National Credit Guarantee Institution Limited

2024 Annual Report

NCGI
National Credit Guarantee Institution

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Executive Summary

The year 2024 marked a foundational chapter for the National Credit Guarantee Institution Limited (NCGIL), established as a strategic public-private partnership between the Government of Sri Lanka and thirteen Shareholder Financial Institutions (SFIs). As a dedicated institutional mechanism to support Micro, Small, and Medium Enterprises (MSMEs), NCGIL was created to address one of Sri Lanka's most persistent development challenges; limited access to finance for viable but underserved entrepreneurs.

Incorporated under the Companies Act No. 7 of 2007, NCGIL's equity structure reflects strong public backing anchored by a 90% shareholding from the Government of Sri Lanka (financed through support from the Asian Development Bank) and the confidence of the banking sector, represented by eight licensed commercial banks, two licensed specialized banks, and three non- banking financial institutions.

The institution's core mandate is to issue partial credit guarantees to its SFIs, thereby encouraging them to lend to MSMEs without traditional collateral. This shift from asset-based to cashflow-based lending model is expected to unlock critical financing for MSMEs, catalyse entrepreneurship, and strengthen inclusive economic growth.

In August 2024, NCGIL started recruiting the team, spearheaded by Chief Executive Officer Jude T. Fernando under the guidance of former NCGIL Chairman Mr. R M P Rathnayake, Deputy Secretary to the Treasury. By year-end, NCGIL had recruited 11 professionals as part of a planned 26-member cadre, drawn from both public and private sectors, to drive the organisation forward.

June 2024 saw the successful completion of NCGIL's third share issuance, raising USD 55.375 million in capital contributions. This included USD 50 million from the Government and the remainder from SFIs. All funds were prudently invested in a balanced portfolio of government securities and fixed deposits. The investment strategy, supervised by an experienced Board-level Investment Subcommittee, maintained a 60:40 ratio between short- and medium- term instruments and delivered an average weighted return of 9% in the year 2024.

Operational readiness was another significant focus. By the end of 2024, NCGIL had executed Participatory Agreements with all 13 SFIs, laying the contractual and compliance groundwork for guarantee issuance. It also developed and circulated detailed operational and procedural manuals, along with summary guidelines, to ensure alignment and clarity across all SFIs.

Recognising that implementation success hinges on institutional buy-in, NCGIL commenced awareness sessions for SFI staff across management, credit, risk, and field operations. These efforts will be expanded further in 2025 to drive understanding, adoption, and ultimately creating an impact at the ground level staff of SFIs.

With Board approval in place, NCGIL is poised to officially commence guarantee operations in January 2025. While operations will initially rely on a manual system supported by email, a full transition to a digitally integrated platform is planned by year-end. Procurement for this comprehensive IT system spanning guarantee management, finance, treasury and HR is already underway.

Looking ahead, NCGIL anticipates issuing 1,795 guarantees valued at approximately Rs. 4.2 billion across the nationwide branch network of its partner SFIs. Application volumes are expected to build steadily from the second quarter onwards, as institutional and public familiarity with the guarantee model deepens. In time, the programme aims to reshape lending attitudes and enhance the role of MSMEs as engines of inclusive economic growth.

Financially, NCGIL reported a total revenue of LKR 903.6 million in 2024, Soley from its' investment portfolio.

In summary, 2024 was a year of institution-building, careful stewardship, and strategic preparation. With a clear mandate, robust governance, and an experienced team in place, NCGIL is well-positioned to deliver on its promise to unlock access to finance for Sri Lanka's MSMEs and contribute meaningfully to national development.

Institutional Overview

National Credit Guarantee Institution Limited (NCGIL) is a Public Limited Company (unquoted) established through a Public-Private Partnership (PPP) between the Government of Sri Lanka (GOSL) and thirteen Shareholder Financial Institutions (SFIs). Incorporated under the Companies Act No. 7 of 2007, NCGIL serves as a dedicated institutional mechanism to facilitate increased access to finance for Micro, Small, and Medium Enterprises (MSMEs) across the country.

NCGIL was formed with the strategic support of the Asian Development Bank (ADB), which financed the GOSL's equity contribution, resulting in a 90% shareholding by the Government. The remaining equity of 10% was collectively invested by thirteen SFIs, comprising eight Licensed Commercial Banks (both public and private), two Licensed Specialized Banks, and three Non-Banking Financial Institutions (NBFIs).

The core mandate of NCGIL is to issue partial credit guarantees to its Shareholder Financial Institutions, thereby incentivizing them to extend unsecured credit to viable MSMEs. These guarantees are designed to mitigate lender's risk and enable greater financing to viable MSME ventures based on the viability of the projects and their cash flows.

Having formally commenced operations, NCGIL is actively processing guarantee applications submitted by its SFIs. This milestone marks a significant step towards enhancing financial inclusion, supporting entrepreneurship, and strengthening the MSME sector as a driver of inclusive economic growth in Sri Lanka.

Vision And Mission

Vision

“To be the leading facilitator of sustainable financial access for Sri Lankan MSMEs, creating inclusive growth of the economy”.

Mission

“Our mission is to catalyze economic resilience with delivery of strategic and accessible credit solutions to empower MSME's to confidently navigate economic landscapes through efficient, innovative guarantee programs."

Board of Directors

MR. AJITH ABEYSEKERA
CHAIRMAN

Mr. Ajith Abeysekera, a Special Grade senior officer of the Sri Lanka Planning Service, currently holds the position of Deputy Secretary to the Treasury (DST). He counts on over 31 years of experience in the public service in several positions of different Ministries and Departments.

He joined the Sri Lanka Planning Service (SLPS) in January 1994 as an Assistant Director and served several ministries and departments including Department of National Planning, Department of National Budget, Department of Fiscal Policy, and Department of External Resources in different official capacities. Mr. Abeysekera holds a Master's Degree in International Development Studies from the Graduate Institute of Policy Studies (GRIPS) in Tokyo Japan (2003). He also holds a Post Graduate Diploma in Sub National Level Development Planning from the University of Colombo (2000). Mr. Abeysekera was also attached to the United Nations University, Tokyo Japan for six months as an Intern during October 2002 - March 2003. He is a graduate from the University of Kelaniya with B.Sc (Hons) in Physics, Mathematics and Industrial Management in 1991.

During his career, he contributed to several Cabinet Appointed Committees being the Chairman and also as a member. He was also a member of Sri Lankan delegations in several international donor conferences, and has undergone a number of local and foreign training programs in different subject areas including project formulation and appraisal, infrastructure regulations, strategic management, resources management and budgeting, revenue mobilization, financial programming and policies, and macro fiscal planning etc.

Mr. Abeysekera represented the Treasury as a Board Director in the Ceylon Shipping Corporation, Lanka Sathosa Ltd, Lanka Electricity Company Limited (LECO), Central Transport Board (CTB), National Institute of Education, German Technical Training Institute, Tea Research Institute (TRI), Institution for Construction and Development (ICTAD), Kotalawala Defence University (KDU), Batalanda Defense Staff College, Urban Settlement Development Authority (USDA), and National Institute of Business Management (NIBM) and Lanka Hydraulic Institute Ltd. He is the Chairman of the Board of Trustees of Vehicular Emission Test Trust Fund.

MR. UDENI SAMARARATNE
DIRECTOR

Mr. Udeni Samararatne is a qualified Chartered Certified Accountant and a qualified Chartered Management Accountant. He holds a MBA from the Swiss Business School Switzerland. He holds a Masters qualification in Financial Economics from the University of Colombo and a Masters qualification in International Relations from the University of Colombo. He currently serves in the board of Richard Pieris PLC, and Lanka Ashok Leyland PLC. He held senior management positions at SLT PLC, Kelani Tyres PLC / Ceat, Noritake Lanka Porcelain Ltd, and several other reputed companies.

MRS. AJANI LIYANAPATABENDI
DIRECTOR

Mrs. Ajani Liyanapatabendi, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Association of Chartered Certified Accountants. She holds a Bachelors' Degree in Business Management (Accountancy) – First Class Honours from the University of Kelaniya and a Master of Financial Economics from the University of Colombo. She is a distinguished financial professional in Sri Lanka, currently serving as the Director of the Financial Consumer Relations Department at the Central Bank of Sri Lanka (CBSL).

