

Our Ref: 3621/A1485/VB/RB/NB

***FINANCIAL STATEMENTS OF
QUESS CORP LANKA (PRIVATE) LIMITED
FOR THE YEAR ENDED
31ST MARCH 2025***



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUESS CORP LANKA (PVT) LIMITED

Opinion

We have audited the financial statements of **QUESS CORP LANKA (PVT) LIMITED** ("the Company") which comprise the statement of financial position as at 31 March 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information exhibited on pages 3 to 26.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, and of its financial performance and its cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards. 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 Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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Branches

Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee

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 Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, 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.

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 information and explanations that were required for the audit and, as far as it appears from our examination, proper accounting records have been kept by the Company.

CHARTERED ACCOUNTANTS

COLOMBO

19TH MAY 2025

VB/PV/bn

VB-Quess Corp Lanka(2025)-C9

STATEMENT OF FINANCIAL POSITION AS AT

		31.03.2025 Rs.	31.03.2024 Rs.
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,249,926	5,834,948
Intangible assets	5	-	5,100
Deferred tax assets	6	49,871,870	55,289,746
		<u>53,121,796</u>	<u>61,129,794</u>
Current assets			
Trade and other receivables	7	424,264,544	410,887,010
Income tax refund due	14	27,231,807	-
Short Term Investment	8	-	115,484,931
Cash and cash equivalents	9	107,886,534	89,034,854
		<u>559,382,885</u>	<u>615,406,795</u>
Total assets		<u><u>612,504,681</u></u>	<u><u>676,536,589</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	10	12,162,840	12,162,840
Retained earnings		247,701,428	263,014,110
		<u>259,864,268</u>	<u>275,176,950</u>
Non-current liabilities			
Defined benefit obligations	11	121,988,125	119,007,799
		<u>121,988,125</u>	<u>119,007,799</u>
Current liabilities			
Trade and other payables	12	183,816,056	190,747,075
Amounts Due to Related Company	13	46,836,232	89,282,683
Income tax payable	14	-	2,322,082
		<u>230,652,288</u>	<u>282,351,840</u>
Total liabilities		<u>352,640,413</u>	<u>401,359,639</u>
Total equity and liabilities		<u><u>612,504,681</u></u>	<u><u>676,536,589</u></u>

The Accounting Policies and Notes on pages 7 to 26 form an integral part of these financial statements.

I certify that the above Financial Statements comply with the requirements of the Companies Act No. 07 of 2007.

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Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 19th May 2025.

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Guruprasad Srinivasan
Director

.....
Kundan Kumar Lal
Director

19th May 2025

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Notes	31.03.2025 Rs.	31.03.2024 Rs.
Revenue from contract with customers	16	2,087,005,402	2,081,518,148
Direct expenses		(1,951,949,811)	(1,895,783,302)
Gross profit		135,055,591	185,734,846
Other income	17	19,377,470	630,916
Administrative expenses		(83,720,118)	(160,537,478)
Profit from Operation		70,712,943	25,828,284
Net finance income / (cost)	18	714,921	13,336,315
Other Financial Items	19	(9,408,879)	(12,109,984)
Profit before income tax		62,018,985	27,054,615
Income tax expense	21	(21,266,377)	(34,059,329)
Profit / (Loss) after income tax		40,752,608	(7,004,714)
Other comprehensive income / (expense)			
Other Comprehensive Income / (Expense) not to be reclassified to profit or loss in subsequent period			
Gain / (Loss) on remeasurements of defined benefit obligations		29,906,729	(6,962,539)
Deferred Tax (Charge) / Credit on Actuarial gains / (losses) on defined benefit obligation		(8,972,019)	2,088,762
Other comprehensive income / (expense)		20,934,710	(4,873,777)
Total comprehensive income / (expense)		61,687,318	(11,878,491)
Earnings / (Loss) per share	22	34	(6)

The Accounting Policies and Notes on pages 7 to 26 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance at 1 April 2023	12,162,840	439,000,874	451,163,714
Dividends paid	-	(164,108,273)	(164,108,273)
Loss for the year	-	(7,004,714)	(7,004,714)
Other comprehensive income	-	(4,873,777)	(4,873,777)
Total Comprehensive Income for the year	<u>-</u>	<u>(11,878,491)</u>	<u>(11,878,491)</u>
Balance at 31 March 2024	12,162,840	263,014,110	275,176,950
Dividends paid	-	(77,000,000)	(77,000,000)
Profit for the year	-	40,752,608	40,752,608
Other comprehensive income	-	20,934,710	20,934,710
Total Comprehensive Income for the year	<u>-</u>	<u>61,687,318</u>	<u>61,687,318</u>
Balance at 31 March 2025	<u><u>12,162,840</u></u>	<u><u>247,701,428</u></u>	<u><u>259,864,268</u></u>

