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Sri Lanka

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAHINDRA IDEAL FINANCE LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Mahindra Ideal Finance Limited (the "Company"), which comprise the statement of financial position as at 31st March 2025 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements including a summary of material accounting policy information as set out on pages 05 to 55.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2025 and of its financial performance and 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 Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Financial Statements of Mahindra Ideal Finance Limited for the year ended 31st March 2024 were audited by another auditor who expressed an unmodified opinion on those Financial Statements on 18th April 2024.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report. The Annual Report is expected to be made available to us after the date of this Auditor's Report.

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

In connection with our audit of the Financial Statements, our 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 our knowledge obtained in the audit, or whether it appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanika Rathnaweera FCA, ACMA.
F. Sarah Z. Afker FCA, FCMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law.
Nirosha Vadivel Bsc (Acc.), FCA, ACMA. R. D. Chamika N. Wijesinghe FCA, BBA (Acc.) Sp. H. M. R. Thilina Ranaweera FCA, BBMgt (Acc.) Sp.

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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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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 the Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats, or safeguards applied.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit, and as far as it appears from our examination, proper accounting records have been kept by the Company.

BDO Partners
CHARTERED ACCOUNTANTS
Colombo 02
18th April 2025
HSR/cc

**MAHINDRA IDEAL FINANCE LIMITED
COLOMBO - 02**

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31ST MARCH 2025**

MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2025

Page 1

	Notes	2025 LKR	2024 LKR
Income	3	2,740,869,518	2,309,040,380
Interest Income	4.1	2,444,565,889	2,153,618,043
Interest Expenses	4.2	(1,109,246,019)	(1,061,880,311)
Net Interest Income		<u>1,335,319,870</u>	<u>1,091,737,732</u>
Fees and Commission Income	5	16,497,935	10,249,062
Net Fee and Commission Income		<u>16,497,935</u>	<u>10,249,062</u>
Other Operating Income	6	279,805,694	145,173,275
Total Operating Income		<u>1,631,623,499</u>	<u>1,247,160,069</u>
Impairment Charges for Loans and other Losses	7	(73,913,715)	49,871,815
Net Operating Income		<u>1,557,709,784</u>	<u>1,297,031,884</u>
Operating Expenses			
Personnel Expenses	8	(560,528,599)	(501,575,385)
Depreciation of Property Plant and Equipment	22.2	(140,150,617)	(110,425,685)
Amortisation of Intangible Assets	23	(8,791,417)	(5,067,304)
Other Operating Expenses	9	(414,783,308)	(345,864,952)
Operating Profit before VAT on Financial Services and Social Security Contribution Levy		<u>433,455,843</u>	<u>334,098,558</u>
Value Added Tax on Financial Services	10	(135,364,009)	(116,700,020)
Social Security Contribution Levy	10	(18,800,557)	(16,208,337)
Profit before Taxation		<u>279,291,277</u>	<u>201,190,201</u>
Income Tax Expenses	11.1	(133,405,107)	(97,898,498)
Profit/ (Loss) for the period		<u>145,886,170</u>	<u>103,291,703</u>
Basic and Diluted Earnings per Share	12.2	1	0.71
Profit/ (Loss) for the period		<u>145,886,170</u>	<u>103,291,703</u>
Other Comprehensive Income not to be re-classified to profit or loss in subsequent periods			
Actuarial Gain/(Loss) on Defined Benefit Obligations	28.3	7,032,661	(8,101,913)
Deferred Tax (Charge)/Reversal on Other Comprehensive Income	29	(2,109,798)	2,430,574
Other Comprehensive Income for the period, Net of Tax		<u>4,922,863</u>	<u>(5,671,339)</u>
Total Comprehensive Income for the period, Net of Tax		<u>150,809,033</u>	<u>97,620,364</u>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 07 to 55 form an integral part of these Financial Statements.

Colombo
18th April 2025



MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2025

Page 2

	Notes	2025 LKR	2024 LKR
ASSETS			
Cash and Bank Balances	13	178,134,163	110,767,720
Investment in Government Securities at Amortised cost	14	1,248,943,875	1,819,024,328
Financial Investments - Measured at Fair Value through PL	14.1	-	1,001,278,217
Placements with Banks and Other Financial Institutions	15	151,075,892	355,848,060
Gold Advances	16	6,422,978,337	4,505,162,573
Lease Rental Receivables	17	2,656,512,819	2,864,129,749
Loans and Advances	18	5,723,479,604	1,173,631,285
Other Financial Assets	19	21,012,383	29,495,526
Other Non-Financial Assets	20	73,409,769	188,496,352
Financial Investments - Measured at Fair Value through OCI	21	457,700	457,700
Property, Plant and Equipment	22.3	584,938,750	534,360,642
Intangible Assets	23	34,497,811	43,094,228
Deferred Tax Assets	29	35,978,217	24,116,990
TOTAL ASSETS		17,131,419,320	12,649,863,370
LIABILITIES			
Interest Bearing Borrowings	24	6,949,676,275	3,843,671,591
Due to the Customers	25	6,254,214,091	5,204,224,178
Other Financial Liabilities	26	639,571,564	547,160,170
Other Non-Financial Liabilities	27	104,444,871	67,585,280
Post Employment Benefit Liability	28	37,738,100	49,036,778
Current Tax Liabilities		62,722,638	5,942,625
TOTAL LIABILITIES		14,048,367,539	9,717,620,622
EQUITY			
Stated Capital	30	1,908,247,125	1,908,247,125
Retained Earnings		1,114,204,721	970,936,139
Reserves	31	60,599,935	53,059,484
TOTAL EQUITY		3,083,051,781	2,932,242,748
TOTAL LIABILITIES AND EQUITY		17,131,419,320	12,649,863,370

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 07 to 55 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Halit Kumar Aggarwala

Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;

Moondi

Managing Director

[Signature]

Director



Colombo
18th April 2025

MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2025

Page 3

Description	Stated Capital LKR	Retained Earnings LKR	Statutory Reserve Fund LKR	Total LKR
Balance as at 01st April 2023	1,908,247,125	878,196,794	48,178,465	2,834,622,384
Total Income / (Loss) for the Period	-	103,291,703	-	103,291,703
Other Comprehensive Income (Net of Tax)	-	(5,671,339)	-	(5,671,339)
Transfer to Statutory Reserve Fund	-	(4,881,018)	4,881,018	-
Balance as at 31st March 2024	1,908,247,125	970,936,140	53,059,483	2,932,242,748
Balance as at 01st April 2024	1,908,247,125	970,936,140	53,059,483	2,932,242,748
Total Income / (Loss) for the Period	-	145,886,170	-	145,886,170
Other Comprehensive Income (Net of Tax)	-	4,922,863	-	4,922,863
Transfer to Statutory Reserve Fund	-	(7,540,452)	7,540,452	-
Balance as at 31st March 2025	1,908,247,125	1,114,204,721	60,599,935	3,083,051,781

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 07 to 55 form an integral part of these Financial Statements.

Colombo
18th April 2025



MAHINDRA IDEAL FINANCE LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2025

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	Note	2025 LKR	2024 LKR
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		279,291,277	201,190,201
Adjustment for Other Non-Cash Items Included in Profit Before Tax			
Depreciation of Property, Plant and Equipment and ROU Assets	22.3	140,150,617	110,425,685
Amortisation of Intangible Assets	23	8,791,417	5,067,304
Provision for Impairment	7	73,913,715	(49,871,815)
Interest expenses on Borrowings	4.2	403,685,122	377,945,850
Defined Benefit Obligation	8	14,271,083	12,673,570
Dividend Income	6	-	(179,520)
Disposal (Gain)/Loss on Fixed Assets		(21,772,078)	-
Operating Profit before Working Capital Changes		898,331,153	657,251,275
(Increase)/Decrease in Lease Rental Receivables		214,288,953	(463,612,467)
(Increase)/Decrease in Loans and Advances		(4,610,148,089)	(347,074,261)
(Increase)/Decrease in Gold Advance		(1,938,101,734)	(558,838,332)
(Increase)/Decrease in Other Financial Assets		8,483,143	(5,154,635)
(Increase)/Decrease in Other Non-Financial Assets		91,755,762	(123,753,192)
(Increase)/Decrease in Inventories		-	-
Increase/(Decrease) in Amounts Due to Customers		1,049,989,913	1,717,147,261
Increase/(Decrease) in Other Financial Liabilities		171,098,332	231,602,035
Increase/(Decrease) in Other Non-Financial Liabilities		36,859,592	30,191,375
Increase/(Decrease) in Current Tax liabilities		13,971,025	(8,732,522)
Cash Generated from Operations		(4,063,471,950)	1,129,026,537
Retirement Benefit Liabilities Paid	28.2	(18,537,100)	(2,634,750)
Income Tax Paid		(90,596,119)	(116,145,188)
Net Cash Flows from/(Used in) Operating Activities		(4,172,605,169)	1,010,246,599
Cash Flows from / (Used in) Investing Activities			
Purchase of Property, Plant and Equipment	22.1	(117,080,251)	(88,766,534)
Purchase of Right-of-Use Assets	22.1	(81,359,758)	(85,662,333)
Purchase of Intangible Assets	23	(195,002)	(30,114,398)
Disposal of Property, Plant and Equipment		38,843,160	-
Dividend Received	6	-	179,520
Investment in Treasury Bills	14	424,191,672	(515,700,380)
Investment in Fixed Deposits	15	104,772,168	189,420,855
Net Cash Flows from/(Used in) Investment Activities		369,171,989	(530,643,270)
Cash Flows from / (Used in) Financing Activities			
Proceeds from Bank Borrowings		10,559,108,022	15,985,000,000
Repayment of Bank Borrowings		(7,979,559,624)	(15,340,051,428)
Rental Paid for Lease Obligation		(78,686,938)	(63,722,616)
Repayment of Other Borrowed Funds		-	-
Net Cash Flows from/(Used in) Financing Activities		2,500,861,460	581,225,956
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,302,571,720)	1,060,829,285
Cash and Cash Equivalents at the Beginning of the Period		1,312,744,367	251,915,083
Cash and Cash Equivalents at the End of the Year	32	10,172,647	1,312,744,367

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 07 to 55 form an integral part of these Financial Statements.

Colombo
18th April 2025



1. CORPORATE INFORMATION

1.1 General

IDEAL Investment Limited is a limited liability company, incorporated on 24 January 2012 under companies Act No.7 of 2007 and then changed the name as IDEAL Finance Limited on 12 March 2012 and domiciled in Sri Lanka. The registered office of the company is situated at No.299, Dr. Colvin R De. Silva Mawatha (Union Place), Colombo 02. On 28th January 2022 the company changed its' name to MAHINDRA IDEAL Finance Limited.

MAHINDRA IDEAL Finance Limited is licensed by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011 and registered under the Finance Leasing Act No.56 of 2000.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were Acceptance of Deposits, Granting Lease, Loan Facilities and Gold Advances.

1.3 Parent Entity and Ultimate Parent Entity

Mahindra and Mahindra Financial Services Limited, India is the parent of MAHINDRA IDEAL Finance Limited. The liability of the parent entity is limited to either its equity or fund-based commitment to MAHINDRA IDEAL Finance Limited. Further, the company does not have any investments in the form of subsidiary, joint venture or associate.

1.4 Date of Authorisation for Issue

The Financial Statements of MAHINDRA IDEAL Finance Limited for the period ended 31st March 2025 were authorised for issue in accordance with a resolution of the Board of Directors on 18th April 2025.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

2.1.1 Statement of Compliance

The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Accounting Policies and Notes, ('Financial Statements'), as at 31st March 2025 and for the period then ended, have been prepared in accordance with Sri Lanka Accounting Standards (hereafter referred as "SLFRS"), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

2.1.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for these Financial Statements of the Company as per Sri Lanka Accounting Standards (SLFRSs and LKASs) and the provisions of the Companies Act No. 7 of 2007.

2.1.3 Basis of measurement

The Financial Statements have been prepared on a historical cost basis except for the retirement benefits obligation, which was ascertained by an actuarial valuation.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS**2.1.4 Presentation of Financial Statements**

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

The Company presents its Statements of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 35.

2.1.5 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, except when otherwise indicated. No adjustments have been made for inflationary factors.

