

SMB FINANCE PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2024



KPMG
(Chartered Accountants)
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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"), which comprise the statement of financial position as at December 31, 2024, 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 material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

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Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. FR Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA (UK), R. G. H. Raddella ACA, Ms. D Corea Dharmaratne



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 5.3.2 and 19” to the Financial Statements: Significant Accounting Judgments and Estimates, “Note 3.2.2” to the Financial Statements.

Risk Description	Our Response
<p>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. 1,782,535,495/- as at 31 December 2024. High degree of complexity and judgment are involved in estimating ECL of Rs.682,157,886/- against loans and receivables to customers as at the reporting date.</p> <p>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.</p> <p>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 on customers, increasing our audit effort thereon,</p> <p>Accordingly, 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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • 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 record 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 5.3.6 and 23”.

Risk Description	Our Response
<p>As at 31 December 2024, the Company’s Investment Properties carried at fair value amount to Rs. 708 Mn. Further, the fair value gain recognized in the statement of profit or loss for the year, amounted to Rs. 74.17 Mn.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> • 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 will not express any form of assurance conclusion thereon.

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



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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

28/03/2025

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

Rs. For the year ended December 31,	Note	2024	2023
Interest income	7	513,030,192	775,505,794
Interest expenses	8	(164,598,531)	(308,880,252)
Net interest income		348,431,661	466,625,542
Fee and commission income	9	6,805,088	4,054,971
Net interest, fee and commission income		355,236,749	470,680,513
Other operating income (Net)	10	18,114,218	7,873,868
Changes in fair value of investment property	23	74,170,450	38,370,600
Total operating income		447,521,417	516,924,981
Allowance for expected credit loss - Reversal / (Charge)	11	113,668,178	(89,062,346)
Net operating income		561,189,595	427,862,635
Personnel expenses	12	(157,316,338)	(111,474,529)
Other expenses	13	(144,361,651)	(101,009,315)
Operating profit before taxes on financial services		259,511,606	215,378,791
Taxes on financial services	14	(61,632,960)	(53,663,399)
Profit after taxes on financial services		197,878,646	161,715,392
Share of profit of associate company	21.3	1,864,471	39,922
Profit before income tax		199,743,117	161,755,314
Income tax expense	15	(48,772,466)	(41,853,966)
Profit for the year		150,970,651	119,901,348
Basic earnings per share	16	0.02	0.01
Diluted earnings per share	16.1	0.02	0.01
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit plans	32.1	(3,967,753)	(1,174,999)
Equity investments at FVOCI – Net change in fair value	20.2	3,979,724	12,079,558
Other comprehensive income for the year (Net of taxes)		11,971	10,904,559
Total comprehensive income for the year		150,982,622	130,805,907

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	2024	2023
Assets			
Cash and cash equivalents	17	44,436,726	90,670,044
Placements with banks	18	2,924,467,192	2,568,600,407
Financial assets at amortised cost - Loans and receivables to customers	19	1,782,535,495	1,471,314,074
Financial investments	20	120,351,765	116,358,309
Investments in associate	21	-	42,616,953
Assets held for sale	22	41,699,000	-
Investment properties	23	708,050,000	637,235,600
Property, plant & equipment	24	59,654,628	50,338,715
Right-of-use assets	25.1	73,151,295	34,156,018
Intangible assets	26	268,246,256	263,662,640
Deferred tax assets	27	-	-
Other assets	28	80,152,769	55,234,742
Total assets		6,102,745,126	5,330,187,502
Liabilities			
Due to financial institutions	29	1,927,174,171	1,504,597,528
Financial Liabilities at Amortised Cost - Deposits due to customers	30	166,816,577	42,736,120
Financial Liabilities at Amortised Cost - Due to other customers	31	135,837,341	131,298,785
Retirement benefit obligations	32	21,786,312	13,644,953
Lease liabilities	25.2	63,547,836	21,780,454
Other liabilities	33	149,841,900	129,371,295
Total liabilities		2,465,004,137	1,843,429,135
Equity			
Stated capital	34	3,062,681,524	3,062,681,524
Statutory reserves	35	55,275,929	47,727,396
Fair value reserve	36	68,524,547	64,544,823
Retained earnings	37	451,258,989	311,804,624
Total equity		3,637,740,989	3,486,758,367
Total equity and liabilities		6,102,745,126	5,330,187,502

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


Lolitha Abeysinghe
Director

Colombo
March 28, 2025

SMB Finance PLC
Statement of Changes in Equity

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, 2023	2,555,958,860	506,722,664	41,732,329	52,465,265	199,073,342	3,355,952,460
Profit for the year	-	-	-	-	119,901,348	119,901,348
Other comprehensive income (Net of tax)	-	-	-	12,079,558	(1,174,999)	10,904,559
Total comprehensive income for the year	-	-	-	12,079,558	118,726,349	130,805,907
Transfers to statutory reserve	-	-	5,995,067	-	(5,995,067)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	-	-	5,995,067	-	(5,995,067)	-
Balance as at December 31, 2023	2,555,958,860	506,722,664	47,727,396	64,544,823	311,804,624	3,486,758,367
Balance as at January 1, 2024	2,555,958,860	506,722,664	47,727,396	64,544,823	311,804,624	3,486,758,367
Profit for the year	-	-	-	-	150,970,651	150,970,651
Other comprehensive income (Net of tax)	-	-	-	3,979,724	(3,967,753)	11,971
Total comprehensive income for the year	-	-	-	3,979,724	147,002,898	150,982,622
Transfers to statutory reserve	-	-	7,548,533	-	(7,548,533)	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	-	-	7,548,533	-	(7,548,533)	-
Balance as at December 31, 2024	2,555,958,860	506,722,664	55,275,929	68,524,547	451,258,989	3,637,740,989

The notes annexed form an integral part of these financial statements.

Figures in brackets indicate deductions.

SMB Finance PLC
Statement of Cash Flows

Rs.				
For the year ended December 31,	Note	2024	2023	
Interest receipts		537,844,016	832,636,111	
Interest payments		(197,782,070)	(304,167,540)	
Fees and commission receipts		12,326,572	3,866,918	
Cash payments to employees and suppliers		(229,714,507)	(181,028,248)	
Profit before changes in operating assets		122,674,011	351,307,242	
Loans and receivables		(211,124,028)	274,516,296	
Other assets		(33,256,470)	(21,005,337)	
Other liabilities		(19,550,099)	3,829,466	
Cash (used in) / generated from operating activities		(141,256,586)	608,647,666	
Tax paid		(65,412,836)	(61,957,318)	
Gratuity paid	32.1	(962,501)	-	
Net cash (used in) / generated from operating activities		(207,631,923)	546,690,348	
Cash flow from investing activities				
Net investment in financial investments		(60,000,000)	(110,000,000)	
Purchase of property, plant & equipment & intangible assets	24,26	(34,343,412)	(48,945,465)	
Proceeds from disposal of Investment properties	23	60,372,050	-	
Purchase of Investment properties	23	(63,059,000)	(213,137,000)	
Dividend received	10	739,180	647,905	
Proceeds from disposals of subsidiary company		2,000,000		
Net cash used in investing activities		(94,291,182)	(371,434,560)	
Cash flow from financing activities				
Borrowings obtained from financial institutions	29	560,000,000	-	
Repayment of borrowings from financial institutions	29	(608,721,500)	(287,188,385)	
Net investment in time deposits and savings deposits		164,249,366	41,528,048	
Net withdrawal in public borrowings		(20,000)	(26,000)	
Advance payment on lease acquisition		(12,375,000)	(20,335,009)	
Lease liability payments	25.2	(23,027,950)	(15,021,900)	
Net cash generated from / (used in) financing activities		80,104,916	(281,043,246)	
Net decrease in cash and cash equivalents		(221,818,188)	(105,787,457)	
Cash and cash equivalents at the beginning of the year		(52,088,169)	53,699,288	
Cash and cash equivalents at the end of the year		(273,906,358)	(52,088,169)	
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	17	44,436,726	90,670,044	
Repo investment with banks	18	384,166,000	86,896,000	
		428,602,726	177,566,044	
Bank overdraft	29	(702,509,084)	(229,654,213)	
Cash and cash equivalents at the end of the year		(273,906,358)	(52,088,169)	

The notes annexed form an integral part of these financial statements.

Figures in brackets indicate deductions.

SMB FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

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 Licensed 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.

1.2 Principal Activities and Nature of Operations

Company – SMB Finance PLC

The principal business activity is providing Finance Leases, Mortgage Loans, Personal Loans, Gold Loans and obtaining Fixed & Savings Deposits.

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 Associate	Holding Percentage
Kenanga Investment Corporation Ltd	48.99%

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

1.3 Number of Employees

The staff strength of the Company as at December 31, 2024 is 64 (2023 – 51).

2. Basis of Accounting

2.1. Statement of Compliance

The financial statements of the Company as at December 31, 2024 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). 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.

SMB FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

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 material accounting policies followed during the year are given in Notes 4 to 5.

2.1.1 Statement of Presentation

The presentation of these Financial Statements is also 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 and the CBSL Guidelines.

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 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 Company for the year under review.
- B). A Statement of Financial Position (SOFP) providing the information on the financial position of 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 Company.
- D). A Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- E). Notes to the Financial Statements comprising Material Accounting Policies and other explanatory information.

2.3. Approval of Financial Statements by the Board of Directors

The financial statements of the Company for the year ended December 31, 2024 (including comparatives for 2023), were approved and authorized for issue in accordance with the resolution of the Board of Directors on March 28, 2025.

SMB FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

2.4. Basis of Measurement

The financial statements of the Company 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
Quoted equity investments measured at fair value through profit or loss (FVTPL)	Fair value	20.1.1
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 recognised at the present value of the defined benefit obligation, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.	32

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 Company 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 Company, changes in working capital, management of capital expenditure, debt repayments, cash reserves and available sources of financing including unutilised 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 financial statements is presented in Sri Lankan Rupees (Rs.), which is the Company's functional and presentation currency. There was no change in the Company's presentation and functional currency during the year under review.

SMB FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

2.7. Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statement of Financial Position are Companied 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. 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.

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.

2.10. 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 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 recognised prospectively. Significant areas of critical accounting judgements, assumptions and estimation uncertainty, in applying accounting policies that have most significant effects on the amounts recognised in the financial statements of the Company is 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 recognised in these financial statements are included in Notes 3.1.1 to 3.1.2 below.

3.1.1. Classification of financial assets and liabilities

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

3.1.2. Determination of impairment losses relating to financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increased 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 3.2.2.

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 recognised 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 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 Company 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 realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

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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 Company'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 Life time 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 Company'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 Company estimates the asset's recoverable amount. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. An asset's recoverable amount is the higher of an asset's or cash- generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash - generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists, the Company estimates the asset's or cash- generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/ amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognised in 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 5.3.7.

3.2.5. Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that future taxable profit will be available. 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 32.

3.2.7. Provisions for liabilities, commitments and contingencies

The Company 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 financial statements are described in Note 3.1 to Note 3.2

4. Changes in Material Accounting Policies

The Company does not have changes in material accounting policies in the current annual reporting period.