The Accounting Policies and Notes on pages 7 to 26 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

		31.03.2025 Rs.	31.03.2024 Rs.
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		62,018,985	27,054,615
Adjustments for:			
Finance cost	18.2	1,849,463	2,148,616
Finance income	18.1	(2,564,384)	(15,484,931)
Depreciation	4	2,585,022	2,360,654
Amortisation	5	5,100	10,200
Defined benefit obligations	11	55,219,130	45,591,385
Exchange (gain) or loss on loan from related party	13	(466,082)	(9,900,048)
Customer Advance written back		(19,377,470)	-
Bad Debts written off		8,867,627	-
Operating Profit before Working Capital Changes		108,137,391	51,780,491
Changes in working capital			
(Increase) / Decrease in			
Trade and other receivables		(2,867,691)	44,964,410
(Decrease) / Increase in			
Trade and other payables	12	(6,931,019)	54,269,317
Cash generated from operations		98,338,681	151,014,218
Finance cost paid	18.2	-	(51,234)
Income tax and Foreign Tax paid	14	(54,374,409)	(26,792,317)
Retirement benefit obligation paid	11	(22,332,075)	(22,552,965)
Net cash generated from Operating Activities		21,632,197	101,617,702
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment / (Withdrawal) in / (from) Short Term Investment	8	100,000,000	(100,000,000)
Purchase of property, plant and equipment	4	-	(3,563,100)
Interest received		18,049,315	-
Net Cash from / (used in) Investing Activities		118,049,315	(103,563,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(77,000,000)	(164,108,273)
Loan repayments		(43,829,832)	-
Net Cash used in Financing Activities		(120,829,832)	(164,108,273)
Increase / (decrease) in cash and cash equivalents		18,851,680	(166,053,671)
Cash and Cash Equivalents at the Beginning of the Year		89,034,854	255,088,525
Cash and Cash Equivalents at the End of the Year	9	107,886,534	89,034,854

The Accounting Policies and Notes on pages 7 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Sri Lanka and approved under section 16 of the BOI law. The company has been incorporated on 09 February 2004 and has its registered office at 7th Floor, BOC Merchant Tower, 28 St. Michael's Road, Colombo 03. The Company was formerly known as Randstad Lanka (Private) Limited and was acquired by Quess Corp Holdings PTE Ltd on 26 April 2016. The company is engaged in the business of providing human resource services and facility management services to clients.

Quess Corp Lanka (Private) Limited is a 100% subsidiary company of Quess Corp Holdings PTE Ltd, a company incorporated in Singapore while Ultimate Parent of the company is Quess Corp Limited, a company incorporated in India.

2. BASIS of ACCOUNTING

2.1 Statement of Compliance

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards (LKASs and SLFRSs).

2.2 Basis of Preparation

The Company Financial Statements have been prepared on a historical cost basis, except for the financial instruments which have been measured at fair value.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 7 of 2007.

2.3 Functional and Presentation Currency

The company's financial statements are presented in Sri Lankan Rupees which is the Company's functional and presentation currency. All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

2.4 Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the company at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant Accounting Policies applied by the Company in preparing its Company financial Statements.

3.1 Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of assets or components as follows

Office equipment	25%
Furniture and fittings	25%
Computer equipment	25%

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 included in the income statement when the asset is derecognised.

3.2 Intangible Assets

Intangible assets wholly consist of computer software. Acquisition cost of computer software is capitalised and amortised using the straight-line method over the useful life.

Software	20%
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NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.3 Impairment of non financial assets

Assets that have an indefinite useful life that intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.4 Financial assets

3.4.1 Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow, characteristics and the Companies business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

Financial instruments-initial recognition and subsequent measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company's financial assets are disclosed in Note 15.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

For purposes of subsequent measurement, financial assets are classified in three categories;

- Financial assets at amortised cost
- Financial assets at fair value through Other Comprehensive Income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.4 Financial assets (Continued)

3.4.1 Initial recognition and measurement (Continued)

(a) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

(b) Financial assets at fair value through Other Comprehensive Income (FVOCI)

FVOCI includes debt and equity instruments measured at fair value through other comprehensive income. On derecognition of debt instruments measured at FVOCI, cumulative gains or losses are recycled to profit or loss. However, cumulative gains or losses on derecognition of equity instruments measured at FVOCI are not reclassified to profit or loss and transferred directly to retained earnings. Interest income calculated using effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at fair value through OCI are not subject to impairment assessment

During the reporting period, the Company did not record any financial assets that measured at fair value through other comprehensive income.

