SMB FINANCE PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SMB FINANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMB Finance 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 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2022, and of their financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditors' 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 Company financial statements and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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01.Allowance for Expected credit losses of loans and receivables to customers	
Refer to the accounting policies in the Financial Statements: Impairment of Loans and Receivables to Customers, "Note 5.3.3 and 19" to the Financial Statements: Significant Accounting Judgments and Estimates, "Note 3.2.2" to the Financial Statements.	
Risk Description	**Our Response**
As disclosed in Note 19 to these financial statements, the Company has recorded financial assets at amortized cost against loans and receivables to customers amounting to Rs. 1,855,368,149/- as at 31 December 2022. High degree of complexity and judgment are involved in estimating ECL of Rs.636,865,081/- against loans and receivables to customers as at the reporting date. The Company uses the Expected Credit Loss (ECL) model to calculate the loss allowance in accordance with SLFRS 9 – Financial Instruments (SLFRS 9). These models are reliant on data and a number of estimates including the impact of multiple economic scenarios and other assumptions such as defining a significant increase in credit risk (SICR).There are also a number of key assumptions made by the Company in applying the requirements of SLFRS 9 to the models including the identification of loss stage, forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios used and the post-model adjustments including their weighting and judgments over the use of data inputs required. Additional subjectivity and judgement have been introduced into the Company's measurement of ECL due to the heightened uncertainty associated with the impact of the economic outlook to the Company customers, increasing our audit effort thereon, Allowance for expected credit losses is a key audit matter due to the significance of the loans and receivables balance to the financial statements and the inherent complexity of the Company's ECL models used to measure ECL allowances.	Our audit procedures included: • Assessing the methodology inherent within the impairment models against the requirements of SLFRS 9, specially taking into consideration the prevailing uncertain volatile macro-economic environment; • Challenging the key assumptions in the ECL models, including staging PD and LGD and evaluating the reasonableness of Management's key judgments and estimates; • Testing the accuracy and completeness of the data inputs to the systems and ECL models and challenging the economic information used within, and weightings applied to, forward looking scenarios; • Testing IT System Controls which records loan days past due, and non performing loan classification. • Recalculating the ECL on sample basis, by using the key assumptions used in the models, such as PD and LGD; • Evaluating the completeness of customers/facilities assessed individually based on the criteria set for the same and checking the accuracy of the provision for impairment for such identified individually significant exposures. • Assessing the completeness of additional allowance overlays by checking the consistency of risks we identified in the loan and lease portfolios against the Company's assessment; • Working with our Financial Risk Management (FRM) specialists, and evaluating and challenging the key assumptions in the components of the Company's post-model adjustments to the ECL allowance balance. • Assessing the adequacy of disclosures made in the financial statements in compliance with relevant accounting standards requirements.

02. Valuation of Investment Property	
Refer to the accounting policies in the Financial Statements: Investment Property, "Note 5.3.7 and 23".	
Risk Description	**Our Response**
As at 31 December 2022, the Group's Investment Properties carried at fair value amount to Rs. 402.92 Mn. Further, the fair value gain recognized in the statement of profit or loss for the year, amounted to Rs. 46.94 Mn. The Company has engaged an independent external professional valuer with appropriate expertise in valuing properties, to determine the fair value of investment property in accordance with recognized industry standards. Estimating the fair value is a complex process which involves a significant degree of judgement and estimates in respect of price per perch of the land, capitalization rates, value per square feet, fair market rental and diversity of locations and nature of the land and buildings and investment properties. We identified this as a key audit matter because of the significant judgments and estimations in the selection of appropriate valuation methodology to be used and in estimating the key assumptions applied. These key assumptions include market comparable used, taking into consideration for difference such as location, size and tenure. A change in the key assumptions will have an impact on the valuation.	Our audit procedures included, • Assessing the objectivity, independence, competence and qualifications of the external valuer. • Assessing the key assumptions applied and conclusion made by the external valuer in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal valuation specialist. • Inquiring how valuers had assessed the impact of the prevailing uncertain and volatile macro-economic environment to assess whether that it was appropriately considered in the measurement in valuing properties to determine the fair value of the investment property. • Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Other Information

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

Our opinion on the financial statements does not cover the other information and we 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.

When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' 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 auditors' 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.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company and 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 relevant 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

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

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

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CHARTERED ACCOUNTANTS
Colombo,Sri Lanka
03 April 2023

SMB Finance PLC
Statement of Profit or Loss and Other Comprehensive Income

Rs.		Company		Group	
For the year ended December 31,	Note	2022	2021	2022	2021
Interest income	7	289,361,235	163,970,711	289,361,235	163,970,711
Interest expenses	8	(134,737,070)	(51,818,785)	(134,803,986)	(52,068,675)
Net interest income		**154,624,165**	**112,151,926**	**154,557,249**	**111,902,036**
Fee and commission income	9	9,905,419	3,625,443	9,905,419	3,625,443
Net interest, fee and commission income		**164,529,584**	**115,777,369**	**164,462,668**	**115,527,479**
Other operating income (Net)	10	210,220,245	81,336,021	230,889,765	134,116,264
Changes in fair value of investment property	23	44,649,600	46,553,000	46,949,600	44,812,600
Total operating income		**419,399,429**	**243,666,390**	**442,302,033**	**294,456,343**
Allowance for expected credit loss - Charge	11	(166,520,963)	(57,158,193)	(166,520,962)	(57,158,193)
Net operating income		**252,878,466**	**186,508,197**	**275,781,071**	**237,298,150**
Personnel expenses	12	(76,812,014)	(55,959,275)	(121,029,687)	(108,749,937)
Other expenses	13	(68,965,862)	(64,158,838)	(82,779,700)	(78,482,986)
Operating profit before taxes on financial services		**107,100,590**	**66,390,084**	**71,971,684**	**50,065,227**
Taxes on financial services	14	(18,985,049)	(10,753,675)	(18,985,049)	(10,753,675)
Profit after taxes on financial services		**88,115,541**	**55,636,409**	**52,986,635**	**39,311,552**
Impairment provision for subsidiary company	22	(12,750,000)	-	-	-
Share of profit of associate company	21.3	743,655	151,844	743,655	151,844
Profit before income tax		**76,109,196**	**55,788,253**	**53,730,290**	**39,463,396**
Income tax expense / Reversal	15	3,473,036	(2,357,092)	3,205,986	(1,520,296)
Profit for the year		**79,582,232**	**53,431,161**	**56,936,276**	**37,943,100**
Profit attributable to :					
Owners of the Company		79,582,232	53,431,161	74,280,294	45,532,250
Non - controlling interest	37	-	-	(17,344,019)	(7,589,150)
Profit for the year		**79,582,232**	**53,431,161**	**56,936,276**	**37,943,100**
Basic earnings per share	16	0.01	0.01	0.01	0.01
Diluted earnings per share	16.1	-	-	-	-

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

SMB Finance PLC
Statement of Profit or Loss and Other Comprehensive Income

Rs.	Company		Group	
For the year ended December 31,	2022	2021	2022	2021
Profit for the year	**79,582,232**	**53,431,161**	**56,936,276**	**37,943,100**
Other Comprehensive Income				
Items that will not be reclassified to profit or loss				
Actuarial gain on defined benefit plans	1,680,945	1,404,303	5,242,300	8,924,911
Equity investments at FVOCI – Net change in fair value	22,872,981	21,341,656	22,872,981	21,341,656
Net tax on other comprehensive income	-	-	(1,068,406)	(1,804,946)
Other comprehensive incomefor the year (Net of taxes)	**24,553,926**	**22,745,959**	**27,046,875**	**28,461,621**
Total comprehensive income for the year	**104,136,158**	**76,177,120**	**83,983,151**	**66,404,721**
Total comprehensive income attributable to:				
Owners of the Company	104,136,158	76,177,120	100,105,625	71,193,196
Non - controlling interest	-	-	(16,122,474)	(4,788,475)
Total comprehensive income for the year	**104,136,158**	**76,177,120**	**83,983,151**	**66,404,721**

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

SMB Finance PLC
Statement of Financial Position

Rs. As at December 31,	Note	Company 2022	 2021	Group 2022	 2021
Assets					
Cash and cash equivalents	17	55,302,042	103,558,886	55,494,870	105,179,888
Placements with banks	18	2,364,017,662	2,393,446,509	2,364,049,831	2,410,549,184
Financial assets at amortised cost - Loans and receivables to other customers	19	1,855,368,149	1,115,518,279	1,855,368,149	1,115,518,279
Financial investments	20	104,249,453	82,076,924	114,789,453	99,752,274
Investments in associate	21	42,577,031	41,833,376	42,577,031	41,833,376
Investments in subsidiary	22	-	12,750,000	-	-
Investment properties	23	385,728,000	142,778,000	402,928,000	157,678,000
Property, plant & equipment	24	19,963,487	7,305,871	22,405,148	11,910,542
Right-of-use assets	25.1	16,070,409	23,266,033	16,070,405	24,195,608
Intangible assets	26	245,092,403	5,614,625	245,092,403	5,614,625
Deferred tax assets	27	-	-	1,202,705	2,538,161
Other assets	28	98,857,571	67,795,098	105,380,384	80,772,776
Total assets		**5,187,226,207**	**3,995,943,601**	**5,225,358,379**	**4,055,542,713**
Liabilities					
Due to financial institutions	29	1,568,220,236	526,274,284	1,568,507,907	526,274,284
Due to other customers	30	126,786,485	122,275,914	126,786,485	122,275,914
Retirement benefit obligations	31	8,961,310	7,544,568	23,159,659	25,887,414
Lease liabilities	25.2	14,880,212	15,649,074	14,880,212	16,705,769
Other liabilities	32	112,425,504	72,383,460	118,982,133	75,340,499
Total liabilities		**1,831,273,747**	**744,127,300**	**1,852,316,396**	**766,483,880**
Equity					
Stated capital	33	3,062,681,524	3,062,681,524	3,062,681,524	3,062,681,524
Statutory reserves	34	41,732,329	37,753,217	41,732,329	37,753,217
Fair value reserve	35	52,465,265	29,592,284	52,465,265	29,592,284
Retained earnings	36	199,073,342	121,789,276	207,657,673	134,404,142
Total equity attributable to equity holders of the Company		**3,355,952,460**	**3,251,816,301**	**3,364,536,791**	**3,264,431,167**
Non - controlling interests	37	-	-	8,505,192	24,627,666
Total equity		**3,355,952,460**	**3,251,816,301**	**3,373,041,983**	**3,289,058,833**
Total equity and liabilities		**5,187,226,207**	**3,995,943,601**	**5,225,358,379**	**4,055,542,713**

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

It is certified that the financial statements have been prepared and presented in compliance with the requirements of the Companies Act No. 7 of 2007.

Menaka Silva
Head of Finance

Supul Wijesinghe
Chief Executive Officer

The Board of Directors are responsible for the preparation and presentation of these financial statements.
Approved and signed on behalf of the Board by,

Shardha Sosa
Director

Saadi Wadood
Director

Colombo
April 03, 2023

SMB Finance PLC
Statement of Changes in Equity - Group

Rs.	Attributable to the Equity holders of the parent						Non - Controlling Interest	Total Equity
	Stated Capital		Statutory Reserve Fund	Fair value reserve	Retained Earnings	Total		
	Ordinary Voting Shares	Ordinary Non-Voting Shares						
Balance as at January 1, 2021	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**92,470,922**	**1,054,867,323**	**29,416,141**	**1,084,283,463**
Profit for the year	-	-	-	-	45,532,250	45,532,250	(7,589,150)	37,943,100
Other comprehensive income (Net of tax)	-	-	-	21,341,656	4,319,290	25,660,946	2,800,675	28,461,621
Total comprehensive income for the year	-	-	-	**21,341,656**	**49,851,540**	**71,193,196**	**(4,788,475)**	**66,404,721**
Rights issue during the year (Note 33.1)	1,847,512,897	296,104,513	-	-	-	2,143,617,410	-	2,143,617,410
Rights issue expenses (Note 33.1)	-	-	-	-	(5,246,762)	(5,246,762)	-	(5,246,762)
Transfers to statutory reserve	-	-	2,671,558	-	(2,671,558)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-
Total transactions with equity holders	**1,847,512,897**	**296,104,513**	**2,671,558**	-	**(7,918,320)**	**2,138,370,648**	-	**2,138,370,648**
Balance as at December 31, 2021	**2,555,958,860**	**506,722,664**	**37,753,217**	**29,592,284**	**134,404,142**	**3,264,431,167**	**24,627,666**	**3,289,058,832**
Balance as at January 1, 2022	**2,555,958,860**	**506,722,664**	**37,753,217**	**29,592,284**	**134,404,142**	**3,264,431,167**	**24,627,666**	**3,289,058,832**
Profit for the year	-	-	-	-	74,280,294	74,280,294	(17,344,019)	56,936,275
Other comprehensive income (Net of tax)	-	-	-	22,872,981	2,952,349	25,825,330	1,221,545	27,046,875
Total comprehensive income for the year	-	-	-	**22,872,981**	**77,232,643**	**100,105,625**	**(16,122,474)**	**83,983,150**
Transfers to statutory reserve	-	-	3,979,112	-	(3,979,112)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-
Total transactions with equity holders	-	-	**3,979,112**	-	**(3,979,112)**	-	-	-
Balance as at December 31, 2022	**2,555,958,860**	**506,722,664**	**41,732,329**	**52,465,265**	**207,657,673**	**3,364,536,791**	**8,505,192**	**3,373,041,983**

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

SMB Finance PLC
Statement of Changes in Equity - Company

Rs.	Stated Capital		Statutory Reserve Fund	Fair Value Reserve	Retained Earnings	Total Equity
	Ordinary Voting Shares	Ordinary Non-Voting Shares				
Balance as at January 1, 2021	**708,445,963**	**210,618,151**	**35,081,659**	**8,250,628**	**74,872,132**	**1,037,268,533**
Profit for the year	-	-	-	-	53,431,161	53,431,161
Other comprehensive income (Net of tax)	-	-	-	21,341,656	1,404,303	22,745,959
Total comprehensive income for the year	-	-	-	21,341,656	54,835,464	76,177,120
Rights issue during the year	1,847,512,897	296,104,513	-	-	-	2,143,617,410
Rights issue expenses	-	-	-	-	(5,246,762)	(5,246,762)
Transfers to statutory reserve	-	-	2,671,558	-	(2,671,558)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	**1,847,512,897**	**296,104,513**	**2,671,558**	-	**(7,918,320)**	**2,138,370,648**
Balance as at December 31,2021	**2,555,958,860**	**506,722,664**	**37,753,217**	**29,592,284**	**121,789,276**	**3,251,816,301**
Balance as at January 1, 2022	2,555,958,860	506,722,664	37,753,217	29,592,284	121,789,276	3,251,816,301
Profit for the year	-	-	-	-	79,582,232	79,582,232
Other comprehensive income (Net of tax)	-	-	-	22,872,981	1,680,945	24,553,926
Total comprehensive income for the year	**2,555,958,860**	**506,722,664**	**37,753,217**	**52,465,265**	**203,052,453**	**3,355,952,459**
Transfers to statutory reserve	-	-	3,979,112	-	(3,979,112)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	-	-	3,979,112	-	(3,979,112)	-
Balance as at December 31,2022	**2,555,958,860**	**506,722,664**	**41,732,329**	**52,465,265**	**199,073,342**	**3,355,952,460**

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

SMB Finance PLC
Statement of Cash Flows

Rs.		Company		Group	
For the year ended December 31,		**2022**	**2021**	**2022**	**2021**
Interest receipts		275,662,980	160,860,686	275,662,980	160,860,686
Interest payments		(120,426,505)	(47,616,457)	(120,461,616)	(47,649,082)
Fees and commission receipts		178,061,807	78,914,213	198,618,923	127,725,023
Cash payments to employees and suppliers		(127,501,115)	(95,251,404)	(176,089,355)	(153,693,399)
Profit before changes in operating assets		**205,797,167**	**96,907,038**	**177,730,932**	**87,243,228**
Loans and receivables		(875,754,225)	(104,614,858)	(875,754,224)	(105,515,079)
Other assets		(9,494,293)	(3,671,233)	(3,039,428)	(4,496,541)
other liabilities		43,615,477	22,465,650	43,697,040	22,137,905
Cash (used in) / generated from operating activities		**(635,835,874)**	**11,086,597**	**(657,365,680)**	**(630,486)**
Tax paid		(12,097,436)	(9,753,675)	(12,097,433)	(10,040,225)
Gratuity paid		-	(1,010,500)	(1,828,750)	(1,610,500)
Net cash (used in) / generated from operating activities		**(647,933,310)**	**(22,143,228)**	**(671,291,863)**	**(34,419,117)**
Cash flow from investing activities					
Increase in financial investments	20	-	(2,165,000,000)	15,302,675	(2,170,300,500)
Net of acquisition and disposal of shares		-	-	5,683,744	3,915,148
Purchase of property, plant & equipment & intangible assets	24,26	(256,834,069)	(1,930,120)	(256,912,969)	(2,862,094)
Purchase of Investment properties	23	(198,300,400)	-	(198,300,400)	-
Dividend received	10	740,279	690,000	796,137	880,256
Proceeds from disposal of property, plant & equipment		-	-	-	-
Net cash used in investing activities		**(454,394,190)**	**(2,166,240,120)**	**(433,430,813)**	**(2,168,367,190)**
Cash flow from financing activities					
Borrowings obtained from financial institutions	29	1,300,000,000	340,000,000	1,300,000,000	340,000,000
Repayment of borrowings from financial institutions	29	(267,548,898)	(312,355,701)	(267,548,898)	(312,355,701)
Increase / (Decrease) in other borrowings		-	-	-	-
Decrease in public borrowings		(14,000)	(14,000)	(14,000)	(14,000)
Lease liability payment		(8,634,200)	(8,212,000)	(9,722,700)	(10,052,500)
Rights issue during the period		-	2,143,617,410	-	2,143,617,410
Right issue expenses		-	(5,246,762)	-	(5,246,762)
Net cash generated from / (decrease) financing activities		**1,023,802,902**	**2,180,254,597**	**1,022,714,402**	**2,178,086,352**
Net increase in cash and cash equivalents		(78,524,598)	(8,128,751)	(82,008,275)	(24,699,955)
Cash and cash equivalents at the beginning of the year		132,223,886	140,352,637	135,644,888	160,344,843
Cash and cash equivalents at the end of the year		**53,699,288**	**132,223,886**	**53,636,613**	**135,644,888**

Reconciliation of cash and cash equivalents					
Cash and cash equivalents	17	55,302,042	103,558,886	55,494,870	105,179,888
Repo investment with banks [Note 18]	18	501,000	28,665,000	533,169	30,465,000
		55,803,042	**132,223,886**	**56,028,039**	**135,644,888**
Bank overdraft	29	(2,103,754)	-	(2,391,425)	-
Cash and cash equivalents		**53,699,288**	**132,223,886**	**53,636,613**	**135,644,888**

The notes annexed form an integral part of these financial statements.
Figures in brackets indicate deductions.

1. Corporate Information

1.1 Reporting Entity

SMB Finance PLC (the 'Company'), is a Public Limited Liability Company incorporated on September 3, 1992 and domiciled in Sri Lanka. It is a specialized Finance company under the Finance Business Act No 42 of 2011. The Company has a primary listing on the Colombo Stock Exchange since 1993. The Company was re-registered under the Companies Act No. 07 of 2007.

The registered office and the principal place of business of the Company is located at No 282/1, CBS Building, Galle Road, Colombo 03, Sri Lanka.

