ANNUAL REPORT 2022/23

LOLC CEYLON HOLDINGS PLC

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Contents

Financial Highlights

	March 2023	March 2022
Group		
Performance Indicators - Rs. Mn		
Gross income	88,976	39,604
Net profit before tax	14,060	19,570
Net profit after tax	14,163	18,635
Total loans and advances (total portfolio)	258,462	231,063
Total deposits	201,271	166,281
Outstanding borrowings	41,642	61,642
Total assets	396,396	341,919
Equity attributable to shareholders of the Company	93,287	70,088
Non-controlling interests	19,928	24,401
Key Indicators - Rs. per share		
Net assets value per share	22.39	16.83
Earnings per share (basic)	2.75	5.28
Key ratios		
Return on average equity (%)	13.64	19.72
Return on average assets (%)	3.84	5.45
Company		
Performance Indicators - Rs. Mn		
Gross income	88	7,829
Net profit / (loss) before tax	(35)	7,785
Net profit /(loss) after tax	(35)	7,785
Total assets	53,039	50,479
Shareholders' funds (capital and reserves)	49,407	49,441
Key Indicators - Rs. per share		
Net assets value per share	11.86	11.87
Earnings per share (basic)	(0.01)	3.74
Key ratios		
Return /(Loss) on average equity (%)	(0.001)	15.75
Return / (Loss) on average assets (%)	(0.001)	15.42

Directors’ Profiles

I C NANAYAKKARA

Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates internationally. Coming from a strong business background, involved in their family enterprises, he ventured into the arena of financial services with a strategic investment in LOLC Holdings PLC and was appointed to the Board in 2002. In less than two decades, Nanayakkara has navigated LOLC to become not only a financial conglomerate but the most profitable conglomerate in the country making a significant impact in the global financial arena as the first Sri Lankan company with a dynamic MSME platform across the globe.

Over the years, reputed financial institutions in Sri Lanka, Cambodia, Myanmar, Pakistan, Indonesia, Philippines, Singapore, Zambia, Nigeria, Egypt, Malawi, Tanzania, Zimbabwe, Kenya, Kyrgyzstan and Tajikistan have reaped benefits from his extensive knowledge in the Micro Finance business and MSME markets. He was also instrumental in setting up Life and General Insurance businesses in the Group and pioneered the concept of Micro Insurance in Sri Lanka and Cambodia. His business acumen extends to the growth sectors of developing economies with notable investments in Leisure, holding one of the largest hotel portfolios in Sri Lanka, Maldives and Mauritius in addition to other key investments in construction, plantation, trading, manufacturing and more recently in uniquely innovative scientific initiatives.

Ishara continues to spearhead all strategic decisions of the LOLC group, both in financial and non-financial sector investments, with his vision for LOLC, being well executed with precision and commitment to create long term value for all stakeholders.

He held many prestigious positions including the Chairmanship of the Sri Lanka Institute of Nano-technology, the national arm for advanced technological solutions based on Nano technology. Known for his innovative spirit, the Group has ventured into many bio-tech businesses, including conversion of pure graphite to graphene, incorporating technological advancements, creating value to the Group’s plantation portfolio of cinnamon, tea, sugarcane, rubber, and bi-products. Investments in renewable energy in both, Sri Lanka and in Sierra Leone, with the largest sugar-based bio ethanol and power plant in Africa, has added multi-dimensional know how to his versatile business portfolio.

Ishara is a featured businessman in the international community, recognised for his invaluable contribution to Micro Finance in particular, by independent international platforms such as INSEAD business school including winning the prestigious ‘Young Entrepreneur of the Year’ Award at the Asia Pacific Entrepreneurship Awards (APEA) back in 2012.

He is the Executive Deputy Chairman of LOLC Holdings PLC, Executive Chairman of Browns Investments PLC and Brown & Company PLC. He also sits on several other boards of Group companies both locally and overseas.

K A K P GUNAWARDENA

Mr Kithsiri Gunawardena Joined LOLC in 2004 and counts over 30 years of experience as a Lawyer. He has held a number of important positions in the State, including the office of State Counsel attached to the Attorney General’s Department, the Office of Director – Legal & Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Regulatory Commission of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General. He serves on the Boards of a number of local and overseas subsidiaries within the LOLC Group.

D R SAMARAWEERA

Mr. Dulip Samaraweera is a seasoned finance professional with a track record of over 15 years in various facets of financial management, strategic planning, process enhancement, investments, and acquisitions. With a strong foundation in investment research and an extensive tenure within the LOLC Group, he has consistently demonstrated his expertise in steering financial success and fostering growth across diverse industries

Mr. Samaraweera embarked on his professional journey in 2004, venturing into the realm of investment research. His keen analytical skills and perceptive insights into financial markets laid the groundwork for his illustrious career.

Mr. Samaraweera joined the LOLC Group in 2007 and his commitment to excellence and strategic acumen led him to assume pivotal roles within the LOLC Group, where he currently serves as a director across many group companies.

Mr. Dulip Samaraweera is an alumnus of the University of Sri Jayawardenapura, where he pursued a degree in physical sciences with a specialisation in statistics and is a passed finalist of the Chartered Institute of Management Accountants (CIMA).This foundation provided him with a unique blend of analytical prowess and strategic thinking, attributes that have played a crucial role in his success as a financial leader who combines theoretical knowledge with practical application.

Throughout his career, Mr. Samaraweera has demonstrated a remarkable ability to orchestrate financial strategies that optimise performance and drive sustainable growth. His strategic mindset, coupled with his deep understanding of financial markets, has consistently resulted in informed decision-making and enhanced organisational value intertwined with ethical considerations and social responsibility.

MR. W. R. A. DHARMARATNE

Apart from two years spent overseas in Postgraduate studies, Mr. W. R. A. Dharmaratne has an unbroken service record at the Central Bank of Sri Lanka ('CBSL') from 1990.

While at the CBSL he worked in several different departments including Economic Research, Currency, Management Audit, Financial Sector Research and Human Resources.

Mr. Dharmaratne holds an MA in Economics from the University of Essex, UK, a BA in Development Studies (Special) Statistics from the University of Sri Jayawardenapura, a Postgraduate Diploma in Economic Development from the University of Colombo and a Postgraduate Diploma in Computer Technology from the University of Colombo

DR. J. M. SWAMINATHAN

Dr. J. M. Swaminathan holds LLB (Ceylon), LLM, M. Phil. (Colombo) and LLD (Honoris Causa) Degrees and is an Attorney-at-Law with over 59 years in practice. He was the former Senior Partner of Messrs. Julius & Creasy. He is a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University of Colombo. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the Board of Studies of the Council of Legal Education and also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He is a Member of the Visiting Faculty of the LLM Course of the University of Colombo. He also serves on the Boards of several public and private companies.

WE HOLD THE BELIEF THAT SUBSTANTIAL FOREIGN INVESTORS POSSESS THE CAPACITY TO NOT ONLY FOSTER THE EXPANSION OF OUR ENTERPRISES BUT ALSO ENHANCE THE QUALITY OF SERVICES EXTENDED TO OUR VALUED CLIENTELE. THE CONSORTIUM'S INCEPTION TOOK PLACE IN 2021 WITH THE ESTABLISHMENT OF LOLC FINANCE PLC, COMMERCIAL LEASING & FINANCE PLC, AND LOLC DEVELOPMENT FINANCE PLC. IN THE ONGOING FISCAL YEAR, THE GROUP HAS EXPANDED TO ENCOMPASS LOLC ASSET HOLDING LIMITED, LOLC LIFE ASSURANCE LTD, LOLC GENERAL INSURANCE PLC, LOLC SERENDIB (PVT) LTD, AND SERENDIB MICROINSURANCE PLC (CAMBODIA).

LOLC FINANCE PLC

During the 2022/23 financial year LOLC Finance PLC recorded the highest profitability numbers in its history as it merged with its sister company, Commercial Leasing & Finance PLC (CLC), to become the largest Non-Banking Financial Institution (NBFI) in Sri Lanka earlier this year. CLC had earlier acquired Sinhaputhra Finance PLC. By year-end, Group Company LOLC Development Finance was merged with LOLC Finance PLC. The new merged LOLC Finance accounts for over 20% of the total asset, liability and equity base of the NBFI industry. The market capitalisation of the merged LOLC Finance PLC stands at over Rs. 190 Bn, placing it among the top three companies on the Colombo Stock Exchange (CSE) by market capitalisation. In 2022/23, the company recorded portfolio growth of 20%, deposit growth of 26%, cost to income ratio of 43% and Profit After Tax of Rs.15.4 Bn, which is not only the highest in the NBFI industry, but more importantly, one of the highest in the entire banking industry.

LOLC Finance PLC won three prestigious awards at the Best Management Practices Company Award, 2023. These include the Overall Silver Award in Best Management Practices, Finance Category Winner Award, and the Award for Excellence in Best Management Practices. Positioned impressively on the esteemed Brand Finance Index 2023, the institution has secured a prestigious fourth-ranking position among the nation's top 10 Fastest Growing Brands, displaying an impressive 18% surge in brand expansion. Notably, LOLC Finance is also the top-most brand in LMD 100 most valuable brands within the Financial Services Sector. LOLC Finance also swept top awards, winning the People's Financial Services Brand of the Year at the 2023 SLIM-Kantar People's Awards. This marks the sixth consecutive year that LOLC has been recognised by the Sri Lankan public as the top choice in the country's financial services industry.

LOLC Finance PLC's lending operation maintained a steady performance during the year under review. The two main avenues of growth during the year were gold loans and agricultural financing. Overall, the lending unit managed to steer the company's NPL ratios well, as compared to the industry average. Digital inclusion played a key role in facilitating lending operations as customers were onboarded onto LOLC Finance's digital payment app, iPay, for customers to repay loans and advances without leaving their homes. Gold loan customers also adopted iPay. The Alternate Finance unit also recorded growth after the amalgamation of CLC's Islamic Business Unit with LOLC Al-Falaah.

The company's reputation and brand identity helped it to achieve strong growth in deposits despite the volatile nature of the economy. The progress in the company's digital journey enabled it to attract digital savings by partnering with its popular fin-tech platform, iPay, further boosting online corporate customers. As the largest NBFI and being on par with some of the largest banks in the country, LOLC Finance PLC's deposit base is the highest in the NBFI sector.

While maintaining adequate liquidity ratios, branches saw constant inflow of deposits despite adverse conditions in the country and the banking sector, which reflects the confidence in LOLC Finance PLC as the largest and most stable NBFI in Sri Lanka.

The Central Bank of Sri Lanka has granted the license to open 39 new branches for the merged entity and the company is currently in the process of identifying the precise locations in which to establish its brand presence to widen its reach.

During the year, the Salary Saver account was launched in keeping with the aim to provide a solution to corporates. The Daily Savings promotion was introduced to offer daily cash collection services for customers, which performed well during the year.

In the financial year under review, the Credit Cards unit increased its portfolio by Rs. 1.46 Bn, which reflects a 55% growth over the previous year. In addition, a total of 24,462 new cards were issued during the period, marking an average of over 2,000 new cards every month. Customer access to credit cards and payments has been enhanced by entering into an arrangement with Mobitel, which allows bottom-of-the-pyramid customers, SMEs and MSMEs, to walk into their nearest Mobitel outlets to make their card payments with ease. This is in addition to digital payment verticals such as iPay and others such as LOLC Realtime, Internet banking, Mobile banking and Direct Debit instructions. The credit cards unit is also promoting 15,000 Mobitel retailers onboarded through the new initiative to support its collection efforts and to offer convenience to customers. Furthermore, during the year under review, LOLC Finance PLC's SAVI credit cards for government employees saw a rapid uptake. In a major achievement, the SAVI portfolio surpassed the Rs. 1 Bn portfolio mark within a short span of two years. Meanwhile, the SWAIREE VISA Credit Card initiated a scheme by donating a percentage of all its cardholder's monthly spending to a

'Women's Empowerment Fund'. In 2022/23, a donation of 1,000 packs of much-needed feminine hygiene products was made to female patients in the Maharagama Cancer Hospital. Furthermore, two major campaigns were carried out during the financial year in partnership with more than 500 merchants covering various parts of the island.

iPay continued to sustain its status as the number one payment platform in Sri Lanka in terms of the number of transactions and customer acquisitions. iPay users conduct over 1.5 million transactions monthly valued at over Rs.12 billion and is the first fin-tech app to cross the 1 million transactions milestone in a month on the JustPay platform. Furthermore, iPay became the first mobile banking app to surpass the Rs. 100 Bn milestone since inception and also witnessed over 100,000 customers coming onboard in 2022/23. The upsurge in transaction volumes by 300% year-on-year is largely due to the substantial amount of iPay customers which exceed 400,000 and an over 50,000 merchant base. iPay has cornered 50% of the market share when it comes to user downloads of fintech apps and also 60% of the transaction volumes that are taking place on the JustPay platform which is a phenomenal achievement. This exceptional growth was achieved during the period under review. Several new features are also being added to enhance user experience. Further strengthening iPay's footprint beyond the island, iPay is now available in Cambodia.

As a result of its excellent performance on all fronts, iPay has become the most highly awarded fin-tech app. During 2022/23, iPay won the Gold Award for Best Mobile Application for Retail payments via JustPay (Banks and Non-Bank Financial Institutions); the Merit Award for Most Popular Digital payment product (Banks and Non-Bank Financial Institutions - Mobile payment app) at the LankaPay Technnovation Awards 2023, which is considered as the highest recognition for digital payment platforms in Sri Lanka.

Further, the iPay app was awarded at the World Business Outlook Awards 2023 as the Winner of Best Digital Finance Solution Provider- Sri Lanka 2023 and Most Innovative Non-banking Finance Solutions Provider- Sri Lanka 2023. iPay was also bestowed with the Winner status at the International Business Magazine Awards 2021 for the Most Innovative Digital Payment Solutions Provider- Sri Lanka 2021 and the Best Mobile App for Retail Payments – Sri Lanka 2021.

OYES - Own Your Earned Salary - was introduced in a soft launch 2022 and is in the process of onboarding corporates after which a full-fledged launch will be held in 2023. OYES functions as a facilitator in drawing salary advances, through offering easy access with the help of a KIOSK or through the iPay mobile app to one's earned salary.

LOLC Finance is positioned as the largest financer in the Micro, Small and Medium Enterprise (MSME) sector, armed with an active base of approximately 275,000 customers and a portfolio of Rs.190.46 Bn. During the period under review, over 69,000 loans and leases were provided to customers through products catering to Micro and SME sectors, amounting to Rs. 78.31 Bn. In order to mitigate the impact of volatile interest rates that prevailed in the market through the year, the company reintroduced flexible interest rates especially for SME customers. Providing further benefits to customers and suppliers, the company entered into several Memorandums of Understanding (MOUs) with leading vehicle and agricultural equipment suppliers, to provide a one-stop shop for customers' leasing requirements.

LOLC Finance PLC's Gold Loans proposition was enhanced during the year under review by offering the product across many more branches than in the previous year, which served to drive gross portfolio growth in Gold Loans by Rs. 15.1 Bn. The total Gross Gold Loans portfolio now stands at Rs. 30.84 Bn. In 2022/23, the product recorded Profit Before Tax of Rs. 1.65Bn. The company's Gold Loans are popular for customers looking for urgent short term financing from a trusted and reliable brand in the market.

During the year under review, the Recoveries unit recorded an exceptional performance despite the economic crisis that prevailed through the period. The Non-Performing Loan (NPL) ratio was maintained well within industry norms amidst challenging conditions, with adequate provisioning being made during the year. In the month of March 2023 alone, the recoveries unit surpassed its target by Rs. 1.6 Bn, which reflects the robust recoveries process in place.

While the merger of LOLC Finance PLC expanded the branch network of the company across the island, the use of digital channels such as iPay and other channels such as Direct Debit have enabled customers to complete financial transactions remotely without the need to visit branches. The centralised call centre has become a centre of excellence as it manages all customer queries under one roof, thereby streamlining the process significantly and providing an efficient service. The operations of the Centre of Excellence was relocated to a 10-storey building in Wellawatte, where the entire back-end processing will take place. The Centre of Excellence provides notable back-office support and in time to come will become a 24/7 operation. Supporting customers in times of difficulty remains a top priority and the recoveries team works closely with customers to restructure their debt repayments schedules to suit cash flows. Customer relationship management is a crucial skill for the recoveries team with the view of retaining customers into the long term.

Supporting the business growth amongst its Corporate, Micro and SME clientele across the country, the factoring operation recorded a portfolio of Rs. 2.5Bn during 2022/23 while posting a profit of Rs. 127 Mn. This strong performance shows a revival of the factoring operation which was impacted due to low customer demand through the pandemic period, as many small businesses were adversely affected by the prevailing weak economic conditions.

LOLC Technology Services played a pivotal role in the domain of acquisitions and mergers wherein Sinhaputhra Finance PLC and Commercial Leasing Company merged with LOLC Finance PLC. Due to the nature of the financial services industry, it has been a pivotal and imperative task to support the completion of these mergers, providing an uninterrupted and seamless service to end customers of Sinhaputhra Finance PLC, Commercial Leasing and LOLC Finance PLC during the merger, while also enhancing the post migration customer experience.

LOLC GENERAL INSURANCE

Despite the challenges faced during the year, LOLC General Insurance increased its profitability by 30% in 2022/23 to record Profit before Tax of Rs.1.65 Bn and a Profit after Tax of Rs. 1.40 Bn, reflecting a 28% improvement over the previous financial year. The company's market share in the Motor segment edged up to 10% in the year 2022. This lends the company the distinction of having the fourth-highest motor portfolio in the insurance industry, as it recorded the highest motor growth in the mid-to-large insurance companies.

As the first-ever cash-back scheme to be launched by a local insurer, the LOLC Motor 'Honours' programme enables customers to benefit from merchant discounts, while accumulating loyalty points that can be utilised to offset the cost of their future insurance premiums. LOLC General Insurance operates across agency, corporate, bancassurance and broker channels.

The company is on an aggressive expansion drive and expanded its network in the year 2022 by adding 23 new branches, thus bringing the total number of LOLC General Insurance and LOLC Life Assurance branches to 82. Both companies have invested heavily in digital technology and are accelerating end-to-end system transformation that would see the entire insurance process from customer acquisition, due diligence and policy issuance, to claim settlement, managed digitally. Customers can access the call centre round the clock. Further, multiple payment channels are designed keeping customer convenience in mind.

LOLC LIFE ASSURANCE

The company achieved several milestones against the backdrop of the economic crisis, becoming the seventh-largest Life Insurance provider despite being the youngest in the market, while also recording the highest new business growth in the Life Insurance industry of 31%. Premium income growth marked a 12% growth year-on-year as the company carved out a 4% market share in Gross Written Premium terms. Growing by 74% year-on-year, LOLC Life Assurance achieved a milestone by crossing the one billion-rupee mark in Profit After Tax in 2022 for the first time in the company's history, while delivering a Return on Equity (ROE) of 33%.

The company's value proposition offers Pure Life Protection, Living Benefits, Investment & Child Education Savings policies, Retirement solutions, Loan Protection Plans and Group Insurance Plans. LOLC Life Assurance initiated Mobile App-based payment channels to mitigate the current socioeconomic challenges and support mobile phone penetration in Sri Lanka.

LOLC Life Assurance delivers on its commitment to women's empowerment through the agent network, with female representation at 60%. Over 1,100 company-appointed women insurance agents around the country benefit from flexible work-time schedules. This gives them the opportunity to contribute towards the economic wellbeing of their communities, while enjoying a healthy work-life balance.

SERENDIB MICROINSURANCE

Serendib Microinsurance, the Greenfield micro insurance operation in Cambodia, completed its first full year of operations. The company empowered rural Cambodians, including low-income individuals and families, with formal microinsurance protection for unforeseen eventualities, whereby the family of the borrower will not be burdened with loan repayment in the event of death or permanent disability of the borrower.

LOLC EL OULA EGYPT

Egypt's economy reported a GDP of USD 476.7 Bn in 2022 within the context of currency depreciation and high inflation. The GDP per capita was USD 4,295.4, with a population of 110 Mn. Highlighting international support, the International Monetary Fund (IMF) approved a new loan of USD 3 Bn for Egypt during the fiscal year to stabilise the economy.

LOLC Group's acquisition of The First Microfinance Company in April 2022 marked the entry of the LOLC Group into Egypt. The company was renamed as LOLC El-Oula Microfinance. The institution expanded to 24 branches, and its loan portfolio increased by 32% to USD 9.3 Mn. Business Process Restructuring led to comprehensive automation, enhancing efficiency across various operational facets.

Corporate Governance Report

Given below is the level of compliance against the respective governance requirements;

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	Corporate Governance	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	Non-executive Directors a. The Board of Directors of a listed entity shall include at least : - two non-executive directors; or - such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.	All five Directors are Non-Executive Directors. Their names are set out in the Report of the Directors on page 13
7.10.2	Independent Directors a. Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	Of the five Directors, two are Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	The five Non-Executive Directors have submitted their declarations of independence/non independence for the financial year ended 31/3/2023.
7.10.3	Directors disclosures a. Names of the Independent Directors should be disclosed in the Annual Report. b. The Board shall make a determination annually as to the independence or non-independence of each director.	The Company's Independent Directors are: Mr. W R A Dharmaratne Dr. J M Swaminathan
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	Based on the declarations received from the Non-Executive Directors, the Board has determined that the above two Directors are independent. Please refer Directors' Profiles on pages 4 to 5
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company complies with this requirement, in the event a new director is appointed to the Board.
7.10.4	Criteria for defining independence Requirements for meeting the criteria to be an independent director.	Based on the criteria required, the Board has determined the independence of two directors named above in accordance with the Rules of the Colombo Stock Exchange.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.5	Remuneration Committee a. Composition The remuneration committee shall comprise; - of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Remuneration Committee comprises three Non-Executive Directors, of whom two are independent. One Non Executive Director serves as the Committee Chairman.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee periodically reviews Board remuneration based on remuneration policies of the Group and makes recommendations to the Board. The Committee report is on page 20
	c. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The Committee comprises Mr K A K P Gunawardena (Committee Chairman) Mr W R A Dharmaratne and Dr J M Swaminathan. The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to directors is disclosed in the notes to the financials.
7.10.6	Audit Committee a. Composition The audit committee shall comprise; - of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee comprises three Non-Executive directors, two of whom are Independent. Audit Committee Chairman/Non-executive Director, Mr. D R Samaraweera is a Member of a recognised professional accounting body.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee has adopted the Group Audit Committee Charter which includes the functions of those listed here.
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee has made this determination. Please refer the Committee report on page 18

BOARD AND BOARD SUB COMMITTEE COMPOSITION

Name of Director	Executive	Non-executive	Independent	Non-independent	Board	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Mr. I C Nanayakkara		✓		✓	✓*			
Mr. K A K P Gunawardena		✓		✓	✓		✓*	✓
Mr. D R Samaraweera		✓		✓	✓	✓*		
Mr. W R A Dharmaratne		✓	✓		✓	✓	✓	✓
Dr. J M Swaminathan		✓	✓		✓	✓	✓	✓*

* Committee Chairman

BOARD MEETING ATTENDANCE

Name of Director	31.05.2022	15.08.2022	14.11.2022	15.02.2023
Mr. I C Nanayakkara	✓	✓	✓	✓
Mr. K A K P Gunawardena	✓	✓	✓	✓
Mr. D R Samaraweera	✓	✓	✓	✓
Mr. W R A Dharmaratne	✓	✓	✓	✓
Dr. J M Swaminathan	✓	✓	✓	✓

AUDIT COMMITTEE MEETING ATTENDANCE

Name of Director	31.05.2022	15.08.2022	14.11.2022	15.02.2023
Mr. D R Samaraweera - Committee Chairman	✓	✓	✓	✓
Mr. W R A Dharmaratne	✓	✓	✓	✓
Dr. J M Swaminathan	✓	✓	✓	✓

RELATED PARTY TRANSACTION REVIEW COMMITTEE MEETING ATTENDANCE

Name of Director	31.05.2022	15.08.2022	14.11.2022	15.02.2023
Dr. J M Swaminathan - Committee Chairman	✓	✓	✓	✓
Mr. K A K P Gunawardena	✓	✓	✓	✓
Mr. W R A Dharmaratne	✓	✓	✓	✓

Report of the Board of Directors

The Board of Directors of LOLC Ceylon Holdings PLC takes pleasure in presenting their Annual Report together with the Audited Financial Statements for the year ended 31st March 2023.

