

**THE MERCANTILE SERVICE PROVIDENT
SOCIETY**

REPORT OF THE COMMITTEE

AND

ACCOUNTS

FOR THE

YEAR ENDED 31ST DECEMBER, 2023

THE MERCANTILE SERVICE PROVIDENT SOCIETY

(Inaugurated 20th December, 1939)

TRUSTEE: THE CEYLON CHAMBER OF COMMERCE

(Established 25th March, 1839)

REPORT OF THE COMMITTEE FOR THE YEAR ENDED 31ST DECEMBER 2023

COMMITTEE

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

The Membership of the Society as at 31st December 2023 was 16,815 as compared with 15,804 members for the previous year, and was distributed among the 45 contributing companies as follows:-

Number of companies as at 31st December 2022 was 47.

1) Singer (Sri Lanka) PLC	-	3301	11) Unilever Sri Lanka Ltd	-	518
2) DFCC Bank	-	2017	12) Lankem Ceylon PLC	-	410
3) Darley Butler & Co, Ltd	-	1302	13) Deloitte Partners	-	384
4) The Capital Maharaja Orgnization Ltd	-	1222	14) Nestle Lanka PLC	-	373
5) KPMG	-	1095	15) E.B. Creasy & Co. PLC	-	361
6) Morison PLC	-	845	16) Hotels Colombo (1963) Ltd	-	248
7) George Steuart & Co. Ltd	-	817	17) Ernst & Young	-	232
8) A Baur & Co, (Pvt) Ltd	-	808	18) C.W. Mackie PLC	-	191
9) CIC Holdings PLC	-	660	19) Gestetner of Ceylon PLC	-	190
10) Astron Ltd	-	531	20) Hemas Holdings PLC	-	160

21) SmithKline Beecham (Pvt) Ltd	- 158	34) Van Rees Ceylon Ltd	- 31
22) Reckitt Benckiser (Lanka) Ltd	- 93	35) F.J. & G. De Saram	- 23
23) Finlays Colombo Ltd	- 91	36) Premium Exports Ceylon Ltd	- 21
24) The Ceylon Chamber of Commerce	- 87	37) IBM World Trade Corporation	- 20
25) Akzo Nobel Paints Lanka (Pvt) Ltd	- 78	38) Shums & Co. (Pvt) Ltd	- 17
26) Ceylon Shipping Lines Ltd	- 75	39) Hayleys PLC	- 15
27) Rhino Roofing Products Ltd	- 72	40) Shaw Wallace Ceylon Ltd	- 14
28) Acme Printing & Packaging PLC	- 71	41) Lee Hedges PLC	- 14
29) Singer Industries (Ceylon) PLC	- 53	42) GlaxoSmithKline Pharmaceuticals (Pvt) Ltd	- 13
30) Chas P. Hayley & Co. Ltd	- 51	43) Mercantile Investments and Finance PLC	- 12
31) AT & T Global Information Solutions (Lanka) Ltd	- 47	44) Ceylon Trading Co. Ltd	- 11
32) Thomas Cook Lanka (Pvt) Ltd	- 40	45) Bartleet & Co. Ltd	- 9
33) De Soysa & Co. (Pvt) Ltd	- 34	Total Members	<u>16,815</u>

During the year Malship (Ceylon) Ltd and Chemanex PLC left the Society, bringing the total contributing companies to 45.

On behalf of the Committee of Management of the Mercantile Service Provident Society it gives me pleasure to present the Annual Report of the Society for the financial year ended 31st December 2023.

During the year there was an increase of 1011 in the membership, making up a total membership of 16,815. With the restriction of admitting new contributing firms remaining in force, the number of contributing companies as at 31st December 2023 stood at 45.

The total income of the Society for the year 2023 was Rs.4,665 million as compared to Rs.3,752 million in 2022, thus recording an increase of Rs.913 million which is 24.3% compared to the previous year.

Although the interest rates moved up rapidly in the year 2022 due to the economic crisis, it stabilized in 2023 which saw a gradual decline in rates. However, the MSPS was able to increase the income earned during the year compared to the previous year. This has contributed towards an increase in the distributable rate from 10.00% in 2022 to 13.00% in 2023, mainly attributable to the Fund investing in high yielding fixed income securities in the year 2022.

Interest income for 2023 was Rs.4,644 million as against Rs.3,728 million in 2022 which is an increase of 24.6%. Current year the Society was able to distribute a dividend of Rs.3,490.2 million as against dividend of Rs.2,746.5 million in 2022.

The total Fund value increased from Rs.32.6 billion in 2022 to Rs.34.3 billion in 2023 thus recording a growth of 5.2% in the total fund value.

