2024**

GSM/USS/AD

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF RICHARD PIERIS FINANCE LIMITED**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of Richard Pieris Finance Limited, which comprise the statement of financial position as at 31 March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

**Basis for opinion**

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

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

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

(Contd...2/)



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

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

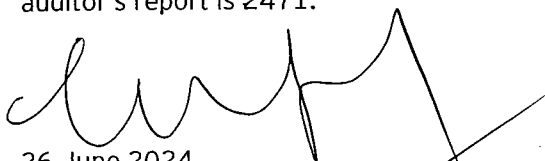
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

#### **Report on other legal and regulatory requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.



26 June 2024  
Colombo

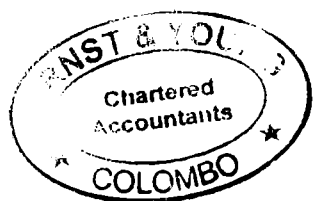
## Richard Pieris Finance Limited

## INCOME STATEMENT

Year ended 31 March 2024

	Notes	Company	
		2024 Rs.	2023 Rs.
Interest Income		2,735,552,476	2,549,475,652
Interest Expenses		(2,519,593,302)	(2,542,554,267)
<b>Net Interest Income</b>	5	<u>215,959,174</u>	<u>6,921,386</u>
Fee and Commission Income	6	<u>134,372,480</u>	<u>71,578,929</u>
<b>Net Fee and Commission Income</b>		<u>350,331,654</u>	<u>78,500,314</u>
Other Operating Income	7	<u>59,351,696</u>	<u>76,496,166</u>
<b>Total Operating Income</b>		<u>409,683,349</u>	<u>154,996,480</u>
Impairment charges for loans and receivables and other losses	8	(103,486,300)	(82,799,973)
<b>Net Operating Income</b>		<u>306,197,050</u>	<u>72,196,508</u>
<b>Operating Expenses</b>			
Personnel Expenses	9	(289,343,602)	(276,960,627)
Depreciation and Amortization	10	(62,071,551)	(65,577,201)
Other Operating Expenses	11	(308,163,004)	(281,650,269)
<b>Total Operating Expenses</b>		<u>(659,578,157)</u>	<u>(624,188,097)</u>
<b>Operating Profit / (Loss) before Value Added Tax on Financial Services</b>		(353,381,107)	(551,991,590)
Tax on Financial Services		-	(1,304,809)
<b>Profit/(Loss) before Taxation from Operations</b>		(353,381,107)	(553,296,399)
Income Tax (Expense)/ Reversal	12	<u>128,935,824</u>	<u>200,794,947</u>
<b>Profit/(Loss) for the Year</b>		<u>(224,445,283)</u>	<u>(352,501,452)</u>
<b>Basic Earnings Per Share (Rs)</b>	13	<u>(1.25)</u>	<u>(2.24)</u>

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

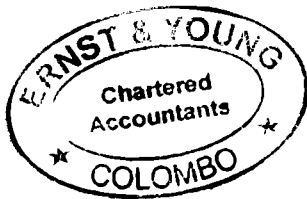


## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

	Company	
	2024	2023
	Rs.	
<b>Profit/(Loss) for the Year</b>	(224,445,283)	(352,501,452)
<b>Other Comprehensive Income</b>		
<b>Other Comprehensive income not to be reclassified to Income Statement</b>		
Actuarial Gains/(Losses) on defined benefit plans	(4,670,422)	3,029,363
Surplus Value of Investment Property	-	-
Gains/(Losses) on re-measuring of Financial investments - at Fair Value through OCI	(78,919)	23,967,944
Deferred tax effect on other comprehensive income	(1,401,127)	(908,809)
<b>Total Comprehensive Income for the Year, Net of Tax</b>	<u>(230,595,751)</u>	<u>(326,412,955)</u>

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

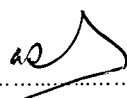


Richard Pieris Finance Limited  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2024

	Notes	Company	
		2024 Rs.	2023 Rs.
<b>Assets</b>			
Cash and Bank Balances	14	467,587,736	1,184,993,802
Investments in Fixed Deposits/Unit Trust/Commercial Papers	15	1,231,291,671	57,899,486
Loans and Receivables at Amortized Cost	16	7,408,301,623	7,384,175,741
Lease Receivable at Amortized Cost	17	4,854,303,430	4,359,670,640
HP Receivable at Amortized Cost	18	2,831,616	6,890,827
Other Financial Assets	19	102,954,489	72,759,934
Other Non-Financial Assets	19.1	177,750,569	90,999,359
Land Stock		1,272,403,264	1,360,823,720
Financial investments - at Fair Value through OCI	20	950,302,878	918,983,312
Financial investments - at Fair Value through Profit or Loss	20.1	-	18,438,396
Goodwill	21	315,790,723	315,790,723
Property, Plant and Equipment	22	217,456,184	198,297,994
Intangible Assets	23	9,942,816	11,902,405
Right of Use Assets	24	109,986,350	131,251,038
Investment Property	25	63,743,000	64,765,220
Income Taxation Receivable	26	38,277,729	37,263,346
Deferred Tax Assets	27	298,600,652	171,065,954
<b>Total Assets</b>		<b>17,521,524,729</b>	<b>16,385,971,898</b>
<b>Liabilities</b>			
Bank Overdraft		95,506,390	849,693,850
Due to Customers	28	10,548,465,658	8,582,324,357
Debt Issued and Other Borrowed Funds	29	3,668,107,692	3,819,512,831
Other Payables	30	474,644,043	348,332,936
Income Taxation Payable	26	-	-
Deferred Tax Liabilities	27	-	-
Retirement Benefit Obligations	31	20,878,287	16,589,515
<b>Total Liabilities</b>		<b>14,807,602,070</b>	<b>13,616,453,488</b>
<b>Shareholders' Funds</b>			
Stated Capital	32	2,415,830,690	2,240,830,690
Statutory Reserve Fund	33	88,438,410	88,438,410
Regulatory Loss Allowance Reserve	33.1	942,628,365	773,644,410
Fair Value through OCI Reserve		4,059,565	4,138,484
Retained Earnings		(737,034,371)	(337,533,584)
<b>Total Shareholders' Funds</b>		<b>2,713,922,659</b>	<b>2,769,518,410</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>17,521,524,729</b>	<b>16,385,971,898</b>

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

  
.....  
Chief Financial Officer

  
.....  
Chief Executive Officer

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

  
.....  
Director

  
.....  
Director

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

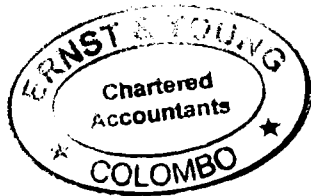


Richard Pieris Finance Limited  
**STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 March 2024

Company	Stated Capital	Retained Earnings	Statutory Reserve Fund	Regulatory Loss Allowance Reserve *	Fair Value through OCI Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 31 March 2022	1,890,830,690	786,491,724	88,438,410	-	(19,829,460)	2,745,931,364
New shares issued during the year	350,000,000	-	-	-	-	350,000,000
Net loss for the year	-	(352,501,452)	-	-	-	(352,501,452)
Dividend Paid	-	-	-	-	-	-
Other comprehensive income net of tax	-	2,120,554	-	-	23,967,944	26,088,498
Derecognition on Financial investments - at Fair Value through OCI	-	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	-	-	-	-
Transfer to Regulatory Loss Allowance Reserve	-	(773,644,410)	-	773,644,410	-	-
<b>Balance as at 31 March 2023</b>	<b>2,240,830,690</b>	<b>(337,533,584)</b>	<b>88,438,410</b>	<b>773,644,410</b>	<b>4,138,484</b>	<b>2,769,518,410</b>
New share issued during the year	175,000,000	-	-	-	-	175,000,000
Net loss for the year	-	(224,445,283)	-	-	-	(224,445,283)
Dividend Paid	-	-	-	-	-	-
Other comprehensive income net of tax	-	(6,071,549)	-	-	(78,919)	(6,150,468)
Derecognition on Financial investments - at Fair Value through OCI	-	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	-	-	-	-
Transfer to Regulatory Loss Allowance Reserve	-	(168,983,955)	-	168,983,955	-	-
<b>Balances as at 31 March 2024</b>	<b>2,415,830,690</b>	<b>(737,034,371)</b>	<b>88,438,410</b>	<b>942,628,365</b>	<b>4,059,565</b>	<b>2,713,922,659</b>

Please refer Note 39.1 - Capital Management.

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.



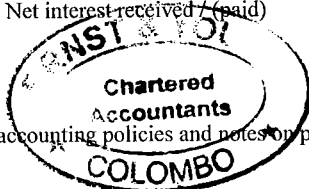
## Richard Pieris Finance Limited

## STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Notes	Company	
		2024 Rs.	2023 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>			
Profit/(Loss) before Income Tax Expense		(353,381,107)	(553,296,399)
<b>Adjustments for</b>			
Depreciation of Property Plant and Equipment	10	62,071,551	65,577,201
Impairment Provision	8	103,486,300	82,799,973
Provision/(reversal) for Defined Benefit Plans	9	5,944,042	5,559,574
Dividend Received		(2,254,172)	(382,228)
Interest On Lease Liability	5.1	24,184,313	17,723,264
Gain on disposal of Property Plant and Equipment/ Land stock	7	(35,619,041)	(64,039,912)
Other Non- cash items included in profit before tax		(6,945,334)	(4,921,006)
<b>Operating Profit before Working Capital Changes</b>		(202,513,448)	(450,979,533)
(Increase)/Decrease in Lease Receivable at Amortized Cost		(670,699,306)	1,361,972,089
(Increase)/Decrease in HP Receivable at Amortized Cost		4,226,546	4,337,687
(Increase)/Decrease in Loans and Receivables at Amortized Cost		105,805,076	218,704,334
(Increase)/Decrease in Other Receivables		(68,018,020)	(324,465,007)
Increase/(Decrease) in Amounts Due to Customers		1,966,141,302	(1,327,505,308)
Increase/(Decrease) in Other Payables		102,126,794	(178,287,254)
<b>Cash Generated from Operations</b>		1,237,068,945	(696,222,991)
Retirement Benefit Liabilities Paid	31	(6,325,692)	(4,319,872)
Taxes Paid	26	(1,014,383)	(149,075)
<b>Net Cash (Used in) Operating Activities</b>		1,229,728,870	(700,691,938)
<b>Cash Flows from / (Used in) Investing Activities</b>			
Acquisition of Property Plant and Equipment and Intangible Assets	22.1	(39,347,567)	(40,141,486)
Acquisition of Intangible Assets	23	-	(710,000)
Proceeds from the sale of property Plant and equipment		-	66,000,000
Net Investments in Fixed Deposits/Unit Trust/Commercial Papers		(1,173,392,185)	519,192,830
Financial investments held at - Fair Value through Profit or Loss		25,383,730	-
Net investment in investment property		(42,000)	-
Sale/(Purchase) of financial investments- at Fair Value through OCI		(31,398,486)	(222,608,265)
Dividend Received		2,254,172	382,228
<b>Net Cash Flows (Used in) Investing Activities</b>		(1,216,542,336)	322,115,307
<b>Cash Flows from / (Used in) Financing Activities</b>			
Proceeds from borrowings		1,220,041,188	2,764,372,748
Repayment of borrowings		(1,371,446,327)	(3,465,619,739)
New share issued during the year		175,000,000	350,000,000
Dividends Paid		-	-
<b>Net Cash Flows from Financing Activities</b>		23,594,861	(351,246,990)
<b>Net Increase in Cash and Cash Equivalents</b>		36,781,394	(729,823,621)
<b>Cash and Cash Equivalents at the beginning of the year</b>		335,299,953	1,065,123,574
<b>Cash and Cash Equivalents at the end of the year</b>		372,081,347	335,299,953
<b>Analysis of the cash and cash equivalents at the end of the year</b>			
Cash and Bank Balances		467,587,736	1,184,993,802
Bank Overdraft		(95,506,390)	(849,693,850)
		372,081,347	335,299,953
<b>Net cash generated from operating activities include followings</b>			
Interest received		2,830,538,270	2,722,513,465
Interest paid		(1,858,945,327)	(2,765,567,704)
Net interest received / (paid)		971,592,943	(43,054,238)

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.





