THE MERCANTILE SERVICE PROVIDENT SOCIETY

REPORT OF THE COMMITTEE

AND

ACCOUNTS

FOR THE

YEAR ENDED 31ST DECEMBER, 2025

THE MERCANTILE SERVICE PROVIDENT SOCIETY

(Inaugurated 20th December, 1939)

TRUSTEES: THE CEYLON CHAMBER OF COMMERCE

(Established 25th March, 1839)

REPORT OF THE COMMITTEE FOR THE YEAR ENDED 31ST DECEMBER 2025

COMMITTEE

Rule 7(i) (a)	-	Mr. D.S.T.H. Mudalige (Chairman)
Rule 7(i) (b)	-	Mr. B. Thewarathanthri
		Mr. V. Hirdaramani
Rule 7(i) (c)	-	Mr. D. A. Cabraal
		Ms. K.A. Wilson
Rule 7(i) (d)	-	Ms. E. Sirimanne
		Mr. A.C.M. Irzan
		Mr. N. Jayasuriya
		Ms. E. Wickramaarachchi

The membership of the Society as at 31st December 2025 was 19,090 as compared with 18,049 members for the previous year, and was distributed among the 44 contributing companies as follows:- The number of companies as at 31st December 2024 was 44.

1)	Singer (Sri Lanka) PLC	- 3533	11)	Lankem Ceylon PLC	- 593
2)	DFCC Bank	- 2458	12)	E.B. Creasy & Co. PLC	- 497
3)	Darley Butler & Co. Ltd	- 2059	13)	Unilever Sri Lanka Ltd	- 434
4)	The Capital Maharaja Organization Ltd	- 1384	14)	Deloitte Partners	- 408
5)	KPMG	- 1029	15)	Nestle Lanka PLC	- 350
6)	A Baur & Co. (Pvt) Ltd	- 915	16)	Hotels Colombo (1963) Ltd	- 309
7)	George Steuart & Co. Ltd	- 858	17)	Ernst & Young	- 296
8)	CIC Holdings PLC	- 767	18)	Gestetner of Ceylon PLC	- 249
9)	Morison PLC	- 748	19)	C.W. Mackie PLC	- 226
10)	Astron Ltd	- 605	20)	Haleon Lanka (Pvt) Ltd	- 150

21)	Hemas Holdings PLC	-	157	34)F.J. & G. De Saram	-	21
22)	Finlays Colombo PLC	-	120	35)Premium Exports Ceylon Ltd	-	21
23)	Reckitt Benckiser (Lanka) Ltd	-	89	36)Shums & Co. (Pvt) Ltd	-	20
24)	The Ceylon Chamber of Commerce	-	85	37)IBM World Trade Corporation	-	17
25)	Akzo Nobel Paints Lanka (Pvt) Ltd	-	80	38)Lee Hedges PLC	-	10
26)	Acme Printing & Packaging PLC	-	79	39)Hayleys PLC	-	15
27)	Rhino Roofing Products Ltd	-	74	40)Mercantile Investments and Finance PLC	-	13
28)	Ceylon Shipping Lines Ltd	-	69	41)Shaw Wallace Ceylon Ltd	-	11
29)	Chas P. Hayley & Co. Ltd	-	49	42)Ceylon Trading Co. Ltd	-	08
30)	AT & T Global Information Solutions (Lanka) Ltd	-	40	43)Bartleet & Co. Ltd	-	08
31)	Van Rees Ceylon Ltd	-	36	44)KPMG Professional Services (Pvt) Ltd	-	146
32)	De Soysa & Co. (Pvt) Ltd	-	30			
33)	Thomas Cook Lanka (Pvt) Ltd	-	24	Total Members		19,090

KPMG Professional Services (Pvt) Ltd (subsidiary of KPMG) joined while GlaxoSmithKline Pharmaceuticals (Pvt) Ltd left the Society, bringing the total contributing companies to 44.

On behalf of the Committee of Management of the Mercantile Service Provident Society it gives me pleasure to present the Annual Report of the Society for the financial year ended 31st December 2025.

During the year there was an increase of 1,041 in the membership, bringing the total membership of 19,090. With the restriction of admitting new contributing firms remaining in force, the number of contributing companies as at 31st December 2025 stood at 44.

The total income of the Society for the year 2025 was Rs.5,037 million as compared to Rs.4,521 million in 2024, thus recording an increase of Rs.516.2 million, representing an 11.4% increase over the previous year.

Interest income for 2025 was Rs.4,995 million as against Rs.4,454 million in 2024 which is an increase of 12.1% compared to the previous year. The Committee has proposed an annual distribution rate of 10.5% for the year 2025 amounting to Rs.3,700.5 million against a dividend of Rs.3,620.3 million in 2024.

The total Fund value increased from Rs.37.8 billion in 2024 to Rs.43.1 billion in 2025 representing a growth of 14% in the total Fund value as at 31.12.2025.

The continued growth in income and fund value reflects the Society's prudent investment strategy, effective treasury management, and strong financial position during the year.

The following table shows the investments as at 31st, December 2025 and the income earned during the year.

		INVESTMENTS		INCOME
Fixed Deposits	Rs.	23,546,522,638	Rs.	2,576,368,691
Debentures	Rs.	4,794,198,343	Rs.	609,698,175
Treasury Bonds	Rs.	3,428,624,619	Rs.	409,827,779
Money Market A/C	Rs.	1,274,357,834	Rs.	96,220,688
Treasury Bills	Rs.	-	Rs.	7,891,349
Repurchases	Rs.	3,081,029,057	Rs.	82,839,057
Loans to Members	Rs.	6,085,597,917	Rs.	1,212,242,762
		42,210,330,408		4,995,088,501

Given below are details of the Excess Income Over Expenditure before taxation and rates of income distribution for the past fifteen years.

Year	Net Income	Rate
2010	1,767,040,069	18.00%
2011	1,171,660,223	10.00%
2012	1,584,664,658	11.75%
2013	1,792,069,288	11.50%
2014	1,908,169,039	11.00%
2015	1,691,763,327	9.00%
2016	1,800,727,013	10.00%
2017	2,311,289,397	10.00%
2018	2,515,718,114	10.00%
2019	2,948,486,318	10.00%
2020	2,754,920,369	9.25%
2021	2,745,283,428	8.50%
2022	3,705,537,076	10.00%
2023	4,612,377,267	13.00%
2024	4,424,370,615	11.00%

As the Committee would like to be in a position to answer questions on which members would like further information as fully as possible it would be appreciated if any queries they may have can be submitted to the Secretary prior to the Meeting.

06th August 2026

By Order of the Committee

R. N. DE SARAM
Secretary.

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. 0. Box 186,
Colombo 00300, Sri Lanka.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MERCANTILE SERVICE PROVIDENT SOCIETY

Report on the Audit of the Financial Statements

O pinion

We have audited the financial statements of The Mercantile Service Provident Society ("the Fund"), which comprise the statement of financial position as at 31st December 2025, and the statement of income and expenditure, statement of changes in Fund and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies set out on pages 6 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st December 2025, 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 Fund 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.