2.1.6 Materiality, Aggregation, Offsetting and Rounding Off

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

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 realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

The amounts in the Financial Statements have been rounded off to the nearest Sri Lankan Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard (LKAS 1) - 'Presentation of Financial Statements'.

2.1.7 Comparative Information

The accounting policies have been consistently applied by the Company, and are consistent with those used in the previous financial year. Further comparative information is re-classified whenever necessary to comply with the current presentation in the Financial Statements. However, the Company has not re-stated comparative information for 2024.

2.1.8 Statement of Cash Flows

The cash flow statement has been prepared by using the indirect method in accordance with the Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash Flows), whereby operating, investing and financial activities have been separately recognised. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash in hand, balances with banks, placements with banks (less than 3 months), net of unfavourable bank balances and securities purchased under repurchase agreement (less than three months).



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS**2.1.9 Events After the Reporting Date**

Events after the Reporting Date are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period have been considered and appropriate disclosures are made in Note 37 to the Financial Statements.

2.2 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect 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 recognised in the period in which the estimate is revised and in any future periods affected.

i. Going Concern

The Board has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the Company. Further, the Directors have considered the potential downsides that the recent economic stress could bring to the business operations of the Company, in making this assessment. Therefore, the Financial Statements continue to be prepared on the going concern basis.

ii. Impairment losses on loans and receivables

The measurement of impairment losses under SLFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, and changes can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- Number of days past due and the Guidelines issued by the Central Bank of Sri Lanka
- The Company's criteria for assessing if there has been a significant increase in credit risk and the allowances for financial assets which should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS**iii. Fair Value of Financial Instruments**

The determination of fair values of financial assets and financial liabilities recorded in the Statement of Financial Position for which there is no observable market price is based on using a variety of valuation techniques that include the use of mathematical models. The valuation of financial instruments is described in Note 34 to the Financial Statements. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 34 to the Financial Statements.

iv. Financial Assets and Financial Liabilities Classification

The Company's accounting policies provide scope for assets and liabilities to be classified, at inception into different accounting categories. The classification of financial instruments is given in Note 33 "Analysis of Financial Instruments by Measurement Basis".

v. Defined Benefit Plan

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in Note 28.

vi. Useful Life-time of the Property, Plant, Equipment and Intangible Assets

The Company reviews the residual values, useful lives and methods of depreciation and amortisation of property, plant, equipment and intangible assets at each reporting date. The judgment of the management is exercised in the estimation of these values, rates, methods and hence, they are subject to uncertainty.

2.3 Summary of Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its Financial Statements are included below.

2.3.1 SLFRS 09 Financial Instruments

SLFRS 9 -Financial Instruments replaces LKAS 39 for annual periods on or after 1st January 2018. The Company has adopted SLFRS-09 Financial Instruments with an initial application date of 1st April 2018.

2.3.1.1 Classification and Measurement of Financial Assets and Liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised Cost,
- Fair Value through Other Comprehensive Income (FVOCI),
- Fair Value through Profit or Loss.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL or the fair value designation is applied.



2.3.1.2 Financial Assets and liabilities

2.3.1.2.1 Lease Rental Receivables, Loans and Receivables to Other Customers, Financial Investments at Amortised Cost

The Company only measures Lease, Loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

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

The classification of financial liabilities under SLFRS 9 does not follow the approach for the classification on financial assets. Financial liabilities are measured at amortised cost or fair value through profit or loss.

The details of conditions of business model assessment and the SPPI test are outlined below.

(a) Business Model Assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- the expected frequency, value and timing of sales are also important aspects of the Company's assessment

(b) The SPPI Test

As a second step of its classification process the Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

An entity has a business model to hold the financial asset to collect the contractual cash flows. The characteristics of the contractual cash flows are that of solely the payments of the principal amount and interest (referred to as "SPPI").

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).



The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2.3.1.2.2 Re-classification of Financial Assets and Liabilities

The Company does not re-classify its financial assets or liability subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. The Company did not re-classify any of its financial assets or liabilities in year 2024/25.

2.3.1.3 Derecognition of Financial Instruments

2.3.1.3.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired.

2.3.1.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.3.1.4 Impairment of Financial Assets

Overview of the Expected Credit Loss (ECL) Principles

The Company's loan loss impairment method is by using the forward-looking Expected Credit Loss (ECL) approach. From 1st April 2018, the Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, all referred to as 'financial instruments' in this section. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset. The 12-month ECL is the portion of Life time ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3.



Stage 1

When loans are first recognised, the Company recognises an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been re-classified from Stage 2.

Stage 2

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Life time ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been re-classified from Stage 3.

Stage 3

Loans considered credit-impaired. The Company records an allowance for the Life time ECLs.

2.3.1.4.1 The Calculation of Expected Credit Loss (ECL)

The Company calculates ECLs under three staging approaches to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Definition of default

The Company considers a financial asset to be in "default" and therefore Stage 3 (credit impaired) for ECL calculations when the borrower's account becomes 90 days past due on its contractual payments.

Probability of Default (PD)

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously recognised and is still in the portfolio.

However, for placements with banks and other financial investments classified as amortised cost and fair value through other Comprehensive Income the Company relies on external credit rating in determining their respective PDs.

EAD

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.



2.3.1.4.2 The mechanics of the ECL method are summarised below:

Stage 1

The 12-month ECL is calculated as the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2

When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For loans considered credit-impaired, the Company recognises the LTECL for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. The Company recognises the interest income on loans classified under stage 3 at the effective interest rate on amortised cost.

Assessment of significant increase in credit risk

When determining whether the credit risk has increased significantly since initial recognition, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience, including forward-looking information. The Company considers reasonable and supportable information that is relevant and available without undue cost and effort. The Company's accounting policy is not to use the practical expedient that the financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Company monitors all financial assets and loan commitments that are subject to impairment for significant increase in credit risk.

As a part of the qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. In such instances, the Company treats the customer with an increased credit risk level. The following are such instances:

- Stage 1 and Stage 2 facilities of a Stage 3 customer are also classified as Stage 3.
- Stage 1 facilities of a Stage 2 customer are classified as Stage 2.
- Facilities related to management identified risk elevated industries are classified as Stage 3.
- Rescheduled facilities are categorised based on their aggregate days past due, ie, the aggregate of the present age of the facility and the age prior to reschedule.
- Originated credit impaired assets :-These are financial assets that are credit impaired on initial recognition. They are recorded at fair value at initial recognition and interest income is subsequently recognised based on credit adjusted EIR. ECLs are recognised or released to the extent that there is subsequent change in expected credit losses.

Forward Looking Information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

Quantitative	Qualitative
GDP Growth	Government Policies
Inflation	Status of the Industry Business
Unemployment	Regulatory Impact
Interest Rates	Global Economic Environment
Exchange Rates	

The inputs and models used for calculating ECLs may not always capture all the characteristics of the market at the date of the Financial Statements.

To reflect the uncertainties in the calculation of expected credit losses, the Company has not changed the weightages assigned for multiple economic scenarios during the year. Weightages assigned for each scenario is given below along with the weightages used in 2023/24.

	2024/25	2023/24
Base case	55%	50%
Best case	10%	10%
Worst case	35%	40%

The inputs and models used for calculating ECLs may not always capture all characteristics of the market as at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

To ensure completeness and accuracy, the Company obtains necessary data primarily from publications of Central Bank of Sri Lanka.

2.3.1.5 Determination of Fair Value

The Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The disclosure of fair value of financial instruments is disclosed in Note 34 to the Financial Statements.

2.3.2 Lease

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.2.1 Finance Lease

Company as a lessor

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as 'Finance Lease'. Amount receivables under finance lease are included under 'Lease Rental Receivables' in the Statement of Financial Position after deduction of unearned lease income and accumulated impairment losses. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods reflecting a constant periodic rate of return.



2.3.2.2 SLFRS 16 - Leases

Company as a lessee

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. lessee and lessor. SLFRS 16 supersedes Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations, SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The company has adopted SLFRS 16 using the modified retrospective method from 1st April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. At the date of adoption, right of use was recognised as amount equal to the lease liability, adjusted by the amount of prepaid lease rentals.

Under this method, the standard is applied retrospectively and the cumulative effect as at initial date of application of the standard i.e 1st April 2019 has been duly adjusted. The Company elected to use the transitional practical expedient to not re-assess whether an existing contract forms a lease as at 1st April 2019, under the definitions provided in the standard. Instead, the company applied the standard only to contracts that were previously identified as leases applying LKAS 17 at the date of initial application.

The contracts which were previously classified as “operating leases” under the principles of LKAS 17 -Leases, have been recognised as “right of- use assets” with the adoption of SLFRS 16 - Leases.

2.3.3 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash in hand, and amounts due from banks on demand or with an original maturity of three months or less.

2.3.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Category	Years
Furniture and Fittings	05
Office Equipment	05
Motor Vehicles	05
Computer Equipment	05

The depreciation method and residual values of assets are reviewed at each financial year end and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern.

MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

Property, plant and Equipment are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the assets) is recognised in 'Other Operating Income' in the Statement of Comprehensive Income (Profit or Loss) in the year the asset is recognised.

2.3.5 Right-Of-Use Assets

2.3.5.1 Basis of recognition

The Company applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for leases due to expire during the financial year and leases on which implications to the Financial Statements are not considered to be material. The Company uses its judgment to determine whether an operating lease contract qualifies for recognition of right-of-use assets. The Company applies judgments in evaluating the level of certainty whether the option of renewing the lease exists or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Basis of measurement

The Company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortisation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on the straight line basis over the lease term.

When measuring lease liabilities for leases that were classified previously as operating leases, the Company discounted future lease payments due as of 1st April 2019 using the incremental borrowing rate as at 1st April 2019. The rate applicable was 14%.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.3.6 Intangible assets

The Company's other intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.



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Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of comprehensive income.

Computer System software is amortised over 10 years

2.3.7 Other Assets

All other assets are stated at amortised cost less accumulated impairment losses.

2.3.8 Inventories

Inventories include stationeries and these are valued at the lower of cost and net realisable value.

2.3.9 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that any asset may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

2.3.14 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate. Effective Interest Rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original Effective Interest Rate and the change in carrying amount is recorded as 'Interest Income' for financial assets and Interest Expense for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the Effective Interest Rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories.

- Fee income earned from services that are provided over a certain period of time.
- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and service charges.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognised when the Company's right to receive the payment is established.



2.3.10 Employee Retirement Benefits

Defined Contribution Plan Costs

Defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution plan are recognised as Personnel Expenses in the Statement of comprehensive income in the periods during which services are rendered by the employees. Employees are eligible for Employees' Provident Fund and Employees Trust Fund contributions in line with the respective Statutes and regulations. Accordingly, the Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employee Trust Fund respectively and is recognised as an expense under "Personnel Expenses".

Defined Benefit Plan Costs

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interests rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating the terms of the liability.

Provision has been made in the Financial Statements for retiring gratuities from the first year of service for all employees, in conformity with LKAS 19-"Employee Benefits".

However, according to the payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services. The liability is not externally funded.

2.3.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

2.3.12 Other Liabilities

Other liabilities are recorded at the cash value to be realised when settled.

2.3.13 Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. All differences arising on non-trading activities are taken to 'Other operating income' in the income statement.



MATERIAL ACCOUNTING POLICY INFORMATION TO THE FINANCIAL STATEMENTS

(iv) Expenditure Recognition

Expenses are recognised in profit or loss in the statement of comprehensive Income 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 the statement of Comprehensive Income (Profit or loss). For the purpose of presentation of the statement of comprehensive Income, the “function of expenses” method has been adopted, on the basis that it presents fairly the element of the Company’s performance.

2.3.15 Taxes**a. Current Tax**

The provision for income tax is based on the elements of the income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

Current income tax assets and liabilities for the current and prior years 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 by the reporting date.

b. Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted at the reporting date.

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

c. Value Added Tax on Financial Services and Social Security Contribution Levy

Value Added Tax on Financial Services is calculated at the rate of 18% in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 and amendments thereto. The Social Security Contribution Levy is calculated at the rate of 2.5% on the turnover applicable for Value Added Tax on Financial Services with effect from 01st October 2022.