PRINCIPAL ACTIVITIES

The Company's principal activity is to hold finance and insurance sector investments of the Group.

THE BOARD OF DIRECTORS

The Board of Directors for the year under review comprise the following :

Mr. I C Nanayakkara, Non Executive Non Independent Director/Chairman

Mr. K A K P Gunawardena, Non Executive Non Independent Director

Mr. D R Samaraweera, Non Executive Non Independent Director

Mr. W R A Dharmaratne, Non Executive Independent Director

Dr. J M Swaminathan, Non Executive Independent Director

The Directors profiles can be found on pages 4 to 5.

BOARD SUB COMMITTEES

The Board has appointed the following sub committees:

The Audit Committee

The Remuneration Committee

The Related Party Transactions Review Committee

The mandate and composition of each of these sub committees is as provided by their regulatory guideline or Board approved Terms of Reference. The reports of the respective Committees are included in this Report on pages 18 to 20.

The Board sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also clearly communicated to the senior management.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees.

DIRECTORS INTERESTS IN CONTRACTS

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company.

Lists of companies on which these Directors serve are included on page 15 to 17.

DIRECTORS REMUNERATION

The remuneration is disclosed on page 103. under note 42.4 The Company has a Board approved Remuneration Policy. This policy stipulates that remuneration should be linked to competence and contribution, while serving to incentivise and motivate. This policy has been taken into account when determining remuneration for both staff and directors.

The Report of the Remuneration Committee is on page 20.

DIRECTORS HOLDINGS

The Directors do not hold any shares or debentures issued by the Company.

RE-ELECTION OF DIRECTORS

Mr. K A K P Gunawardena will retire by rotation in terms of Article 88 (i) of the Articles of Association of the Company and being eligible seek re-election as a director. The Board recommends his re-election.

Dr J M Swaminathan is over the age of 70 years and will be retiring, as required. The Company has received a letter from a shareholder, communicating his intention to move a resolution at the Annual General Meeting for his re-appointment as provided for in the Companies Act No. 7 of 2007. The Board recommends his re-election.

CAPITAL STRUCTURE AND DEBENTURES

The stated capital of the Company as at 31st March 2023 was Rs. 41,656,485,457/- divided into 4,165,648,546 shares. The shareholding structure is given on page 118.

The Company has issued 10,000,000 Senior Listed Redeemable Rated Guaranteed Debentures of Rs.100/- each aggregating to Rs.1,000,000,000/-. Further details of these Debentures are set out in Note 32 to the Financial Statements on page 91.

POST BALANCE SHEET EVENTS

The Company repurchased 322,573,750 shares held by LOLC Fincorp (Private) Limited at Rs. 10 per share with effect from 19th May 2023 in terms of Section 64 of the Companies Act No. 7 of 2007 and the Articles of Association of the Company.

The repurchase was carried out utilising retained earnings of the Company. The External Auditors confirmed that the terms of the repurchase and the consideration paid for the shares were a fair.

Consequent to the share repurchase, the stated capital of the Company was Rs. 41,656,485,457, comprising of 3,843,074,796 shares.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity that contravenes any applicable law or regulation, and to the best of the knowledge of the Directors, the Company has been in compliance with all prudential requirements, regulations and laws.

The Company is fully compliant with the Listing Rules of the Colombo Stock Exchange, including the rules relating to Corporate Governance.

CORPORATE GOVERNANCE

Your Board of Directors is committed towards maintaining an effective corporate governance framework by effectively implementing systems and structures required to ensuring best practices in corporate governance. The table on pages

9 to 11 shows the manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

TRANSACTIONS WITH RELATED PARTIES

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st March 2023.

In terms of LKAS 24, the Directors have disclosed transactions which are classified as related party transactions under Note 42.2 on pages 99 to 100 of the Financial Statements.

HUMAN RESOURCES

Human Resource Strategies of the Company are based on Group HR policies and practices to attract and retain right people. Disciplinary matters are dealt according to Group policies in compliance with labour regulations. There was no occurrence of any issue detrimental to the harmonious industrial relations of the Company during the year under review which required disclosure under Rule 7.6 (Vii) of the Listing Rules of the CSE.

GOING CONCERN

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared on the basis that the Company is a going concern.

FINANCIAL STATEMENTS

The Financial statements together with the Notes thereon, found on pages 27 to 115, are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

AUDITORS

The Independent Auditors of the Company are M/s Ernst and Young, Chartered Accountants, who will retire, and offer themselves for re-appointment. As recommended by the Audit Committee, the Board recommends their re-appointment for the year 2023/24 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 67.

The Report of the Auditors is given on pages 24 to 26.

RESPONSIBILITY STATEMENTS

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 21. The Directors' statement on responsibility for financial reporting appears on page 22.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted when preparing these financial statements and any changes thereof if applicable are given on page 40.

STATUTORY PAYMENTS

For the year under review, all known statutory payments have been made or provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in Note 10 of page 67.

ANNUAL GENERAL MEETING

The 5th Annual General Meeting of LOLC Ceylon Holdings PLC will be conducted by way of resolutions in writing [signed by not less than 85% of the shareholders who would be entitled to vote on the following resolutions at a meeting of shareholders, who together hold not less than 85% of the votes entitled to be cast on the said resolutions], by circulation thereof on 27th September 2023.

On behalf of the board of Directors

LOLC Ceylon Holdings PLC

D R Samaraweera
Director

Ishara Nanayakkara
Chairman

LOLC Corporate Services (Private) Limited
Secretaries

31st August 2023

DIRECTORS' DECLARATIONS

Name of the Director	Directorates
Mr I C Nanayakkara	Brown & Company PLC
	L O L C Holdings PLC
	Browns Investments PLC
	LOLC Myanmar Microfinance Co Ltd
	LOLC Capital (Pvt) Ltd
	Ceylon Graphene Technologies (Pvt) Ltd
	LOLC Finance Zambia Limited
	Fortigrains Private Limited
	PT Sarana Sumut Ventura
	Fortigrains Lanka (Pvt) Ltd
	Grey Reach Investment Limited
	LOLC Advanced Technologies (Pvt) Ltd
	I Pay Global FZC
	Fusion X Global FZC
	LOLC Ceylon Holdings PLC
	Browns Ari Resort Pvt Ltd
	Browns Raa Resort Pvt Ltd
	Browns Kaafu N Resort Pvt Ltd
	Sun Bird Bio Energy Ltd
	Fina Trust Microfinance Bank Ltd
	B.I. Leisure Holdings FZE
	LOLC Ventures FZE
	Qirat Investments LLC
	Browns Engineering and Construction (Pvt) Limited
	Fortune Holdings SG
	LOLC Kenya Microfinance Bank PLC
	Express Credit Limited

Name of the Director	Directorates
Mr K A K P Gunawardena	LOLC General Insurance PLC
	Hatton National Bank
	LOLC Corporate Services (Pvt) Ltd
	Gal Oya Holdings (Pvt) Ltd
	Diriya Investments (Pvt) Ltd
	Browns Engineering and Construction (Pvt) Ltd
	LOLC Securities Ltd
	LOLC Motors Ltd
	Ceylon Real Estate Holdings (Pvt) Ltd
	Colombo Marina Development (Pvt) Ltd
	LOLC Ceylon Holdings PLC
	Marina Hotel Holdings (Pvt) Ltd
	Gal Oya Plantations Ltd
	Maturata Plantations Ltd
	Grey Reach Investment Ltd
	Browns Power Holdings (Pvt) Ltd
	Browns Holdings Ltd
	Iconic Trust (Pvt) Ltd
	NPH Investment (Pvt) Ltd
	Bodufaru Beach Resorts (Pvt) Ltd
Mr D R Samaraweera	Leapstitch Technologies (Private) Limited
	LOLC Cambodia PLC
	LOLC Myanmar Microfinance Company Ltd
	LOLC Finance Philippines, Inc.
	Browns Machinery (Cambodia) PLC
	Browns Fabric Limited
	Marina Hotel (Pvt) Ltd
	Colombo Marina International (Pvt) Ltd
	Tujijenge Tanzania Financial Services Limited
	L O L C Investment Holdings One (Private) Limited
	L O L C Ceylon Holdings PLC
	LOLC Investments Limited
	LOLC Bank Philippines
	LOLC International Private Limited, Singapore
	LOLC Philippines Corporation
	LOLC Philippines Capital Holdings Corporation
	LOLC Philippines Holdings Inc.
	Leapstitch Apparel (Private) Limited
	LOLC Asia Private Limited, Singapore
	I Pay Ceylon (Pvt) Ltd
	L O L C Investment Holdings Three (Private) Limited
	Pak Oman Micro Finance Bank Ltd

Name of the Director	Directorates
	El-Oula Microfinance Egypt S.A.E
	LOLC Savings & Loans Ghana Ltd
	LOLC Kenya Microfinance Bank PLC
	Yambukai Finance Private Limited
Mr W R A Dharmaratne	LOLC General Insurance PLC
	LOLC Ceylon Holdings PLC
Dr J M Swaminathan	Acme Packaging & Solutions (Pte) Ltd
	Acme Printing & Packaging PLC
	Alpha Apparels Ltd
	Benji Ltd
	C M Holdings PLC
	Castalloys (Pte) Ltd
	Centre for Advancement of Resource Mobilization
	CIC Agri Business (Pte) Limited
	Colombo Fort Investments Plc
	Colombo Investments Trust Plc
	Colonial Motors (Ceylon) Ltd
	Comark Engineers (Pte) Limited
	Comark Lanka (Pte) Ltd
	DV Investments (Pvt) Ltd
	Eden Hotel Lanka PLC
	Finetex (Pvt) Ltd
	Fulgar Lanka (Pte) Ltd
	Lanka Aluminium Industries Ltd
	LOLC Securities Limited
	Metecno Lanka (Private) Limited
	Navantis IT (Pte) Ltd
	Omega Line Ltd
	Palm Garden Hotels PLC
	Renuka Holdings PLC
	Residence Peelawatte (Pte) Ltd
	Serendib Land PLC
	Sirio Ltd
	Texlan Lanka Ltd
	Texland Center (Private) Limited
	Union Investments (Pte) Ltd
	V P Investments (Private) Limited
	Venture Investments & Management Services (Pte) Ltd
	Browns Investments PLC
	Sanctuary Resorts Lanka (Private) Limited
	Serendib Hotels PLC
	Kammala Hoteliers (Private) Limited
	Dolphin Hotels PLC
	Hotel Sigiriya PLC
	Serendib Leisure Management Limited
	Frontier Capital Lanka (Private) Limited
	LOLC Ceylon Holdings PLC

Report of the Audit Committee

COMPOSITION

The Audit Committee comprises the following Directors:

Mr. D R Samaraweera	- (Non - Executive Non-Independent Director) - Committee Chairman
Mr. W R A Dharmaratne	- (Non - Executive Independent Director)
Dr. J M Swaminathan	- (Non - Executive Independent Director)

Following officers are permanent invitees to its meetings:

- The Chief Executive Officer
- The Chief Financial Officer

The Committee has adopted the Group Audit Charter as its Terms of Reference. One of its key functions is to assist the Board with oversight of the financial reporting system of the Company. To facilitate carrying out this role, the Committee reviews the internal processes and procedures, verifies that controls are adequate and appropriate and seeks confirmation that the compilation and reporting of financial information is comprehensive, accurate and within prescribed timelines. The Committee Charter will be periodically reviewed and revised to ensure that new developments relating to the function of the Committee and the Internal Audit process are adopted and practiced.

The Committee has discharged its duties during 2022/23 within the scope of the charter as stated below. During the year the Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company in conformity with the Sri Lanka Accounting Standards, the Sri Lanka Financial Reporting Standards, the Companies Act No.7 of 2007, Sri Lanka Accounting & Auditing Standards Monitoring Board Act no.15 of 1995, rules and regulations of CSE and SEC . The Committee obtained a confirmation from the management that the Company is in compliance with applicable accounting standards and other regulatory requirements.

Minutes of the Meeting of the Audit Committee were tabled at the following meeting of the Board. This facilitated a flow of information to the Board, and enables further discussion, if thought necessary on any issue or proposed solution.

Having given consideration to the independence of the External Auditors, the Audit Committee was satisfied that the Auditors, M/s Ernst and Young are independent. This determination was based on the following:

a period of service - Ernst and Young were appointed Auditors, with shareholder approval, in June, 2019;

b other services provided by the External Auditors to the Group is reviewed to ensure independence as auditors has not been compromised.

c fees and services - neither the fees paid nor the non-audit services rendered are of sufficient quantum to impair their independence.

Accordingly, the Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young be reappointed as Auditors for the financial year ending 31st March 2023.

The Committee met four times during the financial year 2022/23.

D R Samaraweera
Chairman - Audit Committee

31 August 2023

Report of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee comprises the following :

Dr. J M Swaminathan	- (Non - Executive Independent Director) - Committee Chairman
Mr. K A K P Gunawardena	- (Non - Executive Non- Independent Director)
Mr. W R A Dharmaratne	- (Non - Executive Independent Director

Following officers are permanent invitees to its meetings:

- The Chief Executive Officer
- The Chief Financial Officer

The Committee has adopted the Code of Best Practice on Related Party Transactions of the Securities and Exchange Commission of Sri Lanka as its Terms of Reference. In conformance of the Code, policies and procedures practiced by the Group have also been established to ensure that such transactions are consistent with the Code and Section 9 of Listing Rules of the Colombo Stock Exchange.

As a policy the Committee has set a threshold for facilities that must be reviewed by it prior to Board approval. When reviewing such facilities to RPTs, the Committee considers the nature of the transaction, terms, conditions, value and monitors if such transactions will be carried out on normal commercial terms while maintaining fairness and transparency. Where necessary the Committee will obtain professional and expert advice from qualified persons to assess proposed related party transactions.

The Committee quarterly reviews all recurrent and non recurrent RPTs of the Company. The Company has implemented a system that enables the Company to capture and retrieve data on RPTs. This system generates comprehensive reports for management review and for quarterly review of the Committee reflecting all related party transactions including expenses, income, lending and amounts outstanding.

When reviewing facilities the Committee also considers the level of approval, reporting and disclosure requirements of all recurrent and non recurrent related party transactions in consultation with the Group Chief Financial Officer to determine whether the transactions have been carried out in conformance with the requirements of the aforesaid Section 9 of the Listing Rules and the Sri Lanka Accounting Standards.

Reviewing and approval of RPTs are either at its quarterly meetings with a majority of the members present to form a quorum or by circulation consented to by a majority. Where a member of the Board has an interest in the proposed transaction, he/she will refrain from participating in the decision.

A declaration by the Board of Directors as an affirmative statement of the Compliance with the Listing Rules pertaining to related party transactions is given on page 99 of this report.

The Committee met four times during the year under review. The activities and views of the Committee have been communicated to the Board by tabling the minutes of the Committee meeting.

Dr. J M Swaminathan

Chairman - Related Party Transactions Review Committee

31 August 2023

Report of the Remuneration Committee

The Remuneration Committee comprises the following members:

Mr. K A K P Gunawardena - (Non-Executive Non-Independent Director/ Committee Chairman)

Dr. J M Swaminathan - (Non-Executive Independent Director)

Mr. W R A Dharmaratne - (Non-Executive Independent Director)

Following officers are permanent invitees to its committee meetings:

- The Chief Executive Officer
- The Chief Human Resources Officer

The Committee has adopted the Group Policy which has vested it with powers to evaluate, assess and recommend to the Board for approval any fee, remuneration and ex gratia to be paid out to its directors including the Chief Executive Officer based on: the need of the Company to be competitive; the need to attract, motivate and retain talent; and the need to encourage and reward high levels of performance with sound focus in bringing on board the best and the right talent to complement the Company's growth plans.

The composition and scope of the Committee meets the requirements set out in the Listing Rules of the Colombo Stock Exchange.

No meetings were held during the year under review.

K A K P Gunawardena
Chairman - Remuneration Committee

31 August 2023

Chief Financial Officer’s Responsibility Statement

The Financial Statements of LOLC Ceylon Holdings PLC and the Consolidated Financial Statements of the Group as at 31 March 2023 are prepared and presented in compliance with the requirements of the following:

- Sri Lanka Accounting Standards issued by CA Sri Lanka;
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange;
- Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka;
- Finance Companies regulations and directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No 42 of 2011;
- Any other regulatory compliance relating to financial reporting of each industry and geographical locations LOLC has a presence.

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review in the financial statements.

For all periods up to and including the year ended 31 March 2023, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these Financial Statements.

The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company’s state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

LOLC Ceylon Holdings PLC and its Consolidated Financial Statements were audited by Ernst & Young, Chartered Accountants, the Company’s External Auditors.

The Audit Committee of the Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

Mrs. Sunjeevani Kotakadeniya
Chief Financial Officer - LOLC Group
31 August 2023

Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

The Directors also accept responsibility for the integrity and accuracy of the Financial Statements presented and confirm that appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgement has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to safeguard the assets of the Company, to prevent, deter and detect fraud, and to ensure the integrity, accuracy and safeguarding of operational and financial records.

These control measures are reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have been consistently followed were provided by periodic audits conducted by Group's internal auditors. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid for, or where relevant, provided for.

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 24 to 26 of the Annual Report.

Mr. I. C. Nanayakkara
Chairman

31 August 2023

FINANCIAL INFORMATION

POSSESSING RESOURCES OF ABUNDANCE AND VITALITY, WE AT LOLC CEYLON HOLDINGS STRIVE TO BE FUTURE-FOCUSED, EMPOWERING OURSELVES INTO A DYNAMIC ENTITY IN ORDER TO DELIVER ENDLESS VALUE TO ALL OUR STAKEHOLDERS, FOR YEARS TO COME.

Independent Auditor's Report

Building a better working world

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LOLC CEYLON HOLDINGS PLC

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and 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 Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key Audit Matter	How our audit addressed the key audit matter
Provision for credit impairment on financial assets carried at amortized cost As at 31 March 2023, provision for credit impairment on financial assets carried at amortized cost net of impairment allowances amounted to LKR 247 Bn and is disclosed in Notes 17 and 18. This was a key audit matter due to the materiality of the reported provision for credit impairment which involved complex calculations; degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgments, estimates and assumptions used by management in the assessment of the provision for credit impairment included the following; • Management overlays to incorporate the current economic contraction. • The Incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors evaluated under different economic scenarios and the probability weighting determined for each of these scenarios.	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures with the involvement of component auditors included the following: • We assessed the alignment of the Group's provision for credit impairment computations and underlying methodology including responses to market economic volatility with its accounting policies, based on the best available information up to the date of our report. • We evaluated the Internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of impairment allowances policies and procedures by the Board and management. • We checked the completeness, accuracy and classification of the underlying data used in the computation of credit impairment by agreeing details to relevant source documents and accounting records of the Group. • In addition to the above, following procedures were performed. • For Lease receivables, Loans & advances assessed on an individual basis for impairment:

Key Audit Matter	How our audit addressed the key audit matter
	- We evaluated the reasonableness of credit quality assessment. - We checked the arithmetical accuracy of the underlying individual impairment calculations. - We evaluated the reasonableness of key inputs used in provision for credit impairment made with particular focus on current economic contraction. Such evaluations were carried out considering the customer exposure to elevated risk industries, debt moratoriums, status of recovery actions of collaterals in forecasting the value and timing of cashflows. • For Lease receivables, Loans & advances assessed on a collective basis for impairment: - We checked key inputs as disclosed in Note 3.10 and the calculations used in the provision for credit impairment. - We assessed whether judgements used in assumptions and estimates made by the management when estimating future cashflows, in the underlying methodology and management overlays were reasonable. Our assessment included portfolio segmentation, elevated risk industries, evaluating the reasonableness of forward-looking information, different economic scenarios and probability weighting assigned to each of those scenarios. • We assessed the adequacy of the related financial statement disclosures set out in Notes 3.10, 8, 17 and 18.
Information Technology (IT) systems and internal controls over financial reporting Group's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures with the involvement of component auditors included the following: • We obtained an understanding of the Internal control environment of the processes and checked relevant controls relating to financial reporting and related disclosures. • We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. • We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the Group and the actions taken to address these risks. • We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of general ledger reconciliations.
Assessment of Fair Value of Land and Buildings Property, plant and equipment and Investment Property include land and buildings carried at fair value as disclosed in Notes 24 and 29 to the financial statements. This was a key audit matter due to: • Materiality of the reported Land and Buildings balances which amounted to LKR 49 Bn and represented 12 % of the Group's total assets as of 31 March 2023 • The degree of management assumptions, judgements and estimations involved in assessing the fair value of Land and Buildings Key areas of significant judgments, estimates and assumptions used in the valuation of the Land and Buildings included the following: • Estimate per perch value of the land • Estimate of the per square foot value of the buildings	Our audit procedures included the following: • Assessed the competency, capability and objectivity of the external valuer engaged by the Group. • Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each Land and Building. • Assessed the reasonableness of the significant judgements made by the valuer relating to the valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each Land and Building. • We have also assessed the adequacy of the disclosures made in Notes 3.11, 24 and 29 to the financial statements.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of management and those charged with governance

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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- 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 Group'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 Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

31 August 2023

Colombo

Statement Of Financial Position

As at 31 March	Note	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Assets					
Cash and cash equivalents	14	17,731,881,758	19,895,012,652	1,661,585	1,733,026
Financial assets recognised through profit or loss	15	7,417,202,547	9,443,462,981	-	-
Investment securities	16	50,856,354,417	26,770,561,222	-	-
Financial assets at amortised cost/ Finance lease receivables	17	62,068,929,628	68,605,898,742	-	-
Financial assets at amortised cost/ Advances and other loans	18	184,496,897,586	150,662,181,669	-	-
Insurance premium receivables	19	3,009,875,570	-	-	-
Inventories	20	143,857,489	436,093,519	-	-
Current tax assets	21	265,759,762	255,312,984	-	-
Trade and other current assets	22	15,811,304,650	19,556,148,146	6,933,414,152	10,418,807,291
Right-of-use assets	23	1,237,920,739	1,236,676,665	-	-
Investment properties	24	41,341,700,175	37,424,326,114	-	-
Investments in group of companies;					
Subsidiary companies	25	-	-	46,103,834,061	40,058,776,750
Equity Accounted Investees	26	560,354,671	223,922,163	-	-
Deferred tax assets	27.1	704,069,000	43,140,397	-	-
Intangible assets	28	39,019,262	36,197,599	-	-
Property, plant and equipment	29	10,710,513,453	7,330,107,646	-	-
Total Assets		396,395,640,707	341,919,042,499	53,038,909,798	50,479,317,067
Liabilities and equity					
Liabilities					
Bank overdrafts	14	8,799,140,797	5,888,435,682	-	-
Trading liabilities	30	11,634,977	13,175,698	-	-
Financial Liabilities at Amortised Cost/ Deposits liabilities	31	201,270,806,819	166,281,110,698	-	-
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	32	32,842,690,123	55,753,988,999	1,096,043,399	1,037,755,383
Insurance provision - life	33.1	6,498,815,760	-	-	-
Insurance provision - general	33.2	10,364,764,594	-	-	-
Current tax payables	34	12,419,103,586	7,308,332,875	-	-
Trade and other payables	35	7,252,090,730	8,590,575,238	2,536,270,100	414,997
Deferred tax liabilities	27.3	2,990,836,602	2,974,781,274	-	-
Retirement benefit obligations	36	731,293,148	619,712,772	-	-
Total liabilities		283,181,177,136	247,430,113,236	3,632,313,499	1,038,170,380
Equity					
Stated capital	37	41,656,485,457	41,656,485,457	41,656,485,457	41,656,485,457
Reserves	38	1,124,790,158	1,192,731,787	-	-
Retained earnings	38	50,505,506,779	27,239,071,978	7,750,110,842	7,784,661,230
Equity attributable to shareholders of the Company		93,286,782,394	70,088,289,222	49,406,596,299	49,441,146,687
Non-controlling interests		19,927,681,177	24,400,640,041	-	-
Total equity		113,214,463,571	94,488,929,263	49,406,596,299	49,441,146,687
Total liabilities & equity		396,395,640,707	341,919,042,499	53,038,909,798	50,479,317,067
Net assets per share (Rs.)		22.39	16.83	11.86	11.87

The notes on pages 36 through 115 form an integral part of these financial statements.