(c) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition. if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

During the reporting period, the Company did not record any financial assets that measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.4 Financial assets (Continued)

3.4.2 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

3.4.3 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

3.5 Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's Financial Liabilities are disclosed in Note 15.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

During the reporting period, the Company did not record any financial liabilities that measured at fair value through profit or loss subsequently.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.5 Financial Liabilities (continued)

Derecognition

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

3.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.7 Cash and Cash Equivalents

Cash and Cash Equivalents in the statement of financial position comprise cash at banks and in hand that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above, net of any outstanding bank overdrafts.

3.8 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

3.9 Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.10 Defined Benefit Plan – Gratuity

A defined benefit plan is a post – employment benefit plan other than a defined contribution plan. The defined benefit obligation is measured using the projected unit credit method assuming a 11% - 13% percent average annual salary increase, with employee turnover based on the Company's recent experience. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

This item is grouped under Retirement Benefit Obligations. No separate fund is being maintained for this purpose.

The Company recognizes the total actuarial gains and losses that arises in calculating the Company's obligation with respect to the Defined Benefit Plan – Gratuity in Statement of Comprehensive Income during the period in which it occurs.

The basis of payment of retiring Gratuity to be in line with the provisions of the Gratuity Act No.12 of 1983.

3.11 Defined Contribution Plans :

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions, in line with respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and Employee' Trust Fund respectively.

3.12 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

(a) Services rendered over time

Under SLFRS 15, revenue is recognized upon satisfaction of performance obligation. The revenue recognition occurs overtime when control of the service is transferred to the customer, as the customer simultaneously receives and consumes the benefits provided by the Company's performance. Sales are measured at fair value of the consideration received or receivable excluding sales taxes collected on behalf of third parties

(b) Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the 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 liability. Interest income is included in finance income in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.12 Revenue recognition (Continued)

(c) Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis

(d) Other income

Other income is recognized on an accrual basis.

3.13 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

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 profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.13 Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3.14 Expenditure Recognition

(a) Operating Expenses

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expense method present fairly the elements of the enterprises performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

(b) Finance Cost

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognised on financial assets.

(c) Other Financial Items

Foreign currency gains and losses are reported on a net basis under other financial items.

3.15 Borrowings Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.16 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty exists at the date of preparation, about these assumptions and estimates and hence, may result in outcomes that require a material adjustment to the recorded carrying amount of the asset or liability as at the reporting date or in future periods.

3.16.1 Judgements

In the process of applying the company's accounting policies, management has made following judgements which have the most significant effect on the amounts recognised in the financial statements:

Going Concern

When preparing financial statements, management has made assessment of the ability of the constituents of the Company to continue as a going concern, taking into account all available information about the future, including intentions of curtailment of businesses as decided by the Board.

Deferred Tax

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management 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.

Impairment of debtors

The Company reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Income Statement. The management uses judgement in estimating such amounts in the light of the duration of, outstanding and any other factors management is aware of that indicates uncertainly in recovery.

3.16.2 Estimates and assumptions

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

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**3.16 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTD.)****3.16.2 Estimates and assumptions (Continued)****Defined Benefit Plans - Gratuity**

The cost of gratuity is determined using projected unit credit method. This method involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and staff withdrawals. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

Cost	As at 01.04.2024 Rs.	Additions During the year Rs.	As at 31.03.2025 Rs.
Office Equipment	1,147,797	-	1,147,797
Furniture & Fittings	1,664,002	-	1,664,002
Computer Equipment	16,018,443	-	16,018,443
	<u>18,830,242</u>	<u>-</u>	<u>18,830,242</u>
Accumulated Depreciation	As at 01.04.2024 Rs.	Charge for the year Rs.	As at 31.03.2025 Rs.
Office Equipment	1,018,312	29,754	1,048,066
Furniture & Fittings	1,640,713	16,411	1,657,124
Computer Equipment	10,336,269	2,538,857	12,875,126
	<u>12,995,294</u>	<u>2,585,022</u>	<u>15,580,316</u>
Written Down Value		As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
Office Equipment		99,730	129,485
Furniture & Fittings		6,878	23,289
Computer Equipment		3,143,317	5,682,174
		<u>3,249,926</u>	<u>5,834,948</u>

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 8,632,020/- (2024 - Rs.8,522,020/-).