Other Information

Management is responsible for the other information. These financial statements do not include the other information.

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

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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

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T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.G.H. Raddella ACA
W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA
H.U.S.T. Dayananda FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

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

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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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

Chartered Accountants

Colombo, Sri Lanka

06th August 2026

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THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF INCOME & EXPENDITURE

FOR THE YEAR ENDED 31ST DECEMBER	Note	2025 Rs.	2024 Rs.
Interest income	**5**	**4,995,088,501**	4,454,428,635
Other operating income	**6**	**41,904,487**	66,324,725
Total income		**5,036,992,988**	4,520,753,360
Administration expenses	**7**	**(73,251,619)**	(95,149,441)
Finance expenses	**8**	**(733,297)**	(1,233,304)
Total expenses		**(73,984,916)**	(96,382,745)
Income over expenditure before taxation		**4,963,008,072**	4,424,370,615
Income tax expense	**9**	**(615,517,829)**	(702,054,722)
Income over expenditure for the year before distribution		**4,347,490,243**	3,722,315,893
Distribution			
Income paid to resigned members in 2025 at the rate of 11% (2024 - 13%)		**(232,611,001)**	(427,242,006)
Income distributed to active members at the rate of 10.5% (2024 -11%)		**(3,467,935,670)**	(3,193,113,109)
Total distribution		**(3,700,546,671)**	(3,620,355,115)
Transferred to revenue reserve		**646,943,572**	101,960,778

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 10 to 39. The Auditor's Report is given on the pages 4 and 5.

THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER	Note	2025 Rs.	2024 Rs.
ASSETS			
Non Current Assets			
Property, plant and equipment	**10**	**4,525,989**	2,181,066
Intangible assets	**11**	**660,700**	**-**
Right of use asset	**12**	**1,506,955**	3,767,387
Financial investments measured at amortised cost	**13**	**34,850,374,657**	30,152,964,399
Loans to members	**14**	**6,085,597,917**	5,743,521,532
Total Non Current Assets		**40,942,666,218**	35,902,434,384
Current Assets			
Other receivables	**15**	**729,307,954**	460,756,159
Cash and cash equivalents	**16**	**1,393,322,035**	1,423,244,461
Total Current Assets		**2,122,629,989**	1,884,000,620
Total Assets		**43,065,296,207**	37,786,435,004
RESERVES AND LIABILITIES			
Reserves			
Members' account	**17**	**42,663,887,972**	37,213,043,024
Revenue reserve	**18**	**48,657,293**	32,988,419
Total Reserves		**42,712,545,265**	37,246,031,443
Non Current Liabilities			
Retirement benefit obligation	**19**	**17,478,052**	15,527,084
Lease liabilities	**20**	**-**	2,312,826
Total Non Current Liabilities		**17,478,052**	17,839,910
Current Liabilities			
Lease liabilities	**20**	**2,914,456**	1,672,426
Other creditors	**21**	**6,344,240**	147,421,413
Income tax liability		**326,014,194**	373,469,812
Total Current Liabilities		**335,272,890**	522,563,651
Total Liabilities		**352,750,942**	540,403,561
Total Reserve and Liabilities		**43,065,296,207**	37,786,435,004

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 10 to 39. The Auditor's Report is given on the pages 4 and 5.

Preethi Fernando
Chief Executive Officer

The Committee is responsible for the preparation and presentation of these Financial Statements;
Approved for and on behalf of the Committee:

D.S.T.H. Mudalige
Chairman

R. N. De Saram
Secretary

06th August 2026
Colombo

THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF CHANGES IN FUND

FOR THE YEAR ENDED 31ST DECEMBER

	Note	Members' account	Revenue reserve	Total
		Rs.	Rs.	Rs.
Balance as at 1st January 2024		33,670,373,335	190,657,788	33,861,031,123
Surplus of income over expenditure after distribution for the year		-	101,960,778	101,960,778
Transfer of fair value adjustment to revenue reserve	17	259,630,147	(259,630,147)	-
Contribution received		5,688,879,885	-	5,688,879,885
Insurance maturity proceeds received		55,099,994	-	55,099,994
Income distributed		3,620,355,115	-	3,620,355,115
Amortisation adjustment in member loans	14.2	(259,630,147)	-	(259,630,147)
Under paid interest of retired members	17.3	(14,475,224)	-	(14,475,224)
Outstanding loan balances of retired members	17.3	(850,947,258)	-	(850,947,258)
Insurance paid out	17.4	(162,291,744)	-	(162,291,744)
Payments to retired members		(4,793,951,079)	-	(4,793,951,079)
Balance as at 31st December 2024		37,213,043,024	32,988,419	37,246,031,443
Balance as at 1st January 2025		**37,213,043,024**	**32,988,419**	**37,246,031,443**
Surplus of income over expenditure after distribution for the year		-	**646,943,572**	**646,943,572**
Transfer of fair value adjustment to revenue reserve **(Note 16)**		**631,274,698**	**(631,274,698)**	**-**
Contribution received		**6,698,456,539**	**-**	**6,698,456,539**
Insurance maturity proceeds received **(Note 17)**		**80,206,008**	**-**	**80,206,008**
Income distributed		**3,700,546,671**	**-**	**3,700,546,671**
Amortisation adjustment in member loans **(Note 14.2)**		**(631,274,698)**	**-**	**(631,274,698)**
Under paid interest of retired members	17.3	**(8,416,418)**	**-**	**(8,416,418)**
Outstanding loan balances of retired members	17.3	**(736,014,254)**	**-**	**(736,014,254)**
Insurance paid out	17.4	**(156,905,653)**	**-**	**(156,905,653)**
Payments to retired members		**(4,127,027,945)**	**-**	**(4,127,027,945)**
Balance as at 31st December 2025		**42,663,887,972**	**48,657,293**	**42,712,545,265**

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 10 to 39. The Auditor's Report is given on the pages 4 and 5.

THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER	Note	2025 Rs.	2024 Rs.
Cash flow from operating activities			
Income over expenditure before taxation		**4,963,008,072**	4,424,370,615
Adjustments for:			
Depreciation of property, plant and equipment	**10**	**539,983**	574,572
Amortisation of intangible assets	**11**	**65,453**	-
Amortisation of right of use asset	**12**	**2,260,432**	2,260,432
Provision for retirement benefit obligation	**19**	**4,953,628**	2,008,802
Provision for impairment of other receivables	**7**	**-**	37,478,466
Interest on lease liability	**8**	**386,432**	922,964
Write back of sundry creditors	**6**	**(665,279)**	(35,072,071)
Interest income	**5**	**(4,363,813,803)**	(4,194,798,488)
Amortisation adjustment on member loans	**14**	**(631,274,698)**	(259,630,147)
Operating cash flows before working capital changes		**(24,539,780)**	(21,884,855)
Increase in other receivables		**(216,689,683)**	(107,103,764)
Increase in other creditors		**(140,411,894)**	87,774,738
Increase in member loan receivable		**(1,099,816,789)**	(846,297,539)
Cash used in operating activities		**(1,481,458,146)**	(887,511,420)
Current tax paid		**(591,321,650)**	(601,296,447)
Interest paid		**(386,432)**	(922,964)
Gratuity Paid	**19**	**(3,002,660)**	-
Net cash used in operating activities		**(2,076,168,888)**	(1,489,730,831)
Cash flow from investing activities			
Interest received		**3,536,150,450**	1,990,855,835
Purchase of property plant and equipment	**10**	**(2,884,906)**	(1,376,903)
Purchase of intangible assets	**11**	**(726,153)**	-
Net (investments)/maturity in financial assets		**(3,979,951,081)**	(1,186,908,159)
Contribution received	**17**	**6,698,456,539**	5,688,879,885
Insurance maturity proceeds received	**17**	**80,206,008**	55,099,994
Total payments to retired members	**17**	**(4,283,933,598)**	(4,956,242,823)
Net cash generated from investing activities		**2,047,317,258**	1.590.307.829
Cash flow from financing activities			
Repayment of lease liability	**20**	**(1,070,796)**	(2,878,502)
Net cash used in financing activities		**(1,070,796)**	(2,878,502)
Net increase in cash and cash equivalents		**(29,922,426)**	97,698,496
Cash and cash equivalents at the beginning of the year		**1,423,244,461**	1,325,545,965
Cash and cash equivalents at the end of the year	**16**	**1,393,322,035**	1,423,244,461

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 10 to 39. The Auditor's Report is given on the pages 4 and 5.

1. REPORTING ENTITY

1.1 Domicile and Legal Form

Mercantile Service Provident Society ("the Fund") is a defined contribution plan established on 20th December 1939. The registered office of the Fund is situated at No.212, De Saram Place, Colombo 10.

The Ceylon Chamber of Commerce is the custodian trustee of The Mercantile Service Provident Society.

1.2 Principal Activities and Nature of Operations

The principal activity of the Fund is to manage the funds received from members.

1.3 Number of Employees

The total number of employees of the Fund as at 31st December 2025 was 13 (2024 - 12).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Fund have been prepared in accordance with the Sri Lanka Accounting Standards (the "Accounting Standards"), as issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Accounting Standards comprise:

- Sri Lanka Financial Reporting Standards ("SLFRS");
- Sri Lanka Accounting Standards ("LKAS");
- Statements of Recommended Practices (SoRPs);
- Statement of Alternate Treatment (SoATs) and
- Financial Reporting Guidelines issued by the CA Sri Lanka.

The Accounting Standards along with FAQs issued are available at the website of CA Sri Lanka www.casrilanka.com. .

2.2 Basis of Measurement

The financial statements of the Fund have been prepared in accordance with the historical cost basis except for the following material items in the statement of financial position:

- Investments have been stated at their fair value other than the investments that have a fixed redemption maturity value and have been acquired to match the obligations of the Fund.
- Loans given to members have been stated at the fair value since these loans have been granted at a rate which is less than the prevailing market interest rate.

2.3 Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Sri Lankan Rupees, the Fund's functional and presentation currency. There was no change in the Fund's presentation and functional currency during the year under review.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Presentation of Financial Statements

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

2.5 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 as permitted by the Sri Lanka Accounting Standard -1 on 'Presentation of Financial Statements'.

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

2.6 Offsetting

Assets and Liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs/ LKASs.

2.7 Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements of the Fund in conformity with SLFRSs/ LKASs requires management to make judgements, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period and any future periods affected.

a) Judgements

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

Financial Statement Area	Disclosure Reference	
	Note	Pages
Financial investments measured at amortized cost	13	29-30
Retirement benefit obligation	19	33

2. BASIS OF PREPARATION (CONTINUED)

2.8 Going Concern

The Committee Members are satisfied that the Fund has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore going-concern basis has been adopted in preparing these Financial Statements.

3 MATERIAL ACCOUNTING POLICIES

Except as stated below, the Fund has consistently applied accounting policies set out below to all periods presented in these financial statements.

3.1 Assets and basis of their valuation

Assets classified as current assets in the statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle of the Fund's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the Fund intends to hold beyond a period of one year from the date of statement of financial position are classified as non-current assets.

3.1.1 Leases

At inception of a contract, the Fund 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 Fund assesses whether,

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Fund has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Fund has the right to direct the use of the asset. The Fund has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Fund has the right to direct the use of the asset if either;

- the Fund has the right to operate the asset; or the Fund designed the asset in a way that predetermines how and for what purpose it will be used.

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.1 Leases (Continued)

At inception or on reassessment of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflater, the Fund shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

i) As a Lessee

The Fund 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 earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements 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 Fund's incremental borrowing rate. Generally, the Fund uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and

The lease liability is measured at amortised cost using the effective interest method. It is re-measured 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 Fund estimate of the amount expected to be payable under a residual value guarantee, or if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.1 Leases (Continued)

ii) As a Lessor

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

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if, not, then it is an operating lease. As part of this assessment, the Fund consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Fund is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Fund recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Fund as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

3.1.2 Property, Plant and Equipment

3.1.2.1 Recognition and Measurement

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

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

When part of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income or profit or loss.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.2 Property, Plant and Equipment (Continued)

3.1.2.2 Subsequent Expenditure

The cost of replacing 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 Fund and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in Statement of Income and Expenditure as incurred.

3.1.2.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Asset category	Useful life
Furniture & fittings	10 years
Office equipment	5 years
Computer equipment	5 years

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.2 Property, Plant and Equipment (Continued)

3.1.2.4 Derecognition

An item of property, plant and equipment is de-recognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Income and Expenditure in the year the asset is de-recognised.

3.1.3 Financial Instruments

3.1.3.1 Recognition and initial measurement

Other receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.1.3.2 Classification and subsequent measurement

3.1.3.2.1 Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequently to their recognition unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

a) Business Model Assessment

The Fund makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.3 Financial Instruments (Continued)

3.1.3.2 Classification and subsequent measurement (Continued)

3.1.3.2.1 Financial Assets (Continued)

a) Business Model Assessment (Continued)

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets:
- How the performance of the portfolio is evaluated and reported to the Fund's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

b) Assessment whether contractual cash flows are solely payment of principal and interest

For the purpose 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 cost), as well as a profit margin.

In assessing whether the contractual cash flows are solely payment of principal and interest, the Fund 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 this assessment, the Fund considers;

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayment and extension features; and
- Terms that limits the Fund's claim to cash flows from specific assets (e.g. non-recourse features)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.3 Financial Instruments (Continued)

3.1.3.2 Classification and subsequent measurement (Continued)

3.1.3.2.1 Financial Assets (Continued)

b) Assessment whether contractual cash flows are solely payment of principal and interest (Continued)

The prepayment feature is consistent with the solely payment of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable addition compensation for early termination of the contract.