5. Material Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

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

Summary of Material Accounting Policies	Policy Note No
Financial assets and liabilities	5.1.1
Fair value measurement	5.1.2
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) on financial services	5.2.9
Income tax	5.2.10
Earnings per share	5.2.11
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Events that occurred after the reporting date	5.5.1
Commitments and contingencies	5.5.2 & 5.5.3
Operating segments	5.5.4
Maturity analysis	5.5.5

5.1. Material Accounting Policies – General

5.1.1. Financial Assets and Liabilities

5.1.1.1. Recognition and initial measurement

The Company 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 Company 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 are added to the initial carrying amount of the asset or liability.

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 Company recognises 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 depend on their classification.

5.1.1.2. Classification

A. Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised 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

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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 Company 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 Company 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 Company 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 Company'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 Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment 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.

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In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company'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 Company classifies its financial liabilities other than loan commitments, as measured at amortised cost or FVTPL.

5.1.1.3. Reclassifications

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

5.1.1.4. Derecognition

A. Financial Assets

The Company derecognises 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 Company 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 derecognised) 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 recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised 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 Company is recognised as a separate asset or liability.

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 Company retains all or substantially all of the risks and rewards of ownership of such assets.

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In transactions in which the Company 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 Company continues to recognise 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 Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Company securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the Company transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised 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 recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

B. Financial Liabilities

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

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

B. Financial liabilities

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

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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 Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise 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 Company of similar transactions such as in the Company'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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 Company 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 Company 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.

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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 Company 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 amortised cost. The Company 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 Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an 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.

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The Company uses widely recognised 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 Company'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. 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. Material 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 revenue can be reliably measured. Income from early settlement and overdue interest 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 Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

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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 Company 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 Company 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 Company'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 Company's right to receive the dividend is established.

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

The interest income on securities purchased under resale agreements is recognised in the income 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 Company 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 Company 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 Company 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 Company 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 Gold Loan

The Company 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 Material 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 Company 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.

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■ 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is equal more than 30 days past due.

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

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is equal or more than 90 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 Company 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 Company expects to receive).

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

Credit-impaired financial assets

At each reporting date, the Company 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.

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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 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company 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 Company 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 Company's procedures for recovery of amounts due. The amount of write-off is described under Note 11 in the financial statements.

Other financial assets measured at amortised cost

The Company 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

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The Company 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 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 Company 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.

5.2.6. 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, 2024 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, 2024 is calculated at the rate of 30% (2023 –30%).

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.

Deferred tax assets are recognised for all deductible temporary differences, 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:

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- 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

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 Company 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. Material 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 Company 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. 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 Company 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.

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The Company 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 amortised cost. 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.

The Company had 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.

The Company 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 Company records an allowance for LTECL. Refer Note 19.1 for a description on how the Company 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 Company recognises an allowance for LTECL, with probability of default at 100%.

The key assumptions, judgements and estimates adopted by the Company 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 Company considers reasonable and supportable information

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that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company'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 Company considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 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 Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of Default

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

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The borrower is past due equal or more than 90 days on any material credit obligation to the Company.

In determination of default the Company largely aligns with the regulatory definition of default which is 90 days and above. In assessing whether a borrower is in default, the Company 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 Company; 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 Company reviews its individually significant loans and advances above a predefined threshold at each reporting date. The Company 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.

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- 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 Company 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 Company calculates ECL either on a collective or an individual basis. Those financial assets for which, the Company 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.

Collateral valuation

The Company 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 Company'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.

5.3.3. Financial Investments

Financial investments consist of investments in quoted and non-quoted shares. Quoted equity securities classified as financial assets measured at FVTPL. For unquoted equity investments Company has irrevocably elected to present subsequent changes in FVOCI.

Unquoted Equity Investments at FVOCI

Upon initial recognition, the Company 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 SLFRS 9 "Financial Instruments" 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 and comprise quoted and unquoted shares.

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5.3.4 Investment in Associate

Investment in associate is accounted in the Company's financial statements and under the equity method in the 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 Company's share of net assets of the associate, less any impairment in the Company's net investment in associate. Refer Note 21.

5.3.5. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The detail of asset held for sale described under Note 22 in the financial statements.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal Company is allocated first to goodwill, then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

5.3.6. 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 Company 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

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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.

5.3.7. 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 Company 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 & Company 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 Company 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 & Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Derecognition

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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.

5.3.8. Right - of - use Assets and Lease Liabilities

At inception of a contract, the Company 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 Company 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 Company 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 Company has elected not to separate non- lease components and account for the lease and non-lease components as a single lease component.

The Company 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

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asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company 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 Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company 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 Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company 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.

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 separately from other assets on the statement of financial position. Similarly, lease liabilities are presented separately from other liabilities on the statement of financial position.

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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”.

5.3.9. 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 Company and the cost of the asset can be measured reliably, in accordance with Sri Lanka Accounting Standard 38 – “Intangible Assets”. Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company 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.

5.3.10. Other Assets

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

5.3.11. 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.

5.3.12. Deposits Due to Customers

These represents Time Deposits and Savings Deposits. Deposits are measured at their amortised cost using the effective interest method. Interest Expense is recognized in the statement of profit or loss based on the effective interest rate method.

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 Company 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 Company 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 Company recognises the total actuarial gains and losses that arise in calculating the Company'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 Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 36.

5.4. Material 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 given in the statement of cash flow.

5.5. Material 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 2024, 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 Company have been disclosed in the Note 39.

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to the financial statements. However, based on the available information and the available information and the available legal advice, the Company do not expect the outcome of any action to have any material effect on the financial position of the Company.

5.5.4. Operating segments

The Company’s segmental reporting is based on operating segments.

A segment is a distinguishable component of the Company 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 Company.

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 Company’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 Company are located mainly in Sri Lanka. Consequently, the economic environment in which the Company 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	<ul style="list-style-type: none"> • Interest income • Service fee income & commission income

SMB FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

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	<ul style="list-style-type: none"> • Interest income • Service fee income
Treasury	Nature of product	Investing activities
	Classification of product	Placement with banks, REPOS, Treasury bonds
	Revenue derived from	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Commission income • Investment income and fair value gains losses on investments

Details of the 5.5.4. Operating Segments are given in Note 49.

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 43.3.3.1

6. New Accounting Standards Issued but not yet effective

A number of new accounting standards are effective for annual reporting periods beginning after 1 January 2024 and earlier application is permitted. However, the Company has not early adopted the following new or amended accounting standards in preparing these financial statements.

Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended SLFRS 9 and SLFRS 7.

SMB FINANCE PLC
NOTES TO THE FINANCIAL STATEMENTS

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- Settling financial liabilities using electronic payments system; and
- Assessing contractual cash flow characteristics of financial assets, including those with sustainability -linked features.

The Company is in the process of assessing the impact of the new amendments.

Other accounting standards

Lack of Exchangeability (Amendments to LKAS 21) is not expected to have a significant impact on the Company's financial statements.

SMB Finance PLC
Notes to the Financial Statements

Income

Rs.			
For the year ended December 31,	Note	2024	2023
Interest income	7	513,030,192	775,505,794
Fee and commission income	9	6,805,088	4,054,971
Other operating income	10	18,114,218	7,873,868
		537,949,498	787,434,633

7 Interest Income

Rs.		2024	2023
For the year ended December 31,			
Interest income on lease rental receivables		100,557,374	124,887,349
Interest income on Loans and advances		77,040,464	131,421,710
Interest income on gold loan advances		89,192,848	124,630,082
Interest income on placements with banks		238,507,912	392,668,512
Interest income on investments with government securities		7,661,970	1,898,141
Income from Investment in Money Market		69,624	-
Total interest income		513,030,192	775,505,794

Total interest income calculated under the effective interest method.

8 Interest Expenses

Rs.		2024	2023
For the year ended December 31,			
Due to banks		150,496,305	299,499,493
Due to other customers		10,118,684	6,429,636
SLFRS 16 – Incremental borrowing cost		3,983,542	2,951,123
Total interest expenses		164,598,531	308,880,252
Net interest income		348,431,659	466,625,542

9 Net Fee and Commission Income

Rs.		2024	2023
For the year ended December 31,			
Fee and commission income		6,805,088	4,054,971
Net fee and commission income		6,805,088	4,054,971

10 Other Operating Income

Rs.			
For the year ended December 31,	Note	2024	2023
Writ collection Income		14,336,443	4,386,700
Service charges		596,050	48,500
Recovery of loans and lease written off in prior years		278,813	611,370
Dividend income		739,180	647,905
Profit on gold loan auction		-	411,922
Profit on sale of subsidiary		2,000,000	-
Fair value gain on financial investment	20.1	13,732	29,298
Sundry income		150,000	338,164
Lease modification gain		-	1,400,009
		18,114,218	7,873,868

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

Rs.			
For the year ended December 31,	Note	2024	2023
Allowance for expected credit loss for loans and advances	19.5	(68,154,330)	113,447,135
Unwinding interest adjustment		(28,897,138)	(16,201,301)
Allowance for expected credit loss for placement with banks	18.1	(22,301)	(326,550)
Write-offs and disposal loss		4,703,084	7,487,255
Net gain on concent mortion settlement		(21,297,493)	(15,344,193)
		(113,668,178)	89,062,346

SMB Finance PLC**Notes to the Financial Statements****12 Personnel Expenses**

Rs.	Note	2024	2023
For the year ended December 31,			
Salaries and bonus		100,234,136	70,016,335
Defined contribution plan costs - EPF		11,338,626	7,562,210
Defined contribution plan costs - ETF		2,834,657	1,890,553
Defined benefit plan cost	32.1	5,136,106	3,508,644
Others		37,772,814	28,496,787
		157,316,338	111,474,529

13 Other Expenses

Rs.	Note	2024	2023
For the year ended December 31,			
Auditors' remuneration - Audit related services		2,034,813	1,542,256
- Non audit services		640,488	2,329,296
Depreciation and amortisation		54,635,400	32,668,417
Legal expenses		5,118,074	3,068,791
Directors' emoluments		5,980,000	5,445,000
Premises and equipment cost		42,153,330	35,650,444
Disposal loss on sale of investment properties		6,043,000	-
Impairment loss on recognition of assets held for sale	22.1	2,782,424	-
Others		24,974,122	20,305,111
		144,361,651	101,009,315

14 Taxes on Financial Services

Rs.	2024	2023
For the year ended December 31,		
Value added tax on financial services	52,755,308	50,489,691
Social security contribution levy (SSCL)	8,877,652	3,173,708
	61,632,960	53,663,399

15 Income tax

Rs.	Note	2024	2023
For the year ended December 31,			
Income tax claim on profits	15.1	46,017,219	31,688,524
Underprovision in respect of previous years		2,755,247	10,165,442
		48,772,466	41,853,966

15.1 Reconciliation of Accounting Profit and the Income Tax Expense

Rs.	2024	2023
For the year ended December 31,		
Profit before income tax	199,743,117	161,755,314
Share of profit of associate company	(1,864,471)	(39,922)
Aggregate disallowed expenses	103,393,345	179,515,134
Aggregate allowable expenses	(71,531,949)	(197,081,756)
Capital portion of lease receivable	573,776	527,172
Aggregate exempt / allowable income	(76,923,087)	(39,047,798)
Profit from the business	153,390,731	105,628,144
Dividend income	-	540
Taxable profit	153,390,731	105,628,684
Tax on business income @ 30%	46,017,219	31,688,443
Tax on dividend income @ 15%	-	81
Income tax expense	46,017,219	31,688,524

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.