The Finance licence in terms of the Finance Business Act, No. 42 of 2011 has been issued by the Monetary Board of the Central Bank of Sri Lanka to SMB Finance PLC with effect from 01 December 2022.

1.2 Consolidated Financial Statements

The consolidated financial statements of the Group for the year ended December 31, 2022 comprise of SMB Finance PLC (Parent Company), its subsidiary (together referred to as the 'Group') and the Group's interest in its associate company.

1.3 Number of Employees

The staff strength of the Company as at December 31, 2022 is 47 (2021 – 39).

1.4 Principal Activities and Nature of Operations

Company – SMB Finance PLC

As per the current business model the principal business activities are accepting deposits, granting finance leases,loans and pawning.

Subsidiary – SMB Money Brokers (Pvt) Ltd

The principal business activity is money brokering activities

Associate – Kenanga Investment Corporation Ltd

The principal business activity is investment banking and providing advisory services.

The percentage of ownership is as follows;

Shareholdings in Subsidiary and Associate	Holding Percentage
SMB Money Brokers (Pvt)Ltd	50.99%
Kenanga Investment Corporation Ltd	48.99%

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

2. Basis of Accounting

2.1. Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company as at December 31, 2022 and for the year then ended, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No 7 of 2007, the Finance Business Act No 42 of 2011 and amendments thereto and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting. These SLFRSs and LKASs are available at ***www.casrilanka.com.***

The Company did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the financial statements. Details of the Company's significant accounting policies followed during the year are given in Note 5.

2.2. Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements of the Group and the Company as per the provisions of the Companies Act No. 7 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for financial statements as set out in the Annual Report of the Board of Directors, Statement of Directors' Responsibility and the certification on the Statement of Financial Position.

These financial statements include the following components:

A). A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review.

B). A Statement of Financial Position (SOFP) providing the information on the financial position of the Group and the Company as at the year end.

C). A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.

D). 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 utilisation of those cash flows.

E).Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information.

2.3. Approval of Financial Statements by the Board of Directors

The financial statements of the Group and the Company for the year ended December 31, 2022 (including comparatives for 2021), were approved and authorised for issue in accordance with the resolution of the Board of Directors on April 3, 2023.

2.4. Basis of Measurement

The financial statements of the Company and the Group have been prepared on the historical cost basis except for the following material items stated in the statement of financial position.

Item	Basis of Measurement	Note No
Financial assets measured at fair value through profit or loss (FVTPL)	Fair value	20.1
Unquoted equity investments measured at fair value through other comprehensive income (FVTOCI)	Fair value	20.2
Investment Property	Fair Value	23
Defined benefit obligation	Liability is recognized at the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.	31

2.5. Going Concern Basis of Accounting

In preparing these financial statements, the management has assessed the existing and anticipated effect of country's extraordinary macroeconomic circumstances on the Group and the appropriateness of the use of the going concern basis of preparation of financial statements. The Company has been evaluating the resilience of its businesses, considering a wide range of factors such as expected revenue streams, profitability, cost management initiatives implemented by the Group, changes in working capital, management of capital expenditure, debt repayments, cash reserves and available sources of financing including unutilized facilities and in order to be able to continue business under current global economic conditions.

Furthermore, Management do not see any material uncertainties that may cast significant doubt upon the ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the directors are satisfied that the Financial Statements continue to be prepared on going concern basis.

2.6. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.), which is the Group's and Company's functional and presentation currency. There was no change in the Group's presentation and functional currency during the year under review.

2.7. Presentation of Financial Statements

The assets and liabilities of the Company and 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. An analysis on recovery or settlement within 12 months after the reporting date (Current) and after more than 12 months from the Reporting date (non-current) is presented in Note 44 (Current/Non-current Analysis). No adjustments have been made for inflationary factors affecting the financial statements.

2.8. Rounding

The amounts in the financial statements are presented in absolute values for the financial statements to be more understandable. However, in certain notes to the financial statements, figures have been rounded-off to the nearest Rupees thousands for better presentation as permitted by the Sri Lanka Accounting Standard LKAS 01 - Presentation of Financial Statements.

2.9. Offsetting

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

2.10. Materiality and Aggregation

Each material class of similar items is 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 Company and the Group.

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.

2.11. 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.

3. Use of Significant Accounting Judgements, Assumptions and Estimates

In preparing the financial statements of the Company and the Group in conformity with SLFRSs and LKASs, the management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Accounting judgements, estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized prospectively. Significant areas of critical accounting judgements, assumptions and estimation uncertainty, in applying accounting policies that have most significant effects on the amounts recognized in the financial statements of the Company and the Group are as follows.

3.1. Significant Accounting Judgements

Information about accounting judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these financial statements are included in Notes 3.1.1 to 3.2.7 below.

3.1.1. Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 5.1.3.2 indicates that the Company controls the investees.

3.1.2. Classification of financial assets and liabilities

As per SLFRS 9, the Significant Accounting Policies of the Company provides scope for financial assets to be classified and subsequently measured into different categories, namely, at Amortized Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL) based on the criteria given in Note 5.3.3.

3.1.3. Determination of impairment losses relating to financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increases significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL set out in the Note 5.2.5.

3.2. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are included in Notes 3.2.1 to 3.2.7 below.

3.2.1. Fair Value of financial instruments

The fair values of financial assets and financial liabilities recognized on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Group measures fair value using the fair value hierarchy that reflects the significance of inputs used in making measurements. Methodologies used for valuation of financial instruments and fair value hierarchy are stated in Note 38.5 and 38.6 respectively.

3.2.2. Impairment losses on financial assets

The measurement of impairment losses both under SLFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided in the statement of profit or loss.

In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made. The individual impairment provision applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

A collective impairment provision is established for:

- Groups of homogeneous loans and leases that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired.

As per SLFRS 9, the Company's Expected Credit Loss (ECL) calculations are outputs of a complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Group's criteria for qualitatively assessing whether there has been a significant increase in credit risk and if so, allowances for financial assets measured on a Lifetime expected credit loss (LTECL) basis.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of a ECL model, including the various statistical formulas and the choice of inputs.
- Determination of associations between macro-economic inputs and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD).

3.2.3. Impairment of non- financial assets

The carrying amounts of the Group's non- financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. An asset's recoverable amount is the higher of an assets or cash- generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash -generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may have decreased. If such indication exists, the Group estimates the assets or cash- generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in profit or loss.

3.2.4.Useful lifetime of the property, plant and equipment

The Company reviews the residual values, useful lives and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 5.3.8.

3.2.5.Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available and can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Refer Note 27.

3.2.6.Defined benefit obligation

The cost of the defined benefit obligation 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. This includes making assumptions about discount rates, future salary increments, retirement age. Due to the long- term nature of such obligation, these estimates are subjected to significant uncertainty. All assumptions are reviewed at each reporting date. Refer Note 31.

3.2.7. Provisions for liabilities, commitments and contingencies

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

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies other than those stated above that have significant effects on the amounts recognised in the consolidated financial statements are described in Notes 5.1.3.

4. Changes in Significant Accounting Policies

The Group has consistently applied the accounting policies as set out in Notes 5 all periods presented in these financial statements.

5. Significant Accounting Policies

The Significant Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company and Group except as specified in Note 2 These Accounting Policies have been applied consistently by the Company and the Group.

Summary of Significant Accounting Policies	Policy Note No
Financial assets and liabilities	5.1.1
Fair value measurement	5.1.2
Consolidated financial statements	5.1.3
Revenue	5.2.1
Net interest income	5.2.2
Fee and commission income	5.2.3
Other operating income	5.2.4
Expected credit losses on financial assets	5.2.5
Personnel expenses	5.2.6
Other expenses	5.2.7
Value added tax (VAT) on financial services	5.2.8
Social Security Contribution Levy (SSCL)	5.2.9
Income tax	5.2.10
Earnings per share	5.2.11
Dividend per share	5.2.12
Cash and cash equivalents	5.3.1
Placements with banks	5.3.2
Loans and receivables	5.3.3
Financial investments	5.3.4
Investment in associate	5.3.5
Investment in subsidiary	5.3.6
Investment property	5.3.7
Property, plant and equipment	5.3.8
Right of use assets and lease liabilities	5.3.9
Intangible assets	5.3.10
Other assets	5.3.11
Due to financial institutions	5.3.12
Due to other customers	5.3.13
Retirement benefit obligations	5.3.14
Other liabilities	5.3.15
Statutory reserve	5.3.16
Fair value reserve	5.3.17
Statement of cash flows	5.4.1
Events that occurred after the reporting date	5.5.1
Capital Commitments	5.5.2
Capital Contingencies	5.5.3
Operating segments	5.5.4
Maturity analysis	5.5.5

5.1. Significant Accounting Policies – General

5.1.1. Financial Assets and Liabilities

5.1.1.1. Recognition and initial measurement

The Group initially recognizes loans and receivables, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs. For an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on valuation technique whose variables include only data from observable markets the Group recognizes the difference between transaction price and fair value in interest income and respective expenses. In case where fair value is determined using data which is not observable, the difference between the transaction price and model value is recognized in the Statement of Profit or Loss when the input becomes observable or when the instrument is derecognized.

The Day 1 loss arising in the case of loans granted to employees at concessionary rates under uniform applicable schemes is deferred and amortized using effective interest rates over the remaining service period of the employees or tenure of the loan whichever is shorter. The subsequent measurement of financial assets depends on their classification.

5.1.1.2. Classification

A. Financial Assets

On initial recognition, a financial asset is classified as measured at amortized cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this 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 realizing 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 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 whether contractual cash flows are solely payments of principal and interest

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

- 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 (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g., periodical reset of interest rates.

B. Financial liabilities

The Group classifies its financial liabilities other than loan commitments, as measured at amortized cost or FVTPL.

5.1.1.3. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

5.1.1.4. Derecognition

A. Financial Assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group securitizes various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitization vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitization vehicles in turn issue securities to investors. Interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, interest- only strips or other residual interests (retained interests). Retained interests are recognized as investment securities and carried at FVOCI. Gains or losses on securitization are recorded in other revenue.

B. Financial Liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

5.1.1.5. Modifications of financial assets and financial liabilities

A. Financial assets

If the terms of a financial asset are modified, 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 derecognized, and a new financial asset is recognized at fair value.

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

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre- modification interest rate.

B. Financial liabilities

The Group derecognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

5.1.1.6. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

5.1.2. 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 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.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received.

If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio- level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Valuation Models

Financial instruments are measured on an ongoing basis either at fair value or at amortized cost. The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. 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 asking price), without any deduction for transaction costs. 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,

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using:

- quoted market prices in active markets for similar instruments.
- quoted prices for identical or similar instruments in markets that are considered less than active; or
- other valuation techniques in which all significant inputs are directly or indirectly observable from market data

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which 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 and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognized valuation models for determining the fair value of common and simple financial instruments. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value and management uses judgement to select the most appropriate point in the range.

The Group's methodology for valuing these asset-backed securities uses a discounted cash flow technique that takes into account the probability of default and loss severity by considering the original underwriting criteria, vintage borrower attributes, LTV ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the "waterfall" applicable to the security and discounted at a risk-adjusted rate. The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique-is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

5.1.3. Consolidated Financial Statements

5.1.3.1. Basis of consolidation

The Group's financial statements comprise of, consolidated financial Statements of the Company and its subsidiary in terms of the Sri Lanka Accounting Standard – SLFRS 10 on "Consolidated Financial Statements" (SLFRS 10) and the proportionate share of the profit or loss and net assets of its associate in terms of the Sri Lanka Accounting Standard – LKAS 28 on "Investments in Associates and Joint Ventures" (LKAS 28). The financial statements of the Company's subsidiary and associate are prepared for a common financial year which ends on December 31 using consistent accounting policies.

5.1.3.2. Subsidiary

Subsidiary is an entity that is controlled by the Group. Subsidiary is fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investment details of the subsidiary within the Group are provided in Note 22 to the financial statements.

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an associate or as a financial investment depending on the level of influence retained.

There are no significant restrictions on the ability of the subsidiary to transfer funds to the parent (the Company) in the form of cash dividend or repayment of loans and advances. The subsidiary of the Company has been incorporated in Sri Lanka.

5.1.3.3. Non-controlling interests

Non-controlling interests (NCI) represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Company. NCI are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position but separate from parent shareholders' equity.

Any losses applicable to the non- controlling interests are allocated against the interests of the NCI even if this results in a deficit balance. Acquisitions of non- controlling interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as equity.

5.1.3.4. Associate

Associate is an entity in which the Company has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of the other entity unless it can be clearly demonstrated that despite having more than 20% hold in an entity.

Investment in associate is accounted for using the equity method and is recognized initially at cost, in terms of Sri Lanka Accounting Standards – LKAS 28 on "Investments in Associates and Joint Ventures". Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized but is subjected to impairment test. The Company's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Company's share of the income and expenses and equity movements of the associate after adjustments to align the accounting policies with those of the group from the date that significant influence effectively commences until the date that significant influence ceases.

Accordingly, under the equity method, investments in associate is carried at cost plus post-acquisition changes in the Company's share of net assets of the associate and is reported as a separate line item in the statement of financial position. The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the group recognizes its share of any changes, when applicable, in equity through OCI. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in associate.

When the Company's share of losses exceeds its interest in the associate, the carrying amount of that interest, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equal the share of losses not recognized previously.

The Company discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and accounts for such investments in accordance with the Sri Lanka Accounting Standard – SLFRS 9 on "Financial Instruments". Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognizes the loss as "Share of profit of Associate" in the statement of profit or loss.

Investment details of the Associate within the Group are provided in Note 21 in the financial statements.

5.1.3.5. Transactions eliminated on consolidation

All intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

5.1.4. Material Gains or Losses, Provisional Values or Error Corrections

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

5.2. Significant Accounting Policies – Recognition of Income and Expense

5.2.1. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the Group and the revenue can be reliably measured. Income from early settlement and overdue rentals have been accounted for on a cash basis.

5.2.2. Net Interest Income

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

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

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

5.2.3. Fee and Commission Income

Fees and commission that are integral to the effective interest rate on financial asset or liability are included in the effective interest rate of respective asset or liability. Fees and commission income, including commission, service fees are recognised as the related services are performed.

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories.

- Fee income earned from services that are provided over a certain period of time.
- Fees earned for the provision of services over a period of time are accrued over that period.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the documents and inspection of vehicle are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

5.2.4. Other Operating Income

5.2.4.1. Gain or losses on disposal of property, plant and equipment

Gains/losses from sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified as other income/expense.

5.2.4.2. Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when the shareholders approve the dividend income from equity investments at FVTPL is recognised in the Statement of Profit or Loss on an accrual basis when the Group's right to receive the dividend is established.

5.2.4.3. Income from government securities and securities purchased under resale agreements

Discounts/ premium on treasury bonds are amortised over the period to reflect a constant periodic rate of return. The coupon interest on treasury bonds is recognised on an accrual basis. The interest income on securities purchased under resale agreements is recognised in the income statemen statement of profit or loss on an accrual basis over the period of the agreement.

5.2.4.4. Recovery of bad and doubtful debts written off

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

5.2.5. Expected Credit Losses on Financial Assets

The Group recognises loss allowance using Expected Credit Losses (ECL) on loans and receivables to customers and other financial assets measured at amortised cost model using dual measurement approach which the loss allowance is measured as either 12-month expected credit losses or lifetime expected credit losses.

The Group recognises loss allowances for ECL on loans and receivables other financial assets measured at amortised cost. Accordingly, this note covers expected loss allowances for;

- Loans and receivables from customers
- Placements with banks

5.2.5.1. Loans and receivables from customers

For loans and advances above a predefined threshold, the Group individually assesses for significant increase in credit risk. If a particular loan is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Group determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

Segmentation of the portfolio is done based on homogeneous characteristics. However, segmentation needs to be done to the extent for which representative sample data is available to estimate PD using transition matrix. (Need to combine where sample size is not adequate)

Segmentation

- Lease – Machinery
- Lease – Other
- Loan – Other
- Loan – QC Pawning

Other Investments

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 are then adjusted to reflect forward- looking information.

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit impaired" on Significant Accounting Policy Balance Sheet Note 19 below) either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due 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.

- 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.

- 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 EAD is considered for default events over the lifetime of the financial instrument.

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is equal more than 90 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is equal or more than 180 days past due.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECL are a probability weighted estimate of credit losses. Credit losses are measured 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).

ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised are credit impaired. 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 being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- it is 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.

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.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Other financial assets measured at amortised cost

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 security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade". This policy is applicable to deposits with licensed commercial banks measured at amortised cost.

5.2.5.2. Placements with banks

Deposits with licensed commercial banks comprises the fixed deposits with licensed commercial banks which are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using EIR. The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

5.2.6. Personnel expenses

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

5.2.7. Other expenses

All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency, has been charged to the statement of profit or loss in arriving at the profit for the year under other expenses.

5.2.8. Value Added Tax (VAT) on financial services

VAT on financial services is calculated in accordance with the Value Added Tax (VAT) Act No. 14 of 2002 and subsequent amendments thereto. The base for the computation is the accounting profit before VAT and income tax adjusted for economic depreciation and benefits paid to employees including cash benefits, non- cash benefits and provisions relating to terminal benefits. VAT on financial services rate applied during the financial year ended December 31, 2022 was 18%.

5.2.9. Social Security Contribution Levy (SSCL)

Social Security Contribution Levy shall be paid by any person carrying on the business of supplying of financial services, on the liable turnover specified in the second schedule of the Social Security Contribution Levy Act No. 25 of 2022, at the rate of 2.5% with effect from 1 October 2022. SSCL is payable on 100% of the value addition attributable to financial services. The value addition attributable to financial services shall be computed for the payment of SSCL on the business of supplying financial services by applying the attributable method referred to in Chapter IIIA of the Value Added Tax Act No. 14 of 2002.

5.2.10.Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

Current Tax

Current tax is the expected tax payable on the taxable income for the year. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment to tax payable in respect of previous years. Accordingly, provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto at the rates specified below. Income tax on profit from operations for the year ended December 31, 2022 is calculated at the rate of 24% in First 09 months and next 03 months at 30% (2021 – 24%).

Deferred Tax

Deferred taxation is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

5.2.11. Earnings Per Share (EPS)

The Group computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period as per the requirements of the Sri Lanka Accounting Standard LKAS 33 – "Earnings per Share".

Diluted EPS is computed 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.

5.2.12. Dividend Per Share

Provision for final dividend is recognised at the time the dividend is recommended and declared by the Board of Directors and approved by the shareholders. However interim cash dividend is recognised when the Board approves such dividend in accordance with Companies Act No. 07 of 2007.

5.3. Significant Accounting Policies – Recognition of Assets and Liabilities

5.3.1. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and balances with banks which are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position. Bank overdraft that are repayable on demand and form an integral part of the Company's cash resources and it is only included as a component of cash equivalents for the purpose of the Cash Flow Statements.

5.3.2. Placements with Banks

Deposits with licensed commercial banks comprise of fixed deposits with licensed commercial banks and securities purchased under agreements to re-sell.

Fixed deposits with licensed commercial banks are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using EIR. Amortised cost is calculated by taking into account any discount or premium on acquisition and other fees and cost that are an integral part of EIR. The Group recognises loss allowances for ECL on assets subsequently measured at amortised cost. Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

Securities purchased under agreements to re-sell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is accrued over the life of the agreement using the EIR and recorded in other operating income.

5.3.3. Loans and Receivables

"Loans and advances to customers" 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.

The Group initially recognises loans and advances to customers on the date on which they are originated. The classification of financial instruments at initial recognition depends on their cash flow characteristics and the business model for managing the instruments. 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 (FVTPL)

The subsequent measurement of financial assets depends on their classification.

