LEAP AHEAD

MAHINDRA IDEAL FINANCE LIMITED
ANNUAL REPORT 2023 - 24

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LEAP AHEAD

We at Mahindra Ideal Finance Limited are experiencing an incredible propulsion as we make inimitable progress on the premise that all Sri Lankans deserve an opportunity to become more empowered in their financial matters. By making strategic developments that elevate service standards, speed and efficiency, we have helped deliver to our customers a comprehensive portfolio of products that run the gamut of leasing, fixed deposits, pawning and more. Displaying our inimitable resilience, we are united in our attitude of strength, while also being on the pulse of the people and their hopes and dreams. And as we attain success along with our stakeholders, we will keep our sights firmly set on the future as we eagerly incorporate and sustain the advancements that will see us leaping ahead to elevated calibres of excellence.

About Mahindra Ideal Finance Limited

ABOUT US

Mahindra Ideal Finance Limited (MIFL), originally founded as Ideal Finance Limited in January 2012, underwent a significant transformation in 2021 after Mahindra Finance from India acquired a majority stake of over 58%. This acquisition and rebranding have positioned MIFL as a pivotal player in Sri Lanka's financial landscape, especially in providing services to those often excluded from traditional banking.

Operating under the regulatory framework of the Central Bank of Sri Lanka (CBSL) as part of the Non-Banking Financial Institutions (NBFIs) sector, MIFL has a well-established presence in the country's financial services industry. The takeover by Mahindra Finance marked the culmination of a long-standing partnership and established Mahindra Finance as the parent company of MIFL.

MIFL's diverse product offerings, including Vehicle Leasing, Gold Loans, Mortgage Loans, Personal Loans, and Fixed Deposits, cater to the financial needs of both individuals and businesses. With a strategic focus on empowering both rural and urban communities, MIFL has amassed an asset base of LKR 12.6 Bn and expanded its reach to 32 branches nationwide. Remarkably, MIFL is among the select Licensed Finance Companies (LFCs) in Sri Lanka to achieve an AA- (Outlook Stable) rating from Fitch Ratings, a testament to its resilience and robust performance even during challenging times.

Since its early days, when the company primarily offered finance leases, hire purchase, and micro-leases, MIFL has continuously evolved. It has introduced additional products such as gold loans and personal loans, and significantly expanded its geographic footprint, doubling its branch network over the last two years.

MIFL's strategic vision has always centered on supporting Sri Lanka's Micro, Small, and Medium Enterprises (MSME) sector, with a particular emphasis on rural and semi-urban areas. By addressing the financial needs of businesses and individuals often overlooked by mainstream banks, MIFL plays a crucial role in fostering economic development and financial inclusion across the nation.

OUR VISION

To be the ideal financial partner in creating wealth and enriching lives for our customers.

OUR MISSION

To be the most credible, trustworthy and professional financial institution with a heart, which will deliver financial favours to our customers. Enhance professionalism and the lives of our employees to be the most sought after employer. Increase shareholder wealth - make them proud to be a shareholder of the Company.

Date of Incorporation

24 January 2012

Branches as at 31 March 2024

32

Credit Rating

AA- (Outlook Stable) by Fitch (lk)

Revenue

LKR 2,309 Mn

Profit After Tax

LKR 103 Mn

Total Assets

LKR 12,650 Mn

Customer Deposits

LKR 5,204 Mn

Shareholders

The main shareholders are Mahindra & Mahindra Financial Services Limited (MMFSL) of India and Ideal Motors (Pvt) Limited. MMFSL has 58.2% share.

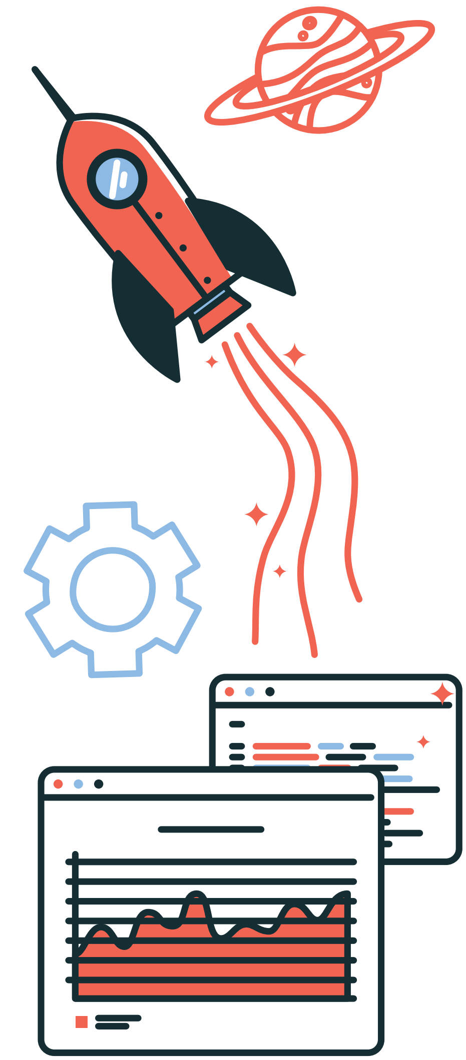
Total Employees

347
(Permanent - 218,
Contractual and Probation - 129)