MRS. AYODHYA IDDAWELA PERERA
DIRECTOR

Mrs. Ayodhya is recognized as one of the outstanding personalities in the banking industry with both local and international exposure possessing over 35 years of banking experience. She is a Senior Fellow Member of the Institute of Bankers of Sri Lanka. She has a Master of Business Administration degree from the Postgraduate Institute of Management, University of Sri Jayewardenepura (PIM) and an Advanced Diploma in Management Accounting, Chartered Institute of Management Accountants, United Kingdom. She is currently the Managing Director of Sampath Bank PLC, Non-Executive Director of Sampath Centre Limited and Lanka Financial Services Bureau Ltd, Institute of Bankers of Sri Lanka, Sri Lanka Banks' Association (SLBA) and Lanka Pay (Pvt) Ltd.

MR. RAJIVE DISSANAYAKE
DIRECTOR

Mr Rajive Dissanayake, who boasts over two decades of experience in banking and capital markets, currently holds the position of Executive Vice President SME & Micro Finance at Hatton National Bank PLC. He has previously functioned in the capacities of Chief Financial Officer and Chief Strategy Officer at Hatton National Bank PLC, being an integral part of the Corporate Management Team of the Bank for almost a decade. In addition to being a Director on the Board of NCGIL representing the participating Financial Institutions, Mr Dissanayake is also the Chairman of HNB Finance PLC and a director of HNB Investment Bank, Lanka Venture PLC and Lanka Energy Fund PLC. Mr Dissanayake is a CFA Charter holder, Fellow member of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant. He also holds a degree in Bachelor of Business Administration from the University of Colombo.

MRS. SHARMINI RATWATTE
DIRECTOR

Mrs. Sharmini Ratwatte, is a Fellow of the Chartered Institute of Management Accountants, UK and holds a Master of Business Administration from the University of Colombo. She is a Non-Executive Director at Ceylon Cold Stores PLC, BPPL Holdings PLC, Convenience Foods (Lanka) and Greenpeace South Asia (Pvt) Ltd. She is a Trustee of the Sunera Foundation which works in the field of arts for the differently abled children. She is also the Founder Trustee and Former Chairperson of the Federation of Environmental Organizations, which works to support environmental organizations operating in Sri Lanka.

MR. MOHAN WEERAKOON
DIRECTOR

Mr. Mohan Weerakoon, is a senior legal practitioner who counts more than 41 years of experience as a civil and criminal counsel. He was appointed to President's Counsel in 2017. He also served on the Board of SLT Mobitel from 2020 to 2024.

MR. FELIX FERNANDOPULLE
DIRECTOR

Mr. Felix Fernandopulle is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. He is the Managing Director of Mahaweli Coconut Plantations PLC, where he also worked in the capacity of Finance Director. He was the former chairmen of the Richard Pieris Finance Ltd and is currently serving as a Director of Richard Pieris Company PLC. He also served in the Boards of Chilaw Finance PLC, Coconut Development Authority and the Coconut Research Institute. He was also a member of the Advisory Committee on Coconut at the Ministry of Plantation Industries and Coconut Industries.

Management Team

Jude T Fernando
Chief Executive Officer
AIB (SL), MBA (PIM)

Mangala Jayathilaka
Chief Financial Officer /
Head of Adminstration
ACA, BSc Acc (Sp)

Himansu Wickramasinghe
Head of Guarantee
Administration
AIB (SL), MBA (UoC)

Surangie Wijayakulasuriya
Manager - Finance
MBM (UoC), BSc Acc (Sp), FCA, ACMA (UK), CGMA (UK)

Eranjana Chandradasa
Manager - Guarantee
Administration
BSc Business Admin (Sp), Dip. in Credit Mgmt - IBSL & Frankfurt (DE)

Shavindri Samarasekera
Manager - Human
Resources
CQHRM (CIPM), MHRM (UoK), ACIPM (SL)

Chairman's Message

Dear Shareholders,

The year 2024 has been a transformative year for the National Credit Guarantee Institution Limited (NCGIL), as we have made significant strides toward revitalizing Sri Lanka's micro, small, and medium enterprises (MSME) sector. In the face of mounting economic challenges, NCGIL has demonstrated resilience, strategic foresight, and an unwavering commitment to empowering the most critical drivers of economic revival, which primarily constitutes of our entrepreneurs.

Our vision for SME sector support has been driven by the pressing need to reinvigorate micro and small-scale enterprises, especially among the younger generation, who often lack the collateral required by conventional financing systems. Recognizing this gap, our initiatives in 2024 focused on uncollateralized lending and financing schemes tailored to the unique needs of rural and small-scale entrepreneurs. We firmly believe that financial inclusion, particularly for aspiring youth entrepreneurs, is essential to establishing a sustainable economic foundation. In this regard, NCGIL introduced guarantee scheme with up to 67% guarantees, ensuring greater access to credit while mitigating risks for lending institutions.

In the year 2025, we disbursed over LKR 550 million in loans, with LKR 350 million supported through our credit guarantee schemes. These early achievements provide a strong foundation as we aim to scale our efforts to reach LKR 4.21 billion in loans, targeting 1,800 SMEs annually; particularly those from the lowest-income segments. This targeted approach reflects our belief in nurturing small-scale enterprises as they form the base of a broader value chain, ultimately contributing to larger industries and national growth.

However, our journey has not been without challenges. Initial phases revealed the risks of deviating from institutional mandates, reinforcing the need for a clear and robust operational framework. As we move forward, maintaining this discipline is paramount to the integrity and sustainability of our interventions.

Our long-term vision for NCGIL extends well beyond disbursement of guarantees. We are committed to embedding robust evaluation mechanisms, strengthening institutional linkages, and ensuring that the 13 shareholder financial institutions within our framework function cohesively and effectively. Sustainability and strategic alignment are not merely aspirations; they are imperatives for the future.

We also acknowledge the broader role of SMEs in national economic revival and foreign direct investment (FDI) attraction. A vibrant, professionally supported SME sector contributes directly to job creation, innovation, and local value chains. By establishing a homegrown, inclusive financial system, we are building the foundation for a resilient and self-sustaining economy; one that can withstand external shocks and create meaningful opportunities for all Sri Lankans.

Our efforts have been significantly bolstered by the partnership and financial assistance extended by the Asian Development Bank (ADB). The commitment of USD 50 billion toward Sri Lanka's economic recovery is a testament to the confidence in our institutional framework and national potential. We remain fully dedicated to upholding ADB's mandates and ensuring transparency, accountability, and impact in all our programs.

In conclusion, I extend my sincere gratitude to our partners, stakeholders, and dedicated team members who have made our 2024 milestones possible. Together, we are laying the groundwork for a dynamic, equitable, and thriving SME sector that will serve as the backbone of Sri Lanka's economic revival for years to come.

Let us move forward with confidence and purpose.

Ajith Abeysekera
Chairman

Chief Executive Officer's Review

Dear Shareholders,

It is with great pride and purpose that I assumed leadership of the National Credit Guarantee Institution Limited (NCGIL) in August 2024, under the guidance of our esteemed Board of Directors. The past year has been pivotal in laying the foundation for NCGIL's operations, building a strong team, securing the necessary capital, and putting into place the systems and frameworks that will enable us to fulfill our mission of supporting Sri Lanka's micro, small, and medium enterprise (MSME) sector.

Following Cabinet approval of our organisational structure, we initiated the recruitment of a 26-member team, comprising the CEO, department heads, managers, and executives. By the end of 2024, we had onboarded 11 talented professionals from the private and public sector through a transparent and competitive process. Recruitment will continue as our operations expand in 2025 and beyond.