NOTE 5 - INTANGIBLE ASSETS

Cost	As at 01.04.2024 Rs.	Additions During the year Rs.	As at 31.03.2025 Rs.
Computer Software	51,000	-	51,000
	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Accumulated Amortisation	As at 01.04.2024 Rs.	Charge for the year Rs.	As at 31.03.2025 Rs.
Computer Software	45,900	5,100	51,000
	<u>45,900</u>	<u>5,100</u>	<u>51,000</u>
Written Down Value		As at 31.03.2025 Rs.	As at 31.03.2024 Rs.
Computer Software		-	5,100
		<u>-</u>	<u>5,100</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2025
Rs.

31.03.2024
Rs.

NOTE 6 - DEFERRED TAX ASSET

Balance as at 1st April	55,289,746	26,592,926
Deferred Tax charged to Income Statement	3,554,143	26,608,058
Deferred Tax charged to Statement of Other Comprehensive Income	(8,972,019)	2,088,762
Balance as at 31st March	<u>49,871,870</u>	<u>55,289,746</u>

Deferred tax asset, liability related to following.

Deferred Tax Liability

Accelerated depreciation for tax purpose	119,138	(61,845)
--	---------	----------

Deferred Tax Asset

Retirement Benefit Obligation	36,596,437	35,702,340
Net of Unrealised Exchange Loss Carried Forward	7,343,508	13,902,254
Realised Exchange Loss Carried Forward	5,812,787	5,746,997
Net deferred tax (liability) / asset	<u>49,871,870</u>	<u>55,289,746</u>

NOTE 7 - TRADE AND OTHER RECEIVABLES

Financial Assets

Trade receivables	393,023,773	382,146,032
Deposits	549,030	474,030
Bank Guarantee Deposits	1,173,000	455,000
Receivable from related party - Quess Corp Ltd	2,647,399	13,613,783
Total Financial Assets	<u>397,393,202</u>	<u>396,688,845</u>

Non Financial Assets

Prepayments	2,146,325	724,737
Advances	24,725,017	13,473,428
Total Non Financial Assets	<u>26,871,342</u>	<u>14,198,165</u>
	<u>424,264,544</u>	<u>410,887,010</u>

NOTE 8 - SHORT TERM INVESTMENT

Capital Balance on 1st April	100,000,000	-
Investment / (withdrawal) made during the year	(100,000,000)	100,000,000
Capital Balance on 31st March	-	100,000,000
Interest Receivable on Fixed Deposit	-	15,484,931
	<u>-</u>	<u>115,484,931</u>

NOTE 9 - CASH AND CASH EQUIVALENTS

Cash at bank	107,886,534	89,034,854
	<u>107,886,534</u>	<u>89,034,854</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	31.03.2025	31.03.2024
NOTE 10 - STATED CAPITAL		
No. of Ordinary Shares issued & fully paid	1,216,284	1,216,284
	31.03.2025	31.03.2024
	Rs.	Rs.
Stated Capital		
Balance as at 31st March	12,162,840	12,162,840
NOTE 11 - DEFINED BENEFIT OBLIGATIONS		
Balance as at 1st April	119,007,799	89,006,840
Provision for the year - Note 11(a)	25,312,401	52,553,924
	144,320,200	141,560,764
Payments made during the year	(22,332,075)	(22,552,965)
Balance as at 31st March	121,988,125	119,007,799
NOTE 11(a) - PROVISION FOR THE YEAR		
Charge for the period	46,552,070	37,747,096
Interest for the period	8,667,060	7,844,289
	55,219,130	45,591,385
(Gain) / Loss on defined benefit obligations due to change in assumptions	(29,906,729)	6,962,539
	25,312,401	52,553,924
<p>This provision has been computed in accordance with the Sri Lanka Accounting Standard. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.</p> <p>In order to carry out this valuation, the following assumptions were made:-</p>		
Rate of Interest	11.27%	12.75%
Salary Increment - Core	11.00%	13.00%
- Associates	13.00%	13.00%
Staff Turnover - Core	4.00%	4.00%
- Associates	6.00%	8.00%
Retirement Age	60 years	60 years
NOTE 12 - TRADE AND OTHER PAYABLES		
Financial Liabilities		
Trade payables to related company - Quessglobal (Malaysia) Sdn Bhd	11,517,867	-
- Billion Careers (Pvt) Ltd	25,432	16,981
Trade payables - Others	2,738,982	1,724,976
Accrued expenses and other payables	93,273,857	71,587,089
Total Financial Liabilities	107,556,138	73,329,046
Non Financial Liabilities		
Accrued expenses and other payables	76,259,918	117,418,029
Total Non Financial Liabilities	76,259,918	117,418,029
	183,816,056	190,747,075

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2025
Rs.