All financial assets other than those classified at amortised cost or FVOCI are classified as measured at fair value through profit or loss (FVTPL). Accordingly, loans and receivables from customers are measured at FVTPL. Financial assets designated at fair value through profit or loss are recorded in the statement of financial position at fair value.

There were no significant changes in the gross carrying amount of the financial assets at amortised cost – loans and receivables to other customers which contributed to significant changes in the loss allowance during the year under review.

During the year under review, the Company granted debt moratorium to its lease and loan customers in compliance with the circulars issued by the Central Bank of Sri Lanka to provide relief measures to COVID - 19 affected businesses and individuals.

When providing debt moratoriums for lease facilities, the Company recognized the moratorium interest in financial statements as a charge and recorded in financial statements accordingly to SLFRS 16 – "Leases".

Through the debt moratoriums granted for loan facilities were updated in the loan system as a charge, the Company recorded the interest impact of the debt moratorium in the 2022 financial statements and provided for allowance for expected credit losses in 2022 in compliance with SLFRS 9 – "Financial Instruments".

The Group records an allowance for expected credit losses for loans and other credit facilities to customers measured at amortised cost. SLFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

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

- **Stage 2:** If a significant increase in credit risk (SICR) since origination is identified, it is moved to Stage 2 and the Group records an allowance for LTECL. Refer Note 19 for a description on how the Group determines when a significant increase in credit risk has occurred.

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

The key assumptions, judgements and estimates adopted by the Group in addressing the requirements of SLFRS 9 is given below.

Significant increase in credit risk

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements used in expected credit loss model prescribed in SLFRS 9 – "Financial Instruments". When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and expert credit assessment and including forward looking information. The criteria for determining whether credit risk has increased significantly vary by portfolio and include qualitative factors, including a backstop based on delinquency.

The Group considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 90 days past due rebutting the presumption in the SLFRS 9 permitted in accordance with the provisions of SLFRS 9. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of Default

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- The borrower is past due equal more than 180 days on any material credit obligation to the Group.

In determination of default the Group largely aligns with the regulatory definition of default which is 180 days and above. In assessing whether a borrower is in default, the Group considers indicators that are:

- Qualitative – e.g., breaches of covenant;

- Quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Group; and

- Based on data developed internally and obtained from external sources

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

In assessing whether a borrower is in default, the Group reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Group considers non performing credit facilities/customers with one or more of the following indicators and assessed accordingly in ECL computations.

- When reasonable and supportable forecasts of future economic conditions directly affect the performance of the customer.

- When there is a significant change in the geographical locations or natural catastrophes that directly impact the performance of the customer.

- When the value of collateral is significantly reduced and/or realisability of collateral is doubtful.

- When a customer is subject to litigation, that significantly affects the performance of the credit facility.

- Frequent changes in the senior management of an institutional customer.

- When the customer is deceased/ insolvent.

- When the Group is unable to contact or find the customer.

- A fall of 50% or more in the turnover and/or profit before tax of the customer when compared to the previous year.

Expected Credit Loss (ECL)

The Group calculates ECL either on a collective or an individual basis. Those financial assets for which, the Group determines that no provision is required under individual impairment are then collectively assessed for ECL.

For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped into homogeneous portfolios, based on a combination of product characteristics.

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 are then adjusted to reflect forward- looking information.

- PD – The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12mPD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due is the primary input into the determination of the term structure of PD for exposures. Days past due 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.

- 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 counter parties. 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.

- 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 EAD is considered for default events over the lifetime of the financial instrument.

The Group measures loss allowances using both lifetime ECL and 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

Collateral valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as real estate, gold, repossessed vehicles and repossessed machinery. When computing the ECL for individually significant loans, the discounted value of respective collateral is taken into consideration. The Group's policy is to carry collaterals repossessed at fair value at the repossession date and such assets will be disposed at the earliest possible opportunity.

5.3.4. Financial Investments

Unquoted Equity Investments at FVOCI

Upon initial recognition, the Group elected to classify irrevocably some all unquoted 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. 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 recognized in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

5.3.5. Investment in Associate

Investment in associate is accounted for at cost in the Group's financial statements and under the equity method in the consolidated financial statements. Under the equity method, the investment in associate is initially accounted at cost and the carrying amount is adjusted for post- acquisition changes in the Group's share of net assets of the associate, less any impairment in the Group's net investment in associate. Refer Note 21

5.3.6. Investment in Subsidiary

Investments in subsidiary is stated at cost, net of any impairment losses which are charged to the statement of profit or loss in the Group's financial statements. Refer Note 22.

5.3.7. Investment Property

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

Investment Properties of the Group are stated at market value less provision for Impairment.

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property every 3 years. 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.

5.3.8. Property, Plant and Equipment

Basis of Recognition

Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes, and are expected to be used during more than one year. Property, plant and equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of computer equipment. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment. The Company

& Group apply the cost model to property, plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Subsequent Costs

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

Repairs & Maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company & Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the statement of profit or loss in the year the asset is derecognized.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows;

Class of Asset	% Per Annum	Period
Motor Vehicles	20%	5 Years
Computer hardware	20%	5 Years
Office equipment	20%	5 Years
Furniture and fittings	20%	5 Years

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and commence to depreciate when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

5.3.9 Right - of - use Assets and Lease Liabilities

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non- lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension

option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right- of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Presentation

As per SLFRS 16 Right-of-use assets are either presented separately from other assets on the balance sheet or disclosed separately in the notes. Similarly, lease liabilities are either presented separately from other liabilities on the balance sheet or disclosed separately in the notes.

The Company has elected to present Right-of-use assets seperately from other assets on the statement of financial position. Similarly, lease liabilities are presented seperately from other liabilities on the statement of financial position.

Depreciation expense and interest expense cannot be combined in the statement of profit or loss. In the cash flow statement, principal payments on the lease liability are presented within financing activities; interest payments are presented based on an accounting policy election in accordance with LKAS 7 "Statement of Cash Flows".

5.3.10. Intangible Assets

The intangible assets include the value of computer software developed inhouse in partnership with a vendor.

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably, in accordance with Sri Lanka Accounting Standard 38 – "Intangible Assets". Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent Expenditure

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

Useful economic lives, amortisation and impairment

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight- line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives at the rates as specified below;

Class of Asset	% Per Annum	Period
Computer software	20%	5 years

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

Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (Calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the profit or loss in the year the asset is derecognised.

5.3.11. Other Assets

Other assets mainly comprise of refundable deposits, prepayments, performance bank guarantee, receivable from escrow agreement and other advances carried at historical cost.

5.3.12. Due to Financial Institutions

This represents loans and overdraft facilities from licensed commercial banks. These facilities are initially recognised at fair value net of transaction cost. Subsequent to initial recognition, borrowings are measured at their amortised cost using the effective interest method. Amortised cost is computed by taking into account any discount or premium identified at initial recognition which are an integral part of EIR. Interest paid/payable on these borrowings are recognised in Profit or Loss.

5.3.13. Due to Other Customers

These represents the funds borrowed in the form of debentures and promissory Notes. Interest Expense is recognized in the statement of profit or loss based on the effective interest rate method.

5.3.14. Retirement Benefit Obligations

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard LKAS 19 – "Employee Benefits". The Group continues to use an internally developed method to measure retirement benefit liability. This is stated under other liabilities in the statement of financial position.

The Group recognises the total actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan in other comprehensive income during the period in which it occurs. The gratuity liability is not externally funded.

5.3.15. Other Liabilities

A provision is recognised if, as a result of past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Other liabilities mainly comprise accrued expenses, supplier payables, insurance payable, consent motion advance, EPF/ ETF/PAYE payables, etc.

5.3.16. Statutory Reserve

Statutory Reserve Fund has been created during the year 2006 in accordance with the Finance Leasing (Amendment) Act No 24 of 2005. Statutory reserve fund is a capital reserve which contains profits transferred as required by Department of Supervision of Non Bank Financial Institutions of Central Bank of Sri Lanka, under the Finance Companies (Capital Funds) Direction No. 01 of 2003. Accordingly, 5% of the net profit for the period is transferred to the statutory reserve fund.

5.3.17 Fair Value Reserve

"Fair value reserve" comprises the cumulative net change in fair value of financial assets measured at fair value through other comprehensive income. Refer Note 35.

5.4. Significant Accounting Policies – Statement of Cash Flows

5.4.1. Statement of Cash Flows

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

Cash and cash equivalents comprise of cash in hand and cash at bank. Cash and cash equivalents as referred to in the statement of cash flow are comprised of those items as explained in the Note 17 given in the statement of cash flow.

5.5. Significant Accounting Policies – Other

5.5.1. Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 40 where necessary.

5.5.2.Capital Commitments

During 2022, the Company did not enter into any contract that will give rise to capital expenses in the future.

5.5.3. Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events on present obligations where the transfer of economic benefit is not probable or can't be reliably measured.

Summary cases against the Group have been disclosed in the Note 42 to the financial statements. However, based on the available information and the available information and the available legal advice, the Group do not expect the outcome of any action to have any material effect on the financial position of the group.

5.5.4.Operating segments

The Group's segmental reporting is based on operating segments.

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Group. Inter- segment transfers are accounted for at competitive fair market prices charged to intercompany counterparts for similar services. Such services are eliminated on consolidation.

All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

For management purposes, the Company is organised into business units based on their products and services.

No operating segments have been aggregated to form the reportable operating segments.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from statement of profit or loss in the financial statements.

The Group's stated capital and retained earnings are managed on a company basis and are not allocated to individual operating segments.

Inter-segment pricing is determined on an arm's length basis. 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 property, plant and equipment and intangible assets other than goodwill. The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

Operating Segment	Category of Information	Details
Leasing	Nature of product	Leasing facilities to acquire movable properties
	Classification of product	Motor cars, busses, trucks, machinery
	Revenue derived from	• Interest income • Service fee income & commission income
Loans	Nature of product	Loan facilities to acquire movable and immovable properties and personal loans
	Classification of product	Land, motor cars, personal loans
	Revenue derived from	• Interest income • Service fee income
Treasury	Nature of product	Investing activities
	Classification of product	Placement with banks, REPOS, Treasury bonds
	Revenue derived from	• Investment income and fair value gains and losses on investments
Money Brokering	Nature of product	Money brokering activities
	Classification of product	Call money, FOREX, Treasury bills, treasury bonds
	Revenue derived from	• Commission income • Investment income and fair value gains losses on investments

Details of the 5.5.4. Operating Segments are given in Note 45.

5.5.5. Maturity Analysis

The Company has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date. Remaining contractual period to maturity as at the date of statement of financial position of the assets, liabilities and share holders' funds are given in Note 43.3.3.

6. New Accounting Standards Issued but not yet effective

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

6.1 Classification of liabilities as current or non-current (amendments to LKAS 1)

The amendments, as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Group is unable to determine the impact of these amendments on the consolidated financial statements in the period of initial application. The Group is closely monitoring the developments.

6.2 Deferred tax arising from a single transaction (amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. Eg. Leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions the amendments apply to transactions that occur after the beginning of the earliest period presented. The Group does not recognise any deferred tax asset or liability of such single transactions.

6.3 Other standards

- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of accounting estimates (amendments to LKAS 8).
- Amendments to Sri Lanka Accounting Standard - LKAS 28 "Investments in Associates and Joint Ventures".

None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group.

Income

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Interest income [Note 7]	289,361,235	163,970,711	289,361,235	163,970,711
Fee and commission income [Note 9]	9,905,419	3,625,443	9,905,419	3,625,443
Other operating income [Note 10]	210,220,245	81,336,021	230,889,765	134,116,264
	509,486,899	**248,932,175**	**530,156,419**	**301,712,418**

7 Interest Income

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Lease rental receivable	102,069,130	75,410,163	102,069,130	75,410,163
Loans and advances	132,937,200	66,210,144	132,937,200	66,210,144
Pawning advances	54,354,905	22,350,404	54,354,905	22,350,404
Total interest income	**289,361,235**	**163,970,711**	**289,361,235**	**163,970,711**

8 Interest Expenses

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Due to banks	127,813,402	44,504,635	127,848,513	44,537,260
Due to other customers	4,528,771	4,560,610	4,528,771	4,560,610
SLFRS 16 – Incremental borrowing cost	2,394,897	2,753,540	2,426,702	2,970,805
Total interest expenses	**134,737,070**	**51,818,785**	**134,803,986**	**52,068,675**
Net interest income	**154,624,165**	**112,151,926**	**154,557,249**	**111,902,036**

9 Net Fee and Commission Income

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Fee and commission income	9,905,419	3,625,443	9,905,419	3,625,443
Net fee and commission income	**9,905,419**	**3,625,443**	**9,905,419**	**3,625,443**

10 Other Operating Income

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Interest income on placements with banks	193,449,806	64,799,968	194,917,650	64,799,968
Investment with government securities	844,898	774,498	844,898	774,498
Service charges	452,330	542,324	452,330	542,324
Recovery of loans and lease written off in prior years	515,394	858,219	515,394	858,219
Dividend income	740,279	690,000	796,137	880,256
Money brokering income	-	-	19,089,272	48,787,468
Profit on pawning auction	260,120	332,307	260,120	332,307
Profit on sale of shares	-	-	56,546	3,802,519
Provision reversals for value of financial investment	-	77,828	-	77,828
Sundry income	11,006,714	9,132,477	11,006,714	9,132,477
Profit on Concent Motion loan settlement	2,950,704	4,128,400	2,950,704	4,128,400
	210,220,245	**81,336,021**	**230,889,765**	**134,116,264**

11 Allowance for Expected Credit Loss - (Charge)/ Reversal

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Allowance for expected credit loss for loans and advances (Note 19.5)	(171,244,848)	(60,958,213)	(171,244,848)	(60,958,213)
Unwinding interest adjustment	6,992,480	6,452,924	6,992,480	6,452,924
Allowance for expected credit loss for placement with banks	(1,264,847)	(205,192)	(1,264,847)	(205,192)
Write-offs and disposal losses	(1,003,748)	(2,447,712)	(1,003,747)	(2,447,712)
	(166,520,963)	**(57,158,193)**	**(166,520,962)**	**(57,158,193)**

12 Personnel Expenses

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Salaries and bonus	51,312,555	36,928,198	83,682,596	71,236,198
Defined contribution plan costs - EPF	5,681,399	4,365,894	10,233,964	9,163,974
Defined contribution plan costs - ETF	1,420,350	1,091,473	2,558,491	2,290,993
Defined benefit plan cost	3,097,687	2,069,611	4,343,295	6,057,091
Others	15,300,023	11,504,099	20,211,341	20,001,681
	76,812,014	**55,959,275**	**121,029,687**	**108,749,937**

13 Other Expenses

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Auditors' remuneration - Audit related services	1,560,464	1,020,000	1,942,022	1,307,000
- Non audit services	2,182,041	724,000	2,182,041	724,000
Depreciation and amortisation	17,364,741	19,200,132	20,536,226	23,534,692
Legal expenses	3,770,044	5,973,946	3,770,044	5,973,946
Directors' emoluments	4,905,000	4,995,000	6,850,025	6,710,000
Premises and equipment cost	20,987,406	18,787,185	23,612,884	21,666,154
Others	18,196,166	13,458,575	23,886,458	18,567,194
	68,965,862	**64,158,838**	**82,779,700**	**78,482,986**

14 Taxes on Financial Services

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Value added tax on financial services	15,598,412	10,753,675	15,598,412	10,753,675
Social security contribution levy (SSCL)	3,386,637	-	3,386,637	-
	18,985,049	**10,753,675**	**18,985,049**	**10,753,675**

15 Taxation

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Income tax on profits (Note 15.1)	(6,129,285)	-	(6,129,285)	-
ESC written off during the year	-	2,357,092	-	2,357,092
Provision / (Reversals) for the year	2,656,249	-	2,656,249	-
Provision / (Reversals) for deferred tax (Note 27.1.1)	-	-	267,050	(836,796)
	(3,473,036)	**2,357,092**	**(3,205,986)**	**1,520,296**

15.1 Reconciliation of Accounting (Loss) / Profit and the Income Tax Expense

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
(Loss) / Profit before income tax	76,109,196	55,788,253	53,730,290	39,463,396
Share of profit of associate company	(743,655)	(151,844)	(743,655)	(151,844)
Aggregate disallowed expenses	215,183,804	(23,642,169)	206,882,702	(15,102,865)
Aggregate allowable expenses	(279,957,303)	(77,784,428)	(283,331,497)	(80,696,992)
Capital portion of lease receivable	6,997,344	21,223,394	6,997,344	21,223,394
Aggregate exempt / allowable income	(45,905,273)	(48,027,202)	(44,404,768)	(46,184,801)
(Loss) / Profit from the business	(28,315,888)	(72,593,996)	(60,869,585)	(81,449,712)
Profit from other source of income	2,336,587	-	(3,880,247)	(3,657,628)
Dividend income	740,000	-	740,000	-
Tax loss incurred / (claimed) during the year (Note 15.3)	-	72,593,996	-	85,107,341
Taxable loss / profit	(25,239,301)	-	(64,009,832)	-
Tax on business income (First 09 months) @ 24%	(6,235,033)	-	(6,235,033)	-
Tax on business income (Next 03 Months) @ 30%	-	-	-	-
Tax on dividend income @ 14%	73,538		73,538	
Tax on dividend income @ 15%	32,210	-	32,210	-
Income tax claim	**(6,129,285)**	-	**(6,129,285)**	-

15.2 Aggregate disallowed expenses

According to the Inland Revenue Act No 24 of 2017, the Company deduction is allowed for the CBSL-specific provision on Non-
1. Pawning debtors in the business of pawnbroking
2 .Loan is given to an Associated person

Based on the age of the facilities offered to customers and their recovery patterns for the fiscal year 2022, the company has fully provided all NPL.

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Balance as at 01 January	208,069,184	173,720,385	-	-
During the year Charge	214,974,838	34,348,800	-	-
	423,044,022	208,069,184	-	-

Capital allowances for Intangible Assets

Intangible Asset Capital Allowances, when it comes to capital allowances, the Act treats intangible assets different manner than it does tangible assets. As a result, the company has allowed a tax of 20% per year on the basis of the tax.

15.2 Reconciliation of Effective Tax Rate

A reconciliation between the tax expense and the product of accounting (loss) / profit multiplied by the applicable tax rate for the year ended December 31, 2022 is given below;

Rs. For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Accounting (loss) / profit before income tax	76,109,196	55,788,253	53,730,290	39,463,396
Income tax expense at the average statutory income tax rate @ 30%	22,832,759	13,389,181	161,190,871	9,471,215
Tax effect of disallowable expenses	64,555,141	(5,674,121)	62,064,811	(3,624,688)
Tax effect of allowable expenses	(83,987,191)	(18,668,263)	(84,999,449)	(19,367,278)
Capital portion of lease receivable	2,099,203	5,093,615	2,099,203	5,093,615
Tax effect of aggregate exempt / allowable income	(13,994,679)	(11,562,971)	(13,544,527)	(11,120,795)
Tax effect of profit from other source of income	700,976	-	(1,164,074)	(877,831)
Tax effect of tax profit / (losses) claimed during the y	-	17,422,559	-	20,425,762
Tax on Dividend Income @ 14%	73,538		-	
Tax on Dividend Income @ 15%	32,210		-	
Income tax claim for the year	(7,688,043)	-	(6,129,285)	-
Effective tax rate	**-10.10%**	**0.00%**	**-11.41%**	**0.00%**

Since the proposed amendment has not been substantively enacted at the end of the reporting period, the income tax provision of the Group for 2022 is calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017.