A major milestone this year was the successful completion of our third share issuance tranche in June 2024, which brought in USD 55.375 million in capital contributions USD 50 million from the Government of Sri Lanka and the remainder from our 13 shareholder financial institutions (SFIs). This capital was prudently invested in government securities and fixed deposits, balancing return and risk amid a declining interest rate environment. Our investment strategy, overseen by a Board-level subcommittee of financial and accountancy experts initiated structured awareness programmes, and ensured a healthy portfolio split between short- and medium-term instruments, with a weighted average return exceeding 9% for the year.

Operational readiness was a key priority. We completed all pre-launch activities, including the signing of Participatory Agreements with each SFI outlining the terms, compliance standards, and eligibility criteria of the guarantee scheme. We also developed and shared detailed operational and procedural manuals, followed by summary circulars to guide implementation.

To ensure smooth rollout, we initiated a structured awareness programme targeting SFI staff across management, head office units (risk and approvals), and field-level officers. By year-end, we have started conducting awareness sessions helping to build essential understanding of the guarantee scheme. This initiative will be scaled up significantly in 2025.

With the Board's endorsement, NCGIL is on track to commence guarantee operations in January 2025, issuing guarantees to all 13 SFIs. We will begin with a manual system supported by email communication, with a clear plan to transition to a fully digitized operating platform beginning of the year 2026. A substantial investment is being allocated for a comprehensive IT system that will manage all guarantee, finance, treasury and HR functions.

Looking forward, our forecast is to support 1,800 approx MSMEs with guarantees for a total value of little over Rs. 4 billion by the end of 2025. We expect modest uptake in the first quarter as SFI teams and MSMEs adapt to the new model, with momentum building from Q2 onwards. The increased awareness and improved access to credit for MSMEs particularly those lacking traditional collateral will play a vital role in strengthening this underserved but vital segment of our economy. i.e. We need to look specially on women led and environmentally friendly businesses, etc.

We are confident in the transformative potential of the guarantee programme. It will enable a mindset shift among financial institutions moving from asset-based to cashflow-based lending and catalyse broader financial inclusion. Amid an improving economic climate and a low interest rate regime, we anticipate heightened demand for financing from MSMEs and renewed optimism from investors.

I wish to express my heartfelt gratitude to the Chairman and Board of Directors, especially our outgoing Chairman Mr. R.M.P. Rathnayake, for their steadfast guidance, advice and support. My sincere thanks also go to the Asian Development Bank, the Ministry of Finance, all the Shareholder Financial Institutions, Central Bank of Sri Lanka, KPMG and all other consultants including, FJ & G de saram, Corporate Services (Pvt) Ltd, and all other consultants who supported us from inception. Lastly, I deeply appreciate the commitment of our young and dedicated team at NCGIL, who believed in our vision and chose to embark on this journey with me.

Jude Fernando
Chief Executive Officer

Financial Performance Review

For the Year Ended 31st December 2024

In the financial year 2024, the National Credit Guarantee Institute Limited demonstrated robust revenue generation underpinned by a maturing institutional strategy, prudent capital stewardship, and operational resilience despite an evolving macroeconomic backdrop.

Key Financial Highlights

NCGIL posted a transformative year in 2024, marked by a dramatic shift in its financial position driven by a substantial equity infusion and prudent investment. Total assets soared to LKR 17.63 billion, up from a modest LKR 86,956 in 2023. Shareholder equity recovered strongly from a negative base to over LKR 17.36 billion, underlining the impact of a significant capital injection and sound portfolio management.

Metric	2024 (LKR)	2023 (LKR)
Total Assets	17,628,523,753	86,956
Shareholder Equity	17,359,601,331	(1,315,961)
Ordinary Share Capital	16,739,281,040	110,850
Investment Income	903,595,446	N/A
Operating Expenses	15,996,791	1,426,811
Net Profit/(Loss) After Tax	621,747,102	(1,426,811)

Analysis of Statement of Comprehensive Income

The institution recorded a revenue of LKR 903.6 million, entirely derived from investment income, as guarantee operations are yet to begin. The cost structure remained lean, with staff costs accounting for 73.7% of total expenses, followed by administrative and directors' emoluments.

Our expenses had been barely minimum and confined mainly to staff emoluments(only the monthly wages without provisions for any other fringe benefits) and a few overheads, in the absence of rent/depreciation/ other overheads as we are currently housed at the Ministry premises, and also due to the fact that less than 50% of the staff had been recruited. These expenses will rise during 2025 with the proposed re location of the office premises. NCGIL too will receive its co income - guarantee fee with the commencement of guarantee operations in 2025, while NCGIL will have to make acceptable level of provisions with the issue of guarantees. The Largest expenses for the year had been for the corporate tax.

After deducting LKR 266 million in taxes, NCGIL posted a net profit of LKR 621.7 million; a significant turnaround from the previous year's loss.

Analysis of Statement of Financial Position

The asset base is dominated by government-backed financial instruments, providing safety and liquidity. Non-current financial assets totaled LKR 7.2 billion, while current financial assets stood at LKR 10.4 billion. Cash holdings were minimal at LKR 0.26 million, consistent with an investment-led asset strategy.

Liabilities remained low at LKR 269 million, mostly driven by income tax payable, indicating a healthy capital structure with zero debt.

<u>Assets</u>

- **Total Assets:** LKR 17.63 billion (2023: LKR 86,956)
- **Non-Current Assets:** LKR 7.22 billion (Property, Plant & Equipment: LKR 5.2 million; Financial Assets: LKR 7.2 billion)
- **Current Assets:** LKR 10.41 billion (Financial Assets: LKR 10.4 billion; Cash & Equivalents: LKR 0.26 million)

<u>Liabilities</u>

- **Total Liabilities:** LKR 268.9 million (2023: LKR 1.4 million)
- **Current Liabilities:** LKR 268.7 million (mainly income tax payable)
- **Non-Current Liabilities:** LKR 0.27 million

Equity

- **Total Equity:** LKR 17.36 billion (2023: Negative LKR 1.3 million)
- **Share Capital:** LKR 16.74 billion (2023: LKR 0.11 million)
- **Retained Earnings:** LKR 620.3 million

Analysis of Statement of Cash Flow

Net cash inflow for the year was LKR 171,443 with operational outflows of LKR 14.1 million and investment activities amounting to LKR 16.72 billion, funded by equity financing of LKR 16.74 billion.

Key Financial Ratios

Ratio	2024
Return on Equity	3.6 %
Return on Assets	3.5 %
Cost-to-Income	1.8 %
Net Assets Per Share	Rs. 10.37

These ratios reflect outstanding capital efficiency and liquidity, laying the groundwork for future operational expansion.

Capital Structure and Investment Strategy

NCGIL remains entirely equity-funded, with no reliance on external debt. The full capital base has been deployed in low-risk, high-liquidity investments, such as Treasury Bills, Bonds, Fixed Deposits, and REPOs. This strategy reinforces the institution's mandate of financial prudence and risk mitigation.

Investment Review Report

Investment Overview

The National Credit Guarantee Institution Limited (NCGIL) managed its investment portfolio in 2024 in accordance with its Investment Policy, emphasizing capital preservation, liquidity, and sustainable returns. The strategy focused on short- and medium-term government securities and highly rated fixed income products, enabling the institution to meet its future guarantee obligations while earning stable returns.

We do our investments other than government securities only with the Commercial Banks with the ratings of not less than AA and with a maximum CAP for each institution. As per the Investment strategy and investment committee guidelines. Our future investments, other than Govt securities, will be with the rest of the SFIs as well, subject to the CAPs recommended for each Institution based on their Fitch ratings.

The entire investment decisions were taken by a sub-committee appointed by the Board. The Investment Committee comprised of qualified professionals with accounting and finance background as well as a director nominated by the CBSL.