SMB Finance PLC
Notes to the Financial Statements

15.2 Reconciliation of Effective Tax Rate

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the year ended December 31, 2024 is given below;

Rs.	2024	2023
For the year ended December 31,		
Accounting profit before income tax	199,743,117	161,755,314
Income tax expense at the average statutory income tax rate @ 30%	59,922,935	48,526,594
Tax effect of disallowable expenses	31,018,004	53,854,540
Tax effect of allowable expenses	(21,459,585)	(59,124,527)
Capital portion of lease receivable	172,133	158,152
Tax effect of aggregate exempt / allowable income	(23,636,267)	(11,726,316)
Tax on dividend Income @ 15%	-	81
Income tax expense for the year	46,017,219	31,688,524
Effective tax rate	23.04%	19.59%

Income tax provision for the year ended December 31, 2024 of SMB Finance PLC has been calculated at 30% (2023-30%) on its taxable profit in terms of Inland Revenue Act No. 24 of 2017, and amendments thereto, including any amendments legislated by Inland Revenue (Amendment) Act No. 45 of 2022.

15.3 Treatment of impairment charges

As per Part I : Sec. (I) of the Gazette notification issued on October 25, 2022 under sub section (2) and (3) of section 66 of the Inland revenue Act, No. 24 of 2017, the impairment charges of Stage 3 credit facilities classified as per Sri Lanka Accounting Standards (SLFRS 9) have been considered as an allowable deduction (after adjusting for specifications given under section 1 of schedule 1 of the said Gazette notification).

16 Earnings Per Share

Basic earnings per share has been calculated by dividing the 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,	2024	2023
Profit attributable to equity holders of the Company (Rs.)	150,970,651	119,901,348
No.of ordinary shares outstanding during the year	9,551,978,760	9,551,978,760
Basic earnings per share (Rs.)	0.02	0.01

16.1 Diluted Earnings Per Share

There were no potentially dilutive ordinary shares as at December 31, 2024 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of EPS.

Therefore, diluted earnings per share is the same as basis earnings per share shown above.

SMB Finance PLC
Notes to the Financial Statements

17 Cash and Cash Equivalents

Rs.			
As at December 31,	Note	2024	2023
Cash in hand		30,734,609	40,242,112
Balances with banks		13,702,117	50,427,932
Cash and cash equivalents in the statement of financial position		44,436,726	90,670,044
Repo investment with banks	18	384,166,000	86,896,000
Bank overdrafts repayable on demand and used for cash management purpose	29	(702,509,084)	(229,654,213)
Cash and cash equivalents in the statement of cash flow		(273,906,358)	(52,088,169)

18 Placements with Banks

Rs.			
As at December 31,	Note	2024	2023
Fixed deposits with banks		2,541,435,679	2,482,861,195
REPO investment with banks - Overnight		384,166,000	86,896,000
Gross placements with banks		2,925,601,679	2,569,757,195
Allowance for expected credit loss - (charge)	18.1	(1,134,487)	(1,156,788)
Net placements with banks		2,924,467,192	2,568,600,407

18.1 Movement in Impairment During the Year

Rs.		
	2024	2023
Balance as at January 1,	1,156,788	1,483,338
Reversal to the income statement	(22,301)	(326,550)
Balance as at December 31,	1,134,487	1,156,788

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

19.1 Stage-wise Analysis of Loans and Receivables

Rs.		
As at December 31,	2024	2023
Gross loans and advances receivables		
Stage 1	1,475,834,374	1,213,562,791
Stage 2	168,664,602	198,771,956
Stage 3	820,194,405	809,291,543
	2,464,693,381	2,221,626,290
Provision for impairment		
Stage 1	(128,226,295)	(113,255,362)
Stage 2	(30,371,671)	(50,712,740)
Stage 3	(523,559,920)	(586,344,114)
	(682,157,886)	(750,312,216)
Net loans and advances receivables	1,782,535,495	1,471,314,074

19.1.1 Loans

Rs.		
As at December 31,	2024	2023
Gross loans receivables		
Stage 1	530,622,815	455,480,713
Stage 2	54,685,438	64,787,283
Stage 3	563,140,488	526,116,351
	1,148,448,741	1,046,384,347
Provision for impairment		
Stage 1	(83,566,498)	(62,649,928)
Stage 2	(14,246,123)	(33,888,642)
Stage 3	(304,671,131)	(369,732,156)
	(402,483,752)	(466,270,726)
Net loans receivables	745,964,989	580,113,621

SMB Finance PLC
Notes to the Financial Statements

19.1.2 Leases

Rs.			
As at December 31,		2024	2023
Gross lease receivables			
Stage 1		514,911,516	479,025,963
Stage 2		57,362,176	56,041,429
Stage 3		235,084,978	218,246,407
		807,358,670	753,313,799
Provision for impairment			
Stage 1		(44,096,638)	(50,600,145)
Stage 2		(15,610,145)	(16,645,600)
Stage 3		(216,682,383)	(212,119,212)
		(276,389,166)	(279,364,957)
Net lease receivables		530,969,504	473,948,842

19.1.3 Gold loan advances receivables

Rs.			
As at December 31,		2024	2023
Gold loan advances receivables			
Stage 1		430,300,043	279,056,115
Stage 2		56,616,988	77,943,244
Stage 3		21,968,939	64,928,785
		508,885,970	421,928,144
Provision for impairment			
Stage 1		(563,159)	(5,289)
Stage 2		(515,403)	(178,498)
Stage 3		(2,206,406)	(4,492,746)
		(3,284,968)	(4,676,533)
Net gold loan receivables		505,601,002	417,251,611

19.2 Product-wise Analysis of Loans and Receivables

Rs.			
As at December 31,		2024	2023
Lease rental receivables		807,358,670	753,313,799
Personal loans		95,710,168	109,399,605
Term loans		825,543,860	610,959,405
Easy payment loans		4,442,968	5,656,279
Other loans		222,751,745	320,369,058
Gold loan advances		508,885,970	421,928,144
		2,464,693,381	2,221,626,290

19.3 Sector-wise Analysis of Loans and Receivables

Rs.			
As at December 31,		2024	2023
Industry		357,829,439	349,019,617
Agriculture		181,877,284	220,794,246
Trade		177,725,844	190,727,908
Transport		335,414,132	360,129,592
Construction		455,141,100	86,192,782
Services		386,695,432	476,401,616
Personal		557,917,852	481,167,144
Others		12,092,298	57,193,385
		2,464,693,381	2,221,626,290

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Notes to the Financial Statements

19.4 Gross Lease Rental Receivables

19.4.1 Gross lease rental receivables within one year

Rs.

As at December 31,	2024	2023
Total lease rentals within one year from reporting date	547,059,697	620,801,055
Unearned lease Income	(264,603,687)	(326,908,902)
Balance as at December 31,	282,456,010	293,892,153

19.4.2 Gross lease rental receivables after one year and five years

Rs.

As at December 31,	2024	2023
Total lease rentals receivables after one year from reporting date	1,024,960,658	837,487,222
Unearned lease Income	(529,853,182)	(404,188,651)
Balance as at December 31,	495,107,476	433,298,571

19.4.3 Gross lease rental receivables after five years

Rs.

As at December 31,	2024	2023
Total lease rentals receivables after five years from reporting date	38,111,582	33,799,751
Unearned lease Income	(8,316,398)	(7,676,676)
Balance as at December 31,	29,795,184	26,123,075
Total lease rentals receivables	807,358,670	753,313,799

19.5 Movement in Individual and Collective Impairment During the Year

Rs.

	2024	2023
Stage 1		
Balance as at January 1,	113,255,362	98,411,429
Charge to the income statement	14,970,933	14,843,933
Balance as at December 31,	128,226,295	113,255,362
Stage 2		
Balance as at January 1,	50,712,740	88,434,040
Reversal to the income statement	(20,341,069)	(37,721,300)
Balance as at December 31,	30,371,671	50,712,740
Stage 3		
Balance as at January 1,	586,344,114	450,019,612
(Reversal) / Charge to the income statement	(62,784,194)	136,324,502
Balance as at December 31,	523,559,920	586,344,114
Total net impairment (reversal)/ charge for the year	(68,154,330)	113,447,135

SMB Finance PLC
Notes to the Financial Statements

20 Financial Investments

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

Rs.

As at December 31,

	Note	2024	2023
Fair value through profit or loss (FVTPL)	20.1	43,030	29,298
Fair value through other comprehensive income (FVTOCI)	20.2	120,308,735	116,329,011
Total Financial Investments		120,351,765	116,358,309

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

Rs.

As at December 31,

	Note	2024		2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Fair value through profit or loss (FVTPL)	20.1	43,030	43,030	29,298	29,298
Fair value through other comprehensive income (FVTOCI)	20.2	120,308,735	120,308,735	116,329,011	116,329,011
Total financial investments		120,351,765	120,351,765	116,358,309	116,358,309

20.1 Fair Value Through Profit or Loss (FVTPL)

20.1.1 Quoted Shares held by SMB Finance PLC

As at December 31,

Rs.

	No. of shares	2024		2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Banking, Finance & Insurance					
The Finance Co. PLC	97	-	-	97	-
Manufacturing					
Blue Diamond Jewelry Worldwide PLC	778,280	-	-	778,280	-
Metal Recyclers Colombo PLC	69	-	-	69	-
ACL Cables PLC	264	31,284	31,284	264	18,163
		31,284	31,284	18,163	18,163
Land & Property					
Seylan Developments PLC	43	-	-	43	-
Other					
John Keels holdings PLC	10	226	226	10	1,910
Richard Pieris and Company PLC	450	11,520	11,520	450	9,225
		11,746	11,746	11,135	11,135
Total carrying amount		43,030	43,030	29,298	29,298

SMB Finance PLC

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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 “Other operating income” when the right to receive the payment had been established.

20.1.2 Determination of Fair Value

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.

	No. of Shares	2024 Cost	Carrying Value / Fair Value	No. of Shares	2023 Cost	Carrying Value / Fair Value
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	120,298,735	5,000,000	50,000,000	116,319,011
Credit Information Bureau of Sri Lanka	100	10,000	10,000	100	10,000	10,000
Total carrying amount			120,308,735			116,329,011

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

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

No strategic investments were disposed of during the year 2024 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

SMB Finance PLC
Notes to the Financial Statements

20.2.2 Unquoted Debentures held by SMB Finance PLC

As at December 31,	2024	2023
Rs.	Cost	Cost
Ceylinco Automobiles Ltd.	17,600,000	17,600,000
Provision for impairment	(17,600,000)	(17,600,000)
Carrying amount	-	-
Total carrying amount	120,308,735	116,329,011

20.4 Movement of Financial Investment

Rs.	Fair Value Through Profit or Loss (FVTPL)	Fair Value Through Other Comprehensive Income (FVTOCI)
As at January 1, 2023	-	104,249,453
Disposals	-	-
Fair value loss recorded in the statement of profit or loss	29,298	-
Fair value gain recorded in the other comprehensive income	-	12,079,558
As at December 31, 2023	29,298	116,329,011
As at January 1, 2024	29,298	116,329,011
Fair value gain recorded in the statement of profit or loss	13,732	-
Fair value gain recorded in the other comprehensive income	-	3,979,724
As at December 31, 2024	43,030	120,308,735

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.

