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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

INDEPENDENT AUDITOR'S REPORT

To the members of the Institute of Chartered Accountants of Sri Lanka

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of The Institute of Chartered Accountants of Sri Lanka (the Institute), which comprise the Statement of Financial Position as at 31st December 2025, and the Statement of Comprehensive Income, Statement of Changes in Funds and Reserves, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information. I have also audited the statements of Financial Position of F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31st December 2025.

In my opinion, so far as appears from my examination, the accompanying financial statements give a true and fair view of the financial position of the Institute, F B Lander Prize Fund and Cyril E Begbie Memorial Prize Fund as at 31st December 2025 and financial performance of the institute and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



Basis for Opinion

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

Other Information

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's report thereon.

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

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

Responsibilities of Management and those who 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 controls 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 Institute'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 cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of the audit in accordance with SLAuSs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to prove a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, or fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.

- Obtaining an understanding of internal controls 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 Institute's internal controls.
- 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 Institute's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion . My conclusions are based on the audit evidence obtained up to the date of my Auditor's report. However, future events or conditions may cause the Institute 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.

Report on Other Legal and Regulatory Requirements

I communicate with those who 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 controls that I identify during the audit.

Ms. M.K.K. KARUNARATNE,
Colombo.
06th Mar, 2026.

The Institute of Chartered Accountants of Sri Lanka

Statement of Financial Position

As at 31 December	Note	2025 Rs.'000	2024 Rs.'000
Assets			
Non-current assets			
Property, plant and equipment	3	1,335,513	1,237,597
Right of use assets	4	57,577	62,156
Intangible assets	5	269,793	34,427
Library books	6	2,142	2,903
Loans to staff	7	24,618	21,174
Financial assets at amortised cost	8	2,725,437	2,313,946
Total non-current assets		4,415,080	3,672,203
Current assets			
Inventories	9	31,605	28,160
Receivables	10	374,011	324,961
Loans and advances to staff	7	2,546	1,863
Financial assets at amortised cost	8	159,881	122,852
Cash and cash equivalents	11	145,541	209,663
Total current assets		713,584	687,499
Total assets		5,128,664	4,359,702
Funds and liabilities			
Accumulated fund and reserves			
Accumulated fund		3,347,303	2,831,845
Government grant		699,000	699,000
OCI reserve		(4,925)	1,580
Designated reserves		56,868	56,868
Total accumulated fund and reserves		4,098,246	3,589,293
Funds and grants			
Designated funds	12	84,575	54,777
Restricted funds and grants	13	72,993	64,614
Endowment funds	14	3,116	2,583
Total funds and grants		160,684	121,974
Non-current liabilities			
Retirement benefit obligation	15	42,934	33,371
Lease liability	16	36,513	17,756
Total non-current liabilities		79,447	51,127

As at 31 December	Note	2025 Rs.'000	2024 Rs.'000
Current liabilities			
Payables and advances received	17	627,691	428,815
Lease liability	16	17,439	18,052
Income tax payable	18	68,315	77,809
Deferred income		76,842	72,632
Total current liabilities		790,287	597,308
Total liabilities		869,734	648,435
Total funds and liabilities		5,128,664	4,359,702

The accounting policies and notes on pages 9A to 44A form an integral part of these financial statements.

These financial statements have been prepared and presented in compliance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

<Signed>

.....
 Nimanthi Gamage
 Head of Finance

<Signed>

.....
 Lakmali Priyangika
 Secretary/Chief Executive Officer

Signed for and on behalf of the Council.

<Signed>

.....
 Tishan Subasinghe
 President

<Signed>

.....
 Anoji De Silva
 Vice President

Colombo,
 6th March, 2026.

The Institute of Chartered Accountants of Sri Lanka

Statement of Comprehensive Income

For the Year Ended 31 December	Note	2025 Rs.'000	2024 Rs.'000
Income	19	1,713,963	1,446,590
Student learning and initial professional development		(413,271)	(368,941)
Member/Professional development		(188,889)	(151,664)
Technical Support Services		(24,388)	(46,232)
Employee costs	20	(487,512)	(389,509)
Maintenance of premises	21	(62,417)	(66,386)
Depreciation and amortisation	22	(128,380)	(76,124)
Other operating expenses	23	(228,799)	(95,006)
Operating income		180,307	252,728
Other operating income	24	11,567	3,828
Net operating income		191,874	256,556
Income from grants and other restricted funds	13.2	-	2,000
Related expenditure of grants	14.2	-	-
Contribution/Transfer to designated funds	12.1	(39,925)	(19,167)
Contribution/Transfer to restricted funds and grant	13.1	(10,200)	(7,653)
Contribution/Transfer to endowment funds	14	(566)	(502)
		(50,691)	(25,322)
Finance income	25.1	483,916	429,542
Finance cost	25.2	(5,859)	(3,738)
Income over expenditure for the year before tax		619,240	657,037
Income tax expense	26	(103,782)	(124,845)
Income over expenditure for the year after tax		515,458	532,192
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit obligation	15.1	(6,505)	(2,447)
Total comprehensive income for the year after tax		508,953	529,745

The accounting policies and notes on pages 9A to 44A form an integral part of these financial statements.

The Institute of Chartered Accountants of Sri Lanka

Statement of Changes in Funds and Reserves

For the Year Ended 31 December 2025

	Accumulated Fund Rs.'000	Government Grant Rs.'000	OCI Reserve Rs.'000	Designated Reserves Rs.'000	Total Rs.'000
Balance as at 1 January 2024	2,299,652	699,000	4,027	57,767	3,060,446
Income over expenditure for the year after tax	532,193	-	-	-	532,193
Actuarial loss on defined benefit obligation	-	-	(2,447)	-	(2,447)
paid during the year				(899)	(899)
Balance as at 31 December 2024	2,831,845	699,000	1,580	56,868	3,589,293
Balance as at 1 January 2025	2,831,845	699,000	1,580	56,868	3,589,293
Income over expenditure for the year after tax	515,458	-	-	-	515,458
Actuarial loss on defined benefit obligation	-	-	(6,505)	-	(6,505)
Balance as at 31 December 2025	3,347,303	699,000	(4,925)	56,868	4,098,246

The accounting policies and notes on pages 9A to 44A form an integral part of these financial statements.

**The Institute of Chartered Accountants of Sri Lanka
Statement of Cash Flows**

For the year ended 31 December

	Note	Page No	2025 Rs.'000	2024 Rs.'000
Cash flows from/(used in) operating activities				
Income over expenditure for the year before tax			619,240	657,038
Adjustments for;				
Depreciation and amortisation	3,4,5, 6		128,380	77,389
Reimbursements and amortisation of restricted funds and grants	13.1		-	(5,208)
Contribution to designated funds	12.1		39,925	19,167
Transfers to restricted funds and grants	13.1		10,200	7,653
Contribution to endowment funds	14		566	502
Provision for defined benefit plan	15.1		9,213	7,741
Provisions for impairments	10		(33,432)	41,960
Profit on disposal of property, plant and equipment	24		(392)	(103)
Amortisation of prepaid staff cost	20		5,708	2,440
Finance income	25.1		(483,916)	(429,542)
Finance cost	25.2		5,859	3,738
Operating income over expenditure before working capital changes			301,351	382,775
(Increase) / decrease in inventory	9		(3,445)	6,542
(Increase) / decrease in receivables	10		(15,618)	(94,849)
(Increase) / decrease in loans and advances to staff	7		(9,835)	(4,377)
Increase / (decrease) in payables and advances received	17		198,876	41,776
Increase / (decrease) in deferred income			4,211	(5,740)
Cash generated from operations			475,539	326,127
Tax paid	18		(113,276)	(71,014)
Gratuity paid	15		(6,155)	(5,973)
Rent paid			(38,160)	(24,117)
Net cash inflow /(used in) from operating activities			317,948	225,024
Cash flows from/ (used in) investing activities				
Acquisition of property, plant and equipment and library books	3 & 6		(162,437)	(74,340)
Sales proceeds property, plant and equipment			423	121
Acquisition of intangible assets	5		(243,472)	(11,510)
Investments in financial assets at amortised cost			(488,833)	(483,438)
Maturity proceeds received from financial assets at amortised cost			40,313	75,313
Finance income received			483,916	358,079
Net cash flow from /(used in) investing activities			(370,090)	(135,775)
Cash flows from / (used in) financing activities				
Receipts to restricted funds and grants	13.1		3,100	34,053
Donations received to endowment funds	14		117	-
Payments made from designated funds	12.1		(10,127)	(14,539)
Payments made from restricted funds	13.1		(4,920)	(6,144)
Payments made from endowment funds	14		(150)	-
Net cash flow from/ (used in) financing activities			(11,980)	13,370
Net increase / (decrease) in cash and cash equivalents			(64,122)	102,619
Cash and cash equivalents at the beginning of the year			209,663	107,044
Cash and cash equivalents at the end of the year	11		145,541	209,663

The accounting policies and notes on pages 9A to 44A form an integral part of these financial statements.