Income tax provision for the year ended December 31, 2022 of SMB Finance PLC has been calculated at for First 09 Months 24% and for the next month 30% (2021-24%) on its taxable profit in terms of Inland Revenue Act No. 24 of 2017, and amendments thereto. Profits of SMB Money Brokers (Private) Limited, subsidiary of the group is liable to income tax at First 09 Months 24% and for the next month 30% (2021-24%).

15.3 Accumulated Tax Losses

Rs.	Company 2022	Company 2021	Group 2022	Group 2021
Balance as at January 1,	142,472,645	70,568,649	154,985,990	70,568,649
Adjustment in respect of prior years	(142,472,645)	-	(154,985,990)	-
Tax loss claimed against investment income	-	(690,000)	-	(690,000)
Tax loss incurred / (claimed) during the year	-	72,593,996	-	85,107,341
Balance as at December 31,	-	**142,472,645**	-	**154,985,990**

16 Earnings Per Share

Basic Earnings / Loss) Per Share

Basic (loss) / earnings per share has been calculated by dividing the (loss) / profit for the year attributable to equity holders of the Company by the number of ordinary shares, as per the requirements of the Sri Lanka Accounting Standard LKAS 33 - "Earnings per Share".

For the year ended December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Profit attributable to equity holders of the Company (Rs)	79,582,232	53,431,161	74,280,294	45,532,250
No. of ordinary shares outstanding during the year	9,551,978,760	9,551,978,760	9,551,978,760	9,551,978,760
Basic earnings per share (Rs.)	**0.01**	**0.01**	**0.01**	**0.01**

16.1 Diluted Earnings Per Share

There were no potentially dilutive ordinary shares as at December 31, 2022 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

17 Cash and Cash Equivalents

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Cash in hand	40,870,875	15,354,115	40,885,875	15,369,115
Balances with banks	14,431,167	88,204,771	14,608,995	89,810,773
Cash and cash equivalents in the statement of financial position	**55,302,042**	**103,558,886**	**55,494,870**	**105,179,888**
Repo investment with banks (Note 18)	501,000	28,665,000	533,169	30,465,000
for cash management purpose (Note 29)	(2,103,754)	-	(2,391,425)	-
Cash and cash equivalents in the statement of cash flow	**53,699,288**	**132,223,886**	**53,636,614**	**135,644,888**

18 Placements with Banks

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Fixed deposits with banks	2,365,000,000	2,365,000,000	2,365,000,000	2,380,302,675
REPO investment with banks - Overnight	501,000	28,665,000	533,169	30,465,000
Gross placements with banks	**2,365,501,000**	**2,393,665,000**	**2,365,533,169**	**2,410,767,675**
/reversal (Note 18.1)	(1,483,338)	(218,491)	(1,483,338)	(218,491)
Net placements with banks	**2,364,017,662**	**2,393,446,509**	**2,364,049,831**	**2,410,549,184**

18.1 Movement in Impairment During the Year - Company / Group

Rs.	2022	2021
Balance as at January 1,	218,491	13,299
Charge to the income statement	1,264,847	205,192
Balance as at December 31,	**1,483,338**	**218,491**

19 Financial Assets at Amortised Cost - Loans and Receivables to Other Customers

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Gross loans and receivables				
Stage 1	1,593,971,826	831,519,330	1,593,971,826	831,519,330
Stage 2	285,176,896	144,783,745	285,176,896	144,783,745
Stage 3	613,084,508	604,835,437	613,084,508	604,835,437
	2,492,233,230	**1,581,138,512**	**2,492,233,230**	**1,581,138,512**
Provision for impairment				
Stage 1	(98,411,429)	(58,717,513)	(98,411,429)	(58,717,513)
Stage 2	(88,434,040)	(58,608,709)	(88,434,040)	(58,608,709)
Stage 3	(450,019,612)	(348,294,011)	(450,019,612)	(348,294,011)
	(636,865,081)	**(465,620,233)**	**(636,865,081)**	**(465,620,233)**
Net loans and advances	**1,855,368,149**	**1,115,518,279**	**1,855,368,149**	**1,115,518,279**

19.1.1 Loans

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Gross loans receivables				
Stage 1	645,034,758	390,941,773	645,034,758	390,941,773
Stage 2	181,961,895	67,948,694	181,961,895	67,948,694
Stage 3	322,315,147	271,311,242	322,315,148	271,311,242
	1,149,311,800	**730,201,709**	**1,149,311,801**	**730,201,709**
Provision for impairment				
Stage 1	(63,196,502)	(28,660,912)	(63,196,502)	(28,660,912)
Stage 2	(63,714,856)	(19,667,273)	(63,714,856)	(19,667,273)
Stage 3	(205,448,144)	(164,012,252)	(205,448,144)	(164,012,252)
	(332,359,502)	**(212,340,437)**	**(332,359,502)**	**(212,340,437)**
Net loans receivable	**816,952,298**	**517,861,272**	**816,952,299**	**517,861,272**

19.1.2 Leases

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Gross lease receivables				
Stage 1	565,456,453	286,922,642	565,456,453	286,922,642
Stage 2	79,473,261	72,007,687	79,473,261	72,007,687
Stage 3	281,771,152	327,471,645	281,771,152	327,471,645
	926,700,866	**686,401,974**	**926,700,866**	**686,401,974**
Provision for impairment				
Stage 1	(33,049,568)	(30,056,601)	(33,049,568)	(30,056,601)
Stage 2	(24,223,282)	(38,941,436)	(24,223,282)	(38,941,436)
Stage 3	(243,044,864)	(183,093,592)	(243,044,864)	(183,093,592)
	(300,317,714)	**(252,091,629)**	**(300,317,714)**	**(252,091,629)**
Net lease receivable	**626,383,152**	**434,310,345**	**626,383,152**	**434,310,345**

19.1.3 Pawning Advances Receivable

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Pawning advances receivables				
Stage 1	383,480,615	153,654,916	383,480,615	153,654,916
Stage 2	23,741,740	4,827,363	23,741,740	4,827,363
Stage 3	8,998,209	6,052,550	8,998,209	6,052,550
	416,220,564	**164,534,829**	**416,220,564**	**164,534,829**
Provision for impairment				
Stage 1	(2,165,359)	-	(2,165,359)	-
Stage 2	(495,902)	-	(495,902)	-
Stage 3	(1,526,604)	(1,188,167)	(1,526,604)	(1,188,167)
	(4,187,865)	**(1,188,167)**	**(4,187,865)**	**(1,188,167)**
Net pawning receivables	**412,032,699**	**163,346,662**	**412,032,699**	**163,346,662**

19.2 Product-wise Analysis of Loans and Receivables

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Lease rental receivables	926,700,866	686,401,974	926,700,866	686,401,974
Personal loans	111,385,935	142,051,020	111,385,935	142,051,020
Term loans	770,328,507	412,213,708	770,328,507	412,213,708
Easy payment loans	9,091,129	11,592,556	9,091,129	11,592,556
Other loans	258,506,229	164,344,425	258,506,229	164,344,425
Pawning advances	416,220,564	164,534,829	416,220,564	164,534,829
	2,492,233,230	**1,581,138,512**	**2,492,233,230**	**1,581,138,512**

19.3 Sector-wise Analysis of Loans and Receivables

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Industry	178,057,212	126,714,755	178,057,212	126,714,755
Agriculture	242,555,845	214,390,056	242,555,845	214,390,056
Trade	182,471,640	97,735,121	182,471,640	97,735,121
Transport	536,603,685	262,168,905	536,603,685	262,168,905
Construction	128,021,371	119,888,552	128,021,371	119,888,552
Services	228,524,320	171,417,570	228,524,320	171,417,570
Personal	904,566,142	478,255,142	904,566,142	478,255,142
Others	91,433,015	110,568,411	91,433,015	110,568,411
	2,492,233,230	**1,581,138,512**	**2,492,233,230**	**1,581,138,512**

19.4 Gross Lease Rental Receivable

19.4.1 Gross lease rental receivable within one year

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
reporting date	464,338,294	339,021,829	464,338,294	339,021,829
Unearned lease Income	(117,200,600)	(77,142,796)	(117,200,600)	(77,142,796)
Balance as at December 31,	**347,137,694**	**261,879,033**	**347,137,694**	**261,879,033**

19.4.2 Gross lease rental receivable after one year and five years

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
reporting date	659,424,201	522,610,809	659,424,201	522,610,809
Unearned lease Income	(105,648,432)	(109,430,913)	(105,648,432)	(109,430,913)
Balance as at December 31,	**553,775,769**	**413,179,896**	**553,775,769**	**413,179,896**

19.4.3 Gross lease rental receivable after five years

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
from reporting date	25,897,358	11,418,788	25,897,358	11,418,788
Unearned lease Income	(109,955)	(75,743)	(109,955)	(75,743)
Balance as at December 31,	**25,787,403**	**11,343,045**	**25,787,403**	**11,343,045**
Total lease rentals receivables	**926,700,866**	**686,401,974**	**926,700,866**	**686,401,974**

19.5 Movement in Individual and Collective Impairment During the Year - Company / Group

Rs.	2022	2021
Stage 1		
Balance as at January 1,	58,717,513	25,941,331
Charge to the income statement	39,693,916	32,776,182
Balance as at December 31,	**98,411,429**	**58,717,513**
Stage 2		
Balance as at January 1,	58,608,709	35,277,675
Charge to the income statement	29,825,331	23,331,034
Balance as at December 31,	**88,434,040**	**58,608,709**
Stage 3		
Balance as at January 1,	348,294,011	343,443,012
Charge to the income statement	101,725,601	4,850,999
Balance as at December 31,	**450,019,612**	**348,294,011**
Total net impairment charge for the year	**171,244,848**	**60,958,213**

20 Financial Investments

The Company's financial investments are summarised by category as follows:

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Fair value through profit or loss (FVTPL) (Note 20.1)	-	700,452	-	7,835,802
Fair value through other comprehensive income (FVTOCI) (Note 20.2)	104,249,453	81,376,472	104,249,453	81,376,472
Other financial assets (Note 20.3)	-	-	10,540,000	10,540,000
Total Financial Investments	**104,249,453**	**82,076,924**	**114,789,453**	**99,752,274**

The following table compares the fair values of the financial investments to their carrying values:

Rs.	Company				Group			
As at December 31,	**2022**		**2021**		**2022**		**2021**	
	Carrying Value	**Fair Value**	**Carrying**	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Fair value through profit or loss (FVTPL) (Note 20.1)	-	-	700,452	700,452	-	-	7,835,802	7,835,802
Fair value through other comprehensive income	104,249,453	104,249,453	81,376,472	81,376,472	104,249,453	104,249,453	81,376,472	81,376,472
Other financial assets (Note 20.3)	-	-	-	-	10,540,000	10,540,000	10,540,000	10,540,000
Total financial investments	**104,249,453**	**104,249,453**	**82,076,924**	**82,076,924**	**114,789,453**	**114,789,453**	**99,752,274**	**99,752,274**

20.1 Fair Value Through Profit or Loss (FVTPL)

20.1.1 Quoted Shares held by SMB Finance PLC

As at December 31,	2022			2021		
Rs.	**No of shares**	**Carrying**	**Fair Value**	**No of shares**	**Carrying Value**	**Fair Value**
Banking, Finance & Insurance						
Ceylinco Insurance Co. Ltd.						
Ceylinco Securities & Financial Services Ltd.						
The Finance Co. PLC	97	-	-	97	-	-
		-	-		-	-
Manufacturing						
Blue Diamond Jewelry Worldwide PLC	778,280	-	-	778,280	700,452	700,452
Metal Recyclers Colombo PLC	69	-	-	69	-	-
		-	-		700,452	700,452
Land & Property						
Seylan Developments PLC	43	-	-	43	-	-
		-	-		-	-
Total carrying amount		**-**	**-**		**700,452**	**700,452**

Upon initial recognition, the Company 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 SLFRS 9 – "Financial Instruments" and are not FVTPL. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit or loss instead directly transferred to retained earnings at the time of derecognition. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment. Unrealised gains and losses were recognised in Equity through OCI in the "Fair value reserve". When these financial investments were disposed, the cumulative gain or loss previously recognised in fair value reserve transferred to retained earnings. Dividend earned while holding financial assets – FVOCI were recognised in the Income Statement as "Operating income" when the right to receive the payment had been established.

20.1.2 Quoted Shares held by SMB Money Brokers (Pvt) Ltd.

As at December 31, Rs.	2022 No of Shares	2022 Carrying Value / Fair	2022 Fair Value	2021 No of Shares	2021 Carrying Value / Fair	2021 Fair Value
Banking, Finance & Insurance						
Arpico Insurance PLC	-	-	-	-	-	-
HNB Finance PLC	-	-	-	30,000	312,000	312,000
Lanka Orix Finance PLC	-	-	-	12,000	240,000	240,000
People's Leasing & Finance PLC	-	-	-	30,000	321,000	321,000
Commercial Leasing & Finance PLC	-	-	-	10,000	299,000	299,000
LOLC Development Finance Co.PLC	-	-	-	1,700	552,925	552,925
LB Finance PLC	-	-	-	6,000	408,000	408,000
Associated Motor Finance Co. PLC	-	-	-	55,000	748,000	748,000
Lanka Credit & Business Finance Ltd.	-	-	-	35,000	136,500	136,500
		-	-		**3,017,425**	**3,017,425**
Other						
Pelawatta Sugar Industries PLC	3,000	-	-	3,000	-	-
Brown Investments PLC	-	-	-	20,000	326,000	326,000
Renuka Agri Foods PLC	-	-	-	65,000	357,500	357,500
Softlogic Capital PLC	-	-	-	10,000	88,000	88,000
Industrial Asphalts (CEYLON) PLC	-	-	-	500,000	350,000	350,000
Maskeliya Plantations PLC	-	-	-	28,000	442,400	442,400
Dipped Products PLC	-	-	-	6,000	304,200	304,200
Expo Lanka Holdings PLC	-	-	-	100	37,525	37,525
Dankotuwa Porcelain PLC	-	-	-	5,000	73,000	73,000
Ceylon Investment PLC	-	-	-	10,000	536,000	536,000
Ceylon Tea Brokers PLC	-	-	-	5,000	21,000	21,000
E B Creasy & Company PLC	-	-	-	15,000	397,500	397,500
Ex-Pack Corrugated Cartons Ltd.	-	-	-	15,000	325,500	325,500
Shaw Wallace Investments PLC	-	-	-	10,000	129,000	129,000
Laugh Gas PLC	-	-	-	10,000	242,000	242,000
Renuka Holdings PLC	-	-	-	5,000	97,000	97,000
WindForce PLC	-	-	-	21,500	391,300	391,300
		-	-		**4,117,925**	**4,117,925**
Total quoted shares		-	-		**7,135,350**	**7,135,350**
Carrying amount		-	-		**7,835,802**	**7,835,802**

20.1.3 Determination of Fair Value - Company / Group

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices.

20.2 Fair Value Through Other Comprehensive Income (FVTOCI)

20.2.1 Unquoted Shares held by SMB Finance PLC

As at December 31, Rs.	2022 No of Shares	2022 Cost	2022 Carrying Value / Fair Value	2021 No of Shares	2021 Cost	2021 Carrying Value / Fair
Ceylinco Sports Complex Ltd.	300,000	3,000,000	-	300,000	3,000,000	-
Ceylinco Investment & Realty	100,000	1,000,000	-	100,000	1,000,000	-
Seraka Investment Ltd. *	5,655,900	48,645,300	-	5,655,900	48,645,300	-
South Asian Travels	30,000	300,000	-	30,000	300,000	-
Ceylinco Savings Bank Ltd.	1,189,600	11,896,000	-	1,189,600	11,896,000	-
Ceylinco Coloured Stone (Pvt) Ltd.	500,000	5,000,000	-	500,000	5,000,000	-
Openarc Global Solutions (Pvt) Ltd.	45,000	450,000	-	45,000	450,000	-
Magpek Exports Ltd.	125,000	5,000,000	-	125,000	5,000,000	-
Pugoda Textiles Mills Ltd.	7,500	252,525	-	7,500	252,525	-
Nestor Properties Ltd. (Formerly known as SMB Real Estate Ltd.)	61,739	30,282,196	-	61,739	30,282,196	-
Nestor Stock Brokers (Private) Ltd. (Formerly known as SMB Securities (Pvt) Limited)	5,000,000	50,000,000	104,249,453	5,000,000	50,000,000	81,376,472
Total carrying amount			**104,249,453**			**81,376,472**

* The investment in Seraka Investment Limited is 10% non - cumulative non - redeemable preference shares.

The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent investment that the Group intends to hold for the long term for strategic purpose.

No strategic investments were disposed of during the year 2022 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

20.2.2 Unquoted Debentures held by SMB Finance PLC

As at December 31, Rs.	2022 Cost	2021 Cost
Ceylinco Automobiles Ltd.	17,600,000	17,600,000
Provision for impairment	(17,600,000)	(17,600,000)
Carrying amount	-	-
Total carrying amount	**104,249,453**	**81,376,472**

20.3 Other Financial Assets

Rs. As at December 31,	Group 2022	Group 2021
Corporate Finance & Capital Market Limited (6% Non redeemable, Non participative preference shares)	10,540,000	10,540,000
Total carrying amount	**10,540,000**	**10,540,000**

20.4 Movement of Financial Investment

Rs.	Company Fair Value Through Profit or Loss (FVTPL)	Company Fair Value Through Other Comprehensive Income (FVTOCI)	Company Financial instruments at amortised cost (AC)	Group Fair Value Through Profit or Loss (FVTPL)	Group Fair Value Through Other Comprehensive Income (FVTOCI)	Group Financial instruments at amortised cost (AC)
As at January 1, 2021	622,624	60,034,817	-	8,168,844	60,034,817	10,540,000
Purchases	-	-	-	-	-	-
Maturities	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
profit or loss	77,828	-	-	(333,042)	-	-
comprehensive income	-	21,341,655	-	-	21,341,655	-
Interest Income	-	-	-	-	-	-
As at December 31, 2021	**700,452**	**81,376,472**	**-**	**7,835,802**	**81,376,472**	**10,540,000**
As at January 1, 2022	700,452	81,376,472	-	7,835,802	81,376,472	10,540,000
Purchases	-	-	-	-	-	32,169
Maturities	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
profit or loss	(700,452)	-	-	(700,452)	-	-
other comprehensive income	-	22,872,981	-	-	22,872,981	-
Interest Income	-	-	-	-	-	-
As at December 31, 2022	**-**	**104,249,453**	**-**	**7,135,350**	**104,249,453**	**10,572,169**

20.5 Disclosure of Financial Risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 43.

20.6 Financial Investments Pledged as a Security

Financial investments are not pledged as a security as at the reporting date.