**1. CORPORATE INFORMATION**

**1.1 General**

Richard Pieris Finance Limited (“The Company”), formerly known as Richard Pieris Arpico Finance Limited was incorporated as a Limited Liability Company. The Company is incorporated and domiciled in Sri Lanka and the registered office and the principal place of business of the Company is located at No 69, Hyde Park Corner, Colombo 02.

It is a Licensed Finance Company under the Finance Business Act No.42 of 2011. The Company was registered under the Companies Act No.07 of 2007.

**1.2 Principal Activities and Nature of Operations**

During the year, the principal activities of the Company and Subsidiary were acceptance of deposits, granting lease facilities, hire purchase, mortgage loans, Islamic finance facilities and other credit facilities. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

**1.3 Parent Enterprise and Ultimate Parent Enterprise**

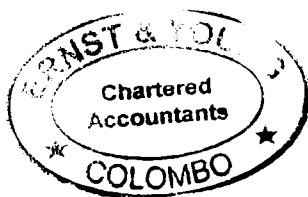
The Company’s parent and ultimate parent company is Richard Pieris & Company PLC.

**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 (SLFRS/ LKAS).

**1.5 Date of Authorization for Issue**

The Financial Statements of Richard Pieris Finance Limited for the year ended 31 March 2024 was authorized for issue in accordance with a resolution of the Board of Directors on 26 June 2024.



## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2024 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of financial position, all of which are measured at fair value.

- Land and buildings are measured at re-valuation
- Investment properties at cost.
- Financial assets and liabilities designated at fair value through profit or loss
- Liabilities for defined benefit obligations are recognised as the present value of the defined benefit obligation

### 2.3 Functional and presentation currency

The financial statements are presented in Sri Lanka Rupees, which is also the Company's functional and presentation currency (except otherwise indicated).

### 2.4 Presentation of financial statements

The Company presents its statement of financial position broadly grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 36.

### 2.5 Materiality & Aggregation and Rounding

#### Materiality & Aggregation

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

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

#### Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).



## 2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Judgments

In the process of applying the Company's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based these assumptions and estimates on parameters available at the time financial statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are taken in to consideration in the assumptions when they occur

#### i. Useful life-time of the Property Plant and equipment

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

#### ii. Going Concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company.

Further the Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Management's assessment of going concern has also considered the existing deposit cap imposed by the Central Bank of Sri Lanka as at reporting date due to the non-compliance with minimum core capital adequacy requirement set out in the Direction No.03 of 2018 of Finance Business Act. Accordingly, the Financial Statements of the Company continue to be prepared on a going concern basis.



**iii. Defined Benefit Plans**

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

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

**iv. Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

**v. Impairment losses on loans and advances**

The Company assessed loans and advances collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to expected loss. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates).

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Cash and cash equivalents**

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of the same.

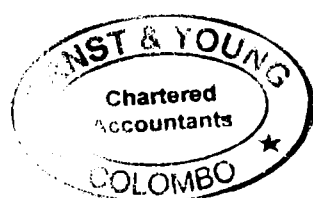
**4.2 Property, Plant and equipment**

Property, Plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant and Equipment. Initially property plant and equipment are measured at cost.

**Recognition and measurement**

**Cost Model**

Property plant and equipment is stated at cost or valuation excluding the costs of day-to-day servicing, less accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.



### Subsequent Cost

These are costs that are recognized in the carrying amount of an item, if it is probable that the future economic benefits embodied within the part will flow to the group and it can be reliably measured.

### Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property plant and equipment to their residual values over their estimated useful lives. The rates of depreciations based on the estimated useful lives are as follows.

Category of Asset	Period of Depreciation
Freehold Buildings	40 years
Motor Vehicles	4-5 years
Furniture & Fittings	4-5 years
Office Equipments	4-5 years
Computer Equipment	3-4 years
Machinery	4 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriated, at each financial year end.

Property plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## 4.3 Financial Instruments

### 4.3.1 Financial Instruments – initial recognition and subsequent measurement

#### (i) Classification of Financial Instruments

The Company classifies its Financial Assets into the following measurement categories:

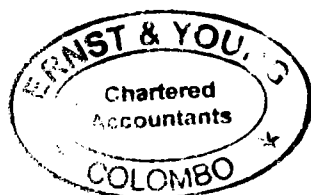
- Measured at fair value (either through other Comprehensive Income, or through Profit or Loss); and
- Measured at amortised cost.

The classification depends on the Company's business model for managing Financial Assets and the contractual terms of the Financial Assets' cash flows. The Company classifies its Financial Liabilities at amortised cost unless it has designated liabilities at fair value through Profit or Loss or is required to measure liabilities at fair value through Profit or Loss such as Derivative Liabilities.

#### (ii) Financial Assets measured at amortised cost

Placements, Financing and Receivables to Other Customers and Other Financial Assets are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and profits on the principal amount outstanding; and



- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note (vi) Impairment of Financial Assets.

**(iii) Recognition of Loans and Receivables under Covid-19 moratorium scheme**

Modifications to the cash flows of loans and receivables due to the COVID 19 outbreak considers as ‘non-substantial’, thus does not result in derecognition of the financial assets in accordance with SLFRS 9 - ‘Financial Instruments’. Accordingly, modifications gain/loss shall be charged to profit or loss immediately. In assessing the modifications, the management applied professional judgement by comparing the modification loss against the carrying value of the asset and the decision was taken based on the materiality of the gain/loss.

The above adjustment has been made in the Income Statement through the interest income line.

**(iv) Financial assets measured at fair value through other Comprehensive Income**

**Equity instruments**

Investment in equity instruments that are neither Trading Financial Assets recognised through Profit or Loss, nor contingent consideration recognised by the Company in a business combination to which SLFRS 3 ‘Business Combination’ applies, are measured at fair value through other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other Comprehensive Income, by default such investments shall be measured at fair value through Profit and Loss.

Amounts presented in other Comprehensive Income are not subsequently transferred to Profit or Loss. Dividends on such investments are recognised in Profit or Loss.

**(v) Fair Value through Profit or Loss**

Fair Value through Profit or Loss comprise:

- Financial Investments - For Trading;
- Instruments with contractual terms that do not represent solely payments of principal and Profit.

Financial Instruments held at fair value through Profit or Loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise.

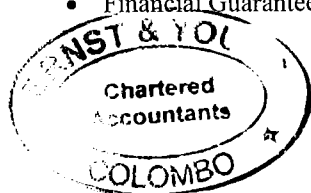
Where a Financial Asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

**(vi) Impairment of Financial Assets**

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

**Debt Instruments**

- Instruments measured at Amortised Cost and Fair Value through Other Comprehensive Income;
- Financing and Receivables commitments; and
- Financial Guarantee Contracts



ECL is not recognised on equity instruments.

Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

**Stage 1: 12-months ECL**

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

Company determines 12-month ECL from customers who are not significantly credit deteriorated (i.e. less than 30 days past due)

**Stage 2: Lifetime ECL – not Credit Impaired**

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the Financial Asset) is recognised.

Contracts with greater than 30 days past due are considered to have a significant increase in credit risk.

**Stage 3: Lifetime ECL – Credit Impaired**

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and Financing Income is calculated by applying the Effective Rate to the amortised cost (net of provision) rather than the gross carrying amount.

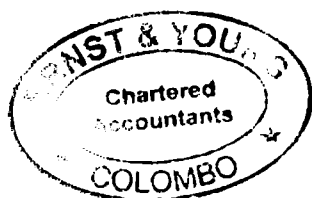
Credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard. The Company rebutted the 90 days presumption and considered 150 days past due as the point of default.

**Determining the stage for Impairment**

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment loss reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for impairment loss for these Financial Assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on a collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.



### Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.

- Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- Financial Guarantee Contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For further details on how the Company calculates ECLs including the use of forward-looking information, refer to the Credit quality of Financial Assets section in Note 17 to 18. For details on the effect of modifications of Financing and Receivables on the measurement of ECL refer to note on Provision for expected credit loss.

ECLs are recognised using a provision for impairment loss account in Statement of Profit and Loss. The Company recognises the provision charge in Statement of Profit or Loss, with the corresponding amount recognised in other Comprehensive Income, with no reduction in the carrying amount of the asset in the Statement of Financial Position.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

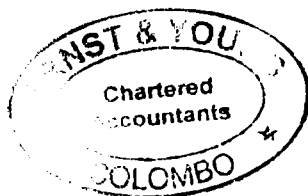
**PD** : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**EAD** : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of capital and financing income, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued financing income from missed payments.

**LGD** : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including the realisation of any collateral.

### Write-off of loans and advances

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





#### 4.3.2 Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired.
- 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:
  - The company has transferred substantially all the risks and rewards of the asset.
  - Or
  - The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

#### 4.3.3 Other Financial Assets

Other Financial Assets includes the Other Receivables and Refundable Deposits. Refundable Deposits are initially record at Fair value and subsequently measured at amortized cost.

Collateral repossessed / Land Stock

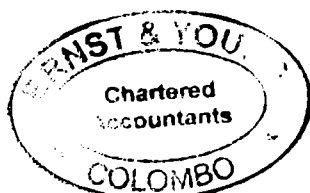
The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

#### 4.4 Other Non-Financial Assets

##### 4.4.1 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.



#### 4.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over 10 year period and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

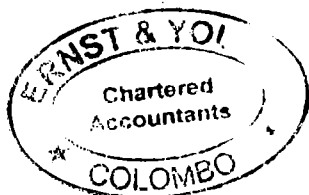
Amortization is calculated using the straight-line method to write down the cost of Intangible Assets to their residual values over their estimated useful lives.

#### 4.6 Investment Property

Investment properties are measured at cost, including transaction costs. Investment properties are de-recognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Profit or Loss in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Group investment properties mainly comprise of freehold lands.



#### 4.7 Financial liabilities

##### Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as Borrowings and Trade and Other Payables. The company determines the classification of its financial liabilities at initial recognition.

The Company classifies financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognizes financial liabilities in the Statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

##### Derecognition of financial liabilities

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

#### 4.8 Borrowings

Borrowings obtained by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

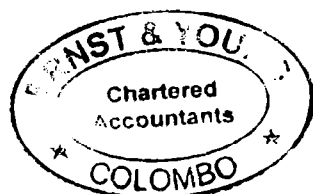
After initial measurement, borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

#### 4.9 Other Financial Liabilities

Other Financial Liabilities includes the Trade and Other Payables and Sundry Creditors. Other Financial Liabilities are recorded at cost.

#### 4.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.



#### 4.11 Retirement Benefit Obligations

##### a. Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits

The item is stated under Defined Benefit Liability in the Statement of financial position.

##### Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized as income or expenses in the year in which it arose itself.

#### 4.12 Taxation

##### 4.12.1 Current Taxes

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

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The Company has adopted the requirements of the New Inland Revenue Act 24 of 2017 which was effective from 1 April 2018.

##### 4.12.2 Deferred Taxation

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

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

Deferred income tax relating to items recognised directly in equity is recognised in the equity and not in the income statement.



#### 4.12.3 VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

#### 4.12.4 IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment”

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with certain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the interpretation had an impact on its Financial Statements. Upon adoption of the interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the Financial Statements of the Company.

Except for the changes mentioned above, the Company has consistently applied the accounting policies for all periods presented in these Financial Statements.

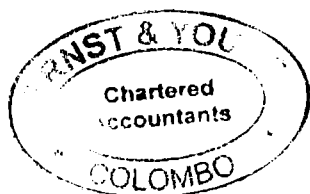
#### 4.13 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### 4.13.1 Interest Income and Interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.



Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### 4.14 Cash Flow Statement

The cash flow statement has been prepared by using 'Indirect Method', of preparing cash flows in accordance with the LKAS 7 – "Statement of Cash Flow". 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.

#### 4.15 Standards Issued but Not Yet Effective

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

##### SLFRS 17 Insurance Contracts

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

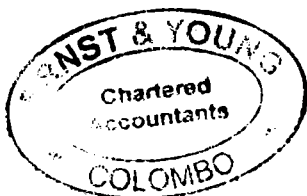
SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2025, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

This standard is not applicable to the Company.