**The Institute of Chartered Accountants of Sri Lanka
Notes to the Financial Statements**

1. General Information

1.1 Legal and Domicile Form

The Institute of Chartered Accountants of Sri Lanka (the Institute) is a statutory body incorporated by the Institute of Chartered Accountants Act No. 23 of 1959 (The Act), and domiciled in Sri Lanka, situated at 30A, Malalasekara Mawatha, Colombo 07.

1.2 Principal Activities and Nature of Operations

- To promote in general the theory and practice of accountancy and in particular auditing, financial management and taxation.
- To enroll, educate and train members who are desirous of learning or improving their skills and knowledge in disciplines such as auditing, financial management and taxation.
- Acting as the sole authority for promulgating accounting and auditing standards in Sri Lanka.
- To organize, finance and maintain schemes for the granting of diplomas, certificates and other awards to members of the Institute and other professional bodies and to other persons who fulfil the prescribed conditions.
- Adoption and implementation of code of ethics and best practices.
- Conducting technical awareness campaigns in the form of seminars, workshops, and events to ensure continuous professional development of the members.
- Regulation and supervision of student education and training.
- Activities on matters of public interest.

1.3 Going Concern

The Council of the Institute has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its operations in the foreseeable future. Furthermore, the council is not aware of any material uncertainties that may cast significant doubt upon the ability of the Institute to continue as a going concern. Therefore, the Financial Statements of the Institute continued to be prepared on a going concern basis.

1.4 Financial Period

The financial period of the Institute represents a twelve-month period from 1st January 2025 to 31st December 2025.

1.5 Accounting for Association of Public Finance Accountants of Sri Lanka (APFASL)

APFASL has been set up jointly with the Institute of Public Finance and Development Accountancy (IPFDA) and The Institute of Chartered Accountants of Sri Lanka in 2012, to enhance the capacity of public sector financial management professionals. Both CA Sri Lanka and IPFDA have equally contributed Rs. 10Mn as initial investment for this project. In terms of paragraph 5.9 of the Articles of Constitution of APVFASL, on the occasion of dissolution, the fund will either be spent for collective welfare purposes or be granted towards any good cause as the general membership feels best.

The assets and liabilities of Association of Public Finance Accountants of Sri Lanka (APFASL) which had been amalgamated with the Institute financials up to year 2015 and have been derecognized from the financial statements of the Institute from the year 2016 due to the amendment of certain clauses and provisions of the Constitution of APFASL in order to operate as a more autonomous entity.

The relationship with APFASL has been reviewed in accordance with SLFRS 10 Consolidated Financial Statement to evaluate whether the CA Sri Lanka exposure to control over APFASL by reviewing:

- (a) power over the investee.
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

In compliance with SLFRS 10 Consolidated Financial Statement, Management has determined that the Institute does not have exposure, or rights to variable returns from its involvement with APFASL. Hence there is no requirement for consolidation.

1.6 Basis of Preparation of Financial Statements

1.6.1 Statement of Compliance

The financial statements of the Institute have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS) issued by The Institute of Chartered Accountants of Sri Lanka.

These financial statements comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Funds and Reserves, Statement of Cash Flows and notes to the financial statements.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented in the financial statements unless otherwise stated.

1.6.2 Basis of Measurement

The financial statements have been prepared on the accrual basis and on the historical cost convention, except where appropriate disclosures are made with regard to fair value under relevant notes.

1.6.3 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability.

Where necessary, comparative figures have been rearranged to conform to the current year's presentation.

1.6.4 Responsibility and Approval of Financial Statements

The Council of The Institute of Chartered Accountants of Sri Lanka acknowledges their responsibility for the financial statements and financial statements were approved and authorised for issue by the Council at the meeting held on 6th March 2026.

1.6.5 Materiality and Aggregation

Each material class of similar items are presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

1.6.6 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the Institute's functional and presentation currency, in the primary economic environment in which the Institute operates.

All financial information presented in Sri Lankan Rupees have been rounded to the nearest thousand, unless stated otherwise.

1.7 Significant Accounting Estimates and Judgments

Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The preparation and presentation of financial statements, in conformity with Sri Lanka Accounting Standards, requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments used.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is as follows.

a) **Defined Benefit Plans**

The cost of the defined benefit plan of employees is determined using Projected Unit Credit (PUC) method. Such method involves use of assumptions concerning the discount rate & future rate of salary increments. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

a) **Estimating the Incremental Borrowing Rate**

As the Institute cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure the lease liabilities. IBR is a rate of interest that a lessee would have to pay to borrow similar facility from a financial institution.

b) **Changes in Accounting Estimates and Judgments**

Any changes in accounting estimates and critical judgements are disclosed in the relevant notes to the financial statements.

2. Summary of Material Accounting Policies

2.1 **Assets and the Bases of Their Valuation**

2.1.1 **Property, Plant and Equipment**

(a) **Basis of Recognition and Measurement**

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

All property, plant and equipment are stated initially at cost and subsequently measured at cost less accumulated depreciation and any impairment losses. Repair and maintenance costs are recognized in the statement of comprehensive income as incurred. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable.

(b) **Depreciation**

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, in order to write-off such amounts over the estimated useful life of such assets.

The estimated useful lives of assets are as follows:

<i>Asset Category</i>	<i>Useful Life</i>
	<i>(Years)</i>
Buildings	50
Furniture, Fittings and Fixtures	5- 10
Plant and Machinery	5-10
Motor vehicles	10
Computers	5
Improvements to Right of use assets	Useful life or remaining lease term whichever is lower

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

Significant items of property, plant and equipment with different useful lives are separately identified and depreciated.

Depreciation on property, plant and equipment purchased through restricted funds is charged to the statement of comprehensive income. The correspondent grant amount is amortized over the useful life of the related asset.

(c) **Right of Use Assets and Lease Liabilities**

The Institute recognizes a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The estimated useful lives of right of use assets are as follows:

<i>Asset Category</i>	<i>Useful Life(Years)</i>
Right of use assets	Over the lease period

At the commencement date of the lease the Institute recognizes lease liability measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and payments of penalties for terminating the lease, if the lease term reflects the Institute exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Institute uses its incremental borrowing rate at the lease commencement date as the discount rate, because the interest rate implicit in the lease is not readily determinable. The Institute determines its incremental borrowing rate by obtaining interest rates from the Institute's internal records. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(d) **Derecognition**

An item of property, plant and equipment is derecognized 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 is calculated as the difference between the net disposal proceeds and the carrying amount and included in the statement of comprehensive income in the year, the asset is derecognized.

2.1.2 Library Books

Cost of library books are depreciated on the straight-line basis over a period of three years.

2.1.3 Capital Work-In-Progress

Capital work-in-progress is stated at cost, less any impairment losses. These are expenses of a capital nature, directly incurred in the construction of property, plant and equipment awaiting capitalisation. Capital work-in-progress would be transferred to the relevant asset category in property, plant and equipment, when it is available for use *i.e.* when it is in the location and conditions necessary for it to be capable of operating in the manner intended by the Institute.

2.1.4 Intangible Assets

a. Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use. These costs are amortized over their estimated useful life of five to ten (5-10) years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Costs relating to development of software are carried in capital work in progress until the software is ready for use.

b. Study Material

Costs that are directly attributable to the development of curriculum and study materials of the CA qualifications are recognized as intangible assets when it is technically feasible to implement the new curriculum, the investment attributable to the project during its development period can be reliably measured and it can be demonstrated that it will generate probable future economic benefits.

These costs are amortized over the effective period of the curriculum and the remaining useful life is reviewed at least at each financial reporting year end.

2.1.5 Inventories

Inventories are stated at the lower of cost and net realizable value after making due allowances for obsolete and slow-moving items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses. The cost of inventories is based on weighted average cost. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The inventories of the Institute include study packs, study material, publications, stationery and consumables.

2.1.6 Impairment of Non-Financial Assets

The Institute assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists or when annual impairment testing for an asset is required, the Institute makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group 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. In assessing value in use, the estimated future cash flows are discounted to their present value, using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount, since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

2.1.7 Financial Assets - Initial Recognition and Measurement

(a) Financial Assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Institute's business model for managing them. With the exception of trade receivables that do not contain significant financing components for which the Institute has applied the practical expedient, the Institute initially measures financial assets at their fair value plus transaction costs. Trade receivables that do not contain a significant financing component for which the Institute has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding. The Institute's business model for managing financial assets refers to how it manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows or selling financial assets or both.

Financial assets and financial liabilities are offset, and the net amount is reported in the Statement of Financial Position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The financial assets of the Institute include receivables, loans and advances to staff, fixed deposits held to collect contractual cash flows, government securities, repurchase agreements and cash and cash equivalents.