The following table shows the investments as at 31st, December 2023 and the income earned during the year.

	<u>INVESTMENTS</u>		<u>INCOME</u>	
Fixed Deposits	Rs.	14,595,293,007	Rs.	2,438,593,691
Debentures	Rs.	8,772,108,516	Rs.	854,907,235
Treasury Bonds	Rs.	3,396,266,256	Rs.	282,768,186
Money Market A/C	Rs.	1,229,524,243	Rs.	73,404,507
Loans to Members	Rs.	5,774,572,875	Rs.	994,081,181
		<u>33,767,764,897</u>		<u>4,643,754,800</u>

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

Year	Net Income	Rate
2008	989,460,982	13.00%
2009	1,741,815,944	21.00%
2010	1,767,040,069	18.00%
2011	1,171,660,223	10.00%
2012	1,584,664,658	11.75%
2013	1,792,069,288	11.50%
2014	1,908,169,039	11.00%
2015	1,691,763,327	9.00%
2016	1,800,727,013	10.00%
2017	2,311,289,397	10.00%
2018	2,515,718,114	10.00%
2019	2,948,486,318	10.00%
2020	2,754,920,369	9.25%
2021	2,745,283,428	8.50%
2022	3,705,537,076	10.00%

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

03rd July 2024

By Order of the Committee

R. N. DE SARAM
Secretary.



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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE MERCANTILE SERVICE PROVIDENT SOCIETY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Mercantile Service Provident Society ("the Fund"), which comprise the statement of financial position as at 31st December 2023, and the statement of income and expenditure, statement of changes in Fund and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies set out on pages 6 to 35.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31st December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. These financial statements do not include the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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C. P. Jayatilake FCA
Ms. S. Joseph FCA
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M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakara FCA

W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Chartered Accountants

Colombo,

03rd July 2024

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THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF INCOME & EXPENDITURE

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 Rs.	2022 Rs.
Interest income	6	4,643,754,800	3,728,288,572
Other operating income	7	21,267,326	23,775,624
Total income		4,665,022,126	3,752,064,196
Administration expenses	8	(50,987,889)	(44,535,285)
Finance expenses	9	(1,656,970)	(1,991,835)
Total expenses		(52,644,859)	(46,527,120)
Income over expenditure before taxation		4,612,377,267	3,705,537,076
Income tax expense	10	(677,410,207)	(463,066,031)
Income over expenditure for the year before distribution		3,934,967,060	3,242,471,045
<u>Distribution</u>			
Income paid to resigned members in 2023 at the rate of 10% (2022 - 8.5%)		(271,905,618)	(188,106,651)
Income distributed to active members at the rate of 13% (2022 -10%)		(3,218,297,512)	(2,558,347,335)
Total distribution		(3,490,203,130)	(2,746,453,986)
Transferred to revenue reserve		444,763,930	496,017,059

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 8 to 37. The Auditor's Report is given on the pages 4 and 5.

THE MERCANTILE SERVICE PROVIDENT SOCIETY
STATEMENT OF FINANCIAL POSITION

AS AT 31 ST DECEMBER		2023	2022
	Note	Rs.	Rs.
ASSETS			
Non Current Assets			
Property, plant and equipment	11	1,378,735	1,675,375
Right of use asset	12	6,027,819	8,288,251
Financial investments measured at amortised cost	13	26,763,667,779	26,813,111,812
Loans to members	14	5,774,572,875	5,237,321,950
Total Non Current Assets		32,545,647,208	32,060,397,388
Current Assets			
Other receivables	15	455,045,425	314,736,690
Cash and cash equivalents	16	1,325,545,965	248,780,397
Total Current Assets		1,780,591,390	563,517,087
Total Assets		34,326,238,598	32,623,914,475
RESERVE AND LIABILITIES			
Reserve			
Members' account	17	33,670,373,335	32,211,879,194
Revenue reserve	18	190,657,788	182,934,863
Total Reserves		33,861,031,123	32,394,814,057
Non Current Liabilities			
Employee benefits	19	13,518,282	11,380,634
Lease liabilities	20	5,184,005	5,983,690
Total Non Current Liabilities		18,702,287	17,364,324
Current Liabilities			
Lease liabilities	20	1,679,749	3,411,965
Other creditors	21	94,718,746	40,198,579
Income tax liability		350,106,693	168,125,550
Total Current Liabilities		446,505,188	211,736,094
Total Liabilities		465,207,475	229,100,418
Total Reserve and Liabilities		34,326,238,598	32,623,914,475

Figures in bracket indicate deductions.