2.3.16 Regulatory provisions

a) Deposit Insurance and Liquidity Support Scheme

In terms of the Finance Companies Direction No.2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 and subsequent amendments thereto, all Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No.1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010. The said Scheme was renamed as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme" as per the Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulation No. 1 of 2013.

The deposits to be insured should include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to the Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act (Corporate Governance) Direction No.3 of 2008 for Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposits falling within the meaning of abandoned property in terms of the Banking Act and dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.

Registered Finance Companies are required to pay a premium of 0.15% on total amount of eligible deposits as at end of the month with in a period of 15 days from the end of the respective month.

b) Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No.12 of 2013, the CIL was introduced with effect from 1st April 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

2.3.17 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the liability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is being charged.

2.3.18 Segment Reporting

The Company's segmental reporting is based on the following operating segments identified based on products and services.

- Finance Leases
- Term Loans
- Gold Loans
- Others



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A segment is a distinguishable component of a Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the Financial Statements of the Company.

2.3.19 Changes in Accounting Policies**a) New standards, interpretations and amendments adopted from 01st January 2024****(i) Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases)**

The amendments specify the requirements for a seller-lessee in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right-of-use it retains

(ii) Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements)

The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period (future covenants), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period.

(iii) Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements)

If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

(iv) Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures)

The amendments specify disclosure requirements which are intended to assist users of Financial Statements, in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.



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b) New standards and amendments issued but not yet effective or early adopted in 2025

- Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates)
- Sustainability Disclosure Standard (SLFRS S1 on “General Requirements for Disclosure of Sustainability-related Financial Information” (SLFRS S1) and SLFRS S2 on “Climate-related Disclosures” (SLFRS S2))

Due to the investors growing demand for ESG information, the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures).

As a local accounting standard setter, CA Sri Lanka issued the localised standards based on these IFRSs designated as SLFRS S1 & SLFRS S2 during the year 2024. The adoption of the Sri Lanka Sustainability Disclosure Standards, SLFRS S1 and SLFRS S2 will become effective for the Company from January 01, 2030.

c) The following amendments are effective for the period beginning 01st January 2026

- Insurance Contracts (SLFRS 17) (New accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure)



	2025 LKR	2024 LKR
3. INCOME		
Interest Income (4.1)	2,444,565,889	2,153,618,043
Fee and Commission Income (5)	16,497,935	10,249,062
Other Operating Income (6)	279,805,694	145,173,275
Total Income	2,740,869,518	2,309,040,380
4. NET INTEREST INCOME		
4.1 Interest Income		
From Placements with Banks and Other Financial Institutions	16,098,166	70,723,448
From Government Securities	82,318,822	169,043,385
From Lease Rental Receivables	646,764,638	574,634,047
From Loans and Advances	559,799,028	154,281,660
From Gold Advances	1,138,127,704	1,183,588,966
From Refundable Deposits	1,457,531	1,346,537
Total Interest Income	2,444,565,889	2,153,618,043
4.2 Interest Expense		
Due to Banks	403,685,122	377,945,850
Due to Customers	657,915,837	646,062,235
On Obligation to Make the Lease Payment for Right-of-Use Assets	47,645,060	37,872,226
Total Interest Expenses	1,109,246,019	1,061,880,311
Net Interest Income	1,335,319,870	1,091,737,732
5. FEE AND COMMISSION INCOME		
Commission Income	16,497,935	10,249,062
Fee and Commission Income	16,497,935	10,249,062
6. OTHER OPERATING INCOME		
Dividend Income	-	179,520
Service Charges	169,390,052	88,645,242
Fair Value Gain or Loss	66,720,473	45,883,569
Other Operating Income	43,695,169	10,464,944
Total Other Operating Income	279,805,694	145,173,275



	2025 LKR	2024 LKR
7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES		
Charge/(written back) to the statement of comprehensive income		
- Impairment on individually significant loans	3,528,992	(12,422,784)
- Impairment on collective loan portfolio	59,922,245	(97,507,252)
- Write-offs net of recoveries	10,462,478	60,058,221
Total Impairment Charge	73,913,715	(49,871,815)
Lease Rental Receivables (Note 17.2.a)		
Stage 1	(8,913,930)	(5,674,981)
Stage 2	(7,501,154)	(29,921,311)
Stage 3	(698,267)	(50,953,828)
	(17,113,351)	(86,550,120)
Loans and Advances (Note 18.2.a)		
Stage 1	40,180,618	4,985,876
Stage 2	5,477,809	(8,415,989)
Stage 3	14,641,344	(24,314,060)
	60,299,771	(27,744,173)
Gold Advances		
Stage 1	15,135,831	9,057,810
Stage 2	5,599,829	(1,501,914)
Stage 3	(449,693)	(3,191,639)
	20,285,967	4,364,256
8. PERSONNEL EXPENSES		
Salaries	426,929,560	373,156,843
Employers' Contribution to Employee's Provident Fund	40,725,887	33,224,198
Employers' Contribution to Employee's Trust Fund	10,180,952	8,303,550
Gratuity Charge for the year	14,271,083	12,673,570
Other Staff Related Expenses	68,421,117	74,217,224
Total Personnel expenses	560,528,599	501,575,385
9. OTHER OPERATING EXPENSES		
Directors' Emoluments	4,265,770	4,499,783
Auditor's Remuneration	1,833,981	1,663,063
Professional and Legal Expenses	18,165,447	14,263,904
Office Administration and Establishment Expenses	207,803,338	176,433,985
Advertising and Promotional Expenses	69,275,533	65,632,021
Disallowable Input VAT and VAT on Other Income Sources	18,770,299	14,453,226
License and Renewal Fees	2,664,934	1,083,080
Other Expenses	92,004,006	67,835,890
Total Other Operating expenses	414,783,308	345,864,952
10. VALUE ADDED TAX ON FINANCIAL SERVICES AND SSCL		
VAT on Financial Services	135,364,009	116,700,020
Social Security Contribution Levy (SSCL)	18,800,557	16,208,337
	154,164,566	132,908,357

	2025 LKR	2024 LKR
11. INCOME TAX EXPENSES		
11.1 The major component of income tax for the period ended 31st March is as follows;		
Income Statement		
Current Income Tax		
Income Tax for the Period	147,376,132	91,687,602
Due to Rate Reduction	-	-
Tax Adjustment with Final Payment	-	248,879
Deferred Tax (Note 29)		
Due to Change in Temporary Differences	(13,971,025)	5,962,017
Due to Rate Change	-	-
Income Tax Expenses reported in the Income Statement	133,405,107	97,898,498
Statement of Other Comprehensive Income		
Deffered Tax Related to Items Recognised in OCI During the Year		
Net Gain/(Loss) on Actuarial Gains/Losses During the Year	2,109,798	(2,430,574)
Income Tax Expenses reported in the Other Comprehensive Income	2,109,798	(2,430,574)
Total Income Tax Expense for the year	135,514,905	95,467,924
Income Tax Rate Applicable	30%	30%

11.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Income tax rate for the year ended 31st March is as follows.

Accounting Profit / (Loss) Before Income Taxation	279,291,277	201,190,201
Aggregate allowable expenditure	(218,956,803)	(69,686,692)
Tax loss utilised	-	-
Aggregate disallowable expenditure	430,919,299	174,121,831
	491,253,773	305,625,340
Tax at statutory rates	147,376,132	91,687,602
Less : Due to rate reduction	-	-
Less : Tax Adjustment with Final Payment	-	248,879
	147,376,132	91,936,481
Deferred taxation charged/(Reversal)	(13,971,025)	5,962,017
Less : Due to rate change	-	-
	133,405,107	97,898,498
Effective Tax Rate	47.77%	48.66%

12. BASIC AND DILUTED EARNINGS PER ORDINARY SHARES

12.1 Basic and diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary share holders by weighted average number of ordinary shares outstanding during the period, as per LKAS-33-Earnings Per Share.

12.2 The following reflect the income and share details used in Basic and Diluted Earnings Per Share computation:

	2025 LKR	2024 LKR
Amount Used as Numerators		
Profit attributable to Ordinary Share Holders	145,886,170	103,291,703
Number of Ordinary shares used as Denominator		
Weighted Average Number of Ordinary Shares	145,639,098	145,639,098
Basic and Diluted Earning Per Ordinary Shares	1.00	0.71

	2025 LKR	2024 LKR
13. CASH AND BANK BALANCES		
Cash in Hand	106,885,007	102,627,472
Bank Balances	71,249,156	8,140,248
	<u>178,134,163</u>	<u>110,767,720</u>
14. INVESTMENT IN GOVERNMENT SECURITIES		
Investment in Treasury Bills with Original Maturity more than 3 months	391,837,971	816,029,643
Investment in Reverse Repurchase Agreements (less than 3 months)	857,105,904	1,002,994,685
	<u>1,248,943,875</u>	<u>1,819,024,328</u>
14.1 Financial Investments - Measured at Fair Value Through PL		
Investment in Unit Trust Funds	-	1,001,278,217
	<u>-</u>	<u>1,001,278,217</u>
15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS		
Fixed Deposits Placed with Banks Original Maturity less than 3 months	-	100,000,000
Fixed Deposits Placed with Banks Original Maturity more than 3 months	151,075,892	255,848,060
	<u>151,075,892</u>	<u>355,848,060</u>
16. GOLD ADVANCES		
Gold Advances	6,468,266,314	4,530,164,580
Less : Allowance for Impairment Losses	(45,287,977)	(25,002,009)
Net Gold Advances	<u>6,422,978,337</u>	<u>4,505,162,571</u>
16.1 Collective Impairment		
As at 01st April	25,002,009	20,637,753
Charges/(reversals) for the year	20,285,968	4,364,256
As at 31st March	<u>45,287,977</u>	<u>25,002,009</u>

	As at 31st March 2025			As at 31st March 2024		
	Gross Rentals Receivable	Allowance for Impairment Losses	Net Rentals Receivable	Gross Rentals Receivable	Allowance for Impairment Losses	Net Rentals Receivable
	LKR	LKR	LKR	LKR	LKR	LKR
Stage - 1	5,741,373,476	32,674,965	5,708,698,511	3,851,495,199	17,539,133	3,833,956,066
Stage - 2	686,714,158	11,595,828	675,118,330	564,375,977	5,995,999	558,379,978
Stage - 3	40,178,680	1,017,184	39,161,496	114,293,406	1,466,877	112,826,529
	<u>6,468,266,314</u>	<u>45,287,977</u>	<u>6,422,978,337</u>	<u>4,530,164,582</u>	<u>25,002,009</u>	<u>4,505,162,573</u>

17. LEASE RENTALS RECEIVABLE		
Rental Receivable on Lease	3,527,466,056	3,788,875,387
Gross Rentals Receivables	3,527,466,056	3,788,875,387
Less: Unearned Income	(779,423,177)	(796,367,769)
	<u>2,748,042,879</u>	<u>2,992,507,618</u>
Less : Rentals Received in Advance	(15,744,347)	(35,457,655)
Net Rentals Receivables before charging Allowance for Impairment Losses	<u>2,732,298,532</u>	<u>2,957,049,963</u>
Less : Allowance for Impairment Losses (Note 17.2)	(75,785,713)	(92,920,215)
Total Net Rentals Receivable	<u>2,656,512,819</u>	<u>2,864,129,749</u>

	As at 31st March 2025			As at 31st March 2024		
	Gross Rentals Receivable	Allowance for Impairment Losses	Net Rentals Receivable	Gross Rentals Receivable	Allowance for Impairment Losses	Net Rentals Receivable
	LKR	LKR	LKR	LKR	LKR	LKR
Stage - 1	2,161,189,787	15,323,007	2,145,866,780	2,114,556,470	24,258,088	2,090,298,382
Stage - 2	440,691,123	5,753,755	434,937,368	584,202,430	13,254,909	570,947,522
Stage - 3	130,417,622	54,708,951	75,708,671	258,291,063	55,407,218	202,883,845
	<u>2,732,298,532</u>	<u>75,785,713</u>	<u>2,656,512,819</u>	<u>2,957,049,963</u>	<u>92,920,215</u>	<u>2,864,129,749</u>

17. LEASE RENTALS RECEIVABLE

17.2 Allowance for Impairment Losses LKR

(a) Allowance for Impairment stage wise

	Stage -1 LKR	Collective Stage -2 LKR	Stage -3 LKR	Individual All Stages LKR	Total LKR
Balance as at 01st April 2024	24,258,088	13,254,909	55,252,748	154,470	92,920,214
Charges/(Reversals) for the year	(8,913,930)	(7,501,154)	8,181,318	(154,470)	(8,388,236)
Amount written off	(21,151)	-	(8,725,115)	-	(8,746,266)
Balance as at 31st March 2025	15,323,007	5,753,755	54,708,951	-	75,785,713

(b) Movement in allowance for impairment

	2025 LKR	2024 LKR
As at 01st April	92,920,214	179,470,334
Charges/(reversals) for the year	(8,388,236)	(86,550,120)
Amounts written off	(8,746,266)	-
As at 31st March	75,785,713	92,920,214
Individual impairment	-	154,470
Collective impairment	75,785,713	92,765,744
Total	75,785,713	92,920,214

(c) Movements in Individual and Collective impairment allowance for Leasing and Hire Purchase Rentals Receivable during the year

	2025 LKR	2024 LKR
Individual Impairment		
As at 01st April	154,470	5,048,046
Charges/(reversals) for the year	(154,470)	(4,893,577)
Amounts written off	-	-
As at 31st March	-	154,470
Collective Impairment		
As at 01st April	92,765,744	174,422,287
Charges/(reversals) for the year	(8,233,766)	(81,656,543)
Amounts written off	(8,746,266)	-
As at 31st March	75,785,712	92,765,744
Total	75,785,712	92,920,214

17.3 Credit Exposure and ECL Stage wise movement

An analysis of changes in the gross carrying amount and the corresponding ECL of Lease Rentals Receivable is as follows.