The Institute's financial assets are subsequently measured at amortized cost upon satisfaction of both of the following conditions:

- a) The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accordingly, 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.

2.1.8 Derecognition of Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- The Institute has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement and either:
 - a) the Institute has transferred substantially all the risks and rewards of the asset, or
 - b) the Institute has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Institute has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Institute continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Institute also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Institute has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Institute could be required to repay.

2.1.9 Impairment of Financial Assets

The Institute recognizes an allowance for expected credit losses (ECLs) for all debt instruments measured at amortised cost.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Institute expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables, the Institute applies a simplified approach in calculating ECLs.

A provision is made for all receivables outstanding for more than 365 days, considering recoverability. Government-backed student loan debts are excluded from provisioning since guarantees exist. Write-offs are recognized when debt is deemed irrecoverable.

2.1.10 Reclassification

Financial assets are measured at amortized cost as the management intends to hold these instruments to collect the contractual cash flows upon completion of the Solely Payments of Principal and Interest (SPPI)

test and evaluating the historical data. As of 1st January 2018, the Institute has elected the business model of hold-to-collect the contractual cash flows and measured the instruments at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Institute changes its objective of the business model for managing such financial assets.

Consequent to the change in the business model, if any, the Institute reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

2.1.11 Financial Liabilities

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss. The Institute does not have financial liabilities other than payables for the year ended 31st December 2025.

2.1.12 Cash and Cash Equivalents

The Institute considers cash in hand as amounts due from banks and short-term deposits with an original maturity of three months or less to be “Cash and cash equivalents”.

Cash and cash equivalents comprise cash in hand, cash at bank, deposits at bank and repurchase agreements.

Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows, which has been prepared using the ‘indirect method’. Bank overdrafts represent book credit balances arising from unrepresented cheques at the reporting date. Upon presentation, balances are settled through an automatic sweep between accounts.

2.2 Liabilities and Provisions

A liability is classified as current when it is expected to be settled in the normal operating cycle; held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Institute classifies all other liabilities as non-current.

2.2.1 Deferred Income

Deferred income results when invoices relating to courses and study programmes are raised at the commencement of the courses where the course delivery takes place over a period of several months. Deferred income is recognized in the statement of comprehensive income to the extent of course delivery taken place and the balance attributable to the remaining course period is recognized as a liability on the statement of financial position until income is recognized.

2.2.2 Provisions

A provision is recognized in the statement of financial position, when Institute has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation and the obligation can be measured reliably.

2.2.3 Employee Benefits

(a) Employee Defined Benefit Plan - Gratuity

Defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The defined benefit is calculated by an independent actuary using Projected Unit Credit (PUC) method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates 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. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, future salary increments and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 December 2025. The Institute's accounting policy for gratuity is to recognize actuarial gains and losses in the period in which they occur in full in the statement of other comprehensive income.

(b) Defined Contribution Plans- Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the statement of comprehensive income as incurred. The Institute contributes 15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.2.4 Taxation

a) Income Tax

The provision for current taxation has been computed in accordance with the Inland Revenue Act No 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act, No. 10 of 2021. (Amendment) Act, No. 45 of 2022 & (Amendment) Act, No. 4 of 2023.

b) Deferred Taxation

Since the Institute is not carrying on a trade or business capital allowances have not been claimed against the liable income and there are no tax losses to be set off against any future taxable income. Deferred tax has not been provided in the financial statements

c) Social Security Contribution Levy (SSCL)

The Institute is liable for Social Security Contribution Levy (SSCL) in accordance with the provisions of the Social Security Contribution Levy Act, No. 25 of 2022 of Sri Lanka. SSCL is computed based on the applicable percentage of taxable turnover.

SSCL is recognized as an expense in the Statement of Profit or Loss in the period in which the relevant turnover is recognized. Any unpaid balance as at the reporting date is recognized as a liability in the Statement of Financial Position.

2.2.5 Translation of Foreign Currency Transactions

Transactions in currencies other than Sri Lankan Rupees are converted into Sri Lankan Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Sri Lankan Rupees at the rate of exchange at that date. Non - monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Realized and unrealized exchange differences are reported in the statement of comprehensive income.

2.3 Accounting for the Receipt and Utilisation of Funds, Grants and Reserves

The Institute received various grants for specific development activities. Funds, grants and reserves have been classified as unrestricted funds, restricted funds and endowment funds.

2.3.1 Unrestricted Funds

Unrestricted funds are those that are available for use by the Institute at the discretion of the Council and funds that are designated for a specific purpose by the Council in furtherance of the general objectives

of the Institute. Allocations made by the Council for the credit of the designated funds are charged to the statement of comprehensive income. Surplus funds are transferred from restricted funds to unrestricted funds in terms of the relevant donor agreements or with the subsequent approval of the donor.

Contributions and donations received from the general public are recognized in the statement of comprehensive income at the time of receipt, where there are no terms of references.

Designated Funds

Unrestricted funds designated by the Council to a specific purpose are identified as designated funds. The Institute has accounted the following funds as designated funds and the purpose of such funds are elaborated as follows,

(a) Funds

Name of the Designated Fund	Purpose
Needy Students' Scholarship Fund	
L. A. Weerasinghe Memorial Needy Scholarship Fund	Help deserving and promising CA Sri Lanka students
Merit Scholarship Funds	
<ul style="list-style-type: none"> ❖ General Fund ❖ CA Sri Lanka Scholarship Funds <ul style="list-style-type: none"> • District 1st Scholarship Fund • A/L Top 10 Scholarship Fund • Children of staff members' Scholarship Fund • Inter-school Commerce competition Scholarship Fund • National Conference Scholarship Fund • CA Talent Scholarship Fund • Top achievers at A/L tutorial Scholarship Fund • Sisudari scholarship fund 	Help deserving and promising students who have shown exceptional performance at CA Sri Lanka examinations and undergoing Business level training.
Other Funds	
Faculty of Taxation Fund	Development of the tax profession
Faculty of Auditing Fund	Development of the auditing profession
Publication Fund	Development of publications
Urgent Issues Task Force Fund	Interpretation of accounting issues

2.3.2 Restricted Funds

Where grants / donations are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the statement of comprehensive income to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective fund accounts and included under accumulated fund and reserves in the statement of financial position until such time as they are required.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received, such amounts are recognized through receivables in the statement of financial position.

The Institute has accounted for the following funds and grants as restricted funds and the purpose of such funds and grants are elaborated as follows.

<i>Name of the Restricted Fund</i>	<i>Purpose</i>
Needy Students' Scholarship Funds	
❖ CA Sri Lanka UK Members' Scholarship Fund	Help deserving and promising students to realize their future ambition of becoming a Chartered Accountant
❖ Dalton Wijeyeratne Memorial Scholarship Fund	
❖ Prof. Y.A.D.S. Samaratunga Memorial Fund	
❖ Prof. Kodagoda Memorial Fund	
❖ Members' Scholarship Fund	
❖ Pricewaterhouse Coopers Scholarship Fund	
❖ Mr. Sanjaya Bandara Scholarship Fund	
❖ Mr. Chandradasa Liyanage Scholarship Fund	
❖ Mr. A.L.B. Brito Mutunayagam Memorial Scholarship Fund	
❖ Pelwatta Sugar Industries Ltd Fund	
❖ CA Qatar Chapter Scholarship Fund	
❖ Bahrain Chapter Scholarship Fund	
❖ UAE Chapter - Scholarship Fund	
❖ ICAEW Foundation Bursary Scholarship Fund	
❖ Ernst & Young scholarship Fund	Institute is the administrator of the scholarships granted to Audit trainees
❖ Ms. Inoka Gunaratne Memorial Fund	Help deserving and promising students to realize their future ambition of becoming a Chartered Accountant
❖ Benevolent Society Scholarship Fund	
❖ Australian Chapter Fund	
❖ Herman Amarasekera Scholarship Fund	
❖ Devika Jayawardene Scholarship Fund	
Grants	
Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) Grant	Promulgating accounting and auditing standards

Other Restricted Funds	
Best Annual Report Competition Fund	
<ul style="list-style-type: none"> ❖ Deshabandu Albert Page ❖ Late Mr. Cyril Gardiner ❖ Hayleys PLC 	<p>To encourage excellence in the presentation of information in annual reports. Awards are presented to the winners annually.</p> <p>Categories under which the awards are presented are as follows:</p> <ul style="list-style-type: none"> ● Overall and Sector Awards (Gold, Silver, Bronze) <p>Special Awards</p>

Other Restricted Funds	
Best Annual Report Competition Fund	
	<ul style="list-style-type: none"> • Corporate Governance Disclosure Award (Gold, Silver, Bronze) <ul style="list-style-type: none"> • Financial services • Non-financial services • Sustainability Reporting Award (Gold, Silver, Bronze) • Integrated Reporting Award (Gold, Silver, Bronze) • Digitally Transformative Reporting • In addition, the certificate of Compliance (for those who do not secure gold, silver or bronze in a sector but are within the criteria) and Certificate of Recognition for those who do not secure gold, silver or bronze under special awards category are awarded. All the applicants who fulfill the TAGS criterial are entitled to the Compliance badge which they can display on the company page of the Colombo Stock Exchange (CSE) or can be used as a marketing tool.