##### Presentation of Financial Statements - Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Company does not expect this will result in a material impact on its Financial Statements.



**Statement of Cash Flows - Supplier Finance Arrangements - Amendments to LKAS 7 Financial Instruments Disclosures - Supplier Finance Arrangements - Amendments to SLFRS 7**

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Company does not expect this will result in a material impact on its Financial Statements.

**Income Taxes - International Tax Reform : Pillar Two Model Rule - Amendments to LKAS 12**

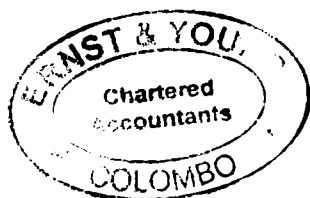
The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The Company does not expect this will result in a material impact on its Financial Statements.

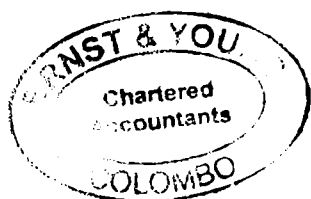
**Leases - Lease Liability in a Sale and Leaseback - Amendments to SLFRS 16**

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.



5. INTEREST INCOME	Company	
	2024 Rs.	2023 Rs.
Leasing Interest Income	1,010,260,475	828,747,780
HP Interest Income	2,392,922	2,633,924
Loans and Receivables Interest Income	1,290,527,130	1,350,132,751
Interest Income on Overdue Rentals	199,498,820	153,198,226
Interest Income - Fixed Deposits	8,462,495	5,816,118
Interest Income - Government Securities	171,381,531	200,693,991
Interest Income on Saving Accounts	14,701,913	8,252,861
Interest Income on Other Investments	38,327,190	-
<b>Total Interest Income</b>	<b>2,735,552,476</b>	<b>2,549,475,652</b>
<b>5.1 Interest Expenses</b>		
Interest on Public deposits	1,868,841,801	1,458,402,719
Overdrafts	2,885,273	8,939,801
Borrowings	623,681,915	1,057,488,483
Interest Expense on Lease Liabilities	24,184,313	17,723,264
<b>Total Interest Expenses</b>	<b>2,519,593,302</b>	<b>2,542,554,267</b>
<b>Net Interest Income</b>	<b>215,959,174</b>	<b>6,921,386</b>
<b>6. FEE AND COMMISSION INCOME</b>		
Documentation Charges	25,684,544	11,834,984
Insurance Commission	29,663,989	25,647,091
Service Charges	10,321,109	705,152
Sundry Income	68,702,839	33,391,702
<b>Total Fee and Commission Income</b>	<b>134,372,480</b>	<b>71,578,929</b>
<b>7. OTHER OPERATING INCOME</b>		
Gain on disposal of Property Plant and Equipment	-	59,483,333
Gain on disposal of Land Stock	35,619,041	4,556,579
Unrealized Gains/(Losses) on Fair Value Through Profit or Loss investments	6,945,334	4,921,006
Capital Gain on Treasury Bond	9,867,125	-
Other sundry income	6,920,196	7,535,248
<b>Total Other Operating Income</b>	<b>59,351,696</b>	<b>76,496,166</b>





## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**8. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES**

8.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year 2024 recorded in the income statement.

	Rs. Stage 1	Rs. Stage 2	Rs. Stage 3	Total
Finance Leases	(23,085,954)	(19,008,522)	218,160,993	176,066,517
Hire Purchase	(53,873)	276,459	(389,920)	(167,334)
Other Loans	(62,433,059)	(159,514,139)	92,016,239	(129,930,959)
Repossessed stock	-	-	85,891,048	85,891,048
Other receivables	-	-	(1,806,322)	(1,806,322)
	<u>(85,572,887)</u>	<u>(178,246,202)</u>	<u>393,872,038</u>	<u>130,052,949</u>
Written -off during the year	-	-	-	-
Written -off Recoveries during the year	-	-	(26,566,650)	(26,566,650)
	<u>(85,572,887)</u>	<u>(178,246,202)</u>	<u>367,305,388</u>	<u>103,486,300</u>

8.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year 2023 recorded in the income statement.

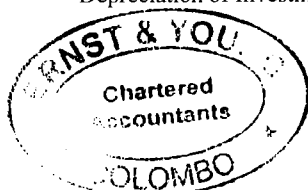
	Rs. Stage 1	Rs. Stage 2	Rs. Stage 3	Total
Finance Leases	71,163,301	(76,168,871)	48,131,317	43,125,747
Hire Purchase	(152,938)	(428,561)	(343,486)	(924,985)
Other Loans	98,729,653	(80,063,414)	(6,149,161)	12,517,078
Repossessed stock	-	-	48,641,951	48,641,951
Investments in fixed deposits	-	-	(431,695)	(431,695)
Insurance commission receivables	-	-	(7,500,000)	(7,500,000)
Other receivables	-	-	10,006,321	10,006,321
	<u>169,740,015</u>	<u>(156,660,846)</u>	<u>92,355,248</u>	<u>105,434,417</u>
Written -off during the year	-	-	-	-
Written -off Recoveries during the year	-	-	(22,634,444)	(22,634,444)
	<u>169,740,015</u>	<u>(156,660,846)</u>	<u>69,720,804</u>	<u>82,799,973</u>

**9. PERSONNEL EXPENSES**

	Company	
	2024 Rs.	2023 Rs.
Remuneration	257,633,940	246,231,310
Contribution to Defined Contribution Plan	25,765,621	25,169,744
Gratuity Charge for the Year	5,944,042	5,559,574
	<u>289,343,602</u>	<u>276,960,627</u>

**10. DEPRECIATION AND AMORTIZATION**

	Company	
	2024 Rs.	2023 Rs.
Depreciation of Property Plant & Equipment	20,189,377	24,376,023
Amortization of intangible assets	1,959,590	2,535,360
Depreciation of Right-Of-Use Assets	38,858,364	37,601,598
Depreciation of Investment In Property	1,064,220	1,064,220
	<u>62,071,551</u>	<u>65,577,201</u>



**11. OTHER OPERATING EXPENSES**

	Company	
	2024 Rs.	2023 Rs.
Directors' Emoluments	2,104,200	2,149,333
Auditors Remuneration	2,350,000	1,920,000
Legal fees	2,430,108	4,386,924
Professional fees	4,735,077	6,896,826
Office Administration & Establishment Expenses	138,457,411	120,073,319
Advertising & Business Promotional Expenses	70,028,255	77,685,162
Other Expenses	88,057,954	68,538,705
	<u>308,163,004</u>	<u>281,650,269</u>

**12. TAXATION****12.1 The major components of income tax expense for the years ended 31st March are as follows.**

Income Statement	Company	
	2024 Rs.	2023 Rs.
<b>Current Income Tax</b>		
Income Tax for the year	-	-
Under/ (Over) Provision of Current Taxes in respect of Previous Years	(0)	-
<b>Deferred Tax</b>		
Deferred Taxation Charge/ (Reversal) (Note 27)	(128,935,824)	(200,794,947)
	<u>(128,935,824)</u>	<u>(200,794,947)</u>

**12.2 Reconciliation of Accounting Profit and Taxable Income**

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the years ended 31 March are as follows.

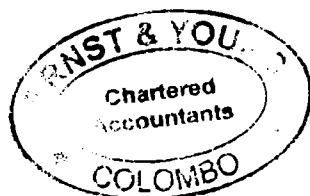
	Company	
	2024 Rs.	2023 Rs.
<b>Accounting Profit Before Income Taxation</b>	(353,381,107)	(553,296,399)
Income Tax Expense at the statutory income tax rate	-	-
Tax effect of Non deductible Expenses	-	-
Tax effect of Other allowable Credits	-	-
Tax Effect of Exempt Income	-	-
	<u>-</u>	<u>-</u>

**13. BASIC/DILUTED EARNINGS PER ORDINARY SHARE**

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

**13.2** The following reflect the income & shares details used in the Basic/Diluted Earning per Share computation.

	Company	
	2024 Rs.	2023 Rs.
<b>Profit/(loss) attributable to Ordinary shareholders</b>	(224,445,283)	(352,501,452)
Weighted Average Number of Ordinary Shares during the year	179,791,403	157,221,958
Basic/Diluted Earnings per ordinary share (Rs.)	(1.25)	(2.24)
No of Shares Issued	12,500,000	23,333,334
Weighted Average No of Shares	3,125,000	3,888,889



14. CASH AND BANK BALANCES	Company	
	2024 Rs.	2023 Rs.
Cash at Bank	343,935,853	1,059,448,870
Cash in Hand	123,651,884	125,544,932
	<u>467,587,736</u>	<u>1,184,993,802</u>

15. INVESTMENTS IN FIXED DEPOSITS/REPO	Company	
	2024 Rs.	2023 Rs.
Fixed Deposits	52,464,481	57,899,486
Unit Trust	869,465,547	-
Investment in Commercial Papers	309,361,644	-
	<u>1,231,291,671</u>	<u>57,899,486</u>

15.1 The movement in provision for credit losses are as follows.	Company	
	2024 Rs.	2023 Rs.
Balance as at 01st April	-	431,695
Charge /(Reversal) for the year	-	(431,695)
Balance as at 31 st March	<u>-</u>	<u>-</u>

16. LOAN RECEIVABLES AT AMORTIZED COST	Company	
	2024 Rs.	2023 Rs.
Total loan rentals receivable	8,955,791,608	9,428,774,196
Less: Unearned loan interest income	(630,213,020)	(997,390,533)
Gross loan receivables	8,325,578,588	8,431,383,663
Less : Allowance for Expected Credit Losses (Note 16.1)	(917,276,964)	(1,047,207,922)
	<u>7,408,301,623</u>	<u>7,384,175,741</u>

Loan receivables include receivables amounting to Rs. 656,004,609/- as at 31 March 2024 (2023-Rs Rs. 474,017,616/-) that have been assigned under securitization & term loan funding arrangement.

16.1 Analysis of loan receivables on maximum exposure to credit risk

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
As at 31 March 2024				
Loan receivables subject to Expected Credit Losses	3,506,157,851	763,882,140	4,055,538,596	8,325,578,588
Allowance for Expected Credit Losses	(96,292,250)	(77,522,910)	(743,461,804)	(917,276,964)
	<u>3,409,865,601</u>	<u>686,359,230</u>	<u>3,312,076,792</u>	<u>7,408,301,623</u>

16.2 Allowance for Expected Credit Losses/Impairment  
Loans subject to collective impairment

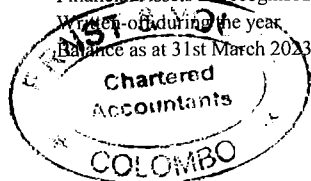
	2024 Rs.	2023 Rs.
Balance as at 01st April	1,047,207,923	1,034,690,844
Charge to income statement	(129,930,959)	12,517,079
Written-off during the year	-	-
Balance as at 31st March	<u>917,276,965</u>	<u>1,047,207,923</u>

16.3 Movement in allowance for expected credit losses  
As at 31 March 2024

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	158,725,308	237,037,049	651,445,565	1,047,207,922
Transfer to Stage 01	20,973,000	(8,199,704)	(12,773,296)	-
Transfer to Stage 02	(18,882,243)	24,342,681	(5,460,438)	-
Transfer to Stage 03	(33,317,547)	(111,962,541)	145,280,087	-
New Assets Originated or Purchased	59,189,229	39,677,009	121,560,267	220,426,506
Financial Assets Derecognised or Repaid	(90,395,497)	(103,371,585)	(156,590,382)	(350,357,464)
Written-off during the year	-	-	-	-
Balance as at 31st March 2024	<u>96,292,251</u>	<u>77,522,910</u>	<u>743,461,804</u>	<u>917,276,965</u>

16.3 Movement in allowance for expected credit losses  
As at 31 March 2023

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	61,223,957	299,574,343	673,892,544	1,034,690,844
Transfer to Stage 01	53,497,650	(45,990,283)	(7,507,367)	-
Transfer to Stage 02	(224,916)	18,470,198	(18,245,281)	-
Transfer to Stage 03	(58,434)	(11,602,925)	11,661,359	-
New Assets Originated or Purchased	87,333,864	148,635,696	181,690,261	417,659,822
Financial Assets Derecognised or Repaid	(43,046,813)	(172,049,980)	(190,045,951)	(405,142,744)
Written-off during the year	-	-	-	-
Balance as at 31st March 2023	<u>158,725,308</u>	<u>237,037,049</u>	<u>651,445,565</u>	<u>1,047,207,922</u>



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

**17. LEASE RECEIVABLES AT AMORTIZED COST**

At Amortized cost	2024 Rs.	2023 Rs.
Total lease rentals receivable	7,742,349,356	6,352,806,316
Less: Unearned lease interest income	<u>(2,074,379,530)</u>	<u>(1,355,535,797)</u>
Gross lease receivable	5,667,969,826	4,997,270,520
Less: Allowance for expected credit losses/ collective impairment (Note 17.1)	<u>(813,666,396)</u>	<u>(637,599,879)</u>
	<u>4,854,303,430</u>	<u>4,359,670,640</u>

Lease receivables include receivables amounting to Rs.2,995,706,346/- as at 31 March 2024 (2023- Rs.3,524,932,544/- ) that have been assigned under securitization & term loan funding arrangement.