SMB Finance PLC
Notes to the Financial Statements

21 Investment in Associate

21.1 Associate Company

	Principal Activity	Holding	2024		Holding	2023	
			No. of Shares	Initial Cost		No. of Shares	Initial Cost
				Rs.			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.

	Note	2024	2023
Balance as at January 1,		42,616,953	42,577,031
Share of profit after tax	21.3	1,864,471	39,922
Balance as at December 31,		44,481,424	42,616,953
Classified as assets held for sale	22.1	(44,481,424)	-
Balance as at December 31,		-	42,616,953

21.3 Share of Profit of Associate Company

Rs.

For the year ended December 31,

	2024	2023
Share of (loss) / profit after tax	1,939,155	(251,806)
Adjustment	(74,685)	291,728
	1,864,471	39,922

21.4 Summarised Financial Information of Associate Company

For the year ended / As at December 31,

Rs.	Kenanga Investment Corporation Ltd	
	2024	2023
Revenue	9,778,368	7,433,368
Total comprehensive income for the year	3,958,268	(513,996)
Total assets	95,393,526	91,224,180
Total equity	90,796,947	86,991,128
Total liabilities	4,596,581	4,233,054

22 Assets held for sale

22.1

Rs.

	Principal Activity	Holding	2024 No. of Shares	Carrying Value
Kenanga Investment Corporation Ltd	Investment banking	48.99%	4,900,000	44,481,424
Provision for impairment				(2,782,424)
Balance as at December 31,				41,699,000

SMB Finance PLC**Notes to the Financial Statements**

22.1.1 In August 2024, Management committed to a plan to sell its investment in Kenanga Investment Corporation Ltd. Accordingly the Company classified its investment in Kenanga Investment Corporation Ltd, an associate of SMB Finance PLC, as Assets Held for Sale, pursuant to the Company's commitment to sell its participating interest in the associate.

22.1.2 Measurement of fair values

As at December 31, 2024, Assets held for sale was stated at fair value less costs to sell.

(i) Fair value hierarchy**As at December 31,**

	Level 1	Level 2	2024 Level 3	Total	2023 Total
Assets held for sale	-	-	41,699,000	41,699,000	-
Total	-	-	41,699,000	41,699,000	-

(ii) Valuation technique

SMB Finance PLC sold its holding of 4,900,000 shares in Kenanga Investment Corporation Ltd on March 25, 2025, at a consideration of Rs.41,699,000. Accordingly, the agreed price was considered to represent the fair value.

Rs.	Principal Activity	Holding	2023 No. of Shares	Carrying Value
SMB Money Brokers (Pvt) Ltd	Money market activities	50.99%	1,275,000	12,750,000
Provision for impairment				(12,750,000)
Balance as at December 31,				-

SMB Finance PLC has made a 100% impairment provision for Rs. 12,750,000 (1,275,000 shares) in the year 2022 for the investment of SMB Money Brokers (Pvt) Ltd. During the financial year 2023, the Company classified an investment in SMB Money Brokers (Pvt) Ltd, a subsidiary of SMB Finance PLC, as Assets held for sale due to Non-current Assets Held for Sale and Discontinued Operations which occur when an entity commits to selling the controlling interest in a subsidiary.

SMB Finance PLC has entered into a conditional sale of its 50.99% shareholding with Corporate Finance and Capital Market Limited, which owns 49.01% of SMB Money Brokers (Pvt) Ltd and sold 1,275,000 shares held by the Company for a consideration of Rs.2,000,000 on November 11, 2024.

Consequently SMB Finance PLC ceased to be the parent Company of SMB Money Brokers (Private) Limited.

22.1.3 Profit on disposal of subsidiary classified as held for sale

Profit on disposal of subsidiary has been calculated as follows.

	2024
Consideration received	2,000,000
Carrying value of assets held for sale - SMB Money Brokers (Pvt) Ltd	-
Profit on sale of subsidiary	2,000,000

SMB Finance PLC
Notes to the Financial Statements

23 Investment Properties

Rs.

	2024	2023
Balance as at January 1,	637,235,600	385,728,000
Addition during the year	63,059,000	213,137,000
Sale of investment property	(60,372,050)	-
Fair value gain recognised in Profit or loss	74,170,450	38,370,600
Disposal loss recognised in Profit or loss	(6,043,000)	-
Balance as at December 31,	708,050,000	637,235,600

There is no rental income or expenses from the above investment properties.

23.1 Property Location
Rs.'000

	Extent (Perches)	2024		2023	
		Cost	Market Value	Cost	Market Value
No.10,De Alwis Avenue, Mount Lavinia	42.30	131,975	211,500	131,975	190,000
No.212, Wewa Road, Piriwena Junction,Boralessgamuwa	20.27	108,159	115,300	108,250	108,250
No.60,Old Road, Hanwella	31.15	87,359	106,300	87,359	87,359
Vindya Gardens, Giriulla Road, Badalgama	376.50	40,559	58,500	-	-
Kaduwela,Malabe	118.97	32,700	150,000	32,700	149,377
39B,Godawa,Kaburupitiya	67.60	15,500	17,000	-	-
Gurullawala, Ahangama	111.22	10,919	13,000	10,919	10,500
Reality Plaza,Colombo Road,Ja Ela	685 sq.ft	10,487	14,250	10,487	12,000
Hikgoduwa - Diganahena Road, Diyalape, Akuressa	62.00	7,000	7,750	-	-
Kingsgate,Thalgahawatta Road, Horahena Road, Hokandara, Malabe	8.38	6,700	7,500	6,700	6,700
Kuruduwattha Road,Angunawala,Peradeniya	12.00	3,743	4,000	55,838	70,750
Imaduwa Road, Gonnagahahena, Ahangama	21.00	1,204	2,950	1,204	2,300
		456,305	708,050	445,432	637,236

SMB Finance PLC
Notes to the Financial Statements

23.2 Valuation of Investment Properties
Property Location

Property Location	Extent (Perches)	Market Value (Rs.000')	Date of valuation	Name of the Valuer and Qualification
No.10,De Alwis Avenue,Mount Lavinia	42.30	211,500	December 02, 2024	D.Jayawardana - Incorporated Valuer
Kaduwela,Malabe	118.97	150,000	December 02, 2024	P.B Fonseka - Incorporated Valuer
No.212, Wewa Road, Piriwena Junction,Boralesgamuwa	20.27	115,300	December 07, 2024	D.Jayawardana - Incorporated Valuer
No.60,Old Road, Hanwella	31.15	106,300	December 09, 2024	D.Jayawardana - Incorporated Valuer
Vindya Gardens, Giriulla Road, Badalgama	376.50	58,500	December 05, 2024	D.Jayawardana - Incorporated Valuer
39B,Godawa,Kaburupitiya	67.60	17,000	November 28, 2024	D.Jayawardana - Incorporated Valuer
Reality Plaza,Colombo Road,Ja Ela	685 sq.ft	14,250	December 02, 2024	D.Jayawardana - Incorporated Valuer
Gurullawala, Ahangama	111.22	13,000	December 02, 2024	D.Jayawardana - Incorporated Valuer
Hikgoda - Diganahena Road, Diyalape, Akuressa	62.00	7,750	November 28, 2024	D.Jayawardana - Incorporated Valuer
Kingsgate,Thalgahawatta Road, Horahena Road, Hokandara, Malabe	8.38	7,500	December 02, 2024	D.Jayawardana - Incorporated Valuer
Kuruduwattha Road,Angunawala,Peradeniya	12.00	4,000	December 02, 2024	D.Jayawardana - Incorporated Valuer
Imaduwa Road, Gonnagahahena, Ahangama	21.00	2,950	December 02, 2024	D.Jayawardana - Incorporated Valuer
		708,050		

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 and D.Jayawardana who are independent qualified valuers not connected with the Company.

23.3 Fair Values Hierarchy of Investment properties
As at December 31,
Rs.000'

	2024			2023	
	Level 1	Level 2	Level 3	Total	Total
Investment properties	-	-	708,050	708,050	637,236
Total	-	-	708,050	708,050	637,236

23.4 The Company acquired below investment properties during the year 2024.

Nature of the Property	Property
Land & Building	Vindya Gardens, Giriulla Road, Badalgama
Land & Building	39B,Godawa,Kaburupitiya
Bare Land	Hikgoda - Diganahena Road, Diyalape, Akuressa

SMB Finance PLC
Notes to the Financial Statements

23.5 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.	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 perch 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 lower /(higher) Repair and insurance was lower / (higher) Market value per perch was (lower) /higher

Valuation of Investment Properties

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: » 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 25%.	Estimated fair value will increase / (decrease) if the market rate increases / (decreases)

SMB Finance PLC
Notes to the Financial Statements

24 Property, Plant and Equipment

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2024.

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2024 Total
Cost					
As at January 1,	47,460,180	36,908,139	34,678,475	2,519,838	121,566,632
Additions for the year	6,999,514	12,342,142	5,874,871	-	25,216,527
As at December 31,	54,459,694	49,250,281	40,553,346	2,519,838	146,783,159
Accumulated Depreciation					
As at January 1,	33,296,293	15,008,765	21,654,927	1,267,932	71,227,917
Charge for the year	4,762,841	6,626,574	4,204,611	306,588	15,900,614
As at December 31,	38,059,134	21,635,339	25,859,538	1,574,520	87,128,531
Net book value as at December 31, 2024	16,400,560	27,614,942	14,693,808	945,318	59,654,628

Reconciliation of the carrying amount of property, plant and equipment as at December 31, 2023.

Rs.	Computer Equipment	Office Equipment	Furniture & Fittings	Motor Vehicles	2023 Total
Cost					
As at January 1,	45,529,341	12,740,948	20,747,496	986,892	80,004,677
Additions for the year	1,947,939	24,252,221	14,007,620	1,532,946	41,740,726
Write off	(17,100)	(85,030)	(76,641)	-	(178,771)
As at December 31,	47,460,180	36,908,139	34,678,475	2,519,838	121,566,632
Accumulated Depreciation					
As at January 1,	29,135,980	11,199,548	18,718,770	986,892	60,041,190
Charge for the year	4,177,413	3,894,247	3,012,798	281,040	11,365,498
Write off	(17,100)	(85,030)	(76,641)	-	(178,771)
As at December 31,	33,296,293	15,008,765	21,654,927	1,267,932	71,227,917
Net book value as at December 31, 2023	14,163,887	21,899,374	13,023,548	1,251,906	50,338,715

SMB Finance PLC
Notes to the Financial Statements

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.25,216,527 (2023 - Rs.41,740,726).

24.2 Capitalisation of Borrowing Cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year. (2023 - 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,

	2024	2023
Computer equipment	30,208,479	27,672,612
Office equipment	11,312,199	9,699,963
Furniture & fittings	18,682,106	16,306,371
Motor vehicles	986,892	986,892
	61,189,676	54,665,838

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 Company 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 (2023 - Nil).