2.3.3 Endowment Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognized and used as income.

Investment income and other gains realized from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise.

<i>Name of the Endowment Fund</i>	<i>Purpose</i>
Prize Funds	
<ul style="list-style-type: none"> • CA Sri Lanka President's Fund • B R De Silva Memorial Fund • A D B Talwatte Fund • Satchithananda Memorial Fund • Kreston MNS Fund • Nivard Cabraal Fund • Reyaz Mihular Fund • D R Settinayake Memorial Fund • A D E De S Wijeyeratne Memorial Fund • Mohan Abeynaike Fund • KPMG Fund • Ernst & Young Fund • SJMS Associates Fund • Sunil Piyawardena & Co. Fund • Lal Nanayakkara & Co. Fund • G C B Wijeyesinghe Memorial Fund • Nihal Hettiarachchi Fund • Jayaweera & Co. Fund • Brito Mutunayagam Memorial Fund • PricewaterhouseCoopers Fund • K G H De Silva Prize Fund • BDO Partners Prize Fund 	<p>Awarding subject prizes and merit prizes for the best performance of each examination.</p>

The Institute's policies regarding the endowment funds are:

i. Investment Policy:

Funds are invested only in Government Securities and fixed deposits in state owned banks. Investments are made after considering the higher yield on investment, liquidity, and interest rate risk for reinvestment. All new investment and reinvestment decisions require the approval of the investment committee.

ii. Withdrawal Policy:

Withdrawals are not made other than at maturity. Any early withdrawal requires the approval of the F&A committee and Council.

iii. Fund Usage Policy:

Usage is restricted for the specific purpose for which the fund was established.

2.3.4 Grants

2.3.4.1 Land Received as a Government Grant:

Government grants for non-monetary assets are recognized when there is reasonable assurance that the grant will be received, and all attached conditions have been complied with.

The method adopted for accounting for Government grants is the income approach, where the grants relating to non-depreciable assets is recognized in the statement of comprehensive income.

Fair value is treated as deemed cost of the land at the date of the recognition of Government grant given in the financial statements.

Grants and subsidies related to assets are generally deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the asset.

2.3.4.2 Revenue Grants

Other grants are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognized as an income over the period necessary to match it with the costs, which is intended to compensate for on a systematic basis.

2.4 Statement of Comprehensive Income

2.4.1 Income Recognition

(a) Income

The sources of revenue of CA Sri Lanka are recognized as per SLFRS 15 on “*Revenue from contracts with customers*”. Accordingly, SLFRS 15 establishes five step model to account for revenue recognition at an amount that reflect the consideration where CA Sri Lanka expects to provide services to its stakeholders.

In terms of SLFRS 15, Revenue is recognized upon satisfactory performance obligation is achieved. CA Sri Lanka expects that, the revenue recognition to occur over time where stakeholders (mainly students and members) simultaneously receive and consume the benefits provided by CA Sri Lanka and when the Institute has an enforceable right to receive payment for performance completed. Otherwise, the revenue of the Institute is recognized at point in time.

The following table provides the details of the sources of revenue and recognition of revenue upon satisfaction of performance obligations as per SLFRS 15.

	<i>Revenue Source</i>	<i>Recognition of Revenue</i>
01.	Enrolments	Fees received in connection with enrolments in CA, Degree, or another program as a student; CBA, CCA, ACA, FCA, or other membership, certificate to practice, training and learning partners are recognized at the point in time when the approval of the Council is granted, and payment is due on such applications as the performance obligation to stakeholder service is established.
02.	Subscriptions and annual renewals	The annual subscription applicable for the financial period that is charged from members and students is recognized over time since the performance obligation satisfied over the financial period in which the subscription is due. The subscription charged relating to future periods are shown in the statement of financial position as fees received in advance under current liabilities. Annual renewal charges from training partners and teaching colleges are recognized as income as and when the approval is granted by the Council. Which is deemed to be delivery of service at the point of time.
03.	Examinations	Fees charged for examinations are recognized as revenue when the performance obligation is satisfied, which occurs when the examinations are carried out.
04.	Income from supply of educational materials	Sale proceeds of the supplies of educational materials are recognized as an income at the point in time of dispatch or sale has occurred, whenever, the risk and rewards of ownership is transferred.
05.	Income from courses	Income from courses except the general examinations are recognized as income on periodic basis over time. Income from courses relate to future periods are shown in the Statement of Financial Position as deferred income under current liabilities.
06.	Income from Seminar and Workshops	Income from seminars, workshops, conferences and other continuous professional development activities are recognized at the point in time upon register and the time of event held.
07.	Arrears, penalties and fines	Arrears, penalties and fines in connection with the payments received after the due date are recognized upon receipt of income. Therefore, revenue is recognized at point in time.
08.	Income from training agreements of CA students	Income arising from training agreements with students is recognized over the period of the training agreement.

(b) Other Income

The sources of other income are recognized as per the Conceptual Framework and other applicable standards. The following table provides the details of sources of other income along with the treatment being followed.

<i>No.</i>	<i>Source of Other Income</i>	<i>Accounting Treatment</i>
01.	Income from Hire of Halls	Income from hire of halls is recognized at the point of hire the hall.
02.	Gains/Losses on foreign currency transactions	Foreign exchange gains and losses are recognized in profit or loss on the retranslation of foreign currency balances.
03.	Profits on sale of publications	Income from sale of Publications recognized at the point of sale.
04.	Gains/Losses on Sale of Property, Plant and Equipment	Net gains and losses on the disposal of property, plant and equipment are recognized in the statement of comprehensive income after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses. In the case of any revalued asset, any balance remaining in the revaluation reserve account is transferred to the statement of comprehensive income at the time of disposal of the assets.
05.	Miscellaneous Income	Any other income not specified above is recognized on accrual basis.

(c) Restricted Contributions / Income

Restricted contributions are provided based on agreements, contracts or other understanding, where the conditions for receipt of the funds are linked to the performance of a service or other processes. The Institute earns the contribution through compliance with the conditions that have been laid down and meeting the envisaged obligations. Income is not recognized in the statement of comprehensive income, until there is reasonable assurance that the contribution will be received, and the conditions stipulated for its receipt have been complied with and the relevant expenses that it is expected to compensate have been incurred and charged to the statement of comprehensive income. Receipt of the funds does not by itself provide conclusive evidence that the conditions attached to the contribution have been or will be fulfilled. Until the conditions have been fulfilled, the contribution is regarded as part of restricted funds.

On receiving any restricted contributions, the contribution is recognized in the statement of financial position. Thereafter, on a systematic basis, an amount equivalent to that which has been spent on agreed “restricted” activities during the period, is taken to income. Unutilized funds are carried forward as such in the statement of financial position.

Funds received as donations without any direct request being made or without any defined terms and conditions being laid down with regard to utilisation, are unrestricted. In such circumstances the funds are recognized as income when it is received.

Funds are recognized in the statement of comprehensive income up to the extent that the Institute disburse the scholarship funds received for the agreed purpose.

The accounting treatments laid down above are in compliance with Conceptual Framework.

(d) Finance Income:

Finance income comprises of Interest income which has been recognized using effective interest rate method (EIR) according to SLFRS 09 Financial Instruments.

2.4.2 Expenditure Recognition

Expenses in carrying out other activities of the Institute are recognized in the statement of comprehensive income during the period in which they are incurred. Other expenses incurred in administering and running the Institute and in restoring and maintaining the property, plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the statement of comprehensive income.

Expenses are presented in the statement of comprehensive income using Nature of Expenses method.

(a) Project Expenses

Expenses in carrying out the projects of the Institute are recognized in the statement of comprehensive income during the period in which they are incurred and the basis for identifying project expenses are mainly on locations of the project, staff allocated to the project and projected activities of the project according to the project proposal.

Expenses are recognized in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income.

(b) Operational Expense

All expenditure incurred in the running of the Institute and in maintaining the capital assets in a state of efficiency has been charged against income in arriving at the income over expenditure for the year.

Expenditure on examinations, seminars, courses, and other educational and members' activities are recognized in the statement of comprehensive income on an accrual basis.

(c) Finance Expense

Finance expenses are recognized on an accrual basis when they are paid or create liabilities.

2.5 Statement of Cash Flows

The statement of cash flows has been prepared by using the 'Indirect Method' of preparing of cash flows in accordance with Sri Lanka Accounting Standard- LKAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in Note 11.

2.6 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from past events and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Institute's control.