The **Investment Committee** met quarterly to assess:

- Credit quality of instruments
- Liquidity adequacy
- Market conditions and interest rate trends
- Portfolio yield and diversification

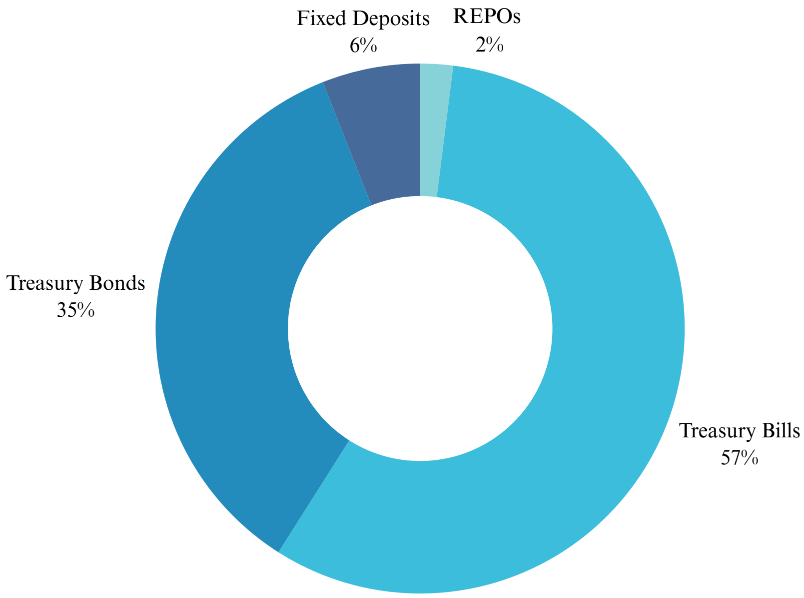
All investment decisions were reviewed and approved within delegated authority levels.

As of 31st December 2024, the total investment portfolio stood at **Rs. 17.62 billion,** with the majority invested in government-issued instruments. Investments remained within risk limits and maintained a conservative credit exposure, aligned with NCGIL's mission to support national credit enhancement through financial stability.
One of the areas with top priority for NCGIL during 2025, would be to effectively manage the investment portfolio with a view to receive the maximum return, while mitigating the risk, especially in an environment where the interest rates market will be at low levels not exceeding beyond single digit.

Diversification of Investment Portfolio

A significant proportion of the portfolio was allocated to Treasury Bills (57%) and Treasury Bonds (35%), reflecting the institution's low-risk appetite and high liquidity requirements. REPOs and Fixed Deposits accounted for the remaining (8%).

Portfolio Composition by Instrument - As at 31st December 2024

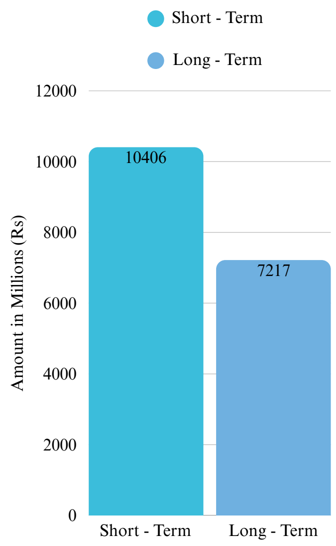


Instrument	Amount (Rs.)	% of Portfolio
REPOs	330 Mn	2%
Treasury Bills	10,075Mn	57%
Treasury Bonds	6,212 Mn	35%
Fixed Deposits	1,000 Mn	6%
Total	**17,623 Mn**	**100%**

Investment Tenor - As at 31st December 2024

During the year, major part of the investments were primarily allocated to short-term instruments, reflecting a strategic response to the prevailing low interest rate environment. This approach was aimed at preserving liquidity and managing interest rate risk while maintaining financial flexibility.

Tenor	Amount (Rs)	Percentage (%)
Short - Term	10,406 Mn	59%
Long - Term	7,217 Mn	41%
Total	**17,623 Mn**	**100%**

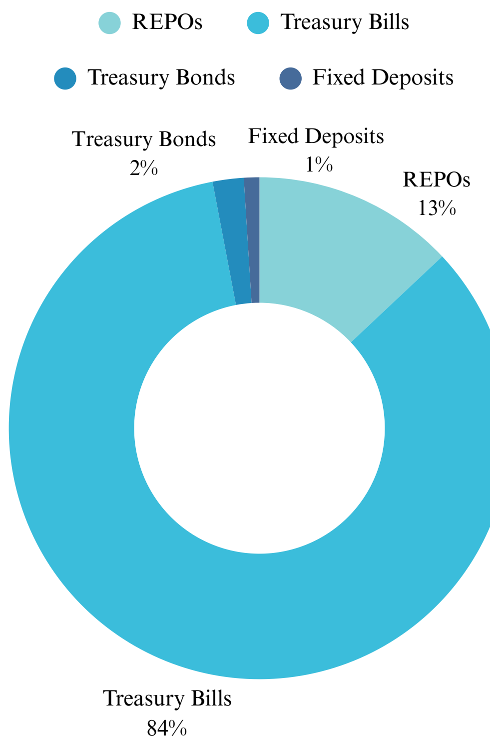


Investment Income Performance

Total income generated from investments during the year amounted to Rs. 903.6 million, largely from Treasury Bills. The returns from short-term instruments comprised 97% of total income, highlighting the emphasis on liquidity and capital preservation.

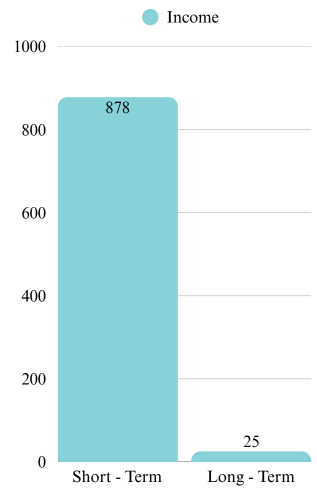
Income by Instrument

Instrument	Income (Rs.)	Percentage of Income
REPOs	120.2 Mn	13 %
Treasury Bills	758.2 Mn	84 %
Treasury Bonds	20.4 Mn	2 %
Fixed Deposits	4.9 Mn	1 %
Total	**903.6 Mn**	100 %



Income by Tenor

Tenor	Income (Rs)	Percentage of income
Short - Term	878.3 Mn	97%
Long - Term	25.3 Mn	3%
Total	**903.60 Mn**	**100%**



Outlook for 2025

In 2025, the focus will remain on:

- Preserving capital and managing interest rate risk.
- Enhancing returns through improved timing and tenor strategies.
- Exploring new permissible asset classes following board approval and risk assessment.
- Strengthening analytics and internal controls in investment operations.

The NCGIL is confident that its prudent, policy-driven investment approach will continue to support its operational and financial stability in the years ahead.

Report of the Audit Committee NCGIL

The Audit Committee is empowered by the Board to review the effectiveness of internal control systems, review external and internal audit reports and financial statements and to assess compliance to regulatory requirements, standards and acts.

Composition of the Audit Committee

The Board of Directors has established the Audit Committee in accordance with the section 42 (1) in the Articles of Association of NCGIL. The Audit Committee of the NCGIL comprises of two (02) Independent, Non-Executive Directors together with a Director each nominated by Government of Sri Lanka and the Shareholder Financial Institutions. The members of the Audit Committee at the end of the FY 2024 was,

- **Mr. J.F. Fernandopulle –** Chairperson
- **Mr. Mohan Weerakoon** – Member
- **Mr. Udeni Samararatne** – Member
- **Mr. Rajive Dissanayake** – Member

All members possess combined skills and expertise in finance, accounting, economics and Legal.

Meetings and Activities

During the year under review, the Audit Committee held **two meetings,** as outlined below:

- **12th March 2024:** The Committee convened to review, discuss, and approve the Audit Policy and the Accounting Policy of the NCGIL to establish a robust framework for financial governance and internal control.
- **19th November 2024:** The Committee reviewed and recommended for Board approval the Annual Financial Statements for the year ended 31st December 2023.

The Committee ensured that these documents were prepared in accordance with applicable financial reporting standards and regulatory requirements and approved for the submission for auditing to the National Audit Office.

The Audit committee also agreed to fix the financial year of NCGIL from January to December each year.

Duties and Responsibilities of the Audit Committee

The Audit Committee principally focuses on assisting the Board in fulfilling its duties by providing an independent and objective review of the NCGIL's accounting and financial reporting processes and audit of the Financial Statements.