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

Mrs. S.S. Kotakadeniya
Chief Financial Officer - LOLC Group

The board of directors is responsible for the preparation and the fair presentation of these Financial Statements..
Approved and signed for and on behalf of the Board;

Mr. K.A.K.P. Gunawardena
Director

Mr. D.R. Samaraweera
Director

31 August 2023
Rajagiriya (Greater Colombo)

Statement of Profit or Loss

For the period/ year ended 31 March,	Note	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Gross income	4	88,975,615,066	39,603,908,787	88,274,260	7,828,700,255
Interest income	4.1	67,200,005,906	24,016,642,716	-	-
Interest expense	5	(40,676,237,752)	(7,949,803,136)	(103,288,015)	(41,771,209)
Net interest income/ (expense)		26,523,768,154	16,066,839,580	(103,288,015)	(41,771,209)
Income	4.2	5,364,890,251	4,822,995,569	-	418,521
Other income/(expenses)	4.3	16,410,718,909	10,764,270,502	88,274,260	7,828,281,734
Net Operating Income		48,299,377,314	31,654,105,651	(15,013,754)	7,786,929,046
Operating expenses					
Direct expenses excluding finance costs	6	(815,627,996)	(711,517,276)	-	-
Personnel Expenses	7	(6,809,738,934)	(3,640,910,345)	-	-
Impairment charge on financial assets	8	(8,978,642,001)	(12,905,141)	-	-
Depreciation and amortization	9	(810,566,929)	(334,083,976)	-	-
Other operating expenses	10	(12,438,640,123)	(4,792,760,497)	(19,536,634)	(2,036,419)
Results from operating activities before VAT and NBT on Financial Services		18,446,161,331	22,161,928,417	(34,550,388)	7,784,892,627
VAT and NBT on financial services	11	(4,384,077,353)	(2,593,078,110)	-	-
Results from operating activities		14,062,083,978	19,568,850,306		
Share of profit of equity accounted investees , net of tax	26.1	(1,656,509)	1,424,800	-	-
Profit before tax		14,060,427,469	19,570,275,106	(34,550,388)	7,784,892,627
Income tax expense	12	102,503,000	(935,048,534)	-	-
Profit for the period		14,162,930,469	18,635,226,572	(34,550,388)	7,784,892,627
Profit attributable to;					
Equity holders of the Company		11,463,604,806	10,997,955,978	(34,550,388)	7,784,892,627
Non-controlling interests		2,699,325,663	7,637,270,594	-	
		14,162,930,469	18,635,226,572	(34,550,388)	7,784,892,627
Earnings per share					
Basic, profit for the year attributable to ordinary equity holders of the parent	13	2.75	5.28	(0.01)	3.74

Figures in brackets indicate deductions.

The notes on pages 36 through 115 form an integral part of these financial statements.

Statement Of Comprehensive Income

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Profit for the period	14,162,930,469	18,635,226,573	(34,550,388)	7,784,892,627
Other comprehensive income				
Net other comprehensive income that will never be reclassified to profit or loss in subsequent periods:				
Net change in revaluation surplus of property, plant and equipment				
Revaluation surplus	-	2,068,315,555	-	-
Defined benefit plan actuarial gains / (losses)				
Re-measurement of defined benefit liabilities	57,090,963	30,512,527	-	-
Related tax	(289,433,462)	(420,138,054)	-	-
Change in fair value on investments in equity instruments at fair value through other comprehensive income				
Fair value gains/(losses) that arose during the period	57,260,635	58,711,182	-	-
Related Tax	3,018,739			
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods;				
Gain/(loss) on effective portion of changes in fair value of cash flow hedge	155,895,000	5,991,333	-	-
Deferred tax charge/(reversal) on changes in fair value of cash flow hedge	(31,179,000)	(8,544,441)	-	-
Share of equity accounted investees, net of taxes	(1,656,509)	12,741,416	-	-
Total other comprehensive income/ (expense) for the period, net of tax	(49,003,634)	1,747,589,518	-	-
Total comprehensive income for the period, net of tax	14,113,926,834	20,382,816,091	(34,550,388)	7,784,892,627
Total comprehensive income attributable to;				
Equity holders of the company	11,423,860,519	12,043,894,337	-	-
Non-controlling interests	2,690,066,315	8,338,921,754	-	-
	14,113,926,834	20,382,816,091	-	-

Figures in brackets indicate deductions.

The notes on pages 36 through 115 form an integral part of these financial statements.

Statement of Changes In Equity - Company

For the year ended 31 March,		Equity Attributable to the Owners of the Company		
		Stated Capital	Retained Earnings	Total
Company	Note	Rs.	Rs.	Rs.
Restated opening balance as at 01 April 2021		10	(231,397)	(231,387)
Total comprehensive income for the period				
Profit for the period		-	7,784,892,627	7,784,892,627
Other comprehensive income		-	-	-
Total other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	7,784,892,627	7,784,892,627
Other movements in equity				
Share Issue		41,656,485,447	-	41,656,485,447
Total other movements		41,656,485,447	-	41,656,485,447
Balance as at 31 March 2022		41,656,485,457	7,784,661,230	49,441,146,687
Total comprehensive income for the period				
Loss for the year		-	(34,550,388)	(34,550,388)
Other comprehensive income		-	-	-
Total other comprehensive income for the period		-	-	-
Total comprehensive income for the period		-	(34,550,388)	(34,550,388)
Total other movements		-	-	-
Balance as at 31 March 2023		41,656,485,457	7,750,110,842	49,406,596,299

Figures in brackets indicate deductions.

The notes on pages 36 through 115 form an integral part of these financial statements.

Statement of Changes In Equity - Group

For the period/ year ended 31 March,	Equity Attributable to the Owners of the Company						
	Stated Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 October 2021	10	-	-	(231,397)	(231,387)	-	(231,387)
Total comprehensive income for the period							
Profit for the period from Continuing operations	-	-	-	10,997,955,978	10,997,955,978	7,637,270,594	18,635,226,572
Other comprehensive income							
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods;							
Net change in revaluation surplus of property, plant and equipment							
Revaluation surplus		1,236,513,034	-	-	1,236,513,034	831,802,521	2,068,315,555
Defined benefit plan actuarial gains / (losses)							
Re-measurement of defined benefit liabilities	-	-	-	16,945,333	16,945,333	13,567,194	30,512,527
Related tax	-	(239,268,690)	-	(684,912)	(239,953,602)	(180,184,452)	(420,138,054)
Change in fair value on investments in equity instruments at fair value through other comprehensive income							
Fair value gains/(losses) that arose during the period	-	-	6,325,965	-	6,325,965	52,385,217	58,711,182
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods;							
Net fair value differences for cash flow hedges							
Gain/(loss) on effective portion of changes in fair value of cash flow hedge			21,955,952	-	21,955,952	(15,964,619)	5,991,333
Deferred tax charge/(reversal) on changes in fair value of cash flow hedge			(8,452,221)	-	(8,452,221)	(92,220)	(8,544,441)
Share of equity accounted investees	-	10,590,786	-	2,013,111	12,603,898	137,518	12,741,416
Total other comprehensive income for the period	-	1,007,835,130	19,829,696	18,273,533	1,045,938,359	701,651,159	1,747,589,518
Total comprehensive income for the period	-	1,007,835,130	19,829,696	11,016,229,511	12,043,894,337	8,338,921,754	20,382,816,091
Other movements in equity							
Share Issue	41,656,485,447	-	-	-	41,656,485,447	-	41,656,485,447
Total other movements	41,656,485,447	-	-	-	41,656,485,447	-	41,656,485,447

Statement of Changes In Equity - Group

For the period/ year ended 31 March,	Equity Attributable to the Owners of the Company						
	Stated Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Transactions due to changes in group holding							
NCI Contribution on Acquisition of Subsidiaries	-	-	-	-	-	21,707,568,483	21,707,568,483
Goodwill on acquisition recognized under common control	-	-	-	(711,591,379)	(711,591,379)	-	(711,591,379)
Changes in ownership interests that do not result in a change in control	-	153,278,036	11,788,925	16,934,665,243	17,099,732,205	(5,645,850,196)	11,453,882,009
Total transactions due to changes in group holding	-	153,278,036	11,788,925	16,223,073,864	16,388,140,826	16,061,718,287	32,449,859,112
Total transactions with owners directly recorded in the equity	41,656,485,447	153,278,036	11,788,925	16,223,073,864	58,044,626,273	16,061,718,287	74,106,344,559
Balance as at 31 March 2022	41,656,485,457	1,161,113,166	31,618,621	27,239,071,978	70,088,289,222	24,400,640,041	94,488,929,263
Balance at 01 April 2022	41,656,485,457	1,161,113,166	31,618,621	27,239,071,978	70,088,289,222	24,400,640,041	94,488,929,263
Adjustment relating to surchrge tax	-	-	-	(85,478,589)	(85,478,589)	(19,915,136)	(105,393,725)
Adjusted balance as at 01 April 2022	41,656,485,457	1,161,113,166	31,618,621	27,153,593,389	70,002,810,633	24,380,724,904	94,383,535,537
Total comprehensive income for the period							
Profit for the period from Continuing operations	-	-	-	11,463,604,806	11,463,604,806	2,699,325,663	14,162,930,469
Other comprehensive income							
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods;							
Net change in revaluation surplus of property, plant and equipment							
Revaluation surplus		-	-	-	-	-	-
Defined benefit plan actuarial gains / (losses)							
Re-measurement of defined benefit liabilities	-	-	-	46,303,497	46,303,497	10,787,466	57,090,963
Related tax	-	(210,089,300)	-	(24,655,056)	(234,744,356)	(54,689,106)	(289,433,462)
Change in fair value on investments in equity instruments at fair value through other comprehensive income							
Fair value gains/(losses) that arose during the period	-	-	46,441,109	-	46,441,109	10,819,526	57,260,635
Deferred tax charge/(reversal) on investment in financial assets at FV through OCI	-	-	2,448,341	-	2,448,341	570,398	3,018,739
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods;							
Net fair value differences for cash flow hedges							
Gain/(loss) on effective portion of changes in fair value of cash flow hedge			126,438,288	-	126,438,288	29,456,712	155,895,000

For the period/ year ended 31 March,	Equity Attributable to the Owners of the Company						
	Stated Capital	Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Group	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred tax charge/(reversal) on changes in fair value of cash flow hedge			(25,287,658)	-	(25,287,658)	(5,891,342)	(31,179,000)
Share of equity accounted investees	-	(2,364,195)	(868,848)	-	(3,233,043)	(753,212)	(3,986,254)
Total other comprehensive income for the period	-	(212,453,495)	149,171,233	21,648,441	(41,633,822)	(9,699,558)	(51,333,379)
Total comprehensive income for the period	-	(212,453,495)	149,171,233	11,485,253,247	11,421,970,985	2,689,626,105	14,111,597,090
Transactions due to changes in group holding							
NCI Contribution on Acquisition of Subsidiaries	-	-	-	-	-	5,305,531	5,305,531
Recognition of NCI on Acquisition of subsidiary	-	-	-	-	-	423,814,312	423,814,312
Goodwill on acquisition recognized under common control	-	-	-	3,808,657,209	3,808,657,209	-	3,808,657,209
Changes in ownership interests that do not result in a change in control	-	(791,226)	(3,868,141)	8,058,002,934	8,053,343,567	(7,571,789,675)	481,553,892
Total transactions due to changes in group holding	-	(791,226)	(3,868,141)	11,866,660,143	11,862,000,776	(7,142,669,832)	4,719,330,944
Total transactions with owners directly recorded in the equity	-	(791,226)	(3,868,141)	11,866,660,143	11,862,000,776	(7,142,669,832)	4,719,330,944
Balance as at 31 March 2023	41,656,485,457	947,868,445	176,921,713	50,505,506,779	93,286,782,394	19,927,681,177	113,214,463,571

Figures in brackets indicate deductions.

The notes on pages 36 through 115 form an integral part of these financial statements.

Statement of Cash Flows

For the period/ year ended 31 March,	Note	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before tax from continuing operations		14,060,427,469	19,570,275,106	(34,550,388)	7,784,892,627
Profit before tax		14,060,427,469	19,570,275,106	(34,550,388)	7,784,892,627
Adjustment for:					
(Gain) / loss on sale of property, plant and equipment		(3,026,245,237)	(21,359,462)	-	-
Depreciation and amortization		489,245,077	168,730,789	-	-
Amortisation of ROU Asset		321,321,852	165,353,187	-	-
Change in fair value of forward contracts		(6,132,113,107)	(186,573,775)	-	-
Provision for gratuity		131,541,715	89,374,487	-	-
Net impairment (loss) / reversal on financial assets		8,978,642,001	12,905,141	-	-
Investment Income		-	(27,397,386)	-	-
Net Finance costs		40,676,237,752	7,949,803,137	103,288,015	41,771,209
Interest Income		(749,701,461)	(1,373,626,809)	-	-
Dividend Income		(1,260,163)	(962,213)	-	-
Foreign exchange gain / (loss)		118,569,955	(586,318,476)	-	-
Results on acquisition and divestment of Group investments		-	-	(88,274,260)	(7,828,281,734)
Change in fair value of investment properties		(3,576,500,378)	(7,668,119,077)	-	-
Share of Profit of Equity Accounted Investees , Net of Tax		1,656,509	(1,424,800)	-	-
Operating profit before working capital changes		51,291,821,984	18,090,659,849	(19,536,633)	(1,617,898)
Working capital changes					
Increase/(decrease) in trade and other payables		(14,976,214)	2,140,802,028	2,535,855,103	183,600
(Increase)/decrease in investment in leases, hire purchase		2,489,546,904	379,837,176	-	-
(Increase)/decrease in investment in advances and other loans		(35,412,065,287)	(24,190,090,805)	-	-
(Increase)/decrease in inventories		292,236,030	(149,208,963)	-	-
(Increase)/decrease in trade and other receivables		9,246,053,142	(19,037,536,048)	3,485,393,139	(10,418,807,301)
Increase/(decrease) in customer deposits		34,989,696,121	20,991,329,630	-	-
Cash generated from operations		62,882,312,680	(1,774,207,133)	6,001,711,609	(10,420,241,599)
Finance cost paid		(40,676,237,752)	(7,592,218,673)	(95,000,000)	(4,015,826)
Income tax and Economic Service Charge paid		(67,002,863)	(985,778,961)	-	-
Defined benefit plan costs paid		(41,356,756)	(32,668,139)	-	-
Net cash from/(used in) operating activities		22,097,715,309	(10,384,872,906)	5,906,711,609	(10,424,257,425)

For the period/ year ended 31 March,	Note	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(6,446,053,300)	(1,000,000,000)
Net cash and cash equivalents on acquisition of subsidiary		(4,355,268,185)	16,163,029,611	-	-
Investment in equity accounted investees		(348,075,272)	6,000,000		
Acquisition of property plant and equipment		(413,478,077)	(304,863,753)	-	-
(Acquisition)/ disposal of intangible assets		29,802,996	(25,993,500)	-	-
Net disposals/ (additions) to trading assets		3,196,012,225	(7,010,637,206)	-	-
Net disposals/ (additions) to investment securities		(8,555,577,235)	(2,462,632,300)	-	-
Proceeds from the disposal of PPE		3,506,557,575	26,725,674	-	-
Acquisition of Investment Properties		(4,055,225,092)	(4,058,409,541)	-	-
Interest income received		806,962,096	705,198,574	-	-
Dividend received		6,360,163	1,430,831	-	-
Payment of lease rentals		(495,123,312)	(336,214,299)	-	-
Net cash flow from investing activities		(10,677,052,118)	2,703,634,092	(6,446,053,300)	(1,000,000,000)
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds from short-term interest bearing borrowings		(22,832,081,306)	708,933,709	50,000,000	-
Repayment under finance lease liabilities		(11,045,700)	(24,296,631)	-	-
Net cash proceeds from long-term interest bearing loans and borrowings		5,859,357,555	9,577,188,255	-	-
Issue/ (repayment) of debentures		-	1,000,000,000	-	1,000,000,000
Receipt on disposal of equity stake of subsidiaries without changing control		489,270,250	10,425,990,450	489,270,250	10,425,990,450
Net cash generated from financing activities		(16,494,499,201)	21,687,815,784	539,270,250	11,425,990,450
Net increase/(decrease) in cash and cash equivalents during the period		(5,073,836,009)	14,006,576,970	(71,441)	1,733,026
Cash and cash equivalents at the beginning of the period		14,006,576,970	-	1,733,026	-
Cash and cash equivalents at the end of the period		8,932,740,961	14,006,576,970	1,661,585	1,733,026
Analysis of cash and cash equivalents at the end of the period					
Cash in hand and favorable bank balances		17,731,881,758	19,895,012,652	1,661,585	1,733,026
Unfavorable bank balances used for cash management purposes		(8,799,140,797)	(5,888,435,682)	-	-
		8,932,740,961	14,006,576,970	1,661,585	1,733,026

Figures in brackets indicate deductions.

The notes on pages 36 through 115 form an integral part of these financial statements.

1. REPORTING ENTITY

1.1. General

LOLC Ceylon Holdings PLC ('the Company') is a public quoted company incorporated on 28 March 2018 and domiciled in Sri Lanka. The address of the Company's registered office is No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the same place.

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2023 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

1.2. Principal Activities and Nature of Operations

1.2.1 Company

During the year, the main activity of the company was to operate as a platform and plans to attract large foreign investors to finance companies within the group.

As a part of LOLC Group's (hereafter LOLC) global strategy and SEC announcement on 12 January 2021, to attract investors to the large finance companies it has created, LOLC is creating a platform to enable potential investors to acquire a minority stake in the finance companies it owns.

1.2.2 Group

Description of the nature of operations and principle activities of the subsidiaries, jointly controlled entities and associates are mainly providing financial services, life insurance and non-life insurance businesses . There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

All the group companies incorporated and domiciled in Sri Lanka.

1.3. Parent Entity and Ultimate Parent Entity

The parent entity is LOLC Fincorp (Private) Limited and ultimate parent entity is LOLC Holdings PLC which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007.

The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and regulation of Insurance Industry Act No 43 of 2000 subsequent amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

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

2.2. Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in maturity analysis.

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 off-set the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specially disclosed in the accounting policies of the Group.

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

2.3. Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the statement of financial position which are measured on an alternative basis on each reporting date,

Items	Basis of measurement
Fair value through profit and loss	Fair value
Derivative financial instruments	Fair value
Fair value through other comprehensive income	Fair value
The liability for defined benefit obligations	Net liability for defined benefit obligations are recognised as the present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost, and unrecognised actuarial losses
Lands and buildings	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation
Investment properties	Fair value
Insurance Provision - Life	Provision Liability is determined as the sum of the future benefits, the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate discount rate as specified by the insurance regulatory commission of Sri Lanka.
Insurance Provision - General	This liability comprises claims liabilities and premium liabilities.

2.4. Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entities of the Group operate (the Functional Currency). The Financial Statements are presented in Sri Lankan Rupee (LKR), which is the functional currency of the Group. All financial information presented in Rupee has been rounded to the nearest Rupees thousands unless stated otherwise.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of these entities are measured using that Functional Currency. There was no change in the Group's Presentation and Functional Currency during the year under review.

2.5. Use of Estimates and Judgment

In preparing the Financial Statements in conformity with SLFRSs/ LKAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes to these 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.

The comparative information for the Group is not presented since the Group has formed during the year.

2.7. Materiality, Presentation and Aggregation

As per LKAS – 01 "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.8. Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.9. Going Concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriates of the use of the going concern basis.

It is the view of the management there are no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries, and associates have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the group.

In determining the above, significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the relevant notes.

2.10. Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" and "Director's Responsibility for Financial Reporting".

These Financial Statements include the following components.

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

2.11. Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2023 (including comparatives) were approved and authorized for issue by the Board of Directors on 31 August 2023.

2.12. Changes in Accounting Policies

The Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

2.13. New accounting standards issued but not yet effective

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

Definition of Accounting Estimates - Amendments to LKAS 8

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

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

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice State-ment 2

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify;

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

SLFRS 17, 'Insurance contracts'

SLFRS 17 was issued in May 2017 as replacement for SLFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: · discounted probability-weighted cash flows · an explicit risk adjustment, and · a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under SLFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying SLFRS 17 to investors and others. The amendments also deferred the application date similar to SLFRS 17. This amendment will be effective from 01 January 2025 in Sri Lanka.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of SLFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of SLFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of SLFRS 9. The classification can be applied on an instrument-by-instrument basis. This standard will be effective from 01 January 2025 in Sri Lanka. Approach to SLFRS 17 implementation The Company has established a project team to steer the implementation of and transition to SLFRS 17.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

These accounting policies have been applied consistently by entities within the Group.

3.1. Basis of Consolidation

3.1.1 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March other than Commercial Insurance Brokers Limited and LOLC El-Oula Microfinance Egypt whose financial year ends on 31st December.

The difference between the reporting date of the above companies and that of the parent does not exceed three months.

However, for the Group financial reporting purposes; the Financial Statements ended 31 March of the above mentioned subsidiaries and associates are considered.

3.1.2 Balances and Transactions Eliminated on Consolidation

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.1.3 Business Combinations

The Group has formed with effect form 01 October 2021 after transferring the ownership of LOLC Finance PLC, Commercial Leasing & Finance PLC and LOLC Development Finance PLC which was under LOLC Holdings PLC to the Company with the approval of the Securities & Exchange Commission of Sri Lanka.

With effect from 22nd March 2023, 100% ownership of LOLC Asset Holdings Limited was transferred from LOLC Holding PLC. LOLC Asset Holding Limited holds 100% shareholding of LOLC Life Assurance Limited, 63.75% shareholding in LOLC General Insurance PLC and 10% of Serendib Microinsurance PLC (Cambodia) through another subsidiary. LOLC Life Assurance Limited and LOLC General Insurance PLC owns 45% each in Serendib Microinsurance PLC (Cambodia). Further, 26.25% of shareholding of LOLC General insurance PLC has been transferred to LOLC Ceylon Holdings PLC from LOLC Financial Sector Holdings (Private) Limited.

All business combinations have been accounted for by applying the acquisition method in accordance with the SLFRS 3 - Business Combinations. Applying this method involves the entity that obtains control over the other entity to recognize the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognized.

However, the accounting for above share transfer is considered under common control transactions since the entity applied the common control scope exclusion in SLFRS 3 by analogy to the accounting for common control transactions in separate financial statements as explained in note 3.1.5.

3.1.4. Cost of Acquisition

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. This excludes any transaction costs incurred.

3.1.5. Common Control Transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory. Accordingly,

- The net assets of the combining entities are consolidated using the existing book values.
- No amount is recognized as goodwill which arises as a result of difference between the consideration and net assets acquired.
- Comparative amounts in the financial statements are restated if the companies had been combined at the previous Balance sheet date.
- In applying book value accounting, no entries are recognized in Profit or Loss; instead, the result of the transaction is recognized in equity as arising from a transaction with shareholders.

3.2. Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees - LKR) of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

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

Foreign currency differences arising on retranslation are recognized in Statement of statement of profit or loss.

3.3. Fair Value Measurement

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

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in Statement of Financial position.

3.3.1 Valuation of Financial Instruments

The Group measures the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price (unadjusted) in an active market of an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), this category included instruments valued using: quoted market prices in active markets similar instruments; quoted prices for identical or similar instruments in markets are considered less than active: or other valuation techniques where all significant inputs are directly observable from market data.