The financial statements are to be read in conjunction with the related notes which form a part of financial statements of the Fund set out on pages 8 to 37. The Auditor's Report is given on the pages 4 and 5.

.....
Ms. Preethi Fernando
 Chief Executive Officer

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

.....
Mr. D.S.T.H. Mudalige
 Chairman

.....
Mr. R. N. De Saram
 Secretary

03rd July 2024
 Colombo

THE MERCANTILE SERVICE PROVIDENT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and Legal Form

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

1.2 Principal Activities and Nature of Operations

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

1.3 Number of Employees

The total number of employees of the Fund as at 31st December 2023 was 12. (2022 - 12).

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company comprise the Statement of Income and Expenditure, Statement of Financial Position, Statement of Changes in Fund and Statement of Cash Flows together with the material accounting policies and notes to the Financial Statements which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements except information on Cash Flows have been prepared following the accrual basis of accounting.

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

2.4 Presentation of Financial Statements

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard -1 on 'Presentation of Financial Statements'.

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

2.6 Offsetting

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

2.7 Accounting Judgements, Estimates and Assumptions

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

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

a) Judgements

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

Financial Statement Area	Disclosure Reference	
	Note	Pages
Financial Investments measured at amortized cost	13	26-27
Retirement Benefit Obligation	19	29-30

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.8 Going Concern

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

3 MATERIAL ACCOUNTING POLICIES

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

3.1 Changes in Material Accounting Policies

The Fund has adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 1st April 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of the materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed under respective notes to these financial statements (2022: Significant accounting policies) in certain instances in line with the amendments.

3.2 Assets and basis of their valuation

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

3.2.1 Leases

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

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.1 Leases (Continued)

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

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

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

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

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

i) As a Lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.1 Leases (Continued)

i) As a Lessee (Continued)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

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

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

ii) As a Lessor

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

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

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

If an arrangement contains lease and non-lease components, then the Fund applies SLFRS 15 to allocate the consideration in the contract.

The Fund applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.1 Leases (Continued)

ii) As a Lessor (Continued)

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

3.2.2 Property, Plant and Equipment

3.2.2.1 Recognition and Measurement

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

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

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

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

3.2.2.2 Subsequent Expenditure

The Cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognised in Statement of Income and Expenditure income as incurred.

3.2.2.3 Depreciation

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.2 Property, Plant and Equipment (Continued)

3.2.2.3 Depreciation (Continued)

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

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

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

3.2.2.4 Derecognition

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

3.2.3 Financial Instruments

3.2.3.1 Recognition and initial measurement

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

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

3.2.3.2 Classification and subsequent measurement

3.2.3.2.1 Financial Assets

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

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.3 Financial Instruments (Continued)

3.2.3.2 Classification and subsequent measurement (Continued)

3.2.3.2.1 Financial Assets (Continued)

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business Model Assessment

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

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

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Assets and basis of their valuation (Continued)

3.2.3 Financial Instruments (Continued)

3.2.3.2 Classification and subsequent measurement (Continued)

3.2.3.2.1 Financial Assets (Continued)

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

For the purpose of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative cost), as well as a profit margin.

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

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

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

Subsequent Measurement and gains and losses

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.3 Financial Instruments (Continued)

3.2.3.2 Classification and subsequent measurement (Continued)

3.2.3.2.1 Financial Liabilities

a) Classification, subsequent measurement and gain and loss

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

3.2.3.3 Derecognition

3.2.3.3.1 Financial Assets

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

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

3.2.3.3.2 Financial Liabilities

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

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

3.2.3.4 Offsetting

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Assets and basis of their valuation (Continued)

3.2.3 Financial Instruments (Continued)

3.2.3.5 Impairment of Non-Financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss of continuing operations is recognized in the Statement of Income and Expenditure, in those expenses' 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 asset's recoverable amount since the last impairment loss was recognized.

If that is the case, carrying amount of the asset is increased to its recoverable amount. That 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 Income and Expenditure.

3.3 Liabilities and provision

3.2.1 General

a) Liabilities

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

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

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Liabilities and provision (Continued)

b) Provisions

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

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

3.3.2 Retirement Benefit Obligation

3.3.2.1 Retirement Benefit Obligation Defined Benefit Plans – Gratuity

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

The liability is not externally funded nor actuarially valued.