**17.1 Analysis of lease receivables on maximum exposure to credit risk  
As at 31 March 2024**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross lease receivables- subject to collective impairment	2,829,049,032	1,164,723,239	1,674,197,554	5,667,969,826
Allowance for Expected Credit Losses (ECL)	<u>(73,356,300)</u>	<u>(101,967,309)</u>	<u>(638,342,787)</u>	<u>(813,666,396)</u>
	<u>2,755,692,732</u>	<u>1,062,755,930</u>	<u>1,035,854,768</u>	<u>4,854,303,430</u>

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

	2024 Rs.	2023 Rs.
Balance as at 01st April	637,599,879	594,474,133
Charge/ (Reversal) to income statement	176,066,517	43,125,747
Written -off during the year	-	-
Balance as at 31st March	<u>813,666,396</u>	<u>637,599,879</u>

**17.3 Movement in allowance for expected credit losses  
As at 31 March 2024**

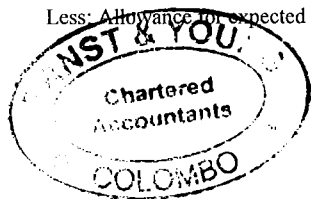
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	96,442,254	120,975,831	420,181,794	637,599,879
Transfer to Stage 01	29,252,398	(22,277,666)	(6,974,732)	-
Transfer to Stage 02	(26,983,695)	34,653,269	(7,669,574)	-
Transfer to Stage 03	(12,891,868)	(37,384,668)	50,276,536	-
New Assets Originated or Purchased	49,712,181	59,507,375	255,394,250	364,613,806
Financial Assets Derecognised or Repaid	(62,174,969)	(53,506,832)	(72,865,488)	(188,547,289)
Written -off during the year	-	-	-	-
Balance as at 31st March 2024	<u>73,356,300</u>	<u>101,967,309</u>	<u>638,342,787</u>	<u>813,666,396</u>

**17.3. Movement in allowance for expected credit losses  
As at 31 March 2023**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	25,205,451	192,541,650	376,727,031	594,474,133
Transfer to Stage 01	53,882,658	(47,112,375)	(6,770,283)	-
Transfer to Stage 02	(4,787,575)	7,433,697	(2,646,123)	-
Transfer to Stage 03	(1,894,751)	(55,667,615)	57,562,366	-
New Assets Originated or Purchased	30,160,864	78,432,013	72,528,889	181,121,765
Financial Assets Derecognised or Repaid	(6,124,392)	(54,651,540)	(77,220,087)	(137,996,019)
Written -off during the year	-	-	-	-
Balance as at 31st March 2023	<u>96,442,254</u>	<u>120,975,831</u>	<u>420,181,794</u>	<u>637,599,879</u>

**18. HIRE PURCHASE RECEIVABLES AT AMORTIZED COST**

	2024 Rs.	2023 Rs.
Total hire purchase rentals receivable	5,703,702	10,979,673
Less: Unearned hire purchase interest income	<u>(32,689)</u>	<u>(1,082,114)</u>
Gross hire purchase receivable	5,671,013	9,897,559
Less: Allowance for expected credit losses/ collective impairment (Note 18.1)	<u>(2,839,397)</u>	<u>(3,006,731)</u>
	<u>2,831,616</u>	<u>6,890,827</u>



**18. HIRE PURCHASE RECEIVABLES AT AMORTIZED COST (Contd...)****18.1 Analysis of hire purchase receivables on maximum exposure to credit risk  
As at 31 March 2024**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross hire purchase receivables- subject to collective impairment	389,805	2,720,567	2,560,641	5,671,013
Allowance for expected credit losses (ECL)	(2,297)	(276,459)	(2,560,641)	(2,839,397)
	<u>387,508</u>	<u>2,444,108</u>	<u>-</u>	<u>2,831,616</u>

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

	2024 Rs.	2023 Rs.
Balance as at 01st April	3,006,731	3,931,716
Charge/ (Reversal) to income statement	(167,334)	(924,985)
Written -off during the year	-	-
Balance as at 31st March	<u>2,839,397</u>	<u>3,006,731</u>

**18.3 Movement in allowance for expected credit losses  
As at 31 March 2024**

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2023	56,170	-	2,950,561	3,006,731
Transfer to Stage 01	394,420	-	(394,420)	-
Transfer to Stage 02	(56,170)	56,170	-	-
Transfer to Stage 03	-	-	-	-
New Assets Originated or Purchased	-	220,289	4,500	224,789
Financial Assets Derecognised or Repaid	(392,123)	-	-	(392,123)
Written -off during the year	-	-	-	-
Balance as at 31st March 2024	<u>2,297</u>	<u>276,459</u>	<u>2,560,641</u>	<u>2,839,397</u>

**18.3 Movement in allowance for expected credit losses  
As at 31 March 2023**

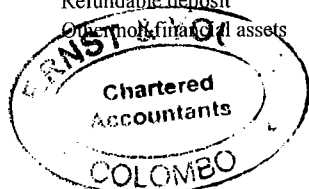
	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2022	209,108	428,561	3,294,047	3,931,716
Transfer to Stage 01	-	-	-	-
Transfer to Stage 02	-	(428,561)	428,561	-
Transfer to Stage 03	-	-	-	-
New Assets Originated or Purchased	-	-	2,294,499	2,294,499
Financial Assets Derecognised or Repaid	(152,938)	-	(3,066,546)	(3,219,484)
Written -off during the year	-	-	-	-
Balance as at 31st March 2023	<u>56,170</u>	<u>-</u>	<u>2,950,561</u>	<u>3,006,731</u>

**19. OTHER FINANCIAL ASSETS**

	Company	
	2024 Rs.	2023 Rs.
Gross Repossessed Stock	127,575,291	188,358,477
Less: Provision for repossessed stock (Note 19.2)	<u>(78,146,656)</u>	<u>(148,757,816)</u>
Net Repossessed Stock	49,428,635	39,600,661
Gross Insurance Commission receivable	24,373,407	21,777,427
Less: Provision for Insurance Commission receivable	<u>(21,154,636)</u>	<u>(21,154,636)</u>
Net Insurance Commission receivable	3,218,771	622,791
Other financial assets	50,307,082	39,242,803
Provision for other financial assets	-	<u>(6,706,321)</u>
	<u>102,954,489</u>	<u>72,759,934</u>

**19.1 Other Non-Financial Assets**

Pre paid expenses	29,365,381	34,076,329
Advance payments	11,881,240	12,836,192
Refundable deposit	4,840,000	4,840,000
Other non-financial assets	131,663,949	39,246,839
	<u>177,750,569</u>	<u>90,999,359</u>
	<u>280,705,058</u>	<u>163,759,293</u>



**19. OTHER FINANCIAL ASSETS****19.2 Movement in provision for repossessed stock  
As at 31 March 2024**

	Lease Rs.	Hire purchase Rs.	Loan Rs.	Total Rs.
Balance as at 01 April 2023	91,274,855	8,220	57,474,741	148,757,816
Charge/(Reversal) during the Year	22,766,713	18,490	63,105,845	85,891,048
Other movements/write off	(58,953,722)	(26,710)	(97,521,776)	(156,502,208)
Balance as at 31 March 2024	55,087,847	-	23,058,809	78,146,656

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

As at 31 March 2023	Lease Rs.	Hire purchase Rs.	Loan Rs.	Total Rs.
Balance as at 01 April 2022	91,359,724	13,585,790	58,206,549	163,152,063
Charge/(Reversal) during the Year	45,466,675	8,219	3,167,057	48,641,952
Other movements/write off	(45,551,545)	(13,585,789)	(3,898,865)	(63,036,199)
Balance as at 31 March 2023	91,274,855	8,220	57,474,741	148,757,816

**20. FINANCIAL INVESTMENTS - FAIR VALUE THROUGH OCI**

	2024 Rs.	2023 Rs.
Investment in Credit Information Bureau Ordinary Shares	593,223	593,100
Investment in Finance Houses Consortium Shares	200,000	200,000
Treasury Bills	949,509,655	874,688,111
Treasury Bonds	-	43,502,100
	950,302,878	918,983,312

The above Ordinary share investments have been made primarily for regulatory purposes. Such investments are recorded at cost due to unavailability of information to fair value such investment.

**20.1 Financial Investments - Fair Value through Profit or Loss**

Investment in quoted shares	Number of Shares	Company 2024		Number of Shares	Company 2023	
		Cost	Market Value		Cost	Market Value
Piramal Glass Ceylon PLC	-	-	-	423,728	1,567,794	8,135,578
Sampath Bank PLC	-	-	-	192,360	8,573,050	10,098,900
Hatton National Bank PLC	-	-	-	2,312	267,286	203,918
						18,438,396

**21. GOODWILL**

	2024 Rs.	2023 Rs.
Opening Balance	315,790,723	315,790,723
Impairment	-	-
Closing Balance	315,790,723	315,790,723

Goodwill has been recognised in respect of acquisition of Chilaw Finance PLC. The company carried out an impairment assessment as at 31 March 2024 and concluded that there is no impairment based on the future earnings projections.

The Company performed its annual impairment test on Goodwill based on an earnings growth model. The assumptions applied in the computations are reviewed each year. The key assumptions used to determine the recoverable amount are as follows:

Business growth rate

Discount rate

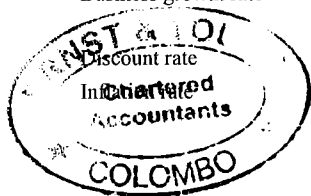
Inflation rate

COLOMBO

The volume growth has been budgeted on a reasonable and realistic basis by taking in to account historical growth rate and business plan of the 3 branches related to Chilaw Finance PLC.

The discount rate used is the risk free rate, adjusted by an appropriate risk premium.