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to:

- Financial reporting and disclosures
- Internal controls and risk management
- Compliance with statutory and regulatory requirements
- Engagement and independence of the external auditors
- Review and approval of accounting and audit policies

The Committee worked closely with management and the government auditor to ensure financial transparency and accountability.

Conclusion

The Audit Committee is satisfied with the integrity of the financial reporting process, the robustness of internal controls established, and the compliance with applicable governance and regulatory frameworks during the year under review.

The Committee will continue to support the Board in ensuring high standards of financial reporting and governance as NCGIL progresses towards operationalization.

On behalf of the Audit Committee,

J.F. Fernandopulle
Chairperson – Audit Committee
30th May 2025

AUDIT REPORT

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எனது இல.
My No. } BAN/G/NCGIL/FA/24/1 ඔබේ අංකය
உமது இல.
Your No. } දිනය
திகதி
Date } 28 April 2025

Chairman

National Credit Guarantee Institution Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Credit Guarantee Institution Limited for the year ended 31 December 2024 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Credit Guarantee Institution Limited("Company") for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of Provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Provisions of the National Audit Act, No.19 of 2018. My report to Parliament in pursuance of Provisions in Article 154(6) of the Constitution will be tabled in due course.

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

1.2 Basis for Opinion

I conducted my 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 believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other information included in the Company's 2024 Annual Report.

The other information comprises the information included in the Company's 2024 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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 identified above when it becomes available 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.

When I read the Company's 2024 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed, those will be included in my report to Parliament in pursuance of Provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine are 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 isresponsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative bit to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters significant audits findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of Section 163 (2) of the Companies Act, No. 7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained whichwere limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Companyas per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018.

G.H.D. Dharmapala
Auditor General (Acting)

FINANCIAL STATEMENT 2024

National Credit Guarantee Institution Limited

Statement of Financial Position

As At 31st December, 2024

(all amounts in Sri Lanka Rupees)

ASSETS	Note	As At 31.12.2024	As At 31.12.2023
NON CURRENT ASSETS			
Property Plant & Equipment	4	5,236,099	-
Financial Assets	5	7,217,282,550	-
TOTAL NON-CURRENT ASSETS		**7,222,518,649**	-
CURRENT ASSETS			
Financial Assets	5	10,405,746,705	-
Cash & Cash Equivalents	6	258,399	86,956
TOTAL CURRENT ASSETS		**10,406,005,104**	**86,956**
TOTAL ASSETS		**17,628,523,753**	**86,956**
EQUITY & LIABILITIES			
EQUITY			
STATED CAPITAL			
Ordinary Share Capital	7	16,739,281,040	110,850
REVENUE RESERVES			
Retained Earnings		620,320,291	(1,426,811)
TOTAL EQUITY		**17,359,601,331**	**(1,315,961)**
LIABILITIES			
NON CURRENT LIABILITIES			
Deffered Tax	14	266,615	-
TOTAL NON-CURRENT LIABILITIES		**266,615**	-
CURRENT LIABILITIES			
Accruals & Other Payables	8	3,070,869	1,402,917
Income Tax Payable	14	265,584,938	-
TOTAL CURRENT LIABILITIES		**268,655,807**	**1,402,917**
TOTAL LIABILITIES		**268,922,422**	**1,402,917**
TOTAL EQUITY & LIABILITIES		**17,628,523,753**	**86,956**

These Financial Statements have been prepared in compliance with the requirements of Companies Act no 7 of 2007.

M.G.A.M Jayathilaka
Chief Financial Officer

W.J.T.Fernando
Chief Executive Officer

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements. Approved and signed for and on behalf of the Board of Directors of National Credit Guarantee Institution Limited

Director
National Credit Guarantee Institution Limited

Director

The Accounting Policies and note appearing on pages 5 to 25 form an integral part of these Financial Statements

National Credit Guarantee Institution Limited

Statement of Comprehensive Income
For The Year Ended 31st December 2024

(all amounts in Sri Lankan Rupees)

	Notes	Year Ended 31.12.2024	Year Ended 31.12.2023
REVENUE			
REVENUE FROM OPERATING ACTIVITIES			
Guarantee fee		-	-
REVENUE FROM NON-OPERATING ACTIVITIES			
Investment Income	9	903,595,446	-
TOTAL REVENUE		**903,595,446**	-
EXPENDITURE			
Staff Cost	10	11,793,976	1,239,667
Directors' Emoluments	11	1,403,250	163,250
Adminstrative Expenses	12	2,446,590	22,394
Finance & Other Expenses	13	352,975	1,500
TOTAL EXPENDITURE		**15,996,791**	**1,426,811**
PROFIT/(LOSS) BEFORE TAX		**887,598,655**	**(1,426,811)**
Income Tax Expense	14	265,851,553	-
PROFIT/(LOSS) AFTER TAX		**621,747,102**	**(1,426,811)**
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX		**621,747,102**	**(1,426,811)**

National Credit Guarantee Institution Limited

Statement of Cash Flow
For The Year Ended 31st December 2024

(all amounts in Sri Lankan Rupees)

	Notes	Year Ended 31.12.2024	Year Ended 31.12.2023
Cash Flows From Operating Activities			
Net Profit / (Loss) Before Tax		887,598,655	(1,426,811)
Adjustments for :			
Investment Income	9	(903,595,446)	-
Depreciation	4	198,128	-
Operating Profit / (Loss) before working capital changes		**(15,798,663)**	**(1,426,811)**
Changes in Working Capital			
Increase / (Decrease) in Accruals and Other Payables		1,667,952	1,402,917
Net Cash flows from / (used in) operating activities		**(14,130,711)**	**(23,894)**
Cash Flows From Investing Activities			
Acquision of Property Plant & Equipment	4	(5,434,227)	-
Net Investment in GOSL Treasury Bonds	5	(6,191,999,850)	-
Net Investment in GOSL Treasury Bills	5	(9,735,971,191)	-
Investment in Fixed Deposits	5	(1,000,000,000)	-
Net Investment in REPOs	5	(329,000,000)	-
Investment Income Received		537,537,232	-
Net Cash flows from / (used in) Investing activities		**(16,724,868,036)**	-
Cash Flows From Financing Activities			
Issuing of Ordinary Shares	7	16,739,170,190	110,850
Net Cash flows from / (used in) Financing activities		**16,739,170,190**	**110,850**
Net Increase / (Decrease) in cash & cash equivalents		**171,443**	**86,956**
Cash & cash equivalents at the beginning of the period		86,956	-
Cash & cash equivalents at the end of the period	6	**258,399**	**86,956**

National Credit Guarantee Institution Limited

Statement of Changes in Equity
For The Year Ended 31st December 2024

(all amounts in Sri Lanka Rupees)

Description	Share Capital	Retained Earnings	Total
Opening Balance as at 01st January 2023	-	-	-
Share Issued during the year	110,850	-	110,850
Net Profit / (Loss) for the year	-	(1,426,811)	(1,426,811)
Balance as at 31st December 2023	**110,850**	**(1,426,811)**	**(1,315,961)**

Description	Share Capital	Accumulated Profit/Loss	Total
Opening Balance as at 01st January 2024	110,850	(1,426,811)	(1,315,961)
Share Issued during the year	16,739,170,190	-	16,739,170,190
Net Profit / (Loss) for the year	-	621,747,102	621,747,102
Balance as at 31st December 2024	**16,739,281,040**	**620,320,291**	**17,359,601,331**

NATIONAL CREDIT GUARANTEE INSTITUTION LIMITED

SIGNIFICANT ACCOUNTING POLICIES

1. Corporate Information

1.1 Legal Form

National Credit Guarantee Institution Limited (NCGIL) was established under the provisions of Companies Act No. 07 of 2007, which came into operation with effect from 16 February 2023 as a Limited Liability Company bearing registration no. PB 00271461. The registered office and the principle place of business is located at The Secretariat, 1st Floor, Lotus Road, Colombo 01.

1.2 Principal Activities and Nature of Operations

The object and responsibility of the Company shall be, to support the Micro Small and Medium Enterprise (MSME) sector in Sri Lanka. The institution aims to help MSMEs to adapt to changing market demands, technology and capacity limitations due to low financial inclusion and limited access to finance especially due to lack of collateral.