31.03.2024
Rs.

NOTE 13 - AMOUNT DUE TO RELATED COMPANY

Loan from Quess Holdings PTE Ltd

Balance as at 1st April	89,282,683	97,085,349
Repayment made during the year	(43,829,832)	-
Exchange (gain) / loss on translation	(466,082)	(9,900,048)
Interest accrued during the year	1,849,463	2,097,382
Balance as at 31st March	<u>46,836,232</u>	<u>89,282,683</u>

Loan is repayable on demand at the request of lender. Interest is payable monthly at the Government Bond rate of the country in which the lender is domiciled.

NOTE 14 - INCOME TAX PAYABLE / (REFUND DUE)

Balance as at 1st April	2,322,082	(7,151,342)
Provision during the year	24,820,520	21,023,975
Under provision in respect to previous year 2022/2023	-	14,891,598
Provision in respect to 2019/2020 assessments	-	350,168
Income tax paid	(40,647,840)	(19,388,363)
WHT / AIT paid	(902,466)	-
Foreign tax credits	(12,824,103)	(7,403,954)
Balance as at 31st March	<u>(27,231,807)</u>	<u>2,322,082</u>

NOTE 15 - FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of Financial Assets and Financial Liabilities in each category are as follows.

	Note	Fair Value through OCI (At Fair Value) Rs.	Fair Value through Profit or Loss (At Fair Value) Rs.	Loans & Receivables (At Amortised Cost) Rs.	Total Rs.
31st March 2025					
Financial assets					
Trade and other receivables	7	-	-	397,393,202	397,393,202
Cash and cash equivalents	9	-	-	107,886,534	107,886,534
		<u>-</u>	<u>-</u>	<u>505,279,736</u>	<u>505,279,736</u>
Financial Liabilities					
Trade and other payables	12		-	107,556,138	107,556,138
Amounts Due to Related Company	13		-	46,836,232	46,836,232
			<u>-</u>	<u>154,392,370</u>	<u>154,392,370</u>
31st March 2024					
Financial assets					
Short Term Investment	8	-	-	115,484,931	115,484,931
Trade and other receivables	7	-	-	396,688,845	396,688,845
Cash and cash equivalents	9	-	-	89,034,854	89,034,854
		<u>-</u>	<u>-</u>	<u>601,208,630</u>	<u>601,208,630</u>
Financial Liabilities					
Trade and other payables	12		-	73,329,046	73,329,046
Amounts Due to Related Company	13		-	89,282,683	89,282,683
			<u>-</u>	<u>162,611,729</u>	<u>162,611,729</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2025

31.03.2024

Rs.

Rs.

NOTE 16 - REVENUE FROM CONTRACT WITH CUSTOMERS

Contract staffing	1,922,597,396	1,916,805,286
Facility management service	110,249,892	111,726,373
Recruitment fee	-	120,000
Payroll processing service	2,131,400	-
Social Security Contribution (SSCL) Collected from Clients	52,026,714	52,866,489
	<u>2,087,005,402</u>	<u>2,081,518,148</u>

NOTE 17 - OTHER INCOME

Customer Advance Written back	19,377,470	-
Miscellaneous Income	-	630,916
	<u>19,377,470</u>	<u>630,916</u>

NOTE 18 - NET FINANCE INCOME / (COST)

NOTE 18.1 - FINANCE INCOME

Interest Income - Fixed Deposit	2,564,384	15,484,931
	<u>2,564,384</u>	<u>15,484,931</u>

NOTE 18.2 - FINANCE COST

Interest on Related Company Loan	1,849,463	2,097,382
Bank Overdraft Interest	-	51,234
	<u>1,849,463</u>	<u>2,148,616</u>
	<u>714,921</u>	<u>13,336,315</u>

NOTE 19 - OTHER FINANCIAL ITEMS

Net exchange loss / (gain)	9,408,879	12,109,984
	<u>9,408,879</u>	<u>12,109,984</u>

NOTE 20 - PROFIT BEFORE INCOME TAX

stated after Charging / (Crediting)

Auditor's Fees	600,000	512,500
Depreciation on property, plant and equipment	2,585,022	2,360,654
Amortisation on intangible assets	5,100	10,200
Professional and Consultancy charges	5,836,132	5,369,981
Staff costs - Core Employees		
- Defined Benefit Plan Costs - Gratuity	730,062	582,898
- Defined Contribution Plan Costs - EPF & ETF	2,271,902	2,224,340
- Others	30,966,112	31,574,669
- Associate Employees		
- Defined Benefit Plan Costs - Gratuity	54,489,068	45,008,488
- Defined Contribution Plan Costs - EPF & ETF	126,712,097	109,074,910
- Others	1,648,216,207	1,614,180,438
Additional VAT for previous year of Assessment issued	-	66,967,706
Bad Debts written off	8,867,627	-
Customer Advance Written back	(19,377,470)	-
	<u>(19,377,470)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 21 - INCOME TAX EXPENSE