24.8 Temporarily Idle Property, Plant and Equipment

There were no property, plant and equipment of the Company idle as at December 31, 2024 and December 31, 2023.

25 Right-of-use Assets and Lease Liabilities

25.1 Right-of-use Assets Movement During the Year **Rs.**

	2024	2023
Right-of-use asset		
Balance as at January 1,	100,206,565	60,900,537
Additions and improvements during the year	73,186,790	43,014,606
Modification	-	(3,708,578)
Balance as at December 31,	173,393,355	100,206,565

Accumulated depreciation

Balance as at January 1,	66,050,547	44,830,128
Charge during the year	34,191,513	21,220,419
Balance as at December 31,	100,242,060	66,050,547

Carrying value

Balance as at December 31,	73,151,295	34,156,018
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25.2 Lease Liabilities Movement During the Year **Rs.**

	2024	2023
Lease liabilities		
Balance as at January 1,	21,780,454	14,880,212
Additions and improvements during the year	60,811,790	24,079,607
Modification	-	(5,108,588)
Accretion of interest during the year	3,983,542	2,951,123
Payments during the year	(23,027,950)	(15,021,900)
Balance as at December 31,	63,547,836	21,780,454

25.3 Amounts Recognised in Profit or Loss

25.3.1 Leases under SLFRS 16 **Rs.**

For the year ended December 31,	2024	2023
Depreciation of right-of-use assets	34,191,513	21,220,419
Interest on lease liabilities	3,983,542	2,951,123
	38,175,055	24,171,542

25.4 Amounts recognised in Statement of Cash Flows **Rs.**

For the year ended December 31,	2024	2023
Cash outflow for leases	(23,027,950)	(15,021,900)
Total cash outflow for leases	(23,027,950)	(15,021,900)

25.5 Maturity analysis – Contractual Undiscounted Cash Flows **Rs.**

For the year ended December 31,	2024	2023
Less than one year	17,655,370	10,249,200
Between one and five years	61,815,528	17,342,966
Total undiscounted cash flows	79,470,898	27,592,166

SMB Finance PLC
Notes to the Financial Statements

26 Intangible Assets

Rs.	2024	2023
Cost		
As at January 1,	237,342,458	237,342,458
Additions for the year	26,779,624	-
As at December 31,	264,122,082	237,342,458
Accumulated Amortisation		
As at January 1,	2,416,555	2,334,055
Charge for the year	4,543,271	82,500
As at December 31,	6,959,826	2,416,555
Carrying Value as at December 31,	257,162,256	234,925,903
Capital Work in Progress		
As at January 1,	28,736,737	10,084,000
Incurred during the year	9,126,887	18,652,737
Capitalised during the year	(26,779,624)	-
As at December 31,	11,084,000	28,736,737
Carrying Value as at December 31,	268,246,256	263,662,640

- 26.1** According to LKAS 38, the Company has not amortized the finance license as it is an intangible asset with a perpetual life. If an intangible asset has a useful life but can be renewed, it is considered perpetual and is not amortized.

As at reporting date Company has assessed its finance license for impairment and no impairment indications have been identified.

The during the year addition under capital working progress includes a computer software program for the general ledger, loans and leases.

SMB Finance PLC
Notes to the Financial Statements

27 Deferred tax assets

The Company has recognised deferred tax assets on deductible temporary differences only up to the extent that they offset taxable temporary differences.

No deferred tax assets have been recognised for deductible temporary differences exceeding taxable temporary differences as deferred tax assets is mainly arising from deductible temporary differences of disallowable amount for bad debt provision, and it is uncertain that Company can utilize the benefits arising from the provision in the immediate future.

Rs.	2024	2023
Unrecognised Deferred Tax Asset		
Balance as at January 1,	52,324,329	51,258,351
Charge for the year	(21,399,508)	1,065,978
Balance as at December 31,	30,924,821	52,324,329

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

Rs.	Temporary difference December 31, 2024	Tax effect December 31, 2024	Temporary difference December 31, 2023	Tax effect December 31, 2023
On property, plant & equipment and Intangible assets	(44,221,122)	(13,266,337)	(6,144,775)	(1,843,432)
On lease assets	-	-	(773,716)	(232,115)
On retirement benefit obligation	21,786,312	6,535,894	13,644,953	4,093,486
Fair value gain on investment property	(74,170,450)	(22,251,135)	(38,370,600)	(11,511,180)
Disallowable amount for bad debt provision	209,291,452	62,787,436	218,434,131	65,530,239
On right-of-use assets	(73,151,294)	(21,945,388)	(34,156,018)	(10,246,805)
On lease liabilities	63,547,836	19,064,351	21,780,454	6,534,136
	103,082,734	30,924,821	174,414,429	52,324,329

The deferred tax has been calculated at the rate of 30% (2023 - 30%).

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.

28 Other Assets

Rs.	Note	2024	2023
As at December 31,			
Deposits & prepayments		40,143,449	9,736,146
Receivables from Golden Key Hospitals Limited	28.1	36,841,467	36,841,467
Income tax receivable		-	2,849,968
NBT receivable		704,395	704,395
Stamp duty receivable		2,463,458	4,584,270
Other assets		-	518,496
		80,152,769	55,234,742

28.1 SMB Finance PLC has a secondary mortgage bond for the property ("Golden Key Hospital") against the receivable balance from Golden Key Hospitals Limited.

29 Due to Financial Institutions

Rs.	Note	2024	2023
As at December 31,			
Bank borrowings	29.1	1,224,665,087	1,274,943,315
Bank overdraft		702,509,084	229,654,213
		1,927,174,171	1,504,597,528

29.1 Reconciliation of movement of Bank Borrowings

Rs.	2024	2023
Balance as at January 1,	1,274,943,315	1,566,116,482
Addition during the year	560,000,000	-
Capital payments during the year	(608,721,500)	(287,188,385)
Interest (payments)/payable during the year	(1,556,728)	(3,984,782)
Balance as at December 31,	1,224,665,087	1,274,943,315

SMB Finance PLC
Notes to the Financial Statements

29.2 Details of Funding Facilities - Bank Loans Details

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

Name of the bank	Granted Date	Maturity Date	Interest Rate	2024		2023	
				Amount Granted (Rs.)	Outstanding Amount (Rs.)	Amount Granted (Rs.)	Outstanding Amount (Rs.)
Sampath Bank - Loan 01	December 24, 2020	December 24, 2025	8.30% p.a	200,000,000	40,022,383	200,000,000	80,066,932
Sampath Bank - Loan 02	November 1, 2021	November 1, 2026	6.78% p.a	140,000,000	51,326,985	140,000,000	79,363,642
Sampath Bank - Loan 03	January 31, 2022	January 31, 2029	9.34% p.a	180,000,000	102,757,096	180,000,000	128,597,349
Sampath Bank - Loan 04	January 31, 2022	January 31, 2029	9.34% p.a	180,000,000	104,910,388	180,000,000	130,750,654
Sampath Bank - Loan 05	January 31, 2022	January 31, 2029	9.34% p.a	180,000,000	104,910,388	180,000,000	130,750,654
Sampath Bank - Loan 06	February 3, 2022	February 3, 2029	9.34% p.a	180,000,000	104,910,388	180,000,000	130,750,654
Sampath Bank - Loan 07	February 28, 2022	February 28, 2029	9.34% p.a	180,000,000	107,063,680	180,000,000	132,903,958
Sampath Bank - Loan 08	September 30,2024	September 26,2029	7.33% p.a	130,000,000	123,638,390	-	-
Sampath Bank - Loan 09	September 30,2024	September 26,2029	6.46% p.a	90,000,000	85,590,546	-	-
Sampath Bank - Loan 10	November 11,2024	November 11,2029	9.34% p.a	340,000,000	329,103,135	-	-
Seylan Bank - Loan 01	November 22, 2021	November 22, 2028	11.50% p.a	200,000,000	-	200,000,000	140,829,074
Seylan Bank - Loan 02	May 4, 2022	May 4, 2029	11.50% p.a	200,000,000	-	200,000,000	156,077,528
Seylan Bank - Loan 03	August 19, 2022	August 19, 2029	11.50% p.a	100,000,000	-	100,000,000	80,063,064
Seylan Bank - Loan 04	November 21, 2022	November 21, 2029	9.2% p.a	100,000,000	70,431,708	100,000,000	84,789,806
				2,400,000,000	1,224,665,087	1,840,000,000	1,274,943,315

30 Financial Liabilities at Amortised Cost - Deposits due to Customers

Rs.

As at December 31,

	2024	2023
Time deposits	135,153,222	11,208,072
Saving deposits	31,663,355	31,528,048
Balance as at December 31,	166,816,577	42,736,120

31 Financial Liabilities at Amortised Cost - Due to other customers

Rs.

As at December 31,

	Note	2024	2023
Promissory notes		126,694,613	122,136,057
Debentures	31.1	9,142,728	9,162,728
Balance as at December 31,		135,837,341	131,298,785

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

SMB Finance PLC
Notes to the Financial Statements

32 Retirement Benefit Obligations

Rs.	Note	2024	2023
As at December 31,			
Provision for retirement benefit obligations	32.1	21,786,312	13,644,953
Balance as at December 31,		21,786,312	13,644,953

32.1 Provision for Retirement Benefit Obligation

Rs.	Note	2024	2023
As at December 31,			
Balance as at January 1,		13,644,953	8,961,310
Provision for the year	32.2	5,136,106	3,508,644
Actuarial loss during the year		3,967,753	1,174,999
Payments during the year		(962,500)	-
Balance as at December 31,		21,786,312	13,644,953

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".

32.2 Provision for the year

Rs.	2024	2023
For the year ended December 31,		
Current service costs	3,788,004	2,408,966
Interest costs	1,348,101	1,099,678
Balance as at December 31,	5,136,105	3,508,644

	2024	2023
Salary increment rate	10%	10%
Discount rate	11%	12.90%
Retirement age	60 - 75 Years	60 Years
Staff turnover factor	23%	23%
Weighted Average Duration of RBO	18.46	18.37

The defined benefits obligation is calculated annually by formula method using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits" Actuarial gains and losses in the period in which they occur have been recognize in the other Comprehensive income (OCI). The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements. Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- "Employee Benefits". However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service. The Company is liable to pay gratuity in terms of the relevant statute.

The Characteristics of this plan including the followings:

- 01.This is contribution - based plan.
- 02.There is no any minimum funding requirements.
- 03.There is no any effect of the regulatory framework on the plan.

In absence of a deep market in long term bonds in Sri Lanka, a long -term interest rate of 11% p.a (2023-12.90% p.a) has been used to discount future retirement benefit liabilities considering the weighted average duration of RBO. Also, the compensation increment rate of 10% is deemed reasonable in line with the company's anticipated future salary increases, considering the state of the market and the rate of inflation.

SMB Finance PLC
Notes to the Financial Statements

32.3 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.