21 Investment in Associate

21.1 Associate Company

		2022			2021		
	Principal Activity	Holding	No of Shares	Initial Cost Rs.	Holding	No of Shares	Initial Cost Rs.
Kenanga Investment Corporation Ltd.	Investment banking	48.99%	4,900,000	49,000,000	48.99%	4,900,000	49,000,000

21.2 Movement in Investment in Associate Company

Rs.	Company		Group	
	2022	2021	2022	2021
Balance as at January 1,	41,833,376	41,681,532	41,833,376	41,681,532
Share of profit after tax (Note 21.3)	743,655	151,844	743,655	151,844
Balance as at December 31,	**42,577,031**	**41,833,376**	**42,577,031**	**41,833,376**

21.3 Share of Profit of Associate Company

Rs.	Company		Group	
For the year ended December 31,	2022	2021	2022	2021
Kenanga Investment Corporation Ltd.	743,655	151,844	743,655	151,844
	743,655	**151,844**	**743,655**	**151,844**

21.4 Summarised Financial Information of Associate Company

For the year ended / As at December 31,

	Kenanga Investment Corporation Ltd	
Rs.	2022 (Audited)	2021 (Audited)
Revenue	9,430,325	8,371,785
Total comprehensive income for the year	1,517,976	1,720,228
Total assets	90,567,993	89,785,018
Total equity	86,909,637	85,391,663
Total liabilities	3,658,356	4,393,355

22 Investment in Subsidiary

Rs.	Principal Activity	2022 Holding	2022 No. of	2022 Carrying Value	2021 Holding	2021 No. of Shares	2021 Carrying value
SMB Money Brokers (Pvt) Ltd.	Money market activities	50.99%	1,275,000	12,750,000	50.99%	1,275,000	12,750,000
Provision for impairment				(12,750,000)			-
Balance as at December 31,				-			**12,750,000**

22.1 Summarised Financial Information of Subsidiary

Rs. For the year ended / As at December 31	SMB Money Brokers (Pvt) Ltd 2022 (Audited)	SMB Money Brokers (Pvt) Ltd 2021 (Audited)
Revenue	19,089,271	47,083,975
Total comprehensive (Expenses) / income for the year	(32,903,009)	(9,772,398)
Total asset	38,132,183	72,349,114
Total equity	19,510,291	52,413,299
Total liabilities	18,621,892	19,935,815

22.2 The company has fully provided for SMB Money Brokers (Pvt) Ltd due to continued losses and taking into account the country's current economic crisis as well as the disruptions experienced by traders

23 Investment Properties

Rs.	Company 2022	Company 2021	Group 2022	Group 2021
Balance as at January 1,	142,778,000	96,225,000	157,678,000	112,656,900
Addition during the year	198,300,400	-	198,300,400	-
Capitalised during the year	-	-	-	208,500
Sale of investment property	-	-	-	-
Fair value gain	44,649,600	46,553,000	46,949,600	44,812,600
Balance as at December 31,	**385,728,000**	**142,778,000**	**402,928,000**	**157,678,000**

There is a building in the Ja-Ela and no rental income or expenses from the above investment property.

23.1 Property Location

Rs.'000	Extent	Company				Group			
		2022		2021		2022		2021	
	(Perches)	Cost	Market	Cost	Market	Cost	Market Value	Cost	Market Value
Kaduwela, Malabe	118.97	32,700	141,078	32,700	141,078	32,700	141,078	32,700	141,078
Ahangama, Dikkumbura	21.00	1,204	1,900	1,204	1,700	1,204	1,900	1,204	1,700
Kuruduwattha Road, Angunawala, Peradeniya	195.85	55,838	64,000	-	-	55,838	64,000	-	-
Liberty Place, Colombo Road, Ja-Ela	685 sq.ft	10,487	9,750	-	-	10,487	9,750	-	-
De Alwis Avenue, Mount Lavinia	42.30	131,975	169,000	-	-	131,975	169,000	-	-
Malabe	8.38	-	-	-	-	3,352	6,700	3,352	7,100
Ahangama	111.20	-	-	-	-	7,405	10,500	7,405	7,800
		232,204	385,728	33,904	142,778	242,961	402,928	44,661	157,678

23.2 Valuation of Investment Properties - Group

Property Location	Extent	Forced	Date of valuation	Name of the Valuer and Qualification
Kaduwela, Malabe	118.97	141,078	January 07,2023	P.B Fonseka - Incorporated Valuer
Ahangama, Dikkumbura	21.00	1,900	December 08,2022	D.Jayawardana - Incorporated Valuer
Kuruduwattha Road, Angunawala, Peradeniya	195.85	64,000	December 08,2022	D.Jayawardana - Incorporated Valuer
Liberty Place, Colombo Road, Ja-Ela	685 sq.ft	9,750	December 09,2022	D.Jayawardana - Incorporated Valuer
De Alwis Avenue, Mount Lavinia	42.30	169,000	November 29,2022	D.Jayawardana - Incorporated Valuer
Malabe	8.38	6,700	February 03,2023	D.Jayawardana - Incorporated Valuer
Ahangama	111.20	10,500	February 03,2023	D.Jayawardana - Incorporated Valuer
		402,928		

The Company carries investment properties at fair value. Market valuations of the above investment properties were carried out as stated in above disclosure No. 23.2, by Messrs.P.B Fonseka, D.Jayawardana who are independent qualified valuers not connected with the Company.

23.3 The Company purchased below investment properties on February 25, 2022 from Swarnamahal Financial Services PLC.

Nature of the Property	Property
Bare Land	Gangatennwatta, Angunawala, Kandy
Land & Building	No. 10, De Alwis Avenue, Mt. Lavinia
Condominium Prpoerty	Three shops in Ja-Ela, Reality Plaza

23.4 **Assumptions used for property valuations.**

Description	Valuation techniques	Significant Unobservable inputs	Sensitivity of the input
Land	Market comparable method :- This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature, cost of development and location of the property.	Construction cost per square foot for the building and compare the market value of the building. The land value in compare to the Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations.	The estimated fair value would increase/ (decrease) if cost per square feet was higher/(lower)
Land and building	Income method:- The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value.	Estimate the monthly income if the building is rented out and take the gross annual income. The next reduce outgoings calculate net income from this gross annual income. This income is capitalized as a 6% to 25% and calculate the value of the property since these are commercial property.	The estimated fair value would increase/ (decrease) if Contractual rentals were higher/(lower) Occupancy rates were higher/(lower) Capitalization rate was (higher)/lower Repair and insurance was (higher)/lower Market value per perch was higher/(lower)

Valuation of Investment Properties - Group

Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Market comparable method – This method considers the selling price of a similar property within a reasonably recent period in determining the fair value of the property being revalued. This involves the evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, and location of the property.	Market price per perch. The valuer has used a range of prices for respective lands based on adjusted fair value taking into account other valuation considerations. The market price per perch ranges between Rs. 100,000 - Rs. 5,500,000 per perch.	The estimated fair value would increase / (decrease) if: » Cost per square foot was higher /(lower); or » Market value per perch was higher / (lower)
Income method: - The net income generated by the property is used in conjunction with certain factors is used to calculate its fair value	Contractual rentals agreed on Occupancy rates 100% Capitalization rates 6% Repairs and insurance 22.5% Valuer has used market price per perch for excess land in the existing location using a range of prices for similar lands based on adjusted fair value taking into account other valuation considerations ranging between Rs. 1,700,000.00 per perch.	Estimated fair value will increase / (decrease) if the market interest rate increases / (decreases)

24 Property, Plant and Equipment

Company

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2022 Total
Cost					
As at January 1,	28,695,299	13,006,383	20,807,677	986,892	63,496,251
Additions for the year	17,181,850	9,400	5,250	-	17,196,500
Disposals	-	-	-	-	-
Write off	(347,808)	(274,835)	(65,431)	-	(688,074)
As at December 31,	**45,529,341**	**12,740,948**	**20,747,496**	**986,892**	**80,004,677**
Accumulated Depreciation					
As at January 1,	26,771,259	10,657,299	17,774,930	986,892	56,190,380
Charge for the year	2,712,529	817,084	1,009,271	-	4,538,884
Disposals	-	-	-	-	-
Write off	(347,808)	(274,835)	(65,431)	-	(688,074)
As at December 31,	**29,135,980**	**11,199,548**	**18,718,770**	**986,892**	**60,041,190**
Net book value as at December 31, 2022	**16,393,361**	**1,541,400**	**2,028,726**	**-**	**19,963,487**

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2021.

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2021 Total
Cost					
As at January 1,	28,480,149	12,050,314	20,604,542	986,892	62,121,897
Additions for the year	215,150	956,069	203,135	-	1,374,354
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**28,695,299**	**13,006,383**	**20,807,677**	**986,892**	**63,496,251**
Accumulated Depreciation					
As at January 1,	25,836,737	8,544,605	14,583,737	976,893	49,941,972
Charge for the year	934,522	2,112,694	3,191,193	9,999	6,248,408
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**26,771,259**	**10,657,299**	**17,774,930**	**986,892**	**56,190,380**
Net book value as at December 31, 2021	**1,924,040**	**2,349,084**	**3,032,747**	**-**	**7,305,871**

Group

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2022 Total
Cost					
As at January 1,	30,833,090	16,815,366	22,742,281	10,246,793	80,637,530
Additions for the year	17,260,750	9,400	5,250	-	17,275,400
Disposals	-	-	-	-	-
Write off	(347,808)	(274,835)	(65,431)	-	(688,074)
As at December 31,	**47,746,032**	**16,549,931**	**22,682,100**	**10,246,793**	**97,224,856**
Accumulated Depreciation					
As at January 1,	27,916,970	14,243,158	19,704,995	6,861,865	68,726,988
Charge for the year	2,987,876	927,123	1,013,814	1,851,981	6,780,794
Disposals	-	-	-	-	-
Write off	(347,808)	(274,835)	(65,431)	-	(688,074)
As at December 31,	**30,557,038**	**14,895,446**	**20,653,378**	**8,713,846**	**74,819,708**
Net book value as at December 31, 2022	**17,188,994**	**1,654,485**	**2,028,722**	**1,532,947**	**22,405,148**

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2021.

Group

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2021 Total
Cost					
As at January 1,	29,685,970	15,859,297	22,539,146	10,246,793	78,331,206
Additions for the year	1,147,120	956,069	203,135	-	2,306,324
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**30,833,090**	**16,815,366**	**22,742,281**	**10,246,793**	**80,637,530**
Accumulated Depreciation					
As at January 1,	26,807,988	12,012,132	16,481,402	4,999,885	60,301,407
Charge for the year	1,108,982	2,231,026	3,223,593	1,861,980	8,425,581
Disposals	-	-	-	-	-
Write off	-	-	-	-	-
As at December 31,	**27,916,970**	**14,243,158**	**19,704,995**	**6,861,865**	**68,726,988**
Net book value as at December 31, 2021	**2,916,120**	**2,572,208**	**3,037,286**	**3,384,928**	**11,910,542**

24.1 Acquisition of Property, Plant and Equipment During the Year
During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.17,196,500 (2021 - Rs.1,374,354) and the Group acquired property, plant and equipment to the aggregate value of Rs.17,275,400 (2021 - Rs.2,306,324).

24.2 Capitalisation of Borrowing Cost
There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year. (2021 - Nil)

24.3 Fully Depreciated Property, Plant and Equipment in Use
The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows:

Rs.

As at December 31,	**2022**	**2021**
Computer equipment	27,320,322	24,868,593
Office equipment	9,422,653	7,318,661
Furniture & fittings	16,282,662	13,166,863
Motor vehicles	986,892	986,892
	54,012,529	**46,341,009**

24.4 Property, Plant and Equipment Pledged as a Security
None of the property, plant and equipment have been pledged as securities as at the reporting date.

24.5 Permanent Fall in Value of Property, Plant and Equipment
There has been no permanent fall in the value of property, plant and equipment which requires an impairment provision in the financial statements.

24.6 The Restriction of Property, Plant and Equipment
There are no restrictions that existed on the title of the property, plant and equipment of the group as at the reporting date.

24.7 Compensation from Third Parties for Items of Property, Plant and Equipment
There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2021 - Nil).

24.8 Temporarily Idle Property, Plant and Equipment
There were no property, plant and equipment of the Company idle as at December 31, 2022 and December 31, 2021.

25 Right-of-use Assets and Lease Liabilities

25.1 Right-of-use Assets Movement During the Year

Rs.	Company		Group	
	2022	2021	2022	2021
Right-of-use asset				
Balance as at January 1,	55,430,096	55,430,096	61,316,511	61,316,511
Remeasurement	5,470,441	-	5,470,441	-
Disposals during the year	-	-	-	-
Balance as at December 31,	**60,900,537**	55,430,096	**66,786,952**	**61,316,511**
Accumulated depreciation				
Balance as at January 1,	32,164,063	19,525,839	37,120,903	22,889,119
Charge during the year	12,666,065	12,638,224	13,595,644	14,231,784
Balance as at December 31,	**44,830,128**	32,164,063	**50,716,547**	**37,120,903**
Carrying value				
Balance as at December 31,	**16,070,409**	23,266,033	**16,070,405**	**24,195,608**

25.2 Lease Liabilities Movement During the Year

Rs.	Company		Group	
	2022	2021	2022	2021
Lease liabilities				
Balance as at January 1,	15,649,074	21,107,534	16,705,769	23,787,464
Remeasurement	5,470,441	-	5,470,441	-
Disposals during the year	-	-	-	-
Accretion of interest during the year	2,394,897	2,753,540	2,426,702	2,970,805
Payments during the year	(8,634,200)	(8,212,000)	(9,722,700)	(10,052,500)
Balance as at December 31,	**14,880,212**	**15,649,074**	**14,880,212**	**16,705,769**

25.3 Amounts Recognised in Profit or Loss

25.3.1 Leases under SLFRS 16

Rs.	Company		Group	
For the year ended December 31,	2022	2021	2022	2021
Depreciation of right-of-use assets	12,666,065	12,638,224	13,595,644	14,231,784
Interest on lease liabilities	2,394,897	2,753,540	2,426,702	2,970,805
	15,060,962	15,391,764	**16,022,346**	**17,202,589**

25.4 Leases under LKAS 17

Rs.	Company		Group	
For the year ended December 31,	2022	2021	2022	2021
Cash outflow for leases	(8,634,200)	(8,212,000)	(9,722,700)	(10,052,500)
Total cash outflow for leases	**(8,634,200)**	**(8,212,000)**	**(9,722,700)**	**(10,052,500)**

25.5 Maturity analysis – Contractual Undiscounted Cash Flows

Rs.	Company		Group	
For the year ended December 31,	2022	2021	2022	2021
Less than one year	7,367,700	8,601,200	7,367,700	9,689,700
Between one and five years	9,997,944	10,221,700	9,997,944	10,221,700
More than five years	-	-	-	-
Total undiscounted cash flows	**17,365,644**	**18,822,900**	**17,365,644**	**19,911,400**

26 Intangible Assets

Rs.	Company		Group	
	2022	2021	2022	2021
Cost				
As at January 1,	2,304,888	2,304,888	4,662,054	4,662,054
Additions for the year	235,037,570	-	235,037,570	-
As at December 31,	**237,342,458**	**2,304,888**	**239,699,624**	**4,662,054**
Accumulated Amortisation				
As at January 1,	2,174,263	1,860,763	4,531,429	3,654,106
Charge for the year	159,792	313,500	159,792	877,323
Disposals	-	-	-	-
As at December 31,	**2,334,055**	**2,174,263**	**4,691,221**	**4,531,429**
Carrying Value as at December 31,	**235,008,403**	**130,625**	**235,008,403**	**130,625**
Capital Work in Progress				
As at January 1,	5,484,000	5,484,000	5,484,000	5,484,000
Incurred during the year	4,600,000	-	4,600,000	
Capitalised during the year	-	-	-	-
As at December 31,	**10,084,000**	**5,484,000**	**10,084,000**	**5,484,000**
Carrying Value as at December 31,	**245,092,403**	**5,614,625**	**245,092,403**	**5,614,625**

26.1 The Monetary Board of the Central Bank of Sri Lanka has given SMB Finance PLC in principle approval to issue a finance business license, subject to the payment of public deposits and the purchase of certain assets from Swarnamahal Financial Services PLC. According to LKAS 38, the company has not amortized the finance license that they obtained because it is an intangible asset with a perpetual life and is not amortized.
As a result, if an intangible asset has a useful life but can be easily and easily renewed, it is considered perpetual and is not amortized.

27 Deferred tax assets

Company

Deferred tax assets have not been recognized in respect of lease assets because it is uncertain that future taxable profits will be available against which the company can utilize the benefits.

Rs.		
Unrecognised Deferred Tax Asset	**2022**	**2021**
Balance as at January 1,	85,302,262	7,817,978
Reversals / Additions for the year	(34,043,911)	77,484,284
Balance as at December 31,	**51,258,351**	**85,302,262**

The above unrecognized deferred tax liability is attributable to the following;

Rs.	Temporary difference December 31, 2022	Tax effect December 31, 2022	Temporary difference December 31, 2021	Tax effect December 31, 2021
On property, plant & equipment	(2,068,862)	(620,658)	(12,920,495)	(3,100,919)
On lease assets	(4,012,540)	(1,203,762)	14,948,284	3,587,588
On retirement benefit obligation	8,961,310	2,688,393	7,544,568	1,810,696
Fair value gain on investment property	(44,649,600)	(13,394,880)	(46,553,000)	(11,172,720)
On accumulated tax losses	-	-	142,472,645	34,193,435
Disallowable amount for bad debt provision	213,821,059	64,146,318	257,551,049	61,812,252
On right-of-use assets	(16,070,409)	(4,821,123)	(23,266,033)	(5,583,848)
On lease liabilities	14,880,212	4,464,063	15,649,075	3,755,778
	170,861,169	**51,258,351**	**355,426,093**	**85,302,262**

The deferred tax has been calculated at the rate of 30% (2021 - 24%).

The company used the entire amount brought Tax loss carryforwards against taxable income in 2021. So there is no tax loss or deferred tax Assets reported as at reporting date.

Group

In respect of the sole subsidiary, SMB Money Brokers (Pvt) Limited, a deferred tax asset has been recognized, since the Management expects adequate taxable profit in the foreseeable future. Therefore, the Group deferred tax asset includes the deferred tax asset relevant to SMB Money Brokers (Pvt) Limited.

Rs.	2022	2021
Balance as at January 1,	2,538,161	3,506,311
Reversals for the year (Note 27.2)	(1,335,456)	(968,150)
Balance as at December 31,	**1,202,705**	**2,538,161**

27.1 (Charge) / Reversals for the year recognized in

Rs.	2022	2021
Statement of profit or loss	(267,050)	836,796
Other comprehensive income	(1,068,406)	(1,804,946)
Balance as at December 31,	**(1,335,456)**	**(968,150)**

27.1.1 Deferred tax charge for the year due to change in tax rate and other temporary difference

	2022
Due to change in effective tax rate	240,541
Due to change in temporary difference	962,163
Balance as at December 31,	**1,202,704**

The above recognized deferred tax asset is attributable to the following;

Rs.	Temporary difference December 31, 2022	Tax Effect December 31, 2022	Temporary difference December 31, 2021	Tax Effect December 31, 2021
On property, plant & equipment	(250,713)	(75,214)	(255,675)	(61,362)
On retirement benefit obligation	14,198,350	4,259,505	18,342,850	4,402,284
Revaluation gain on investment property	(9,938,623)	(2,981,587)	(7,638,625)	(1,833,270)
On right-of-use assets	-	-	(929,575)	(223,098)
On lease liabilities	-	-	1,056,696	253,607
	4,009,014	**1,202,704**	**10,575,671**	**2,538,161**

Deferred tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse and is calculated using tax rates that are enacted or substantively enacted at the reporting date.
The measurement of deferred tax reflects the tax consequences that would result from the way the Company expects to recover or settle the carrying amount of its assets and liabilities at the reporting date.

The company is recognized deferred tax assets. for Unused tax losses, unused tax credits, and deductible temporary differences that are likely to be used against future taxable profits are recorded as deferred tax assets. The reversal of relevant taxable temporary differences is calculated using future taxable profits. If taxable temporary differences are insufficient to fully recognize a deferred tax asset, based on business plans, future taxable profits adjusted to reverse existing temporary differences are considered. Deferred tax assets are reviewed at each reporting date and reduced to the extent that the relevant tax benefit is no longer likely to be realized. When the likelihood of future taxable profits increases, such deductions are reversed.