Gross exposure reconciliation

As at 31st March 2025

Particulars	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount balance as at 01st April 2024	2,114,556,469	584,202,430	258,291,063	2,957,049,963
Changes due to loans recognised in the opening balances that have been,	-	-	-	-
- Transferred to Stage 1	128,631,900	(117,958,569)	(10,673,331)	-
- Transferred to Stage 2	(193,430,423)	214,685,346	(21,254,923)	-
- Transferred to Stage 3	(21,259,587)	(31,087,718)	52,347,305	-
- Loans that have been derecognised during the period	(784,055,533)	(288,692,297)	(101,971,828)	(1,174,719,658)
New loans originated during the year	1,306,754,797	184,236,848	11,417,557	1,502,409,202
Written off	(1,847,859)	-	(33,655,627)	(35,503,486)
Remeasurement of net exposure	(388,159,977)	(104,694,917)	(24,082,595)	(516,937,489)
Gross carrying amount balance as at 31st March 2025	2,161,189,787	440,691,123	130,417,621	2,732,298,532

17. LEASE RENTALS RECEIVABLE

17.3 Credit Exposure and ECL Stage wise movement (contd...)

As at 31st March 2024

Particulars	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
Gross carrying amount balance as at 01st April 2023	1,120,683,414	833,587,566	599,224,738	2,553,495,717
Changes due to loans recognised in the opening balances that have been,	-	-	-	-
- Transferred to Stage 1	259,846,167	(180,594,784)	(79,251,383)	-
- Transferred to Stage 2	(207,837,062)	319,394,085	(111,557,023)	-
- Transferred to Stage 3	(25,314,339)	(87,748,669)	113,063,008	-
- Loans that have been derecognised during the period	(289,222,180)	(226,298,799)	(148,852,603)	(664,373,582)
New loans originated during the year	1,563,366,281	108,204,972	27,922,744	1,699,493,997
Written off	(1,966,316)	(8,152,365)	(92,296,742)	(102,415,423)
Remeasurement of net exposure	(304,999,494)	(174,189,576)	(49,961,676)	(529,150,746)
Gross carrying amount balance as at 31st March 2024	2,114,556,471	584,202,430	258,291,063	2,957,049,963

Reconciliation of ECL balance

As at 31st March 2025

Particulars	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL allowance balance as at 01st April 2024	24,258,088	13,254,909	55,407,218	92,920,215
Changes due to loans recognised in the opening balances that have been,	-	-	-	-
- Transferred to Stage 1	4,965,936	(2,676,350)	(2,289,586)	-
- Transferred to Stage 2	(2,219,024)	6,778,517	(4,559,493)	-
- Transferred to Stage 3	(243,889)	(705,346)	949,235	-
- Loans that have been derecognised during the period	(8,994,694)	(6,550,110)	(20,368,961)	(35,913,765)
New loans originated during the year	9,273,105	2,405,435	4,789,556	16,468,096
Written off	(21,151)	-	(8,725,115)	(8,746,266)
Net remeasurement of loss allowance	(11,695,364)	(6,753,299)	29,506,097	11,057,434
ECL allowance balance as at 31st March 2025	15,323,007	5,753,756	54,708,951	75,785,714

As at 31st March 2024

Particulars	Stage 1 LKR	Stage 2 LKR	Stage 3 LKR	Total LKR
ECL allowance balance as at 01st April 2023	29,933,070	43,176,219	106,361,045	179,470,334
Changes due to loans recognised in the opening balances that have been,	-	-	-	-
- Transferred to Stage 1	23,420,969	(9,354,026)	(14,066,942)	-
- Transferred to Stage 2	(5,551,332)	25,352,453	(19,801,121)	-
- Transferred to Stage 3	(676,146)	(4,545,000)	5,221,147	-
- Loans that have been derecognised during the period	(7,725,130)	(11,721,296)	(26,421,003)	(45,867,429)
New loans originated during the year	17,934,861	2,455,051	5,989,838	26,379,750
Written off	(52,520)	(422,257)	(16,382,464)	(16,857,242)
Net remeasurement of loss allowance	(33,025,682)	(31,686,235)	14,506,719	(50,205,199)
ECL allowance balance as at 31st March 2024	24,258,090	13,254,909	55,407,218	92,920,215

The contractual amount outstanding on financial assets that has been written off by the Company during the year ended 31st March 2025 and that were still subject to enforcement activity was Rs. 25,730,108/-.

The decrease in ECL of the portfolio was driven by improvement in economic conditions during the year leading to higher overall collections. The Stage 3 provision includes management overlay of Rs. 10,331,081/-.

17.4 Sensitivity Analysis of Accumulated Impairment for Lease Rentals Receivable as at 31st March

Changed Criteria	Changed Factor	2025	2024
		Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	2,319,020	3,899,660
Probability of Default (PD)	Increase by 1%	2,154,084	2,715,477
Economic Factor Adjustment (EFA)	Increase by 5%	891,444	1,324,978

17. LEASE RENTALS RECEIVABLE

17.4 Rentals Receivable on Lease

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Rentals Receivable	1,503,303,848	2,024,162,208	-	3,527,466,056
Less: Unearned Income	390,436,266	388,986,911	-	779,423,177
	1,112,867,582	1,635,175,297	-	2,748,042,879
Less : Rentals Received in Advance				(15,744,347)
Net Rentals Receivable before charging Allowance for Impairment Losses				<u>2,732,298,532</u>

18. LOANS AND ADVANCES

	2025 LKR	2024 LKR
Loan Receivable	6,618,918,044	1,467,645,333
Less : Unearned Interest Income	(773,871,437)	(235,976,588)
Net Receivable	5,845,046,607	1,231,668,745
Less : Repayments in advance	(17,582,414)	(14,352,641)
Net Loan Receivables before charging Allowance for Impairment Losses	5,827,464,193	1,217,316,104
Less : Allowance for Impairment Losses (Note 18.2)	(103,984,589)	(43,684,818)
Total Net Loan Receivable	<u>5,723,479,604</u>	<u>1,173,631,285</u>

18.1 Net Receivable on Loans

	As at 31st March 2025			As at 31st March 2024		
	Gross Loans Receivable LKR	Allowance for Impairment Losses LKR	Net Loans Receivable LKR	Gross Loans Receivable LKR	Allowance for Impairment Losses LKR	Net Loans Receivable LKR
Stage - 1	5,250,812,384	52,821,307	5,197,991,077	1,084,097,928	12,640,689	1,071,457,239
Stage - 2	467,950,728	8,878,819	459,071,909	59,655,503	1,590,175	58,065,327
Stage - 3	108,701,082	42,284,463	66,416,619	73,562,674	29,453,955	44,108,719
	<u>5,827,464,194</u>	<u>103,984,589</u>	<u>5,723,479,605</u>	<u>1,217,316,105</u>	<u>43,684,819</u>	<u>1,173,631,285</u>

18.2 Allowance for Impairment Losses 'LKR

(a) Allowance for Impairment with stage wise

	Collective			Individual LKR	Total LKR
	Stage -1 LKR	Stage -2 LKR	Stage -3 LKR		
Balance as at 01st April 2024	12,640,689	1,590,175	27,961,689	1,492,265	43,684,818
Charges/(Reversals) for the year	40,180,618	5,477,809	10,957,882	3,683,462	60,299,771
Amount written off	-	-	-	-	-
Balance as at 31st March 2025	<u>52,821,307</u>	<u>7,067,984</u>	<u>38,919,571</u>	<u>5,175,727</u>	<u>103,984,589</u>

(b) Movement in allowance for impairment

As at 01st April	43,684,818	71,428,991
Charges/(reversals) for the year	60,299,771	(27,744,173)
Amounts written off	-	-
As at 31st March	<u>103,984,589</u>	<u>43,684,818</u>
Individual impairment	5,175,727	1,492,265
Collective impairment	98,808,862	42,192,553
Total	<u>103,984,589</u>	<u>43,684,818</u>

(c) Movements in Individual and Collective impairment allowance for Loans and Advances during the year.



18. LOANS AND ADVANCES (Contd...)

18.2 Allowance for Impairment Losses (Contd...)

	2025 LKR	2024 LKR
Individual Impairment		
As at 01st April	1,492,266	9,021,473
Charges/(reversals) for the year	3,683,462	(7,529,207)
Amounts written off	-	-
As at 31st March	<u>5,175,728</u>	<u>1,492,266</u>
Collective Impairment		
As at 01st April	42,192,553	62,407,519
Charges/(reversals) for the year	56,616,309	(20,214,966)
Amounts written off	-	-
As at 31st March	<u>98,808,862</u>	<u>42,192,553</u>
Total	<u>103,984,590</u>	<u>43,684,819</u>

18.3 Credit Exposure and ECL Stage wise movement

An analysis of changes in the gross carrying amount and the corresponding ECLs of Loans Receivable is as follows.

Gross exposure reconciliation

As at 31st March 2025

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount balance as at 01st April 2024	1,084,097,928	59,655,503	73,562,674	1,217,316,104
Changes due to loans recognised in the opening balance that have been,				
- Transferred to Stage 1	15,209,268	(13,158,116)	(2,051,152)	-
- Transferred to Stage 2	(54,007,844)	55,060,533	(1,052,689)	-
- Transferred to Stage 3	(5,057,275)	(5,033,960)	10,091,235	-
- Loans that have been derecognised during the period	(800,180,433)	(25,403,349)	(20,003,565)	(845,587,347)
New loans originated during the year	5,063,670,644	409,120,030	54,836,537	5,527,627,211
Written off	-	-	-	-
Remeasurement of net exposure	(52,919,904)	(12,289,912)	(6,681,958)	(71,891,774)
Gross carrying amount balance as at 31st March 2025	<u>5,250,812,384</u>	<u>467,950,729</u>	<u>108,701,082</u>	<u>5,827,464,194</u>

As at 31st March 2024

Particulars	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount balance as at 01st April 2023	364,983,716	202,548,041	302,710,086	870,241,843
Changes due to loans recognised in the opening balance that have been,				
- Transferred to Stage 1	96,712,040	(70,066,029)	(26,646,011)	-
- Transferred to Stage 2	(9,897,875)	35,770,649	(25,872,774)	-
- Transferred to Stage 3	(12,138,897)	(11,097,387)	23,236,284	-
- Loans that have been derecognised during the period	(273,511,729)	(84,644,502)	(120,373,419)	(478,529,650)
New loans originated during the year	987,827,545	13,361,561	-	1,001,189,106
Written off	-	(4,294,986)	(53,877,770)	(58,172,756)
Remeasurement of net exposure	(69,876,872)	(21,921,844)	(25,613,722)	(117,412,438)
Gross carrying amount balance as at 31st March 2024	<u>1,084,097,928</u>	<u>59,655,503</u>	<u>73,562,674</u>	<u>1,217,316,105</u>