3.3.2.2 Defined Contribution Plans – MSPS and ETF

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

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

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

3.3.2.3 Short Term Employee Benefits

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

3.3.2.4 Termination Benefits

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES(CONTINUED)

3.4 Income and Expenditure

3.4.1 Revenue Recognition

3.4.1.1 Interests

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

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

3.4.1.2 Dividends

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

3.4.1.3 Net trading income

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

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

3.4.2 Expense Recognition

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

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES(CONTINUED)

3.4 Income and expenditure (Continued)

3.4.2 Expense Recognition (Continued)

3.4.2.1 Income Tax Expenses

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

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

a) Current Tax

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

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

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

b) Deferred Tax

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

3.5 Statement of Cash Flows

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

3.6 Events after reporting date

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

3.7 Capital Commitments

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES(CONTINUED)

3.8 Related party disclosure

3.8.1 Transactions with Related Parties

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

4 NEW ACCOUNTING STANDARD AMENDMENTS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning on or after 1st January 2024. Accordingly, the Fund has not applied these amendments in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Fund's Financial Statements

4.1 Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

Under the existing LKAS 1 requirement, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting date. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

4.2 Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7)

4.3 Lease liability in a Sale and Leaseback (Amendments to SLFRS 16)

4.4 Lack of Exchangeability (Amendments to LKAS 21)

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

6 Interest income	2023	2022
	Rs.	Rs.
Interest on fixed deposits (Note 6.1)	2,438,593,691	1,482,156,037
Interest on debentures	854,907,235	875,960,247
Interest on housing loans granted	557,040,176	442,442,815
Interest on treasury bonds	282,768,186	471,224,164
Interest on savings account	73,404,507	54,193,244
Interest on treasury bills	-	1,790,345
EIR adjustment to interest income on members loans	437,041,005	400,521,720
	<u>4,643,754,800</u>	<u>3,728,288,572</u>

6.1 Interest on fixed deposits

The interest rates on fixed deposits increased from average rate of 24.73% in 2022 to 26.39% in 2023 which has resulted in an increase in interest income from fixed deposits.

7 Other operating income	2023	2022
	Rs.	Rs.
Contributors' fee	15,792,500	16,020,500
Insurance handling fee	3,815,999	6,418,156
Sub lease income (Note 7.1)	1,364,440	1,336,968
Surcharge on late contributions	294,387	-
	<u>21,267,326</u>	<u>23,775,624</u>

7.1 Sub lease income

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

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

8 Administration expenses	2023	2022
	Rs.	Rs.
Staff costs (Note 8.1)	31,619,619	27,545,692
Secretarial charges	2,961,000	2,591,050
Rent, rates and security charges	1,123,449	970,997
Printing and stationery	821,442	843,748
Depreciation (Note 11)	581,486	635,808
Amortisation of right of use asset (Note 12)	2,260,432	2,260,432
Postage and telephone	362,660	327,857
Electricity and water	1,391,226	709,904
Computer processing charges	4,199,446	3,616,033
Computers and general ledger maintenance expenses	229,740	321,554
Audit fee and other professional fees (Note 8.2)	1,300,550	885,446
General expenses	4,115,987	3,804,587
Stamp duty	20,852	22,177
	<u>50,987,889</u>	<u>44,535,285</u>

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER

8 Administration expenses (Continued)

8.1 Staff costs	2023	2022
	Rs.	Rs.
Salaries and wages	25,399,764	20,518,719
Employees provident fund	3,406,107	2,984,592
Employees trust fund	652,292	479,267
Over time payments	23,808	-
Provision for Employee benefits (Note 19)	2,137,648	3,563,114
	<u>31,619,619</u>	<u>27,545,692</u>
8.2 Audit fee and other professional fees		
Audit fee	750,000	680,000
Tax consultancy fees	550,550	205,446
	<u>1,300,550</u>	<u>885,446</u>
9 Finance expense	2023	2022
	Rs.	Rs.
Bank charges	387,405	388,515
Interest on lease liability (Note 20)	1,269,565	1,603,320
	<u>1,656,970</u>	<u>1,991,835</u>
10 Income tax expenses	2023	2022
	Rs.	Rs.
Current tax expenses	677,431,030	463,063,224
(Over)/under provision with respect of prior year	(20,823)	2,807
	<u>677,410,207</u>	<u>463,066,031</u>
10.1 Reconciliation of accounting profit and income tax expense	2023	2022
	Rs.	Rs.
Income over expenditure before taxation	4,612,377,267	3,705,537,076
Less: EIR adjustment to interest income on member loans	(437,041,005)	(400,521,720)
	<u>4,175,336,262</u>	<u>3,305,015,356</u>
Add: Aggregate disallowable expenses	52,644,859	46,527,120
Add: Income not subject to tax	661,401,477	-
Less: Aggregate allowable expenses	(50,589,525)	(43,948,016)
Taxable income	<u>4,838,793,073</u>	<u>3,307,594,460</u>
Tax on business income @ 14%	677,431,030	463,063,224
Income tax for the year	<u>677,431,030</u>	<u>463,063,224</u>