28 Other Assets

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Deposits & prepayments	14,946,836	11,493,042	16,799,203	14,192,791
Receivables from Golden key hospitals Limited	36,841,467	36,841,467	36,841,467	36,841,467
Interest Receivable on Fixed Deposits	37,457,911	11,787,839	37,457,911	11,787,839
Income tax Receivable	8,906,962	2,409,337	10,042,908	2,409,337
NBT Receivable	704,395	704,395	704,395	704,395
VAT on Financial Services Receivabe	-	2,891,536	-	2,891,536
Other assets		1,667,482	3,534,500	11,945,411
	98,857,571	**67,795,098**	**105,380,384**	**80,772,776**

29 Due Financial Institutions

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Bank borrowings	1,566,116,482	526,274,284	1,566,116,482	526,274,284
Bank overdraft	2,103,754	-	2,391,425	-
	1,568,220,236	**526,274,284**	**1,568,507,907**	**526,274,284**

29.1 Details of Funding Facilities - Bank Loans Details

The below table provides details of the bank loans of the Company.

		2022		2021	
Name of the bank	**Granted Date**	**Amount Granted (Rs.)**	**Outstanding Amount (Rs.)**	**Amount Granted (Rs.)**	**Outstanding Amount (Rs.)**
Sampath Bank - Loan 01	December 24, 2020	200,000,000	120,120,420	200,000,000	159,992,000
Sampath Bank - Loan 02	November 1, 2021	140,000,000	107,409,666	140,000,000	135,330,000
Sampath Bank - Loan 03	January 31, 2022	180,000,000	154,648,236	-	-
Sampath Bank - Loan 04	January 31, 2022	180,000,000	156,804,486	-	-
Sampath Bank - Loan 05	January 31, 2022	180,000,000	156,804,486	-	-
Sampath Bank - Loan 06	February 3, 2022	180,000,000	156,804,486	-	-
Sampath Bank - Loan 07	February 28, 2022	180,000,000	158,960,736	-	-
Seylan Bank - Loan 01	November 22, 2021	200,000,000	169,815,816	200,000,000	197,619,000
Seylan Bank - Loan 02	May 4, 2022	200,000,000	186,207,385	-	-
Seylan Bank - Loan 03	August 19, 2022	100,000,000	94,702,844	-	-
Seylan Bank - Loan 04	November 21, 2022	100,000,000	99,383,272	-	-
Indian Bank - Loan 04	April 03, 2019	-	-	40,000,000	2,222,222
Indian Bank - Loan 05	February 19, 2020	80,000,000	4,454,649	80,000,000	31,111,062
		1,920,000,000	**1,566,116,482**	**660,000,000**	**526,274,284**

30 Due to Other Customers

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Promissory notes	117,623,757	113,113,186	117,623,757	113,113,186
Debentures (Note 30.1)	9,162,728	9,162,728	9,162,728	9,162,728
Balance as at December 31,	**126,786,485**	**122,275,914**	**126,786,485**	**122,275,914**

30.1 There is no interest accrual as the debentures have already matured and the debentures were issued long ago by Seylan Merchant Bank.

31 Retirement Benefit Obligations

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Provision for retirement benefit obligations (Note 31.1)	8,961,310	7,544,568	23,159,659	25,887,414
Balance as at December 31,	**8,961,310**	**7,544,568**	**23,159,659**	**25,887,414**

31.1 Provision for Retirement Benefit Obligation

Rs.	Company		Group	
As at December 31,	**2022**	**2021**	**2022**	**2021**
Balance as at January 1,	7,544,568	7,889,759	25,887,414	30,365,734
Provision for the year (Note 31.2)	3,097,687	2,069,612	4,343,295	6,057,091
Actuarial loss during the year	(1,680,945)	(1,404,303)	(5,242,300)	(8,924,911)
Payments during the year	-	(1,010,500)	(1,828,750)	(1,610,500)
Balance as at December 31,	**8,961,310**	**7,544,568**	**23,159,659**	**25,887,414**

The following assumptions were used in valuing the retirement benefits obligation using internally developed method as required by Sri Lanka Accounting Standard LKAS 19 - "Employee Benefits".

31.2 Provision for the year

Rs.	Company		Group	
For the year ended December 31,	**2022**	**2021**	**2022**	**2021**
Current service costs	1,627,488	1,367,572	1,920,778	2,934,177
Interest costs	1,470,199	702,040	2,422,517	3,122,914
Balance as at December 31,	**3,097,687**	**2,069,612**	**4,343,295**	**6,057,091**

	2022	**2021**
Salary increment rate	18.00%	10%
Discount rate	20.00%	11.75%, 10%
Retirement age	60 Years	60/59 Years
Staff turnover factor	4.50%	35.00%
Weighted Average Duration of RBO	19.41	19.59

In order to match the characteristics of the premium liability and the resulting yield to maturity, discount rates are changed to transform coupon-bearing yields into zero coupon yields in accordance with the Institute of Chartered Accountants of Sri Lanka's rules. LKAS 19's valuation of employee benefit liabilities is done for this reason. Also, the compensation increment rate of 18% is deemed reasonable in line with the company's anticipated future salary increases, considering the state of the market and the rate of inflation.

31.3 Sensitivity of Assumptions Used

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on total comprehensive income and employment benefit obligation for the year.

Company	**Sensitivity Effect on**	
Rs.	**Total Comprehensive Income Increase / (Reduction)**	**Employment Benefit Obligation Increase / (Reduction) in the Liability**
Increase in discount rate (1%)	675,556	(759,388)
Decrease in discount rate (1%)	(740,453)	844,082
Increase in salary increment rate (1%)	(672,845)	851,564
Decrease in salary increment rate (1%)	616,695	(777,834)

Group	**Sensitivity Effect on**	
Rs.	**Total Comprehensive Income Increase / (Reduction)**	**Employment Benefit Obligation Increase / (Reduction) in the Liability**
Increase in discount rate (1%)	819,179	(860,070)
Decrease in discount rate (1%)	(887,134)	948,055
Increase in salary increment rate (1%)	(772,148)	958,270
Decrease in salary increment rate (1%)	714,438	(882,859)

32 Other Liabilities

Rs. Balance as at December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Accrued expenses	10,331,179	13,751,692	14,467,050	13,751,692
Unearn income on legal settlement	79,564,456	43,555,762	79,564,456	43,555,762
Un-identified deposits	4,428,448	1,627,469	4,428,448	1,627,469
Sundry creditors	4,907,205	4,018,736	4,907,205	4,018,736
Concent mortion advances	2,861,753	2,839,753	2,861,753	2,839,753
Lease termination	3,600,000	3,252,003	3,600,000	3,252,003
Stamp duty payable	1,514,097	643,731	1,514,097	643,731
SSCL payable	3,147,049	-	3,147,049	-
VAT on financial services payable	849,029	-	849,029	-
Other liabilities	1,222,288	2,694,314	3,643,046	5,651,353
Balance as at December 31,	**112,425,504**	**72,383,460**	**118,982,133**	**75,340,499**

33 Stated Capital

Rs. Balance as at December 31,	Company 2022	Company 2021	Group 2022	Group 2021
Ordinary voting shares	2,555,958,860	708,445,963	2,555,958,860	708,445,963
Ordinary non voting shares	506,722,664	210,618,151	506,722,664	210,618,151
Rights issue during the year	-	2,143,617,410	-	2,143,617,410
Balance as at December 31,	**3,062,681,524**	**3,062,681,524**	**3,062,681,524**	**3,062,681,524**

33.1 Reconciliation of Number of Shares - Company

	No.of shares 2022	**No.of shares** 2021
Ordinary Voting Shares		
As at January 1,	6,470,375,048	1,191,766,772
Issue of shares	-	5,278,608,276
As at December 31,	**6,470,375,048**	**6,470,375,048**
Ordinary Non Voting Shares		
As at January 1,	3,081,603,712	614,066,101
Issue of shares	-	2,467,537,611
As at December 31,	**3,081,603,712**	**3,081,603,712**
Total	**9,551,978,760**	**9,551,978,760**

33.2 Rights, preferences and restrictions of classes of capital

The ordinary shares of the Company are quoted in the Colombo Stock Exchange. The holders of ordinary shares have the right to receive dividend as declared from time to time and are

33.3 Rights issue funds utilisation as at December 31, 2022

Objective number	Objective as per circular	Amount allocated as per circular Rs	Proposed date of utilisation as per circular	Amount allocated from proceeds Rs.	% of total proceeds	Amounts utilised Rs.	% of utilisation against allocation	Clarification if not fully utilised including where the funds are invested
01	To utilise for lending purpose	2,454,031,512	January 2022	2,143,617,410	87.35%	1,293,869,359	60.36%	Remaining funds are invested in bank fixed deposits.

33.3 Regulatory Capital - Company

	2022		2021	
	Actual	Required	Actual	Required
Tier 1 capital ratio (%)	81.08	8.50	121.67	7.00
Total capital ratio (%)	79.72	12.50	119.59	10.50

Tier 1 capital ratio and total capital ratio of the Company computed as per the Finance Business Act Direction No.03 of 2018 capital adequacy requirements issued by the Central Bank of Sri

34 Statutory Reserves Fund

Rs.	Company		Group	
Balance as at December 31,	**2022**	**2021**	**2022**	**2021**
Balance as at January 1,	37,753,217	35,081,659	37,753,217	35,081,659
Transfer made during the year	3,979,112	2,671,558	3,979,112	2,671,558
	41,732,329	**37,753,217**	**41,732,329**	**37,753,217**

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

35 Fair Value Reserve

Rs.	Company		Group	
Balance as at December 31,	2022	2021	2022	2021
Balance as at January 1,	29,592,284	8,250,628	29,592,284	8,250,628
Net fair value gains /(losses) on remeasuring financial investments	22,872,981	21,341,656	22,872,981	21,341,656
	52,465,265	**29,592,284**	**52,465,265**	**29,592,284**

This reserve includes accumulated net fair value gains / (losses) recognised on financial investments at fair value.

36 Retained Earnings

Rs.	Company		Group	
	2022	2021	2022	2021
Balance as at January 1,	121,789,277	74,872,133	134,404,142	92,470,922
Change in fair value of investment property	-	-	-	-
Profit for the year	79,582,232	53,431,161	74,280,294	45,532,250
Other comprehensive income	1,680,945	1,404,303	2,952,348	4,319,290
Rights issue expenses		(5,246,762)	-	(5,246,762)
Transfers to statutory	(3,979,112)	(2,671,558)	(3,979,112)	(2,671,558)
Balance as at December 31,	**199,073,342**	**121,789,277**	**207,657,672**	**134,404,142**

Retained earnings represent the reserve available for distribution.

37 Non- Controlling Interests

Rs.	2022	2021
Balance as at the beginning of the year	24,627,666	29,416,141
(Loss) / Profit for the year	(17,344,019)	(7,589,150)
Other comprehensive income for the year	1,221,545	2,800,675
Balance as at December 31,	**8,505,192**	24,627,666

37.1 Reconciliation of Non Controlling Interest (NCI) in Subsidiary

As at December 31, / For the year ended December 31,

	2022	2021
	Rs.	Rs.
NCI percentage (%)	49.01%	49.01%
Total assets	38,132,183	72,349,114
Total liabilities	18,621,892	19,935,815
Net assets	17,089,521	49,992,529
Carrying amount of NCI	8,505,192	24,410,847
Revenue	19,089,271	47,083,975
Profit after tax	(35,395,957)	(15,488,060)
Other comprehensive (expense) / income	2,492,949	5,715,662
Total comprehensive income allocated to NCI	(16,122,474)	(4,788,475)

38 Classification of Financial Instruments

38.1 Assets - Company

As at December 31, Rs.'000	2022 Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total
Financial Assets					
Cash and cash equivalents	-	55,302	-	-	55,302
Placements with banks	-	2,364,018	-	-	2,364,018
Financial assets at amortised cost-Loans and receivables	-	1,855,368	-	-	1,855,368
Fair value through profit or loss (FVTPL)	-	-		-	-
Fair value through other comprehensive income (FVTOCI)	-	-	104,250	-	104,250
Other financial assets	-	37,458	-	-	37,458
Total financial assets	-	**4,312,146**	**104,250**	-	**4,416,396**
Non Financial Assets					
Investment in associate	-	-	-	42,577	42,577
Investment in subsidiary	-	-	-	-	-
Investment properties	-	-	-	385,728	385,728
Property, plant & equipment	-	-	-	19,963	19,963
Right-of-use assets	-	-	-	16,070	16,070
Intangible assets	-	-	-	245,092	245,092
Other non financial assets	-	-	-	61,400	61,400
Total non financial assets	-	-	-	**770,830**	**770,830**
Total assets	-	**4,312,146**	**104,250**	**770,830**	**5,187,226**

Assets - Company

As at December 31, Rs.'000	2021 Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total
Financial Assets					
Cash and cash equivalents	-	103,559	-	-	103,559
Placements with banks	-	2,393,446	-	-	2,393,446
Financial assets at amortised cost-Loans and receivables t	-	1,115,518	-	-	1,115,518
Fair value through profit or loss (FVTPL)	700	-		-	700
Fair value through other comprehensive income (FVTOCI)	-	-	81,377	-	81,377
Other financial assets	-	-	-	11,788	11,788
Total financial assets	**700**	**3,612,523**	**81,377**	**11,788**	**3,706,388**
Non Financial Assets					
Investment in associate	-	-	-	41,833	41,833
Investment in subsidiary	-	-	-	12,750	12,750
Investment properties	-	-	-	142,778	142,778
Property, plant & equipment	-	-	-	7,306	7,306
Right-of-use assets	-	-	-	23,266	23,266
Intangible assets	-	-	-	5,615	5,615
Other assets	-	-	-	56,007	56,007
Total non financial assets	-	-	-	**289,555**	**289,555**
Total assets	**700**	**3,612,523**	**81,377**	**301,343**	**3,995,943**

38.2 Liabilities - Company

As at December 31, Rs.'000	2022 Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Liabilities				
Due to financial institutions	-	1,568,220	-	1,568,220
Due to other customers	-	126,786	-	126,786
Lease liabilities		14,880		14,880
	-	**1,709,886**	-	**1,709,886**
Non Financial Liabilities				
Retirement benefit obligations	-	8,961	-	8,961
Other Liability	-	112,429	-	112,429
	-	**121,388**	-	**121,388**
Total liabilities	-	**1,831,274**	-	**1,831,274**

Liabilities - Company

As at December 31, Rs.'000	2021 Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Liabilities				
Due to financial institutions	-	526,274	-	526,274
Due to other customers	-	122,276	-	122,276
Lease liabilities		15,649		15,649
	-	**664,199**	-	**664,199**
Non Financial Liabilities				
Retirement benefit obligations	-	7,545	-	7,545
Other liabilities	-	72,383	-	72,383
	-	79,928	-	79,928
Total liabilities	-	**744,127**	-	**744,127**

38.3 Assets - Group

As at December 31, 2022

Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total
Financial Assets					
Cash and cash equivalents	-	55,495	-	-	55,495
Placements with banks	-	2,364,050	-	-	2,364,050
Financial assets at amortised cost-loans and receivables to other customers	-	1,855,368	-	-	1,855,368
Fair value through profit or loss (FVTPL)	-	-	-	-	-
Fair value through other comprehensive income (FVTOCI)		-	104,250	-	104,250
Other financial Assets	-	47,998	-	-	47,998
Total financial assets	**-**	**4,322,911**	**104,250**	**-**	**4,427,161**
Non Financial Assets					
Investment in associate	-	-	-	42,577	42,577
Investment properties	-	-	-	402,928	402,928
Property, plant & equipment	-	-	-	22,405	22,405
Right-of-use assets				16,070	16,070
Intangible assets	-	-	-	245,092	245,092
Deferred tax assets	-	-	-	1,203	1,203
Other non financial assets	-	-	-	67,922	67,922
Total non financial assets	**-**	**-**	**-**	**798,197**	**798,197**
Total assets	**-**	**4,322,911**	**104,250**	**798,197**	**5,225,358**

Assets - Group

As at December 31, 2021

Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Others	Total
Financial Assets					
Cash and cash equivalents	-	105,180	-	-	105,180
Placements with banks	-	2,410,550	-	-	2,410,550
Financial assets at amortised cost-loans and receivables tc	-	1,115,518	-	-	1,115,518
Fair value through profit or loss (FVTPL)	7,836	-	-	-	7,836
Fair value through other comprehensive income (FVTOCI)		-	81,377	-	81,377
Other financial Assets	-	10,540	-	-	10,540
Total financial assets	**7,836**	**3,641,788**	**81,377**	**-**	**3,731,001**
Non Financial Assets					
Investment in associate	-	-	-	41,833	41,833
Investment properties	-	-	-	157,678	157,678
Property, plant & equipment	-	-	-	11,911	11,911
Right-of-use assets				24,196	24,196
Intangible assets	-	-	-	5,615	5,615
Deferred tax assets	-	-	-	2,538	2,538
Other assets	-	-	-	80,773	80,773
Total non financial assets	**-**	**-**	**-**	**324,543**	**324,543**
Total assets	**7,836**	**3,641,788**	**81,377**	**324,543**	**4,055,544**

38.4 Liabilities - Group

As at December 31,	2022			
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Liabilities				
Due to financial institutions	-	1,568,508	-	1,568,508
Due to other customers	-	126,786	-	126,786
Lease liabilities		14,880	-	14,880
	-	**1,710,174**		**1,710,174**
Non Financial Liabilities				
Retirement benefit obligations	-	23,160	-	23,160
Other liabilities	-	223,497	-	223,497
	-	**246,657**	-	**246,657**
Total liabilities	-	**1,956,830**	-	**1,956,830**

Liabilities - Group

As at December 31,	2021			
Rs.'000	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	Total
Financial Liabilities				
Due to financial institutions	-	526,274	-	526,274
Due to other customers	-	122,276	-	122,276
Lease liabilities		16,706	-	16,706
	-	**665,256**		**665,256**
Non Financial Liabilities				
Retirement benefit obligations	-	25,887	-	25,887
Other liabilities	-	75,340	-	75,340
	-	101,228	-	101,228
Total liabilities	-	766,484	-	766,484

38.5 Determination of Fair Value

a) Methodologies and Assumptions Used to Determine Fair Value

The methodology for fair value of the financial assets and liabilities and the analysis according to fair value hierarchy is provided in this note. The basis on which fair values have been arrived for various financial assets and liabilities are explained below.

b) Assets for which Fair Value approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity the carrying amounts approximate to their fair value.

c) Fixed Rate Financial Investments - Government Securities

The fair value of fixed rate government securities financial assets carried at amortised cost are estimated by using weekly market rate published by the Central Bank of Sri Lanka and other fixed rate investments were measured using comparing market interest rates when they were initially recognised with current market rates for similar financial instruments.

d) Fixed Rate Financial Investments - Bank Deposits

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

e) Fixed Rate Financial Investments - Unquoted and Quoted Debt Securities

For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

f) Cash and Bank Balances

The carrying amount approximate to fair value due to the relatively short term maturity.

g) Other Receivable and Financial Liabilities

The carrying value has been considered as the fair value due to uncertainty of the timing cash flows.

38.6 Determination of Fair Value and Fair Values Hierarchy of Financial Investments

Please refer accounting policy Note 5.1.2 for more information regarding determination of fair value.