(c) Subsequent Measurement and gains and losses

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3.1.3.2.2 Financial Liabilities

(a) Classification, subsequent measurement and gain and loss

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.1.3.3 Derecognition

Financial Assets

The Fund 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 Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Assets and basis of their valuation (Continued)

3.1.3 Financial Instruments (Continued)

3.1.3.3 Derecognition (Continued)

Financial Liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.1.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Fund 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.

3.1.3.5 Impairment of Non-Financial Assets

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Fund makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3.1.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances and short term highly liquid deposits which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Liabilities and provisions

3.2.1 General

a) Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date. Noncurrent liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements.

Provisions and liabilities are recognized when the Fund has a legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation.

b) Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized, even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.2.2 Retirement Benefit Obligation

3.2.2.1 Retirement Benefit Obligation Defined Benefit Plans – Gratuity

The Fund computes the gratuity liability based on Payment of Gratuity Act No. 12 of 1983 rather than formula based internal model after taking into consideration the lower number of employees the Fund had as at reporting date.

The liability is not externally funded nor actuarially valued.

3.2.2.2 Defined Contribution Plans – MSPS and ETF

A defined contributed plan is a post-employment benefit plan under which an entity pays fixed contributed into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognized as an expense in income and expenditure in the period's during which services are rendered by employees.

The Fund contributes 12% on consolidated salaries/wages of the employees to Mercantile Service Provident Society (MSPS).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Liabilities and Provisions (Continued)

3.2.2 Retirement Benefit Obligation (Continued)

3.2.2.2 Defined Contribution Plans – MSPS and ETF (Continued)

All the employees of the Fund are members of the Employees Trust Fund, to which the Fund contributes 3% on the consolidated salaries/wages of such employees.

3.2.2.3 Short Term Employee Benefits

Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Fund.

3.2.2.4 Termination Benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Fund recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3.3 Income and Expenditure

3.3.1 Revenue Recognition

3.3.1.1 Interests

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

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Income and Expenditure (Continued)

3.3.1 Revenue Recognition (Continued)

3.3.1.2 Dividends

Dividend income is recognized in the Statement of Income and Expenditure on the date the Fund's right to receive payments is established, which in the case of quoted securities is the ex-dividend rate.

3.3.1.3 Net trading income

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

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

3.3.2 Expense Recognition

Expenses are recognized in the Statement of Income and Expenditure on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of Statement of Income and Expenditure, the Committee Members are of the opinion that the nature of the expense's method presents fairly the element of the Fund's performance and hence, such presentation method is adopted.

3.3.2.1 Income Tax Expenses

Income tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognized in the Statement of Income and Expenditure.

The Fund has determined that interest and penalty related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted for them under LKAS 37, Provision, contingent liabilities and contingent assets.

a) Current Tax

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

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Income and Expenditure (Continued)

3.3.2 Expense Recognition (Continued)

3.3.2.1 Income Tax Expenses (Continued)

a) Current Tax (Continued)

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue (Amendment) Act. No 45 of 2022 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

b) Deferred Tax

The Fund does not account for deferred taxation since there will not be any material temporary differences arising on the current taxation computation based on the provisions of the Inland Revenue (Amendment) Act No 45 of 2022 and amendments thereto.

3.4 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the LKAS 7 – Statement of Cash Flows.

3.5 Events after reporting date

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

3.6 Capital Commitments

Capital commitments of the Fund have been disclosed in the respective Notes to the Financial Statements.

3.7 Related party disclosure

3.7.1 Transactions with Related Parties

The Fund carries out transactions in the ordinary course of its business with parties who are defined as related parties as per LKAS 24 - 'Related Party Disclosures'. Appropriate disclosures are made in the financial statements of the Fund disclosing the transactions with related parties.

4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/ improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Fund has not early adopted any of the new of amended standards in the preparation of these financial statements.

Accordingly, the Fund has not applied these standards in preparing these Financial Statements.

1. SLFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information.

2. SLFRS S2 - Climate-related Disclosures.

3. SLFRS 18 - "Presentation of Financial Statements" will replace LKAS1 Presentation of Financial Statements.

FOR THE YEAR ENDED 31ST DECEMBER

5	**Interest income**	**2025**	2024
		Rs.	Rs.
	Interest on fixed deposits **(Note 5.1)**	**2,576,368,691**	2,282,772,404
	Interest on debentures	**609,698,175**	794,708,407
	Interest on housing loans granted	**580,968,064**	576,904,481
	Interest on treasury bonds	**409,827,779**	425,464,561
	Interest on savings account	**96,220,688**	57,539,980
	Interest on treasury bills	**7,891,349**	12,568,655
	Interest on Repurchases	**82,839,057**	44,840,000
	EIR adjustment to interest income on members loans	**631,274,698**	259,630,147
		4,995,088,501	4,454,428,635

5.1 Interest on fixed deposits

The average interest rate on fixed deposits declined from 14.99% (2024) to 13.42% (2025). However, interest income from fixed deposits increased during the year due to higher average deposit balances and increased investment in fixed deposits.

6	**Other operating income**	**2025**	2024
		Rs.	Rs.
	Contributors' fee	**18,030,000**	16,803,000
	Insurance handling fee	**5,424,923**	5,276,516
	Sub lease income **(Note 6.1)**	**1,019,093**	1,389,440
	Surcharge on late contributions	**16,763,942**	7,783,698
	Write back sundry creditors **(Note 6.2)**	**665,279**	35,072,071
	Sundry Income	**1,250**	-
		41,904,487	66,324,725

6.1 Sub lease income

The Fund has leased out part of the building to Management System Limited and Secretarial and Accounting Solutions (Private) Limited. The Secretarial and Accounting Solutions (Private) Limited.

The sub leases referred to above are short-term in nature and have been accounted for as operating leases.

6.2 Write back sundry creditors

The amount written back during the year includes long outstanding unclaimed balances related to retired members, which remained unclaimed from 2013 to 2018.

7	**Administration expenses**	**2025**	2024
		Rs.	Rs.
	Staff costs **(Note 7.1)**	**42,943,343**	33,972,973
	Secretarial charges	**3,691,500**	3,345,000
	Rent, rates and security charges	**2,061,945**	1,103,180
	Printing and stationery	**941,221**	895,631
	Depreciation **(Note 10)**	**539,983**	574,572
	Amortisation of right of use asset **(Note 12)**	**2,260,432**	2,260,432
	Amortisation of intangible assets **(Note 11)**	**65,453**	-
	Postage and telephone	**407,148**	348,704
	Electricity and water	**1,159,136**	1,320,170
	Computer processing charges	**5,151,970**	4,696,763
	Computers and general ledger maintenance expenses	**479,753**	200,689
	Software maintenance fee	**4,259,630**	-
	Audit fee and other professional fees **(Note 7.2)**	**2,477,016**	3,027,050
	Provision for impairment of other receivables **(Note 15.2)**	**-**	37,478,466
	General expenses	**6,794,189**	5,905,609
	Stamp duty	**18,900**	20,202
		73,251,619	95,149,441