Inflation rate is based on projected economic conditions.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 22. PROPERTY, PLANT AND EQUIPMENT

22.1 Gross Carrying Amounts	Balance	Additions	Transfers	Disposals	Balance
	As at 31.03.2023				As at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	130,687,500	-	-	-	130,687,500
Building	30,885,871	13,511,980	-	-	44,397,851
Motor Vehicles	40,233,383	13,230,000	-	-	53,463,383
Furniture & Fittings	97,018,742	3,188,366	-	-	100,207,108
Machinery	1,197,479	-	-	-	1,197,479
Office Equipments	62,795,131	6,135,381	-	-	68,930,512
Computer Equipment	56,492,237	3,281,840	-	-	59,774,077
<b>Total Value of Depreciable Assets</b>	<b>419,310,342</b>	<b>39,347,567</b>	<b>-</b>	<b>-</b>	<b>458,657,909</b>

22.2 Depreciation	Balance	Charge for the year	Transfers	Disposals	Balance
	As at 31.03.2023				As at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	-
Building	4,775,842	982,986	-	-	5,758,827
Motor Vehicles	36,027,883	4,411,167	-	-	40,439,050
Furniture & Fittings	85,764,452	4,423,351	-	-	90,187,803
Machinery	1,197,479	-	-	-	1,197,479
Office Equipments	47,452,809	5,072,917	-	-	52,525,726
Computer Equipment	45,793,883	5,298,958	-	-	51,092,841
	<b>221,012,348</b>	<b>20,189,377</b>	<b>-</b>	<b>-</b>	<b>241,201,726</b>

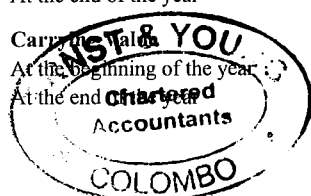
22.3 Net book Values	Balance	Additions	Transfers	Disposals	Balance
	As at 31.03.2023				As at 31.03.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	130,687,500	-	-	-	130,687,500
Building	26,110,029	12,528,994	-	-	38,639,024
Motor Vehicles	4,205,500	8,818,833	-	-	13,024,333
Furniture & Fittings	11,254,290	(1,234,984)	-	-	10,019,305
Machinery	-	-	-	-	-
Office Equipments	15,342,322	1,062,464	-	-	16,404,786
Computer Equipment	10,698,354	(2,017,118)	-	-	8,681,236
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>198,297,994</b>	<b>19,158,189</b>	<b>-</b>	<b>-</b>	<b>217,456,184</b>

## 22.4 The useful life of the assets is estimated as follows.

Building	40 years
Motor Vehicles	4-5 years
Furniture & Fittings	4-5 years
Machinery	4 years
Office Equipments	4-5 years
Computer Equipment	3-4 years

## 23. Intangible Assets

Computer Software	Company	
	2024 Rs.	2023 Rs.
<b>Cost</b>		
At the beginning of the year	30,150,976	29,440,976
Additions	-	710,000
At the end of the year	<b>30,150,976</b>	<b>30,150,976</b>
<b>Amortization</b>		
At the beginning of the year	18,248,570	15,713,210
Additions	1,959,590	2,535,360
At the end of the year	<b>20,208,160</b>	<b>18,248,570</b>
<b>Carrying Amount</b>		
At the beginning of the year	11,902,405	13,727,766
At the end of the year	<b>9,942,816</b>	<b>11,902,405</b>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**24. RIGHT-OF-USE ASSETS**

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

<b>Cost</b>	<b>2024</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>
Balance as at 01 <sup>st</sup> April	277,005,389	175,612,203
Additions & Improvements	17,593,676	101,393,186
Balance at 31 <sup>st</sup> March	<u>294,599,065</u>	<u>277,005,389</u>
<b>Accumulated Amortisation</b>		
Balance as at 01 <sup>st</sup> April	145,754,351	108,152,753
Charge for the year	38,858,364	37,601,598
Disposals during the Year	-	-
Accumulated Amortisation as at 31 March	<u>184,612,715</u>	<u>145,754,351</u>
<b>Net Book Value as at 31 March</b>	<u>109,986,350</u>	<u>131,251,038</u>

**24.2 Lease liability against right of use asset**

<b>2024</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>
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Set out below are the carrying amounts of lease liabilities during the period in accordance with SLFRS 16

Balance as at 01 <sup>st</sup> April	139,337,886	69,517,732
Additions & Reassessment	16,965,145	101,287,075
Finance cost on Lease Liability	24,184,313	17,723,264
Payments during the year	(53,114,524)	(49,190,184)
<b>Lease liabilities as at 31 March</b>	<u>127,372,820</u>	<u>139,337,886</u>

**24.3 Maturity analysis of Lease Liability**

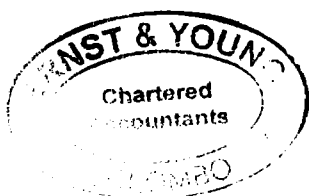
<b>2024</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>
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Less than one year	24,097,814	23,798,674
Between one and five years	97,545,912	100,557,239
More than five years	5,729,095	14,981,973
	<u>127,372,820</u>	<u>139,337,886</u>

**24.4 Undiscounted Maturity Analysis of Lease Liability**

<b>2024</b> <b>Rs.</b>	<b>2023</b> <b>Rs.</b>
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Less than one year	44,956,892	45,173,294
Between one and five years	135,274,660	149,831,541
More than five years	6,412,813	17,065,865





25. INVESTMENT PROPERTY		2024	2023	
		Rs.	Rs.	
Cost at the beginning of the year		69,022,100	69,022,100	
Net Additions/(Disposals)		42,000	-	
Transfers		-	-	
Depreciation of Investment In Property		(5,321,100)	(4,256,880)	
At the end of the year		<u>63,743,000</u>	<u>64,765,220</u>	
<b>Information of investment properties</b>		<b>2024</b>	<b>2023</b>	
		<b>Rs.</b>	<b>Rs.</b>	
<b>Location</b>	<b>Range of estimates for unobservable input Price per perch for land</b>	<b>Extent Perches</b>	<b>Fair value (Level 3)</b>	<b>Fair value (Level 3)</b>
Bazzar Street Chilaw	3,129,350	7.19	22,500,000	22,500,000
Pahala Kotramulla Village Chilaw	20,000	160.00	3,200,000	3,200,000
Bazzar Street Chilaw	4,100,000	10.25	42,000,000	42,000,000
Elpitiya	87,500	40.00	3,500,000	3,500,000
			<u>71,200,000</u>	<u>71,200,000</u>
The Company earned rental income from the above properties, details are given below.		<b>2024</b>	<b>2023</b>	
		<b>Rs.</b>	<b>Rs.</b>	
Rental income from investments properties		3,040,351	3,015,223	
Direct operating expenses incurred to generate rental income		-	-	
<b>26. INCOME TAX PAYABLES/(RECEIVABLES)</b>		<b>2024</b>	<b>2023</b>	
		<b>Rs.</b>	<b>Rs.</b>	
Opening balance		(37,263,346)	(37,114,271)	
Tax Paid - Current year		-	-	
Tax Paid - Last year		-	-	
Adjustment (WHT etc.)		(1,014,383)	(149,075)	
Provision for the year		-	-	
Closing balance		<u>(38,277,729)</u>	<u>(37,263,346)</u>	
<b>26.1 Income Tax Receivables</b>		<b>2024</b>	<b>2023</b>	
		<b>Rs.</b>	<b>Rs.</b>	
Economic Service Charge		11,914,313	11,914,313	
Withholding Tax		2,132,768	1,118,385	
Income Tax paid		16,727,913	16,727,913	
Income Tax (Overpayment) Last Year		7,502,735	7,502,735	
		<u>38,277,729</u>	<u>37,263,346</u>	



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

**27. DEFERRED TAXATION****Deferred Tax Assets, Liabilities and Income Tax relates to the following**

	2024 Rs.	2023 Rs.
Deferred Tax Liability		
Capital Allowances for tax purposes	7,050,965	15,532,741
Impairment provision	61,828,385	-
	<u>68,879,350</u>	<u>15,532,741</u>
Deferred Tax Assets		
Defined Benefit Plans	6,263,486	4,976,854
Tax Losses	356,000,575	160,555,084
Right-Of-Use Asset	5,215,941	2,426,054
Impairment provision	-	18,640,702
	<u>367,480,002</u>	<u>186,598,695</u>
<b>Net Deferred Tax Liability/ (Asset)</b>	<u>(298,600,652)</u>	<u>(171,065,954)</u>
<b>Deferred Income Tax Charge/(Reversal)</b>	<u>(127,534,698)</u>	<u>(199,886,138)</u>
Deferred Tax Charge/(Reversal) Recognized in Income Statement	(128,935,824)	(200,794,947)
Deferred Tax Charge /(Reversal) Recognized in Other comprehensive Income	1,401,127	908,809
	<u>(127,534,698)</u>	<u>(199,886,138)</u>

\*Total brought forward Tax Loss amounts to Rs. 1,186,668,582/-

**28. DUE TO CUSTOMERS**

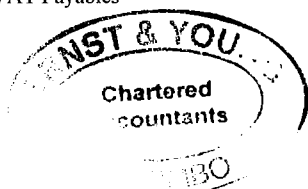
	2024 Rs.	2023 Rs.
Fixed Deposit	10,463,542,871	8,501,552,371
Savings	84,922,788	80,771,986
	<u>10,548,465,658</u>	<u>8,582,324,357</u>

**29. DEBT ISSUED AND OTHER BORROWED FUNDS**

	2024 Rs.	2023 Rs.
Bank of Ceylon	90,104,932	270,593,591
Hatton National Bank PLC	1,072,176,405	1,207,591,572
Cargills Bank Limited	-	33,481,478
National Development Bank PLC	1,004,554,486	543,884,207
People's Bank	519,289,418	569,730,406
Sampath Bank PLC	-	133,821,541
Seylan Bank PLC	-	202,279,014
Commercial Bank of Ceylon PLC	31,294,731	156,480,063
Commercial Papers	580,107,446	-
Richard Pieris and Company PLC	70,069,041	401,139,726
Arpico Insurance PLC	100,170,411	100,170,411
Namunukula Plantations PLC	200,340,822	200,340,822
	<u>3,668,107,692</u>	<u>3,819,512,831</u>
Payable within one year	1,820,364,619	2,063,264,331
Payable after one year	1,847,743,073	1,756,248,500
	<u>3,668,107,692</u>	<u>3,819,512,831</u>

**30. OTHER PAYABLES**

	2024 Rs.	2023 Rs.
Payable to Group Companies	(709,687)	(15,573,403)
Payable to Suppliers	190,176,462	24,453,582
Other Payables	156,493,854	196,349,823
Lease liability	127,372,820	139,337,886
VAT Payables	1,310,594	3,765,048
	<u>474,644,043</u>	<u>348,332,936</u>



31. RETIREMENT BENEFIT OBLIGATIONS	Company	
	2024 Rs.	2023 Rs.
Benefit Expenses for the Year	10,614,464	2,530,211
Balance at the beginning of the year	16,589,515	18,379,176
Gratuity Paid during the Period	(6,325,692)	(4,319,872)
Balance at the end of the year	<u>20,878,287</u>	<u>16,589,515</u>

31.1 Expenses on Defined Benefit Plan	Company	
	2024 Rs.	2023 Rs.
Net Current Service Cost for the year	2,626,139	2,986,489
Interest cost for the year	3,317,903	2,573,085
(Gain)/Loss arising from changes in the assumptions of the previous year	4,670,422	(3,029,363)
	<u>10,614,464</u>	<u>2,530,211</u>

31.2 Assumptions	Company	
	2024	2023
Discount Rate	12.00%	20.00%
Salary Increment	10%	12%
Retirement Age	60 Years	60 Years

## 31.3 Sensitivity Analysis

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used. The sensitivity was carried for both the salary increment rate and discount rate. Simulation made for retirement benefit obligation show that an increase or decrease by 1% of salary increment rate and discount rate has the following effect of the retirement benefit obligation.

Discount Rate	Company	
	2024	2023
1% increase	(19,686,118)	(15,844,830)
1% decrease	22,202,842	17,399,416
<b>Salary Increment Rate</b>		
1% increase	22,298,637	17,512,539
1% decrease	(19,581,070)	(15,731,730)

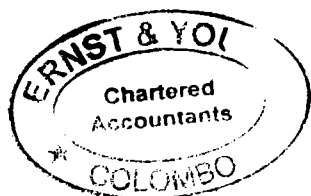
## 31.4 The Expected Benefit Payout in the Future Years for Retirement Gratuity

	Company	
	2024	2023
Within the Next 12 Months	1,765,577	2,023,391
Between 2 and 5 Years	10,869,971	9,505,707
Beyond 5 Years	8,242,739	5,060,416

## 32. STATED CAPITAL

32.1 Issued and Fully Paid-Ordinary shares	2024		2023	
	No of Shares	Rs.	No of Shares	Rs.
At the beginning of the year	176,666,403	2,240,830,690	153,333,069	1,890,830,690
Issued during the year	12,500,000	175,000,000	23,333,334	350,000,000
At the end of the year	<u>189,166,403</u>	<u>2,415,830,690</u>	<u>176,666,403</u>	<u>2,240,830,690</u>

The Company issued 12,500,000 Ordinary shares to their Parent Company (Richard Pieris and Company PLC - 11,521,738) and Group Company (Kegalle Plantations PLC - 978,262).