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

11 Property, plant and equipment

	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Total Rs.
Cost				
Balance as at 1 st January 2022	2,000,662	1,260,498	4,097,027	7,358,187
Additions during the year	460,090	3,490	280,100	743,680
Balance as at 31st December 2022	2,460,752	1,263,988	4,377,127	8,101,867
Balance as at 1 st January 2023	2,460,752	1,263,988	4,377,127	8,101,867
Additions during the year	749,728	10,980	95,000	855,708
Written-off during the year	(594,650)	-	-	(594,650)
Balance as at 31st December 2023	2,615,830	1,274,968	4,472,127	8,362,925
Accumulated Depreciation				
Balance as at 1 st January 2022	1,731,564	1,247,583	2,811,437	5,790,684
Charge for the year	92,432	7,336	536,040	635,808
Balance as at 31st December 2022	1,823,996	1,254,919	3,347,477	6,426,492
Balance as at 1 st January 2023	1,823,996	1,254,919	3,347,477	6,426,492
Charge for the year	110,539	5,725	465,222	581,486
Written-off during the year	(23,788)	-	-	(23,788)
Balance as at 31st December 2023	1,910,747	1,260,644	3,812,699	6,984,190
Carrying Value as at 31st December 2023	705,083	14,324	659,428	1,378,735
Carrying Value as at 31 st December 2022	636,756	9,069	1,029,650	1,675,375

11.1 Acquisition of property, plant and equipment during the year

During the financial year, the Fund acquired property, plant and equipment to the aggregate value of Rs. 855,708 (2022 - Rs. 743,680). Cash payments amounting to Rs.855,708 (2022 - Rs. 743,680) were made by the Fund during the year to purchase these assets.

11.2 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets which are in use of normal business activities. The initial cost of fully depreciated property, plant and equipment which are still in use as at reporting date, is as follows :

	2023 Rs.	2022 Rs.
Furniture and fittings	1,451,776	1,451,776
Office equipment	1,227,670	1,227,670
Computer equipment	2,062,974	2,062,974
	4,742,420	4,742,420

11.3 Property, plant and equipment pledged as security for Liabilities

There were no items of property, plant and equipment in the Fund, pledged as securities for liabilities during the year (2022 - Nil).

11.4 Title restriction on property, plant and equipment

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

12	Right of Use Asset	2023 Rs.	2022 Rs.
	Cost		
	Balance as at 1 st January	17,329,979	17,329,979
	Balance as at 31st December	17,329,979	17,329,979
	Amortisation		
	Balance as at 1 st January	9,041,728	6,781,296
	Charge for the year	2,260,432	2,260,432
	Balance as at 31st December	11,302,160	9,041,728
	Carrying amount as at 31st December	6,027,819	8,288,251

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

13 Financial investments measured at amortised cost

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

	Note	2023 Rs.	2022 Rs.
Investments in government securities	13.1	3,396,266,256	4,791,186,229
Other investments	13.2	23,367,401,523	22,021,925,583
		26,763,667,779	26,813,111,812

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

	Note	2023		2022	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Investments in government securities	13.1	3,396,266,256	3,223,019,219	4,791,186,229	4,066,942,457
Other investments	13.2	23,367,401,523	23,295,980,707	22,021,925,583	21,675,945,886
Total Financial Investments		26,763,667,779	26,518,999,926	26,813,111,812	25,742,888,343

13.1 Investment in government securities

Treasury bonds	3,396,266,256	3,223,019,219	4,791,186,229	4,066,942,457
	3,396,266,256	3,223,019,219	4,791,186,229	4,066,942,457

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

THE MERCANTILE SERVICE PROVIDENT SOCIETY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

13 Financial investments measured at amortised cost (Continued)

	2023		2022	
	Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
13.2 Other investments				
Debentures (Note 13.4)	8,772,108,516	8,700,687,700	9,046,667,397	8,700,687,700
Fixed deposit	14,595,293,007	14,595,293,007	12,975,258,186	12,975,258,186
Total Financial Investments	23,367,401,523	23,295,980,707	22,021,925,583	21,675,945,886