Capital commitments and contingent liabilities of the Institute are disclosed in the respective notes to the financial statements.

2.7 Events After the Reporting Period

The materiality of events occurring after the reporting period has been considered and appropriate adjustments, wherever necessary, have been made to the financial statements.

2.8 Amendments to Accounting Standards issued but not yet effective

The following Sri Lanka Accounting Standards (SLFRSs/LKASs), related amendments to SLFRSs and accompanying pronouncements have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) but were not yet effective as of 31 December 2025. These standards and amendments have not been early adopted in the preparation of the financial statements of the Institute and are disclosed below in accordance with the requirements of SLFRSs.

2.8.1 Accounting Standards issued but not yet effective on staggered basis

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

SLFRS S1 sets out the overall requirements for disclosure of sustainability-related financial information about an entity’s sustainability related risks and opportunities. It establishes concepts for disclosing sustainability related financial information that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Effective for annual reporting periods beginning on or after 1 January 2025 on staggered basis.

However, since the Institute is not a Specified Business Enterprise (SBE), it is not required to adopt these standards even for financial reporting periods beginning on or after 1st January 2030.

2.8.1.2. SLFRS S2 – Climate-related Disclosures

SLFRS S2 Climate-related Disclosures requires an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Effective for annual reporting periods beginning on or after 1 January 2025 on staggered basis.

However, since the Institute is not a Specified Business Enterprise (SBE), it is not required to adopt these standards even for financial reporting periods beginning on or after 1st January 2030.

2.8.2. Accounting Standards issued but not yet effective

2.8.2.1 Amendments to SLFRS 9 – Classification and Measurement of Financial Instruments

These amendments clarify requirements relating to the: contractual cash flow characteristics assessment (SPPI test), classification of financial assets, application of the effective interest method, and enhanced disclosures relating to financial instruments.

Effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Institute is currently assessing the impact of these amendments. Based on a preliminary review, no material impact on the classification or measurement of the Institute’s financial assets is expected, but enhanced disclosures may be necessary upon adoption.

2.8.2.2. Amendments to SLFRS 7 – Financial Instruments: Disclosures

These amendments complement the amendments to SLFRS 9 by requiring enhanced disclosures about the effects of financial instrument classifications and measurements on the entity’s financial position and performance.

Effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Institute will evaluate future disclosure requirements arising from these amendments.

2.8.2.3. Amendments to LKAS 21 – The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)

The amendments clarify how an entity should assess whether a currency is exchangeable and determine appropriate exchange rates when exchangeability is lacking, along with related disclosure requirements.

Effective for annual reporting periods beginning on or after 1 January 2025.

These amendments are not expected to have a material impact on the Institute’s financial statements, as its operations are primarily conducted in the Sri Lankan Rupee and other exchangeable currencies.

2.8.2.4. SLFRS 17 – Insurance Contracts

SLFRS 17 replaces SLFRS 4 and establishes new recognition, measurement, presentation and disclosure requirements for insurance contracts. Entities that issue insurance contracts will apply to this Standard.

Effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

As the Institute does not issue insurance contracts, no material impact is expected on its financial statements upon adoption.

2.8.2.5. SLFRS 18 – Presentation and Disclosures in Financial Statements

SLFRS 18 supersedes LKAS 1 and introduces revised presentation and enhanced disclosure requirements, including specified subtotals and management performance measures.

Effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.

The Institute will assess the impact of this new presentation framework in due course; material changes are not expected in respect of recognition and measurement.

Management has assessed the above Standards and amendments and does not expect their adoption to have a material effect on the Institute’s financial position, performance, or cash flows. Where applicable, additional disclosures may be incorporated in future financial statements upon their effective dates.

The Institute of Chartered Accountants of Sri Lanka
Notes to the Financial Statements (Contd.)

3 - Property, plant and equipment

Cost

	Land Rs.'000	Buildings Rs.'000	Improvements to right of use asset Rs.'000	Furniture, fixtures and fittings Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, servers & IT equipment Rs.'000	Capital Work In Progress Rs.'000	Total Rs.'000
Balance as at 1 January 2024	699,000	509,448	69,126	173,881	157,004	12,282	139,717	5,803	1,766,261
Additions	-	16,842	-	15,944	11,432	-	31,287	-	75,505
Disposals/Transfers	-	-	(2,955)	(1,038)	(39)	-	(5,442)	(4,079)	(13,553)
Balance as at 31 December 2024	699,000	526,290	66,171	188,787	168,397	12,282	165,562	1,724	1,828,213
Additions	-	5,468	21,065	25,488	43,411	19,800	47,974	(1,249)	161,957
Disposals/Transfers	-	-	-	(3,482)	(8,112)	(126)	(2,138)	-	(13,858)
Transfer	-	7,794	-	(9,005)	1,211	-	-	-	-
Balance as at 31 December 2025	699,000	539,552	87,236	201,788	204,907	31,956	211,398	475	1,976,312

Accumulated depreciation

	Land Rs.'000	Buildings Rs.'000	Improvements to right of use asset Rs.'000	Furniture, fixtures and fittings Rs.'000	Plant and machinery Rs.'000	Motor vehicles Rs.'000	Computers, servers & IT equipment Rs.'000	Capital Work In Progress Rs.'000	Total Rs.'000
Balance as at 1 January 2024	-	188,004	13,996	103,427	140,169	12,261	81,240	-	539,097
Depreciation charge for the year	-	8,263	6,347	15,535	6,082	15	21,778	-	58,020
Depreciation on Disposals	-	-	-	(1,020)	(39)	-	(5,442)	-	(6,501)
Balance as at 31 December 2024	-	196,267	20,343	117,942	146,212	12,276	97,576	-	590,616
Depreciation charge for the year	-	11,830	5,811	12,596	8,068	770	24,934	-	64,009
Depreciation on Disposals	-	-	-	(3,458)	(8,109)	(123)	(2,136)	-	(13,826)
Transfer	-	13,491	-	(13,671)	180	-	-	-	-
Balance as at 31 December 2025	-	221,588	26,154	113,409	146,351	12,923	120,374	-	640,799

Carrying amounts

As at 31 December 2025	699,000	317,964	61,082	88,379	58,556	19,033	91,024	475	1,335,513
As at 31 December 2024	699,000	330,023	45,828	70,845	22,185	6	67,986	1,724	1,237,597

3.1 Title Restrictions on Property Plant & Equipment

The land on which the Institute's buildings are situated is a conditional government grant to the Institute. This land, which is situated at 30A, Malalasekara Mawatha, Colombo 07 with a land extent of 174.76 perches has been valued by the Government Chief Valuer on 17 March 2017, at a value of Rs. 699Mn.

As per schedule 2 and schedule 3 of the Presidential grant no 4/10/22311 dated 17 March 2017 granted under chapter 454 23(2) of the State Land Ordinance, the land and buildings shall be used solely for the activities of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and shall not be used for any other purpose. Further, CA Sri Lanka cannot alienate the land and buildings referred to therein without the prior approval of the Commissioner of Land.

3.2 Fully depreciated property, plant and equipment at cost

As at 31st December	2025	2024
	Rs.'000	Rs.'000
Buildings	104,940	104,940
Furniture, fixtures and fittings	78,930	79,073
Plant and machinery	124,452	125,608
Motor vehicles	12,156	12,121
Computers, servers and IT equipment	75,057	46,893
Total	395,535	368,635

3.3 Impairment of property, plant and equipment

The Management has assessed the potential impairment loss of property, plant and equipment as at 31st December 2025. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

3.4 Property, plant and equipment pledged as security

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

4 - Right of Use Assets

4.1 Lease hold Properties

	2025 Rs.'000	2024 Rs.'000
Cost		
Balance as at st1 January	104,965	106,373
Additions	50,445	
Capitalised during the year		(1,408)
Balance as at 31st December 2024	155,410	104,965
Accumulated depreciation		
Balance as at 1st January	42,809	33,939
Depreciation charge for the year	55,024	8,870
Balance as at 31 December 2025	97,833	42,809
Carry Amount	57,577	62,156

4.1.1 Right of use asset.

The SAB Campus buildings which are on lease have been categorised as Right of use asset.

5 - Intangible assets

Cost

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress projects Rs.'000	Total Rs.'000
Balance as at 1 January 2024	52,490	9,406	192,254	7,779	261,929
Additions Capitalised during the year	376			11,134	11,510
Balance as at 31 December 2024	52,866	9,406	192,254	18,913	273,439
Additions Capitalised during the year	8,401	-	-	235,071	243,472
	9,135	-	1,868	(11,003)	-
Balance as at 31 December 2025	70,402	9,406	194,122	242,981	516,911

Amortisation

	Software Rs.'000	Software licences Rs.'000	Study material development Rs.'000	Work-in- progress - projects Rs.'000	Total Rs.'000
Balance as at 1 January 2024	37,538	9,394	182,846	-	229,778
Amortisation for the year	5,910	12	3,312	-	9,234
Balance as at 31 December 2024	43,448	9,406	186,158	-	239,012
Amortisation for the year	6,338	-	1,768	-	8,106
Balance as at 31 December 2025	49,786	9,406	187,926	-	247,118

Carrying amounts

As at 31 December 2025	20,616	-	6,196	242,981	269,793
As at 31 December 2024	9,418	-	6,096	18,913	34,427

5.1 Software Licence

Software licence costs are recognized as expenses in the 2025, as they do not meet the criteria for capitalization.