Reconciliation of ECL balance

As at 31st March 2025

Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance balance as at 01st April 2024	12,640,689	1,590,175	29,453,955	43,684,819
Changes due to loans recognised in the opening balance that have been,				
- Transferred to Stage 1	1,172,008	(350,742)	(821,266)	-
- Transferred to Stage 2	(785,167)	1,206,656	(421,489)	-
- Transferred to Stage 3	(73,523)	(134,185)	207,708	-
- Loans that have been derecognised during the period	(8,504,946)	(677,151)	(8,009,281)	(17,191,378)
New loans originated during the year	50,898,471	7,750,994	21,440,338	80,089,803
Written off	-	-	-	-
Net remeasurement of loss allowance	(2,526,225)	(506,928)	434,498	(2,598,655)
ECL allowance balance as at 31st March 2025	<u>52,821,307</u>	<u>8,878,819</u>	<u>42,284,463</u>	<u>103,984,589</u>



18. LOANS AND ADVANCES (Contd...)

18.3 Credit Exposure and ECL Stage wise movement (Contd...)

As at 31st March 2024 Particulars	Stage 1	Stage 2	Stage 3	Total
ECL allowance balance as at 01st April 2023	7,654,812	10,006,164	53,768,015	71,428,991
Changes due to loans recognised in the opening balance that have been,				
- Transferred to Stage 1	8,194,284	(3,461,362)	(4,732,922)	-
- Transferred to Stage 2	(329,741)	4,925,319	(4,595,578)	-
- Transferred to Stage 3	(404,399)	(548,227)	952,626	-
- Loans that have been derecognised during the period	(4,608,040)	(4,181,560)	(21,380,985)	(30,170,585)
New loans originated during the year	11,241,350	356,165	-	11,597,515
Written off	-	(212,178)	(9,569,885)	(9,782,063)
Net remeasurement of loss allowance	(9,107,577)	(5,294,145)	15,012,683	610,961
ECL allowance balance as at 31st March 2024	12,640,689	1,590,176	29,453,954	43,684,819

The contractual amount outstanding on financial assets that have been written off by the Company during the year ended 31st March 2025 and that were still subject to enforcement activity was NIL.

The increase in ECL of the portfolio was driven by increase in overall disbursements during the year. The Stage 3 provision includes management overlay of Rs 5,944,736/-.

18.4 Sensitivity Analysis of Accumulated Impairment for Loans Receivable as at 31st March

Changed Criteria	Changed Factor	2025	2024
		Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	6,170,433	1,459,373
Probability of Default (PD)	Increase by 1%	4,406,112	823,696
Economic Factor Adjustment (EFA)	Increase by 5%	2,355,924	471,413

18.5 Receivable on Loans and Advances

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Receivables	2,431,126,014	4,183,459,511	4,332,519	6,618,918,044
Less: Unearned Income	347,159,605	426,460,359	251,473	773,871,437
	2,083,966,409	3,756,999,152	4,081,046	5,845,046,607
Less : Rentals Received in Advance				(17,582,414)
Net Receivable before charging Allowance for Impairment Losses				5,827,464,193

19. OTHER FINANCIAL ASSETS

	2025 LKR	2024 LKR
Refundable Deposit	19,924,540	18,353,600
Sundry Debtors	1,087,843	9,107,107
Other Receivables	-	2,034,819
	21,012,383	29,495,526

20. OTHER NON-FINANCIAL ASSETS

	2025 LKR	2024 LKR
Advances and Prepayment	72,885,461	188,215,932
Other Receivables	524,308	280,420
	73,409,769	188,496,352

21. FINANCIAL INVESTMENT- MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 LKR	No. of Shares	2024 LKR	No. of Shares
Equities - Unquoted				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	457,700	100	457,700	100

All unquoted equity shares are recorded at cost since its fair value cannot be reliably estimated. There is no market for these investments and the Company intends to hold these for long term.

22. PROPERTY, PLANT AND EQUIPMENT

22.1 Gross Carrying Amounts

At Cost	Balance	Additions	Disposals	Balance
	As at 31.03.2024			As at 31.03.2025
	LKR	LKR	LKR	LKR
Freehold Assets				
Furniture and Fittings	248,385,911	43,676,762	(72,305)	291,990,368
Office Equipment	153,261,199	28,057,748	(896,908)	180,422,039
Computer Equipment	54,297,211	11,345,741	(55,474)	65,587,478
Motor Vehicles	49,389,445	34,000,000	(27,305,345)	56,084,100
	<u>505,333,766</u>	<u>117,080,251</u>	<u>(28,330,032)</u>	<u>594,083,985</u>
Assets on Leases				
Right-of-Use Assets	445,100,281	98,723,880	(17,364,122)	526,460,039
Total Value of Depreciable Assets	<u>950,434,047</u>	<u>215,804,131</u>	<u>(45,694,154)</u>	<u>1,120,544,024</u>

22.2 Depreciation

At Cost	Balance	Charge for the year	Disposals	Balance
	As at 31.03.2024			As at 31.03.2025
	LKR	LKR	LKR	LKR
Freehold Assets				
Furniture and Fittings	123,375,963	42,561,427	(72,304)	165,865,086
Office Equipment	72,682,277	27,007,944	(836,116)	98,854,105
Computer Equipment	29,393,886	8,476,507	(55,474)	37,814,919
Motor Vehicles	19,659,953	5,668,711	(10,295,056)	15,033,608
	<u>245,112,079</u>	<u>83,714,589</u>	<u>(11,258,950)</u>	<u>317,567,718</u>
Assets On Leases				
Motor Vehicles	-	-	-	-
Right-of-Use Assets	170,961,325	56,436,028	(9,359,797)	218,037,556
Total Depreciation	<u>416,073,404</u>	<u>140,150,617</u>	<u>(20,618,747)</u>	<u>535,605,274</u>

22.3 Net Book Values

At Cost

	2025	2024
	LKR	LKR
Furniture and Fittings	126,125,282	125,009,948
Office Equipment	81,567,934	80,578,923
Computer Equipment	27,772,559	24,903,325
Motor Vehicles	41,050,492	29,729,492
	<u>276,516,267</u>	<u>260,221,687</u>

Assets on Leases

Motor Vehicles	-	-
Right-of-Use Assets	308,422,483	274,138,955
Total Carrying Amount of Property, Plant and Equipment	<u>584,938,750</u>	<u>534,360,642</u>



22. PROPERTY, PLANT AND EQUIPMENT (Contd...)

22.4 Fully Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated property, plant and equipment as at 31st March 2025, which are still in use as at the reporting date is as follows;

	2025 LKR	2024 LKR
Furniture and Fittings	65,454,679	56,943,791
Office Equipment	34,180,224	32,360,152
Computer Equipment	18,420,325	17,968,149
Motor Vehicles	3,257,000	3,257,000
Computer Software	41,891,257	40,524,609
	<u>163,203,485</u>	<u>151,053,700</u>

23. INTANGIBLE ASSETS

Computer System Software

Cost:

Opening Balance	98,788,502	68,674,106
Addition	195,000	30,114,396
Disposal	-	-
Closing Balance	<u>98,983,502</u>	<u>98,788,502</u>

Less: Amortisation

Opening Balance	55,694,274	50,626,970
Amortisation Charge for the Period	8,791,417	5,067,304
Closing Balance	<u>64,485,691</u>	<u>55,694,274</u>
Net Book Value as at 31st March	<u>34,497,811</u>	<u>43,094,228</u>

24. INTEREST BEARING BORROWINGS

Bank Overdraft	1,025,067,419	902,296,255
Bank Borrowings	3,840,335,045	2,324,856,046
Securitisation Borrowings	2,084,273,811	616,519,290
	<u>6,949,676,275</u>	<u>3,843,671,591</u>



	2025 LKR	2024 LKR
24. INTEREST BEARING BORROWINGS (Contd...)		
24.1 Bank Borrowings		
Gross liability	4,093,376,244	2,399,585,802
Less: Finance Charge Allocated to Future Period	(253,041,199)	(74,729,756)
Net Liability	<u>3,840,335,045</u>	<u>2,324,856,046</u>
Repayable Within one year		
Gross Liability	3,434,920,536	2,341,551,742
Less: Finance Charge Allocated to Future Period	(211,252,158)	(71,789,314)
Net Liability	<u>3,223,668,378</u>	<u>2,269,762,428</u>
Repayable After one year (1 to 5 Year)		
Gross Liability	658,455,708	58,034,060
Less: Finance Charge Allocated to Future Period	(41,789,041)	(2,940,442)
Net Liability	<u>616,666,667</u>	<u>55,093,618</u>
Total Net Liability	<u>3,840,335,045</u>	<u>2,324,856,046</u>
24.2 Securitisation Borrowings		
Gross liability	2,523,023,139	789,789,817
Less: Finance Charge Allocated to Future Period	(438,749,328)	(173,270,527)
Net Liability	<u>2,084,273,811</u>	<u>616,519,290</u>
Repayable Within one year		
Gross Liability	839,556,778	154,083,064
Less: Finance Charge Allocated to Future Period	(113,812,967)	(29,963,774)
Net Liability	<u>725,743,811</u>	<u>124,119,290</u>
Repayable After one year (1 to 5 Year)		
Gross Liability	1,683,466,361	635,706,754
Less: Finance Charge Allocated to Future Period	(324,936,361)	(143,306,754)
Net Liability	<u>1,358,530,000</u>	<u>492,400,000</u>
Total Net Liability	<u>2,084,273,811</u>	<u>616,519,290</u>

24.2.1 Institution Wise Loan Facilities

	As at 31.03.2025 LKR.	As at 31.03.2024 LKR.	Security
Short Term			
Bank of Ceylon	1,000,000,000	-	Mortgage over Lease Receivables
Deutsche Bank	979,062,431	732,765,518	Mortgage over Lease and Gold Loan Receivables
HSBC	750,000,000	1,900,000,000	Mortgage over Lease and Gold Loan Receivables
Hatton National Bank PLC	700,000,000	200,000,000	Mortgage over Gold Loan Receivables
Seylan Bank PLC	65,483,010	-	Mortgage over Lease and Gold Loan Receivables
	<u>3,494,545,441</u>	<u>2,832,765,518</u>	
Long Term			
HSBC	1,208,333,333	-	Mortgage over Lease and Gold Loan Receivables
Capital Advisory	921,500,000	-	Mortgage over Gold Loan receivables
Areva Securities	561,630,000	-	Mortgage over Lease Receivables
Agora Securities	492,400,000	600,000,000	Mortgage over Lease and Gold Loan Receivables
Hatton National Bank PLC	141,920,000	91,840,000	Mortgage over Loan Receivables
Bank of Ceylon	13,902,785	107,373,499	Mortgage over Lease Receivables
	<u>3,339,686,118</u>	<u>799,213,499</u>	
	<u>6,834,231,559</u>	<u>3,631,979,017</u>	

	2025 LKR	2024 LKR
25. DUE TO CUSTOMERS		
Fixed Deposits accepted from public	6,254,214,091	5,204,224,178
	<u>6,254,214,091</u>	<u>5,204,224,178</u>
26. OTHER FINANCIAL LIABILITIES		
Trade Payable	101,755,071	44,585,480
Accrued Expense	78,948,587	85,192,918
Obligation to Make the Lease Payment (Note 26.1)	356,920,646	303,757,226
Sundry Creditors	101,947,260	113,624,546
	<u>639,571,564</u>	<u>547,160,170</u>
26.1 Obligation to Make the Lease Payment		
As at 01st April	303,757,226	251,265,783
Additions and Improvements During the Year	93,779,880	78,341,834
Disposals During the Year	(9,574,582)	-
Accretion of Interest During the Year	47,645,060	37,872,226
Payments to Lease Creditors	(78,686,938)	(63,722,616)
As at 31st March	<u>356,920,646</u>	<u>303,757,226</u>
27. OTHER NON-FINANCIAL LIABILITIES		
WHT Payable	5,238,719	4,657,803
Stamp Duty Payable	4,142,084	8,351,337
VAT Payable	64,898,874	17,374,405
Dividend Payable	961,829	961,829
Others	29,203,365	36,239,905
	<u>104,444,871</u>	<u>67,585,279</u>
28. RETIREMENT BENEFIT LIABILITY		
28.1 Defined Benefit Liability		
Defined Benefit Liability	37,738,100	49,036,778
	<u>37,738,100</u>	<u>49,036,778</u>
28.2 Changes in the Defined benefit obligation are as follows.		
Opening Liability	49,036,778	30,896,045
Net Benefit Expense	7,238,422	20,775,483
Benefit Paid	(18,537,100)	(2,634,750)
Closing Liability	<u>37,738,100</u>	<u>49,036,778</u>
28.3 Net Benefit expense		
Interest Cost	6,031,524	6,055,624
Current Service Cost	8,239,559	6,617,946
Gain on Plan Amendment	-	-
Actuarial Gain on Obligations	(7,032,661)	8,101,913
	<u>7,238,422</u>	<u>20,775,483</u>



28. RETIREMENT BENEFIT LIABILITY (Contd...)

28.4 The principal financial assumptions used are as follows.

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 31st March 2024. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2025	2024
Discount Rate*	10.00%	12.30%
Future Salary Increment Rate	10.00%	12.00%
Retirement Age	60 Years	60 Years
The weighted average duration of the defined benefit obligation	5.0 Years	8.2 Years
Mortality - GA 1983 Mortality Table issued by the Institute of Actuaries London		

*Discount rate used for the actuarial valuation changed during the year due to changes in market interest rates. Future salary increment rate too was revised to fall in line with the decrease in inflation rates.