33. STATUTORY RESERVE FUND	2024 Rs.	2023 Rs.
Opening balance	88,438,410	88,438,410
Transfer during the year	-	-
Closing balance at 31st March	<u>88,438,410</u>	<u>88,438,410</u>

The statutory reserve fund is maintained by Finance Companies (Capital Funds) Direction No. 1 of 2003 as per Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts.

33.1 Regulatory Loss Allowance Reserve	2024 Rs.	2023 Rs.
Opening balance	773,644,410	-
Transfer during the year	168,983,955	773,644,410
Closing balance at 31st March	<u>942,628,365</u>	<u>773,644,410</u>

Regulatory Loss Allowance Reserve (RLAR) was made during the financial year 2023/24 to match the gap between regulatory time based provision and impairment based on Sri Lanka Financial Reporting Standards (SLFRS) on loans and advances.

### 34. FAIR VALUE

#### Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the financial instruments.

#### Financial Investments - Held for Trading

Financial investments measured at fair value are quoted equities. For quoted equities Company uses quoted market price in active markets as at the reporting date.

#### Financial Investments - Fair Value through Other Comprehensive Income

Financial Investments - Fair Value through Other Comprehensive Income, primarily consist of equity securities and Government debt securities are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and quoted equities are valued using quoted market prices in the active markets as at the reporting date.

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

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

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

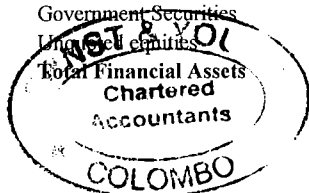
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

#### Company

As at 31 March 2024	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial Assets</b>				
<b>Financial investments - at Fair Value through OCI</b>				
Government Securities	-	949,509,655	-	949,509,655
Unquoted equities	-	-	793,223	793,223
<b>Total Financial Assets</b>	<u>-</u>	<u>949,509,655</u>	<u>793,223</u>	<u>950,302,878</u>
<b>As at 31 March 2023</b>	<b>Level 1 Rs.</b>	<b>Level 2 Rs.</b>	<b>Level 3 Rs.</b>	<b>Total Rs.</b>
<b>Financial Assets</b>				
<b>Financial investments - at Fair Value through OCI</b>				
Government Securities	-	918,190,212	-	918,190,212
Unquoted equities	-	-	793,100	793,100
<b>Total Financial Assets</b>	<u>-</u>	<u>918,190,212</u>	<u>793,100</u>	<u>918,983,312</u>



**35. FAIR VALUE OF FINANCIAL INSTRUMENTS****35.1 Determination of Fair Value and Fair Value Hierarchy**

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

Company	Level	2024		2023	
		Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
<b>Financial Assets</b>					
Lease Receivable at Amortized Cost	Level 2	4,854,303,430	4,240,389,393	4,359,670,640	3,457,361,155
HP Receivable at Amortized Cost	Level 2	2,831,616	754,241	6,890,827	5,870,479
Loans and Receivables at Amortized Cost	Level 2	7,408,301,623	4,806,289,350	7,384,175,741	5,549,012,090
		<u>12,265,436,669</u>	<u>9,047,432,984</u>	<u>11,750,737,209</u>	<u>9,012,243,724</u>
<b>Financial Liabilities</b>					
Debt Issued and Other Borrowed Funds	Level 2	3,668,107,692	3,395,952,323	3,819,512,831	3,771,470,502
Due to Customers	Level 2	10,548,465,658	11,201,890,716	8,582,324,357	8,669,347,150
		<u>14,216,573,350</u>	<u>14,597,843,039</u>	<u>12,401,837,188</u>	<u>12,440,817,652</u>

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

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

**Assets & Liabilities for which Fair Value Approximates Carrying Value**

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.(Cash and Bank Balance, Investment in Fixed Deposits and Other Payables)

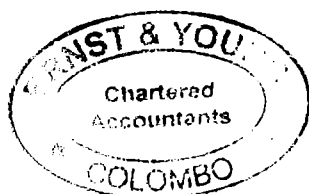
Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

**Fixed Rate Financial Instruments**

Carrying amounts are considered as fair values for short term credit facilities. All credit facilities with fixed interest rates were fair valued using market rates at which fresh credit facilities were granted during the last month of the reporting year. Conversely, fixed deposits with remaining tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the last month of the reporting year.

**Reclassification of Financial Assets**

There were no reclassifications during 2023/24.



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

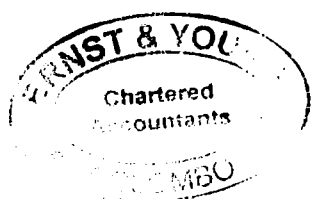
## 36. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

## Company

As at 31 March 2024

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/03/2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>						
Cash and Bank Balances	467,587,736	-	-	-	-	467,587,736
Investments in Fixed Deposits/REPO	-	1,231,291,671	-	-	-	1,231,291,671
Lease Receivable at Amortized Cost	1,774,987,137	1,208,745,110	2,216,959,270	466,135,935	1,142,374	5,667,969,825
HP Receivable at Amortized Cost	5,425,745	245,268	-	-	-	5,671,013
Loans and Receivables at Amortized Cost	4,305,549,442	1,493,165,871	1,544,010,833	611,366,365	371,486,078	8,325,578,588
Other Financial Assets	181,101,145	-	-	-	-	181,101,145
Other Non Financial Assets	177,750,569	-	-	-	-	177,750,569
Land Stock	-	-	1,272,403,264	-	-	1,272,403,264
Financial investments - at Fair Value through Profit or Loss	-	-	-	-	-	-
Financial investments - at Fair Value through OCI	316,025,293	633,484,363	793,223	-	-	950,302,878
Goodwill	-	-	-	-	315,790,723	315,790,723
Deferred Tax Assets	-	-	-	-	298,600,652	298,600,652
Intangible Assets	-	-	-	-	9,942,816	9,942,816
Investment Property	-	-	-	-	63,743,000	63,743,000
Income Taxation Receivables	-	-	38,277,729	-	-	38,277,729
Right of use Assets	-	-	109,986,350	-	-	109,986,350
Property, Plant and Equipment	-	-	-	-	217,456,184	217,456,184
<b>Total Assets</b>	<b>7,228,427,066</b>	<b>4,566,932,283</b>	<b>5,182,430,668</b>	<b>1,077,502,300</b>	<b>1,278,161,825</b>	<b>19,333,454,142</b>
<b>Liabilities</b>						
Bank Overdraft	95,506,390	-	-	-	-	95,506,390
Due to Customers	4,302,495,083	4,161,053,056	953,100,811	1,131,816,708	-	10,548,465,658
Debt Issued and Other Borrowed Funds	733,251,436	1,087,113,183	1,847,743,073	-	-	3,668,107,692
Other Payables	347,271,223	24,097,814	52,527,811	45,018,101	5,729,095	474,644,043
Deferred Taxation Liabilities	-	-	-	-	-	-
Retirement Benefit Obligations	-	-	20,878,287	-	-	20,878,287
<b>Total Liabilities</b>	<b>5,478,524,132</b>	<b>5,272,264,053</b>	<b>2,874,249,982</b>	<b>1,176,834,809</b>	<b>5,729,095</b>	<b>14,807,602,070</b>
<b>Net Assets/(Liability)</b>	<b>1,749,902,934</b>	<b>(705,331,770)</b>	<b>2,308,180,687</b>	<b>(99,332,509)</b>	<b>1,272,432,731</b>	<b>4,525,852,072</b>

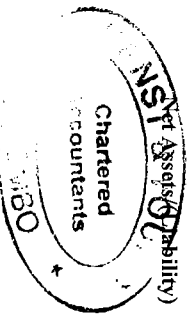


## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 36. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES (Contd...)

Company As at 31 March 2023	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total as at 31/03/2023 Rs.
<b>Assets</b>						
Cash and Bank Balances	1,184,993,802	-	-	-	-	1,184,993,802
Investments in Fixed Deposits/REPO	-	57,899,486	-	-	-	57,899,486
Lease Receivable at Amortized Cost	1,548,587,332	1,170,553,651	1,831,095,555	446,574,970	459,011	4,997,270,520
HP Receivable at Amortized Cost	5,453,470	3,689,228	754,861	-	-	9,897,559
Loans and Receivables at Amortized Cost	3,360,974,195	2,189,119,677	1,742,551,117	726,600,313	412,138,361	8,431,383,663
Other Financial Assets	221,517,750	-	-	-	-	221,517,750
Other Non Financial Assets	90,999,359	-	-	-	-	90,999,359
Land Stock	-	-	1,360,823,720	-	-	1,360,823,720
Financial investments - at Fair Value through Profit or Loss	18,438,396	-	-	-	-	18,438,396
Financial investments - at Fair Value through OCI	24,139,340	850,548,772	44,295,200	-	-	918,983,312
Goodwill	-	-	-	-	-	315,790,723
Deferred Tax Assets	-	-	-	-	-	171,065,954
Intangible Assets	-	-	-	-	-	11,902,405
Investment Property	-	-	-	-	64,765,220	64,765,220
Income Taxation Receivables	-	-	37,263,346	-	-	37,263,346
Right of use Assets	-	-	131,251,038	-	-	131,251,038
Property, Plant and Equipment	-	-	-	-	198,297,994	198,297,994
<b>Total Assets</b>	<b>6,455,103,644</b>	<b>4,271,810,815</b>	<b>5,148,034,837</b>	<b>1,173,175,283</b>	<b>1,174,419,668</b>	<b>18,222,544,247</b>
<b>Liabilities</b>						
Bank Overdraft	849,693,850	-	-	-	-	849,693,850
Due to Customers	3,129,816,677	3,171,370,928	991,898,553	1,289,238,219	-	8,582,324,357
Debt Issued and Other Borrowed Funds	602,749,198	1,460,515,133	1,756,248,500	-	-	3,819,512,831
Other Payables	208,995,050	23,798,674	45,587,377	54,969,862	14,981,973	348,332,936
Deferred Taxation Liabilities	-	-	-	-	-	-
Retirement Benefit Obligations	-	-	16,589,515	-	-	16,589,515
<b>Total Liabilities</b>	<b>4,791,254,774</b>	<b>4,655,684,736</b>	<b>2,810,323,925</b>	<b>1,344,208,081</b>	<b>14,981,973</b>	<b>13,616,453,488</b>
	<b>1,663,848,870</b>	<b>(383,873,921)</b>	<b>2,337,710,912</b>	<b>(171,032,798)</b>	<b>1,159,437,696</b>	<b>4,606,090,759</b>



## 37. RISK MANAGEMENT

### 37.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for managing the risk exposures relating to his / her functional areas.

The Company identifies the following key financial risks in its business operations.

- Credit Risk
- Liquidity Risk
- Market Risk

### RISK MANAGEMENT STRUCTURE

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the board has been established and delegated risk management responsibilities. This committee plays a vital role in establishing best practices in relation to risk policies and practices in relation to risk policies and practices within the company. The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the integrated Risk Management Committee meetings. The committee fulfils the requirement set out in the Finance Leasing Direction No.4 of 2009 on Corporate Governance for Finance Leasing Establishments issued by Central Bank of Sri Lanka (CBSL) under Finance Leasing Act, No.56 of 2000. The Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 2 Directors. Chief Executive Officer and Key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

### 37.2 Credit Risk

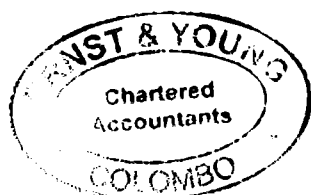
Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risk.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis,

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.