Level 3 – Valuation techniques use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm’s length.

The Group widely recognized valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets are is prone to changes based on specific events and general conditions in the financial markets.

3.4. Interest income

Interest income is recognised in the Income Statement using the effective interest rate (EIR) method.

Interest income on all trading assets are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of statement of profit or loss.

Effective interest rate (EIR)

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

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

3.5. Income

Income comprises of net fee and commission income, earned premium on insurance contracts, recovery of contract written off and other operational income.

Net Fee and Commission Income

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.6. Other income/ (expenses)

Other Income/(expenses) comprises of net trading income related to trading assets and liabilities, income from government grant amortization, disposal gains or losses from non-current assets, fair value gains or losses related to investment property and income generated from various other sources.

Net Trading Income

Net trading income comprise of gains or losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

Net income from Other Financial Instruments at Fair Value Through Profit or Loss

Net income from other financial instruments at fair value through Profit or Loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through Profit or Loss, and include all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

Gains/(losses) on sale of property, plant and equipment

The gains or losses on disposal of property, plant and equipment are determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, net of incremental disposal costs. This is recognised as an item in “other income” in the year in which the Group transfers control of the asset to the buyer.

Dividend Income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net gains/ (losses) from trading, net gains/(losses) from financial investments or other income (net) based on the underlying classification of the equity investment.

Rental Income

Rental income from investment property is recognized in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognized as other income.

Amortization of Government Grants Received

An unconditional government grant related to a biological asset is recognized in the Statement of statement of profit or loss as other income when the grant becomes receivable.

Other government grants are recognized initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognized in the Statement of statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognized in the Statement of statement of profit or loss as other income on a systematic basis in the same periods in which the expenses are recognized.

Basis of recognition

Rent income, non-operational interest income, royalty income and franchise fees are accounted for on accrual basis. Dividend income is recognized when the right to receive payment is established. Gain on disposal of property, plant and equipment and other non-current assets.

3.7. Interest expenses

Interest expense is recognised in the Income Statement using the effective interest rate (EIR) method.

3.8. Direct expenses excluding finance expenses

Direct Expenses excluding Finance Expenses includes expenses related to taxes other than income tax and Other direct Expenses.

3.9. Personnel expenses

Employees' Provident Fund (EPF)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

Employees' Trust Fund (ETF)

The Group entities contributes 3% of the salary of each employee to the Employees' Trust Fund.

Short-term Employee Benefits

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

3.10. Net impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL;

- Cash and cash equivalents
- Debt Securities Measured at Amortized Cost
- Debt Securities Measured at Fair Value Through Other Comprehensive Income
- Financial Assets at Amortized Cost - Finance Lease Receivables, Hire Purchases and Operating Leases
- Financial Assets at Amortized Cost - Advances and Other Loans
- Insurance Premium Receivables
- Trade and other current assets

No impairment loss is recognised on equity investments.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Computation of Expected Credit Losses

The Group computes ECL using three main components; a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from internally developed statistical models and historical data and then adjusted to reflect forward-looking information.

Probability of Default (PD)

The probability of default represents the likelihood of a borrower defaulting on its financial obligations either over the next 12 months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The Group employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Loss Given Default (LGD)

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

The Group estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using EIR as the discounting factor. LGD is usually expressed as a percentage of the EAD.

Exposure at Default (EAD)

The exposure at default represents the expected exposure in the event of a default. The Group estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities.

To calculate EAD for a Stage 1 loan, the Group assesses the possible default events within 12 months. For all other loans, the EAD is considered for default events over the lifetime of the financial instrument.

Forward-looking information

The Group incorporates forward-looking information into both its assessment as to whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group also obtained experienced credit judgement from economic experts and Credit and Risk Management Departments to formulate a base case, a best case and a worst case scenario. The base case represents a most-likely outcome and is aligned with information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk both quantitative and qualitative for various portfolio segments.

Quantitative economic factors are based on economic data and forecasts published by the Respective Central Banks and other reliable sources.

Write-off of financial assets

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

3.11. Depreciation and amortization

Depreciation of Property, Plant and Equipment

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years
Office Equipment	4-8 years
Computer equipment	4-8 years
Plant and Machinery	8-20 years

Amortization of Intangible Assets

Amortization is recognized in the Statement of statement of profit or loss on a straight-line basis over the estimated useful life of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer Software	5 years

3.12. Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognized directly in Equity or in OCI.

Current Tax

"Current tax" comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted, as at the reporting date. Current tax also includes any tax arising from dividends.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from April 1, 2018. This also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense, as required by the Sri Lanka Accounting Standard – LKAS 12 on "Income Taxes".

Provision for taxation on the overseas operations is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the relevant statutes in those countries, using the tax rates enacted or substantively enacted as at the reporting date.

3.13. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the Profit or Loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.14. Financial assets and Financial liabilities

Initial recognition

All financial assets and liabilities excluding loans and advances to customers and balances due to customers are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way purchases and sale of financial assets. The group recognizes loans and advances, deposits and subordinated liabilities, etc., on the date which they are originated.

All financial instruments are measured initially at their fair value plus or minus transaction costs that are directly attributable to its acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Trade and other current assets are measured at transaction price as per SLFRS 9 which do not have a significant financial component as defined by SLFRS 15. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the 'Day 1' profit or loss, as described below.

"Day 1" profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in other income.

In those cases, where fair value is determined based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value deferred and is only recognized in the statement of profit or loss when the inputs become observable, or when the instrument is de-recognised.

The " Day 1 loss" arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortized using effective interest rate (EIR) in " Interest Income" and "Personal Expense" over the remaining service period of employment or tenure of the loan which is lower.

Classification and Measurement of Financial assets

From 1st January 2018, the group classifies all of its financial assets based on the business model for managing the assets and the assets contractual terms, measured at either:

- Amortised cost.
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVPL)

The subsequent measurement of financial assets depends on their classification.

Business model assessment

Under SLFRS 9, The group makes an assessment of the objective of a business model in which an asset is held at a portfolio level due to the fact that it best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether Management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

As second step to the classification process, the group assess the contractual terms of the financial assets to identify whether they meet the SPPI test.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the group considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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

Financial Assets Measured at Amortized cost

Trade and other current assets

Trade and other current assets are stated at the amounts they are estimated to realize, net of provisions for impairment. An allowance for impairment losses based on expected credit loss model at the time of origination and when there is a significant increase in credit risk.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, placements with banks and loans at call and at short notice that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Investment securities measured at amortized cost

Investment securities measured at amortized cost include investments in corporate bonds , Government Securities and investment in term deposits which are kept to collect the contractual cash flows from the investments.

Financial assets measured at FVOCI

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

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the asset's cash flows represent payments of principal and interest.

Upon initial recognition, the group elected to apply irrevocable option for some of its equity investments held for strategic and statutory purposes as equity instruments at FVOCI.

Financial assets measured at FVTPL

As per SLFRS 9, all financial assets other than those classified at amortize cost or FVOCI are classified and measure at FVTPL. Financial assets at fair value through profit and loss include financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis.

Identification and measurement of impairment of financial assets

Recognition of expected credit loss

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash in hand and favourable bank balances
- Financial assets at amortized cost – Finance Lease receivables, hire purchases and operating lease
- Financial assets at amortized cost – Advances and Other Loans

- financial investments that are debt instruments measured at amortized cost
- financial investments that are debt instruments measured at Fair Value through Other Comprehensive income
- undrawn credit commitments

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the definition of "investment grade". The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1 financial instruments".

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2 financial instruments".

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group 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;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is past due for a period more than 180 days or classified as non-performing under CBSL Direction No. 03 of 2008 is considered credit-impaired.

Presentation of ECL in the statement of financial position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; – debt instruments measured at FVOCI: no loss allowance is recognised in the Statement of Financial Position because the carrying amount of these assets is their fair value.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the Statement of Profit or Loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts.

Financial Liabilities

On initial recognition, the Group classifies financial liabilities, other than financial guarantees and loan commitments, into one of the following categories:

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through profit or loss,

The subsequent measurement of financial liabilities depends on their classification.

Financial liabilities at amortized cost

Financial Liabilities issued by the Group that are not designated at fair value through profit or loss are recognised initially at fair value plus any directly attributable transaction costs, by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Deposit liabilities including savings deposits, current deposits, fixed/time deposits, call deposits, certificates of deposit and debentures are classified as financial liabilities measured at amortized cost.

The EIR amortisation is included in "Interest expense" in the income statement. Gains and losses too are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Due to banks and other financial institutions

Due to banks and other financial institutions These represents refinance borrowings, called money borrowings, credit balances in Nostro Accounts and borrowings from financial institutions. Subsequent to initial recognition deposits are measured at their amortised cost using the EIR method. Interest paid/ payable on these borrowings is recognised in profit or loss.

Due to customers

Due to customers includes non-interest-bearing deposits, savings deposits, term deposits, deposits payable at call and certificates of deposit. Subsequent to initial recognition deposits are measured at their amortised cost using the EIR method, except where the Bank designates liabilities at fair value through profit or loss. Interest paid/ payable on these deposits is recognised in profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative liabilities held for risk management purposes.

Long-term insurance contract liabilities

Life Insurance Business

Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognized as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

Benefits, Losses and Expenses

Expenses relate to the acquisition and maintenance of Long Term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

Actuarial Valuation for Long Term Insurance Provision

The Directors determine the Long term insurance business provisions for the Company on the recommendation of the Actuary, following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the reporting actuary.

Life Insurance Contract Liabilities

Life insurance liabilities are recognized when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method, the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method, the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

Valuation of Insurance Provision -Life Insurance Contract Liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records. For regular premiums products, an allowance for recovery of initial expenses through loadings in the renewal premium has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of 90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products Corporate Life & Migrant Workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, Life Protect, Life Protect Plus, Pension Plan and Child Plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on the prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2013;

Mortality rates

110% of A67/70 (Ultimate) table has been used as the reserving assumptions.

Rates for benefits other than mortality

110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

Lapses

No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

Policy year	Lapse Rates
1	30%
2	15%
3	10%
4	5%
5	5%
06-Oct	5%
11+	2.50%

Investment return

The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarizes the annual investment returns assumed for different classes of business and premium payment options;

Business class (Premium payment option)	Investment return
Participating (Regular premium)	5.00%
Non-participating (Regular premium)	6.50%
Non-participating (Single premium)	8.00%

Expenses inflation

Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

Expense assumptions

The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.00275
% of renewal premium*	0.0275
Regular commission*	Commission rates as per the pricing certificates of respective products
*Applicable only for regular premium products	

Loan repayment rate

Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for these products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

General Insurance Business

Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognized as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

Unearned Premium Reserve

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 1/365 basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the company's held unearned premium reserve less DAC provision with actuarial estimate of the unexpired risk for the total general insurance business. The resulting premium liability is the higher of these two. In estimating the unexpired risk liability, assumptions are made on the expected ultimate loss ratio for each class of business and management expenses incurred whilst these policies remain exposed for claims.

Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortized over the period in which the related revenues are earned. All other acquisition costs are recognized as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly.

Valuation of Insurance Provision-General Insurance Reserve for Outstanding Claims Including IBNR

Methodology for Claim Liability

Central Estimate

The Central Estimate of the Net Claim Liability has been determined based upon the gross analysis performed for the Company as at 31st December 2013, whereby a full review of the Loss Development Factors on a gross basis is performed. Various Gross-to-Net ratios are compared, and the Net Claim Liability is determined by applying a factor to the Gross Claim Liability.

Since the net analysis is based on the gross analysis, any change in the gross results will subsequently affect the results in this net valuation.

The Central Estimate is then adjusted by the same provision as the gross analysis to allow for Claims Handling Expenses (CHE) such as fees for loss adjustment, and the annual salary and related overhead costs of the claims department.

75% Confidence Level Estimate

The volatility of the Central Estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the Net Claim Liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2013, which were based on a Stochastic Chain Ladder approach.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modeled payment patterns.

Methodology for Estimate of Premium Liability

Central Estimate

For the Central Estimate of the Premium Liability, actuary developed a trended Ultimate Loss Ratio for each class to compute the Central Estimate of the Unexpired Risk Reserve (URR). A provision, which is the same value as per the gross analysis, was added to the Central Estimate of the URR to account for CHE and a further provision, based on the Unearned Premium Reserve (UPR), has been retained to cover future Management Expenses. The adjusted loss ratios are finally applied to the UPR that the company currently holds to derive the Central Estimate of the URR.

75% Confidence Level Estimate

The Central Estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the Central Estimate of the URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an Accident Period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modeled payment patterns.

Trade and other payable

Trade and other payable include amounts payable to vendors and suppliers of the group.

Reclassification of Financial Assets and Liabilities

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets. Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

If a financial asset is reclassified out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in statement of profit or loss.

If the reclassification takes place out of the fair value through profit or loss category into the amortised cost measurement category, its fair value at the reclassification date becomes the new gross carrying amount.

If the reclassification takes place out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

The Group did not reclassify any of its financial assets or liabilities in 2022/23.

Derecognition of financial assets and financial liabilities

Financial assets

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

- The contractual rights to receive cash flows from the financial asset have expired.
- The Group has transferred its rights to receive cash flows from the financial 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 Group has transferred substantially all the risks and rewards of the financial asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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 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.

Modification of Financial assets and Financial Liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

The Group has granted payment deferrals to eligible customers affected by COVID-19 by modifying the original contract as per the instructions issued by respective Regulatory Institutes. For other loans various types of interest rate concessions were given to the customers.

Thus, the group has made an assessment on the impact of above modifications to financial assets due to COVID-19 Related Concessions and respective impact has been recognized in profit or loss during the year. In the absence of any prescribed guidelines within SLFRS 9, group entities developed their own policies and methods while performing the quantitative and qualitative evaluation of such modifications.

Financial Liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floatingrate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recomputing the effective interest rate on the instrument.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3.15. Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand placements with banks and loans at call/short notice and highly liquid financial assets with original maturities within three months or less from the date of acquisition. These are subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments. These items are brought to Financial Statements at face values or the gross values, where appropriate. There were no cash and cash equivalents held by the Group companies that were not available for use by the Group.

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

3.16. Trading assets - fair value through profit or loss

"This includes financial assets that are held for trading purposes. The financial assets are classified as held for trading if:

- They are acquired principally for the purpose of selling or repurchasing in the near term; or
- They are held as part of portfolio that is managed together for short-term profit or position taking; or
- They form part of derivative financial instruments entered into by the Group that are not financial guaranteed contracts or designated as hedging instruments in effective hedging relationships."

Financial assets held for trading are measured at fair value through profit or loss in the Statement of Financial Position. Interest and dividend income are recorded in "Interest Income" and "Net Gains/(Losses) from Trading" respectively in the Income Statement, according to the terms of the contract, or when the right to receive the payment has been established.

Financial assets held for trading include instruments such as Government and other debt securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

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

Derivative assets held for risk management

Accounting for Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognized in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in the Profit or Loss during that period. The accumulated gains and losses recognized in other comprehensive income are reclassified to the statement of profit or loss in the periods in which the hedged item will affect Profit or Loss.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In such a case, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

Hedge Effectiveness Testing

To qualify for hedge accounting, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness, the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognized immediately in Statement Comprehensive Income.

Derivatives that do not qualify for Hedge Accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the Profit or Loss.

3.17. Financial assets measured at fair value through other comprehensive income

As per SLFRS 9, this comprises debt instruments measured at FVOCI and equity instruments designated at FVOCI.

Debt instruments at FVOCI

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income, foreign exchange gains and losses, ECL and reversals are recognised in profit or loss. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

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

Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss in "Net other operating income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

3.18. Financial assets at amortised cost

"Financial assets at amortised cost" includes amounts due from Corporate Bonds, Government Securities and Investment in Term Deposits hold by the Group.

As per SLFRS 9, Financial assets at amortized cost are assets that are held within a business model whose objective is to hold the assets in order to collect contractual cash flows and the contractual terms of the assets give rise on specific dates to cash flows that are solely payment of principal and interest on the principal outstanding.

After initial measurement, Financial assets at amortised cost are subsequently measured at gross carrying amount using the EIR, less provision for impairment, except when the Group designates these assets at fair value through profit or loss. EIR is calculated by taking into account any discount or premium on acquisition and fees and costs. The amortisation is included in "Interest Income" while the losses arising from impairment are recognised in "Impairment charges and other losses" in the Income Statement.

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

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.19. Financial assets at amortised cost/ Finance lease receivables and operating leases

A financial asset is measured at amortise cost if it meets both of the following conditions and is not designated under FVTPL,

- The asset is held within a business model whose objectives is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Rental Receivables on Finance Leases

Rentals receivable on leased assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

Rental Receivables on Operating Leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognized as income on a straight-line basis over the lease term.

3.20. Financial assets at amortised cost/ Advances and other loans

A financial asset is measured at amortise cost if it meets both of the following conditions and is not designated under FVTPL,

- The asset is held within a business model whose objectives is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

Advances and Other Loans to Customers

Advances and other loans to customers comprised of revolving loans, loans with fixed installments, factoring and gold loans. Revolving loans to customers are reflected in the statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed installments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

Gold Loans

The Group provides gold loan facilities with different maturities which are less than one year. The amounts receivables from Gold loans are included in the advances and other loans at the amounts expect to be recovered.

3.21. Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

3.22. Right of use assets

SLFRS 16 – "Leases"

Group acting as a lessee

As a lessee, the Group leases properties, motor vehicles and equipment that are used to carry out business operations. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for leases of properties, vehicles and equipment.

At commencement or modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its stand-alone price.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The Group presents the right-of-use asset and the lease liability as separate line items in the Statement of Financial Position.

Right-of-use Assets

Initial Recognition

The Company recognises right of use assets when the underlying asset is available for use. Right-of-use assets are initially recognised at cost.

The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are recognised at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequent Measurement

Right-of-use assets in the consolidated financial statements are subsequently measured at cost , less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities except in following;

If right-of-use assets relate to a class of property, plant and equipment to which the group applies the revaluation model in LKAS 16, a lessee may elect to apply that revaluation model to all of the right-of-use assets that relate to that class of property, plant and equipment.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Change of Accounting Policy from Cost model to Revaluation Model

The Group has voluntarily changed the accounting policy on Right-Of-Use Assets relating to Lands which meets the definition of a property, plant and equipment from cost model to revaluation model with effect from 1st October 2020, by carrying out a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the lands being valued. This was done to provide more reliable and more relevant information by reflecting the Fair Market Value of Right-Of-Use Assets.

The change in accounting policy from cost model to revaluation model has not led for a retrospective restatement due to the exemption available in the Paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". As per Paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 "Property, Plant and Equipment" is a change in an accounting policy to be dealt with as a revaluation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, Plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation.

Lease Liabilities

The Group acting as a lessor

When the Group acts as the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes and overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, lease is a finance lease; if not it is an operating lease.

The Group sub – leases some of its properties. Under SLFRS 16, the right of use assets recognized from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub – lease contracts with reference to the right of use asset rather than the underlying asset, and concluded that they are operating leases under SLFRS 16.

3.23. Investment properties

Basis of Recognition

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

Basis of Measurement

Fair Value Model

Investment properties are initially recognized at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Statement of statement of profit or loss in the year in which they arise.

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

De-recognition

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. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of statement of profit or loss in the year of retirement or disposal.

Subsequent Transfers to/from Investment Property

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

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

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

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

Determining Fair Value

External and independent professional valuers, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Valuation of investment properties

Fair value of the investment properties are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar kind of location and category. Investment property is appraised in accordance with SLFRS 13, LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

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

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

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.75,000 to Rs.28,625,000 in the Colombo area and Rs.10,000 to Rs.7,000,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used. The value of a square feet in the property portfolio ranges from Rs. 900 to Rs.16,000 in the Colombo area and Rs. 750 to Rs. 10,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)
Net income approach	Net rental income (profit rent) determined based on similar properties value and decapitalization rate and years of purchase for period used Discount rate - 8%	The estimated fair value would increase(decrease) if:- Decapitalisation rate was lesser / (higher)- Years of purchases were higher / (lesser)- Discount rate was lesser / (higher)- Annual rental income were higher / (lesser)

3.24. Subsidiary companies

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

  When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.25. Acquisition of non-controlling interests

Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interest is accounted for as transactions with owners in their capacity as owners. Therefore, no goodwill or gain on bargain purchase is recognized as a result of such transactions.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent.

3.26. Non-controlling interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to Shareholders Holders of the Parent (Company).

Material NCI of the Group is determined based on Group threshold contribution to statement of financial position.

3.27. Equity accounted investees

Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are initially recognized at cost and subsequently accounted for using the equity method (equity accounted investees) in the Consolidated Financial Statements and in Company Financial Statements. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses. Group has made an assessment on associates for impairment losses as per LKAS 36 and no impairment provision is required as at reporting date.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.28. SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 - "Disclosure of Interests in Other Entities" is a consolidated disclosure standard requiring disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The objective of SLFRS 12 is to require the disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities, the effects of those interests on its financial position, financial performance and cash flows.

3.29. Deferred tax assets and liabilities

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Profit or Loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

3.30. Intangible assets

Basis of Recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful life of intangible assets is assessed to be either finite or indefinite.

Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

Subsequent Expenditure

Subsequent expenditure on intangible assets are capitalized only when it increases the future economic benefits embodied these assets. All other expenditure is expensed when incurred.

De-recognition

Intangible assets are de-recognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Amortization methods, useful lives and residual values are reviewed at each reporting date and are adjusted as appropriate.

3.30.1. Goodwill on acquisition

Goodwill on Acquisition

Goodwill represents the excess of the cost of any acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Carrying amount of the goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

Impairment Testing on Goodwill

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognized immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Gain on Bargain Purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognize the difference immediately in the Consolidated Statement of statement of profit or loss.

Material Gains or Losses, Provisional Values or Error correction.

There we no material gains or losses, provisional values or error correction recognised during the year in respect of business combinations that took place in previous periods.

3.31. Property, plant and equipment

Basis of Recognition

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

Basis of Measurement

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

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

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

Cost Model

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

Revaluation Model

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

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

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in Profit or Loss as incurred.

Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized and presented in the revaluation reserve in equity. Any loss is recognized immediately in Profit or Loss.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, recognized net within other income/other expenses in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

Leasehold Property, Plant & Equipment (Assets Acquired on Finance Leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

Borrowing Costs Capitalization

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in Profit or Loss using the effective interest method.

3.32. Retirement benefit obligations

Defined Contribution Plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognized as an employee benefit expense in the Statement of statement of profit or loss in the periods during which services are rendered by employees.

Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in Profit or Loss.

The Group entities recognizes all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognizing as personnel expenses in Statement of statement of profit or loss. The retirement benefit obligation is not externally funded.

3.33. Commitments and contingencies

Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

Contingent assets are disclosed, where inflow of economic benefit is probable.

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

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

To meet the financial needs of customers and subsidiaries, the Company/ Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letter of credit, guarantees and acceptance commit the group to make payments on behalf of customers or subsidiaries in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Operating lease commitments of the Group (as a lessor and as a lessee) form part of commitments and pending legal claims against the Group form part of contingencies.

Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the group.

In the normal course of business, the group makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the group.

3.34. Events after the reporting period

All material subsequent events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.35. Related party disclosures

The Group and Company carried out transactions in the ordinary course of business with the parties who are defined as related entities in Sri Lanka Accounting Standard LKAS 24. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

3.36. Transactions with key management personnel

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Company holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Group.

Close family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs. Close family members of the KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner, children of the KMP's domestic partner and dependents of the KMP.

3.37. Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

a) quoted market prices in active markets for similar instruments;

b) quoted prices for identical or similar instruments in markets that are considered less than active; or

c) other valuation techniques where all significant inputs are directly or indirectly observable from market data."

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on de-recognition of the instrument.

The following table provides an analysis of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

There were no material transfers between levels of fair value hierarchy during 2022 and 2023.