OUR CORE VALUES

Professionalism

We adopt a professional approach in all our market offerings, ensuring a deep understanding of our customers' needs and repayment capabilities. Our solutions are customized to meet individual requirements, and we exercise caution to avoid overselling.



Innovation

As an innovative company, we harness technology, market research, and high service standards to enhance accessibility and flexibility for our customers. This strategy allows us to effectively broaden and deepen our market reach.

Exceptional Service

Personalized, one-on-one service is a cornerstone of our success. We recognize the numerous challenges our customers have faced in recent years and are committed to the "Customer for Life" philosophy, integrating it into all our strategic decisions and operations.

Empowering Enterprises and Individuals

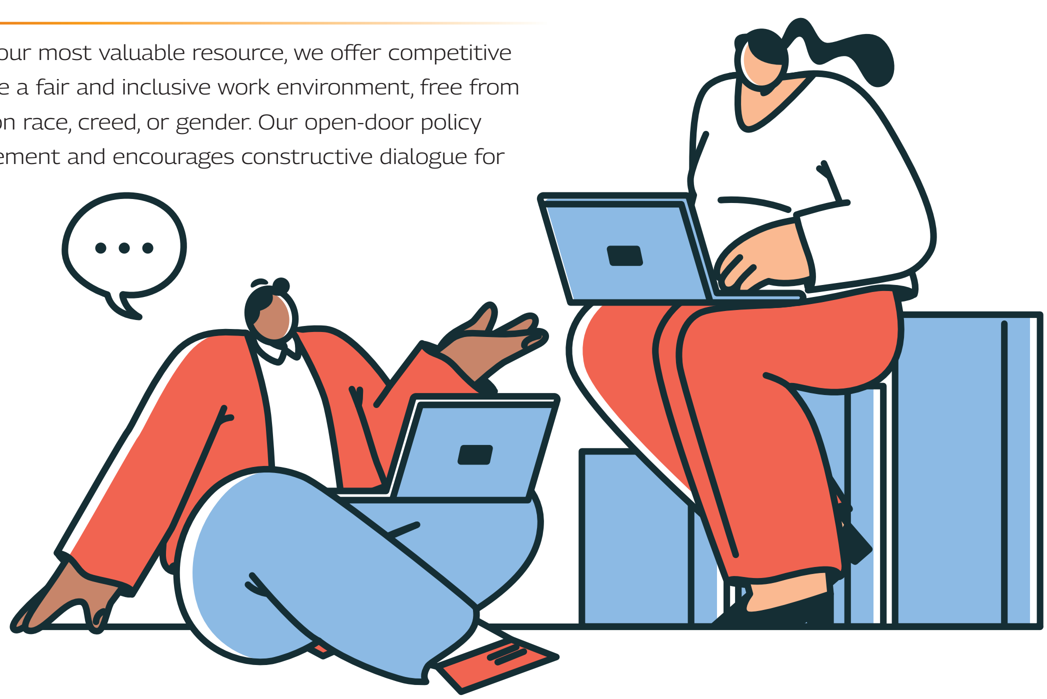
We offer crucial financial support to aspiring small and medium-sized business startups and existing businesses that struggle to meet traditional banking requirements. Through prudent lending practices, we help these customers achieve their goals sustainably.

Corporate Responsibility

As a responsible corporate citizen, we are accountable to a diverse group of stakeholders, including the general public, the Government of Sri Lanka, the business community, and financial regulators. We maintain a robust governance structure to meet our statutory obligations, contribute to environmental preservation, manage risks, and uphold ethical standards in all interactions with employees, customers, suppliers, and the community. In the current economic climate, we play a vital role in helping to revive the economy.

Ethical Employment Practices

Recognizing that our employees are our most valuable resource, we offer competitive remuneration and benefits. We ensure a fair and inclusive work environment, free from harassment or discrimination based on race, creed, or gender. Our open-door policy fosters easy access to senior management and encourages constructive dialogue for mutual benefit.



About this Report

PRESENTING OUR 2023-24 INTEGRATED ANNUAL REPORT

We are pleased to present Mahindra Ideal Finance Limited's (MIFL) Integrated Annual Report for the fiscal year 2023-24. This report highlights our economic, social, and environmental performance from 1 April 2023 to 31 March 2024, and outlines our future strategy within the current operating environment.