## 37. RISK MANAGEMENT (Contd...)

## 37.2 Credit Risk

## 37.2.1 Net Exposure to credit Risk

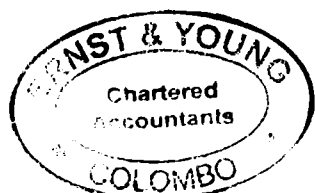
Company	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
<b>As at 31 March 2024</b>		
Cash and Bank Balances	467,587,736	467,587,736
Investments in Fixed Deposits/REPO	1,231,291,671	1,231,291,671
Lease Receivable at Amortized Cost	4,854,303,430	-
HP Receivable at Amortized Cost	2,831,616	-
Loans and Receivables at Amortized Cost	7,408,301,623	422,774,181
Financial investments - at Fair Value through OCI	950,302,878	950,302,878
<b>Total Financial Assets</b>	<b>14,914,618,955</b>	<b>3,071,956,467</b>
<b>As at 31 March 2023</b>		
Cash and Bank Balances	1,184,993,802	1,184,993,802
Investments in Fixed Deposits/REPO	57,899,486	57,899,486
Lease Receivable at Amortized Cost	4,359,670,640	-
HP Receivable at Amortized Cost	6,890,827	-
Loans and Receivables at Amortized Cost	7,384,175,741	324,168,658
Financial Investments - Fair Value through OCI	918,983,312	918,983,312
<b>Total Financial Assets</b>	<b>13,912,613,809</b>	<b>2,486,045,258</b>

## 37.2.2 Credit Quality by Class of Financial Assets

## Company

As at 31 March 2024	Neither Past Due Nor Impaired* Rs.	Past Due But Not Impaired* Rs.	Individually Impaired Rs.	Total Rs.
<b>Assets</b>				
Cash and Bank Balances	467,587,736	-	-	467,587,736
Investments in Fixed Deposits	1,231,291,671	-	-	1,231,291,671
Lease Receivable at Amortized Cost	2,011,784,865	3,656,184,960	-	5,667,969,826
HP Receivable at Amortized Cost	389,805	5,281,208	-	5,671,013
Loans and Receivables at Amortized Cost	2,476,585,155	5,848,993,432	-	8,325,578,588
Financial investments - at Fair Value through OCI	950,302,878	-	-	950,302,878
Collective impairment Provision	-	-	-	(1,733,782,758)
<b>Total Financial Assets</b>	<b>7,137,942,111</b>	<b>9,510,459,601</b>	<b>-</b>	<b>14,914,618,954</b>

\*Collectively assessed for impairment



## 37. RISK MANAGEMENT (Contd...)

## 37.2.2 Credit Quality by Class of Financial Assets (Contd...)

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

	Past Due But Not Impaired				Total
	Less than 31 days	31 to 60 days	61 to 90 days	More than 90 days	
Lease Receivable at Amortized Cost	3,007,763,929	464,305,563	158,045,343	26,070,124	3,656,184,960
HP Receivable at Amortized Cost	2,720,567	-	-	2,560,641	5,281,208
Loans and Receivables at Amortized Cost	3,651,896,599	1,304,202,186	845,045,919	47,848,729	5,848,993,432
	<u>6,662,381,095</u>	<u>1,768,507,749</u>	<u>1,003,091,263</u>	<u>76,479,494</u>	<u>9,510,459,601</u>

## Company

As at 31 March 2023

	Neither Past Due Nor Impaired*	Past Due But Not Impaired*	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>				
Cash and Bank Balances	1,184,993,802	-	-	1,184,993,802
Investments in Fixed Deposits	57,899,486	-	-	57,899,486
Lease Receivable at Amortized Cost	1,434,126,128	3,563,144,392	-	4,997,270,520
HP Receivable at Amortized Cost	5,351,824	4,545,735	-	9,897,559
Loans and Receivables at Amortized Cost	2,237,957,865	6,193,425,798	-	8,431,383,663
Financial investments - at Fair Value through OCI	918,983,312	-	-	918,983,312
Financial investments - at Fair Value through Profit or Loss	18,438,396	-	-	18,438,396
Collective impairment Provision	-	-	-	(1,687,814,533)
<b>Total Financial Assets</b>	<u>5,857,750,812</u>	<u>9,761,115,925</u>	<u>-</u>	<u>13,931,052,204</u>

\*Collectively assessed for impairment

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

	Past Due But Not Impaired				Total
	Less than 31 days	31 to 60 days	61 to 90 days	More than 90 days	
Lease Receivable at Amortized Cost	817,811,759	616,747,937	465,389,056	1,663,195,640	3,563,144,392
HP Receivable at Amortized Cost	-	-	-	4,545,735	4,545,735
Loans and Receivables at Amortized Cost	1,051,105,811	666,040,404	803,528,557	3,672,751,026	6,193,425,798
	<u>1,868,917,570</u>	<u>1,282,788,341</u>	<u>1,268,917,613</u>	<u>5,340,492,401</u>	<u>9,761,115,925</u>

## 37.2.3 Sensitivity Analysis of Allowance for Impairment Losses

Changed Criteria	Change Factor	Sensitivity Effect on Allowance for Impairment Losses	
		2024	2023
Loss Given Default (LGD)	Increased by 1%	75,679,420	72,850,655
Probability of Default (PD)	Increased by 1%	9,795,577	12,556,212
Economic Factor Adjustment (EFA)	Increased by 1%	6,673,041	2,695,012



Richard Pieris Finance Limited  
 NOTES TO THE FINANCIAL STATEMENTS  
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37. RISK MANAGEMENT (Contd...)

37.2.4 Weighted ages assigned for each scenario is given below

Scenario	2024 Weightage	2023 Weightage
Base Case	10%	10%
Best Case	10%	10%
Worst Case	80%	80%

37.2.5 Analysis of Risk Concentration

INDUSTRY ANALYSIS

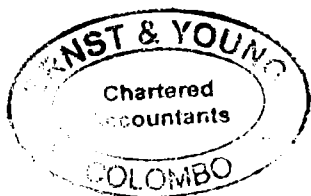
The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Company  
 As at 31 March 2024

Sector wise Breakdown	Leases Rs.	Hire Purchase Rs.	Loans and Advances Rs.	Total Rs.
Agriculture	634,334,903	1,991,293	1,355,583,539	1,991,909,735
Manufacturing	473,393,211	2,720,567	1,338,137,757	1,814,251,535
Construction	509,840,890	-	882,729,350	1,392,570,240
Financial Services	149,296,498	389,805	411,620,397	561,306,700
Trading	900,225,910	-	1,832,854,852	2,733,080,762
Telecommunication	73,007,661	-	164,804,833	237,812,494
Transportation	923,460,428	569,348	913,663,289	1,837,693,065
Services	1,787,458,527	-	1,136,518,808	2,923,977,336
Other	216,951,798	-	289,665,761	506,617,559
<b>Total</b>	<b>5,667,969,825</b>	<b>5,671,013</b>	<b>8,325,578,588</b>	<b>13,999,219,426</b>

Company  
 As at 31 March 2023

Sector wise Breakdown	Leases Rs.	Hire Purchase Rs.	Loans and Advances Rs.	Total Rs.
Agriculture	614,234,442	1,991,294	1,155,998,980	1,772,224,716
Manufacturing	482,737,585	5,351,823	1,495,759,053	1,983,848,460
Construction	492,257,497	-	885,157,012	1,377,414,509
Financial Services	175,381,779	1,989,594	387,258,570	564,629,943
Trading	781,265,654	-	1,861,218,688	2,642,484,342
Telecommunication	84,689,430	-	148,848,972	233,538,401
Transportation	978,299,896	564,848	968,152,569	1,947,017,313
Services	1,222,778,428	-	1,281,331,531	2,504,109,959
Other	165,625,810	-	247,658,288	413,284,098
<b>Total</b>	<b>4,997,270,520</b>	<b>9,897,559</b>	<b>8,431,383,663</b>	<b>13,438,551,741</b>



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

## 37. RISK MANAGEMENT (Contd...)

## 37.3 Liquidity Risk &amp; Funding Management

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for or a financial institution can take two forms: transactions liquidity, a property of assets or markets, and funding liquidity, which is more closely related to creditworthiness.

Transaction liquidity risk is the risk of moving the price of an asset adversely in the act of buying or selling it. Company's transaction liquidity risk is low if assets can be liquidated without moving the price too much.

Funding liquidity risk means the Company's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions as a whole are deteriorating.

The company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly analyses and monitors liquidity positions and, maintain an adequate margin of safety in liquid assets.

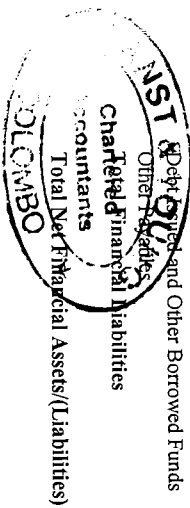
The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024. The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and Covid-19 related events.

## 37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

## Company

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2024

As at 31 March 2024	On Demand					Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Total as at 31/03/2024
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial Assets																
Cash and Bank Balances	467,587,736	-	-	-	-	-	-	-	-	-	-	-	-	-	-	467,587,736
Investments in Fixed Deposits/REPO	-	-	-	1,231,291,671	-	-	-	-	-	-	-	-	-	-	-	1,231,291,671
Lease Receivable at Amortized Cost	245,548,895	1,848,175,528	1,977,128,607	3,107,487,048	562,737,292	1,271,985	7,742,349,356	-	-	-	-	-	-	-	7,742,349,356	
HP Receivable at Amortized Cost	428,485	5,018,742	256,475	-	-	-	5,703,702	-	-	-	-	-	-	-	5,703,702	
Loans and Receivables at Amortized Cost	1,043,272,279	3,369,456,168	1,710,014,190	1,814,218,686	646,844,391	371,985,893	8,955,791,608	-	-	-	-	-	-	-	8,955,791,608	
Financial investments - at Fair Value through OCI	-	316,025,293	633,484,363	793,223	-	-	950,302,878	-	-	-	-	-	-	-	950,302,878	
Total Financial Assets	1,756,837,396	5,538,675,731	5,552,175,307	4,922,498,957	1,209,581,683	373,257,878	19,353,026,952	-	-	-	-	-	-	-	19,353,026,952	
Financial Liabilities																
Bank Overdraft	95,506,390	-	-	-	-	-	-	-	-	-	-	-	-	-	-	95,506,390
Due to Customers	1,265,666,886	3,036,828,198	4,161,053,056	953,100,811	1,131,816,708	-	10,548,465,658	-	-	-	-	-	-	-	10,548,465,658	
Deposits and Other Borrowed Funds	-	733,251,436	1,087,113,183	1,847,743,073	-	-	3,668,107,692	-	-	-	-	-	-	-	3,668,107,692	
Other Liabilities	-	347,271,223	24,097,814	52,527,811	45,018,101	5,729,095	474,644,043	-	-	-	-	-	-	-	474,644,043	
Chartered Financial Institutions	1,361,173,275	4,117,350,856	5,272,264,053	2,853,371,695	1,176,834,809	5,729,095	14,786,723,783	-	-	-	-	-	-	-	14,786,723,783	
Total Net Financial Assets/(Liabilities)	395,664,121	1,421,324,874	279,911,254	2,069,127,262	32,746,874	367,528,783	4,566,303,169	-	-	-	-	-	-	-	4,566,303,169	



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

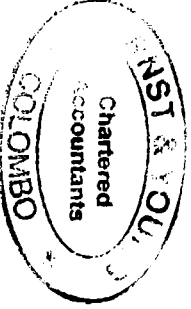
## 37. RISK MANAGEMENT (Contd...)

## 37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities (Contd...)

## Company

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2023.