FOR THE YEAR ENDED 31ST DECEMBER

7 Administration expenses (Continued)

7.1 Staff costs

	2025	2024
	Rs.	Rs.
Salaries and wages	**32,355,761**	27,332,193
Employees provident fund	**4,668,880**	3,817,506
Employees trust fund	**737,699**	606,059
Over time payments	**227,375**	208,413
Provision for retirement benefit obligation **(Note 19)**	**4,953,628**	2,008,802
	42,943,343	33,972,973

7.2 Audit fee and other professional fees

Audit fee	**1,445,362**	1,110,133
Consultancy fee for treasury bond restructuring	**-**	254,648
Tax consultancy fees	**1,031,654**	1,662,269
	2,477,016	3,027,050

8 Finance expenses

	2025	2024
	Rs.	Rs.
Bank charges	**346,865**	310,340
Interest on lease liability **(Note 20)**	**386,432**	922,964
	733,297	1,233,304

9 Income tax expenses

	2025	2024
	Rs.	Rs.
Current tax expenses **(Note 9.1)**	**606,460,630**	702,054,722
Under provision with respect of prior year	**9,057,199**	-
	615,517,829	702,054,722

9.1 Reconciliation of accounting profit and income tax expense

	2025	2024
	Rs.	Rs.
Income over expenditure before taxation	**4,963,008,072**	4,424,370,615
Less: EIR adjustment to interest income on member loans	**(631,274,698)**	(259,630,147)
	4,331,733,374	4,164,740,468
Add: Aggregate disallowable expenses	**73,984,916**	918,170,191
Less: Aggregate allowable expenses	**(73,856,649)**	(68,234,074)
Taxable income	**4,331,861,641**	5,014,676,585
Tax on business income @ 14%	**606,460,630**	702,054,722
Income tax for the year	**606,460,630**	702,054,722

The Fund is liable for income tax at the rate of 14% (2024: 14%) in accordance with Inland Revenue (Amendment) Act No 45 of 2022. Further, the Fund opted to restructure its treasury bonds under the Domestic Debt Optimisation programme which made the Fund eligible to pay taxes on interest income earned on treasury bonds at a rate of 14% instead of 30%.

AS AT 31ST DECEMBER

10 Property, plant and equipment

	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Total Rs.
Cost				
Balance as at 1st January 2024	2,615,830	1,274,968	4,472,127	8,362,925
Additions during the year	1,201,057	175,846	-	1,376,903
Balance as at 31st December 2024	3,816,887	1,450,814	4,472,127	9,739,828
Balance as at 1st January 2025	**3,816,887**	**1,450,814**	**4,472,127**	**9,739,828**
Additions during the year	**2,090,456**	**79,650**	**714,800**	**2,884,906**
Balance as at 31st December 2025	**5,907,343**	**1,530,464**	**5,186,927**	**12,624,734**
Accumulated Depreciation				
Balance as at 1st January 2024	1,910,747	1,260,644	3,812,699	6,984,190
Charge for the year	126,146	32,725	415,701	574,572
Balance as at 31st December 2024	2,036,893	1,293,369	4,228,400	7,558,762
Balance as at 1st January 2025	**2,036,893**	**1,293,369**	**4,228,400**	**7,558,762**
Charge for the year	**304,366**	**54,638**	**180,979**	**539,983**
Balance as at 31st December 2025	**2,341,259**	**1,348,007**	**4,409,379**	**8,098,745**
Carrying Value as at 31st December 2025	**3,566,084**	**182,457**	**777,548**	**4,525,989**
Carrying Value as at 31st December 2024	1,779,994	157,445	243,727	2,181,066

10.1 Acquisition of property, plant and equipment during the year

The Fund has acquired property, plant and equipment to the aggregate value of Rs. 2,884,906/- during the year (2024 - Rs. 1,376,903/-). Cash payments amounting to Rs. 2,886,406/- (2024 - Rs. 1,376,903/-) were made by the Fund during the year to purchase these assets.

10.2 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets which are in use of normal business activities.

The initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date, is as follows :

	2025 Rs.	2024 Rs.
Furniture and fittings	**1,746,274**	1,476,274
Office equipment	**1,260,498**	1,260,498
Computer equipment	**4,097,027**	3,686,027
	7,103,799	6,422,799

10.3 Property, plant and equipment pledged as security for Liabilities

There were no items of property, plant and equipment in the Fund, pledged as securities for liabilities during the year (2024 - Nil).

10.4 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the property, plant and equipment of the Fund as at the reporting date.

AS AT 31ST DECEMBER

11 Intangible assets	2025 Rs.	2024 Rs.
Cost		
Balance as at 1st January	**-**	-
Additions during the year	**726,153**	-
Balance as at 31st December	**726,153**	-
Accumulated amortization		
Balance as at 1st January	**-**	-
Charge during the year	**65,453**	-
Balance as at 31st December	**65,453**	-
Net carrying value as at 31st December	**660,700**	-

During the year the Fund has implemented a Document Management System (DMS) and the costs incurred on the system have been recognized as an intangible asset.

12 Right of Use Asset	2025 Rs.	2024 Rs.
Cost		
Balance as at 1st January	**17,329,979**	17,329,979
Balance as at 31st December	**17,329,979**	17,329,979
Amortisation		
Balance as at 1st January	**13,562,592**	11,302,160
Amortisation of right of use asset	**2,260,432**	2,260,432
Balance as at 31st December	**15,823,024**	13,562,592
Carrying amount as at 31st December	**1,506,955**	3,767,387

Information about leases for which the Fund is a lessee is presented in Note 20.

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13 Financial investments measured at amortised cost

The Fund's financial instruments are summarised by the following categories:

	Note	2025 Rs.	2024 Rs.
Investments in government securities	13.1	**3,428,624,619**	3,841,279,534
Other investments	13.2	**31,421,750,038**	26,311,684,865
		34,850,374,657	30,152,964,399

The following table consists of the fair values of the financial investments together with their carrying values.

	Note	2025		2024	
		Carrying value Rs.	**Fair value Rs.**	Carrying value Rs.	Fair value Rs.
Investments in government securities	13.1	**3,428,624,619**	**3,369,956,029**	3,841,279,534	3,768,589,107
Other investments	13.2	**31,421,750,038**	**31,421,750,038**	26,311,684,865	26,311,684,865
Total Financial Investments		**34,850,374,657**	**34,791,706,067**	30,152,964,399	30,080,273,972

13.1 Investment in government securities

Treasury bonds	**3,428,624,619**	**3,369,956,029**	3,428,710,879	3,356,020,452
Treasury bills	**-**	**-**	412,568,655	412,568,655
	3,428,624,619	**3,369,956,029**	3,841,279,534	3,768,589,107

13.1.1 As per LKAS 26, "Accounting and Reporting by Retirement Benefit Plans" , if the marketable securities with fixed redemption value have been acquired to match the obligation of the Fund, they can be carried at an amount based on their ultimate redemption value assuming a constant rate of return to maturity. The Fund has matched all investments in marketable securities with fixed redemption value (analysed under different maturity periods) to the total member obligations of the Fund (though not individually matched under each category based on time period) and therefore the Committee is of the view that such investments can be carried at amortised cost.