5.2 Impairment of intangible assets

The Management has assessed the potential impairment loss of intangible assets as at 31 December 2025. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of intangible assets.

5.3 Intangible assets pledged as security

There were no items of intangible assets pledged as securities for liabilities as at the reporting date.

5.4 Title restriction on intangible assets

There are no restrictions that existed on the title of the intangible assets of the Institute as at the reporting date.

6 - Library books

As at 31 December	2025	2024
	Rs.'000	Rs.'000
Balance at the beginning of the year	2,903	1,254
Additions /Adjustments	480	2,914
Amortisation	(1,241)	(1,265)
Balance at the end of the year	2,142	2,903

7 - Loans and advances to staff

As at 31 December	2025	2024
	Rs.'000	Rs.'000
Receivable within one year	2,546	1,863
Receivable after one year	24,618	21,174
Total	27,164	23,037

7.1 Credit risk associated with staff loans is not adjusted, as the loan instalments are secured against the employees' salary.

7.2 Impairment of Loans and Advances to Staff

Refer note 32 for Risk management disclosure and maturity analysis of the financial assets.

8 - Financial assets at amortised cost

As at 31 December	2025	2024
	Rs.'000	Rs.'000
Maturity within one year - Fixed Deposits	159,881	122,852
	159,881	122,852
Maturity after one year - Fixed Deposits	150,000	150,000
- Bonds	2,575,437	2,163,946
	2,725,437	2,313,946
Total	2,885,318	2,436,798

As at 31 December	2025		2024	
	<i>Carrying Value Rs.'000</i>	<i>Fair Value Rs.'000</i>	<i>Carrying Value Rs.'000</i>	<i>Fair Value Rs.'000</i>
Fixed Deposits	309,881	309,881	272,852	272,852
Treasury Bonds	2,575,437	2,945,784	2,163,946	2,633,796
Total	2,885,318	3,255,665	2,436,798	2,906,648

Fixed deposits have been placed in a state owned bank.

8.1 Impairment of financial assets

Refer Note 32 in page 45A for Risk management disclosures and maturity analysis of the financial assets.

9 - Inventories

As at 31 December	2025	2024
	Rs.'000	Rs.'000
Study packs and study materials	7,810	11,107
Publications	5,193	6,766
Stationery, consumables and others	18,602	10,287
Total	31,605	28,160

10 - Receivables

As at 31 December	2025	2024
	Rs.'000	Rs.'000
Receivables	284,265	288,027
Less: Provision for impairment	(20,759)	(54,191)
Receivables net of Provision	263,506	233,836
Other Receivables	27,346	27,346
Deposits and prepayments	43,656	37,279
Prepaid staff cost	5,227	6,908
Advances	34,276	19,592
Total	374,011	324,961

10.1 Refer Note 32 in page 45A for information on credit risk management

11 - Cash and cash equivalents

As at 31 December	2025	2024
	Rs.'000	Rs.'000
<u>Favourable balances</u>		
Treasury bill repurchase agreements	90,409	155,235
Cash at bank	54,778	54,134
Cash in hand	354	294
Total cash and cash equivalents for the Statement of Cash Flow.	145,541	209,663

Unpresented cheques have been adjusted against the cash balances as at the reporting date. The prior year balances have been adjusted accordingly for comparability.

Repo investments which fall under government securities are backed by treasury bills and bonds which are provided as collateral.

12 - Designated funds		Balance as at 1.1.2025		Contribution/Transfer from the Institute		(Payments)		Balance as at 31.12.2025		Balance as at 31.12.2024	
		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000	
12.1	Summary										
12.2	Designated scholarship funds	49,949		39,148		(10,127)		78,970		49,949	
12.3	Other designated funds	4,828		777				5,605		4,828	
	Total designated funds	54,777		39,925		(10,127)		84,575		54,777	
* The contribution from the Institute includes the transfers of interest income amounting Rs. 8.9 Mn to the respective funds.											
12.2	Designated scholarship funds										
	L A Weerasinghe memorial needy scholarship fund	6,865		5,162		(3,798)		8,229		6,865	
	Merit scholarship fund	3,254		3,580		(2,365)		4,469		3,254	
	CA Sri Lanka scholarship funds *	39,830		30,406		(3,964)		66,272		39,830	
	Total designated scholarship funds	49,949		39,148		(10,127)		78,970		49,949	
* CA Sri Lanka scholarship funds consist of scholarship funds for District First, A/L Top Ten, Children of Staff members, Inter School Commerce Competition, National Conference, Talent and Top Achievers at A/L, Sisudari											
12.3	Other designated funds										
	Faculty of Taxation fund			1,474		237		1,711		1,474	
	Faculty of Auditing fund			1,422		229		1,651		1,422	
	Publication fund			922		148		1,070		922	
	Urgent Issues Task Force fund			1,010		163		1,173		1,010	
	Total other designated funds			4,828		777		5,605		4,828	

13 - Restricted funds and grants

13.1 Summary

	Balance as at 1.1.2025	Contribution/ Transfer from the Institute	Grants/ Donations received	(Payments)	Balance as at 31.12.2025	Balance as at 31.12.2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
13.2 Grants	53	9	-	-	62	53
13.3 Other restricted funds	11,478	1,848	-	0	13,326	11,478
13.4 Restricted scholarship funds	53,082	8,343	3,100	(4,920)	59,605	53,082
Total restricted funds and grants	64,613	10,200	3,100	(4,920)	72,993	64,613
	Balance as at 1.1.2025	Contribution from the Institute	Grants received	(Payments)	Balance as at 31.12.2025	Balance as at 31.12.2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
13.2 Grants						
Ernst & Young SME grant	53	9	-	-	62	53
Total grants	53	9	-	-	62	53

13.2.1 Ernst & Young SME Grant: This amount represents the grant received from Ernst & Young to provide training on audit tool kit for Small and Medium Practices (SMPs).

13.3 Other restricted funds

	Balance as at 1.1.2025	Contribution from the Institute	(Payments)	Balance as at 31.12.2025	Balance as at 31.12.2024
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Best annual report competition fund (Note 13.3.1)	10,734	1,728	0	12,462	10,734
Mr. Chandra Jayarathne Good Governance Research Fund	744	120	0	864	744
Total other restricted funds	11,478	1,848	0	13,326	11,478

13.3.1 Best annual report competition fund

	Balance as at 1.1.2025 Rs.'000	Contribution from the Institute Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2025 Rs.'000	Balance as at 31.12.2024 Rs.'000
Deshabandu Albert Page (1992)	2,057	331		2,388	2,057
Late Mr. Cyril Gardiner (1992)	7,974	1,284	0	9,258	7,974
Hayleys PLC (1994)	703	113		816	703
Total	10,734	1,728	0	12,462	10,734

13.4 Restricted scholarship funds

	Balance as at 1.1.2025 Rs.'000	Transfer to Funds Rs.'000	Donations / Receipts Rs.'000	(Payments) Rs.'000	Balance as at 31.12.2025 Rs.'000	Balance as at 31.12.2024 Rs.'000
C.A.Sri Lanka UK Members' scholarship fund	90	95	999		1,184	90
Prof.Y.A.D.Samaratunga memorial fund	197	32			229	197
Prof. Kodagoda memorial fund	49	8			57	49
Price waterhouse Coopers scholarship fund	111	18			129	111
Ernst & Young scholarship fund	8,597	1,433	610		10,640	8,597
Miss. Inoka Gunaratne memorial fund	142	23			165	142
Pelwatta Sugar Industries Ltd. fund	674	109			783	674
Members' scholarship fund	2,543	473	1,491	(9)	4,498	2,543
Dalton Wijeyeratne memorial scholarship fund	20	2			22	20
Mr. Sanjaya Bandara scholarship fund	148	24			172	148
Mr. Chandradasa Liyanage scholarship fund	584	94			678	584
A.L.B.Brito Mutunayagam memorial scholarship fund	145	23			168	145
Herman Amarasekera scholarship fund	10,000	1,610			11,610	10,000
Devika Jayawardene scholarship fund	1,000	161			1,161	1,000
C.A.Qatar Chapter scholarship fund	1,822	291		(28)	2,085	1,822
Bahrain Chapter scholarship fund	2,325	374			2,699	2,325
UAE Chapter - scholarship fund	945	152			1,097	945
Australian Chapter scholarship fund	318	47		(49)	316	318
ICAEW Foundation Bursary scholarship fund	23,373	3,373		(4,834)	21,912	23,373
Total restricted scholarship funds	53,082	8,343	3,100	(4,920)	59,605	53,082