	31.03.2025 Rs.	31.03.2024 Rs.
Current income tax	24,820,520	21,023,975
Under provision in respect to previous year - 2022/2023	-	14,891,598
Provision in respect to 2019/2020 assessments	-	350,168
Unclaimable Withholding tax written off	-	24,401,646
Transferred from / (to) Deferred Taxation	(3,554,143)	(26,608,058)
	<u>21,266,377</u>	<u>34,059,329</u>

Reconciliation of accounting Profit to Income Tax expenses

Profit before income tax	62,018,985	27,054,615
Add : Aggregate Disallowed Items	80,815,314	79,819,607
Less : Aggregate Allowed Items	(60,099,232)	(36,794,306)
Less : Investment Income	(2,564,384)	(15,484,931)
Adjusted Business Profit	<u>80,170,683</u>	<u>54,594,985</u>
Adjusted business Profit	80,170,683	54,594,985
Interest Income - Investment Income	2,564,384	15,484,931
Taxable Profit	<u>82,735,067</u>	<u>70,079,916</u>
Tax calculated at tax rate of 30%	<u>24,820,520</u>	<u>21,023,975</u>
Tax Provision Made	<u>24,820,520</u>	<u>21,023,975</u>

NOTE 22 - EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to shareholders by the weighted average number of shares in issue during the year, as follows:

	31.03.2025 Rs.	31.03.2024 Rs.
Net profit / (loss) attributable to shareholders	40,752,608	(7,004,714)
Weighted average number of ordinary shares in issue	<u>1,216,284</u>	<u>1,216,284</u>
Earnings / (Loss) per share	<u>34</u>	<u>(6)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 23 - CONTINGENT LIABILITIES

There are no contingent liabilities as at 31st March 2025 except the below: -

There are legal cases initiated by some of the former employees with regard to labour disputes between the company and the employees which amounts to Rs. 9,691,729/- as at the reporting date and these are ongoing at Labour tribunal court. The directors and Head of legal of the company strongly believe that these disputes would be settled in favour of the company as a result no provision is made in this regard.

NOTE 24 - COMMITMENTS

Capital commitments

There were no material capital commitments outstanding at the statement of financial position date.

Financial commitments

There were no material financial commitments outstanding at the statement of financial position date.

NOTE 25 - EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

NOTE 26 - COMPARATIVE FIGURES

Where necessary, comparative figures have been re-classified since management believes such reclassification gives a fair presentation and conforms with the current year's presentation.

NOTE 27 - DIRECTORS' INTERESTS IN CONTRACTS AND RELATED PARTY TRANSACTIONS

(a) The directors' interests in the shares of the Company on the statement of financial position date were as follows:

Name of the directors	Number of shares	
	31.03.2025	31.03.2024
Mr. Vijay Sivaram (Resigned on 01.01.2025)	Nil	Nil
Mr. Guruprasad Srinivasan	Nil	Nil
Mr. Kundan Kumar Lal (Appointed on 01.01.2025)	Nil	Nil

(b) Key management compensation

Key management includes directors (executive and non executive), and other key management personnel. The compensation paid or payable to key management for employee services is shown below.

	31.03.2025	31.03.2024
	Rs.	Rs.
Salaries and other short term employee benefits	9,643,244	9,916,279

(c) Transactions with related parties

Company	Country	Nature of Transaction	2025	2024
			Rs.	Rs.
Quess Corp Ltd	India	Revenue	18,687,295	26,685,072
Quess Holdings PTE Ltd	Singapore	Interest Expense on loan	1,849,463	2,097,382
		Loan settlement	43,829,832	-
Quess Corp Singapore Pte Ltd	Singapore	Revenue	2,638,291	-
Billion Careers (Pvt) Ltd	India	Software subscription charges	377,317	249,268
Quessglobal (Malaysia) Sdn Bhd	Malaysia	Sub contract cost	19,058,990	-

The balance outstanding as at the reporting date is disclosed in Note 7, 12 and 13 to these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 28 - RISK MANAGEMENT DISCLOSURE

The Company is exposed to a variety of financial risks. These include market risks, credit risks, liquidity risks and investment risks. Based on our economic outlook and the Company's exposure to these risks, the Board of the Company approves various risk management strategies from time to time.

a) **Market risk**

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

- Interest rate risk
- Foreign currency risk

Financial instruments affected by market risk include loans and borrowings, deposits and equity instruments at FVTOCI. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

Interest rate risk is the risk that the company is exposed due to change in absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, monetary policy & the policy rates, market liquidity, reforms in fiscal policies, imposition of possible credit ceilings on lending, average deposit rates, cost of utilizing funds etc are considered to be main determining factors on the quoted interest rates for short term & long term lending facilities. These external factors stresses on the market lending rates inserting pressure on the finance cost of the Company in turn having a down beating affect on the profit attributable to share holders.