The objects for which the Company is established are:

(a) To carry on, engage in and otherwise undertake the business of issuing credit guarantees to support credit facilities granted to MSMEs by Participant Shareholders with the primary objective of improving the access to finance to Sri Lankan MSMEs; and

(b) To engage in any other business or activity in which the Company is required to engage to fulfill the objects set out in (a) above.

1.3 Date of Authorization for Issue

The Financial Statements of the National Credit Guarantee Institution were authorized by the Board at its meeting held on 14th February 2025.

1.4 Reporting Period

The reporting period of the Financial Statements are stated as 01st January 2024 to 31st December 2024.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the NCGIL comprising of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows together with the Notes to the Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the CA Sri Lanka and are in compliance with the said standards.

2.2 Basis of Measurement

The Financial Statements have been prepared under the historical cost convention unless otherwise stated specifically and applied consistently with no adjustment being made for inflationary factors affecting the Financial Statements.

2.3 Going Concern

When preparing the Financial Statements, the Members of the Board of Directors (BOD) assessed the ability of the Company to continue as a going concern. The Members of the BOD have a reasonable assurance that NCGIL will continue in operation and meet its statutory obligations for the foreseeable future. The NCGIL does not foresee a need for liquidation or cessation of operations, after taking in to account, all available information about future. Accordingly, the NCGIL continues to adopt the going concern basis in preparing the Financial Statements.

2.4 Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These Financial Statements are prepared and presented in Sri Lankan Rupees (LKR), which is the Company's functional and presentation currency.

2.5 Materiality and Aggregation

Each material class of similar item has been presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.7 Events After the Reporting Period

There were no material events occurred after the reporting date.

2.8 Significant Accounting Judgements, Estimates and Assumptions

The preparation of Financial Statements require management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amounts as assets, liabilities, income and expenses. The actual results may differ from the 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 and in any future periods affected.

2.9 Comparative Information

All accounting policies adopted by the NCGIL are applied consistently with those of the previous year, where necessary comparative figures have been adjusted to conform to the changes in presentation of current year figures.

2.10 Rounding

The amounts in Financial Statements have been rounded-off to the nearest rupee, except otherwise indicated as permitted by the Sri Lanka Accounting Standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

3.1 Property, Plant and Equipment

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

3.1.1 Basis of Recognition

i. Initial Recognition

All items of property, Plant and Equipment are stated initially at cost and subsequently, measured at cost less accumulated depreciation and any impairment losses. The cost comprises it's purchased price and any directly attributable cost of bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the company's management.

ii. Subsequent Expenditure on Existing Property, Plant & Equipment

Expenditure incurred on tangible fixed assets is charged to the Statement of Financial Performance in the period in which it is incurred, unless it meets one of the following criteria, in which case, it is capitalized and depreciated over the relevant useful lifetime.

- Increase in the capacity of the asset
- Substantial improvement in the quality of output or reduction in operating cost.
- Significant extension of the life of the asset beyond that confirmed by repair and maintenance.
- Market value of PPE has subsequently increased.
- Expenditure incurred on repairs or maintenance of PPE in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

iii. Measurement after Initial Recognition

Revaluation Model

After initial recognition, PPE whose faire value can be measure reliably has been carried out at revalued amounts, which is fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

The gains arising from revaluation of particular asset shall be identified in revaluation reserves in statement of Changes in Equity.

Carrying value of PPE and Intangible Assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Statement of Financial Performance.

3.1.2 Depreciation

Each part of an item of property, plant and equipment with a significant cost in relation to the total cost of the item are depreciated separately. The depreciation charge for each period is recognized in profit and loss unless it is included in the carrying amount of another asset.

The residual value and the useful life of an asset are reviewed at each reporting period end, if expectations differ from previous estimates, the change(s) will be accounted for as a change in accounting estimate in accordance with the LKAS 8.

Depreciation is charged to the profit or loss on a straight-line basis on the cost or revalued amount other than freehold land, over the estimated useful life of each part of an item of PPE.

Items of PPE are depreciated from the month following the acquisition of assets and charged up to the preceding month of the disposal of asset. In respect of self-constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives of PPE of NCGIL are as follows:

Asset Category	Estimated Useful Life (Years)	Depreciation Rate (%)
Office Equipment	05	20%
Computers & IT Equipment	03	33 1/3%

3.1.3 Impairment of Assets

The assets are tested for impairment at the end of each reporting period. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and gain/(loss) is recognized in the Statement of Financial Performance.

3.1.4 Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits or service potential is expected from its use or disposal. The gains or losses arising from the derecognition of an item of PPE shall be included in profit/(loss) when the item is derecognized.

3.2 Financial Instruments

3.2.1 Financial Asset classification

The company classifies its financial assets in the following measurement categories.

- Financial Assets measured at Amortized Cost,
- Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)
- Financial Assets measured at Fair Value Through Profit or Loss (FVTPL)

The classification depends on the NCGIL's business model for managing the financial assets and the contractual terms of the cash flows.

3.2.2 Initial Recognition

Financial assets or financial liability are recognized in Statement of Financial Position when, and only when, the entity becomes party to the contractual provisions of the instrument. Financial Assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

3.2.3 Subsequent Measurement

A. Financial Assets measured at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at Amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate (EIR) method. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part EIR. The Amortization is included in "Investment Income" in the Statement of Comprehensive Income.

Financial assets are measured at amortized cost if both of the following conditions are met:

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

B. Financial Assets measured at Fair Value through Other Comprehensive Income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

C. Financial Assets measured at Fair Value through Profit & Loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

3.3 Current Assets

Current assets are classified in Statement of Financial Position are those which are expected to be realized in or consume in normal operating cycle of NCGIL and expected to be realized within twelve months after the reporting date.

3.4 Inventories

Inventories are measured at the lower of cost and net realizable value. The Cost of Inventories is determined by using the first-in, first-out (FIFO) method in terms of LKAS 02 - Inventories. Inventories are for consumption and not for resale.

3.5 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Collection is expected in the normal operating cycle of the business, and they are classified as current assets. Trade receivables are recognized initially at their transaction price unless they contain significant financing components, when they are recognized at fair value.

The NCGIL holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Other receivables generally arise from transactions outside the usual operating activities of NCGIL.

In accordance with SLFRS 9, the NCGIL applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the Trade Receivables.

3.6 Cash & Cash Equivalents

Cash & Cash Equivalents are defined as cash in hand and short-term highly liquid investments readily convertible to known amounts of cash and insignificant risk of change in value. The cash flow Statement is prepared based on the indirect method.

3.7 Taxes

3.7.1 Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit/(Loss).

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 Act.

3.7.2. Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss): or/and in respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets ad unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of as asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit/(loss): or/and in respect of taxable temporary differences associated with investment in subsidiaries, associates and interest in joint ventures. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3.8 Expenditure Recognition

Expenses incurred in carrying out all activities of the NCGIL are recognized on an accrual basis and charged to the Statement of Financial Performance.

3.9 Statement of Cash Flow

The Statement of Cash Flow has been prepared by using the "Indirect Method "in accordance with LKAS 7 – Statement of Cash Flows, whereby operating activities, investing activities and financing activities are separately recognized.

3.10 Related Party Transactions

No related party transactions had occurred during the year.

3.11 Contingent Liabilities

There were no contingent liabilities exist as at the end of the reporting period.