14 - Endowment funds

	Balance as at 1.1.2025 Rs.'000	Transfer to Funds	Donations / Receipts	(Payments) Rs.'000	Balance as at 31.12.2025 Rs.'000	Balance as at 31.12.2024 Rs.'000
Capital balances - prize funds	1,392	305			1,697	1,392
Income balances - prize funds	1,191	261	117	(150)	1,419	1,191
Total endowment funds	2,583	566	117	(150)	3,116	2,583

15 - Retirement benefit obligation

As at 31 December		2025	2024
	Note	Rs.'000	Rs.'000
Balance at the beginning of the year		33,371	29,156
Provision made during the year	15.1	15,718	10,188
Payments made during the year		<u>(6,155)</u>	<u>(5,973)</u>
Balance at the end of the year		<u>42,934</u>	<u>33,371</u>

15.1 - Provision made during the year

Interest cost		3,004	3,790
Current service cost		6,209	3,951
		<u>9,213</u>	<u>7,741</u>
Net actuarial (loss)/gain recognised in Other Comprehensive Income		6,505	2,447
Total provision made during the year		<u>15,718</u>	<u>10,188</u>

Under the Gratuity Act No.12 of 1983, gratuity liability arises only upon an employee completing a continuous service of five years.

15.2 Principal actuarial assumptions used

Smiles Global (Pvt) Limited., qualified actuaries carried out an actuarial valuation on the defined benefit plan-gratuity as at 31 December 2025. The assumptions used in determining the cost of retirement benefits are as follows,

Assumption	2025	2024
Discount interest rate *	9.75% per annum	10% per annum
Staff turnover rate	19% per annum	23% per annum
Salary increment rate	8.0%	8.0%
Retirement age	60 years	60 years

* In the absence of a deep market in long term bonds in Sri Lanka, a long term interest rate of 9.75% p.a (2024 - 10% p.a) has been used to discount future liabilities considering anticipated long term rate of inflation.

15.3 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the retirement benefit obligation measurement.

As at 31 December	2025	2024
Assumption	Increase / (decrease) of defined benefit obligation Rs. '000	Increase / (decrease) of defined benefit obligation Rs. '000
Sensitivity analysis to discount rate		
1% increase in discount rate	(1,601)	(1,195)
1% decrease in discount rate	1,736	1,281
Sensitivity analysis to salary escalation rate		
1% increase in salary escalation rate	1,842	1,365
1% decrease in salary escalation rate	(1,727)	(1,294)

15.4 Maturity Profile of the defined benefit obligation

<i>Future working life time As at 31 December</i>	<i>Defined benefit obligation</i>	
	<i>2025 Rs.'000</i>	<i>2024 Rs.'000</i>
Within next 12 months	3,980	5,916
Between 1 to 5 years	22,201	16,575
Between 5 to 10 years	16,753	9,188
Beyond 10 years		1,692
Total	42,934	33,371

Weighted Average duration of Defined Benefit Obligation is 4 years (2024 - 4 years).

16 - Lease liability

<i>As at 31 December</i>	<i>2025 Rs.'000</i>	<i>2024 Rs.'000</i>
Balance at the beginning of the year	35,808	58,471
Addition	50,445	
Finance Charge on Lease Liability	5,859	3,738
Payments	(38,160)	(26,400)
Balance at the end of the year	53,952	35,808

16.1 Analysis by maturity

<i>As at 31 December</i>	<i>2025 Rs.'000</i>	<i>2024 Rs.'000</i>
Payable within one year	17,439	18,052
Payable after one year	36,513	17,756
Total	53,952	35,808

17 - Payables and advances received

<i>As at 31 December</i>	<i>2025 Rs.'000</i>	<i>2024 Rs.'000</i>
Accrued charges	60,510	100,201
Payables	152,530	41,350
Refundable deposits	-	50
Advances received**	414,651	287,214
Total	627,691	428,815

** Advances include collected exams & TAGS income which was postponed due to Cyclone Ditwah.

18 - Income tax payable

<i>As at 31 December</i>	<i>2025 Rs.'000</i>	<i>2024 Rs.'000</i>
Balance brought forward	78,767	24,937
Tax provision for previous years	-	29,314
Charge for the period	103,782	95,530
Total payable	182,549	149,781
Tax paid during the year	(112,935)	(70,325)
WHT paid	(341)	(689)
Income tax payable	69,273	78,767
Income tax receivable	(958)	(958)
Net income tax payable	68,315	77,809

Note 19 - Income

	2025 Rs.'000	2024 Rs.'000
Performance by activity		
Learning and professional development	1,366,788	1,085,561
Continuous professional development and member related activities	309,720	278,296
Financial reporting and assurance standards related activities	26,269	78,619
Library-related activities	262	263
Net sponsorship income	10,924	3,851
Total	1,713,963	1,446,590

**The Institute of Chartered Accountants of Sri Lanka
Notes to the Financial Statements (Contd.)**

20 - Employee costs

For the year ended 31 December	2025 Rs.'000	2024 Rs.'000
Salaries and wages	398,210	320,561
Defined contribution plan cost		
- Employees' Provident Fund	38,746	34,091
- Employees' Trust Fund	7,768	6,818
Other staff related cost	27,867	17,858
Amortisation of pre-paid staff cost	5,708	2,440
Defined benefit plan cost	9,213	7,741
Total employee costs	487,512	389,509

21-Maintenance of premises

For the year ended 31 December	2025 Rs.'000	2024 Rs.'000
Utilities	24,667	31,149
Maintenance of building	27,022	28,759
Maintenance of equipment	10,728	6,478
Total maintenance of premises	62,417	66,386

22 - Depreciation and amortisation

For the year ended 31 December	2025 Rs.'000	2024 Rs.'000
Depreciation/Amortization of tangible asset	120,274	66,890
Amortisation of intangible assets	8,106	9,234
Total depreciation and amortisation	128,380	76,124

23 - Other Operating expenses

Other Operating expenses include SSCL Tax provision (114Mn), IT and IT related expenses, communication , printing and stationery ,Auditors remuneration(0.639Mn), legal & professional fees , general maintenance costs and bank charges.

24 - Other operating income

For the year ended 31 December	2025	2024
	Rs.'000	Rs.'000
Income from hire of halls	3,922	618
Profit on sale of publications	2,940	2,053
Profit on disposal of property, plant and equipment	392	103
(Loss) / Gain on foreign currency transactions	320	(288)
Miscellaneous income	3,993	1,342
Total other operating income	11,567	3,828

25 - Net finance income**25.1 Finance income**

For the year ended 31 December	2025	2024
	Rs.'000	Rs.'000
Interest income from,		
Government securities	436,617	380,960
Fixed deposits	40,478	45,034
Staff loans	6,821	3,549
Total finance income	483,916	429,542

25.2 Finance cost

Interest on lease liability	(5,859)	(3,738)
Total finance cost	(5,859)	(3,738)
Net finance income	478,057	425,804

26 - Income tax expense

For the year ended 31 December	2025	2024
	Rs.'000	Rs.'000
Income liable for tax	741,303	682,360
Charge for the year	103,782	95,530
Tax for Previous years	-	29,315
Total	103,782	124,845

Tax liability is computed at the rate of 14% on income liable to tax in line with the principle activities and nature of operations mentioned in note 1.2

27 - Events occurring after the reporting period

There are no material events occurring after the reporting period that require adjustment or disclosure in the financial statements.

28 - Commitments

As at the reporting date, the Institute has outstanding commitments in respect of the following projects:
Curriculum Development – Remaining payments amounting to approximately Rs. 90 Mn.
UniEx Project – Committed expenditure amounting to approximately Rs. 255.Mn

These amounts represent approved contractual commitments relating to ongoing projects, which will be settled upon completion of agreed milestones.

29 - Contingent liabilities

The Institute had received assessments in respect of Value Added Tax (VAT) for the period commencing from 01 April 2012 to 31 December 2014 amounting to Rs. 61Mn and Nation Building Tax (NBT) for the period commencing from 01 July 2009 to 31 December 2014 amounting to Rs. 100Mn. Further, the Institute had also received an assessment in respect of Economic Service Charge (ESC) for the period commencing from 01 April 2009 to 31 March 2012 amounting to Rs. 4.5Mn. The Institute duly appealed to the Tax Appeals Commission (TAC) against all the determinations of the Commissioner General of Inland Revenue (CGIR) in respect of above assessments.

TAC has determined appeals against the assessments for ESC, VAT and NBT in favour of the CGIR. The Institute appealed against the determination of the TAC and the said appeals are currently pending before the Court of Appeal.

Having discussed with independent legal and tax experts and based on information available, the Institute is of the view that it is not liable for assessed taxes in the above assessments and therefore, no provision has been made in the financial statements.