Rs.	Sensitivity Effect on	
	Total Comprehensive Income Increase / (Reduction)	Employment Benefit Obligation Increase / (Reduction) in the Liability
Increase in discount rate (1%)	789,961	(789,961)
Decrease in discount rate (1%)	(827,463)	827,463
Increase in salary increment rate (1%)	(827,463)	827,463
Decrease in salary increment rate (1%)	804,118	(804,118)

32.4 Maturity Analysis of retirement benefit obligations

Rs.	2024	2023
As at December 31,		
Within the next 12 month	80,000	38,973
Between 1-2 years	-	-
Between 3-5 years	312,229	949,572
Between 6-10 years	5,430,383	3,272,385
Beyond 10 years	15,963,700	9,384,023
Balance as at December 31,	21,786,312	13,644,953

SMB Finance PLC
Notes to the Financial Statements

33 Other Liabilities

Rs.	2024	2023
Balance as at December 31,		
Accrued expenses	20,424,268	17,057,711
Unearn income on legal settlement	68,341,523	80,670,252
Un-identified deposits	6,615,610	8,002,676
Sundry creditors	5,504,522	5,084,478
Consent mortion advances	1,138,640	1,268,640
Lease termination	3,600,000	3,600,000
Stamp duty payable	-	1,530,730
SSCL payable	3,950,750	433,617
VAT on financial services payable	15,085,008	9,952,253
Capital gain tax payable	2,478,459	-
Deposit Insurance liabilities	20,852	5,341
Crop Insurance levy payable	744,953	-
Income tax payable	19,017,608	-
Other liabilities	2,919,707	1,765,597
Balance as at December 31,	149,841,900	129,371,295

33.1 Unearn income on legal settlement includes unrealised gain on concent mortion facilities.

34 Stated Capital

Rs.	2024	2023
Balance as at December 31,		
Ordinary voting shares	2,555,958,860	2,555,958,860
Ordinary non voting shares	506,722,664	506,722,664
Balance as at December 31,	3,062,681,524	3,062,681,524

34.1 Reconciliation of Number of Shares

	No.of shares	
	2024	2023
Ordinary Voting Shares		
As at January 1,	6,470,375,048	6,470,375,048
Issue of shares	-	-
As at December 31,	6,470,375,048	6,470,375,048
Ordinary Non Voting Shares		
As at January 1,	3,081,603,712	3,081,603,712
Issue of shares	-	-
As at December 31,	3,081,603,712	3,081,603,712
Total	9,551,978,760	9,551,978,760

34.2 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 entitled to one vote per share at the Annual General Meeting of the Company.

SMB Finance PLC
Notes to the Financial Statements

34.3 Regulatory Capital

	2024		2023	
	Actual	Required	Actual	Required
Tier 1 capital ratio (%)	89.38	8.50	110.74	8.50
Total capital ratio (%)	88.02	12.50	108.98	12.50

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 Lanka with effect from July 1, 2018.

35 Statutory Reserves Fund

Rs.	2024	2023
Balance as at December 31,		
Balance as at January 1,	47,727,396	41,732,329
Transfer made during the year	7,548,533	5,995,067
	55,275,929	47,727,396

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.

36 Fair Value Reserve

Rs.	2024	2023
Balance as at December 31,		
Balance as at January 1,	64,544,823	52,465,265
Net fair value gain on remeasuring financial	3,979,724	12,079,558
	68,524,547	64,544,823

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

37 Retained Earnings

Rs.	2024	2023
Balance as at January 1,	311,804,624	199,073,342
Profit for the year	150,970,651	119,901,348
Other comprehensive income	(3,967,753)	(1,174,999)
Transfers to statutory reserve	(7,548,533)	(5,995,067)
Balance as at December 31,	451,258,989	311,804,624

Retained earnings represent the reserve available for distribution.

SMB Finance PLC
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38 Classification of Financial Instruments

38.1 Assets

As at December 31,
Rs.'000

	2024			
	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 Assets				
Cash and cash equivalents	-	44,437	-	44,437
Placements with banks	-	2,924,467	-	2,924,467
Financial assets at amortised cost-Loans and receivables to customers	-	1,782,535	-	1,782,535
Fair value through profit or loss (FVTPL)	43	-	-	43
Fair value through other comprehensive income (FVTOCI)	-	-	120,309	120,309
Total financial assets	43	4,751,439	120,309	4,871,791

As at December 31,
Rs.'000

	2023			
	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 Assets				
Cash and cash equivalents	-	90,670	-	90,670
Placements with banks	-	2,568,600	-	2,568,600
Financial assets at amortised cost-Loans and receivables to customers	-	1,471,314	-	1,471,314
Fair value through profit or loss (FVTPL)	29	-	-	29
Fair value through other comprehensive income (FVTOCI)	-	-	116,329	116,329
Total financial assets	29	4,130,584	116,329	4,246,942

SMB Finance PLC
Notes to the Financial Statements

38.2 Liabilities

As at December 31, Rs.'000	2024			Total
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	
Financial Liabilities				
Due to financial institutions	-	1,927,174	-	1,927,174
Financial liabilities at amortised cost - Deposits due to customers	-	166,817	-	166,817
Financial Liabilities at Amortised Cost - Due to other customers	-	135,837	-	135,837
Lease liabilities	-	63,548	-	63,548
	-	2,293,376	-	2,293,376
Non Financial Liabilities				
Retirement benefit obligations	-	21,786	-	21,786
Other liabilities	-	149,842	-	149,842
	-	171,628	-	171,628
Total liabilities	-	2,465,004	-	2,465,004
<hr/>				
As at December 31, Rs.'000	2023			Total
	Financial instruments recognised through profit or loss (FVTPL)	Financial instruments at amortised cost (AC)	Financial instruments at fair value through other comprehensive income (FVTOCI)	
Financial Liabilities				
Due to financial institutions	-	1,504,598	-	1,504,598
Financial liabilities at amortised cost - Due to other customers	-	42,736	-	42,736
Financial Liabilities at Amortised Cost - Due to other customers	-	131,299	-	131,299
Lease liabilities	-	21,780	-	21,780
	-	1,700,413	-	1,700,413
Non Financial Liabilities				
Retirement benefit obligations	-	13,645	-	13,645
Other liabilities	-	129,371	-	129,371
	-	143,016	-	143,016
Total liabilities	-	1,843,429	-	1,843,429

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 Debt Securities

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) Other Receivable and Financial Liabilities

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

SMB Finance PLC
Notes to the Financial Statements

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,	2024				2023	
Rs.'000	Level 1	Level 2	Level 3	Total	Total	
Fair value through profit or loss (FVTPL)	43	-	-	43	29	
Fair value through other comprehensive income (FVTOCI)	-	-	120,309	120,309	116,329	
Total financial investment	43	-	120,309	120,352	116,358	

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

As at December 31,	2024				2023	
Rs.'000	Level 1	Level 2	Level 3	Total	Total	
Cash and cash equivalents	-	-	-	44,437	90,670	
Placements with banks	-	-	-	2,924,467	2,568,600	
Financial assets at amortized cost - Loans and receivables to	-	-	-	1,782,535	1,471,314	
Total asset	-	-	-	4,751,439	4,130,584	

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.

SMB Finance PLC
Notes to the Financial Statements

38.8 Financial Liabilities	As at December 31,	2024		2023	
		Rs.'000	Carrying Value	Fair Value	Carrying Value
Due to financial institutions		1,927,174	1,927,174	1,504,598	1,504,598
Financial liabilities at amortised cost - Deposits due to customers		166,817	166,817	42,736	42,736
Financial liabilities at amortised cost - Due to other customers		135,837	135,837	131,299	131,299
Lease liabilities		63,548	63,548	21,780	21,780
		2,293,376	2,293,376	1,700,413	1,700,413

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 Valuation techniques and Significant Unobservable Inputs

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.

Please refer Note No.23.2

The following table show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Assets	Valuation technique	Significant unobservable input	Inter relationship between key unobservable input and fair value measurement
Equity Securities (Other Investments)	Net asset value method	Adjusted Net Assets per Share Rs.24.06	The estimated fair value would increase/ (decrease) if the net asset value per share were higher / (lower)

SMB Finance PLC**Notes to the Financial Statements****39 Commitments and Contingencies****39.1 Capital Commitment**

There are no capital commitments as at December 31, 2024

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

No circumstances have arisen since the statement of financial position date that require adjustments to, or disclosure in the financial except the following.

The Company has obtained approval from the Central Bank of Sri Lanka (CBSL) for the sale of its investment in Kenanga Investment Corporation Ltd at a price of Rs. 8.51 per share on March 11, 2025. Accordingly, SMB Finance PLC sold 4,900,000 shares held by the Company on March 25,2025, at a consideration of Rs.41,699,000.

41 Related Party Disclosures**41.1 Transactions with Related Parties**

Rs.	Name of Director	Details of Financial Dealing	2024		2023		As a percentage of capital funds as at December 31, 2024	
			Received/ Receivable (Payable/ Paid)	Total Outstanding as at December 31, 2024	Received/ Receivable (Payable/ Paid)	Total Outstanding as at December 31, 2023		
Transactions with Associate								
	Kenanga Investment Corporation Ltd	- -	-	-	-	-	-	
Transactions with other Related Companies								
	Grayline Cargo Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne	Finance Lease	1,376,710	1,970,750	751,093	3,347,460	0.00%
			Term Loan	3,338,872	2,088,343	1,681,097	5,427,215	0.00%
	Grayline Container Terminals (Pvt) Ltd	Mr. H.R.S. Wijeratne	Finance Lease	992,160	1,393,484	541,294	2,385,644	0.00%
			Term Loan	94,911	227,997	65,920	322,908	0.00%
Transactions with other Related personals								
	Mr. R.S. Wijeratne	Son of Chairman/Non-Executive Director Mr. H.R.S. Wijeratne	Time Deposit	10,000,000	12,436,120	10,000,000	11,208,072	0.00%
	Mrs. R. Wijegoonwardene	Spouse of Head of Security - Mr. T. Wijegoonwardene	Time Deposit	1,000,000	1,057,973	-	-	0.00%
	Mrs. S. Thavaeaswaran	Spouse of Head Of IT - Mr. T. Thavaeaswaran	Time Deposit	1,000,000	1,038,952	-	-	0.00%
	Mrs. M.C.H. De Saram Wijesinghe	Spouse of Head Of Credit - Mr. N. Wijesinghe	Time Deposit	800,000	820,164	-	-	0.00%

A number of these entities and personals 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 favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel of related entities on an arm's length basis at commercial rates as per the Sri Lanka Accounting Standard – LKAS 24 "Related Party Disclosures".

SMB Finance PLC**Notes to the Financial Statements**

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**

Rs.

For the year ended December 31,

	2024	2023
Short-term employees benefits	5,980,000	5,445,000
Total	5,980,000	5,445,000

(b) Remuneration to Corporate Management

Rs.

For the year ended December 31,

	2024	2023
Short-term employees benefits	47,120,085	31,781,085
Post employment benefits	-	-
Total	47,120,085	31,781,085

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. Company 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 Company makes adjustments to the accounts for any adverse effect, if any, which the claim many have on the Company 's financial position. As at the reporting date, Company 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 favor of the Company and the process will probably take over three years. Accordingly no provision has been made in these financial statement.

SMB Finance PLC
Notes to the Financial Statements

43 Financial Risk Management

43.1 Introduction and Overview

The Company 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. Reviewing liquidity management strategies and cash flow forecasts to ensure adequate liquidity buffers. Reviewing liquidity risk stress test results to assess the adequacy of liquidity reserves under stressed scenarios.