The Company's interest rate risk arises from short - term borrowings. Borrowings issued at variable rates expose the company to interest rate risk which is determined by the Government Bond rate of the country in which the lender is domiciled.

Foreign currency risk

The company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lankan Rupee (LKR) against the US Dollar (USD). The company's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, trade receivables and other payables are denominated in foreign currencies.

The Company's Financial Statements which are presented in Sri Lankan Rupees, are affected by foreign exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may affect the company's pricing of services rendered and cost incurred in foreign currencies. In particular, weakening of the Sri Lankan Rupee against the US Dollar can have adverse effects on the company's operating results through its impact on overheads incurred in Sri Lanka

b) **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading towards negative effect towards Company profitability. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

While cash and cash equivalents are also subject to the impairment requirements of SLFRS 9, the identified impairment loss was immaterial.

Company has continuously monitored the receivables through segregating the duty of controlling the receivables through credit controller. It is the responsibility of the person to continuously monitor the receivables and the receipts & recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with monthly provisioning to smooth out the unrecoverable debtor balances across the period.

The following table shows the credit quality of the financial instruments by class of financial assets

	Neither past due nor impaired Rs.	Past due but not impaired Rs.	Individually impaired Rs.	Total Rs.
As at 31st March 2025				
Trade and other receivables	303,541,165	93,852,037	-	397,393,202
Cash and cash equivalents	107,886,534	-	-	107,886,534
	<u>411,427,699</u>	<u>93,852,037</u>	<u>-</u>	<u>505,279,736</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 28 - RISK MANAGEMENT DISCLOSURE (CONTD.)

c) **Liquidity risk**

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always to maintain sufficient leeway's in the short term facilities and structuring new credit lines for short and long term tenors to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The maturity analysis of the Company's financial liabilities are given below.

	Note	Less than 1 Year Rs.	1 to 5 Years Rs.	Total Rs.
Year ended 31st March 2025				
Trade and other payables	12	107,556,138	-	107,556,138
Amounts Due to Related Company	13	46,836,232	-	46,836,232
		<u>154,392,370</u>	<u>-</u>	<u>154,392,370</u>
Year ended 31st March 2024				
Trade and other payables	12	73,329,046	-	73,329,046
Amounts Due to Related Company	13	89,282,683	-	89,282,683
		<u>162,611,729</u>	<u>-</u>	<u>162,611,729</u>

d) **Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

SCHEDULES

31.03.2025

31.03.2024

Rs.

Rs.

SCH 1 - DIRECT EXPENSES

Associate Employee Salary	1,419,666,869	1,431,896,861
Associate Employee Incentive	26,944,973	44,761,129
Associate Employee Bonus	64,779,884	41,556,444
Associate Employee Insurance	3,005,511	6,792,529
Defined benefit obligations - Associates	54,489,068	45,008,488
Travel Overseas Fare	5,082,476	3,695,033
Staff Welfare	58,250	91,430
Travelling and Conveyance	133,760,719	89,082,046
Sub Contract Cost	50,154,222	26,327,545
Associate Employee - EPF	101,369,682	86,915,825
Associate Employee - ETF	25,342,415	22,159,086
Social Security Contribution Levy	52,026,714	53,577,063
Other Staff related Expenses	9,675,233	28,438,403
Facility Management Costs	5,593,795	15,481,420
	<u>1,951,949,811</u>	<u>1,895,783,302</u>

SCH 2 - ADMINISTRATIVE EXPENSES

Auditors' Remuneration - Current year	600,000	512,500
Depreciation on Property, Plant and Equipment	2,585,022	2,360,654
Amortisation on Intangible Assets	5,100	10,200
Staff costs (SCH 2.1)	33,968,076	34,381,906
Professional and Consultancy Charges	5,836,132	5,369,981
Professional fees - Over provision in respect previous year	(450,000)	-
Rent - Office (*)	7,570,031	6,284,554
Utilities	2,025,635	2,175,618
Rates and Taxes	8,436,069	2,598,500
Previous year VAT Assessment Charges	-	66,967,706
Travelling Expenses - Local	913,095	348,488
Travelling Expenses - Foreign	-	147,896
Printing and Stationery	493,150	414,391
Database login Charges	1,662,471	1,822,279
Business Development Expense	4,594,980	30,000,000
Insurance	1,556,510	1,644,286
Maintenance Expenses	311,508	247,361
Bank Charges	2,452,234	2,050,366
Other Expenses	2,292,478	3,200,792
Bad Debts written off	8,867,627	-
	<u>83,720,118</u>	<u>160,537,478</u>