13.2 Other investments	2025 **Carrying value Rs.**	2025 **Fair value Rs.**	2024 Carrying value Rs.	2024 Fair value Rs.
Debentures **(Note 13.4)**	**4,794,198,343**	**4,794,198,343**	7,706,167,715	7,706,167,715
Fixed deposits	**23,546,522,638**	**23,546,522,638**	18,398,277,150	18,398,277,150
Repurchase agreements **(Note 13.5)**	**3,081,029,057**	**3,081,029,057**	207,240,000	207,240,000
Total Financial Investments	**31,421,750,038**	**31,421,750,038**	26,311,684,865	26,311,684,865

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13 Financial investments measured at amortised cost (Continued)

13.3 The Fund invests in banks which are approved by the Committee with a minimum "A" rating from a registered rating agency.

13.4 Debentures

	2025				2024			
	Redeemable Date	**Coupon Rate**	**Cost Rs.**	**Carrying value Rs.**	Redeemable Date	Coupon Rate	Cost Rs.	Carrying value Rs.
DFCC Bank PLC	**21-Nov-30**	**10.50%**	**750,000,000**	**758,845,890**	12-Jun-25	11.00%	524,000,000	556,057,316
DFCC Bank PLC	**21-Nov-30**	**10.25%**	**310,601,000**	**314,177,166**	24-Oct-25	9.00%	1,000,000,000	1,017,260,274
Hatton National Bank PLC	**23-Sep-26**	**12.80%**	**254,300,000**	**263,128,739**	23-Sep-26	13.00%	254,300,000	263,217,918
Hatton National Bank PLC	**29-Jul-31**	**9.50%**	**1,032,630,000**	**1,074,557,607**	29-Jul-31	9.50%	1,032,630,000	1,074,557,607
Hatton National Bank PLC	**17-Dec-32**	**11.00%**	**282,290,000**	**283,566,106**	-	-	-	-
National Development Bank PLC	-	-	-	-	25-Sep-25	9.50%	2,100,030,000	2,153,595,149
People's Bank	-	-	-	-	27-Jul-25	9.50%	1,000,000,000	1,041,123,288
Sampath Bank PLC	**12-Apr-28**	**9.00%**	**1,000,000,000**	**1,065,095,890**	12-Apr-28	9.00%	1,000,000,000	1,065,095,890
Seylan Bank PLC	**12-Apr-26**	**9.75%**	**500,000,000**	**535,260,274**	-	-	-	-
Seylan Bank PLC	**18-Jul-35**	**11.75%**	**474,080,000**	**499,566,671**	12-Apr-26	9.75%	500,000,000	535,260,273
			4,603,901,000	**4,794,198,343**			7,410,960,000	7,706,167,715

13.5 Repurchase agreements

	2025				2024			
	Repurchase Date	**Interest Rate**	**Cost Rs.**	**Carrying value Rs.**	Repurchase Date	Interest Rate	Cost Rs.	Carrying value Rs.
National Savings Bank	**5-Feb-26**	**7.97%**	**500,000,000**	**516,202,747**	6-Feb-26	9.05%	200,000,000	207,240,000
National Savings Bank	**5-Aug-26**	**8.02%**	**500,000,000**	**516,304,396**	-	-	-	-
National Savings Bank	**8-Jan-26**	**8.05%**	**1,027,097,867**	**1,032,549,387**	-	-	-	-
DFCC Bank PLC	**22-Aug-26**	**8.25%**	**500,000,000**	**514,958,791**	-	-	-	-
DFCC Bank PLC	**13-Jan-26**	**8.20%**	**500,000,000**	**501,013,736**	-	-	-	-
			3,027,097,867	**3,081,029,057**			200,000,000	207,240,000

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14	Loans to members	2025 Rs.	2024 Rs.
	Loans to members **(Note 14.1)**	**4,664,834,500**	4,074,400,092
	Prepaid expenses **(Note 14.2)**	**1,420,763,417**	1,669,121,440
		6,085,597,917	5,743,521,532

14.1	Loans to members		
	Balance as at 1st January	**4,074,400,092**	4,102,662,282
	Loans granted during the year	**1,489,734,300**	1,162,246,600
	Interest receivable on loans	**37,323,315**	34,832,134
	Last year accrued interest payment	**(34,832,134)**	(33,277,944)
	Amortisation of fair value adjustment - interest income **(Note 14.2)**	**631,274,698**	259,630,147
		6,197,900,271	5,526,093,219
	Less:		
	Repayment received during the year	**(1,134,348,183)**	(1,181,371,543)
	Repayment receivable	**(15,800,913)**	(13,480,590)
	Fair value adjustment in the members loans on initial recognition	**(382,916,675)**	(256,840,994)
		(1,533,065,771)	(1,451,693,127)
		4,664,834,500	4,074,400,092

14.2	Prepaid expenses		
	Balance as at 1st January	**1,669,121,440**	1,671,910,593
	Fair value adjustment in members loans on initial recognition	**382,916,675**	256,840,994
	Amortisation recognised in the members accounts **(Note 17)**	**(631,274,698)**	(259,630,147)
	Balance as at 31st December	**1,420,763,417**	1,669,121,440

The Fund grants loans to its members at the rate of 10%. Since the average market interest rate for the year 2025 was 14.75%, loans granted during the year 2025 were fair valued at the average market interest rate in accordance with "SLFRS 9- Financial Instruments."

Since, the loan rate of 10% at which the loans were granted was higher than the average market rate of 9.65% in the year of 2020, no fair valuation was made to the member loans granted during the year ended 31st December 2020.

15	Other receivables	2025 Rs.	2024 Rs.
	Loan repayment receivables	**15,800,913**	13,480,590
	Contribution receivable	**412,335,291**	349,818,269
	Contributors fee receivable	**10,369,000**	1,378,000
	Advance payments	**2,933,206**	179,711
	Sub lease income receivable **(Note 15.1)**	**771,111**	-
	Other receivables	**324,576,899**	133,378,055
		766,786,420	498,234,625
	Less: Provision for impairment of other receivables **(Note 15.2)**	**(37,478,466)**	(37,478,466)
		729,307,954	460,756,159

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15 Other receivables (Continued)

15.1 Sub lease income receivable

	2025	2024
	Rs.	Rs.
Balance as at 1st January	**-**	1,469,508
Sub lease income for the year	**771,111**	1,389,441
Amount received during the year	**-**	(2,858,949)
Balance as at 31st December	**771,111**	-

15.2 Provision for impairment of other receivables

Balance as at 1st January	**37,478,466**	-
Provision made during the year	**-**	37,478,466
Balance as at 31st December	**37,478,466**	37,478,466

16 Cash and cash equivalents

	2025	2024
	Rs.	Rs.
Cash at bank	**1,393,247,035**	1,423,169,461
Cash in hand	**75,000**	75,000
Cash and cash equivalents for the cash flow purpose	**1,393,322,035**	1,423,244,461