The independent valuers provide the fair value of land and buildings once in three years according to the Group's policy. Therefore the fair value exist in the recent valuation which was carried out by professionally qualified independent valuers in compliance with Sri Lanka Accounting Standards - SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses is considered as the fair value exist as at the reporting date (31st March 2023).

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

3.38. Operating Segments

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

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.39. Capital Management

The Board of Directors monitors the return on capital investment on a regular basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However, companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
4 GROSS INCOME				
Interest income	67,200,005,906	24,016,642,716	-	-
Income	5,364,890,251	4,822,995,569	-	418,521
Other income	16,410,718,909	10,764,270,502	88,274,260	7,828,281,734
	88,975,615,066	39,603,908,787	88,274,260	7,828,700,255
4.1 Interest income				
Leasing interest income	13,225,423,202	8,108,524,494	-	-
Hire purchases interest income	-	203,454	-	-
Interest income on foreign currency deposits	189,704,520	54,079,305	-	-
Advances and other loans interest income	48,453,249,903	12,073,984,707	-	-
Operating lease and hire rental income	446,010,788	202,748,181	-	-
Overdue interest income	4,537,004,105	3,471,465,615	-	-
Debt factoring income	348,613,388	105,636,959	-	-
	67,200,005,906	24,016,642,716	-	-
4.2 Income				
Rentals&salesproceeds-contractswrittenoff	2,833,902,146	2,503,881,543	-	-
Transferfeesandprofit/(loss)ontermination	1,545,700,763	1,859,488,830	-	-
Arrangement/documentationfee&other	428,051,878	412,511,406	-	-
Interest income on deposits	557,235,464	47,113,790	-	418,521
	5,364,890,251	4,822,995,569	-	418,521
4.3 Other income/(expenses)				
Dividends Income	1,260,163	962,213	-	-
Franchise fees	449,328,406	240,763,572	-	-
Insurance Policy Fees	2,869,462	781,117	-	-
Interest received from government securities and other interest earning assets	749,701,461	1,373,626,809	-	-
Foreign exchange gain / (loss)	(118,569,955)	586,318,476	-	-
Gain/ (Loss) on disposal of Government Securities	98,939,781	201,713	-	-
Gain/ (Loss) on disposal of property, plant and equipment	3,026,245,237	21,359,462	-	-
Gain/ (Loss) on fair value of investment properties	3,576,500,378	7,668,119,077	-	-
Gain/ (Loss) on Fair Valuation of Other FVTPL Instruments	-	245,274,490	-	-
Change in fair value of derivatives - forward contracts	6,132,113,107	186,573,775	-	-
Interest income on deposits	-	27,397,386	-	-
Rent income	132,566,324	118,970,203	-	-
Commission income	91,913,053	31,412,102	-	-
Gain / (loss) on Disposal of Group Investments	-	-	88,274,260	7,828,281,734
Sundry income	2,267,851,492	262,510,107	-	-
	16,410,718,909	10,764,270,502	88,274,260	7,828,281,734

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
5 INTEREST EXPENSE				
Financial liabilities at amortised cost – due to depositors	31,181,562,581	5,668,341,906	-	-
Commercial papers and promissory notes	4,646,575	225,000	4,646,575	-
Overdraft and other short-term borrowings	4,246,242,905	693,948,862	-	-
Long term borrowings	2,482,602,402	1,063,473,157	-	-
Finance leases	3,235,547	759,774	-	-
Debenture interests	1,266,985,039	477,486,527	98,641,440	41,771,209
Finance Cost on RTU Assets	146,376,189	86,717,462	-	-
Charges on forward rate contracts	1,344,586,515	(41,149,552)	-	-
	40,676,237,752	7,949,803,136	103,288,015	41,771,209
6 DIRECT EXPENSES EXCLUDING FINANCE COSTS				
Insurance benefits, losses and expenses	-	2,297,252	-	-
Insurance expenses	581,436,363	703,333,693	-	-
Other direct expenses	234,191,633	5,886,331	-	-
	815,627,996	711,517,276	-	-
7 PERSONNEL COSTS				
Salaries and wages	3,790,362,737	1,886,344,655	-	-
Contribution to EPF	310,276,862	172,299,429	-	-
Contribution to ETF	90,098,926	41,818,451	-	-
Retirement benefit cost	131,541,715	40,409,783	-	-
Amortization of prepaid staff cost	24,679,859	24,418,259	-	-
Staff bonus	1,906,636,465	1,273,853,078	-	-
Staff training and development	8,715,459	7,320,052	-	-
Other Staff Related Expenses	547,426,911	194,446,637	-	-
	6,809,738,934	3,640,910,345	-	-
8 IMPAIRMENT LOSS ON FINANCIAL ASSETS				
Government securities (Note 16.1.2.1)	3,094,023,506	1,263,634,660	-	-
Finance lease receivables (Note 17.3)	4,047,422,210	(1,596,942,431)	-	-
Advances and loans (Note 18.1.1.1)	1,565,167,907	(24,792,795)	-	-
Factoring receivables (Note 18.2.1)	(92,186,413)	269,623,894	-	-
Gold loans (Note 18.3.1)	104,367,876	88,507,413	-	-
Trade and other current assets	259,846,915	12,874,400	-	-
	8,978,642,001	12,905,141	-	-

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
9 DEPRECIATION AND AMORTIZATION				
Depreciation of property, plant and equipment	488,026,732	162,290,846	-	-
Amortization of intangible assets	1,218,345	6,439,943	-	-
Amortization of right-of-use assets	321,321,852	165,353,187	-	-
	810,566,929	334,083,976	-	-
Depreciation and amortization attributable to:				
Administration expenses	321,321,852	165,353,187	-	-
Selling and distribution expenses	489,245,077	168,730,789	-	-
	810,566,929	334,083,976	-	-
10 OTHER OPERATING EXPENSES				
Administration cost	10,585,238,470	3,797,645,863	19,536,634	2,036,419
Distribution and marketing costs	1,852,886,826	982,240,234	-	-
Other expenses	514,827	12,874,400	-	-
	12,438,640,123	4,792,760,497	19,536,634	2,036,419
Profit before income tax expense are stated after charging all expenses including following:				
Auditors' Remunerations	11,694,298	6,056,072	-	-
Legal expenses	10,132,027	826,734	-	-
Secretarial fees	28,954,344	10,875,118	-	-
Professional fees	1,986,977,338	583,305,004	-	-
Deposit insurance premium	192,284,546	81,842,783	-	-
Costs of defined employee benefits				
- Defined benefit plan cost	131,541,715	89,374,487	-	-
- Defined contribution plan cost - EPF and ETF	400,375,788	214,117,881	-	-
Staff expenses	6,409,363,146	3,426,792,465	-	-
Depreciation of property, plant and equipment	488,040,309	162,290,846	-	-
Amortisation of intangible assets	1,204,767	6,439,943	-	-
Amortization of right-of-use assets	321,321,852	165,353,187	-	-
Auditors' Remunerations				
Remuneration for				
Audit fees and expenses	11,694,298	3,578,072	538,453	500,000
Audit-related fees and expenses	-	2,478,000	-	-
	11,694,298	6,056,072	-	-
11 VAT ON FINANCIAL SERVICES AND NBT				
VAT on financial services	4,190,627,536	2,389,178,773	-	-
Nation Building Tax (NBT)	193,449,817	203,899,336	-	-
	4,384,077,353	2,593,078,110	-	-
12 INCOME TAX EXPENSE				
Current tax expense (Note 12.1)	-	466,232,275		
Deferred tax expense				
Origination of deferred tax assets (note 27.5)	-	(22,192,467)		
Origination of deferred tax assets (note 27.5)	(102,503,000)	491,008,726		
	(102,503,000)	935,048,534	-	-
Income tax recognized in other comprehensive income				
Deferred tax (benefit)/ expense arising from;				
Deferred tax charge/(reversal) on revaluation surplus	(259,034,443)	(416,233,916)	-	-
Deferred tax charge/(reversal) on actuarial gains/(losses)	(30,399,019)	(3,904,138)	-	-
Available for sale financial assets	-	-		
Fair value change in derivatives recognized in hedge reserve	-	-		
	(289,433,462)	(420,138,054)	-	-

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
12.1 Numerical Reconciliation of accounting profits to income tax expense				
Profit before income tax expense	14,060,427,469	19,570,275,107	(34,550,388)	7,784,892,627
(+)Disallowable expenses	5,809,323,027	4,246,924,009	-	-
(-)Allowable expenses	(857,481,926)	(2,102,042,948)	-	-
(-) Tax exempt income	(7,785,664,511)	(2,514,171,386)	-	(7,784,892,627)
(-)Tax losses utilized	(549,681,171)	-	34,550,388	
(+/-) Other adjustments	-	(487,466,075)	-	-
Tax benefit on acquisition of subsidiary	(10,676,922,888)	-		
Taxable Income	-	18,713,518,707	-	-
Income tax @				
24%	-	464,645,289	-	-
14%	-	875,963	-	-
10%	-	711,023	-	-
Total tax expense	-	466,232,275	-	-

12.2 SURCHARGE TAX ACT NO 14 OF 2022

As per the Surcharge Tax Act No: 14 of 2022 which was certified on 08th April 2022, the Group is liable for the surcharge tax of Rs.85,478,588/- out of the taxable income of Rs. 421,571,178 pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 01 April 2020. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022

12.3 COST OF ACQUISITION OF SUBSIDIARY AND UNRECOGNIZED DEFERRED TAX ASSETS

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

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

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

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

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

Unrecognized deferred tax asset	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Remaining amount to be claimed at the beginning of the year	199,719,015,542		-	-
Consideration paid to acquire subsidiary	95,412,357,959		-	-
Acquisition of subsuduary	-	199,719,015,542		
Previous year adjustment	(5,027,663,857)		-	-
Amount claimed during the year	(10,676,922,888)		-	-
Remaining amount to be claimed in future years	279,426,786,756	199,719,015,542	-	-
Tax rate	30%	24%	-	-
Deferred tax asset on remaining amount	83,828,036,027	47,932,563,730	-	-
Recognized deferred tax asset	(3,988,229,785)	(1,322,698,505)	-	-
Unrecognized deferred tax asset	79,839,806,242	46,609,865,225	-	-

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
13 EARNINGS PER SHARE				
Profit attributable to equity holders of the Company	11,463,604,806	10,997,955,978	(34,550,388)	7,784,892,627
Weighted average number of ordinary shares	4,165,648,546	2,082,824,274	4,165,648,546	2,082,824,274
Earnings per share				
Basic, profit for the year attributable to ordinary equity holders of the parent	2.75	5.28	(0.01)	3.74

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore, not presented.

As at 31st March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
14 CASH AND CASH EQUIVALENTS				
14.1 Cash in Hand and Favourable Bank Balances				
Cash in hand - Local Currency (LKR)	2,747,329,428	522,640,896	-	-
Balances with Local Banks (within Sri Lanka)	14,984,552,330	19,372,371,755	1,661,585	1,733,026
	17,731,881,758	19,895,012,652	1,661,585	1,733,026
14.2 Unfavourable Bank Balances used for cash management purposes				
Bank overdrafts	(8,799,140,797)	(5,888,435,682)	-	-
Net cash and cash equivalents	8,932,740,961	14,006,576,970	1,661,585	1,733,026
15 FINANCIAL ASSETS RECOGNISED THROUGH PROFIT OR LOSS				
DEBT SECURITIES				
Corporate securities	3,533,942,129	4,176,762,479	-	-
Government securities	1,657,355,385	-		
	5,191,297,514	4,176,762,479	-	-
Equity Securities	2,161,477,007	1,816,434,566	-	-
Derivative assets held for risk management (Note 15.1)	64,428,026	3,450,265,935	-	-
	7,417,202,547	9,443,462,981	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
15.1 Derivative assets held for risk management				
Forward rate contracts				
Sales	-	963,844,355	-	-
Purchases	64,428,026	2,486,421,580	-	-
	64,428,026	3,450,265,935	-	-

Hedge Accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the Hegde
Hedge Instruments	Forward foreign exchange contracts
Hedge Items	Foreign currency denominated borrowings

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
16 INVESTMENT SECURITIES				
Financial assets measured at fair value through other comprehensive income/Available-for-sale investment securities (note 16.1)	32,003,452,411	17,581,987,253	-	-
Financial assets at amortised cost /Loans & receivables (note 16.2)	18,852,902,006	9,188,573,969	-	-
	50,856,354,417	26,770,561,222	-	-
16.1 Financial assets measured at fair value through other comprehensive income/Available-for-sale investment securities				
Corporate securities (note 16.1.1)	3,559,265,819			
Government securities (note 16.1.2)	27,409,681,840	17,286,607,070	-	-
Designated FVOCI investment securities	613,569,400	295,380,182	-	-
Equity securities with readily determinable fair values	420,935,352	-		
	32,003,452,411	17,581,987,253	-	-
16.1.1 Corporate securities				
Investments in debentures	3,454,854,860	-		
Investment in Mutual Funds	104,410,959	-		
	3,559,265,819	-	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
16.1.2 Government securities				
Investments in Treasury Bills	-	928,649,750	-	-
Investments in Treasury Bonds	32,034,616,870	17,888,868,845	-	-
Provision for impairment (note 16.1.2.1)	(4,624,935,030)	(1,530,911,524)	-	-
	27,409,681,840	17,286,607,070	-	-
16.1.2.1 Provision for impairment				
Movement in Stage 1 Impairment				
Balance as at April 01,	1,530,911,524	-	-	-
Acquisition of Subsidiaries	-	267,276,864		
Charge/(write back) to the Income Statement	3,094,023,506	1,263,634,660	-	-
Balance as at March 31,	4,624,935,030	1,530,911,524	-	-

16.2 Financial assets at amortised cost /loans & receivables

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Corporate bonds (note 16.2.1)	5,144,342,240	-	-	-
Government securities (note 16.2.2)	10,121,712,401	8,159,213,557	-	-
Investments in term deposits (note 16.2.3)	3,586,847,365	1,029,360,412	-	-
	18,852,902,006	9,188,573,969	-	-
16.2.1 Corporate bonds				
Investment in Debentures	2,943,929,436		-	-
Investment in Commercial papers	2,200,412,804		-	-
	5,144,342,240	-	-	-
16.2.2 Government securities				
Reverse Repo Instruments	7,720,348,498	8,159,213,557	-	-
Investments in Treasury Bonds	800,478,672	-	-	-
Investments in Treasury Bills	1,600,885,231	-	-	-
	10,121,712,401	8,159,213,557	-	-
16.2.3 Investments in term deposits				
Placements – Within Sri Lanka	3,400,686,876	1,029,360,412	-	-
Placements – Within Cambodia	186,160,489	-	-	-
	3,586,847,365	1,029,360,412	-	-

17 FINANCIAL ASSETS AT AMORTISED COST/ FINANCE LEASE RECEIVABLES

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Gross Portfolio	66,862,180,926	72,129,377,682	-	-
Stage 1	43,937,436,759	49,869,663,234	-	-
Stage 2	9,933,220,106	15,190,469,378	-	-
Stage 3	12,991,524,061	7,069,245,069	-	-
Expected credit loss/impairment allowance	(4,793,251,298)	(3,523,478,940)	-	-
Stage 1	(228,492,918)	(550,360,535)	-	-
Stage 2	(173,191,500)	(829,862,639)	-	-
Stage 3	(4,391,566,880)	(2,143,255,766)	-	-
Net Portfolio	62,068,929,628	68,605,898,742	-	-

17.1 Finance lease receivables

Gross rentals receivable	96,206,300,783	103,279,540,114	-	-
Unearned finance income	(25,687,519,100)	(26,296,613,581)	-	-
Net investments in finance leases	70,518,781,683	76,982,926,533		
Expected credit loss/impairment allowance	(4,793,251,298)	(3,523,478,940)	-	-
Prepayments received from leases	(3,656,600,757)	(4,853,548,851)	-	-
Balance as at 31 March	62,068,929,628	68,605,898,742	-	-

17.2 Maturity of finance lease receivables

Receivables within one year (Note 17.2.1)	22,836,453,364	40,768,471,197	-	-
Receivable from one to five years (Note 17.2.2)	37,465,231,136	26,894,449,868	-	-
Receivable later than five years (Note 17.2.3)	-	-	-	-
Overdue rental receivable (Note 17.2.4)	6,560,496,426	4,466,456,617	-	-
Expected credit loss/impairment allowance (Note 17.3)	(4,793,251,298)	(3,523,478,940)	-	-
	62,068,929,628	68,605,898,742	-	-

17.2.1 Receivables within one year

Gross rentals receivable	36,328,564,445	53,016,725,568	-	-
Unearned finance income	(13,492,111,081)	(12,248,254,371)	-	-
	22,836,453,364	40,768,471,197	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
17.2.2 Receivable from one to five years				
Gross rentals receivable	53,316,139,577	45,796,357,929		
Unearned finance income	(12,194,307,683)	(14,048,359,210)	-	-
Prepayments received from lessees	(3,656,600,758)	(4,853,548,851)	-	-
	37,465,231,136	26,894,449,868	-	-
17.2.3 Receivable later than five years				
Gross rentals receivable	-	-	-	-
Unearned finance income	-	-	-	-
Prepayments received from lessees	-	-	-	-
	-	-	-	-
17.2.4 Overdue rental receivable				
Gross rentals receivable	6,560,496,426	4,466,456,617	-	-
	6,560,496,426	4,466,456,617	-	-

17.3 Expected credit loss/impairment allowance

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	3,523,478,940	-	-	-
Acquisition of Subsidiaries	-	5,468,757,629	-	-
Net expected credit loss/impairment during the year	4,047,422,210	(1,596,942,431)	-	-
Net write-off/(recoveries) during the year	(2,777,649,852)	(348,336,258)	-	-
Addition on merger with subsidiary	-			
Balance as at 31 March	4,793,251,298	3,523,478,940	-	-
17.3.1 Movements in expected credit loss/ Impairment allowance during the year				
Stage 1				
Balance as at 1 April	549,340,009	-	-	-
Acquisition of Subsidiaries	-	513,604,602	-	-
Net expected credit loss/impairment during the year	(320,847,091)	35,735,407	-	-
Balance as at 31 March	228,492,918	549,340,009	-	-
Stage 2				
Balance as at 1 April	829,862,639	-	-	-
Acquisition of Subsidiaries		2,065,802,250	-	-
Net expected credit loss/impairment during the year	(656,671,139)	(1,235,939,611)	-	-
Balance as at 31 March	173,191,500	829,862,639	-	-

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Stage 3				
Balance as at 1 April	2,144,276,292	-	-	-
Acquisition of Subsidiaries		2,889,350,778	-	-
Net expected credit loss/impairment during the year	5,024,940,440	(396,738,228)	-	-
Net write-off/(recoveries) during the year	(2,777,649,852)	(348,336,258)	-	-
Balance as at 31 March	4,391,566,880	2,144,276,292	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

18 FINANCIAL ASSETS AT AMORTISED COST/ ADVANCES AND OTHER LOANS

Gross Portfolio	191,599,377,808	158,933,604,260	-	-
Stage 1	155,227,998,361	128,990,879,615	-	-
Stage 2	12,126,140,678	15,454,152,786	-	-
Stage 3	24,245,238,769	14,488,571,859	-	-
Expected credit loss/impairment allowance	(7,102,480,222)	(8,271,422,591)	-	-
Stage 1	(632,799,994)	(2,207,118,839)	-	-
Stage 2	(299,874,350)	(1,610,745,537)	-	-
Stage 3	(6,169,805,879)	(4,453,558,214)	-	-
Net Portfolio	184,496,897,586	150,662,181,669	-	-

18.1 Analysis of gross portfolio By product

Advances and loans (note 18.1.1)	152,108,172,052	134,661,327,471	-	-
Factoring receivables (note 18.2)	2,270,162,032	807,472,366	-	-
Gold loan advances receivables (note 18.3)	30,118,563,502	15,193,381,832	-	-
	184,496,897,586	150,662,181,669	-	-

18.1.1 Advances and loans

Rentals receivable on loans to customers	155,852,555,394	152,207,410,613	-	-
Capital outstanding of revolving loans	10,802,135,465	-	-	-
Gross rental receivables	166,654,690,859	152,207,410,613	-	-
Future interest	(18,774,289,013)	(18,713,353,704)	-	-
Net rental receivables	147,880,401,846	133,494,056,909	-	-
Overdue loan installments	10,832,249,347	8,882,396,622	-	-
Expected credit loss/impairment allowance (Note 18.1.1.1)	(6,604,479,141)	(7,715,126,060)	-	-
	152,108,172,052	134,661,327,471	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
18.1.1.1 Expected credit loss/impairment allowance				
Balance as at 1 April	5,135,030,673	-	-	-
Acquisition of Subsidiaries	2,347,155,520	8,721,766,870	-	-
Net expected credit loss/impairment during the year	1,565,167,907	(24,792,795)	-	-
Net write-off/(recoveries) during the year	(2,442,874,959)	(981,848,014)	-	-
Balance as at 31 March	6,604,479,141	7,715,126,060	-	-
18.1.1.2 Movement in provision for impairment (under SLFRS 09)				
Stage 1				
Balance as at 1 April	1,994,101,864	-	-	-
Acquisition of Subsidiaries	-	1,021,010,977	-	-
Net expected credit loss/impairment during the year	(1,254,489,075)	973,090,887	-	-
Other movements/ Transfers	(156,744,906)	-		
Balance as at 31 March	582,867,883	1,994,101,864	-	-
Stage 2				
Balance as at 1 April	1,610,492,171	-	-	-
Acquisition of Subsidiaries	-	1,090,144,357	-	-
Net expected credit loss/impairment during the year	(1,368,227,965)	520,347,814	-	-
Balance as at 31 March	242,264,206	1,610,492,171	-	-
Stage 3				
Balance as at 1 April	4,110,532,025	-	-	-
Acquisition of Subsidiaries	-	6,610,611,535	-	-
Net expected credit loss/impairment during the year	4,187,884,946	(1,518,231,496)	-	-
Net write-off/(recoveries) during the year	(2,442,874,959)	(981,848,014)	-	-
Other movements/ Transfers	(76,194,961)			
Balance as at 31 March	5,779,347,051	4,110,532,025	-	-
18.2 Factoring receivables				
Factoring receivables	2,512,831,380	1,164,261,245	-	-
Expected credit loss/impairment allowance (Note 18.2.1)	(242,669,348)	(356,788,879)	-	-
Balance as at 31 March	2,270,162,032	807,472,366	-	-
18.2.1 Expected credit loss/impairment allowance				
Balance as at 1 April	356,788,879	-	-	-
Acquisition of Subsidiaries	-	641,579,667	-	-
Net expected credit loss/impairment during the year	(92,186,413)	269,623,894	-	-
Net write-off/(recoveries) during the year	(10,357,804)	(525,862,817)	-	-
Other movements/ Transfers	(11,575,314)	(28,551,866)	-	-
Balance as at 31 March	242,669,348	356,788,879	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
18.2.2 Movements in expected credit loss/ Impairment allowance during the year				
Stage 1				
Balance as at 1 April	14,673,149	-	-	-
Acquisition of Subsidiaries	-	22,212,070	-	-
Net expected credit loss/impairment during the year	1,677,541	(7,538,921)	-	-
Balance as at 31 March	16,350,690	14,673,149	-	-
Stage 2				
Balance as at 1 April	34,010	-	-	-
Acquisition of Subsidiaries	-	10,296,505	-	-
Net expected credit loss/impairment during the year	3,259,929	(10,262,495)	-	-
Balance as at 31 March	3,293,939	34,010	-	-
Stage 3				
Balance as at 1 April	342,081,719	-	-	-
Acquisition of Subsidiaries	-	609,071,092	-	-
Net expected credit loss/impairment during the year	(97,123,883)	287,425,310	-	-
Net write-off/(recoveries) during the year	(10,357,804)	(525,862,817)	-	-
Other movements/ Transfers	(11,575,314)	(28,551,866)	-	-
Balance as at 31 March	223,024,718	342,081,719	-	-
18.3 Gold loan advances receivables				
Gross receivables	30,373,895,236	15,392,889,483	-	-
Expected credit loss/impairment allowance (Note 18.3.1)	(255,331,734)	(199,507,651)	-	-
Balance as at 31 March	30,118,563,502	15,193,381,832	-	-
18.3.1 Expected credit loss/impairment allowance				
Balance as at 1 April	199,507,651			
Acquisition of Subsidiaries	-	111,000,239	-	-
Net expected credit loss/impairment during the year	104,367,876	88,507,413	-	-
Net write-off/(recoveries) during the year	(48,543,793)			
Balance as at 31 March	255,331,734	199,507,651	-	-

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
18.3.2 Movements in expected credit loss/ Impairment allowance during the year				
Stage 1				
Balance as at 1 April	198,343,826	-		
Acquisition of Subsidiaries	-	25,609,194	-	-
Net expected credit loss/impairment during the year	(164,762,404)	172,734,632	-	-
Balance as at 31 March	33,581,422	198,343,826	-	-
Stage 2				
Balance as at 1 April	219,356	-		
Acquisition of Subsidiaries	-	31,905,353	-	-
Net expected credit loss/impairment during the year	54,096,847	(31,685,997)	-	-
Balance as at 31 March	54,316,203	219,356	-	-
Stage 3				
Balance as at 1 April	944,470	53,485,692	-	-
Acquisition of Subsidiaries	-	-		
Net expected credit loss/impairment during the year	215,033,433	(52,541,223)	-	-
Net write-off/(recoveries) during the year	(48,543,793)			
Balance as at 31 March	167,434,110	944,470	-	-
19 INSURANCE PREMIUM RECEIVABLES				
Insurance premium receivables	3,414,621,634	-	-	-
Intermediaries (Including collections in transit)	-			
(-) Expected credit loss/impairment allowance (note 19.1)	(404,746,064)	-	-	-
Balance as at 31 March	3,009,875,570	-	-	-

Fair value of premium receivable
The carrying amount disclosed above approximates the fair value at the reporting date.