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

14	Loans to members	2023 Rs.	2022 Rs.
	Loans to members (Note 14.1)	4,102,662,282	3,613,643,606
	Prepaid expenses (Note 14.2)	<u>1,671,910,593</u>	<u>1,623,678,344</u>
		<u><u>5,774,572,875</u></u>	<u><u>5,237,321,950</u></u>
14.1	Loans to members		
	Balance as at 1 st January	3,613,643,606	3,207,104,706
	Loans granted during the year	1,768,889,200	2,283,921,300
	Interest receivable on loans	33,277,944	29,935,674
	Last year accrued interest payment	(29,935,674)	(25,615,108)
	Amortisation of fair value adjustment - interest income (Note 14.2)	<u>437,041,005</u>	<u>400,521,720</u>
		<u>5,822,916,081</u>	<u>5,895,868,292</u>
	Less:		
	Repayment received during the year	(1,219,208,245)	(950,239,498)
	Repayment receivable	(15,772,300)	(12,159,583)
	Fair value adjustment in the members loans on initial recognition (Note 14.2)	<u>(485,273,254)</u>	<u>(1,319,825,605)</u>
		<u><u>(1,720,253,799)</u></u>	<u><u>(2,282,224,686)</u></u>
		<u><u>4,102,662,282</u></u>	<u><u>3,613,643,606</u></u>
14.2	Prepaid expenses		
	Balance as at 1 st January	1,623,678,344	704,374,459
	Fair value adjustment in members loans on initial recognition	485,273,254	1,319,825,605
	Amortisation recognised in the members accounts (Note 17)	<u>(437,041,005)</u>	<u>(400,521,720)</u>
	Balance as at 31 st December	<u><u>1,671,910,593</u></u>	<u><u>1,623,678,344</u></u>
<p>The Fund grants loans to its members at the rate of 10%. Since the average market interest rate for the year 2023 was 14.05%, loans granted during the year 2023 were fair valued at the average market interest rate in accordance with "SLFRS 9- Financial Instruments."</p> <p>Since, the loan rate of 10% at which the loans were granted was higher than the average market rate of 9.65% in the year of 2020, no fair valuation was made to the member loans granted during the year ended 31st December 2020.</p>			
15	Other receivables	2023 Rs.	2022 Rs.
	Loan repayment receivables	15,772,300	12,159,583
	Contribution receivable	294,134,931	296,339,067
	Contributors fee receivable	1,381,000	4,433,000
	Advance payments	18,750	18,750
	Sub lease income receivable (Note 15.1)	1,469,508	1,447,156
	Other receivable	<u>142,268,936</u>	<u>339,134</u>
		<u><u>455,045,425</u></u>	<u><u>314,736,690</u></u>
15.1	Sub lease income receivable		
	Balance as at 1 st January	1,447,156	1,281,875
	Sub lease income for the year	1,447,156	1,267,156
	Amount received during the year	<u>(1,424,804)</u>	<u>(1,101,875)</u>
	Balance as at 31 st December	<u><u>1,469,508</u></u>	<u><u>1,447,156</u></u>

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

16 Cash and cash equivalents	2023	2022
	Rs.	Rs.
Cash at bank	1,325,470,965	248,747,372
Cash in hand	75,000	33,025
	<u>1,325,545,965</u>	<u>248,780,397</u>
Cash and cash equivalents for the cash flow purpose	<u>1,325,545,965</u>	<u>248,780,397</u>
17 Members' account	2023	2022
	Rs.	Rs.
Balance as at 1 st January	32,211,879,194	30,357,693,662
Contribution received	4,711,318,229	4,237,966,317
Insurance maturity proceeds received (Note 17.1)	53,736,292	52,153,832
Income distributed	3,490,203,130	2,746,453,986
Amortization adjustment in member loans (Note 17.2)	(437,041,005)	(400,521,720)
Transfer of fair value adjustment from revenue reserve (Note 14.2)	437,041,005	400,521,720
	<u>40,467,136,845</u>	<u>37,394,267,797</u>
Less:		
Under paid interest of retired members (Note 17.3)	(16,802,976)	(11,189,087)
Outstanding loan balances of retired members (Note 17.3)	(994,275,260)	(730,620,135)
Insurance paid out (Note 17.4)	(162,584,920)	(173,555,188)
Payments to retired members	<u>(5,623,100,354)</u>	<u>(4,267,024,193)</u>
	<u>(6,796,763,510)</u>	<u>(5,182,388,603)</u>
Balance as at 31 st December	<u>33,670,373,335</u>	<u>32,211,879,194</u>
17.1 Amount received by the Fund on the maturity of insurance policies on behalf of the members are accounted under member account.		
17.2 Amortisation adjustment to members loans refers to the amortisation of the initial adjustment made to loans granted at beneficial rates.		
17.3 Member loan outstanding amount and interest receivable are recovered from the respective member account at the point of retiring from the Fund.		
17.4 Members who have obtained an insurance policy through the Fund for which the insurance premiums are paid by the Fund and the amount paid out at the maturity will be deducted from the member account.		
18 Revenue reserve	2023	2022
	Rs.	Rs.
Balance as at 1 st January	182,934,863	87,439,524
Surplus of income over expenditure for the year after distribution	444,763,930	496,017,059
Transfer of fair value adjustment to members' account (Note 18.1)	(437,041,005)	(400,521,720)
Balance as at 31 st December	<u>190,657,788</u>	<u>182,934,863</u>
18.1 The effective interest rate adjustment made to investment and interest income recognised on members loans based on fair value adjustments have been transferred to members' account.		
19 Employee benefits	2023	2022
	Rs.	Rs.
Balance as at 1 st January	11,380,634	9,396,121
Provision recognised during the year	<u>2,137,648</u>	<u>3,563,114</u>
	<u>13,518,282</u>	<u>12,959,235</u>
Payments made during the year	-	(1,578,601)
Balance as at 31 st December	<u>13,518,282</u>	<u>11,380,634</u>