(*) The Company has adopted short term lease accounting treatment as rent agreement period is 12 months

SCH 2.1 - STAFF COSTS

Salaries and Wages	30,399,168	31,322,508
Defined contribution plans - EPF & ETF	2,271,902	2,224,340
Defined benefit obligations	730,062	582,897
Staff Welfare	566,944	252,161
	<u>33,968,076</u>	<u>34,381,906</u>

SCHEDULES (CONTD.)

31.03.2025
Rs.

31.03.2024
Rs.

SCH 3 - CASH AND CASH EQUIVALENTS

Cash at Bank

Commercial Bank - A/C No. 107991301	16,197,437	25,460,039
Hatton National Bank - A/C No. 115010151542	41,658,028	23,382,386
Standard Chartered Bank (LKR) - A/C No. 01500819401	38,991,390	27,235,211
Standard Chartered Bank (USD) - A/C No. 01500819401	11,039,679	12,957,218
	<u>107,886,534</u>	<u>89,034,854</u>

SCH 4 - ADVANCES

Associate / Service Employee Salary Advance	13,672,931	8,580,606
Core Employee Salary Advance	-	250,000
Supplier Advances	10,139,862	4,231,179
Employee Other Advances	912,224	411,643
	<u>24,725,017</u>	<u>13,473,428</u>

SCH 5 - ACCRUED EXPENSES AND OTHER PAYABLES

Financial Liabilities

Audit fees and Professional Fee payable	600,000	3,059,143
Assistant salary payable	61,729,748	63,580,904
Core employees reimbursement payable	-	(734,600)
Core salary payable	-	2,143,599
Core incentive payable	3,203,049	3,538,043
Payroll Service - Advance Received for Payroll Funding	27,741,060	-
	<u>93,273,857</u>	<u>71,587,089</u>

Non Financial Liabilities

Nation Building Tax Payable	-	(725,102)
PAYE Payable	16,044,501	26,641,061
VAT Payable	30,852,498	48,441,569
WHT Payable	1,909,215	(943,426)
SSCL Payable	4,498,001	2,451,885
Core EPF & ETF Payable	352,416	206,393
Stamp Duty Payable	6,800	500,024
Associate EPF & ETF Payable	14,801,821	3,765,604
Previous year VAT Assessment payable	-	24,455,227
Provisions for expenses	2,481,430	1,904,480
Advance from Customers	5,313,236	10,720,314
	<u>76,259,918</u>	<u>117,418,029</u>
	<u>169,533,775</u>	<u>189,005,118</u>

SCHEDULES (CONTD.)

SCH 7 - DEFERRED TAX COMPUTATION AS AT 31.03.2025

	Book Carrying Amount Rs.	Tax Base Rs.	Temporary Difference Rs.
Property, Plant & Equipment (SCH 7(a))	3,249,926	3,647,054	(397,128)
Less :			
Provision for Retiring Gratuity			(121,988,125)
Net of Unrealised Exchange Gain / (Loss) Carried Forward			(24,478,358)
Realised Exchange Loss Carried Forward			(19,375,957)
Net Temporary Difference			<u>(166,239,568)</u>
Deferred Tax Liability / (Asset) @ 30%			<u>(49,871,870)</u>
Provision made			<u>(49,871,870)</u>
SCH 7(a) - PROPERTY, PLANT & EQUIPMENT			
(a) Book W.D.V. - Property, Plant & Equipment as per Accounts - Note 4			3,249,926
Book W.D.V. - Intangible Assets as per Accounts - Note 5			-
Less : Book W.D.V. of Assets included above on which Depreciation Allowance have not been Claimed			<u>-</u>
Book W.D.V. of Property, Plant & Equipment on which Depreciation Allowance have been claimed			<u>3,249,926</u>
(b) Tax W.D.V. of Property, Plant & Equipment			3,647,054
Less : Tax W.D.V. of Assets included above on which Depreciation Allowance have not been Claimed			<u>-</u>
Tax W.D.V. of Property, Plant & Equipment on which Depreciation Allowance have been claimed			<u>3,647,054</u>