National Credit Guarantee Institution Limited

Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 04 - Property, Plant & Equipment

Cost

Description	**Computer & IT Equipment**	**Office Equipment**	**Total**
Balance as at 01st January 2024	-	-	-
Additions	5,310,000	124,227	5,434,227
Disposals	-	-	-
Balance as at 31st December 2024	**5,310,000**	**124,227**	**5,434,227**

Accumulated Depreciation

Description	**Computer & IT Equipment**	**Office Equipment**	**Total**
Balance as at 01st January 2024	-	-	-
Charge for the Year	197,650	478	198,128
Disposals	-	-	-
Balance as at 31st December 2024	**197,650**	**478**	**198,128**
Written Down Value as at 31st December 2024	**5,112,350**	**123,749**	**5,236,099**

National Credit Guarantee Institution Limited
Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 05 - Financial Assets

		As at 31.12.2024			As At 31.12.2023
Description	**Notes**	**Face Value**	**Cost**	**Amortized Cost**	**Amortized Cost**
Non-Current Financial Assets	Note 05.1	7,127,301,719	7,191,999,850	7,217,282,550	-
Current Financial Assets	Note 05.2	10,519,086,000	10,064,971,191	10,405,746,705	-
Total		**17,646,387,719**	**17,256,971,041**	**17,623,029,255**	**-**

Note: 05.1-Non-Current Financial Assets

(A) Investment in GOSL Treasury Bonds

			As at 31.12.2024			As At 31.12.2023
ISIN Number	**Date of Maturity**	**Coupon Rate**	**Face Value**	**Cost**	**Amortized Cost**	**Amortized Cost**
LKB00428B156	15-Feb-2028	10.75%	906,479,900	950,000,000	954,693,056	-
LKB01028C151	15-Mar-2028	10.75%	957,509,500	999,999,942	1,002,987,552	-
LKB01528E016	1-May-2028	9.00%	3,321,427,200	3,249,999,908	3,259,759,978	-
LKB00428B156	15-Feb-2028	10.75%	941,885,119	992,000,001	994,957,845	-
Sub Total			**6,127,301,719**	**6,191,999,850**	**6,212,398,431**	**-**

(B) Investment in Fixed Deposits

			As at 31.12.2024			As At 31.12.2023
Institution	**Date of Maturity**	**Rate**	**Face Value**	**Cost**	**Amortized Cost**	**Amortized Cost**
Sampath Bank PLC - 221918254624	13-Dec-2027	11.50%	500,000,000	500,000,000	502,442,059	-
Hatton National Bank PLC - 003300428550	13-Dec-2027	11.50%	500,000,000	500,000,000	502,442,059	-
Sub Total			**1,000,000,000**	**1,000,000,000**	**1,004,884,119**	**-**
Total Non-Current Financial Assets			**7,127,301,719**	**7,191,999,850**	**7,217,282,550**	**-**

Note: 05.2-Current Financial Assets

(A) Investment in GOSL Treasury Bill

			As at 31.12.2024			As At 31.12.2023
ISIN No.	**Date of Maturity**	**Yield Rate**	**Face Value**	**Cost**	**Amortized Cost**	**Amortized Cost**
LKA18225A175	17-Jan-2025	9.85%	1,752,086,000	1,669,846,587	1,744,235,803	-
LKA18225A241	24-Jan-2025	9.40%	2,460,000,000	2,349,570,600	2,445,145,941	-
LKA18225A241	24-Jan-2025	9.35%	2,093,000,000	1,999,522,434	2,080,427,452	-
LKA18225A241	24-Jan-2025	9.30%	2,093,000,000	1,999,999,638	2,080,492,918	-
LKA09125B077	7-Feb-2025	9.40%	70,000,000	68,392,800	69,324,319	-
LKA18225F133	13-Jun-2025	8.90%	800,000,000	765,916,800	769,221,928	-
LKA18225F133	13-Jun-2025	8.88%	35,000,000	33,512,080	33,656,373	-
LKA18225F133	13-Jun-2025	8.90%	887,000,000	849,210,252	852,874,813	-
Sub Total			**10,190,086,000**	**9,735,971,191**	**10,075,379,548**	**-**

(B) Investment in REPO

			As at 31.12.2024			As At 31.12.2023
Institution	**Date of Maturity**	**Rate**	**Face Value**	**Cost**	**Amortized Cost**	**Amortized Cost**
Commercial Bank of Ceylon PLC	6-Jan-2025	8.25%	12,000,000	12,000,000	12,073,384	
Sampath Bank PLC	11-Feb-2025	8.40%	300,000,000	300,000,000	301,236,780	
Commercial Bank of Ceylon PLC	16-Jan-2025	8.15%	17,000,000	17,000,000	17,056,993	
Sub Total			**329,000,000**	**329,000,000**	**330,367,157**	**-**
Total Current Financial Assets			**10,519,086,000**	**10,064,971,191**	**10,405,746,705**	**-**

(all amounts in Sri Lankan Rupees)

Note 06 - Cash and Cash Equivalents

Bank	Account Type	Account No.	As At 31.12.2024	As At 31.12.2023
Bank of Ceylon	Current Account	90873992	216,640	86,956
Commercial Bank of Ceylon PLC	Current Account	1000827130	41,758	-
Sampath Bank PLC	Current Account	21910004444	-	-
Peoples Bank PLC	Current Account	4100130002754	-	-
Total			**258,399**	**86,956**

National Credit Guarantee Institution Limited

Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 07 - Ordinary Share Capital

Description	Notes	As At 31.12.2024	As At 31.12.2023
Number of Shares	Note 07.1	1,673,928,104	11,085
Value of Shares (Ordinary shares of Rs.10/- each)	Note 07.1	16,739,281,040	110,850

Note: 07.1 - Number of Shares / Value of Shares

	As At 31.12.2023		Issue of Shares During the Year		As At 31.12.2024	
Name of PFIs	No. of Shares	Value of Shares	No. of Shares	Value of Shares	No. of Shares	Value of Shares
Government of Sri Lanka	10,000	100,000	1,511,437,500	15,114,375,000	1,511,447,500	15,114,475,000
Bank of Ceylon	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
People's Bank	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Hatton National Bank PLC	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Sampath Bank Ltd	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Seylan Bank PLC	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Commercial Bank of Ceylon PLC	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Nations Trust Bank PLC	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
National Development Bank PLC	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Sanasa Development Bank Ltd	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
Regional Development Bank	101	1,010	15,114,374	151,143,740	15,114,475	151,144,750
LB Finance PLC	25	250	3,778,593	37,785,930	3,778,618	37,786,180
Citizens Development Business Finance PLC	25	250	3,778,593	37,785,930	3,778,618	37,786,180
Central Finance Co. PLC	25	250	3,778,593	37,785,930	3,778,618	37,786,180
Total	11,085	110,850	1,673,917,019	16,739,170,190	1,673,928,104	16,739,281,040

(all amounts in Sri Lankan Rupees)

Note 08 - Accruals and Other Payables

Description	Notes	As At 31.12.2024	As At 31.12.2023
Advance Personal Income Tax (APIT)		533,840	-
Amount Refundable to SFIs	Note 08.1	23	-
Amount Refundable to GOSL		100,000	
Amount Reimbursable to Ministry of Finance		371,175	
Audit Fee		210,000	-
Chairman's Allowance		-	131,250
Directors' Allowances - Main Board Meetings	Note 08.2	32,000	32,000
Directors' Allowances - Committee Meetings	Note 08.3	16,000	-
Employee Provident Fund		580,267	-
Employee Trust Fund		87,040	-
Zillione Technologies (Pvt) Ltd -Annual Subscription-Microsoft 365		46,210	-
Corporate Services (Pvt) Ltd- Secretarial Fee		92,585	
Transport Allowance Payable to CEO (Aug-Dec 2024)		1,000,000	
Payable to American Premium Water Systems Pvt Ltd - Water Charges		1,730	
Staff Salary - on secondment basis (MOF)		-	1,239,667
Total		**3,070,869**	**1,402,917**

Note : 08.1 - Payable to Shareholding Financial Institutions (SFI)

Name of the SFI	As At 31.12.2024	As At 31.12.2023
LB Finance PLC	8	-
Citizens Development Business Finance PLC	8	-
Central Finance Co. PLC	8	-
Sub Total	**23**	-

Amount refundable to SFIs has arisen due to the exchange rate conversion.