As at December 31,	2022				2021
Rs.'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Company					
Fair value through profit or loss (FVTPL)	-	-	385,728	385,728	143,478
Fair value through other comprehensive income (FVTOCI)	-	-	104,249	-	81,376
Total financial investment	-	-	**489,977**	**385,728**	**224,854**
Group					
Fair value through profit or loss (FVTPL)	-	-	402,928	402,928	165,514
Fair value through other comprehensive income (FVTOCI)	-	-	104,249	104,249	81,376
Other financial assets	-	-	10,540	10,540	10,540
Total financial investment	-	-	**517,716**	**517,716**	**257,430**

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish their fair values. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

38.7 Financial Instruments not Measured at Fair Value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

Assets - Company

As at December 31,	2022				2021
Rs.'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Cash and cash equivalents	-	-	-	55,302	103,559
Placements with banks	-	-	-	2,364,018	2,393,447
Financial assets at amortized cost - Loans and receivables to other customers	-	-	-	1,855,368	1,115,518
Total asset	-	-	-	**4,274,688**	**3,612,524**

The Company has not disclosed the fair values for financial instruments such as cash and cash equivalents, placement with banks and loans and receivables to other customers, because their carrying amounts are a reasonable approximation of fair value.

Assets - Group

As at December 31,	2022				2021
Rs.'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Cash and cash equivalents	-	-	-	55,495	105,180
Placements with banks	-	-	-	2,364,050	2,410,549
Financial assets at amortized cost - Loans and receivables to other customers	-	-	-	1,855,368	1,115,518
Other financial assets	-	-	-	47,998	10,540
Total asset	-	-	-	**4,322,911**	**3,641,787**

38.8 Financial Liabilities

As at December 31,	2022		2021	
Rs.'000	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Company				
Due to financial institutions	1,568,220	1,568,220	526,274	526,274
Due to other customers	126,786	126,786	122,276	122,276
Lease liabilities	14,880	14,880	15,649	15,649
	1,709,886	**1,709,886**	**664,199**	**664,199**
Group				
Due to financial institutions	1,568,508	1,568,508	526,274	526,274
Due to other customers	126,786	126,786	122,276	122,276
Lease liabilities	14,880	14,880	16,706	16,706
	1,710,174	**1,710,174**	**665,256**	**665,256**

The fair values of financial liabilities similar to carrying amounts since those amounts are reasonable approximation of fair values. Thus, the fair-value hierarchy disclosure is not applicable. The fair value hierarchy gives the lowest priority to unobservable inputs (Level 3 inputs) . The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The observable input adjusted using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement is categorised within Level 3 of the fair value hierarchy.

38.9 Assumptions used for property valuations.

Please refer Note No.23.4

Property valuations are inherently subjective as they are made on the basis of assumptions made by the valuer which may not prove to be accurate. For these reasons, we have classified the land valuations as Level 3 as defined by SLFRS 13.

Fair value hierarchy

Assets	Valuation technique	Significant unobservable input	Inter relationship between key unobservable input and fair value measurement
Equity Securities (Other Investments)	Market comparison technique : The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non - marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	Adjusted market multiple Net Assets per Share Rs.20.85	The estimated fair value would increase/ (decrease) if the adjusted market multiple were higher (lower)

39 Commitments and Contingencies

39.1 Capital Commitment

There are no capital commitments as at December 31, 2022

39.2 Contingencies

In the normal course of business ,the Company 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.
Except for above there are no material commitments and contingencies as at the reporting date.

40 Event After the Reporting Date

There have been no events subsequent to the reporting date which require adjustment or disclosure to the financial statement,other than those disclosed below.

41 Related Party Disclosures

41.1 Transactions with Related Parties

Company Rs.'000	Name of Director	Details of Financial Dealing	2022 Received/ Receivable (Payable/ Paid)	2022 Capital Outstanding as at December 31, 2022	2021 Received/Receivable(Payable/Paid)	2021 Capital Outstanding as at December 31, 2021	As a percentage of capital funds as at December 31, 2022
Transactions with Associate							
Kenanga Investment Corporation Ltd			-	-	-	-	-
Transactions with Subsidiary							
SMB Money Brokers (Pvt) Ltd	Mr. T.M. Wijesinghe Mr. H.R.S.Wijeratne	Easy Payment Loan	-	-	(900)	-	0.00%
Transactions with other Related Companies							
Grayline Cargo Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne	Finance Lease	(1,202)	3,520	(2,076)	4,722	0.00%
		Term Loan	(2,627)	1,500	(3,928)	4,127	0.00%
Grayline Container Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne	Finance Lease	(768)	2,449	(1,496)	3,217	0.00%
		Term Loan	(59)	237	(137)	296	0.00%

A number of these entities transacted with the Company during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably expected to be available, on similar transactions to non-key management personnel of related entities on an arm's length basis.

41.2 Transaction with Key Management Personnel

As per the Sri Lanka Accounting Standard – (LKAS 24) – "Related Party Disclosures", the KMPs include those who are having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company, and members of the Corporate Management of the Company have been classified as KMPs of the Company.

41.2.1 Remuneration to Key Management Personnel

(a) Remuneration to Board of Directors

	Company 2022	Company 2021	Group 2022	Group 2021
Short-term employees benefits	4,905,000	4,995,000	6,850,025	6,710,000
Total	**4,905,000**	4,995,000	**6,850,025**	6,710,000

(b) Remuneration to Corporate Management

	Company 2022	Company 2021	Group 2022	Group 2021
Short-term employees benefits	19,817,004	18,100,044	32,940,029	28,702,240
Post employment benefits	-	-	-	1,495,500
Total	**19,817,004**	**18,100,044**	**32,940,029**	**30,197,740**

42 Litigation Against the Company

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Provision for legal matters typically requires a higher degree of judgment. When matters are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty involved. Group has established a formal controls and policies for managing legal claims. Once the professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to the accounts for any adverse effect, if any, which the claim many have on the Group's financial position. As at the reporting date, group had several unresolved legal claims pending judgment. However, the legal advisor of the Company is of the view that these cases will be resolved in favour of the Group and the process will probably take over three years. Accordingly no provision has been made in these financial statement.

43 Financial Risk Management

43.1 Introduction and Overview

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

i. Liquidity Risk
ii. Credit Risk
iii. Operational Risk
iv. Market Risk

43.2 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and overseeing of the Company's risk management framework. In discharging its governance responsibility, it operates through two key committees, the Risk Management Committee and the Audit Committee. The Risk Management Committee is in the process of setting a risk framework for the company with the assistance from a consulting firm.

The Audit Committee provides its assessment on the effectiveness of internal audit and external disclosure of accounting policies and financial reporting to the Board.

43.3 Liquidity Risk

Liquidity risk is the risk that arises when the Company encounters difficulty in meeting obligations associated with its financial liabilities that are to be settled by delivering cash or another financial asset.

43.3.1 Management of Liquidity Risk

The Group's approach to manage liquidity is to ensure that funds available are adequate to meet credit demands of its customers and to enable debt instruments to be repaid on demand or upon maturity as appropriate. The Finance Division is responsible for the management of liquidity risk and funding in accordance with the approved guidelines and risk limits. The treasury and liquidity policies and compliance thereunder are reviewed and approved by the ALCO.

43.3.2 Exposure to Liquidity Risk

The Company monitors the following liquidity ratios to assess funding requirements.

	December 31, 2022	December 31, 2021
Liquid Asset Ratio (LAR)		
As at December 31,	187.94%	839.00%
Average for the year	502.92%	325.88%
Maximum for the year	1359.30%	919.03%
Minimum for the year	178.51%	110.94%

Liquid assets include cash and short term funds. The calculation is based on directions and guidelines issued by the Central Bank of Sri Lanka (CBSL).

Minimum Liquidity Requirement

As per the Direction 4 of 2012 of Central Bank of Sri Lanka, every specialized leasing company shall maintain minimum holding of liquid assets. The table below sets out the components of the Company's holding of liquid assets;

	December 31, 2022	December 31, 2021
Required minimum amount of liquid assets	12,889,024	30,721,997
Daily average liquid assets	2,422,403,895	2,578,954,572
Excess liquidity	2,409,514,871	2,548,232,575

43.3.3 Maturity Analysis

43.3.3.1 Maturity Analysis - Company

Rs.'000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Earning Assets						
Cash and cash equivalents	55,302	-	-	-	-	55,302
Placements with banks	501	2,363,517	-	-	-	2,364,018
Financial assets at amortised cost - Loans and receivables to other customers	244,989	274,542	628,508	368,257	339,072	1,855,368
Financial investments	-	-	-	-	104,249	104,249
	300,792	**2,638,059**	**628,508**	**368,257**	**443,321**	**4,378,937**
Non Interest Earning Assets						
Investment in associate	-	-	-	-	42,577	42,577
Investment in subsidiary	-	-	-	-	-	-
Investment properties	-	-	-	-	385,728	385,728
Property, plant & equipment	159	192	198	19,414	-	19,963
Right-of-use assets	2,938	5,527	7,606			16,070
Intangible assets	-	131	5,484	-	239,477	245,092
Other assets	-	11,841	-		87,016	98,858
	3,097	**17,691**	**13,288**	**19,414**	**754,798**	**808,287**
Total assets	**303,889**	**2,655,750**	**641,796**	**387,671**	**1,198,119**	**5,187,224**
Interest Bearing Liabilities						
Due to financial institutions	84,625	212,058	565,448	452,682	253,407	1,568,220
Due to other customers	126,690	96	-	-	-	126,786
Lease liabilities	608	5,298	8,974	-	-	14,880
	211,923	**217,452**	**574,422**	**452,682**	253,407	**1,709,886**
Non Interest Bearing Liabilities						
Retirement benefit obligations	-	-	-	8,961	-	8,961
Other liabilities	23,944	-	-	-	88,482	112,426
	23,944	**-**	**-**	**8,961**	**88,482**	**121,387**
Equity						
Shareholders' funds	-	-	-	-	3,355,952	3,355,952
	-	**-**	**-**	**-**	**3,355,952**	**3,355,952**
Total liabilities & equity	235,867	217,452	574,422	461,643	3,697,841	5,187,225

43.3.3.2 **Maturity Analysis - Group**

Rs.'000	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Interest Earning Assets						
Cash and cash equivalents	55,495	-	-	-	-	55,495
Placements with banks	533	2,363,517	-	-	-	2,364,050
Financial assets at amortised cost - Loans and receivables to other customers	244,989	274,542	628,508	368,257	339,072	1,855,368
Financial investments	-	-	-	-	114,789	114,789
	301,017	2,638,059	628,508	368,257	453,862	4,389,703
Non Interest Earning Assets						
Investment in associate	-	-	-	-	42,577	42,577
Investment properties	-	-	-	-	402,928	402,928
Property, plant & equipment	159	192	198	21,856	-	22,405
Right-of-use assets	2,938	5,527	7,606	-	-	16,071
Intangible asset	-	-	5,484	131	239,477	245,092
Deferred tax assets	-	-	-	-	1,203	1,203
Other assets	-	18,364	-	-	87,016	105,380
	3,097	24,083	13,288	21,987	773,201	835,656
Total assets	304,114	2,662,142	641,796	390,244	1,227,063	5,225,359
Interest Bearing Liabilities						
Due to financial institutions	84,913	212,058	565,448	452,682	253,407	1,568,508
Due to other customers	126,690	96	-	-	-	126,786
Lease liabilities	608	5,298	8,975	-	-	14,881
	212,211	217,452	574,423	452,682	253,407	1,710,175
Non Interest Bearing Liabilities						
Retirement benefit obligations	-	-	-	23,160	-	23,160
Other liabilities	28,785	-	-	-	90,197	118,982
	28,785	-	-	23,160	90,197	142,142
Equity						
Shareholders' funds	-	-	-	-	3,373,042	3,373,042
	-	-	-	-	3,373,042	3,373,042
Total liabilities & equity	240,996	217,452	574,423	475,842	3,716,646	5,225,359

43.4 **Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other companies, and investment in debt / equity securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure.

43.4.1 **Management of Credit Risk**

Primarily the Credit Division manages the credit risk. There is a management credit Committee & a Board Credit Committee to review significant credit risks. The said committees are facilitated by regular audits undertaken by the internal auditors. The Company manages credit by focusing on following stages.

a) **Loan Origination**

The loan origination process comprises initial screening and credit appraisal. The evaluation focuses on the borrower's ability to meet its obligations in a timely manner. Efforts are made to ensure consistent standards are maintained in credit approval. Collateral and guarantees form an important part of the credit risk mitigation process. A suitable internal risk rating model is in place & is an important part of the risk assessment of customers.

b) **Loan Approval**

The Company has established clear guidelines for loan approvals / renewals by adopting a committee based approval structure, where all approval signatories carry equal responsibility for credit risk. Individual credit facilities beyond a minimum threshold require Board Credit Committee approval.

c) **Credit Administration and Disbursement**

Credit Division ensures efficient and effective customer support including disbursement and settlements.

d) **Recoveries**

Overdue loans are managed by the Recoveries Division with the support of the Legal Division. This unit is responsible for all aspects of an overdue facility, restructuring of the credit, monitoring the value of the applicable collateral and liquidation, scrutiny of legal documents and liaising with the customer until all recovery matters are finalised.

e) **Collateral**

The Company carries sensitivity tests to measure the values of portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determine appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risk induced by potential stress. the change in weighted average interest rate of the company will have the following effects.

43.4.1.e

Collateral wise analysis of individual significant impaired loan and receivables to other customers	2022		
	Security Value	**Total Receivable**	**covered % through collateral**
Secured by motor vehicles	22,013,795	42,948,531	51.26%
Secured by movable & immovable assets	940,266,568	172,737,538	544.33%
Other securities	2,760,000	8,529,604	32.36%
Pawning advances		8,998,209	0.00%
Unsecured	-	176,317,973	0.00%
	965,040,363	409,531,855	

Individually significant unimpaired loans and leases	
Watch list	312,732,323
Others	1,769,969,052
	2,082,701,375

Collateral wise analysis of individual significant unimpaired loan and leases	
Secured by motor vehicles	627,488,657
Secured by movable & immovable assets	895,734,877
Pawning advances	407,222,355
Unsecured	152,255,486
	2,082,701,375

43.4.2 Credit Quality Analysis

The tables below sets out information about the credit quality of financial assets held by Group net of allowance for expected credit losses against those assets.

Expected Credit Losses (ECL)

As per SLFRS 9 - "Financial Instruments" the Company manages credit quality using a three stage approach.

Stage One : 12 months expected credit losses (ECL)
Stage Two : Life time expected credit losses (ECL) – Not credit impaired
Stage Three : Lifetime expected credit losses (ECL) – Credit impaired

Explanation of the terms: 12 months ECL, lifetime ECL included in Note 5.

Table below shows the classification of assets and liabilities based on the above-mentioned three stage model:

Rs.	12 months ECL	Life Time ECL- Not credit impaired	Life time ECL- Credit impaired	Unclassified	Total
As at December 31, 2022					
Cash and cash equivalents	55,302,042	-	-	-	55,302,042
Placements with banks	2,364,017,662	-	-	-	2,364,017,662
Financial assets at amortised cost - Loans and receivables to other customers	1,495,560,397	196,742,856	163,064,898	-	1,855,368,151
Financial investments	104,249,453	-	-	-	104,249,453
Investments in associate	-	-	-	42,577,031	42,577,031
Investments in subsidiary	-	-	-	-	-
Investment properties	-	-	-	385,728,000	385,728,000
Property, plant & equipment	-	-	-	19,963,487	19,963,487
Right-of-use assets	-	-	-	16,070,409	16,070,409
Intangible assets	-	-	-	245,092,403	245,092,403
Other assets	-	-	-	98,857,571	98,857,571
Total assets	**4,019,129,554**	**196,742,856**	**163,064,898**	**808,288,901**	**5,187,226,207**
As at December 31, 2021					
Cash and cash equivalents	103,558,886	-	-	-	103,558,886
Placements with banks	2,393,446,509	-	-	-	2,393,446,509
Financial assets at amortised cost - Loans and receivables to other customers	772,801,817	86,175,036	256,541,426	-	1,115,518,279
Financial investments	82,076,924	-	-	-	82,076,924
Investments in associate	-	-	-	41,833,376	41,833,376
Investments in subsidiary	-	-	-	12,750,000	12,750,000
Investment properties	-	-	-	142,778,000	142,778,000
Property, plant & equipment	-	-	-	7,305,871	7,305,871
Right-of-use assets	-	-	-	23,266,033	23,266,033
Intangible assets	-	-	-	5,614,625	5,614,625
Other assets	-	-	-	67,795,098	67,795,098
Total assets	**3,351,884,135**	**86,175,036**	**256,541,426**	**301,343,003**	**3,995,943,600**

43.4.3 Credit quality analysis of Placements with Banks

The following table sets out the credit quality of Placements with Banks. The analysis is based on Fitch and ICRA Lanka ratings.

	As at December 31, 2022 Rs	As at December 31, 2021 Rs
Rated AAA	-	
Rated AA- to AA+	-	1,393,665,000
Rated A- to A+	2,165,501,000	800,000,000
Rated BBB + and below	200,000,000	200,000,000
	2,365,501,000	2,393,665,000

43.4.4 LTV Ratio Details

Adequate precautions were taken to maintain exposures by maintaining LTV ratio at acceptable levels which was below 70% as of December 31,2022.

43.4.5 Incorporation of forwardlooking information

The Company has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.The Economic variables used by the Company based on the statistical significance include the followings:

1. Unemployment rate
2. Interest rate
3. GDP Growth rate
4. Inflation rate
5. Base case scenario along with two other scenarios has been used (Best Case and Worst Case)

Weight ages assigned for each scenario for the year 2022 is given below

Scenario	Weightage
Best case Scenario	5.00%
Base case Scenario	35.00%
Worst case Scenario	60.00%

As at December 31, 2022, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to current economic condition of the country by using the economic forecast. In addition to the base case forecast which reflects the negative economic consequences, greater weighting has been applied to the worst scenario given the Company's assessment of downside risks. The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Management temporary adjustments to the ECL allowance are used in circumstances where it is judged that the existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the company's lending portfolios. Emerging local or global macroeconomic, microeconomic or political events, and natural disasters that are not incorporated into the current parameters, risk ratings, or forward-looking information are examples of such circumstances. The use of management temporary adjustments may impact the amount of ECL recognised.

43.4.6 Movements in allowance for expected credit losses (Stage transition) - Company / Group

Rs.000

As at December 31,2022	**Stage 1: 12 months ECL**	**Stage 2: life time ECL not credit– impaired**	**Stage 3: lifetime ECL credit– impaired**	**Total ECL**
Balance as at the beginning of the year	58,717,513	58,608,709	348,294,011	465,620,233
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(4,179,937)	3,648,797	531,140	-
Transferred from lifetime ECL not credit-impaired	10,596,820	(26,618,982)	16,022,162	-
Transferred from lifetime ECL credit- impaired	8,109,495	11,064,123	(19,173,619)	-
Net remeasurement of loss allowance	25,167,538	41,731,393	104,345,918	171,244,848
Balance as at the end of the year	**98,411,429**	**88,434,040**	**450,019,612**	**636,865,081**

43.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Company objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management & reports to the Audit Committee and to the board.

43.6 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

43.6.1 Exposure to Interest Rate Risk

The Group carries sensitivity tests to measure the value of its portfolios in the event of extreme market movements on hypothetical scenarios. Management reviews the consequences of the stress tests and determines appropriate mitigating actions such as reducing exposures, reviewing and changing risk limits in order to mitigate the risks induced by potential stress. The change in weighted average interest rate of the Company will have the following effects.

Loan Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(19,101,929)	(9,550,965)	9,550,965	19,101,929
Effect on loan interest income	-10.20%	-5.10%	5.10%	10.20%

Lease Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(10,606,935)	(5,303,467)	5,303,467	10,606,935
Effect on lease interest income	-10.39%	-5.20%	5.20%	10.39%

Total Portfolio				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest income change	(29,708,864)	(14,854,432)	14,854,432	29,708,864
Effect on interest income	-10.27%	-5.13%	5.13%	10.27%

Interest Expenses				
Interest rate shock	**-2%**	**-1%**	**1%**	**2%**
Interest expenses change	(23,438,446)	(11,719,223)	11,719,223	23,438,446
Effect on interest expenses	-17.39%	-8.69%	8.69%	17.39%

43.6.2 Exposure to Market Risk

43.6.2.1 The table below sets out the allocation of Company's assets and liabilities subject to market risk between trading and non-trading assets.