REPORTING PERIOD

The 2023-24 Annual Report covers a 12-month period from 1 April 2023 to 31 March 2024, consistent with our previous financial reporting cycle.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements regarding the Company's future strategies, performance, and operational results. These statements are inherently subject to risks and uncertainties, as they depend on future circumstances beyond the Company's control. Factors that could cause actual results to differ significantly include global and national socio-economic and political conditions, industry changes, environmental factors, interest rates, credit risks, and regulatory factors. Consequently, the Board of Directors will periodically review and adjust future plans as necessary.

MATERIALITY

Our materiality analysis reflects the significant choices and impacts on stakeholders within the 2023 operating environment. The materiality matrix identifies these impacts and their relevance to both stakeholders and the Company.

ASSURANCE OF THE REPORT'S INTEGRITY

To ensure the accuracy and integrity of this report, MIFL employs a combination of internal controls, management assurance, compliance, and internal audit reviews. The Board of Directors holds ultimate responsibility for the report's integrity. Our Financial Statements and related notes have been audited by external auditors, Messrs. Ernst & Young, Colombo, who provided an independent audit report on page 104. We have exercised due diligence to address all material issues affecting the Company, ensuring a fair account of our performance. The Board's Audit Committee, operating under the Integrated Risk Management Committee's supervision, provides annual internal assurance based on the Company's risk management systems and an annual audit plan.

KEY FRAMEWORKS, GUIDELINES, POLICIES, AND COMPLIANCE

This report adheres to the concepts, principles, and guidelines of the Integrated Reporting <IR> Framework by the IFRS Foundation. It complies with the following laws, regulations, and standards:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CASL)
- Directions, Rules, and Regulations issued by the Central Bank of Sri Lanka for licensed finance companies
- Sri Lanka Auditing Standards
- Sri Lanka Financial Reporting Standards
- Inland Revenue Act No. 24 of 2017
- United Nations Sustainable Development Goals (UN SDGs)

We trust that this report provides a comprehensive and transparent view of MIFL's performance and strategic direction for the year 2023-24.

Financial Highlights

Key Performance Indicators		2023/24	2022/23
Financial Performance			
Revenue	Mn	2,309	1,924
Net Interest Income	Mn	1,092	884
Net Operating Income	Mn	1,297	932
Operating Profit Before Taxes on Financial Services	Mn	334	248
Profit Before Tax (PBT)	Mn	201	153
Profit After Tax (PAT)	Mn	103	87
Financial Position			
Total Loans and Advances to Customers	Mn	8,543	7,124
Total Assets	Mn	12,650	8,792
Total Equity	Mn	2,932	2,835
Deposits from Customers	Mn	5,204	3,487
Profitability Perspective			
Operating Profit Margin	%	14.47	12.89
Net Interest Margin	%	11.06	11.22
Return on Average Assets- Pre Tax	%	1.88	1.77
Return on Average Assets- Post Tax	%	0.96	1.01
Investor Perspective			
Earnings Per Share	Rs.	0.71	0.60
Net Assets Value Per Ordinary Share	Rs.	20.13	19.46
Return on Average Equity - Pre Tax	%	6.98	5.49
Return on Average Equity - Post Tax	%	3.58	3.11
Statutory Ratios			
Tier 1 (Minimum Requirement -8.5%)	%	40.35	48.92
Total Capital Ratio (Minimum Requirement -12.5%)	%	41.37	49.93
Statutory Liquidity Ratio (Minimum Requirement -10%)	%	38.96	30.66
Leverage Ratio (Debt Equity Ratio) Times	Times	3.08	1.93
Non-Performing Advances Ratio (On 90 days Past due basis)			
Gross Stage 03	%	5.25	20.50
Net Stage 03	%	4.24	18.30
Stage 03 Impairment Coverage	%	20.27	18.23

REVENUE
20%

2023-24 / LKR 2,309 Mn
2022-23 / LKR 1,924 Mn

NET INTEREST INCOME
24%

2023-24 / LKR 1,092 Mn
2022-23 / LKR 884 Mn

PROFIT BEFORE TAX (PBT)
31%

2023-24 / LKR 201 Mn
2022-23 / LKR 153 Mn

PROFIT AFTER TAX (PAT)
19%

2023-24 / LKR 103 Mn
2022-23 / LKR 87 Mn

TOTAL ASSETS
44%

2023-24 / LKR 12,650 Mn
2022-23 / LKR 8,792 Mn

TOTAL LOANS AND ADVANCES TO CUSTOMERS
20%

2023-24 / LKR 8,543 Mn
2022-23 / LKR 7,124 Mn

INVESTMENT
252%

2023-24 / LKR 3,176 Mn
2022-23 / LKR 903 Mn

DEPOSITS FROM CUSTOMERS
49%

2023-24 / LKR 5,204 Mn
2022-23 / LKR 3,487 Mn

TOTAL EQUITY
3%

2023-24 / LKR 2,932 Mn
2022-23 / LKR 2,835 Mn

Operational Highlights

- Credit Rating: Achieved an AA- (Outlook Stable) rating from Fitch Ratings, underscoring our financial stability and strong operational performance.