28.5 Sensitivity Analysis

+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31st March 2024.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31/03/2025	31/03/2025	31/03/2025
Discount Rate	9.00%	10.0%	11.00%
Basic Salary Scale	10.0%	10.0%	10.0%
Census at:	31/03/2025	31/03/2025	31/03/2025
Total PVDBO	39,186,411	37,381,450	35,747,323

	Present Value of Defined Benefit Obligation (PVDBO)		
	31/03/2025	31/03/2025	31/03/2025
Discount Rate	10.00%	10.0%	10.00%
Basic Salary Scale	9.0%	10.0%	11.0%
Census at:	31/03/2025	31/03/2025	31/03/2025
Total PVDBO	35,830,532	37,381,450	39,063,693

Sensitivity Analysis

+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2024.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31/03/2024	31/03/2024	31/03/2024
Discount Rate	11.30%	12.30%	13.30%
Basic Salary Scale	12.0%	12.0%	12.0%
Census at:	31/03/2024	31/03/2024	31/03/2024
Total PVDBO	52,757,318	49,036,778	45,932,740

	Present Value of Defined Benefit Obligation (PVDBO)		
	31/03/2024	31/03/2024	31/03/2024
Discount Rate	12.30%	12.30%	12.30%
Basic Salary Scale	11.0%	12.0%	13.0%
Census at:	31/03/2024	31/03/2024	31/03/2024
Total PVDBO	45,935,992	49,036,778	52,681,635

28.6 Maturity Profile of Undiscounted Cash Flows of Defined Benefit Obligation

	2025	2024
Within 1 year	6,038,318	17,911,586
Between 1 and 5 years	21,853,620	26,264,322
More than 5 years	9,489,512	38,975,154
	37,381,450	83,151,062

MAHINDRA IDEAL FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
29. DEFERRED TAX (ASSET)/ LIABILITY

As at 31st March 2025

Description	Accelerated Depreciation for Tax Purposes				Lease Rentals	Impairment of Loans and Receivables	Defined Benefit Plan Obligation	Others	Total
	Property, Plant and Equipment	Intangible Assets	Right-of-Use Assets						
Balance as at 1st April 2024	19,986,436	2,516,849	(8,885,481)	-	(23,023,761)	(14,711,033)	-	(24,116,990)	
Profit or loss (Note no. 11.1)									
Due to change in temporary differences	6,220,550	(411,713)	(5,663,968)	-	(15,395,699)	1,279,805	-	(13,971,025)	
Other comprehensive income									
Due to change in temporary differences	-	-	-	-	-	2,109,798	-	2,109,798	
Balance as at 31st March 2025	26,206,986	2,105,136	(14,549,449)	-	(38,419,460)	(13,431,228)	-	(35,978,217)	

As at 31st March 2024

Description	Accelerated Depreciation for Tax Purposes				Lease Rentals	Impairment of Loans and Receivables	Defined Benefit Plan Obligation	Others	Total
	Property, Plant and Equipment	Intangible Assets	Right of Use Assets						
Balance as at 1st April 2023	18,075,244	1,817,178	(5,103,297)	253,661	(33,422,405)	(9,268,814)	-	(27,648,433)	
Profit or loss (Note no. 11.1)									
Due to change in temporary differences	1,911,192	699,671	(3,782,184)	(253,661)	10,398,644	(3,011,646)	-	5,962,016	
Other comprehensive income									
Due to change in temporary differences	-	-	-	-	-	(2,430,574)	-	(2,430,574)	
Balance as at 31st March 2024	19,986,436	2,516,849	(8,885,481)	-	(23,023,761)	(12,280,460)	-	(24,116,991)	

30. STATED CAPITAL

	No. of Shares	Rs.
Issued and Fully Paid - Ordinary Shares		
Balance as of 01st April 2023	145,639,098	1,908,247,125
Issued during the Year	-	-
Balance as of 31st March 2024	145,639,098	1,908,247,125
Balance as of 01st April 2024	145,639,098	1,908,247,125
Issued during the Year	-	-
Balance as of 31st March 2025	145,639,098	1,908,247,125

31. RESERVES

	2025 LKR	2024 LKR
Statutory Reserve Fund		
Opening Balance as at 01st April	53,059,483	48,178,464
Addition during the year	7,540,452	4,881,018
Closing Balance as at 31st March	60,599,935	53,059,483

The Company's reserve fund is maintained in accordance with Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011.



32. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	2025 LKR	2024 LKR
Favourable Cash and Cash Equivalents Balance		
Cash and Bank Balance (Note 13)	178,134,163	110,767,720
Investment in Mutual Fund	-	1,001,278,217
Investment in Government Securities (Note 14)	-	-
Investment in FD with short-Term Maturities (Note 15)	-	100,000,000
Investment in Reverse Repurchase Agreements	857,105,904	1,002,994,685
	<u>1,035,240,067</u>	<u>2,215,040,622</u>
Unfavourable Cash and Cash Equivalents Balance		
Bank Overdraft (Note 24)	1,025,067,419	902,296,255
	<u>1,025,067,419</u>	<u>902,296,255</u>
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	<u>10,172,648</u>	<u>1,312,744,367</u>

33. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES ON MEASUREMENT BASIS

As at 31st March 2025

	Financial Assets at Fair Value Income Statement LKR	Financial Assets at Fair Value Other Comprehensive Income LKR	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Bank Balances	-	-	178,134,163	178,134,163
Investment in Government Securities	-	-	1,248,943,875	1,248,943,875
Investment in Unit Trust Funds	-	-	-	-
Placements with Other Banks and Financial Institutions	-	-	151,075,892	151,075,892
Lease Rental Receivables	-	-	2,656,512,819	2,656,512,819
Loans and Advances	-	-	5,723,479,604	5,723,479,604
Gold Advances	-	-	6,422,978,337	6,422,978,337
Financial Investments measured at Fair Value through OCI	-	457,700	-	457,700
Other Financial Assets	-	-	21,012,383	21,012,383
Total Financial Assets	-	457,700	16,402,137,073	16,402,594,773
Financial Liabilities				
Interest Bearing Borrowings	-	-	6,949,676,275	6,949,676,275
Due to the Customers	-	-	6,254,214,091	6,254,214,091
Other Financial Liabilities	-	-	639,571,564	639,571,564
Total Financial Liabilities	-	-	13,843,461,930	13,843,461,930

As at 31st March 2024

	Financial Assets at Fair Value Income Statement LKR	Financial Assets at Fair Value Other Comprehensive Income LKR	Financial Assets and Liabilities at Amortised Cost LKR	Total LKR
Financial Assets				
Cash and Bank Balances	-	-	110,767,720	110,767,720
Investment in Government Securities	-	-	1,819,024,328	1,819,024,328
Investment in Unit Trust Funds	1,001,278,217	-	-	1,001,278,217
Placements with Other Banks and Financial Institutions	-	-	355,848,060	355,848,060
Lease Rental Receivables	-	-	2,864,129,749	2,864,129,749
Loans and Advances	-	-	1,173,631,285	1,173,631,285
Gold Advances	-	-	4,505,162,573	4,505,162,573
Financial Investments measured at Fair Value through OCI	-	457,700	-	457,700
Other Financial Assets	-	-	29,495,526	29,495,526
Total Financial Assets	-	457,700	10,858,059,241	11,859,795,158
Financial Liabilities				
Interest Bearing Borrowings	-	-	3,843,671,591	3,843,671,591
Due to the Customers	-	-	5,204,224,178	5,204,224,178
Other Financial Liabilities	-	-	547,160,170	547,160,170
Total Financial Liabilities	-	-	9,595,055,940	9,595,055,940

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1 : Quoted prices in active markets for identical assets and liabilities.

Level 2 : Other technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

34.2 Financial Instruments regularly measured using Fair Value - recurring items

a) Financial Investments - Measured at Fair Value through Profit/ Loss

Investment in Unit Trust Funds	Fair Value Heirarchy	Carrying Amount LKR	Fair Value LKR
As at 31st March 2025	Level 1	-	-
As at 31st March 2024	Level 1	1,000,000,000	1,001,278,217

The Investment in Unit Trust Funds are measured at market value as on year end and hence are classified as Level 1 heirarchy.

b) Financial Investments - Measured at Fair Value through other comprehensive income

Investment in Unquoted Equity instruments	Fair Value Heirarchy	Carrying Amount LKR	Fair Value LKR
As at 31st March 2025	Level 3	457,000	457,000
As at 31st March 2024	Level 3	457,000	457,000

Equity instruments at fair value through OCI primarily consist of unquoted equity securities. Unquoted equity securities are carried at cost since it is the most reasonable value available to represent the price of such securities and hence, classified as Level 3 hirerachy.

34.3 Fair Value of the Financial Instrument Carried at Amortised Cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the Financial Statements. This table does not include the fair values of non-financial assets and liabilities.

As at 31st March 2025	Level	Carrying Amount LKR	Fair Value LKR
Financial Assets			
Lease Rental Receivables	Level 02	2,656,512,819	2,621,617,843
Loans and Advances	Level 02	5,723,479,604	5,734,187,601
Financial Liabilities			
Interest Bearing Borrowings	Level 02	5,924,608,856	5,977,930,336

34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

34.3 Fair Value of the Financial Instrument Carried at Amortised Cost

As at 31st March 2024	Level	Carrying Amount LKR	Fair Value LKR
Financial Assets			
Lease Rentals Receivable	Level 02	2,864,129,749	2,852,389,258
Loans and Advances	Level 02	1,173,631,285	1,176,194,388
Financial Liabilities			
Interest Bearing Borrowings	Level 02	2,941,375,336	2,964,853,047

For the following list of Financial Instruments whose carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature or reprice to current market rates frequently.