As at December 31, 2022	Carrying amount	Market risk measure	
		Trading	Non-trading
	Rs.	Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	55,302,042	-	55,302,042
Placements with banks	2,364,017,662	-	2,364,017,662
Financial assets at amortised cost - Loans and receivables to other customers	1,855,368,149	-	1,855,368,149
Financial investments	104,249,453	104,249,453	-
Total assets subject to market risk	**4,378,937,306**	**104,249,453**	**4,274,687,853**
Liabilities Subject to Market Risk			
Due to financial institutions	1,568,220,236	-	1,568,220,236
Due to other customers	126,786,485	-	126,786,485
Total liabilities subject to market risk	**1,695,006,721**	**-**	**1,695,006,721**

As at December 31, 2021	Carrying amount	Market risk measure	
		Trading	Non-trading
		Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	103,558,886	-	103,558,886
Placements with banks	2,393,446,509	-	2,393,446,509
Financial assets at amortised cost - Loans and receivables to other customers	1,115,518,279	-	1,115,518,279
Financial investments	82,076,924	82,076,924	-
Total assets subject to market risk	**3,694,600,598**	**82,076,924**	**3,612,523,674**
Liabilities Subject to Market Risk			
Due to financial institutions	526,274,284	-	526,274,284
Due to other customers	122,275,914	-	122,275,914
Total liabilities subject to market risk	**648,550,198**	**-**	**648,550,198**

43.6.2.2 The table below sets out the allocation of Group's assets and liabilities subject to market risk between trading and non-trading assets.

As at December 31, 2022	Carrying amount	Market risk measure	
		Trading	Non-trading
	Rs.	Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	55,494,870	-	55,494,870
Placements with banks	2,364,049,831	-	2,364,049,831
Financial assets at amortised cost - Loans and receivables to other customers	1,855,368,149	-	1,855,368,149
Financial investments	114,789,453	114,789,453	-
Total assets subject to market risk	**4,389,702,303**	**114,789,453**	**4,274,912,850**
Liabilities Subject to Market Risk			
Due to financial institutions	1,568,507,907	-	1,568,507,907
Due to other customers	126,786,485	-	126,786,485
Total liabilities subject to market risk	**1,695,294,392**	**-**	**1,695,294,392**

As at December 31, 2021	Carrying amount	Market risk measure	
		Trading	Non-trading
		Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	105,179,888	-	105,179,888
Placements with banks	2,410,549,184	-	2,410,549,184
Financial assets at amortised cost - Loans and receivables to other customers	1,115,518,279	-	1,115,518,279
Financial investments	99,752,274	99,752,274	-
Total assets subject to market risk	**3,730,999,625**	**99,752,274**	**3,631,247,351**
Liabilities Subject to Market Risk			
Due to financial institutions	526,274,284	-	526,274,284
Due to other customers	122,275,914	-	122,275,914
Total liabilities subject to market risk	**648,550,198**	**-**	**648,550,198**

43.6.3 Exposure to Equity Price Risk

Equity price risks arises as a result of fluctuations in market prices of individual equities and management conduct mark-to-market calculation on monthly basis and on a need basis to identify the impact.

The following table exhibits the impact on financial performance and net assets due to a shock of 10% on equity price.

As at December 31,	2022		2021	
	Financial assets measured at FVTPL	Total	Financial assets measured at FVTPL	Total
	Rs.	Rs.	Rs.	Rs.
Market value of quoted equity instruments as at December	93,824,508	93,824,508	73,869,232	73,869,232

Equity price sensitivity

The management of equity price risk is done by monitoring various standard and non-standard equity price scenarios and analysis is given below;

As at December 31,	2022			2021		
	Impact on	Impact on	Impact on net	Impact on	Impact on OCI	Impact on net
Shock Levels	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10% shock (Increase)	-	9,382,451	9,382,451	63,041	7,323,882	7,386,923
10% shock (Decrease)	-	(9,382,451)	(9,382,451)	(63,041)	(7,323,882)	(7,386,923)

43.6.4 Exposure to Gold Price Risk

Gold price risks arises as a result of fluctuations in market gold prices and Management conducts mark-to-market calculation on monthly basis and on a need basis to identify the impact.

As at December 31,	Total net	Market price	Total market	Gold loan	Value
	(In grams)	Rs.	Rs.	Rs.	Rs.
2022	33,825	19,056	644,589,261	416,220,564	228,368,697
2021	18,358	12,672	232,623,739	164,534,829	68,088,910

Gold price sensitivity

The following table exhibits the impact on market value of the gold stock held due to a shock of 10% on gold price:

As at December 31,	2022		2021	
	Impact on	Impact on	Impact on	Impact on
Shock Levels	Rs.	Rs.	Rs.	Rs.
10% shock (Increase)	64,458,926	64,458,926	23,262,374	23,262,374
10% shock (Decrease)	(64,458,926)	(64,458,926)	(23,262,374)	(23,262,374)

44 Current / Non Current Analysis

As at December 31, Rs.'000	2022 Within 12 Months	2022 After 12 Months	2022 Total	2021 Within 12 Months	2021 After 12 Months	2021 Total
Company						
Assets						
Cash and cash equivalents	55,302	-	55,302	103,559	-	103,559
Placements with banks	2,364,018	-	2,364,018	2,393,447	-	2,393,447
Financial assets at amortised cost - Loans and receivables to other customers	519,531	1,335,837	1,855,368	350,973	764,545	1,115,518
Financial investments	-	104,249	104,249	-	82,077	82,077
Investments in associate	-	42,577	42,577	-	41,833	41,833
Investments in subsidiary	-	-	-	-	12,750	12,750
Investment properties	-	385,728	385,728	-	142,778	142,778
Property, plant & equipment	351	19,612	19,963	351	6,955	7,306
Right-of-use assets	8,465	7,606	16,071	12,639	10,627	23,266
Intangible assets	131	244,961	245,092	131	5,484	5,615
Other assets	11,841	87,016	98,858	8,456	59,339	67,794
Total assets	**2,959,639**	**2,227,586**	**5,187,225**	**2,869,556**	**1,126,388**	**3,995,944**
Liabilities						
Due to financial institutions	296,683	1,271,537	1,568,220	125,489	400,785	526,274
Due to other customers	126,786	-	126,786	122,276	-	122,276
Retirement benefit obligations	-	8,961	8,961	-	7,545	7,545
Lease liabilities	5,906	8,975	14,881	6,675	8,974	15,649
Other liabilities	23,944	88,482	112,426	23,127	49,256	72,383
Total liabilities	**453,319**	**1,377,955**	**1,831,274**	**277,567**	**466,560**	**744,127**
Group						
Assets						
Cash and cash equivalents	55,495	-	55,495	105,180	-	105,180
Placements with banks	2,364,051	-	2,364,051	2,407,035	15,303	2,410,548
Financial assets at amortised cost - Loans and receivables to other customers	519,531	1,335,837	1,855,368	350,973	764,547	1,115,520
Financial investments	-	114,789	114,789	7,836	91,916	99,752
Investments in associate	-	42,577	42,577	-	41,833	41,833
Investment properties	-	402,928	402,928	-	157,678	157,678
Property, plant & equipment	351	22,054	22,405	351	11,560	11,911
Right-of-use assets	8,465	7,606	16,071	12,639	11,557	24,196
Intangible assets	-	245,092	245,092	-	5,615	5,615
Deferred tax assets	-	1,203	1,203	-	2,538	2,538
Other assets	18,364	87,016	105,380	21,434	59,339	80,773
Total assets	**2,966,257**	**2,259,103**	**5,225,360**	**2,905,448**	**1,161,886**	**4,055,544**
Liabilities						
Due to financial institutions	296,971	1,271,537	1,568,508	125,489	400,785	526,274
Due to other customers	126,786	-	126,786	122,276	-	122,276
Retirement benefit obligations	-	23,160	23,160	-	25,887	25,887
Lease liabilities	5,906	8,975	14,881	6,675	10,031	16,706
Other liabilities	28,785	90,197	118,982	23,665	51,675	75,339
Total liabilities	**458,448**	**1,393,869**	**1,852,317**	**278,105**	**488,378**	**766,483**

45 Segment Reporting - Group

Rs.'000

Business Segments - Group	Loans		Leasing		Treasury		Money Brokering		Unallocated		Consolidated	
31,	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from external customers;												
Interest	132,937	72,192	102,069	75,410	-	-	-	-	54,355	16,369	289,361	163,971
Fee & commission	3,654	1,312	6,251	2,313	-	-	-	-	-	-	9,905	3,625
Other operating income	0	-	515	858	196,559	66,455	19,089	48,787	14,726	18,016	230,890	134,116
Property	-	-	-	-	-	-	-	-	46,950	44,813	46,950	44,813
customers	**136,592**	**73,504**	**108,835**	**78,581**	**196,559**	**66,455**	**19,089**	**48,787**	**116,031**	**79,199**	**577,106**	**346,525**
Segment result	**53,050**	**23,023**	**42,270**	**24,613**	**76,341**	**20,815**	**7,414**	**15,281**	**45,065**	**26,828**	**224,140**	**110,560**
the year	(4,110)	(1,755)	(3,275)	(1,876)	(5,914)	(1,586)	(574)	(1,165)	(3,491)	(2,044)	(17,365)	(8,476)
Interest expense	(31,906)	(10,843)	(25,422)	(11,592)	(45,913)	(9,003)	(4,459)	(7,197)	(27,103)	(12,635)	(134,804)	(52,069)
Operating profit	**17,035**	**10,426**	**13,573**	**11,146**	**24,513**	**9,426**	**2,381**	**6,920**	**14,470**	**12,149**	**71,972**	**50,065**
Taxes on financial services	-	-	-	-	-	-	-	-	(10,985)	(10,754)	(10,985)	(10,754)
company	-	-	-	-	-	-	-	-	744	152	744	152
Income tax expense	759	(317)	605	(338)	1,092	(286)	106	(210)	645	(369)	3,206	(1,520)
Other comprehensive income	6,402	5,926	5,101	6,336	9,212	5,358	895	3,934	5,438	6,906	27,047	28,462
/ income for the year	**24,195**	**16,036**	**19,278**	**17,144**	**34,817**	**14,498**	**3,381**	**10,644**	**2,312**	**8,084**	**83,983**	**66,405**
As at December 31,												
Segment assets	**1,228,985**	**681,208**	**626,383**	**434,310**	**2,419,545**	**2,527,517**	**37,907**	**53,625**	**912,538**	**358,882**	**5,225,358**	**4,055,542**
Segment liabilities	**438,413**	**158,361**	**349,325**	**169,301**	**630,887**	**143,175**	**61,270**	**105,111**	**372,420**	**190,536**	**1,852,316**	**766,484**
31,												
Cash flow from operating activities	(169,226)	(7,167)	(134,839)	(7,663)	(243,521)	(6,480)	(23,650)	(4,757)	(143,753)	(8,352)	(714,989)	(34,419)
Cash flow from investing activities	(102,586)	(451,539)	(81,740)	(482,732)	(147,624)	(408,236)	(14,337)	(299,705)	(87,144)	(526,153)	(433,431)	(2,168,364)
Cash flow from financing activities	252,402	453,562	201,113	484,895	363,213	410,066	35,274	301,048	214,409	528,511	1,066,411	2,178,084

The Group's segmental reporting is based on the following operating segments

A segment is a distinguishable component of the Group that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segment.)

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management of the Group consider the operating results and condition of its business segments in their decision making process and performance evaluation. Types of products and services from which each operating segment derives its revenues described as follows:

Loans

This segment includes loan products offered to the customers

Leasing

This segment includes leasing products offered to the customers

Treasury

This segment includes treasury and other investment activities.

Money Brokering

This segment includes Money Brokering activities

Unallocated

This segment includes all other business activities that Group engaged other than above segments.

Five Year Summary - Group

Rs.'000

For the year ended December 31,	**2022**	**2021**	**2020**	**2019**	**2018**
Operating Results					
Revenue	577,106	348,662	312,118	359,042	345,154
Interest income	289,361	163,971	154,250	263,851	245,975
Interest expenses	(134,804)	(52,069)	(60,370)	(77,416)	(63,377)
Operating expenses & provision	(203,809)	(187,233)	(191,071)	(188,903)	(184,867)
Operating (loss) / profit before taxes on financial ser	71,972	50,065	(57,178)	21,916	114,967
Taxes	(15,779)	(12,274)	(6,461)	(11,321)	(21,507)
(Loss) / Profit for the year	56,936	37,943	(61,333)	12,674	93,480
Profit attributable to non - controlling interest	(17,344)	(7,589)	4,470	1,964	3,792
(Loss) / Profit attributable to owners of the Compan)	74,280	45,532	(65,803)	10,710	89,688

As at December 31,	**2022**	**2021**	**2020**	**2019**	**2018**
Assets					
Cash and cash equivalents	55,495	105,180	236,021	31,350	44,945
Investments	2,478,839	2,510,301	311,186	248,065	228,980
receivables to other customers	1,855,367	1,115,517	1,070,057	1,203,114	1,331,391
Investments in associate	42,577	41,833	41,682	39,375	37,296
Investment properties	402,928	157,678	112,657	106,982	42,629
Property, plant and equipment	22,405	11,911	18,030	20,309	24,387
Right-of-use assets	16,070	24,196	38,427	31,032	-
Intangible assets	245,092	5,615	6,492	6,175	4,822
Other assets	106,583	83,311	64,347	71,238	66,686
Total assets	**5,225,358**	**4,055,543**	**1,898,899**	**1,757,640**	**1,781,135**
Equity & Liabilities					
Equity					
Stated capital	3,062,682	3,062,682	919,064	919,064	919,064
Statutory reserves	41,732	37,753	35,082	35,082	34,648
Available for sale reserve	-	-	-	-	-
Fair value reserve	52,465	29,592	8,251	19,920	9,625
Retained earnings	207,658	134,404	92,471	160,092	86,267
Liabilities					
Due to financial institutions	1,568,508	526,274	599,523	415,217	529,659
Due to other customers	126,786	122,276	117,784	113,561	109,011
Other borrowings	-	-	-	-	-
Lease liablities	14,880	16,706	23,787	22,453	-
Other liabilities	142,141	101,228	73,522	45,948	68,623
Non-controlling interest	8,505	24,628	29,416	26,303	24,239
Total equity & liabilities	**5,225,358**	**4,055,543**	**1,898,899**	**1,757,640**	**1,781,135**

For the year ended December 31,	**2022**	**2021**	**2020**	**2019**	**2018**
Cash Flow					
Cash flow from operating activities	(714,989)	(34,419)	99,348	139,574	(159,662)
Cash flow from investing activities	(433,431)	(2,168,367)	(59,760)	(17,783)	(8,096)
Cash flow from financing activities	1,066,411	2,178,086	133,583	(112,587)	109,991
equivalents	(82,008)	(24,700)	173,171	9,203	(57,767)
Ratios					
Basic earning / (loss) per share (Rs.)	0.01	0.01	(0.04)	0.01	0.05
Assets growth (%)	29	131	8	(1)	5.97
Net assets growth (%)	3	188	(7)	8	(11)
Net assets per share (Rs.)	0.35	0.34	0.58	0.63	0.58

SMB Finance PLC
Notes to the Financial Statements

Decade at a Glance - Company

Rs.'000

Operating Results

For the year ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue	577,106	295,485	180,162	283,931	265,975	315,263	256,012	198,117	193,973	203,046
Interest income	289,361	163,971	154,250	263,851	245,975	254,751	206,319	177,771	172,443	182,024
Interest expenses	(134,737)	(51,819)	(59,755)	(77,119)	(63,339)	(69,181)	(40,311)	(28,525)	(31,647)	(44,868)
Operating expenses & provision	(312,299)	(177,276)	(190,069)	(190,787)	(97,132)	(185,165)	(118,584)	(96,021)	(68,634)	(66,565)
Operating (loss) / profit before taxes on financial services	107,101	66,390	(69,662)	16,025	105,504	60,917	97,116	73,571	93,668	91,613
Taxes	(15,512)	(13,111)	(3,099)	(9,439)	(19,762)	(23,668)	(20,420)	(15,363)	(14,663)	(13,861)
(Loss) / Profit for the year	79,582	53,431	(70,455)	8,665	85,742	37,249	76,696	58,209	79,004	77,752
Total comprehensive (expense) / income	104,136	76,177	(82,088)	19,491	95,746	37,196	77,952	56,815	77,549	76,767

As at December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Assets										
Cash and cash equivalents and placement with banks	2,419,320	2,497,005	438,471	172,010	177,985	162,378	146,551	183,526	145,052	116,934
Loans and receivables	1,855,368	1,115,518	1,070,958	1,204,255	1,332,771	1,268,457	1,319,828	1,053,788	923,890	932,413
Financial investments	104,249	82,077	60,657	72,249	61,798	52,719	7,578	7,291	7,712	8,991
Investments in associates	42,577	41,833	41,682	39,375	37,296	37,275	101,452	106,072	108,757	116,418
Investments in subsidiaries	-	12,750	12,750	12,750	12,750	12,750	12,750	12,750	11,791	9,268
Investment properties	385,728	142,778	96,225	33,310	33,310	33,310	33,310	33,730	33,730	33,730
Property plant & equipment	19,963	7,306	12,180	12,838	14,726	19,417	20,224	7,222	9,876	13,508
Right-of-use assets	16,070	23,266	35,904	30,037						
Intangible assets	245,092	5,615	5,928	5,042	3,111	1,495	3,258	3,406	3,553	3,701
Other assets	98,858	67,795	48,688	52,937	54,262	59,040	6,015	6,009	18,156	14,451
	5,187,226	**3,995,944**	**1,823,443**	**1,634,803**	**1,728,009**	**1,646,842**	**1,650,965**	**1,413,793**	**1,262,517**	**1,249,414**
Liabilities & Shareholders' Fund										
Borrowings	1,695,007	648,550	717,306	528,779	638,669	413,820	453,434	281,983	198,285	262,229
Retirement benefit obligations	8,961	7,545	7,890	7,582	11,753	12,183	11,948	10,336	7,088	5,570
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Lease liabilities	14,880	15,649	21,108	21,402	-	-	-	-	-	-
Other liabilities	112,426	72,383	39,871	20,599	40,636	47,253	49,194	26,920	19,142	21,162
Shareholders' funds	3,355,952	3,251,816	1,037,268	1,056,441	1,036,951	1,173,586	1,136,390	1,094,554	1,038,002	960,453
	5,187,226	**3,995,944**	**1,823,443**	**1,634,803**	**1,728,009**	**1,646,842**	**1,650,965**	**1,413,793**	**1,262,517**	**1,249,414**
Ratios										
Income (degrowth) / growth (%)	95	4	(39)	7	(16)	23	29	2	(4)	7
Property, plant & equipment to shareholders' fund (Times)	0.59	0.22	1.17	1.22	1.42	1.65	1.78	0.66	0.95	1.41
Total asset to shareholders' fund (Times)	1.55	1.23	1.76	1.55	1.67	1.40	1.45	1.29	1.22	1.30
Net assets per share (Rs.)	0.35	0.34	0.57	0.59	0.57	0.65	0.63	0.61	0.57	0.53
Basic (loss) / earning per share (Rs.)	0.01	0.01	-0.04	0.00	0.05	0.02	0.04	0.03	0.04	0.04