- Financial Performance: Recorded a 31% year-over-year (YoY) increase in Profit Before Taxes (PBT), reflecting robust growth and effective financial management.

- Workplace Excellence: Recognized as a "Great Place to Work" for the fifth consecutive year, highlighting our commitment to employee satisfaction and a positive work environment.

- Deposit Growth: Experienced a remarkable 49% growth in our deposit base, alongside effective management of non-performing loans (NPLs).

- Branch Expansion: Strategically expanded our branch network across the island to enhance customer convenience and accessibility.

- Payment Solutions: Introduced convenient payment methods, including online fund transfers and cash or cheque deposits via Cash Deposit Machines (CDMs).

- Green Initiatives: Contributed to the green revolution in the automotive sector by providing financing options for electric vehicles, supporting environmental sustainability.

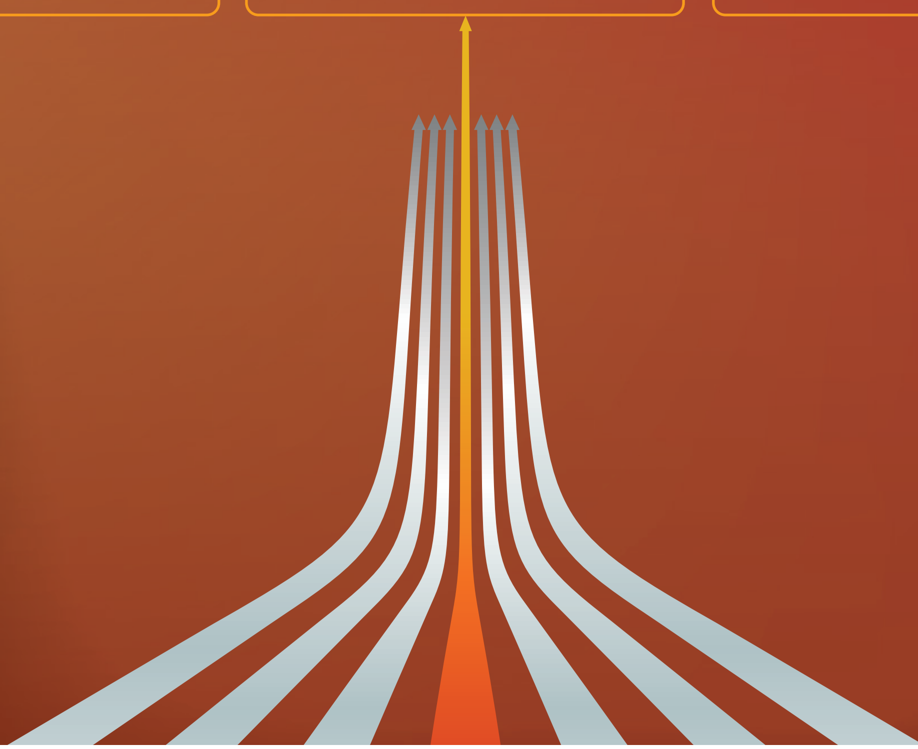
- Customer Service Excellence: Maintained a 0% complaint rate in customer service operations, demonstrating our commitment to exceptional customer experiences.

- Human Resources: Recognized top performers and implemented technology-driven HR solutions, including strategic talent sourcing from educational institutions.

- Sustainability Efforts: Implemented robust monitoring mechanisms to track resource consumption, showcasing proactive steps towards reducing our environmental footprint and promoting sustainable practices.

- Digital Transformation: Advanced our digitization journey with the acquisition of loan management system source code enhancing our technological capabilities.

- Customer Support: Revamped our Customer Call Centre with a state-of-the-art, customized CRM system hosted on the cloud, improving our customer service infrastructure.



Our Journey

2023/24

- MIFL marked the 12th year Anniversary in the month of March 2024
- Awarded as a "Great Place to Work "for the 5th Successive year
- Opened 5 new branches in the financial year (Ratnapura/Matale/Hatton/Piliyandala/Kaduruwela) making the total branch strength 32.
- Rated AA- (OUTLOOK STABLE) by Fitch Ratings, becoming one of the few to be thus endorsed
- Achieved 5Bn Fixed deposit customer portfolio and 4.5 Bn Gold loan portfolio

2022/23

- Opened seven new branches, increasing the footprint to 27.
- Upgraded, rebranded, and relocated the Call Centre to Negombo to enhance the service to customers.
- Rated AA- (Watch Negative) by Fitch Ratings, becoming one of the few to be thus endorsed.
- Awarded as a "Great Place to Work" for the 4th successive year.