43.3.1 Liquidity Risk and Funding management

In the context of a financial institution, liquidity risk arises primarily from mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; market liquidity risk and funding liquidity risk. Market liquidity risk is the inability to easily exit a position. A company has low market liquidity risk if assets can be liquidated without excessive price movements. Fund liquidity risk is the inability of a company to continue financing assets at an acceptable borrowing rate. Fund liquidity risk typically arises when creditors withdraw their loans or change the terms on which they are granted, making them no longer profitable. Fund liquidity risk will increase if the company's credit quality is deteriorating or at least its financial conditions are deteriorating.

Managing Liquidity Risk

The company'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. Monitoring liquidity risk, reporting and analysing, making proposals, setting limits and guidelines, formulating and implementing plans relating to liquidity risk management. The treasury and liquidity policies and compliance thereunder are reviewed and approved by the ALCO. ALCO is primarily responsible for effectively managing assets and liabilities to minimize maturity mismatches and thereby managing the liquidity risk of the Company. The Committee meets regularly and takes all policy decisions to manage funding activities, the maturity of assets and liabilities and investments, while meeting regulatory requirements and maintaining liquidity at healthy levels.

The Company's primary objective in managing liquidity risk is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective, the Company regularly monitors its liquidity position and maintains an adequate buffer of liquid assets. Monitoring maturity mismatches of assets and liabilities and cash flow forecasting under normal and stressed scenarios are two key tools used in the liquidity risk management process. All statutory and prudential liquidity ratios are monitored against stress testing. The Company has regularly taken prudent steps to increase its liquidity buffers to assess the effectiveness of liquidity management and has maintained a strong excess liquidity position throughout the year under review. The Company is comfortable with its existing liquid asset buffer. The Company maintains access to diverse funding sources to meet unexpected liquidity needs.

SMB Finance PLC
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43.3.2 Exposure to Liquidity Risk

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

	December 31, 2024	December 31, 2023
Liquid Asset Ratio (LAR)		
As at December 31,	2218.80%	2574.38%
Average for the year	2102.77%	3155.61%
Maximum for the year	2495.57%	18674.46%
Minimum for the year	1280.47%	948.56%

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 finance 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, 2024	December 31, 2023
Required minimum amount of liquid assets	31,848,900	18,979,399
Daily average liquid assets	706,664,000	488,601,606
Excess liquidity	674,815,100	469,622,208

43.3.3 Maturity Analysis

43.3.3.1 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	44,437	-	-	-	-	44,437
Placements with banks	15,513	2,359,788	165,000	-	384,166	2,924,467
Financial assets at amortised cost - Loans and receivables to customers	471,665	129,129	578,344	72,102	531,295	1,782,535
Financial investments	-	-	-	-	120,352	120,352
	531,615	2,488,917	743,344	72,102	1,035,813	4,871,791
Non Interest Earning Assets						
Investment in associate	-	-	-	-	-	-
Assets held for sale	41,699	-	-	-	-	41,699
Investment properties	-	-	-	-	708,050	708,050
Property, plant & equipment	-	-	-	59,655	-	59,655
Right-of-use assets	6,719	14,156	34,144	18,132	-	73,151
Intangible assets	-	-	-	-	268,246	268,246
Other assets	-	-	-	-	80,153	80,153
	48,418	14,156	34,144	77,787	1,056,449	1,230,954
Total assets	580,033	2,503,073	777,488	149,889	2,092,262	6,102,745
Interest Bearing Liabilities						
Due to financial institutions	92,159	945,284	534,702	355,029	-	1,927,174
Financial Liabilities at Amortised Cost - Deposits due to customers	36,502	97,004	1,638	31,673	-	166,817
Financial Liabilities at Amortised Cost - Due to other customers	-	-	-	135,837	-	135,837
Lease liabilities	3,495	8,243	27,190	24,620	-	63,548
	132,156	1,050,531	563,530	547,159	-	2,293,376

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Non Interest Bearing Liabilities						
Retirement benefit obligations	-	80	-	312	21,394	21,786
Other liabilities	49,430	20,424	-	-	79,988	149,842
	49,430	20,504	-	312	101,382	171,628
Equity						
Shareholders' funds	-	-	-	-	3,637,741	3,637,741
	-	-	-	-	3,637,741	3,637,741
Total liabilities & equity	181,586	1,071,035	563,530	547,471	3,739,123	6,102,745

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.

SMB Finance PLC
Notes to the Financial Statements

43.4.1.e Collateral wise analysis of individual significant impaired loan and receivables to customers

	Security Value	Total Receivable	2024 covered % through collateral
Secured by motor vehicles	18,360,000	38,494,673	47.69%
Secured by movable & immovable assets	325,152,912	325,152,912	100.00%
Unsecured	-	384,289,901	
	343,512,912	747,937,487	

Individually significant unimpaired loans and leases

Watch list	168,664,601
Others	1,548,091,293
	1,716,755,894

Collateral wise analysis of individual significant unimpaired loan and leases

Secured by motor vehicles	3,594,437
Secured by movable & immovable assets	244,349,036
Gold Loan advances	508,885,970
Unsecured	959,926,451
	1,716,755,894
Total Gross loans and receivables	2,464,693,381

43.4.2 Credit Quality Analysis

The tables below sets out information about the credit quality of financial assets held by Company 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.

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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, 2024					
Cash and cash equivalents	44,436,726	-	-	-	44,436,726
Placements with banks	2,924,467,192	-	-	-	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	1,347,608,079	138,292,931	296,634,485	-	1,782,535,495
Financial investments	120,351,765	-	-	-	120,351,765
Investments in associate	-	-	-	-	-
Assets held for sale	41,699,000	-	-	-	41,699,000
Investment properties	-	-	-	708,050,000	708,050,000
Property, plant & equipment	-	-	-	59,654,628	59,654,628
Right-of-use assets	-	-	-	73,151,295	73,151,295
Intangible assets	-	-	-	268,246,256	268,246,256
Other assets	-	-	-	80,152,769	80,152,769
Total assets	4,478,562,762	138,292,931	296,634,485	1,189,254,948	6,102,745,126
As at December 31, 2023					
Cash and cash equivalents	90,670,044	-	-	-	90,670,044
Placements with banks	2,568,600,407	-	-	-	2,568,600,407
Financial assets at amortised cost - Loans and receivables to customers	1,100,307,429	148,059,217	222,947,428	-	1,471,314,074
Financial investments	116,358,309	-	-	-	116,358,309
Investments in associate	-	-	-	42,616,953	42,616,953
Investments in subsidiary	-	-	-	-	-
Investment properties	-	-	-	637,235,600	637,235,600
Property, plant & equipment	-	-	-	50,338,713	50,338,713
Right-of-use assets	-	-	-	34,156,018	34,156,018
Intangible assets	-	-	-	263,662,640	263,662,640
Other assets	-	-	-	55,234,742	55,234,742
Total assets	3,875,936,189	148,059,217	222,947,428	1,083,244,666	5,330,187,500

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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 ratings and ICRA Lanka ratings.

	As at December 31, 2024 Rs	As at December 31, 2023 Rs
Rated AA- to AA+	1,752,028,097	-
Rated A- to A+	200,421,918	2,056,766,647
Rated BBB + and below	973,151,664	512,990,548
	2,925,601,679	2,569,757,195

Credit quality analysis of Cash at Banks

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

	As at December 31, 2024 Rs	As at December 31, 2023 Rs
Rated AAA	-	-
Rated AA- to AA+	13,157,343	-
Rated A- to A+	489,403	50,373,908
Rated BBB + and below	55,372	54,024
	13,702,118	50,427,932

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 31,2024.

43.4.5 Incorporation of forward-looking 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 2024 is given below

Scenario	Weightage
Normal Scenario	10.00%
Best case Scenario	10.00%
Worst case Scenario	80.00%

As at December 31, 2024, 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.

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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)

Rs.000

As at December 31,2024

	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	113,255,362	50,712,740	586,344,114	750,312,216
Changes due to loans and receivables recognised in opening balance that have:				
Transferred from 12 months ECL	(7,521,893)	7,521,893	69,947,982	-
Transferred from lifetime ECL not credit-impaired	13,425,152	(19,206,565)	5,781,412	-
Transferred from lifetime ECL credit- impaired	23,538,562	29,416,771	(52,955,332)	-
Net remeasurement of loss allowance	(14,470,888)	(38,073,168)	(85,558,256)	(68,154,330)
Balance as at the end of the year	128,226,295	30,371,671	523,559,920	682,157,886

43.4.7 Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fail to meet its contractual obligations and arises principally from the company's receivables from customers and investments.

The carrying amount of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognised in profit or loss were as follows.

Rs.

Allowance for expected credit loss for loans and advances	2024	2023
	(68,154,330)	113,447,135
Allowance for expected credit loss for placement with banks	(22,301)	(326,550)
	(68,176,631)	113,120,585

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 behavior.

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.

SMB Finance PLC
Notes to the Financial Statements

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

43.6.1.(a)

The interest rate profile of the company's interest bearing financial instruments is as follows.

Rs.	2024	2023
Financial assets		
Placements with banks	2,924,467,192	2,568,600,407
Financial assets at amortised cost - Loans and receivables to customers	1,782,535,495	1,471,314,074
	4,707,002,687	4,039,914,481
Financial liabilities		
Due to financial institutions	1,927,174,171	1,504,597,528
Financial Liabilities at Amortised Cost - Deposits due to customers	166,816,577	42,736,120
Financial Liabilities at Amortised Cost - Due to other customers	135,837,341	131,298,785
	2,229,828,089	1,678,632,432

43.6.1 (b) Sensitivity Analysis

The Company 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

	-2%	-1%	1%	2%
Interest rate shock				
Interest income change	(22,489,312)	(11,244,656)	11,244,656	22,489,312
Effect on loan interest income	-13.53%	-6.76%	6.76%	13.53%

Lease Portfolio

	-2%	-1%	1%	2%
Interest rate shock				
Interest income change	(10,049,183)	(5,024,592)	5,024,592	10,049,183
Effect on lease interest income	-9.99%	-5.00%	5.00%	9.99%

Total Portfolio

	-2%	-1%	1%	2%
Interest rate shock				
Interest income change	(32,538,496)	(16,269,248)	16,269,248	32,538,496
Effect on interest income	-12.20%	-6.10%	6.10%	12.20%

Interest Expenses

	-2%	-1%	1%	2%
Interest rate shock				
Interest expenses change	(36,989,078)	(18,494,539)	18,494,539	36,989,078
Effect on interest expenses	-22.47%	-11.24%	11.24%	22.47%

SMB Finance PLC**Notes to the Financial Statements****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, 2024

	Carrying amount	Market risk measure	
		Trading	Non-trading
	Rs.	Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	44,436,726	-	44,436,726
Placements with banks	2,924,467,192	-	2,924,467,192
Financial assets at amortised cost - Loans and receivables to customers	1,782,535,495	-	1,782,535,495
Financial investments	120,351,765	120,351,765	-
Total assets subject to market risk	4,871,791,178	120,351,765	4,751,439,413
Liabilities Subject to Market Risk			
Due to financial institutions	1,927,174,171	-	1,927,174,171
Financial liabilities at amortised cost - Deposits due to customers	166,816,577	-	166,816,577
Financial liabilities at amortised cost - Due to other customers	135,837,341	-	135,837,341
Total liabilities subject to market risk	2,229,828,089	-	2,229,828,089

As at December 31, 2023

	Carrying amount	Market risk measure	
		Trading	Non-trading
		Rs.	Rs.
Assets Subject to Market Risk			
Cash and cash equivalents	90,670,044	-	90,670,044
Placements with banks	2,568,600,407	-	2,568,600,407
Financial assets at amortised cost - Loans and receivables to customers	1,471,314,074	-	1,471,314,074
Financial investments	116,358,309	116,358,309	-
Total assets subject to market risk	4,246,942,834	116,358,309	4,130,584,525
Liabilities Subject to Market Risk			
Due to financial institutions	1,504,597,528	-	1,504,597,528
Financial liabilities at amortised cost - Deposits due to customers	42,736,120	-	42,736,120
Financial liabilities at amortised cost - Due to other customers	131,298,785	-	131,298,785
Total liabilities subject to market risk	1,678,632,432	-	1,678,632,432

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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.