19.1 Expected credit loss/impairment allowance				
As at 31 March				
Balance at 01 April	-			
Acquisition of Subsidiaries	404,746,064	-	-	-
Balance as at 31 March	404,746,064	-	-	-
20 INVENTORIES				
Raw materials	55,669,223	15,732,576	-	-
Input materials	1,834,040	408,210	-	-
Consumables, maintenance and spares	-	387,554	-	-
Vehicle stocks	37,192,677	402,593,550	-	-
Others	49,161,549	16,971,629	-	-
Balance as at 31 March	143,857,489	436,093,519	-	-
21 CURRENT TAX ASSETS				
Value Added Tax (VAT) recoverable	242,006,373	254,075,102	-	-
With-Holding Tax (WHT) recoverable	23,753,389	(466,475)	-	-
Other tax recoverable	-	1,704,357	-	-
Balance as at 31 March	265,759,762	255,312,984	-	-
22 TRADE AND OTHER CURRENT ASSETS				
Financial Assets (note 22.1)	14,737,065,683	18,690,057,364	6,933,414,152	10,418,807,291
Non-financial Assets (note 22.2)	1,074,238,967	866,090,781	-	-
Balance as at 31 March	15,811,304,650	19,556,148,146	6,933,414,152	10,418,807,291

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
22.1 Financial Assets				
Trade receivable	140,654,677	6,893,739,996	-	-
Amount due from related parties	8,169,998,689	10,475,934,305	6,933,414,152	10,418,807,291
Loans given to employees	36,885,166	26,966,509	-	-
Refundable deposits	-	3,671,093	-	-
Other Financial Assets	1,785,528,221	1,289,745,461	-	-
Re-insurance receivable	669,312,915	-	-	-
Insurance claims receivable	3,934,686,015	-	-	-
Balance as at 31 March	14,737,065,683	18,690,057,364	6,933,414,152	10,418,807,291
22.2 Non-financial Assets				
Prepayments & advances	760,849,259	441,525,651	-	-
Pre-payments	68,364,615	424,565,131	-	-
Other non-financial receivables	245,025,093	-		
Balance as at 31 March	1,074,238,967	866,090,781	-	-
23 RIGHT-OF-USE ASSETS				
Cost				
Balance at the beginning of the year	2,566,064,774	-	-	-
Acquisition of Subsidiaries	524,914,981	2,582,167,355	-	-
Additions during the period	6,879,115	153,722,126	-	-
Transfers and other movements	(553,291,748)	22,237,476	-	-
Reversal on early termination	-	(192,062,183)	-	-
Effect on Merger	51,426,501	-	-	-
	2,595,993,623	2,566,064,774	-	-
Accumulated amortisation				
Balance at the beginning of the year	1,329,388,109	-	-	-
Acquisition of Subsidiaries	268,937,504	1,298,458,859	-	-
Amortization Charge to P&L	321,321,852	165,353,187	-	-
Reversal on early termination	(42,791,765)	(95,283,031)	-	-
Transfers and other movements	(554,138,536)			
Effect on Merger	35,355,719			
	1,358,072,884	1,329,388,109	-	-
Balance at the end of the year	1,237,920,739	1,236,676,665	-	-

Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

Details of right-of-use assets relating to leased properties

The Group leases office space, office equipment, motor vehicles etc. with contract terms of one to five years. These leases are either short term (term leases than one year) and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
24 INVESTMENT PROPERTIES				
Balance at the beginning of the year	37,424,326,114	-	-	-
Acquisition of Subsidiaries	89,039,000	25,823,897,496	-	-
Additions	3,202,349,172	4,058,409,541	-	-
Improvements	-			
Add/(Del) Due to Amalgamation	-	383,700,000	-	-
Additions from foreclosure	868,875,920			
Disposals	(470,890,409)	(17,000,000)	-	-
Transfer (to)/from PPE	(3,348,500,000)	(492,800,000)	-	-
Change in fair valure during the year	3,576,500,378	7,668,119,077	-	-
Balance at the end of the year	41,341,700,175	37,424,326,114	-	-

Investment property comprises bare lands and land and buildings acquired by the company from clients who defaulted on accomodations granted and purchased properties. Those properties are held by the Group for capital appreciation or rented purposes.

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

During the year company has incurred expenses amounting to Rs.128,765,638 for maintenance of the investment property. (2021/22 - Rs.30,993,121)

24.1 Fair value hierarchy

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

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

24.1.1 Valuation technique

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

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

Transfers from owner-occupied properties

During the financial year Rs. 492,800,000 worth of property of the Company has been transferred from property, plant and equipment (Note 22 Property, Plant and Equipment) to investment property, since the property was no longer used by the Group and as such it was decided that the building would be leased to a third party.

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
24.2 Details of investment properties				
Owned properties classified as investments properties	41,386,200,174	37,424,326,114	-	-
Properties held under operating lease classified as investment properties (Note 24.3)	-	-	-	-
	41,386,200,174	37,424,326,114	-	-
24.3 Summary of investment properties				
Land	18,768,198,521	36,536,826,114	-	-
Building	22,618,001,653	887,500,000	-	-
	41,386,200,174	37,424,326,114	-	-

As at 31 March,	Company					
	2023			2022		
	No. of Shares	Holding %	Cost	No. of Shares	Holding %	Cost
25 SUBSIDIARY COMPANIES						
Listed subsidiaries						
LOLC Finance PLC	29,389,519,216	88.85%	41,229,102,051	15,651,765,122	91.60%	37,990,971,167
LOLC Development Finance PLC	-	-	-	132,180,572	81.30%	2,067,805,583
LOLC General Insurance PLC	315,000,000	90.00%	2,535,942,500	-	-	-
LOLC Asset Holdings Ltd	233,878,951	100.00%	2,338,789,510	-	-	-
			46,103,834,061			40,058,776,750

25.1 ACQUISITION OF SUBSIDIARIES

Acquisition of LOLC General Insurance PLC and LOLC Asset Holdings Ltd.

LOLC Asset Holdings Limited, a fully owned subsidiary of LOLC Holdings PLC was transferred to LOLC Ceylon Holdings PLC on 22nd March 2023. LOLC Asset Holdings Limited holds 100% shareholding of LOLC Life Assurance Limited (Sri Lanka) , a 63.75% shareholding in LOLC General Insurance PLC (Sri Lanka) and 100% of LOLC Serendib (Pvt) Limited. LOLC Serendib (Pvt) Limited hold 10% shares of LOLC Serendib Microinsurance PLC (Cambodia). LOLC Life Assurance Limited and LOLC General Insurance PLC owns 45% each in Serendib Microinsuracne PLC (Cambodia).

315,000 shares (26.25%) of LOLC General Insurance PLC acquired by LOLC Ceylon Holdings PLC in March 2023 and as a result effective holding of LOLC General Insurance increased to 90%.

The provisional fair values of the identifiable assets and liabilities of the acquire as at the date of acquisition were;

	Rs.
Assets	
Cash and cash equivalents	541,133,234
Financial assets recognised through profit or loss/Trading assets - fair value through profit or loss	1,169,751,791
Investment securities	18,624,239,467
Premium receivables	3,009,875,570
Current tax assets	8,161,231
Trade and other current assets	5,823,725,026
Right to use assets	255,977,477
Investment properties	89,039,000
Deferred tax assets	704,069,000
Intangible assets	33,843,002
Property, plant and equipment	144,651,322
	30,404,466,120
Liabilities	
Bank overdrafts	21,669,408
Interest bearing borrowings	581,137,040
Insurance provision - life	6,498,815,760
Insurance provision - general	10,364,764,594
Current tax payables	955,787,828
Trade and other payables	2,796,601,578
Retirement benefit obligations	78,486,380
	21,297,262,588
Fair Value of identifiable net assets acquired	9,107,203,532
Results of the acquisitions of above subsidiaries are as follows;	
Fair value of consideration Paid - Cash	4,874,732,010
Net consideration paid	4,874,732,010
Non-controlling interests acquired (Net)	423,814,312
Fair value of identifiable net assets acquired	9,107,203,532
Negative Goodwill	(3,808,657,210)
Net cash used in acquisition	
Purchase consideration paid	(4,874,732,010)
Cash & cash equivalents acquired	519,463,825
	(4,355,268,185)

25.2 Acquisition of LOLC Finance PLC , Commercial Leasing & Finance PLC and LOLC Development Finance PLC under Common Control Transaction

LOLC Holdings PLC (LOLC) transferred 2,351,313,562 of shares of LOLC Finance PLC (44.79% of issued Shares) , 6,308,876,426 of shares of Commercial Leasing & Finance PLC (98.92% of issued Shares) and 132,180,572 of shares of LOLC Development Finance PLC (55.55% of issued Shares) to LOLC Ceylon Holdings PLC (Company) upon receiving the approval of the Securities & Exchange Commission of Sri Lanka on 30th Sep 2021.

The accounting for above transaction completed as per note 3.1.5, Common Control Transactions. The book values of the identifiable assets ans liabilities of the acquire as at the date of acquisition were;

	Rs.
Assets	
Cash and cash equivalents	22,263,023,527
Financial assets recognised through profit or loss/Trading assets - fair value through profit or loss	2,432,825,775
Investment securities	24,307,928,922
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	67,388,793,487
Financial assets at amortised cost/ Advances and other loans	126,805,429,376
Inventories	286,884,556
Current tax assets	251,972,523
Trade and other current assets	518,612,097
Right to use assets	1,230,346,612
Investment properties	25,823,897,496
Equity accounted investees - Associates	214,165,864
Deferred tax assets	22,466,321
Intangible assets	10,215,487
Property, plant and equipment	3,257,243,661
	274,813,805,705
Liabilities	
Bank overdrafts	5,099,993,916
Trading liabilities - fair value through profit or loss	2,304,000
Financial Liabilities at Amortised Cost/ Deposits liabilities	145,289,781,068
Interest bearing borrowings	46,520,753,560
Current tax payables	5,329,304,410
Trade and other payables	6,449,773,211
Deferred tax liabilities	1,871,255,936
Retirement benefit obligations	598,177,055
	211,161,343,155
Fair value of identifiable net assets acquired	63,652,462,550
Results of the acquisitions of above subsidiaries are as follows;	
Fair value of consideration Paid - Cash	1,000,000,000
Fair value of consideration Transferred - Non Cash	41,656,485,447
Less - Transaction cost	-
Net consideration paid	42,656,485,447
Non-controlling interests acquired (Net)	21,707,568,483
Fair value of identifiable net assets acquired	63,652,462,550
Goodwill	711,591,379
Net cash used in acquisition	
Purchase consideration paid	(1,000,000,000)
Cash & cash equivalents acquired	17,163,029,611
	16,163,029,611

25.3 Acquisition of LOLC Development Finance PLC and merger with LOLC Finance PLC

As per the announcement dated 12th of December 2022, in terms of the listing rules of the Colombo Stock Exchange LOLC Development Finance PLC has been amalgamated with LOLC Finance PLC with effect from 31st January 2023 and the same is adjusted under common control.

25.4 Non-controlling interests

As at 31 March 2023 (in Rs')	LOLC Finance PLC	LOLC General Insurance PLC	Serendib Microinsurance PLC (Cambodia)	Total
Effective NCI %	11.15%	10.0%	4.50%	
Total Assets	360,847,737,644	17,678,533,960	354,481,725	378,880,753,328
Total Liabilities	260,039,509,727	13,390,651,093	266,014,485	273,696,175,306
Net Assets	100,808,227,917	4,287,882,867	88,467,240	105,184,578,022
Gross Carrying amount of NCI	11,244,264,763	428,788,287	3,981,026	11,677,034,076
Gross income	45,670,235,603	-	-	45,670,235,603
Profit/ (Loss) for the period	15,393,266,597	-	-	15,393,266,597
OCI for the period	15,473,340,140	-	-	15,473,340,140
Profit /(Loss) allocated to NCI	1,716,982,520	-	-	1,716,982,520
OCI allocated to NCI	1,725,914,014	-	-	1,725,914,014

LOLC General insurance PLC and Serendib Microinsurance PLC (Cambodia) acquired by LOLC Ceylon Holdings PLC by end of March 2023.

As at 31 March 2022 (in Rs')	LOLC Finance PLC	LOLC Development Finance PLC	Total
Effective NCI %	18.70%	8.4%	
Total Assets	311,567,068,345	21,922,901,209	333,489,969,554
Total Liabilities	228,014,165,440	18,766,769,972	246,780,935,412
Net Assets	83,552,902,906	3,156,131,237	86,709,034,143
Gross Carrying amount of NCI	15,622,525,257	265,147,709	15,887,672,966
Gross income	33,112,143,095	4,210,812,929	37,322,956,024
Profit/ (Loss) for the period	16,950,585,463	388,391,344	17,338,976,807
OCI for the period	1,290,662,124	-46,089,233	1,244,572,891
Profit /(Loss) allocated to NCI	3,169,380,600	32,628,895	3,202,009,495
OCI allocated to NCI	241,324,968	-3,871,973	237,452,995

As at 31 March,	Group							
	2023				2022			
	No. of Shares	Holding %	Cost	Carrying value	No. of Shares	Holding %	Cost	Carrying value
26 EQUITY ACCOUNTED INVESTEES								
Commercial Insurance Brokers (Pvt) Ltd. (Note 26.1)	240,000	40%	800,000	232,408,077	240,000	40%	800,000	223,922,163
LOLC El-Oula Microfinance Egypt (Note 26.1)	1,107,378	25%	348,075,272	327,946,594	-	-		-
			348,875,272	560,354,671				223,922,163

The principal activities of the Commercial Insurance Brokers (Pvt) Ltd is Insurance Brokering.

26.1 Summerized financial information

As at 31 March,	Commercial Insurance Brokers (Pvt) Ltd.		LOLC El-Oula Microfinance Egypt	
	2023	2022	2023	2022
Original cost of investment	800,000	800,000	348,075,272	-
Add: Share of profit applicable to the Group				
Investment in associate at the beginning of the year	223,122,163	-	-	-
Addition on acquisition	-	214,955,947	-	-
Total comprehensive income				
Profit or loss for the year recognized in income statement net of tax	18,472,169	1,424,800	(20,128,678)	-
Other comprehensive income net of tax	(3,986,255)	12,741,416	-	-
Dividends received	(6,000,000)	(6,000,000)		-
Carrying amount as the end of the year	232,408,077	223,922,163	327,946,594	-

26.2 Summerized income statement

For the year ended	Commercial Insurance Brokers (Pvt) Ltd.		LOLC El-Oula Microfinance Egypt	
	2023	2022	2023	2022
Revenue	225,901,283	204,239,311	1,513,566,470	-
Expenses	(159,921,262)	(168,455,721)	(1,519,794,774)	-
Income tax	(19,799,599)	(5,497,692)	(74,286,408)	-
Profit from continuing operations, net of tax	46,180,422	30,285,898	(80,514,712)	-
Company's share of profit from continuing operations, net of tax	18,472,169	1,424,800	(20,128,678)	
Other comprehensive income, net of tax	(9,965,636)	31,853,542	-	-
Company's share of other comprehensive income from continuing operations, net of tax	(3,986,255)	12,741,417	-	
Share of results of equity accounted investee recognised in Statement of Profit or Loss and Other Comprehensive Income	14,485,914	14,166,217	(20,128,678)	

26 EQUITY ACCOUNTED INVESTEES (CONT.)

26.3 Summerized income statement

As at 31 March,	Commercial Insurance Brokers (Pvt) Ltd.		LOLC El-Oula Microfinance Egypt	
	2023	2022	2023	2022
Non current assets	522,517,723	499,034,216	251,701,119	-
Current assets	239,694,838	229,873,313	3,242,646,506	-
Non current liabilities	(148,914,405)	(120,431,041)	(2,544,812,208)	-
Current assets	(36,995,878)	(26,714,925)	(245,624,786)	-
Net assets	576,302,278	581,761,563	703,910,631	-
Group's share of net assets	230,520,911	229,874,348	175,977,658	-
Goodwill	5,617,443	(5,952,184)	151,968,936	-
Carrying amount of interest in associate	236,138,354	223,922,164	327,946,594	-

The company recognizes the share of net asset of the associate under the equity method to arrive at the directors'' valuation.

27 DEFERRED TAX ASSETS AND LIABILITIES

27.1 Recognised deferred tax assets

Deferred Tax Assets are attributable to the originations of following temporary differences:

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Accelerated depreciation for tax purposes - Own assets	-	(16,969,613)	-	-
Accelerated depreciation for tax purposes - Leased assets	-	(10,115,954)	-	-
Investment Properties	-	(2,582,500)	-	-
Employee benefits	15,901,100	53,165,258	-	-
General Provisions	64,598,857	134,533,404	-	-
Net Lease Liability - SLFRS 16	31,145,677	31,559,138	-	-
Unutilized Tax Losses	90,185,867			
Others	507,117,313	(9,838,079)	-	-
Net Deductible Temporary Difference	708,948,814	179,751,654	-	-
Total Recognized Deferred Tax Assets	704,069,000	43,140,397	-	-

27.2 Movement in recognised deferred tax assets

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at the beginning of the period	43,140,397	-	-	-
Acquisition of Subsidiaries	704,069,000	22,466,323		
Originations / Reversal to the Income Statement	-	22,192,467	-	-
Directly Charged to the Equity	-	(1,518,393)	-	-
Other adjustments / transferrs	(43,140,397)			
Balance as at the end of the period	704,069,000	43,140,397	-	-

27.3 Recognised deferred tax liabilties

Deferred Tax liabilities are attributable to the originations of following temporary differences:

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Accelerated depreciation for tax purposes – Own assets	4,142,350	336,103,788	-	-
Accelerated depreciation for tax purposes – Leased assets	(11,539,034)	24,294,429	-	-
Revaluation surplus on freehold buildings	1,398,713,392	574,883,290	-	-
Revaluation surplus on freehold land	3,350,774,960	3,350,774,961	-	-
Investment Properties	19,838,118,002	16,307,073,634	-	-
Lease Recievables	5,767,442,183	6,297,162,088	-	-
Employee benefits	(671,287,432)	(565,709,494)	-	-
General Provisions	(6,133,862,936)	(694,563,508)	-	-
Forward exchange contracts assets	52,793,048	2,473,245,882	-	-
Tax relief on amalgamation	(13,294,099,282)	(4,279,001,103)	-	-
Net Lease Liability - SLFRS 16	-	(18,692,156)	-	-
Revaluation Gain of ROU Asset Revaluation Reserve	-	88,083,686	-	-
Others (please specify)	2,951,424	(1,747,116,982)	-	-
Net taxable temporary difference	10,304,146,675	22,146,538,515	-	-
Total Recognized Deferred Tax Liabilities	2,990,836,602	2,974,781,274	-	-

27.4 Movement in Recognised Deferred Tax Liabilities

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April	2,974,781,274	-	-	-
Acquisition of Subsidiaries	-	2,483,772,545	-	-
Originations / reversal to the profit or loss	(102,503,000)	491,008,728	-	-
Directly Charged to Equity	161,698,725	-	-	-
Other adjustments / transferrs	(43,140,397)	-	-	-
Balance as at the end of the period	2,990,836,602	2,974,781,274	-	-

27.5 Deferred Tax Expense

Originations of deferred tax assets	-	(22,192,467)	-	-
Originations deferred tax liabilities	(102,503,000)	491,008,728	-	-
	(102,503,000)	468,816,262	-	-

28 INTANGIBLE ASSETS

As at 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Computer Softwares (note 28.1)	39,019,262	36,197,599	-	-
	39,019,262	36,197,599	-	-

28.1 Other intangible assets

Group	Computer Softwares	Total as at 31.03.2023	Computer Softwares	Total as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Cost/Valuation				
Balance as at 01 April	48,467,427	48,467,427	-	-
Additions	-	-	25,993,500	25,993,500
Disposal	(42,072,822)	(42,072,823)	-	-
Acquisition of Subsidiaries	254,092,037	254,092,037	22,473,927	22,473,927
Adjustment	27,589,756	27,589,756	-	-
Balance as at the end of the year	288,076,398	288,076,398	48,467,427	48,467,427
Accumulated Amortization and Impairment losses				
Balance as at 01 April	12,269,827	12,269,827	-	-
Charge for the year	1,218,345	1,218,345	6,439,943	6,439,943
Disposal	(12,269,827)	(12,269,827)	-	-
Acquisition of Subsidiaries	220,249,035	220,249,035	5,829,885	5,829,885
Adjustment	27,589,756	27,589,756	-	-
Balance as at the end of the year	249,057,136	249,057,136	12,269,828	12,269,828
Carrying Amount	39,019,262	39,019,262	36,197,599	36,197,599

29 PROPERTY, PLANT AND EQUIPMENT

Group For the year ended 31 March 2023	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings	Office Equipment	Computers	Other Tangible Assets	Group Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost/Valuation									
Balance as at 01 April	3,142,650,000	1,661,350,000	183,701,901	1,895,811,000	426,527,645	770,000,025	501,548,082	-	8,581,588,653
Acquisition of Subsidiaries	-	-	-	14,744,221	211,042,125	105,406,716	146,424,979	360,734	477,978,775
Additions	-	4,105,690	50,004	119,585,000	50,162,181	98,186,600	141,304,112	84,490	413,478,077
Revaluations	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	(9,750,000)	(295)	-	(113,498)	-	(9,863,793)
Transfers - Investment Properties	2,230,000,000	1,102,500,000	-	-	-	-	-	-	3,332,500,000
Balance as at 31 March	5,372,650,000	2,767,955,690	183,751,905	2,020,390,221	687,731,656	973,593,341	789,163,675	445,224	12,795,681,712
Accumulated Depreciation and impairment losses									
Balance as at 01 April	-	-	331,901	3,307,843	321,895,933	533,760,380	392,184,951	-	1,251,481,007
Acquisition of Subsidiaries	-	-	-	2,703,128	152,593,081	80,028,503	97,822,355	180,387	333,327,454
Charge for the year	-	62,989,246	132,275,432	40,289,970	53,362,249	116,966,926	82,142,910	-	488,026,732
Impairment Losses	-	-	-	-	-	-	-	-	-
Transfers / Adjustment	-	504,048	-	-	-	(9,922,376)	22,193,258	-	12,774,930
Disposal	-	-	(328,071)	-	(295)	-	(113,500)	-	(441,866)
Balance as at 31 March	-	63,493,294	132,279,262	46,300,941	527,850,968	720,833,432	594,229,974	180,387	2,085,168,259
Carrying Amount									
As at 31 March 2023	5,372,650,000	2,704,462,396	51,472,643	1,974,089,280	159,880,688	252,759,908	194,933,701	264,837	10,710,513,453
As at 31 March 2022	3,142,650,000	1,661,350,000	183,370,000	1,892,503,157	104,631,713	236,239,645	109,363,132	-	7,330,107,646

29.1 Fully depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment as at 31st which are still in use as follows:

Group	2023	2022
	Rs.	Rs.
Computers and Software	503,996,074	99,537,252
Equipments and Tools	556,071,556	81,789,079
Furniture and Fittings	443,736,207	36,792,024
Motor Vehicles	663,804	7,529,402
Others	13,737,400	-
	1,518,205,041	225,647,757

29.2 Land and building of the Group are stated based on a valuation performed by Mr. W.M Chandrasena R I C S (Sri Lanka) an external, independent Chartered Valuer, as at 31st March 2022. The external valuer is not a Related Party to he Company. Fair value of Property, plant and equipment are categorized under the level 3 in fair value hierachy.