2021/22

- In July, MMFSL became the parent company of MIFL with the acquisition of a 58.20% share.
- Opened eight new branches amidst the pandemic and the economic crisis, in Welimada, Chunnakam, Nelliadi, Kaduwela, Ja-Ela, Kadawatha, Galle and Kuliyapitiya
- Marked the completion of 10 years in business in March 2022.
- IFL was rebranded as Mahindra Ideal Finance Co Ltd. (MIFL) in January 2022 to reflect the acquisition by MMFSL.
- Achieved an AA- (Outlook Stable) by Fitch Ratings with effect from 26 July 2021.

2020/21

- Opened two branches in Vavuniya , and Gampaha despite the pandemic, and relocated the Elpitiya Branch to serve our customers better.
- Achieved LKR 1 Bn in gold loans.
- Achieved the highest profits to date with a net profit of LKR 184.4 Mn and the deposit base reached LKR 920.94 Mn and a revenue of LKR 1 Bn.
- BB-(LKA) rating watch positive by Fitch rating since 10 June 2020.

2019/20

- MMFSL partners with IFL as the second largest shareholder.
- IFL is able to achieve the Capital Adequacy Ratio mandated by the regulator.

2018/19

- Opened branches in Kandy and Matara expanding our branch network to 10.

2017/18

- Jaffna and Monaragala branches were relocated to improve customer service.

2016/17

- IFL opened its 6th branch in Monaragala.

2015/16

- Gold loans, business and personal loans were introduced.
- IFL earned the affirmation of being a sustainable ongoing finance business from Fitch Ratings with a B+(lka) Stable rating.

2014/15

- Income derived was LKR 175 Mn, and at year end the portfolio was LKR 737 Mn, and the deposit base was LKR 170 Mn net profit earned was LKR 28.9 Mn.

2013/14

- SME sector was given a significant place in the lending activities.
- Branches were opened in Anuradhapura, Elpitiya, Embilipitiya, Jaffna, and Kurunegala as well as a service centre in Bandarawela.

2012/13

- IFL Commences operations in March 2012.
- Portfolio: LKR 285.9 Mn
- Deposit base: LKR 48.8 Mn
- Main products were Finance Lease, Hire Purchase and Micro-leases.

LEAP AHEAD

Leap ahead to new heights of professionalism and efficacy

The Company experienced a substantial uptick in total income, soaring by 20% year-over-year to reach LKR 2,309 million, as compared to LKR 1,924 million in FY 2022-23.

I am delighted to welcome you to the Annual General Meeting of Mahindra Ideal Finance Limited (MIFL). It is my privilege to present the Annual Report and Audited Financial Statements for the fiscal year ending March 31, 2024. This comprehensive report highlights our financial performance, strategic initiatives, and operational achievements over the past year.

PERFORMANCE

At the start of the year, the Company set ambitious goals aligned with the prevailing economic environment. However, the lingering effects of the prior year's economic crisis necessitated a reassessment of these objectives. By strategically realigning its targets, the Company ensured it remained agile and responsive to evolving market dynamics.

Despite this negative environment, the Company achieved a remarkable post-tax profit of LKR 103.3 million, marking a 19% increase from the previous year's profit of LKR 86.9 million. This notable performance underscores the Company's resilience and ability to thrive in challenging conditions. Moreover, the Company experienced significant growth in its total assets, which increased by LKR 3,858 million to reach LKR 12,650 million. This expansion highlights the Company's robust financial health and its capability to navigate a volatile and unpredictable environment effectively.

The Sri Lankan economy faced significant challenges in the first two quarters of 2023, marked by a contraction due to the lingering effects of the economic slowdown and the uncertainties across social, political, and economic spheres. High inflation, monetary tightening, and fiscal measures contributed to a reduction in aggregate demand during this period.

However, the latter part of the year brought signs of gradual recovery, with all three key sectors showing growth in the third and fourth quarters. According to the National Accounts Estimates from the Department of Census and Statistics, the Sri Lankan economy recorded an annual contraction of 2.3% in 2023, largely driven by the substantial decline in the first half of the year. Despite these challenges, the emerging recovery indicates a resilient trajectory moving forward.

The Licensed Finance Companies (LFCs) sector experienced a 5.6% year-on-year contraction in its loans and advances portfolio, amounting to Rs. 1.1 trillion by the end of Q3. This is in stark contrast to the 14.5% growth observed in 2022. The sector faced numerous challenges, including vehicle import restrictions and adverse economic conditions, which significantly impacted leasing and hire purchase activities. Consequently, there was a strategic shift towards pawning advances.