As at 31 March 2023	On Demand		Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Total as at 31/03/2023
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Financial Assets													
Cash and Bank Balances	1,184,993,802	-	-	-	57,899,486	-	-	-	-	-	-	-	1,184,993,802
Investments in Fixed Deposits/REPO	-	-	-	-	-	-	-	-	-	-	-	-	57,899,486
Lease Receivable at Amortized Cost	1,367,410,895	390,253,207	1,666,220,489	2,409,000,572	519,449,859	471,294	-	-	-	-	-	6,352,806,316	
HP Receivable at Amortized Cost	4,847,591	1,239,462	4,105,070	787,550	-	-	-	-	-	-	-	10,979,673	
Loans and Receivables at Amortized Cost	2,878,060,167	623,757,486	2,522,686,971	2,170,354,855	817,027,932	416,886,785	-	-	-	-	-	9,428,774,196	
Financial Investments - at Fair Value through OCI	-	24,139,340	850,548,772	44,295,200	-	-	-	-	-	-	-	918,983,312	
<b>Total Financial Assets</b>	<b>5,435,312,455</b>	<b>1,039,389,495</b>	<b>5,101,460,789</b>	<b>4,624,438,178</b>	<b>1,336,477,791</b>	<b>417,358,079</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,954,436,785</b>	
Financial Liabilities													
Bank Overdraft	849,693,850	-	-	-	-	-	-	-	-	-	-	-	849,693,850
Due to Customers	910,791,192	2,219,025,485	3,171,370,928	991,898,533	1,289,238,219	-	-	-	-	-	-	8,582,324,357	
Debt Issued and Other Borrowed Funds	-	602,749,198	1,460,515,133	1,756,248,500	45,587,377	-	-	-	-	-	-	3,819,512,831	
Other Payables	-	208,995,050	23,798,674	45,587,377	54,969,862	14,981,973	-	-	-	-	-	348,332,936	
<b>Total Financial Liabilities</b>	<b>1,760,485,041</b>	<b>3,030,769,732</b>	<b>4,655,684,736</b>	<b>2,793,734,410</b>	<b>1,344,208,081</b>	<b>14,981,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,599,863,973</b>	
<b>Total Net Financial Assets/(Liabilities)</b>	<b>3,674,827,413</b>	<b>(1,991,380,238)</b>	<b>445,776,053</b>	<b>1,830,703,768</b>	<b>(7,730,291)</b>	<b>402,376,106</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,354,572,812</b>	



**37. RISK MANAGEMENT (Contd...)****37.4 Market Risk**

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

**37.4.1 Interest Rate Risk**

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

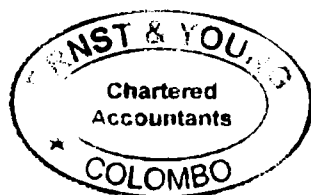
The Management of the Company is closely scrutinizing the impact on NII/NIMs resulting from interest rate related relief measures announced by CBSL to the Covid-19 affected groups.

**INTEREST RATE SENSITIVITY**

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

**Net Interest Income (NII) Sensitivity by Interest Rate Change****Company**

Parallel Increase / Decrease of Basis Points (bps)*		2024		2023	
		+/- 100 bps	+/- 200 bps	+/- 100 bps	+/- 200 bps
Impact on NII (Rs)	Increase	1,349,515	2,699,030	5,239,110	10,478,220
	Decrease	(1,349,515)	(2,699,030)	(5,239,110)	(10,478,220)



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

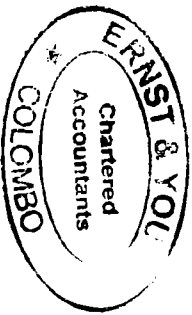
## 37. RISK MANAGEMENT (Contd...)

## 37.4 Market Risk (Contd...)

## 37.4.2 Interest Rate Risk Exposure on Financial Assets &amp; Liabilities

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

Company	As at 31st March 2024	Up to 03 Months					03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Non Interest Bearing	Total as at 31/03/2024
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			
<b>Assets</b>																
Cash and Bank Balances	-	-	-	-	-	-	-	-	-	-	-	-	-	467,587,736	467,587,736	
Investments in Fixed Deposits	-	1,231,291,671	-	-	-	-	-	-	-	-	-	-	-	-	1,231,291,671	
Lease Receivable at Amortized Cost	1,774,987,137	1,208,745,110	2,216,959,270	466,135,935	1,142,374	-	-	-	-	-	-	-	-	-	5,667,969,825	
HP Receivable at Amortized Cost	5,425,745	245,268	-	-	-	-	-	-	-	-	-	-	-	-	5,671,013	
Loans and Receivables at Amortized Cost	4,305,549,442	1,493,165,871	1,544,010,833	611,366,365	371,486,078	-	-	-	-	-	-	-	-	-	8,325,578,588	
Financial investments - at Fair Value through OCI	316,025,293	633,484,363	793,223	-	-	-	-	-	-	-	-	-	-	-	950,302,878	
Other Financial Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	181,101,145	181,101,145	
<b>Total Financial Assets</b>	<b>6,401,987,616</b>	<b>4,566,932,283</b>	<b>3,761,763,326</b>	<b>1,077,502,300</b>	<b>372,628,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>648,688,881</b>	<b>16,829,502,857</b>		
<b>Financial Liabilities</b>																
Bank Overdraft	95,506,390	-	-	-	-	-	-	-	-	-	-	-	-	-	95,506,390	
Due to Customers	4,302,495,083	4,161,053,056	953,100,811	1,131,816,708	-	-	-	-	-	-	-	-	-	-	10,548,465,658	
Debt Issued and Other Borrowed Funds	733,251,436	1,087,113,183	1,847,743,073	-	-	-	-	-	-	-	-	-	-	-	3,668,107,692	
Other Payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	474,644,043	
<b>Total Financial Liabilities</b>	<b>5,131,252,908</b>	<b>5,248,166,239</b>	<b>2,800,843,884</b>	<b>1,131,816,708</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474,644,043</b>	<b>14,786,723,783</b>		
<b>INTEREST SENSITIVITY GAP</b>	<b>1,270,734,707</b>	<b>(681,233,957)</b>	<b>960,919,442</b>	<b>(54,314,408)</b>	<b>372,628,452</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,044,838</b>	<b>2,042,779,074</b>		







**38. RELATED PARTY TRANSACTIONS**

The Company carried out transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of related party transactions during the year are as follows,

**38.1 Transactions with Key Managerial Personnel (KMPs)**

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company and Parent Company and Chief Executive Officer and senior management of the Company.

**38.1.1 Key Management Personnel Compensation**

	2024 Rs.	2023 Rs.
Short Term Employment Benefits	50,699,304	46,400,604
Directors Emoluments	2,104,200	2,149,333
	<u>52,803,504</u>	<u>48,549,937</u>

In addition to the above, the Company has also paid non cash benefits such as vehicles and fuel to key management personnel in line with the approved employment benefits of the Company.

**38.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the Family (CFMs)**

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

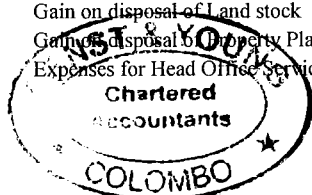
Statement of Financial Position	Reported Under	2024 Rs.	2023 Rs.
<b>Liabilities</b>			
Fixed Deposits	Due to Customers	<u>2,038,413</u>	<u>26,580,351</u>
<b>Assets</b>			
Loans	Loans and Receivables	<u>-</u>	<u>-</u>
<b>Income Statement</b>			
Interest Expense on Fixed Deposits	Interest Expenses	<u>348,298</u>	<u>1,316,113</u>
<b>Other Transactions</b>			
Deposits Accepted During the Year		3,259,932	26,235,958
Loans Granted During the Year		<u>-</u>	<u>-</u>
		<u>3,259,932</u>	<u>26,235,958</u>

**38.1.3 Transactions with Group Entities**

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

**Transactions with Parent Company**

Statement of Financial Position		2024 Rs.	2023 Rs.
<b>Receivables</b>			
Head Office Current Accounts		5,118,258	-
<b>Liabilities</b>			
Head Office Current Accounts		-	1,613,160
Borrowings		70,000,000	400,000,000
<b>Income Statement</b>			
Interest Expense on current account	Interest Expenses	-	-
Interest Expense on Borrowings	Interest Expenses	42,298,288	211,509,760
Gain on disposal of Land and stock	Other Operating Income	-	-
Gain on disposal of Property Plant and Equipment	Other Operating Income	-	3,983,333
Expenses for Head Office Services	Other Operating Expenses	4,454,257	3,436,776
		<u>46,752,545</u>	<u>218,929,870</u>



Richard Peris Finance Limited  
NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2024

38. RELATED PARTY TRANSACTIONS (Contd...)

38.1.3 Transactions with Group Entities

As at 31 March 2024

Name of the Company	Relationship	Nature of Transaction	Statement of Financial Position					Income Statement				
			(Receivables) / Payables	Loans, Advances & Investments	Borrowings / Deposits	Plant & Equip. Purchased / (sold)	Right of use Assets / (Liability)	Guarantee	Income Earned	Cost Incurred		
Richard Peris and Company PLC	Parent Company	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	(5,118,258)	-	70,000,000	-	-	-	-	42,298,288	-	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Leases Right of use Assets Building rent Building rent & electricity Creditor payable Lease liability Fixed Deposit	-	-	-	-	35,031,811	-	-	-	13,324,505	-
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	(30,235,005)	-	-	-	-	-	-	3,040,351	-	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	36,397,901	-	-	-	-	-	-	-	9,900,530	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	4,529,843	-	-	-	-	(42,337,803)	-	-	7,410,078	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	100,170,411	-	-	-	-	-	12,474,082	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	200,340,822	-	-	-	-	-	24,948,164	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	216,254,720	-	-	-	-	-	30,197,297	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	1,307,342	-	-	-	-	-	-	-	-	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	(4,900,000)	-	-	-	-	-	-	-	-	
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	(3,061,667)	-	-	-	-	-	-	-	-	

The Company issued 12,500,000 Ordinary shares to their Parent Company (Richard Peris and Company PLC - 11,521,738) and Group Company (Kegalle Plantations PLC - 978,262).

Terms and Conditions

\* 5 Year Subordinated unsecured Related Party Loan is at the rate of 12.44% per annum.

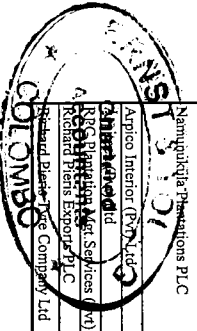
\*\* Related Party Loan from Richard Peris and Company PLC is at the rate of 12% per annum.

\*\*\* Related Party Fixed Deposit from Namunukula Plantations PLC is at the rate of 10.25% per annum.

Outstanding balances with related parties are unsecured other than where there are leasing and similar arrangements and bear interest as applicable to relevant products.

As at 31 March 2023

Name of the Company	Relationship	Nature of Transaction	Statement of Financial Position					Income Statement			
			(Receivables) / Payables	Loans, Advances & Investments	Borrowings / Deposits	Plant & Equip. Purchased / (sold)	Right of use Assets / (Liability)	Guarantee	Income Earned	Cost Incurred	
Richard Peris and Company PLC	Parent Company	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	1,613,160	-	400,000,000	-	-	-	-	211,509,760	-
Richard Peris and Company PLC	Parent Company	Leases Right of use Assets Building rent Building rent & electricity Creditor payable Lease liability Fixed Deposit	-	744,398	-	-	43,789,662	-	-	-	3,436,776
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	(26,715,234)	-	100,170,411	-	-	-	-	3,015,223	-
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	16,182,995	-	200,340,822	-	-	-	-	-	7,889,945
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	6,527,000	-	180,810,505	-	-	-	-	-	24,923,178
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	12,440,000
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	24,880,000
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	55,500,000
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	36,441,643
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	20,965,845
Richard Peris Distributors Ltd - Retailing	Fellow Subsidiary	Receivables Borrowings** Gain on disposal of Property Plant and Equipment Expenses for shared Services Fixed Deposit	-	-	-	-	-	-	-	-	31,448,301



**39. CAPITAL**

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

**39.1 Capital Management**

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

## Computation of Capital Adequacy Ratios

	2024		2023	
	Actual	Required	Actual	Required
Tier I Capital (Rs.000)	1,142,901		1,491,963	
Total Capital (Rs.000)	2,054,302		2,655,687	
Total Risk Weighted Amount (Rs.000)	15,885,422		15,954,585	
Tier I Capital Ratio (%)	7.19%	8.50%	9.35%	8.50%
Total Capital Ratio (%)	12.93%	12.50%	16.65%	12.50%
Core Capital (Rs.000)	1,767,235	2,500,000	2,769,518	2,500,000

Company is yet to comply with the minimum Capital Adequacy Requirement set out in the Direction No.03 of 2018 of Finance Business Act as of 31 March 2024. As a result, the Central Bank of Sri Lanka had issued letter dated 17 October 2023 imposing temporary cap on deposits amounting to Rs. 10.6 Bn until required minimum Capital Adequacy Requirement is met.

In this regard, Board of Directors are currently taking the required steps to try and secure new capital infusions in order to comply with the minimum capital requirement.

**40. EVENTS OCCURRING AFTER THE REPORTING DATE**

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

**41. COMMITMENTS AND CONTINGENCIES**

There were no material Contingent Liabilities or Commitments as at reporting date.