29.3 Property, plant and equipment pledged as security for liabilities

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

29.4 Temporarily idle property, plant and equipment

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

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

Group	Mar 23 Rs.	Mar 22 Rs.
Cost	4,808,105,690	1,991,063,382
Accumulated depreciation and impairment	(63,493,294)	(23,001,276)
Carrying value	4,744,612,396	1,968,062,106

	As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
30	**TRADING LIABILITIES**				
	Forward rate contracts				
	Sales	-	-	-	-
	Purchases	11,634,977	13,175,698	-	-
		11,634,977	13,175,698	-	-
31	**FINANCIAL LIABILITIES AT AMORTISED COST/ DEPOSITS LIABILITIES**				
	Fixed deposits (note 31.1)	178,823,947,191	142,741,258,478	-	-
	Savings deposits (note 31.2)	12,362,746,508	20,079,165,119	-	-
	Interest payable (note 31.3)	10,084,113,120	3,460,687,101	-	-
		201,270,806,819	166,281,110,698	-	-
31.1	**Fixed deposits**				
	Local currency deposits				
	Conventional deposits	154,455,482,447	128,550,220,425	-	-
	Islamic - Mudharabah	1,925,877,004	3,177,560,800	-	-
	Islamic - Wakala	19,250,758,733	8,211,680,811	-	-
	Others	4,176,036	4,176,036	-	-
	Foreign currency deposits	-			
	Conventional deposits	3,187,652,971	2,797,620,406	-	-
		178,823,947,191	142,741,258,478	-	-
31.2	**Savings deposits**				
	Local currency deposits				
	Conventional deposits	6,109,156,206	5,716,925,404	-	-
	Islamic	1,128,062,348	1,033,581,299	-	-
	Foreign currency deposits				
	Conventional deposits	5,125,527,954	13,328,658,416	-	-
		12,362,746,508	20,079,165,119	-	-
31.3	**Interest payable**				
	Interest payable on conventional deposits	9,311,935,193	3,308,457,042	-	-
	Profits payable on Islamic deposits	772,177,927	152,230,059	-	-
		10,084,113,120	3,460,687,101	-	-

As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
31.4 Analysis of,				
By currency				
Sri Lankan Rupee	198,083,153,848	150,154,831,876	-	-
United States Dollar	1,620,146,258	13,214,304,329	-	-
Great Britain Pound	833,915,301	993,614,243		
Euro	219,011,284	1,198,230,255		
Australian Dollar	514,580,128	720,129,996		
	201,270,806,819	166,281,110,698	-	-
By institution/customers				
Deposits from banks	1,633,259,716	1,075,301,781	-	-
Deposits from other customers	199,637,547,103	165,205,808,917	-	-
	201,270,806,819	166,281,110,698	-	-
By Maturity				
Due within one year	143,370,644,763	144,090,113,520	-	-
Due from one to five years	57,900,162,056	22,189,775,735	-	-
Due later than five years	-	1,221,443	-	-
	201,270,806,819	166,281,110,698	-	-
32 FINANCIAL LIABILITIES AT AMORTISED COST/ INTEREST BEARING BORROWINGS				
Commercial papers & Promisory Notes	54,646,575	10,000	54,646,575	-
Short-Term Borrowings	385,513,255	17,420,276,307	-	-
Finance lease liabilities (note 32.1)	32,973,284	40,073,153	-	-
Long-term borrowings (note 32.2)	21,835,116,960	27,794,230,390	-	-
Debentures	9,007,711,041	9,126,855,738	1,041,396,824	1,037,755,383
Operating Lease Liability (note 32.3)	1,526,729,008	1,372,543,411	-	-
	32,842,690,123	55,753,988,999	1,096,043,399	1,037,755,383
32.1 Finance Lease Liabilities				
Gross lease rentals payable as at 01 April	49,991,381	-	-	-
Acquisition of Subsidiaries	-	24,296,631	-	-
Leases obtained during the year	-	49,991,381	-	-
Lease rentals paid during the year	(11,045,700)	(24,296,631)	-	-
Gross lease rentals payable as at 31 March	38,945,681	49,991,381	-	-
Less: Unamortized finance cost	(5,972,397)	(9,918,228)	-	-
	32,973,284	40,073,153	-	-

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Repayable within one year				
Gross lease rentals payable	10,334,834	10,307,940	-	-
Less: Unamortized finance cost	(2,628,383)	(3,458,746)	-	-
Net lease liability	7,706,451	6,849,194	-	-
Repayable after one year before five years				
Gross lease rentals payable	28,610,847	39,683,441	-	-
Less: Unamortized finance cost	(3,344,014)	(6,459,482)	-	-
Net lease liability	25,266,833	33,223,959	-	-
Repayable after five years				
Gross lease rentals payable	-	-	-	-
Less: Unamortized finance cost	-	-	-	-
Net lease liability	-	-	-	-
Total	32,973,284	40,073,153	-	-

32.2 Long-Term Borrowings

	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
Gross Balance as at 01 April	15,506,172,890	-	-	-
Acquisition of Subsidiaries	137,063,273	23,725,779,424	-	-
Received during the year	5,720,364,107	19,240,398,258	-	-
Amortized interest	585,544,446	733,595,177	-	-
Repaid during the year	(12,006,671,005)	(9,663,210,003)	-	-
Effect of amalgamation	12,352,645,051	(6,073,949,259)	-	-
Gross borrowings as at 31 March	22,295,118,762	27,962,613,596	-	-
Less: Unamortized finance cost	(460,001,802)	(168,383,206)	-	-
Balance as at 31 March	21,835,116,960	27,794,230,390	-	-
Long-term borrowings - current	13,376,685,372	13,618,510,202	-	-
Long-term borrowings - non-current	8,458,431,588	14,175,720,188	-	-
Total	21,835,116,960	27,794,230,390	-	-
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	6,373,270,484	14,042,964,188	-	-
Repayable after 3 years	2,085,161,104	132,756,000	-	-
Total	8,458,431,588	14,175,720,188	-	-

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
32.3 Operating Lease Liability				
Opening Balance	1,372,543,411	1,325,909,652	-	-
Acquisition of Subsidiaries	444,073,766			
Leases obtained during the year	40,120,753	287,960,225	-	-
Amortized interest	146,376,188	92,182,726	-	-
Lease rentals paid during the year	(495,123,312)	(336,214,299)	-	-
Effect of Amalgamation	18,738,202	15,123,780	-	-
Disposal of Subsidiaries	-	(12,418,673)	-	-
Net lease liability	1,526,729,008	1,372,543,411	-	-
33 INSURANCE CONCTRACT LIABILITIES				
Long-term insurance contracts (note 33.1)	6,498,815,760	-	-	
Non-life insurance contracts (note 33.2)	10,364,764,594	-	-	
Total insurance contract liabilities	16,863,580,354	-	-	

The group has satisfied liability adequacy test in both life & general insurance businesses.

33.1 Long-term insurance contract liabilities

As at 31 March	Group					
	2023			2022		
	Insurance Contract liabil-ities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 01 April						
Addition due to acquisition	7,128,369,269	(809,342,984)	6,319,026,285			
	7,128,369,269	(809,342,984)	6,319,026,285	-	-	-
Claims outstanding	179,789,4745	-	179,789,475	+	-	-
At 31 March	7,308,158,745	(809,342,984)	6,498,815,760	-	-	-

33.2 Non-life insurance contract liabilities

As at 31 March	2023			2022		
	Insurance Contract liabilities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 01 April						
Provision for reported claims (note 33.3)	5,306,870,391	(3,780,499,253)	1,526,371,138	-	-	-
IBNR	529,430,625		529,430,625	-	-	-
Outstanding claims provision	5,836,301,015	(3,780,499,253)	2,055,801,763	-	-	-
Commission reserves (Note 33.3)	(33,087,801)	-	(33,087,801)	-	-	-
Provision for unearned premiums (note 33.4)	4,561,551,379	-	4,561,551,379	-	-	-
Provision for liability adequacy	-	-	-	-	-	-
Total non-life contract liabilities	10,364,764,594	(3,780,499,253)	6,584,265,341	-	-	-

33.3 Outstanding claims provision

As at 31 March	2023			2022		
	Insurance Contract liabilities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At 01 April	1,648,286,140	(355,417,925)	1,292,868,215	-	-	-
Claims incurred in the current accident year	8,044,820,842	(3,932,949,286)	4,111,871,556	-	-	-
Adjustment to prior year due to changes in assumptions	-		-	-	-	-
Claims paid during the year	(4,386,236,592)	507,867,958	(3,878,368,633)	-	-	-
Total non-life contract liabilities	5,306,870,391	(3,780,499,253)	1,526,371,138	-	-	-
At 01 April	(198,405,022)	210,492,170	12,087,148	-	-	-
Change in commission reserves	(45,174,949)		(45,174,949)	-	-	-
Total non-life contract liabilities	(243,579,971)	210,492,170	(33,087,801)	-	-	-

33.4 Provision for unearned premiums

As at 31 March	2023			2022		
	Insurance Contract liabilities	Reinsurance of liabilities	Net	Insurance Contract liabilities	Reinsurance of liabilities	Net
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Provisions for Reported Claims	4,554,429,643	(592,678,807)	3,961,750,836	-	-	-
Premiums written in the year	9,045,988,989		9,045,988,989	-	-	-
Premiums earned during the year	(8,446,188,446)		(8,446,188,446)	-	-	-
At 31 March	5,154,230,187	(592,678,807)	4,561,551,379	-	-	-

The valuation of the insurance contract liabilities in relation to the life business was performed by an external actuary as at 31 December 2020.

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
34 CURRENT TAX PAYABLES				
Income tax payables (note 34.1)	3,372,089,370	2,748,712,988	-	-
VAT payables	8,675,764,564	4,279,889,212	-	-
WHT payables	82,769,598	1,171,166	-	-
NBT payables	7,833,117	7,875,788	-	-
Other tax payables			-	-
Stamp duty payables	27,133,251	32,878,787	-	-
Other tax payables	253,513,686	237,804,934	-	-
	12,419,103,586	7,308,332,875	-	-
34.1 Income tax payables				
Balance at the beginning of the year	2,748,712,988	-	-	-
Acquisition of Subsidiaries	690,379,245	1,858,117,667	-	-
Provision for the year	-	1,822,026,460	-	-
Under/ (Over) Provision in respect of previous year	-	54,347,822	-	-
Payments made during the year	(67,002,863)	(985,778,961)	-	-
Balance at the end of the year	3,372,089,370	2,748,712,988	-	-
35 TRADE AND OTHER PAYABLES				
Financial liabilities (Note 35.1)	6,356,721,836	5,089,055,291	2,536,270,100	414,997
Non-financial liabilities (Note 35.2)	895,368,894	3,501,519,948	-	-
	7,252,090,730	8,590,575,238	2,536,270,100	414,997

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
35.1 Financial liabilities				
Trade payables	2,082,659,675	822,993,398	183,600	414,997
Amount due to related companies	3,400,369,492	4,146,798,351	2,536,086,500	-
Insurance Premium Payable	207,663,860	24,816,606	-	-
Staff related payments	54,112,964	20,042,020	-	-
Dividend payable	2,930	2,930	-	-
Other financial liabilities	611,912,915	74,401,985	-	-
	6,356,721,836	5,089,055,291	2,536,270,100	414,997
35.2 Non-financial liabilities				
Accrued expenses	13,274,943	135,432,510	-	-
Excess payment received	450,351,717	842,805,740	-	-
Warranty provision	354,614,596	1,148,957,690	-	-
Advance received	64,549,772	81,656,947	-	-
Other non-financial liabilities	12,577,866	1,292,667,061	-	-
	895,368,894	3,501,519,948	-	-
36 RETIREMENT BENEFIT OBLIGATIONS				
Balance as the beginning of the period	619,712,772	-	-	-
Acquisition of Subsidiaries	78,486,379	563,929,698	-	-
Benefits paid by the plan	(41,356,756)	(32,668,139)	-	-
Expenditure recognized in the income statement (Note 36.1)	131,541,715	89,374,487	-	-
Actuarial Gain / (Loss) recognized in OCI	(57,090,963)	(30,512,527)	-	-
Effect of Amalgamation	-	29,589,253	-	-
Balance as at the end of the year	731,293,148	619,712,772	-	-

The employee benefit liability of the Group is based on the actuarial valuations carried out by professionally qualified actuaries. The valuation method used by the actuary to value the fund is the 'Projected Unit Credit Method', recommended by LKAS 19 – 'Employee Benefits'. The liability is not externally funded.

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
36.1 Expense recognised in the income statement				
Current service costs	27,384,224	74,602,154	-	-
Interest Costs	104,157,491	45,114,375	-	-
Curtailment gain	-	(30,342,042)	-	-
	131,541,715	89,374,487	-	-

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

36.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages)				
Discount rate	14%	15%	-	-
Future salary increases	11.50%	12.50%	-	-
Staff Turnover Factor	2.5% - 15.0%	2.5%-17%	-	-
Retirement Age	60	60	-	-

36.3 Sensitivity of the actuarial assumptions

Sensitivity analysis on discounting rate and salary increment rate to Statement of Financial Position and Comprehensive Income.

Assumption		Rate change	Group		Company	
			Financial Position -Liability		Financial Position -Liability	
			2023	2022	2023	2022
			Rs.	Rs.	Rs.	Rs.
Discount rate		+1	599,332,777	438,173,131	-	-
		-1	714,408,066	646,010,452	-	-
Future salary increases		+1	714,285,177	651,519,615	-	-
		-1	598,543,750	433,689,347	-	-
Mortality	- GA 1983 Mortality Table					
Disability	- Long-Term Disability 1987 Soc. Sec. Table					
Retirement Age	- Normal Retirement Age, or Age on Valuation Date, if greater					

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

36.4 Maturity analysis of the payments

Within the next 12 months	76,798,760	60,210,426	-	-
Between 1 and 2 years	77,635,472	86,780,907	-	-
Between 2 and 5 years	306,322,368	264,044,216	-	-
Between 5 and 10 years	944,345,817	657,001,078	-	-
Beyond 10 years	-	6,168,199	-	-
Total expected payments	1,405,102,417	1,074,204,826	-	-

		As at 31 March	Group 2023 Rs.	Group 2022 Rs.	Company 2023 Rs.	Company 2022 Rs.
37		**STATED CAPITAL**				
		Issued and Fully Paid (Note 37.1)	41,656,485,457	41,656,485,457	41,656,485,457	41,656,485,457
		No. of Shares (Note 37.2)	4,165,648,546	4,165,648,546	4,165,648,546	4,165,648,546
37.1		**Movement in stated Capital**				
		Balance at the beginning of the year	41,656,485,457	10	41,656,485,447	10
		Shares issued during the year	-	41,656,485,447	-	41,656,485,447
		Balance at the end of the year	41,656,485,457	41,656,485,457	41,656,485,457	41,656,485,457
37.2		**Movement in number of shares**				
		Balance at the beginning of the year	4,165,648,546	1	1	1
		Shares issued during the year	-	4,165,648,545	4,165,648,545	4,165,648,545
		Balance at the end of the year	4,165,648,546	4,165,648,546	4,165,648,546	4,165,648,546
38		**RESERVES**				
		Revaluation Reserve	947,868,445	1,161,113,166	-	-
		Fair Value Reserve	176,921,713	31,618,621	-	-
		Retained Earnings	50,505,506,779	27,239,071,978	7,750110,842	7,784,661,230
			51,630,296,937	28,431,803,765	7,750,110,842	7,784,661,230
39		**COMMITMENTS AND CONTINGENCIES**				
39.1		**Contingent liabilities**				
		Guarantees issued to banks and other institutions- backed by deposits	401,378,124	624,696,822	-	-
39.2		**Commitments**				
		Forward exchange contracts - Commitment to purchase	10,293,353,884	10,307,825,961	-	-
		Un-utilised loan facilities	21,035,220,171	11,959,403,185	-	-
		Allowance for ECL/ impairment	2,427,891	2,311,437	-	-
			31,331,001,946	22,269,540,583	-	-

40 EVENTS AFTER REPORTING DATE

No circumstances have arisen after the reporting date which would require adjustment to or disclosure in the financial statements other than following;

The Company repurchased 322,573,750 shares held by LOLC Fincorp (Private) Limited at Rs. 10 per share with effect from 19th May 2023 in terms of Section 64 of the Companies Act No. 7 of 2007 and the Articles of Association of the Company.

The repurchase was carried out utilizing retained earnings of the Company. The External Auditors confirmed that the terms of the repurchase and the consideration paid for the shares were a fair.

Consequent to the share repurchase, the stated capital of the Company was Rs. 41,656,485,457, comprising of 3,843,074,796 shares.

41 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of liability	Carrying amount pledged			
		Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Lease portfolio	Short term borrowings	24,155,519,559	36,179,610,450	-	-

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

42 RELATED PARTY DISCLOSURES

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", the details of which are reported below. The Pricing applicable to such transactions is based on the assessment of risk and pricing model of the Group and is comparable with what is applied to transactions between the Company and its unrelated Customers.

42.1 Parent

The parent entity is LOLC Fincorp (Private) Limited and ultimate parent entity is LOLC Holdings PLC which is incorporated in Sri Lanka.

42.2 Transactions with Related Parties

Relationship	Transaction description	Nature of Transaction	Group	
			2023	2022
			Rs.	Rs.
Parent Company	Reimbursement of expenses	Expense	1,501,058,978	154,162,389
	Assets hire charges	Expense	255,679,715	107,380,873
	Royalty	Expense	1,157,433,073	276,974,054
	Fund transfer interest	Expense	196,948,497	11,524,146
	Guarantee Fee	Expense	13,750,000	-

Relationship	Transaction description	Nature of Transaction	Group	
			2023	2022
			Rs.	Rs.
Fellow subsidiaries and associates	Deposits & other borrowings by the company	Deposits	459,098,849	148,825,360
	Interest paid/charge	Expense	23,117,958	2,810,459
	Interest payable	Expense	7,697,713	569,203
	Investments held by the company	Investment	-	3,683,574,592
	IT service fee	Expense	1,174,406,346	241,641,748
	Yard fee	Expense	3,300,000	3,300,000
	Services/Maintenance fee	Expense	683,171,012	57,766,947
	Loan/ Lease granted	Disbursements	7,105,269,667	2,668,055,482
	Capital outstanding on facilities granted	Lending facilities	7,290,699,466	1,059,764,766
	Rental collections	Collections	1,003,585,602	453,801,391
	Interest income	Income	1,141,713,966	153,904,001
	Rent income	Income	40,856,940	1,161,600
	Franchise fee income	Income	440,891,086	225,401,453
	Reimbursement of expenses	Expense	-	47,591,088
Other related parties	Services/Maintenance fee	Expense	406,710,018	208,059,750
	Deposits held with the company	Deposits	185,954,357	176,269,125
	Interest paid/charge	Expense	62,505,373	8,904,386
	Interest payable	Expense	6,438,588	1,967,120
	Capital outstanding on facilities granted	Lending facilities	-	455,838,000
	Rental collections	Collections	227,746,446	53,737,445
	Interest income	Income	612,767,113	55,237,112

All the above transactions (including borrowing and lending transactions) with related parties are on arms length basis and are on terms that are generic to non related parties.

Relationship	Transaction description	Nature of Transaction	Company	
			2023	2022
			Rs.	Rs.
Ultimate Parent Company	Fund transfer in	Transaction value	4,012,530,010	33,057,777,640
	Fund transfer out	Transaction value	547,000,000	22,633,177,640
	Reimbursement of expenses	Expenses	19,863,129	5,744,922
Associate	Dividend received	Income	6,000,000	6,000,000

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
42.3 Balances with Related Parties				
42.3.1 Amounts due from related parties				
LOLC Holdings PLC	8,109,385,785	10,418,807,291	6,933,414,152	10,418,807,291
LOLC General Insurance	-	33,365,690	-	-
Browns & Company PLC	4,189,200	4,189,200	-	-
Browns Engineering & Constructions (Pvt) Ltd	2,131	2,131	-	-
Taprobane Plantaion (Pvt) Ltd	5,579	5,579	-	-
Ceylon Graphene Technologies	-	1,666	-	-
LOLC Tea	-	3,879	-	-
LOLC Factors Limited	897,029	1,340,551	-	-
LOLC Life Insurance	-	7,839,887	-	-
LOLC Securities Limited	-	7,899,885	-	-
Eden Hotel Lanka PLC	203,324	2,694	-	-
Green Paradise	38,789	1,010	-	-
Sun & Fun Resorts Ltd	-	283,131	-	-
LOLC Technology Services Limited	-	2,191,711	-	-
Browns Power Holding Limited	-	-	-	-
LOLC Motors Limited	852,887	-	-	-
Dolphin Hotels Limited	3,695	-	-	-
Hotel Sigiriya PLC	9,393	-	-	-
LOLC Property Nine (Pvt) Ltd	1,170	-	-	-
LOLC GEO Technologies Pvt Ltd	1,170	-	-	-
Frontier Capital Lanka (Pvt) Ltd	1,172	-	-	-
LOLC Investment Holdings Six (Pvt.) Ltd	1,170	-	-	-
Forti Grains Pvt Ltd	1,170	-	-	-
Ceylon Graphene Technologies (Private) Limited	1,666	-	-	-
Serendib Hotels PLC	2,933	-	-	-
Millennium Development Limited	359,825	-	-	-
Insurance Life Policy Holder Fund	5,453,959	-	-	-
Sun & Fun Resorts (Private) Limited	2,985,833	-	-	-
LOLC Advanced Technologies (Private) Limited	10,388,336	-	-	-
Insurance General Policy Holder Fund	34,409,225	-	-	-
Leapstitch Technologies Pvt Ltd	803,250	-	-	-
	8,169,998,689	10,475,934,305	6,933,414,152	10,418,807,291

As at 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
42.3.2 Amounts due to related parties				
LOLC Holdings PLC	585,992,440	4,037,883,338	-	-
LOLC Factors Ltd	-	104,755	-	-
LOLC Technology Services Limited	136,745,895	75,875,521	-	-
LOLC Motors Ltd	-	13,997,150	-	-
LOLC Corporate Services Ltd	1,684,000	1,750,000	144,000	-
LOLC Property 1-4	-	2,895,875	-	-
LOLC Life Insurance	-	358,161	-	-
LOLC General Insurance	-	13,933,551	-	-
LOLC Property One (Pvt) Ltd	1,438,206			
LOLC Property Three (Pvt) Ltd	1,503,178			
LOLC Financial Sector Holdings	2,535,942,500		2,535,942,500	
LOLC Global (Pvt) Ltd	137,063,273			
	3,400,369,492	4,146,798,351	2,536,086,500	-

42.4 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key Management Personnel, "KMP" are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) and Higher level officers have been classified as Key Management Personnel of the Company

Close family members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependents of the individual or the individual's domestic partner.