30 - Related party transactions

Payments are made in the ordinary course of business to any member of the Institute for certain specified activities. During the reporting period the following members of the Council have been involved in such activities at the request of the Council on behalf of the Institute.

For the year ended 31 December		2025	2024
Name	Transactions	Rs.'000	Rs.'000
Mr. Ashane Jayasekara	Educational Activities	231	-
Mr. S.M.S.S. Bandara	Examination Activities	252	225

31 - Transaction between CA Sri Lanka & AAT

Transactions engaged between CA Sri Lanka and AAT, where CA Sri Lanka appoints eight council members out of the sixteen of AAT.

For the year ended 31 December		2025	2024
		Rs.'000	Rs.'000
Payments to AAT			
Sponsorships		1,600	1,250
Receipts from AAT			
Registration and tickets for Annual Report Awards Competition		-	185
Conference Participation		70	96

32 - Risk Management Disclosures

INTRODUCTION

Risk resulting from external macroeconomic and other parameters is inherent in the Institute's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Institute's continuing profitability and each individual within the Institute is accountable for managing the risk exposures relating to the respective functional areas.

The following are key financial risks in its operations.

Credit Risk
Liquidity Risk
Market Risk

Risk Management Framework

Risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The senior management oversees the management of these risks. The senior management is supported by a finance team that advises on financial risks and the appropriate financial risk governance framework. The finance team provides assurance to the senior management that the Institute's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Institute's policies and risk appetite.

Such policies are adequately reviewed by the Finance & Administration Committee (F&A) and the Council of the Institute and risks are being periodically monitored during the monthly meetings at F&A.

32.1 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Institute is being exposed to the credit risk from its operating activities (primarily for receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

Credit Risk exposure

The Institute's maximum exposure to credit risk as at the end of year based on the carrying value of Financial Assets in the statement of Financial Position is given below. There were no off Balance Sheet exposure as at the year end. The Institute have also invested in Treasury Bond's & Reverse Re-purchase agreements which are deemed to carry insignificant credit risk and being a sovereign instrument in domestic currency hence have not been included in the disclosures.

As At 31st December

	2025	2024
	Rs.	Rs.
Receivables		
Loans & Receivables	284,265	288,027
Investments in Fixed Deposit	27,164	23,037
Investments in Treasury Bonds	309,881	272,852
Cash and cash equivalents		
Credit Risk exposure on Receivables	2,575,437	2,163,946
	<u>145,541</u>	<u>209,663</u>
	3,342,288	2,957,525

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty being Membership and the student base including the SAB Campus. Management also considers various statistics of the Institute's receivables base including default risk, relationship with due attention given to past collection patterns and etc.

The Credit risk is managed by respective business unit subject to the Institute's established policies, procedures and control relating to credit risk management. Outstanding receivables are regularly monitored and followed up extensively during monthly F&A meeting where financial details are critically evaluated.

The Institute applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. An Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for credit risk segments identified. The calculation reflects probability weighted outcomes time value of money and reasonable and supportable information that is available at the reporting date.

Set below is the information about the credit risk exposure on the Institute's Receivables and the corresponding aging

2025	Current	Receivables Past Due - '000			Total
		Less than 03 Months	03-12 Months	Over 1 year	
Gross Carrying Amount at the reporting date	10,499	40,896	164,521	47,590	263,506
2024	Current	Receivables Past Due - '000			Total
		<30 Days	51,456	115,490	
Gross Carrying Amount at the reporting date	3,418	51,456	115,490	63,472	233,836

Credit Risk exposure Financial Instruments at Amortized Cost

Institute performed Expected Credit loss assessment on the Financial Assets at Amortized cost, which includes Investments in Treasury Bonds and Fixed Deposits based on the counterparty credit quality. Evaluation of the credit quality was based on the counterparty rating and the probability of default attached to the respective ratings. However the ultimate exposure to credit risk appears to be insignificant (0.0032%) hence on materiality management have note made any provision for the respective assets as of the reporting date.

Further Investments at Short notice, such as overnight reverse repurchase agreements have been excluded from evaluation of Expected Credit Losses (ECL) considering the short term nature of such instruments.

32.2 LIQUIDITY RISK

Liquidity risk is the risk that the Institute will encounter difficulty in meeting its obligations with its liabilities that are settled by delivering cash or another financial asset. The Institute's approach to managing liquidity is to ensure that, it will have sufficient liquid assets to settle liabilities when it is due, without breaching any loan covenant and incurring undesirable losses.

The Institute's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Institute's assesses the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and based on the maturity analysis performed there are no significant near term mismatches creating additional liquidity risk to the institute.

The table below summarizes the maturity profile of the undiscounted cash flows of the Institute's financial assets and liabilities as at Current Year

Current Year	On Demand	Less than 03 Months	03-12 Months	01-03 Years	Over 03 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Receivables	10,499	40,896	164,521	47,590		263,506
Loans & Advances to Staff	38	284	2,262	3,862	20,719	27,164
Investments in Fixed Deposit	-	-	159,881	-	150,000	309,881
Investments in Treasury Bonds	-	145,284	137,003	2,027,400	265,751	2,575,437
Cash & Cash Equivalent	145,541	-	-	-	-	145,541
Total Financial Assets	156,077	186,463	463,667	2,078,851	436,470	3,321,529
Financial Liabilities						
Lease Liability	-	11,431	6,008	34,123	2,390	53,952
Payables	152,530	-	-	-	-	152,530
Total Financial Liabilities	152,530	11,431	6,008	34,123	2,390	206,482
Total Net Financial Assets/ (Liabilities)	3,547	175,032	457,659	2,044,729	434,080	3,115,047

Comparative Year	On Demand	Less than 03 Months	03-12 Months	01-03 Years	Over 03 Years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets						
Receivables	3,418	51,456	115,490	63,472		233,836
Loans & Advances to Staff		190	1,673	4,861	16,313	23,037
Investments in Fixed Deposit			122,852		150,000	272,852
Investments in Treasury Bonds				867,324	1,296,622	2,163,946
Cash & Cash Equivalent	209,663					209,663
	<u>213,081</u>	<u>51,646</u>	<u>240,015</u>	<u>935,657</u>	<u>1,462,935</u>	<u>2,903,334</u>
Financial Liabilities						
Lease Liability		7,256	22,782	5,771		35,809
Payables	41,350					41,350
Total Financial Liabilities	41,350	7,256	22,782	5,771	-	77,159
Total Net Financial Assets/ (Liabilities)	171,731	44,390	217,233	929,886	1,462,935	2,826,175

32.3 MARKET RISK

Market risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprise of three types of risks :

- (i) Interest Rate Risk
- (ii) Foreign Exchange Risk
- (iii) Other Price Risk.

Financial Instrument's affected by the market risk includes Investments in Fixed Deposits and Treasury Bonds. Even though these instruments are held at amortized cost at the reporting date the re-pricing these instruments at maturity to lower interest yield curve can potentially impact the interest earning ability of such instruments. Further analysis is presented on the sensitivity of re-pricing risk under the evaluation performed on the interest rate risk.

Interest rate risk is the risk that the fluctuation of fair value or future cash flows of a financial instrument which will fluctuate because of changes in market interest rates.

The Institute's exposure to the risk of changes in market interest rates relates primarily to the Company's Investments Made in the Fixed Deposit and Treasury Bonds where the income generated will get impacted due to shifts in the market interest curves. Below table summarises the sensitivity of the downward movement of Interest rates and the respective impact to P/L.

	2025		2024	
	Increase/(Decrease) in basis points	Effect on Profit Before Tax	Increase/(Decrease) in basis points	Effect on Profit Before Tax
Fixed Deposit	-250	4,758	-250	4,758
	-500	9,516	-500	9,516
	-1000	19,031	-1000	19,031
Investments in Fixed Deposit	-250	61,622	-250	52,122
	-500	123,244	-500	104,244
	-1000	246,487	-1000	208,487

FOREIGN EXCHANGE RATE RISK

Exchange rate risk is the risk of loss as a result of unhedged exposure to volatility in the local (LKR) exchange rate with other major currencies. However as of the reporting date there is no material exposure to Currency/Exchange Risk for the Institute.

EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. However as of the reporting date there is no exposure to Equity Risk for the Institute, as there are no investments made in equity Instruments

Notes for the F.B. Lander Prize Fund and the Cyril E Begbie Memorial Founder Prize Funds

	<i>F.B. Lander Prize Fund</i>		<i>Cyril E Begbie Memorial Founder Prize Funds</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
	<i>Rs.'000</i>	<i>Rs.'000</i>	<i>Rs.'000</i>	<i>Rs.'000</i>
Bank account balance at the beginning of the year	930	904	39	38
Interests received during the year	26	26	1	1
Bank account balance at the end of the year	956	930	40	39

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