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,	2024	Shock Levels	2024				2023	
			Impact on profit	Impact on OCI	Impact on net assets	Impact on profit	Impact on OCI	Impact on net assets
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Fair value through profit or loss (FVTPL)	120,351,765	10% shock (Increase)	3,873	10,827,786	10,831,659	2,637	10,469,611	10,472,248
Fair value through other comprehensive income (FVTOCI)		10% shock (Decrease)	(3,873)	(10,827,786)	(10,831,659)	(2,637)	(10,469,611)	(10,472,248)

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 weight of pawning articles (In grams)	Market price per gram Rs.	Total market value Rs.	Gold loan receivable amount Rs.	Value excess Rs.						
						2024	28,407	22,720	645,407,431	508,885,970	136,521,461
						2023	29,918	19,567	585,399,594	421,928,144	163,471,449

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,	Shock Levels	2024		2023	
		Impact on market value	Impact on value excess	Impact on market value	Impact on value excess
		Rs.	Rs.	Rs.	Rs.
	10% shock (Increase)	64,540,743	64,540,743	58,539,959	58,539,959
	10% shock (Decrease)	(64,540,743)	(64,540,743)	(58,539,959)	(58,539,959)

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44 Current / Non Current Analysis

As at December 31, Rs.'000	2024			2023		
	Within 12 Months	After 12 Months	Total	Within 12 Months	After 12 Months	Total
Company Assets						
Cash and cash equivalents	44,437	-	44,437	90,670	-	90,670
Placements with banks	2,375,301	549,166	2,924,467	1,393,600	1,175,000	2,568,600
Financial assets at amortised cost - Loans and receivables to customers	600,794	1,181,741	1,782,535	471,422	999,892	1,471,314
Financial investments	-	120,352	120,352	-	116,358	116,358
Investments in associate	-	-	-	-	42,617	42,617
Assets held for sale	41,699	-	41,699	-	-	-
Investment properties	-	708,050	708,050	-	637,236	637,236
Property, plant & equipment	-	59,655	59,655	-	50,339	50,339
Right-of-use assets	20,875	52,276	73,151	13,158	20,998	34,156
Intangible assets	-	268,246	268,246	-	263,663	263,663
Other assets	-	80,153	80,153	3,216	52,019	55,235
Total assets	3,083,106	3,019,640	6,102,745	1,972,066	3,358,122	5,330,188
Liabilities						
Due to financial institutions	1,037,443	889,731	1,927,174	512,398	992,199	1,504,597
Financial liabilities at amortised cost - Deposits due to customers	133,506	33,310	166,816	11,208	31,528	42,736
Financial liabilities at amortised cost - Due to other customers	-	135,837	135,837	-	131,299	131,299
Retirement benefit obligations	80	21,706	21,786	-	13,645	13,645
Lease liabilities	11,738	51,810	63,548	9,623	12,157	21,780
Other liabilities	69,854	79,989	149,843	39,951	89,421	129,372
Total liabilities	1,252,621	1,212,383	2,465,004	573,180	1,270,249	1,843,429

SMB Finance PLC
Notes to the Financial Statements

45 Segment Reporting

Rs.'000

Business Segments	Loans		Leasing		Treasury		Unallocated		Total	
For the year ended December 31,	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenue from external customers;										
Interest	166,233	256,052	100,557	124,887	246,240	394,567	-	-	513,030	775,506
Fee & commission	4,448	1,907	2,357	2,148	-	-	-	-	6,805	4,055
Other operating income	14,336	-	429	611	739	648	2,610	6,615	18,114	7,874
Changes in fair value of Investment Property	-	-	-	-	-	-	74,170	38,371	74,170	38,371
Total revenue from external customers	185,017	257,958	103,343	127,646	246,979	395,215	76,780	169,616	612,119	825,806
Segment result	144,704	89,918	80,825	86,085	193,165	266,534	60,051	114,390	478,746	556,927
Depreciation charged for the year	(16,514)	(5,274)	(9,224)	(5,050)	(22,044)	(15,634)	(6,853)	(6,710)	(54,635)	(32,668)
Interest expense	(49,751)	(49,870)	(27,789)	(47,744)	(66,412)	(147,824)	(20,646)	(63,442)	(164,599)	(308,880)
Operating profit	78,439	34,774	43,813	33,291	104,708	103,076	32,551	44,238	259,512	215,379
Taxes on financial services	-	-	-	-	-	-	(61,633)	(53,663)	(61,633)	(53,663)
Share of profit of associate company	-	-	-	-	-	-	1,864	40	1,864	40
Income tax expense	(14,742)	(6,757)	(8,234)	(6,469)	(19,679)	(20,030)	(6,118)	(8,597)	(48,772)	(41,854)
Other comprehensive income / expense	4	1,761	2	1,686	5	5,219	2	2,240	12	10,905
Total comprehensive (expense) / income for the year	63,701	29,777	35,581	28,508	85,034	88,264	(33,333)	(15,743)	150,983	130,806
As at December 31,										
Segment assets	1,251,566	997,365	530,970	473,949	2,968,904	2,659,270	1,351,306	1,199,603	6,102,745	5,330,187
Segment liabilities	745,066	297,628	416,161	284,942	994,584	882,229	309,194	378,631	2,465,004	1,843,429
For the year ended December 31,										
Cash flow from operating activities	(62,758)	170,770	(35,054)	84,503	(83,776)	261,635	(26,044)	112,287	(207,632)	546,690
Cash flow from investing activities	(28,500)	(116,026)	(15,919)	(57,413)	(38,045)	(177,761)	(11,827)	(76,291)	(94,291)	(371,435)
Cash flow from financing activities	24,212	(87,790)	13,524	(43,441)	32,321	(134,502)	10,048	(57,725)	80,105	(281,043)

SMB Finance PLC
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45.1 The Company's segmental reporting is based on the following operating segments

A segment is a distinguishable component of the Company 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 Company 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.

Unallocated

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

SMB Finance PLC

Decade at a Glance

Rs.'000

For the year ended December 31,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Operating Results										
Revenue	612,120	825,805	551,275	295,485	180,162	283,931	265,975	315,263	256,012	198,117
Interest expenses	(164,599)	(308,880)	(134,737)	(51,819)	(59,755)	(77,119)	(63,339)	(69,181)	(40,311)	(28,525)
Operating expenses & provision	(188,010)	(301,546)	(309,437)	(177,276)	(190,069)	(190,787)	(97,132)	(185,165)	(118,584)	(96,021)
Operating profit before taxes on financial services	259,512	215,379	107,101	66,390	(69,662)	16,025	105,504	60,917	97,116	73,571
Taxes	(110,405)	(95,517)	(15,512)	(13,111)	(3,099)	(9,439)	(19,762)	(23,668)	(20,420)	(15,363)
Impairment provision for subsidiary company	-	-	(12,750)	-	-	-	-	-	-	-
Share of profit of associate company	1,864	40	744	152	2,307	2,079	-	-	-	-
Profit / (Loss) for the year	150,971	119,901	79,582	53,431	(70,455)	8,665	85,742	37,249	76,696	58,209
Total comprehensive (expense) / income	150,983	130,806	104,136	76,177	(82,088)	19,491	95,746	37,196	77,952	56,815

As at December 31,

Assets

Cash and cash equivalents and placement with banks	2,968,904	2,659,270	2,456,778	2,497,005	438,471	172,010	177,985	162,378	146,551	183,526
Loans and receivables	1,782,535	1,471,314	1,855,368	1,115,518	1,070,958	1,204,255	1,332,771	1,268,457	1,319,828	1,053,788
Financial investments	120,352	116,358	104,249	82,077	60,657	72,249	61,798	52,719	7,578	7,291
Investments in associate	-	42,617	42,577	41,833	41,682	39,375	37,296	37,275	101,452	106,072
Assets held for sale	41,699	-	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	12,750	12,750	12,750	12,750	12,750	12,750	12,750
Investment properties	708,050	637,236	385,728	142,778	96,225	96,225	33,310	33,310	33,310	33,730
Property plant & equipment	59,655	50,339	19,963	7,306	12,180	12,838	14,726	19,417	20,224	7,222
Right-of-use assets	73,151	34,156	16,070	23,266	35,904	30,037	-	-	-	-
Intangible assets	268,246	263,663	245,092	5,615	5,928	5,042	3,111	1,495	3,258	3,406
Other assets	80,153	55,235	61,401	67,796	48,688	52,937	54,262	59,040	6,015	6,009
	6,102,745	5,330,188	5,187,226	3,995,944	1,823,443	1,697,718	1,728,009	1,646,842	1,650,965	1,413,793

Liabilities & Shareholders' Fund

Borrowings	2,229,828	1,678,634	1,695,007	648,550	717,306	528,779	638,669	413,820	453,434	281,983
Retirement benefit obligations	21,786	13,645	8,961	7,545	7,890	7,581	11,753	12,183	11,948	10,336
Lease liabilities	63,548	21,780	14,880	15,649	21,108	21,402	-	-	-	-
Other liabilities	149,842	129,371	112,426	72,384	39,871	20,599	40,636	47,253	49,194	26,920
Shareholders' funds	3,637,741	3,486,758	3,355,952	3,251,816	1,037,268	1,119,357	1,036,951	1,173,586	1,136,390	1,094,554
	6,102,745	5,330,188	5,187,226	3,995,944	1,823,443	1,697,718	1,728,009	1,646,842	1,650,965	1,413,793

Ratios

Income (degrowth) / growth (%)	(26)	50	206	64	(37)	7	(16)	23	29	2
Property, plant & equipment to shareholders' fund (Times)	1.64	1.44	0.59	0.22	1.17	1.15	1.42	1.65	1.78	0.66
Total asset to shareholders' fund (Times)	1.68	1.53	1.55	1.23	1.76	1.52	1.67	1.40	1.45	1.29
Net assets per share (Rs.)	0.38	0.37	0.35	0.34	0.57	0.62	0.57	0.65	0.63	0.61
Basic earning /(loss) per share (Rs.)	0.02	0.01	0.01	0.01	-0.04	0.00	0.05	0.02	0.04	0.03