While pawning experienced robust growth in 2021 and 2022, 2023 saw a slowdown due to reduced consumer spending amid high inflation. This trend highlights the risks associated with the volatility of gold prices, presenting emerging challenges for the sector.

During this period, LFCs increased their exposure to sovereign investments, with holdings in Government securities rising from 6.7% to 11.6% of total assets by the end of Q3 2023. This shift was driven by the attractive yields offered by these securities. Additionally, there has been a noticeable change in investment preferences within the sector, particularly towards long-dated Government securities. This strategic realignment reflects a cautious approach to navigating the current economic landscape and seeking stable returns amid market uncertainties.

During FY 2022/23, the Company temporarily halted its leasing operations. However, in FY 2023/24, we resumed leasing disbursements with a prudent and phased approach. Encouraged by positive market feedback, we steadily increased our leasing activities each month, allowing us to adapt to market conditions and optimize our operations effectively.

In addition, our focus on gold loans continued to play a critical role in our financial success. By prioritizing this segment, we achieved a significant 14% increase in overall disbursements. This balanced strategy of carefully reintroducing leasing while emphasizing gold loans has fortified our market position and driven our financial growth for the year.

The Company experienced a substantial uptick in total income, soaring by 20% year-over-year to reach LKR 2,309 million, as compared to LKR 1,924 million in FY 2022-23. This remarkable surge can be attributed to the resumption of lease and loan disbursements, coupled with the expansion of the gold loan portfolio over the financial year. The lease and loan portfolio expanded by 27% throughout the year, reaching LKR 4,038 million, while the gold loan portfolio witnessed a commendable 14% year-over-year growth, reaching LKR 4,505 million.

Furthermore, other operating income demonstrated a modest increase of 37%, reaching LKR 145 million by the end of the fiscal year. Net Interest Income (NII) exhibited positive growth indicators, appreciating to LKR 1,091 million, marking a substantial 24% year-over-year increase. This upward trajectory in NII was primarily fueled by a 41% increase in overall disbursements compared to the previous year, coupled with the Company's ability to secure funds at competitive rates from financial institutions. Operating income also displayed robust growth, expanding by 24% over the same period, showcasing the Company's resilience and adept management amidst dynamic market conditions.

MIFL'S WORKPLACE EXCELLENCE

Our partnership with Mahindra and Mahindra Financial Services Limited (MMFSL), India, which commenced in 2021 marked a significant milestone for our company. Despite prevailing economic contractions and a nationwide credit rating downgrade, Mahindra Ideal Finance Limited (MIFL) stood out as one of the select Licensed Finance Companies (LFCs) to maintain its credit rating at AA-(lka) with an 'Outlook Stable' designation by Fitch Ratings.

This commendation of our creditworthiness and financial sustainability, made possible through our collaboration with MMFSL, has played a pivotal role in our ability to secure funding from leading international financial institutions at competitive rates. This achievement is particularly noteworthy considering the myriad challenges that have beset the entire industry. It underscores our resilience and strategic positioning in navigating through turbulent economic landscapes while further solidifying our reputation as a reliable partner for both depositors and investors alike.

I am pleased to announce that for the fifth consecutive year, Mahindra Ideal Finance Limited (MIFL) has been honored with the esteemed title of "Great Place to Work," as voted by our dedicated employees in the survey conducted by Great Place to Work Sri Lanka. This consistent recognition serves as a testament to the supportive environment and positive workplace culture we have diligently cultivated over the years.

Our success in earning this title can be attributed to several key factors. Firstly, our welcoming and open culture fosters collaboration, innovation, and mutual respect among our employees. We prioritize diversity and inclusion initiatives to ensure that everyone feels valued and empowered to contribute their unique perspectives.

Furthermore, our adaptability to rapidly changing market conditions demonstrates our commitment to staying ahead of the curve. We view change as an opportunity for growth and evolution, constantly seeking new ways to enhance and innovate within our industry.

Overall, these accolades not only validate our ongoing efforts to cultivate a positive work environment but also inspire us to continue striving for excellence in everything we do. We take immense pride in being recognized as a "Great Place to Work" and remain dedicated to maintaining this reputation for many years to come.

STRENGTHENING OUR GOVERNANCE AND SUSTAINABILITY

Building on the initiatives we implemented last year, MIFL remains steadfast in upholding the highest standards of governance, which we recognize as indispensable for creating long-term value for our stakeholders. Our Board continues to set the tone at the top, promoting professional standards and corporate values that cascade through Senior Management and all employees. We are proud to report that MIFL has maintained strict adherence to all provisions of our Code of Conduct.