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

19 Employee benefits (Continued)

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

20 Lease Liability	2023	2022
	Rs.	Rs.
Balance as at 1 st January	9,395,655	11,593,801
Interest expense for the year (Note 9)	1,269,565	1,603,320
Repayment during the year	(3,801,466)	(3,801,466)
Balance as at 31 st December	<u>6,863,754</u>	<u>9,395,655</u>
Payable after one year	5,184,005	5,983,690
Payable within one year	1,679,749	3,411,965
	<u>6,863,754</u>	<u>9,395,655</u>

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

The Fund entered in to a lease agreement in 2016 with Ms. Helani Preethi Fernando for lease of land and building bearing assessment No. 212, De Saram Place, Colombo 10 for a period of 10 years ending 31st August 2026. Previously this lease was classified as operating leases under LKAS 17.

20.1 Amounts recognised in profit or loss

For the year ended 31st December 2023 - Leases under SLFRS 16	2023	2022
	Rs.	Rs.
Interest on lease liabilities	1,269,565	1,603,320
Depreciation of right-of-use assets	2,260,432	2,260,432
	<u>3,529,997</u>	<u>3,863,752</u>

20.2 Amounts recognised in statement of cash flows

Total cash outflow for leases	<u>3,801,466</u>	<u>3,801,466</u>
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21 Other Creditors

	2023	2022
	Rs.	Rs.
Unpaid balance for retired members	90,205,363	35,072,071
Sundry creditors	3,714,043	4,161,737
Deferred Sub Lease Income (Note 21.1)	799,340	964,771
	<u>94,718,746</u>	<u>40,198,579</u>

21.1 Deferred Sub Lease Income

This relates to advances received in relation to sub lease (refer Note 7)

22 Related Party Disclosure

22.1 Transactions with Key Management Personnel

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

The compensation paid to KMPs are as follows:

For the year ended 31st December	2023	2022
	Rs.	Rs.
Short term benefits	Nil	Nil
Post employment benefits	Nil	Nil

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

22 Related Party Disclosure (Continued)

22.1 Transactions with related entities

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

23 Financial Risk Management

Introduction and overview

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

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

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

Risk management framework

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

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

23.1 Credit risk

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

Receivable from members and other receivables

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

23.1.1 Exposure to credit risk

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

As at 31st December	2023	2022
	Rs.	Rs.
Financial investment (Note 13)	26,763,667,779	26,813,111,812
Loans to members (Note 14)	5,774,572,875	5,237,321,950
Other receivables (Note 15)	455,045,425	314,736,690
	<u>32,993,286,079</u>	<u>32,365,170,452</u>

Investments

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

23.2 Liquidity risk

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

23 Financial Risk Management (Continued)

23.2 Liquidity risk (Continued)

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

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

Maturity Profile of Financial Assets and Liabilities

As at 31 st December 2023	Total Rs.	Less than One year Rs.	One to three years Rs.	Three to Five years Rs.	More than Five years Rs.
Assets					
Financial investments	26,763,667,779	2,535,839,336	15,081,434,556	5,519,501,409	3,626,892,478
Loans to members	5,774,572,875	272,554,150	1,417,823,493	1,196,859,024	2,887,336,208
Other receivables	455,026,675	455,026,675	-	-	-
Cash at Bank	1,325,470,965	1,325,470,965	-	-	-
Total Assets	34,318,738,294	4,588,891,126	16,499,258,049	6,716,360,433	6,514,228,686