Assets

Cash and Bank Balances
Investment in Government Securities
Investment in Unit Trust Funds
Placements with Banks and Other Financial Institutions
Gold Advances
Other Financial Assets

Financial Liabilities

Bank Overdraft
Due to the Customers
Other Financial Liabilities

35. CURRENT AND NON-CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31st March 2025	Within 12 Months LKR	After 12 Months LKR	Total LKR
ASSETS			
Cash and Bank Balances	178,134,163	-	178,134,163
Investment in Government Securities	1,248,943,875	-	1,248,943,875
Placements with Banks and Other Financial Institutions	101,075,892	50,000,000	151,075,892
Gold Advances	6,422,978,337	-	6,422,978,337
Lease Rentals Receivable and Loans and Advances	2,961,414,908	5,418,577,515	8,379,992,423
Other Financial Assets	2,613,543	18,398,840	21,012,383
Other Non-Financial Assets	47,785,934	25,623,835	73,409,769
Financial Investments-Measured at FVOCI	-	457,700	457,700
Property, Plant and Equipment	-	584,938,750	584,938,750
Intangible Assets	-	34,497,811	34,497,811
Deferred Tax Assets	-	35,978,217	35,978,217
Total Assets	10,962,946,652	6,168,472,668	17,131,419,320



35. CURRENT AND NON-CURRENT ANALYSIS OF ASSETS AND LIABILITIES (Contd...)

	Within 12 Months LKR	After 12 Months LKR	Total LKR
LIABILITIES			
Interest Bearing Borrowings	4,974,479,608	1,975,196,667	6,949,676,275
Due to the Customers	5,416,824,726	837,389,365	6,254,214,091
Other Financial Liabilities	317,370,813	322,217,885	639,588,698
Other Non-Financial Liabilities	104,444,871		104,444,871
Current Tax Liabilities	62,722,638		62,722,638
Retirement Benefit Liability	-	37,738,100	37,738,100
Total Liabilities	10,875,842,656	3,172,542,017	14,048,384,673
Net Assets	87,103,996	2,995,930,651	3,083,034,647

As at 31st March 2024

	Within 12-Months LKR	After 12-Months LKR	Total LKR
ASSETS			
Cash and Bank Balances	110,767,720	-	110,767,720
Investment in Government Securities	1,819,024,328	-	1,819,024,328
Financial Investments Measured at Fair Value Through PL	1,001,278,217	-	1,001,278,217
Placements with Banks and Other Financial Institutions	355,848,060	-	355,848,060
Gold Advances	4,505,162,571	-	4,505,162,571
Lease Rental Receivables and Loans and Advances	1,858,573,074	2,179,187,959	4,037,761,033
Other Financial Assets	17,234,451	12,261,076	29,495,527
Other Non-Financial Assets	178,055,010	10,441,342	188,496,352
Financial Investments Measured at Fair Value through OCI	-	457,700	457,700
Inventories	-	-	-
Property, Plant and Equipment	-	534,360,642	534,360,642
Intangible Assets	-	43,094,228	43,094,228
Deferred Tax Assets	-	24,116,990	24,116,990
Total Assets	9,845,943,431	2,803,919,937	12,649,863,368
LIABILITIES			
Interest Bearing Borrowings	3,296,177,973	547,493,618	3,843,671,591
Due to the Customers	4,935,690,952	268,533,225	5,204,224,177
Other Financial Liabilities	271,747,123	275,209,591	546,956,714
Other Non-Financial Liabilities	67,585,280		67,585,280
Current Tax Liabilities	5,942,625		5,942,625
Retirement Benefit Liability	-	49,036,778	49,036,778
Total Liabilities	8,577,143,953	1,140,273,212	9,717,417,165
Net Assets	1,268,799,478	1,663,646,725	2,932,446,203



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36. COMMITMENT AND CONTINGENCIES

There were no significant capital commitments or contingencies as of the reporting date.

36.1 Litigation Against Company

The Company does not have contingent liabilities in respect of legal claims arising in the ordinary course of business.

36.2 Assets Pledged

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2025 LKR.	2024 LKR.	
Lease Rentals Receivable *	Bank Loans and Overdrafts	2,038,421,758	1,321,738,844	Lease Rentals Receivable
Loan Receivable*	Bank Loans and Overdrafts	5,666,850,344	343,760,366	Loan Receivable
Gold Advances*	Bank Loans and Overdrafts	6,260,144,727	4,253,763,231	Loan Receivable
		<u>13,965,416,829</u>	<u>5,919,262,441</u>	

* The receivables and cash flows that have been included in securitisation transactions are only available for payment of the debt and other obligations issued or arising in the securitisation transactions. However, the Company holds the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of the securitisation transactions.

37. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustment or disclosure in Financial Statements.

38. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with the parties who are defined as "Related Parties" in LKAS-24-Related Party Disclosures.

Terms and Conditions

All such transactions entered into with the related parties are on an arms' length basis and are comparable with what is applied to the transactions with unrelated customers with similar credit standing.

Details of related party transactions which the Company had during the year are as follows:

38.1 Transactions with Key Managerial Personnel (KMPs)

The Company has identified and disclosed personnel having authority and responsibility for planning, directing and controlling the activities of the Company as "Key Management Personnel" in accordance with LKAS 24-"Related Party Disclosures". Accordingly, the Board of Directors, Chief Executive Officer and Members of Corporate Management team have been identified as "Key Management Personnel".

38.1.1 Compensation to KMP

	2025 LKR	2024 LKR
Short-Term Employment Benefits	88,770,046	43,638,044
Post Employment Benefits	14,849,950	-
	<u>103,619,996</u>	<u>43,638,044</u>

In addition to the above, the Company has also paid non-cash benefits such as vehicles and fuel to key management personnel in line with the approved employment benefits of the Company.

38.1.2 Transaction with KMP and their Close Family Members

Aggregate value of transactions with KMP and their CFM are disclosed below. These transactions are carried out at Arm's length prices.

	2025 LKR	2024 LKR
Fixed Deposits accepted during the year	-	-
Fixed Deposits held at the end of the year	-	-
Interest paid during the year	-	-

38. RELATED PARTY TRANSACTIONS (Contd...)

38.2 Transaction, arrangements and agreements involving Entities which are controlled, and/or jointly controlled by the KMP's and their CFMs or shareholders

	Nature of Relationship	Amount of the Transactions during the year LKR	Outstanding Receivable/ (Payable) Balance as at 31/03/2025 LKR	Outstanding Receivable/ (Payable) Balance as at 31/03/2024 LKR
Ideal Motors (Pvt) Ltd	Affiliate Company			
Vehicle Repair Services		99,931	77,921	-
Trade Advance for City Pickups		188,487,936	-	-
Other Purchases and Services		20,519,258	-	-
Ideal Premier (Pvt) Ltd	Affiliate Company			
Vehicle Repair Services		936,008	-	-
Ideal First Choice (Pvt) Ltd	Affiliate Company			
Vehicle Repair Services		120,904	-	-
Prompt Express Private Limited	Affiliate Company			
Lease and Loan Receivables		22,729,224	2,835,950	24,913,224
Courier Service Charges		2,663,270	654,660	607,520
Ideal Drive Private Limited	Affiliate Company			
Vehicle Hire Expense		1,281,242	-	-
Mahindra & Mahindra				
Trade Mark Fee	Ultimate Parent Company	376,000	-	-
Prompt Express Private Limited	Affiliate Company			
Lease and Loan Receivables		4,261,979	5,006,042	-

39. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the Company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

39.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximise shareholders' value.

Regulatory Capital

The Company manages its capital considering the regulatory capital requirements. The Central Bank of Sri Lanka(CBSL) sets and monitors capital requirements for licensed finance companies. Accordingly, finance companies in Sri Lanka need to maintain a minimum total capital adequacy ratio of 12.5% and a minimum core capital adequacy ratio (Tier I) of 8.5%.The Company has always maintained the Capital Adequacy Ratio above the minimum regulatory requirements. The Company's Tier I and Tier II capital adequacy ratios as at the end of the financial year stood at 39.02% and 40.04% respectively.



40. RISK MANAGEMENT

40.1 Introduction

Risk is inherent in the Company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated its authority to Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring the Company's risk management policies. The Committee is headed by an Independent Non-Executive Director and comprises Executive and Non-Executive Directors and Officers performing Executive functions. Meetings of IRMC are held regularly, and the Board of Directors are duly updated of its activities.

RISK MANAGEMENT AND REPORTING

Monitoring and controlling risks is primarily performed based on policies, limits and thresholds established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

40.2 Credit Risk

Credit risk is the risk that arises due to the uncertainty in the counterparty's ability to meet its obligations. The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The Company considers a financial instrument defaulted for impairment calculations in all cases when the borrower becomes 90 days past due on its contractual payments.



40. RISK MANAGEMENT (Contd...)

40.2.1 Credit Quality of Financial Assets :

The following table sets out information about credit quality of leases and loans measured at amortised cost primarily based on days past due information. The amount represents gross carrying amount.

Particulars	31st March 2025	31st March 2024
Gross carrying value of Lease Rental Receivables		
Neither Past due nor impaired	1,412,790,901	1,543,486,709
Past Due but not impaired		
30 days past due	748,398,886	571,069,761
31-90 days past due	440,691,123	584,202,430
Impaired (more than 90 days)	130,417,622	258,291,063
Total Gross carrying value as at reporting date	2,732,298,532	2,957,049,964

Particulars	31st March 2025	31st March 2024
Gross carrying value of Loans and Advances		
Neither Past due nor impaired	3,347,848,855	926,942,183
Past Due but not impaired		
30 days past due	1,902,963,529	157,155,745
31-90 days past due	467,950,728	59,655,503
Impaired (more than 90 days)	108,701,082	73,562,674
Total Gross carrying value as at reporting date	5,827,464,194	1,217,316,104



40. RISK MANAGEMENT (Contd...)

40.2.2 Analysis of Risk Concentration

40.2.2.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector wise Break Down as at 31st March 2025	Cash and Bank Balances LKR	Investment in Government Securities at Amortised cost LKR	Placement with Bank and Other Financial Institutions LKR	Lease Rentals Receivable and Loans and Advances LKR	Financial Investments- Measured at Fair Value through OCI LKR	Gold Advances LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture	-	-	-	306,721,403	-	-	-	306,721,403
Manufacturing	-	-	-	337,612,971	-	-	-	337,612,971
Construction	-	-	-	179,355,671	-	-	-	179,355,671
Financial Services	178,134,163	1,248,943,875	151,075,892	130,559,478	-	-	-	1,708,713,408
Trading	-	-	-	684,635,663	-	-	-	684,635,663
Hotels	-	-	-	131,928,289	-	-	-	131,928,289
Services	-	-	-	6,505,579,502	457,700	-	-	6,506,037,202
Transport	-	-	-	-	-	-	-	-
Consumer	-	-	-	103,599,445	-	6,468,266,314	21,012,383	6,592,878,143
Total	178,134,163	1,248,943,875	151,075,892	8,379,992,422	457,700	6,468,266,314	21,012,383	16,447,882,750

Provincial break down for lease and loan receivables within Sri Lanka is as follows.

Province	Lease Rental Receivables	Loans & Advances	Gold Advances
Central	138,403,202	195,524,453	824,756,040
North Central	145,979,743	684,023,623	188,559,709
North Western	310,834,201	639,853,999	322,992,487
Northern	173,693,442	81,793,697	1,517,555,652
Sabaragamuwa	123,706,455	199,333,740	361,588,133
Southern	318,482,653	249,678,576	465,405,663
Uva	504,960,478	193,004,355	880,551,594
Western	1,016,238,359	3,584,251,750	1,906,857,036
Total	2,732,298,533	5,827,464,193	6,468,266,314



40.--- RISK MANAGEMENT (Contd...)

40.2.1 Analysis of Risk Concentration (Contd...)

40.2.2.1 Industry Analysis (Contd...)

Sector wise Break Down as at 31st March 2024	Cash and Bank Balances	Investment in Government Securities at Amortised cost LKR	Placement with Bank and Other Financial Institutions LKR	Lease Rentals Receivable and Loans and Advances LKR	Financial Investments- Measured at Fair Value through OCI LKR	Gold Advances LKR	Other Financial Assets LKR	Total Financial Assets LKR
Agriculture	-	-	-	155,467,844	-	-	-	155,467,844
Manufacturing	-	-	-	82,178,113	-	-	-	82,178,113
Construction	-	-	-	94,270,057	-	-	-	94,270,057
Financial Services	110,767,720	1,819,024,328	355,848,060	26,501,994	-	-	-	2,312,142,102
Trading	-	-	-	200,260,970	-	-	-	200,260,970
Hotels	-	-	-	29,214,127	-	-	-	29,214,127
Services	-	-	-	-	457,700	-	-	457,700
Transport	-	-	-	3,223,465,451	-	-	-	3,223,465,451
Consumer	-	-	-	226,402,478	-	6,422,978,337	29,495,526	4,786,062,585
Total	110,767,720	1,819,024,328	355,848,060	4,037,761,034	457,700	6,422,978,337	29,495,526	10,883,518,949

Provincial break down for lease rentals receivables within Sri Lanka is as follows.