The governance mechanisms and best practices we adopted last year from our parent company, MMFSL, have been instrumental in strengthening our operations. A significant initiative that continues this year is the maintenance of a one-month liquidity buffer at all times. Additionally, our Board has been enriched by the ongoing inclusion of four Directors from the MMFSL Board, who bring their expertise in risk management, finance, and marketing. These Directors play an active role in all subcommittees, including Audit, Risk, and Remuneration.

We have also continued to formalize structures and frameworks for implementing our Environmental, Social, and Governance (ESG) sustainability agenda. This year, we are further enhancing our ability to translate ESG principles into effective and impactful actions through more concrete mechanisms.

These ongoing efforts have significantly strengthened our company, ensuring that MIFL continues to drive sustainable growth and create lasting value for all stakeholders. Our dedication to excellence and integrity remains unwavering as we build on the strong foundation laid by last year's initiatives.

LOOKING AHEAD

As we step into the new financial year with renewed hope and optimism, it is expected that the existing macro-financial vulnerabilities will dissipate. The anticipated improvements in the macroeconomic landscape, supported by the easing of monetary policy and continued IMF assistance, are set to foster a more stable economic environment. With declining interest rates, stabilized inflation, and a strengthening Rupee, we foresee a gradual rebound in the economy. This recovery is expected to boost domestic demand and economic activity across all industries, including the finance sector. Consequently, we anticipate an uplift in income levels and a reduction in financial strain for both households and businesses.

While the current recovery momentum is promising, its sustainability depends heavily on consistent policies and unwavering political commitment. Post-election, the business community can expect greater momentum, marking a significant step in the post-COVID recovery and setting the economy on a clear path to full recovery. Despite this positive outlook, Mahindra Ideal Finance (MIFL) will remain vigilant and prepared to navigate any unforeseen challenges, especially with the upcoming elections. Building on our past successes, we are confident in our ability to create greater value for our stakeholders. Our progress will be underpinned by our resilient capital base, strong stakeholder relationships, and strategic agility in adapting to changing environments and an evolving business landscape.

At the heart of our vision for the future lies a comprehensive strategic roadmap. This ambitious blueprint sets the stage for MIFL to enter a transformative phase of growth and prosperity, all while safeguarding stakeholder value. Grounded in a profound understanding of market dynamics and customer needs, our strategy encompasses a series of targeted initiatives aimed at bolstering our market presence, diversifying our product offerings, and fortifying our competitive edge. Our growth strategies will focus on exploring new dimensions and lucrative segments, delivering distinct products and services tailored to evolving customer demands. We will maintain our unwavering dedication to cost optimization and productivity improvement across core business lines, emphasizing the leaner branch concept that we have successfully adopted.

As we navigate towards new frontiers, MIFL remains committed to embracing technological progress as a cornerstone for future success. We will continue to allocate resources to enhancing our technological infrastructure to drive operational efficiency, improve productivity, and elevate the customer experience. In all our endeavors, we will stay true to our core values and principles, advocating for transparency, accountability, and ethical business practices. With a clear strategic vision, a culture of innovation, and steadfast dedication to responsible growth, we are confident in our ability to deliver enduring value and achieve our aspired future success.

ACKNOWLEDGEMENTS

I would like to extend my heartfelt gratitude to my colleagues on the Board for their collective wisdom, guidance, and unwavering support. My deepest appreciation goes to our CEO and the dedicated team whose spirit of progress and resilience has driven the company forward during these challenging times. Their focused approach, passion, and commitment have been invaluable.

I also wish to express my gratitude to the Governor of the Central Bank of Sri Lanka and the officials of the Division of Supervision of Non-Bank Financial Institutions, as well as other regulatory authorities, for their support and understanding, and for the vital role they play in our industry.

Additionally, I am grateful to our shareholders, customers, business partners, and other stakeholders for their trust and confidence in us. Your continued support inspires us to continually raise the bar and strive for excellence.

Nalin J Welgama
Chairman

18 April 2024

Chief Executive Officer's Review

> **The Company's financial performance for the year has been robust, marked by a significant improvement in our Profit Before Taxes (PBT), which increased by 31% year-over-year (YoY)**

During the year under review, Mahindra Ideal Finance showcased its remarkable agility, corporate strength, and capacity, successfully navigating through a period marked by economic volatility. Despite these challenges, we pursued steady growth with determination. Our approach was fueled by renewed optimism, allowing us to adapt to the changing business climate with vigor. We strategically expanded our reach, enhancing the vibrancy and competitiveness of our operations and product offerings.

Our financial expertise, characterized by stability and security, played a crucial role in fortifying our market position. This foundation enabled us to deliver strong financial performance for the year 2023/24, marked by significant improvements across all key metrics. These achievements underscore our unwavering dedication and our ability to swiftly adapt and recalibrate in response to prevailing macroeconomic challenges.