Note : 08.2 - Directors' Allowances - Main Board Meetings

Name of the Member	As At 31.12.2024	As At 31.12.2023
Mr. B.M.B.Sarjoon	16,000	16,000
Mr. A.G.R. Dissanayake	16,000	-
Mr. H.M.U.K Samararatne	-	16,000
Sub Total	**32,000**	**32,000**

Note: 08.3 - Directors' Allowances - Committee Meetings

Name of the Member	As At 31.12.2024	As At 31.12.2023
Mr. A.G.R. Dissanayake	16,000	-
Sub Total	**16,000**	-

Directors' allowance for Main Board Meeting and Committee meetings includes Rs.10,000/- of transport allowance approved by the Board and Rs.6,000/- of sitting allowance As per the Public Enterprises Circular no. PED 3/2015

National Credit Guarantee Institution Limited

Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 09 - Investment Income

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
Investment Income From Treasury Bills	758,154,614	-
Investment Income From REPOs	120,158,133	-
Investment Income From Fixed Deposits	4,884,119	-
Investment Income From Treasury Bonds	20,398,581	-
Total	**903,595,446**	-

National Credit Guarantee Institution Limited
Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 10 - Staff Cost

Staff Cost	Year Ended 31.12.2024	Year Ended 31.12.2023
Staff Salaries - on secondment basis (MOF)	1,240,000	1,239,667
Staff Salaries - Basic	6,955,333	-
Cost of Living Allowances	207,667	-
Transport Allowances	1,678,120	-
Fuel Allowances	243,400	-
Communication Allowances	94,880	-
Executive Allowances	116,667	-
Employee Provident Fund	995,528	-
Employee Trust Fund	248,882	-
Staff Welfare	13,499	-
Total	11,793,976	1,239,667

Note 11 - Directors' Emoluments

Description	Note No.	Year Ended 31.12.2024	Year Ended 31.12.2023
Chairmans' Allowance - Mr. R.M.P.Rathnayake		381,250	131,250
Directors' Allowances - Main Board Meetings	Note 11.1	554,000	32,000
Directors' Allowances - Committee Meetings	Note 11.2	468,000	-
Total		1,403,250	163,250

Note 11.1 - Directors' Allowances - Main Board Meetings

Name	Year Ended 31.12.2024			Year Ended
	Sitting Allowance	Transport Allowance	Total	31.12.2023
Mr D.A.P.Abeysekera	6,000	10,000	16,000	-
Mr. H.M.U.K Samararatne	42,000	60,000	102,000	16,000
Mr. W.D.L.M. Perera	30,000	-	30,000	-
Mr.B.M.B.Sarjoon	-	-	-	16,000
Mrs. W.M.A.V. Iddawela Perera	36,000	40,000	76,000	-
Mrs. S.T. Rathwatte	36,000	40,000	76,000	-
Mr. Mohan Weerakoon	24,000	10,000	34,000	-
Mrs. A.P. Liyanapatabendi	30,000	50,000	80,000	-
Mr. F.Fernandopulle	30,000	50,000	80,000	-
Mr. A.G.R. Dissanayake	30,000	30,000	60,000	-
Total	264,000	290,000	554,000	32,000

Note 11.2 - Directors' Allowances - Committee Meetings

Name	Year Ended 31.12.2024 Sitting Allowance	Transport Allowance	Total	Year Ended 31.12.2023
Mr. H.M.U.K Samararatne	66,000	40,000	106,000	-
Mr. W.D.L.M. Perera	6,000	-	6,000	-
Mrs. W.M.A.V. Iddawela Perera	30,000	10,000	40,000	-
Mrs. S.T. Rathwatte	108,000	80,000	188,000	-
Mr. Mohan Weerakoon	42,000	-	42,000	-
Mrs. A.P. Liyanapatabendi	30,000	10,000	40,000	-
Mr. F.Fernandopulle	6,000	-	6,000	-
Mr. A.G.R. Dissanayake	30,000	10,000	40,000	-
Total	**318,000**	**150,000**	**468,000**	-

National Credit Guarantee Institution Limited
Notes to the Financial Statements

(all amounts in Sri Lankan Rupees)

Note 12 - Adminstrative Expenses

Description	Notes	Year Ended 31.12.2024	Year Ended 31.12.2023
Advertising Expense (Recruitment of Staff)	Note 12.1	1,497,224	-
Audit Fee	Note 12.2	210,000	
Company Registration fees and other ROC Expenses		46,145	22,394
Depreciation Expenses		198,128	
IT, Internet & Netwoking Expenses	Note 12.3	155,259	-
Meeting Expenses	Note 12.4	181,511	-
Miscellaneous Expenses		7,333	-
Printing and Stationery		38,218	-
Secretarial Expenses	Note 12.5	92,585	
Water Charges		1,730	
Travelling & Transport		18,457	-
Total		**2,446,590**	**22,394**

Note 12.1 Advertising Expense (Recruitment of Staff)

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
Advertising Expenses for recruiting CEO	371,175	-
Advertising Expenses for recruiting Head of Departments & Company Secretary	670,936	-
Advertising Expenses for recruiting Managers & Executives	455,113	-
Sub Total	**1,497,224**	-

Note : 12.2 - Audit Fees

Description	As At 31.12.2024	As At 31.12.2023
Audit Fee - 2023	100,000	-
Audit Fee - 2024	110,000	-
Sub Total	**210,000**	-

Note 12.3 - IT, Internet & Netwoking Expenses

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
LK Domain Subscription	8,000	-
Mouse and Mouse Pads	47,790	-
Extention Codes	16,299	-
Monthly Subscription-Internet (November & December 2024)	36,960	-
Annual Subscription-Microsoft 365 (1/12-December 2024)	46,210	
Sub Total	**155,259**	-

Note 12.4-Meeting Expenses

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
Refreshment Charges for AGM	94,050	-
Board and Other Sub Committee Meetings	87,461	-
Sub Total	**181,511**	-

Note 12.5-Secretarial Expenses

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
Annual Fee (October - December 2024)	56,277	-
Secretarial Related Documentation Charges	18,154	-
Annual General Meeting	7,867	-
Board Meeting	10,287	-
Sub Total	**92,585**	-

Note 13 - Finance & Other Expenses

Description	Year Ended 31.12.2024	Year Ended 31.12.2023
Bank Charges	8,666	1,500
Bidding Charges - T-Bills & Bonds	344,309	-
Sub Total	**352,975**	**1,500**

(all amounts in Sri Lankan Rupees)

Note 14 - Income Tax

Description	**Note No.**	**Year Ended 31.12.2024**	**Year Ended 31.12.2023**
Current Year Income Tax	Note : 14.1	265,584,938	-
Deferred Tax		266,615	-
Income Tax Expense Reported in Statement of Comprehensive Income		**265,851,553**	**-**
Income Taxes Paid During the Year		-	-
Income Tax Payable As At 31.12.2024		**265,584,938**	**-**

Note 14.1 - Income Tax Computation

Accounting Profit for the year	**887,598,655**
Add : Deductions not Allowed	
Accounting Depreciation on PPE	198,128
Less : Allowable Deductions	
Depreciation Allowances for Tax	1,086,845
Taxable Profit for the year	**886,709,938**
Less : Business Losses 2023	(1,426,811)
Taxable Income	**885,283,127**
Income Tax @ 30%	**265,584,938**

Strategic Priorities for 2025

Unlocking Credit. Empowering Growth.

In 2025, NCGIL will focus on operationalising its guarantee framework at scale, with a sharp focus on impact, efficiency, and sectoral relevance. Key strategic priorities include;

- **Launching Guarantee Schemes:** Rollout of sector-specific guarantees in collaboration with partner banks and non-bank financial institutions, targeting MSMEs, agriculture, ICT, tourism, exports, women-led businesses, and green financing.

- **Strengthening Risk Management:** Finalisation of a digital credit scoring and monitoring platform to assess guarantee exposure in real time and mitigate risk proactively.

- **Institutional Capacity Building:** Continued investment in systems, staff training, study tours and governance structures to support sustainable and responsive growth.

- **Public-Private Partnerships:** Engagement with development finance institutions (DFIs), multilateral agencies, and donor partners to co-design blended financial instruments.

- **Data-Driven Impact Measurement:** Implementation of monitoring and evaluation tools to measure development outcomes of guaranteed portfolios including job creation, business growth, and regional inclusion.

Together, these priorities will position NCGIL not just as a financial guarantor — but as a national enabler of inclusive, broad-based economic progress.

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