Province	Lease Rental Receivables	Loans and Advances	Gold Advances
Central	121,801,609	26,374,629	557,922,767
North Central	354,854,923	650,417,189	121,898,873
North Western	288,458,515	125,715,767	187,637,478
Northern	160,851,349	25,319,844	1,007,879,770
Sabaragamuwa	182,351,360	8,248,026	188,891,895
Southern	325,994,273	81,718,795	395,680,487
Uva	522,217,849	20,455,590	727,079,331
Western	1,000,520,084	279,066,265	1,343,173,979
Total	2,957,049,962	1,217,316,105	4,530,164,580





40. RISK MANAGEMENT (Contd...)

40.2.3 Collateral and Other Credit Enhancement

Quantitative Information of Collateral

The Company monitors its exposure to loan portfolio using the Loan To Value (LTV) ratio, which is calculated as the ratio of the gross amount of the loan to the value of the collateral. The value of the collateral at origination is considered for this calculation.

Gross value of secured assets to value of collateral:

Loan To Value

	Gross Value of Secured assets LKR	Gross Value of Stage 3 assets LKR
Upto 50%	3,123,893,696	122,701,034
51 - 70%	8,238,834,132	103,240,552
71 - 100%	3,665,763,787	52,999,485
Above 100%	359,003	359,003
	<u>15,028,850,618</u>	<u>279,300,073</u>

The table below provides an analysis of the current fair values of collateral held and credit enhancements for Stage 1 to 3 assets. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collaterals, measured using multiple economic scenarios, is expected to decline. Revaluation of immovable properties obtained as collaterals against any accommodation granted are assessed based on the requirements in Direction No 04 of 2018 on 'Valuation of Immovable Properties' and subsequent amendments thereto issued by the Central Bank of Sri Lanka (CBSL). The assessment of immovable properties is carried out by independent professional valuers as required by the said direction issued by CBSL.

	Maximum Exposure to Credit risk LKR	Fair Value of Collateral under Base case Scenario			Net Exposure LKR	Associated ECL LKR
		Immovable Collateral LKR	Movable Collateral LKR	Total Collateral LKR		
As at 31st March 2025						
Stage 1	13,154,197,226	19,628,550	24,111,598,227	24,131,226,777	-	100,819,279
Stage 2	1,595,356,009	28,348,500	2,996,378,773	3,024,727,273	-	26,228,402
Stage 3	279,297,383	82,978,325	458,737,273	541,715,598	-	98,010,599
	<u>15,028,850,618</u>	<u>130,955,375</u>	<u>27,566,714,273</u>	<u>27,697,669,648</u>	-	<u>225,058,279</u>
As at 31st March 2024						
Stage 1	7,051,796,310	56,650,900	12,380,351,031	12,437,001,931	-	54,437,910
Stage 2	1,208,233,910	25,562,750	2,424,701,034	2,450,263,784	-	20,841,083
Stage 3	446,147,143	99,626,875	765,032,693	864,659,568	-	86,328,050
	<u>8,706,177,363</u>	<u>181,840,525</u>	<u>15,570,084,758</u>	<u>15,751,925,283</u>	-	<u>161,607,043</u>



40. RISK MANAGEMENT (Contd...)

40.3 Liquidity Risk & Funding Management

Liquidity risk refers to the possibility of the Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of the Company's assets and liabilities. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles.

Furthermore, the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control the liquidity risk.

40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities.

As at 31st March 2025

	On Demand LKR	Less Than 3 Months LKR	3 to 12 Months LKR	1 to 5 years LKR	Over 5 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	178,134,163	-	-	-	-	178,134,163
Placements with Banks and Other Financial Institutions	-	101,980,852	4,319,344	59,222,702	-	165,522,898
Investment in Government Securities	857,288,949	100,000,000	304,583,000	-	-	1,261,871,949
Gold Advances	1,437,758,844	5,030,511,701	817,348	-	-	6,469,087,893
Lease Rentals Receivable	130,945,614	364,432,219	1,008,141,320	2,024,162,208	-	3,527,681,361
Loans and Advances	94,302,479	550,958,016	1,740,660,525	4,205,781,531	4,332,519	6,596,035,070
Financial Investments Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	1,647,843	965,699	2,787,747	15,611,093	21,012,382
Total Financial Assets	2,698,430,049	6,149,530,631	3,059,487,236	6,291,954,188	20,401,312	18,219,803,416
Financial Liabilities						
Interest Bearing Borrowings	1,025,067,419	420,622,452	3,738,410,147	2,341,922,069	-	7,526,022,087
Due to the Customers	-	2,045,208,683	3,688,614,046	979,507,946	-	6,713,330,675
Other Financial Liabilities	140,068,921	141,981,852	617,279	-	-	282,668,052
Obligation to Make the Lease Payment	-	19,536,110	59,598,959	315,069,903	155,219,897	549,424,869
Total Financial Liabilities	1,165,136,340	2,627,349,097	7,487,240,431	3,636,499,918	155,219,897	15,071,445,683
Total Net Financial Assets/ (Liabilities)	1,533,293,709	3,522,181,534	(4,427,753,195)	2,655,454,270	(134,818,585)	3,148,357,733

40. RISK MANAGEMENT (Contd...)

40.3 Liquidity Risk and Funding Management (Contd...)

40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities (Contd....)

As at 31st March 2024

	On Demand LKR	Less Than 3 Months LKR	3 to 12 Months LKR	1 to 5 years LKR	Over 5 Years LKR	Total LKR
Financial Assets						
Cash and Bank Balances	110,767,720	-	-	-	-	110,767,720
Placements with Banks and Other Financial Institutions	-	257,004,795	101,416,667	-	-	358,421,462
Investment in Government Securities	1,002,994,685	375,000,000	490,000,000	-	-	1,867,994,685
Financial Investments Measured at Fair Value through P/L	1,001,278,217	-	-	-	-	1,001,278,217
Gold Advances	1,324,963,032	3,088,083,209	118,760,029	5,025	-	4,531,811,295
Lease Rental Receivables	175,393,943	349,555,586	1,276,270,563	1,983,379,020	350,232	3,784,949,344
Loans and Advances	57,749,123	137,277,620	601,107,181	649,728,263	7,598,528	1,453,460,715
Financial Investments Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	9,576,512	7,657,938	5,471,124	6,789,952	29,495,526
Total Financial Assets	3,673,146,720	4,216,497,722	2,595,212,378	2,638,583,432	15,196,412	13,138,636,664
Financial Liabilities						
Interest Bearing Borrowings	-	2,252,541,093	1,103,228,131	693,740,813	-	4,049,510,037
Due to the Customers	-	1,581,072,424	3,646,089,452	362,534,610	-	5,589,696,488
Other Financial Liabilities	-	243,199,488	-	-	-	243,199,488
Obligation to Make the Lease Payment	-	16,812,921	49,571,430	252,674,784	166,649,904	485,709,039
Total Financial Liabilities	-	4,093,625,926	4,798,889,013	1,308,950,207	166,649,904	10,368,115,050
Total Net Financial Assets/ (Liabilities)	3,673,146,720	122,871,796	(2,203,676,635)	1,329,633,225	(151,453,492)	2,770,521,614





40. RISK MANAGEMENT (Contd...)

40.4 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in the future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income which arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as:

Interest Rate Risk Exposure on Financial Assets and Liabilities

The table below analyses the Company's interest rate risk exposure on financial assets and liabilities. The Company's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

As at 31st March 2025

	Total As at 31- 03-2025 LKR	Interest Bearing				Non-Interest Bearing LKR
		Less Than 3 Months LKR	3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
Financial Assets						
Cash and Bank Balances	178,134,163	-	-	-	-	178,134,163
Investment in Government Securities and Placements with Banks	1,248,943,875	955,090,854	293,853,021	-	-	-
Gold Advances	6,469,087,893	6,468,270,545	817,348	-	-	-
Lease Rentals Receivable	2,732,298,532	377,787,630	719,335,605	1,635,175,297	-	-
Loans and Advances	5,826,343,191	553,555,165	1,489,385,808	3,783,402,218	-	-
Financial Investments - Measured at Fair Value through OCI	457,700	-	-	-	-	457,700
Other Financial Assets	21,012,377	-	-	-	-	21,012,377
Total Financial Assets	16,476,277,731	8,354,704,194	2,503,391,782	5,418,577,515	-	199,604,240
Financial Liabilities						
Interest Bearing Borrowings	6,949,676,275	1,362,884,378	3,544,305,655	2,042,486,242	-	-
Due to the Customers	6,254,214,091	2,024,335,115	3,392,489,611	837,389,365	-	-
Other Financial Liabilities	639,588,698	290,090,067	27,280,746	192,158,080	130,059,805	-
Total Financial Liabilities	13,843,479,064	3,677,309,560	6,964,076,012	3,072,033,687	130,059,805	-
Interest Sensitivity Gap	2,632,798,667	4,677,394,634	(4,460,684,230)	2,346,543,828	(130,059,805)	199,604,240

40. RISK MANAGEMENT (Contd...)

40.4 Interest Rate Risk (Contd...)

As at 31st March 2024

	Total As at 31-03-2024 LKR	Interest Bearing				Non-Interest Bearing LKR
		Less Than 3 Months LKR	3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
Financial Assets						
Cash and Bank Balances	110,767,720	-	-	-	-	110,767,720
Investment in Government Securities and Placements with Banks	2,174,872,372	1,622,707,839	552,164,533	-	-	-
Financial Investments - Measured at Fair Value Through PL	1,001,278,217	1,001,278,217	-	-	-	-
Gold Advances	4,531,811,295	4,413,046,241	118,760,029	5,025	-	-
Lease Rentals Receivable	2,957,049,962	381,118,082	968,944,709	1,606,987,171	-	-
Loans and Advances	1,217,316,104	156,970,541	488,144,774	572,200,789	-	-
Financial Investments - Measured at Fair Value through OCI	457,700	-	-	-	-	457,700
Other Financial Assets	24,340,891	4,897,876	-	-	-	19,443,015
Total Financial Assets	12,017,894,261	7,580,018,796	2,128,014,045	2,179,192,985	-	130,668,435
Financial Liabilities						
Interest Bearing Borrowings	3,843,671,591	2,223,365,538	1,072,812,435	547,493,618	-	-
Due to the Customers	5,204,224,178	1,651,814,568	3,283,876,384	268,533,225	-	-
Other Financial Liabilities	546,956,715	250,221,868	21,525,256	141,279,887	133,929,704	-
Total Financial Liabilities	9,594,852,484	4,125,401,974	4,378,214,075	957,306,730	133,929,704	-
Interest Sensitivity Gap	2,423,041,777	3,454,616,822	(2,250,200,030)	1,221,886,255	(133,929,704)	130,668,435



41. OPERATING SEGMENTS

As at 31st March 2025	Finance Lease	Gold Loan	Loans and Advances	Other	Total
	LKR	LKR	LKR	LKR	LKR
Interest Income	646,764,638	1,138,127,704	559,799,028	99,874,519	2,444,565,889
Commission Income	-	-	-	16,497,935	16,497,935
Other Income	10,617,032	128,418,679	30,354,341	110,415,642	279,805,694
	<u>657,381,670</u>	<u>1,266,546,383</u>	<u>590,153,369</u>	<u>226,788,096</u>	<u>2,740,869,518</u>

As at 31st March 2024	Finance Lease	Gold Loan	Loans and Advances	Other	Total
	LKR	LKR	LKR	LKR	LKR
Interest Income	574,634,047	1,183,588,966	154,281,660	241,113,370	2,153,618,043
Commission Income	-	-	-	10,249,062	10,249,062
Other Income	9,293,591	74,157,350	5,194,301	56,528,033	145,173,275
	<u>583,927,638</u>	<u>1,257,746,316</u>	<u>159,475,961</u>	<u>307,890,465</u>	<u>2,309,040,380</u>

41. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standards LKAS 7 (Statement of Cash Flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st March 2025 are disclosed below.

	Securitisation Borrowing LKR	Bank Borrowing LKR
Balance as at 01st April 2024	616,519,290	2,324,856,046
Net cash flows from financing activities	1,359,010,709	1,508,777,875
Non-cash changes		
Foreign exchange movements	-	-
Amortisation of loan origination costs	(21,802,005)	(2,803,366)
Accrual for interest expense	130,545,817	9,504,490
Balance as at 31st March 2025	<u>2,084,273,811</u>	<u>3,840,335,045</u>