Liabilities					
Lease liabilities	6,863,754	1,679,749	5,184,005	-	-
Other creditors	93,919,406	93,919,406	-	-	-
Total Liabilities	100,783,160	95,599,155	5,184,005	-	-

As at 31 st December 2022	Total Rs.	Less than One year Rs.	One to three years Rs.	Three to Five years Rs.	More than Five years Rs.
Assets					
Financial investments	26,813,111,812	6,264,879,015	12,388,594,457	7,085,349,496	1,074,288,844
Loans to members	5,237,321,950	843,308,146	445,713,954	674,839,644	3,273,460,206
Other receivables	314,717,940	314,717,940	-	-	-
Cash at Bank	248,747,372	248,747,372	-	-	-
Total Assets	32,613,899,074	7,671,652,473	12,834,308,411	7,760,189,140	4,347,749,050

Liabilities					
Lease liabilities	9,395,655	3,411,965	5,983,690	-	-
Other creditors	39,233,808	39,233,808	-	-	-
Total Liabilities	48,629,463	42,645,773	5,983,690	-	-

Undiscounted Financial Liabilities

As at 31 st December 2023	Total Rs.	Less than One year Rs.	One to three years Rs.	Three to Five years Rs.	More than Five years Rs.
Lease liabilities	8,132,650	3,801,465	4,331,185	-	-
Other creditors	93,919,406	93,919,406	-	-	-
Total Liabilities	102,052,056	97,720,871	4,331,185	-	-

As at 31 st December 2022	Total Rs.	Less than One year Rs.	One to three years Rs.	Three to Five years Rs.	More than Five years Rs.
Lease liabilities	11,934,115	3,801,465	8,132,650	-	-
Other creditors	39,233,808	39,233,808	-	-	-
Total Liabilities	51,167,923	43,035,273	8,132,650	-	-

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

23.3 Market risk

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

23 Financial risk management (Continued)

23.3 Market risk (Continued)

Currency risk

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

Interest rate risk

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

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

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

As at 31st December,	2023	2022
	Rs.	Rs.
Fixed rate financial assets		
Financial investments measured at amortised cost	26,763,667,779	26,813,111,812
Loans to members	5,774,572,875	5,237,321,950
	<u>32,538,240,654</u>	<u>32,050,433,762</u>

23.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the fund's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Committee on follows.

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

24 Fair Values of Financial Instruments

Fair value hierarchy

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

Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The Fund measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 : Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

As at 31 st December	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.	Rs.	Rs.	Rs.
Assets carried at amortised cost				
Loans to members	5,774,572,875	5,774,572,875	5,237,321,950	5,237,321,950
Financial investments				
Investments government securities	3,396,266,256	3,223,019,219	4,791,186,229	4,066,942,457
Other investments	23,367,401,523	23,295,980,707	22,021,925,583	21,675,945,886
Other receivable	455,045,425	455,045,425	314,736,690	314,736,690
Cash and cash equivalents	1,325,545,965	1,325,545,965	248,780,397	248,780,397
	34,318,832,044	34,074,164,191	32,613,950,849	31,543,727,380
Liabilities carried at amortised cost				
Lease liability	6,863,754	6,863,754	9,395,655	9,395,655
Other creditors	93,919,406	93,919,406	39,233,808	39,233,808
	100,783,160	100,783,160	48,629,463	48,629,463

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

THE MERCANTILE SERVICE PROVIDENT SOCIETY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS AT 31ST DECEMBER

25 Events occurring after the reporting date

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

26 Capital commitments and contingent liabilities

There were no material Capital Commitments and Contingent Liabilities as at the reporting date, necessitating adjustment to or disclosures in the Financial Statements.

27 Litigation and claims

There were no pending litigation or claims as at the reporting date.

28 Committee's responsibility for financial reporting

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

NOTICE OF MEETING

THE EIGHTY FOURTH ANNUAL GENERAL MEETING of the Mercantile Service Provident Society will be held at the Auditorium of the Ceylon Chamber of Commerce, 50, Nawam Mawatha, Colombo 2, on Tuesday 23rd July 2024 at 4.00 p.m.

BUSINESS

1. To confirm the Minutes of the Eighty Third Annual General Meeting held on 12th July 2023.
2. Report and Accounts - To receive the Report of the Committee for the year 2023 and the Statement of Accounts for the year ended 31st December 2023, with the Report of the Auditors thereon.
3. Committee - To elect four members to the Committee under Rule 7 (i) (d).
4. Auditors – To re-appoint Auditors and authorise the Committee to determine their remuneration.
5. Any other business of which due notice shall have been given.

By Order of the Committee

R.N.DE SARAM

Secretary

Colombo, 03rd July 2024