17 Members' account

	2025	2024
	Rs.	Rs.
Balance as at 1st January	**37,213,043,024**	33,670,373,335
Contribution received	**6,698,456,539**	5,688,879,885
Insurance maturity proceeds received **(Note 17.1)**	**80,206,008**	55,099,994
Income distributed	**3,700,546,671**	3,620,355,115
Amortization adjustment in member loans **(Note 17.2)**	**(631,274,698)**	(259,630,147)
Transfer of fair value adjustment from revenue reserve **(Note 14.2)**	**631,274,698**	259,630,147
	47,692,252,242	43,034,708,329
Less:		
Under paid interest of retired members **(Note 17.3)**	**(8,416,418)**	(14,475,224)
Outstanding loan balances of retired members **(Note 17.3)**	**(736,014,254)**	(850,947,258)
Insurance paid out **(Note 17.4)**	**(156,905,653)**	(162,291,744)
Payments to retired members	**(4,127,027,945)**	(4,793,951,079)
	(5,028,364,270)	(5,821,665,305)
Balance as at 31st December	**42,663,887,972**	37,213,043,024

17.1 Amount received by the Fund on the maturity of insurance policies on behalf of the members are accounted under member account.

17.2 Amortisation adjustment to members loans refers to the amortisation of the initial adjustment made to loans granted at beneficial rates.

17.3 Member loan outstanding amount and interest receivable are recovered from the respective member account at the point of retiring from the Fund.

17.4 Members who have obtained an insurance policy through the Fund for which the insurance premiums are paid by the Fund and the amount paid out at the maturity will be deducted from the member account.

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18 Revenue reserve	2025 Rs.	2024 Rs.
Balance as at 1st January	**32,988,419**	190,657,788
Surplus of income over expenditure for the year after distribution	**646,943,572**	101,960,778
Transfer of fair value adjustment to members' account **(Note 18.1)**	**(631,274,698)**	(259,630,147)
Balance as at 31st December	**48,657,293**	32,988,419

18.1 The effective interest rate adjustment made to investment and interest income recognised on members loans based on fair value adjustments have been transferred to members' account.

19 Retirement benefit obligation	2025 Rs.	2024 Rs.
Balance as at 1st January	**15,527,084**	13,518,282
Provision recognised during the year	**4,953,628**	2,008,802
	20,480,712	15,527,084
Payments made during the year	**(3,002,660)**	-
Balance as at 31st December	**17,478,052**	15,527,084

19.1 The Fund computes the gratuity liability based on The Payment of Gratuities Act No. 12 of 1983 after taking into consideration the lower number of employees the Fund had as at reporting date. The liability is not externally funded nor actuarially valued.

20 Lease Liability	2025 Rs.	2024 Rs.
Balance as at 1st January	**3,985,252**	6,863,754
Interest expense for the year	**386,432**	922,964
Repayment during the year	**(1,457,228)**	(3,801,466)
Balance as at 31st December	**2,914,456**	3,985,252
Payable after one year	**-**	2,312,826
Payable within one year	**2,914,456**	1,672,426
	2,914,456	3,985,252

When measuring the lease liabilities for leases that were classified as operating leases, the Fund discounted lease payments using its incremental borrowing rate as at 1st January 2019. The weighted average rate applied is 14.5%.

The Fund entered in to a lease agreement in 2016 with Ms. Helani Preethi Fernando for lease of land and building bearing assessment No. 212, De Saram Place, Colombo 10 for a period of 10 years ending 31st August 2026.

20.1 Maturity Analysis of Undiscounted Cash Flows

Within one year	**-**	3,801,465
After one year but not more than three years	**-**	529,720
	-	4,331,185

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20 Lease Liability (Continued)

20.2 Amounts recognised in profit or loss

For the year ended 31st December 2025 - Leases under SLFRS 16	**2025**	2024
	Rs.	Rs.
Interest on lease liability	**386,432**	922,964
Amortisation of right of use asset	**2,260,432**	2,260,432
	2,646,864	3,183,396

20.3 Amounts recognised in statement of cash flows

Total cash outflow for leases	**1,457,228**	3,801,466

21 Other Creditors

	2025	2024
	Rs.	Rs.
Unpaid balance for retired members	**229,375**	142,398,317
Sundry creditors	**5,600,791**	4,261,041
Deferred Sub Lease Income **(Note 21.1)**	**514,074**	762,055
	6,344,240	147,421,413

21.1 Deferred Sub Lease Income

This relates to advances received in relation to sub lease (refer Note 6.1)

22 Related Party Disclosure

22.1 Transactions with Key Management Personnel

According to LKAS 24 "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Committee Members of the Fund have been classified as Key Management Personnel (KMP) of the Fund.

The compensation paid to KMPs are as follows:

For the year ended 31st December	**2025**	2024
	Rs.	Rs.
Short term benefits	Nil	Nil
Post employment benefits	Nil	Nil

No other payments such as termination benefits and share based payments have been paid to key management personnel during the year.

22.2 Transactions with related entities

According to LKAS 24 "Related Party Disclosures", sponsoring employers to the Fund were identified as related parties and no transactions were identified during the year.

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23 Financial Risk Management

Introduction and overview

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

23.1 Credit risk
23.2 Liquidity risk
23.3 Market risk
23.4 Operational risk.

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Committee has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Committee is responsible for developing and monitoring the Fund's risk management policies.

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

23.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's receivables from customers and investment securities.

Receivable from members and other receivables

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each members.

23.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

As at 31st December	2025 Rs.	2024 Rs.
Financial investments **(Note 13)**	**34,850,374,657**	30,152,964,399
Loans to members **(Note 14)**	**6,085,597,917**	5,743,521,532
Other receivables **(Note 15)**	**766,786,420**	498,234,625
	41,702,758,994	36,394,720,556

Investments

The Fund limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a good credit rating. Management actively monitors credit ratings and given that the Fund only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

23.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

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23 Financial Risk Management (Continued)

23.2 Liquidity risk (Continued)

The Fund ensures that its liquidity is maintained by investing in short, medium and long-term financial instruments to support operational and other Funding requirements. Short and medium-term requirements are regularly reviewed and managed by the finance team.

The table below summarises the maturity profile of the financial assets and financial liability of the Fund including interest payable and receivable.