(i) Loans to Directors

No loans have been given to the Directors of the Company.

(ii) Key Management Personnel Compensation

The following are the details of Key Management Personnel compensation.

For the period/ year ended 31 March,	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Short term employee benefits	175,679,305	120,878,470	-	700,000
Directors' Fees	2,520,000	-	1,200,000	-
KMP Emoluments	12,866,075	-	-	-
	191,065,380	120,878,470	1,200,000	700,000

42.5 Transactions, arrangements & agreements involving Key Management Personnel (KMP) and their close family members (CFM)

The transactions are carried out on an arm's length basis. There were no such transactions taken place during the year other than those disclosed in Note 42.2 to the financial statements.

43 FINANCIAL RISK MANAGEMENT

The Group has loans, and consumer financial portfolios, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as fair value through other comprehensive income and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of customer deposits, loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Group has exposure to the following risks from financial instruments::

1 Credit risk

2 Liquidity risk

3 Market risk

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

Risk management framework

The board of directors of each Company has overall responsibility for the establishment and oversight of Group's risk management framework for the companies within the group. The Board has established Integrated Risk Management Committees (IRMC) for each financial sector company, which are responsible for developing and monitoring financial services risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of each Company is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the each Group of Company. Each financial sector Company's audit committee is assisted in these functions by Enterprise Risk Management division (ERM). ERM undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to each financial sector Company's Audit Committee.

43.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

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

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.

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

4 Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit who may require appropriate corrective action to be taken.

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

Allowances for impairment

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

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector companies believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

Maximum credit risk exposure

Credit risk is the risk of potential loss resulting from the failure of a customer/borrower or counterparty to honour its financial or contractual obligations to the Group. It may arise from direct lending activities as well as from commitments and contingencies. Total credit risk of the Group constitutes counterparty risk, concentration risk and settlement risk.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, financial sector companies have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Each financial sector Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its loan. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for each financial sector Company's homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

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

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & Other Receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

43.2 Liquidity risk

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

Management of liquidity risk

The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.

The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group’s debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector’s liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Maturity analysis for financial liabilities

Note 45 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

43.3 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The company's policy is to continuously monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within prudential levels.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the company's income statement.

As at 31st March	If Market rates up by 1% the effect of the same to the Interest Income/(Expense)	If Market rates drop by 1% the effect of the same to the Interest Income/ (Expense)
Effect on Rate sensitive Assets	1,915,993,778	(1,915,993,778)
Effect on Rate sensitive Liabilities	(310,197,710)	310,197,710
Sensitivity of profit or loss	1,605,796,068	(1,605,796,068)

Currency risk

The Group's exposure to the currency fluctuations is negligable.

Equity price risk

Although the Group's exposure to equity price risk is negligible, mark-to-market calculations are conducted daily on FVTPL and FVOCI portfolios. The Group has also calculated VaR on equity portfolio.

43.4 Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and the subsequent development of long–term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting guidelines, as well as the use of reinsurance arrangements.

Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

The Company willingly assume the risks of other organisations as the Company's prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non life insurance business, the most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The Company's risk management framework focuses on strategic risk, assumed risks and the potential risks. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them. The Company follows an integrated approach for risk management by considering the size, nature and complexity of the business. It is a continuous process of scrutinizing the internal and external environment to identify elements which may have an impact on the company achieving its' objectives.

Method used to manage risks

Risk appetite and risk tolerance

The Company has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable risk level. The Company manages the volatility and potential downward risk through diversification.

Risk management culture

Individuals in the Company are well aware of the risk that they are bringing into the Company with their actions. It can be pricing, reserving, underwriting and investment. The concept of the risk is well spread across the Company. The strong governance structure within the Company is used as a tool to achieve this target.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that the Company identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and investment risk. The Company manage the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that the Company is willing to expose.

The Company considers insurance risk to be a combination of the following components:

a). Product design Risk

b). Underwriting Risk

c). Claims Risk

a). Product design risk

Life Insurance contracts offered by the Company include endowment plans, decreasing term assurance, mortgage protection plan, pension plan and group plans. Endowment and term assurance are conventional regular or single premium products where lump sum benefits are payable on death, maturity or in some cases, permanent total Endowment products acquire a surrender value upon completion of three years.

The main risks that the Company is exposed to, under product design risk are as follows:

Mortality risk	Risk of loss arising due to policyholders’ death experience being different from expected
Morbidity risk	Risk of loss arising due to policyholders’ health experience being different from expected
Investment return risk	Risk of loss arising from actual returns being different from expected
Expense risk	Risk of loss arising from the expense experience being different from expected
Policyholder decision risk	Risk of loss arising due to policyholders’ experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location and type of risk insured by the Company.

b). Underwriting risk

The Company’s underwriting strategy is designed to ensure that risks are well diversified in terms of the type of risk and the level of insured benefits. This is largely achieved through prudent underwriting, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose different terms at revivals and it has the right to reject the payment of fraudulent claims.

The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

Life underwriting risk management

Separate life underwriting division headed by a well qualified management along with a trained staff is in placed in order to closely monitor the life underwriting functions of the Company.

Pricing decisions of the products are reviewed and guided by qualified actuary to convenience the management to make accurate pricing decisions.

Reinsurers' advices are obtained before deciding the terms and conditions of the products in order to assist the proper pricing strategies.

The Company carefully analyse the current health condition and the family medical history of the insurer before deciding the premiums.

c). Claims risk

Risk arises due to the possibility that the frequency of claims arising from Life insurance contracts exceeds the expected level when pricing the products.

Some of the specific actions by the Company to mitigate the claims risks are shown below.

d). Concentration risk

Based on the Company's operation structure, there is no significant concentration risk.

e). Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities to movements in the assumptions used in the estimation of insurance liabilities.

			Increase in liability (Rs)		Decrease in equity and profit before tax (Rs)	
			2022	2021	2022	2021
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected, ceteris paribus all other parameters.	Mortality from best estimate (BE) to BE+10%	61,576,935	88,005,903	(61,576,935)	(88,005,903)
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected	Morbidity from BE to BE+20%	27,358,157	45,727,840	(27,358,157)	(45,727,840)
Investment return risk	Risk of loss arising from actual returns being different from expected.	BE to BE changed with Yield curve overall 100 BP down (1% down)	98,749,700	83,566,043	(98,749,700)	(83,566,043)
Expense risk	Risk of loss arising from the expense experience being different from expected	Expenses from BE to BE+10%	82,327,020	92,244,495	(82,327,020)	(92,244,495)
Policyholder decision risk	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses from BE to BE+20%	186,191,259	84,861,519	(186,191,259)	(84,861,519)

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in lapses and future mortality.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Life claims risk management

- Life fund valuation is carried out by a qualified independent actuarial valuer on regular basis.
- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- Financial authority limits are set based on the claim limits.

44 FAIR VALUE DISCLOSURES

44.1 Valuation models

''Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy Note 3. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The fair value hierarchy of financial instruments is given below:

Level 1 : Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

44.2 Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The following table sets out the fair values of financial instruments and analyses them by the level in the fair value hierarchy into which fair value measurement is categorized.

Group - As at 31st March 2023	Fair value - derivatives	Fair value - held for trading	FVOCI Instruments	Amortised cost / Not measured at fair value	Total carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	17,731,881,758	17,731,881,758	17,731,881,758	Level 3
Financial assets recognised through profit or loss	-	7,417,202,547	-	-	7,417,202,547	7,417,202,547	Level 1
Investment securities	-	-	32,003,452,411	18,852,902,006	50,856,354,417	50,856,354,417	Level 2 & 3
Financial assets at amortised cost/ Finance lease receivables, hire purchases and operating leases	-	-	-	62,068,929,628	62,068,929,628	62,068,929,628	Level 3
Financial assets at amortised cost/ Advances and other loans	-	-	-	184,496,897,586	184,496,897,586	184,496,897,586	Level 3
Trade Receivables	-	-	-	15,811,304,649	15,811,304,649	15,811,304,649	Level 3
Total financial assets	-	7,417,202,547	32,003,452,411	298,961,915,627	338,382,570,585	338,382,570,585	
Bank overdrafts	-	-	-	8,799,140,797	8,799,140,797	8,799,140,797	Level 3
Trading liabilities	11,634,977	-	-	-	11,634,977	11,634,977	Level 1
Financial Liabilities at Amortised Cost/ Deposits liabilities	-	-	-	201,270,806,819	201,270,806,819	201,270,806,819	Level 3
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	-	-	-	32,842,690,123	32,842,690,123	32,842,690,123	Level 3
Trade payables	-	-	-	7,252,090,730	7,252,090,730	7,252,090,730	Level 3
Total financial liabilities	11,634,977	-	-	250,164,728,469	250,176,363,446	250,176,363,446	

Company - As at 31st March 2023	Fair value - derivatives	Fair value - held for trading	FVOCI Instruments	Amortised cost / Not measured at fair value	Total carrying amount	Fair value	Fair value measurement level
Trade and other current assets	-	-	-	6,933,414,152	6,933,414,152	6,933,414,152	Level 3
Total financial assets	-	-	-	6,933,414,152	6,933,414,152	6,933,414,152	
Financial Liabilities at Amortised Cost/ Interest bearing borrowings	-	-	-	1,096,043,399	1,096,043,399	1,096,043,399	Level 3
Trade and other payables	-	-	-	2,536,270,100	2,536,270,100	2,536,270,100	Level 3
Total financial liabilities	-	-	-	3,632,313,499	3,632,313,499	3,632,313,499	

45 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the reporting date to the respective contractual maturity dates are given below (Exclusing future interest).

As at 31 March 2023 Group	Less than 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	Over 3 Years Rs.	Total 2023 Rs.
Assets					
Cash and cash equivalents	17,731,881,758	-	-	-	17,731,881,758
Financial assets recognised through profit or loss	3,497,114,551	1,512,231,421	235,191,722	2,172,664,853	7,417,202,547
Investment securities	26,965,316,815	5,531,512,526	15,773,368,065	2,586,157,011	50,856,354,417
Financial assets at amortised cost - lease rental receivables and hire purchases	12,519,586,763	13,511,524,843	36,037,818,022	-	62,068,929,628
Financial assets at amortised cost - loans and receivables	76,557,478,738	44,989,902,989	62,949,515,859	-	184,496,897,586
Inventories	143,857,489	-	-	-	143,857,489
Current tax assets	265,759,762	-	-	-	265,759,762
Amount due from related companies	8,169,998,689	-	-	-	8,169,998,689
Other receivables	1,962,828,820	5,678,477,140	-	-	7,641,305,960
	147,813,823,385	71,223,648,919	114,995,893,668	4,758,821,864	338,792,187,836
Liabilities					
Bank Overdraft	8,799,140,797				8,799,140,797
Trading liabilities	11,634,977				11,634,977
Deposits from Customers	69,035,593,848	74,356,587,580	57,878,625,391		201,270,806,819
Interest Bearing Loans and Borrowings	3,272,349,784	12,573,149,194	15,470,462,137		31,315,961,115
Lease liabilities	46,659,454	226,532,545	1,123,436,757	130,100,252	1,526,729,008
Current tax payables	12,419,103,586				12,419,103,586
Amount due to related companies	3,400,369,492				3,400,369,492
Accrued Charges and Other Payables	3,832,424,002	19,297,237	-	-	3,851,721,239
	100,817,275,940	87,175,566,556	74,472,524,285	130,100,252	262,595,467,033

As at 31 March 2022 Group	Less than 3 Months Rs.	3 - 12 Months Rs.	1 - 3 Years Rs.	Over 3 Years Rs.	Total 2023 Rs.
Assets					
Cash and cash equivalents	19,895,012,651	-	-	-	19,895,012,651
Financial assets recognised through profit or loss	9,183,225,204	260,237,777	-	-	9,443,462,981
Investment securities	14,467,771,256	1,647,371,388	8,577,785,993	2,077,632,584	26,770,561,222
Financial assets at amortised cost - lease rental receivables and hire purchases	6,822,858,648	19,015,024,002	42,768,016,091		68,605,898,741
Financial assets at amortised cost - loans and receivables	31,227,813,652	34,874,860,552	84,559,507,464		150,662,181,668
Inventories	436,093,519	-	-	-	436,093,519
Current tax assets	255,312,984	-	-	-	255,312,984
Amount due from related companies	10,475,934,305	-	-	-	10,475,934,305
Other receivables	8,543,570,644	466,228,801	70,414,394		9,080,213,840
	101,307,592,865	56,263,722,520	135,975,723,942	2,077,632,584	295,624,671,911
Liabilities					
Bank Overdraft	5,888,435,682	-	-	-	5,888,435,682
Trading liabilities	13,175,698	-	-	-	13,175,698
Deposits from Customers	75,409,948,145	71,784,526,671	19,086,635,882		166,281,110,698
Interest Bearing Loans and Borrowings	15,092,033,714	15,325,435,070	23,963,976,804		54,381,445,588
Lease liabilities	64,530,803	213,845,360	617,073,006	477,094,242	1,372,543,411
Current tax payables	7,308,332,877				7,308,332,877
Amount due to related companies	4,146,798,351	-	-	-	4,146,798,351
Accrued Charges and Other Payables	2,972,999,923	203,409,004	-	1,267,367,960	4,443,776,887
	110,896,255,191	87,527,216,106	43,667,685,692	1,744,462,202	243,835,619,191

46 SEGMENT REPORTING

Segment information is presented in respect of the Group's Operating Segments. Operating Segments are based on the Group's management and internal reporting structure. The Group comprises the following main Operating Segments.

Group - For the year ended 31st March 2023	SME Finance	Development Finance	Alternative Financial Services	Insurance General	Life Insurance	Total
Total Revenue - Interest income & other income	57,016,869,539	26,767,257,502	5,191,488,025	-	-	88,975,615,066
Percentage	64.08%	30.08%	5.83%	0.00%	0.00%	100.00%
Expenditure						
Interest Expenses	(25,455,295,215)	(12,602,529,879)	(2,618,412,658)	-	-	(40,676,237,752)
Operating expenses	(15,432,253,374)	(8,065,666,217)	(1,760,731,744)	-	-	(25,258,651,334)
Impairment charges	(3,373,459,560)	(5,547,030,976)	(58,151,465)	-	-	(8,978,642,001)
Total Expenses	(44,261,008,149)	(26,215,227,072)	(4,437,295,866)	-	-	(74,913,531,087)
Results from Operating Activities	12,755,861,390	552,030,430	754,192,159	-	-	14,062,083,978
Share of loss of equity accounted investees , net of tax						(1,656,509)
Profit from Ordinary Activities before Income Tax Expense						14,060,427,469
Income Tax expense						102,503,000
Profit After Income Tax						14,162,930,469
Total Assets	286,084,918,892	49,818,536,006	31,398,006,521	17,786,316,708	11,307,862,580	396,395,640,707
Total Liabilities	186,076,421,349	49,818,536,006	25,990,569,525	13,498,433,841	7,797,216,415	283,181,177,136

Group - For the year ended 31st March 2022	SME Finance	Development Finance	Alternative Financial Services	Insurance General	Life Insurance	Total
Total Revenue - Interest income & other income	15,137,209,810	21,768,118,990	2,698,579,988	-	-	39,603,908,788
	15,137,209,810	21,768,118,990	2,698,579,988	-	-	39,603,908,788
Percentage	38.22%	54.96%	6.81%	-	-	100.00%
Expenditure						
Interest Expenses	(3,038,534,370)	(4,369,575,275)	(541,693,492)	-	-	(7,949,803,137)
Operating expenses	(5,032,985,324)	(5,920,024,675)	(1,119,340,205)	-	-	(12,072,350,204)
Impairment charges	(4,932,539)	(7,093,255)	(879,346)	-	-	(12,905,141)
Total Expenses	(8,076,452,232)	(10,296,693,205)	(1,661,913,044)	-	-	(20,035,058,481)
Results from Operating Activities	7,060,757,577	11,471,425,785	1,036,666,944	-	-	19,568,850,307
Share of profit of equity accounted investees , net of tax						1,424,800
Profit from Ordinary Activities before Income Tax Expense						19,570,275,106
Income Tax expense						(935,048,534)
Profit After Income Tax						18,635,226,573
Total Assets	251,453,278,412	66,119,559,408	24,346,204,679	-	-	341,919,042,499
Total Liabilities	161,910,589,094	63,336,607,888	22,182,916,254	-	-	247,430,113,236

Five Year Summary

For the year ended 31st March	2022 Rs.	2023 Rs.
Group (fromed with effect from 01 Oct 2021)		
Operating Results		
Net interest income	16,066,839,580	26,523,768,154
Net Operating Income	31,654,105,651	48,299,377,314
Results from operating activities	19,568,850,306	14,062,083,978
Profit before tax	19,570,275,106	14,060,427,469
Profit after tax	18,635,226,572	14,162,930,469
Assets		
Net Lending portfolio	219,268,080,412	246,565,827,214
Total Assets	341,919,042,499	396,395,640,707
Liabilities		
Total liabilities	247,430,113,236	283,181,177,136
Shareholders' Fund		
Stated capital	41,656,485,457	41,656,485,457
Reserves	1,192,731,787	1,124,790,158
Retained earnings	27,239,071,978	50,505,506,779
Non-controlling interests	24,400,640,041	19,927,681,177
Investor Ratios		
Return on Assets (%)	5.45	3.84
Return on equity (%)	19.72	13.64
Other Information		
Number of subsidiaries	2	6
Number of associate companies	1	2

For the year ended 31st March	2019	2020	2021	2022	2023
Company					
Operating Results					
Net interest income	-	-	-	(41,771,209)	(103,288,015)
Net Operating Income	-	-	-	7,786,929,046	(15,013,754)
Results from operating activities	-	-	(91,424)	7,784,892,627	(34,550,388)
Profit before tax	(45,500)	(62,073)	(91,424)	7,784,892,627	(34,550,388)
Profit after tax	(45,500)	(62,073)	(91,424)	7,784,892,627	(34,550,388)
Assets					
Total Assets	10	10	10	50,479,317,067	53,038,909,798
Liabilities					
Total liabilities	77,900	139,973	231,397	1,038,170,380	3,632,313,499
Shareholders' Fund					
Stated capital	10	10	10	41,656,485,457	41,656,485,457
Retained earnings	(77,900)	(139,973)	(231,397)	7,784,661,230	7,750,110,842
Investor Ratios					
Return on Assets (%)	N/A	N/A	N/A	15.42	(0.07)
Return on equity (%)	N/A	N/A	N/A	15.75	(0.07)

Shareholder Information

Shareholder	No. of Shares (as at 31st March)	
	2023	2022
LOLC Fincorp (Private) Limited	4,165,648,545*	4,165,648,545
LOLC Holdings PLC	1	1
Total	4,165,648,546	4,165,648,546

*refer post balance sheet events under Note 40 on page 98

SUMMARY OF THE DEBENTURE ISSUE

Instrument

Senior Listed Redeemable Rated Guaranteed Debentures

Number of Debentures Issued

10,000,000 (Ten Million)

Aggregate Face Value/ Investment Value of the Issue

LKR 1,000,000,000 (Rupees One Billion)

Face Value /Par Value of Debenture

LKR 100.00

Issue Price

LKR 100.00

Issue Open Date

29th September 2021

Tenure of Debentures

2 Years (2021/2023)

Interest Rates

9.50% p.a payable annually

RELATED PARTIES TO THE ISSUE

Managers to the Issue

Capital Alliance Partners Limited
Level 5, "Millennium House",
46/58, Navam Mawatha,
Colombo 02.

Lawyer to the Issue

Nithya Partners
97 A, Galle Road,
Colombo 03.

Registrar to the Issue

S S P Corporate Services (Pvt.) Limited
101, Inner Flower Road,
Colombo 03.

Bankers to the Issue

National Development Bank PLC
No. 40, Nawam Mawatha, Colombo 02.

Trustee to the Issue

Hatton National Bank PLC
"HNB Towers", No. 479,
T. B. Jayah Mawatha (Darley Road),
Colombo 10.

Auditor and Reporting Accountant to the Issue

M/s Ernst & Young Chartered Accountants,
No. 201, De Saram Place,
Colombo 10.

INTEREST RATE OF COMPARABLE GOVERNMENT SECURITY

Buying and Selling prices of Treasury Bonds at the auction held on 31st March 2023

2 Year Bond	Buying	Selling
Price	Not Traded	Not Traded
Yield - %	Not Traded	Not Traded

Market prices and yield during the period (ex interest)

	2 Year Bond
Price	74.82
Yield - %	27.77%

	Current period
Yield to maturity	Not traded

The market prices during the period (ex interest)	Current period
Current Period	
Highest price	Not traded
Lowest price	Not traded
Last traded price	Not traded

Debt Securities related Ratios		
Debt to Equity Ratio	0.07	Times
Interest Cover	(0.43)	Times
Quick Asset Ratio	0.00	Times

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the 5th Annual General Meeting of LOLC Ceylon Holdings PLC will be conducted by way of resolutions in writing [signed by not less than 85% of the shareholders who would be entitled to vote on the following resolutions at a meeting of shareholders, who together hold not less than 85% of the votes entitled to be cast on the said resolutions], by circulation thereof on 27th September 2023, for the following purposes:

1. To receive the Report of the Directors and Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.

2. To re-elect as Director, Mr. K A K P Gunawardena who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

3. To re-elect as Director Dr. J M Swaminathan, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election

   "Resolved that Dr. J M Swaminathan who reached the age of 70 years in 2011, be and is hereby re-elected a Director of the company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Dr. J M Swaminathan."

4. To re-appoint M/s Ernst and Young Chartered Accountants as Auditors for the ensuing financial year at a remuneration to be fixed by the Directors.

5. To approve in terms of Companies (Donations) Act No. 26 of 1951 the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.

By order of the Board

L O L C CEYLON HOLDINGS PLC

L O L C Corporate Services (Private) Limited
Secretaries

31 August 2023

Rajagiriya (in the greater Colombo)

Corporate Information

Name of the Company
L O L C CEYLON HOLDINGS PLC

Country of Incorporation
Sri Lanka

Date of Incorporation
28th March 2018

Legal Form
A quoted public company with limited liability

Company Registration No.
PQ 00234078

Principal Activities
Investment Holding Company

Stock Exchange Listing
Senior Listed Redeemable Rated Guaranteed Two-Year Debentures were listed on the Colombo Stock Exchange on 15th October 2021 with an instrument rating (SL)A(CE) Stable

Registered Office
100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka.

Head Office
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka

Telephone: 011-5880880

Fax: 011-2865606 (Gen)

Website: www.lolc.com

Directors
Mr. I C Nanayakkara - Non - Executive Non-Independent Director/ Chairman

Mr. K A K P Gunawardena - Non - Executive Non-Independent Director

Mr. D R Samaraweera - Non - Executive Non-Independent Director

Mr. W R A Dharmaratne - Non - Executive Non-Independent Director

Dr. J M Swaminathan - Non - Executive Non-Independent Director

Board Sub Committees

Audit Committee
D R Samaraweera - Committee Chairman
W R A Dharmaratne
Dr. J M Swaminathan

Remuneration Committee
K A K P Gunawardena - Committee Chairman
W R A Dharmaratne
Dr. J M Swaminathan

Related Party Transactions Review Committee
Dr. J M Swaminathan - Committee Chairman
K A K P Gunawardena
W R A Dharmaratne

Company Secretaries
M/s L O L C Corporate Services (Private) Limited

No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka

Telephone: 011-5880880, 011-5880358-9

Auditors
M/s Ernst & Young, Chartered Accountants

Lawyers
Nithya Partners

Registrars
M/s P.W. Corporate Secretarial (Pvt) Ltd.

No. 3/17 Kynsey Road, Colombo 8, Sri Lanka

Tel: 011-4897733-5

Bankers
National Development Bank PLC

Seylan Bank PLC

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