Maturity Profile of Financial Assets and Liabilities

As at 31st December 2025	**Total**	**Less than One year**	**One to three years**	**Three to Five years**	**More than Five years**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Assets					
Financial investments	**34,850,374,657**	**11,501,959,185**	**14,358,067,728**	**6,241,089,043**	**2,840,991,307**
Loans to members	**6,085,597,917**	**5,512,587,874**	**150,036,634**	**139,900,846**	**283,072,563**
Other receivables	**763,853,214**	**763,853,214**	**-**	**-**	**-**
Cash at Bank	**1,393,247,035**	**1,393,247,035**	**-**	**-**	**-**
Total Assets	**43,093,072,823**	**19,171,647,308**	**14,508,104,362**	**6,380,989,889**	**3,124,063,870**
Liabilities					
Lease liabilities	**2,914,456**	**2,914,456**	**-**	**-**	**-**
Other creditors	**5,830,166**	**5,830,166**	**-**	**-**	**-**
Total Liabilities	**8,744,622**	**8,744,622**	**-**	**-**	**-**

As at 31st December 2024	Total	Less than One year	One to three years	Three to Five years	More than Five years
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Financial investments	30,152,964,399	12,729,725,102	8,858,069,730	4,970,576,833	3,594,592,734
Loans to members	5,743,521,532	313,882,758	987,109,479	1,588,923,306	2,853,605,989
Other receivables	498,054,914	498,054,914	-	-	-
Cash at Bank	1,423,169,461	1,423,169,461	-	-	-
Total Assets	37,817,710,306	14,964,832,235	9,845,179,209	6,559,500,139	6,448,198,723
Liabilities					
Lease liabilities	3,985,252	1,672,426	2,312,826	-	-
Other creditors	146,659,358	146,659,358	-	-	-
Total Liabilities	150,644,610	148,331,784	2,312,826	-	-

Undiscounted Financial Liabilities

As at 31st December 2025	**Total**	**Less than One year**	**One to three years**	**Three to Five years**	**More than Five years**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Lease liabilities	**-**	**-**	**-**	**-**	**-**
Other creditors	**5,830,166**	**5,830,166**	**-**	**-**	**-**
Total Liabilities	**5,830,166**	**5,830,166**	**-**	**-**	**-**

As at 31st December 2024	Total	Less than One year	One to three years	Three to Five years	More than Five years
	Rs.	Rs.	Rs.	Rs.	Rs.
Lease liabilities	4,331,185	3,801,465	529,720	-	-
Other creditors	146,659,358	146,659,358	-	-	-
Total Liabilities	150,990,543	150,460,823	529,720	-	-

The Fund has no significant concentration of liquidity risk during the reporting period.

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23 Financial risk management (Continued)

23.3 Market risk

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

Currency risk

The Fund is not exposed to currency risk as the transactions are made only in the Sri Lankan rupees (LKR).

Interest rate risk

Interest rate risk is the risk that the fair value of the cash flows of financial instruments will fluctuate because of changes in market interest rates; interest rate risk arises on interest bearing financial instruments recognized in the statement of financial position.

The interest rate risk of the company arises from financial instruments which are exposed to variable or fixed rate interest rates. Variable interest rates expose the company to cash flow due to the impact on the quantum of interest payable. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest movements.

The Fund closely monitors market interest rate movements and implement appropriate strategies in order to minimize the interest rate risk associated with financial instruments with rates.

As at 31st December	**2025**	2024
	Rs.	Rs.
Fixed rate financial assets		
Financial investments measured at amortised cost	**34,850,374,657**	30,152,964,399
Loans to members	**6,085,597,917**	5,743,521,532
	40,935,972,574	35,896,485,931

23.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's 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. Operational risks arise from all of the Fund's operations.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's 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 the Committee on follows.

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective

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24 Fair Values of Financial Instruments

Fair value hierarchy

Assets and liabilities recorded at fair value in the Statement of Financial Position are measured and classified in accordance with a fair value hierarchy consisting of three ''levels'' based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Fund 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.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

As at 31st December	**2025**		2024	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	Rs.	**Rs.**	Rs.	Rs.
Assets carried at amortised cost				
Loans to members	**6,085,597,917**	**6,085,597,917**	5,743,521,532	5,743,521,532
Financial investments				
Investments government securities	**3,428,624,619**	**3,369,956,029**	3,841,279,534	3,768,589,107
Other investments	**31,421,750,038**	**31,421,750,038**	26,311,684,865	26,311,684,865
Other receivable	**729,307,954**	**729,307,954**	460,756,159	460,756,159
Cash and cash equivalents	**1,393,322,035**	**1,393,322,035**	1,423,244,461	1,423,244,461
	43,058,602,563	**42,999,933,973**	37,780,486,551	37,707,796,124
Liabilities carried at amortised cost				
Lease liability	**2,914,456**	**2,914,456**	3,985,252	3,985,252
Other creditors	**5,830,166**	**5,830,166**	146,659,358	146,659,358
	8,744,622	**8,744,622**	150,644,610	150,644,610

The carrying amounts of short term receivables and payables approximate the fair value. Hence the carrying value and the fair value has been considered to be the same.

AS AT 31ST DECEMBER

24 Fair Values of Financial Instruments (Continued)

24.1 Financial Assets and Liabilities by Fair Value Hierarchy

	2025				2024			
	Carrying Value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Carrying Value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Financial Assets								
Loans to members	**6,085,597,917**	**-**	**-**	**6,085,597,917**	5,743,521,532	-	-	5,743,521,532
Financial investments								
Investments government securities	**3,428,624,619**	**-**	**3,428,624,619**	**-**	3,841,279,534	-	3,841,279,534	-
Other investments	**31,421,750,038**	**-**	**-**	**31,421,750,038**	26,311,684,865	-	-	26,311,684,865
Other receivable	**729,307,954**	**-**	**-**	**729,307,954**	460,756,159	-	-	460,756,159
Cash and cash equivalents	**1,393,322,035**	**-**	**1,393,322,035**	**-**	1,423,244,461	-	1,423,244,461	-
	43,058,602,563	**-**	**4,821,946,654**	**38,236,655,909**	37,780,486,551	-	5,264,523,995	32,515,962,556
Financial Liabilities								
Lease liability	**2,914,456**	**-**	**-**	**2,914,456**	3,985,252	-	-	3,985,252
Other payables	**5,830,166**	**-**	**-**	**5,830,166**	146,659,358	-	-	146,659,358
	8,744,622	**-**	**-**	**8,744,622**	150,644,610	-	-	150,644,610

25 Events occurring after the reporting date

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

26 Capital commitments

There were no material capital commitments as at the reporting date.

27 Contingent liabilities

There were no material contingent liabilities as at the reporting date, when require adjustments to or disclosures in the Financial Statements.

28 Committee's responsibility for financial reporting

The Committee acknowledge the responsibility for true and fair presentation of the Financial Statements in accordance with the Sri Lanka Accounting Standards.

NOTICE OF MEETING

THE EIGHTY SIXTH ANNUAL GENERAL MEETING of the Mercantile Service Provident Society will be held at the Auditorium of the Ceylon Chamber of Commerce, 50, Nawam Mawatha, Colombo 2, on Monday 24th August 2026 at 4.00 p.m.

BUSINESS

1. To confirm the Minutes of the Eighty Fifth Annual General Meeting held on 25th July 2025.

2. Report and Accounts - To receive the Report of the Committee for the year 2025 and the Statement of Accounts for the year ended 31st December 2025, with the Report of the Auditors thereon.

3. Committee - To elect four members to the Committee under Rule 17 ( ) (d).

4. Auditors - To re-appoint Auditors and authorise the Committee to determine their remuneration.

5. Any other business of which due notice shall have been given.

By Order of the Committee

R.N.DE SARAM
Secretary

Colombo, 06th August 2026