Our commitment to embracing change and driving growth was evident as we navigated through a period of strategic transition. We focused on enhancing our product mix and expanding our operational spectrum, ensuring that we remained competitive in a dynamic market environment. The solid financial results we achieved during the year are a testament to our strategic vision, operational excellence, and resilience.

As we move forward, we remain dedicated to building on this momentum, leveraging our strengths, and capitalizing on new opportunities. Our goal is to continue delivering value to our stakeholders, maintaining our market leadership, and ensuring sustained growth and success. The year 2023/24 stands as a testament to our ability to overcome challenges, adapt to changing conditions, and emerge stronger, setting the stage for continued progress in the years to come.

ECONOMIC LANDSCAPE

In the face of significant obstacles amidst a tumultuous economic environment in the preceding year, Sri Lankans entered 2023 with cautious optimism, hoping for economic revival and prosperity. However, the initial months of the year remained challenging due to a global economic downturn and lingering effects from the 2022 crisis, which continued to threaten the domestic economy. Despite these difficulties, the easing of the monetary policy stance and financial support from the International Monetary Fund (IMF) helped foster a recovery in the latter half of the year. The third and fourth quarters saw GDP growth of 4.5% and 1.6% year-on-year respectively, driven by declining inflation and increased exchange rate stability, signaling a gradual but noticeable recovery.

Throughout this period, the Non-Banking Financial Institution (NBFI) sector faced ongoing challenges from the post-COVID economic upheaval of 2022. Demand for credit remained subdued due to continued pressure on the debt repayment capabilities of households and businesses. Additionally, tax increases on income and Value Added Taxes starting in 2024 further strained finances, reducing disposable income and contracting credit demand, which in turn pressured sector profitability. As the year progressed, the easing of monetary policy, reflected in the steady decline in policy rates, gradually helped the NBFI sector regain momentum.

GROWTH STRATEGY

From the outset of this year, we focused on strengthening our team and pushing the boundaries of our capabilities to unlock new avenues for growth and innovation. We prioritized operational excellence and productivity while keeping solid investor returns as a primary objective. Our strategic blueprint aims to place MIFL's revenues and profitability on a steady upward trajectory, capitalizing on opportunities from the economic resurgence and anticipating evolving customer needs and industry trends.

Our comprehensive growth strategy encompassed innovative product development, entry into new markets, fortifying our resource strength, and forging strategic partnerships to enhance our competitive advantage. In response to persistent import restrictions, we deepened our penetration into the Gold-backed lending segment as part of our overall portfolio risk diversification strategy, expanding Gold operations across our branch network. This year, we accelerated our branch expansion initiative, seamlessly integrating three new branches into our island-wide network, enriching our brand presence with over 32 locations. We maintained our commitment to a low-cost, lean branch concept to fast-track branch profitability. This consolidation across key strategic hubs has built a solid platform for future growth and sustained market share amidst competition.

Customer centricity remained the cornerstone of our operations. We focused on enhancing the customer value proposition, taking proactive measures to improve customer experience and exceed expectations. Throughout the year, we broadened our product mix, exploring innovative ways to differentiate our services from those of our peers. Our relentless pursuit of excellence involved benchmarking our productivity against industry standards, investing in technology enhancements, and boosting talent and staff skills to excel in all areas.

FINANCIAL PROWESS

The company's financial performance for the year has been robust, marked by a significant improvement in our Profit Before Taxes (PBT), which increased by 31% year-over-year (YoY). Our PBT rose from LKR 153 million in the previous year to LKR 201 million. This upward trend in profitability extended to our post-tax figures, with profit after tax showing an impressive 19% increase, climbing to LKR 103 million compared to LKR 87 million in the prior year.

This enhanced profitability has positively impacted our earnings per share (EPS), which rose to LKR 0.71, up from LKR 0.60 in FY 2022/23. The consistent growth in both pre-tax and post-tax profits underscores our strong financial performance and our ability to generate increased returns for our shareholders. The year-over-year improvements in PBT, profit after tax, and EPS highlight the effectiveness of our strategies and operational efficiencies over the fiscal year.

Furthermore, our Return on Assets (ROA) before tax improved to 3.4% in FY 2023/24, up from 3.0% in the previous fiscal year. This positive change reflects our enhanced efficiency in utilizing our assets to generate earnings. Additionally, while our Return on Equity (ROE) for the year was recorded at 3.6%, it did not meet our desired level, and we recognize the need for continued focus on this area.

Overall, these metrics indicate a solid financial performance and effective management strategies that have contributed to the company's growth. Our commitment to driving profitability and delivering value to our shareholders remains steadfast, and we are confident in our ability to continue this trajectory in the coming years.

OUR WINNING TEAM

Despite facing challenges in staffing due to increased overseas skilled migration across the sector, MIFL remained committed to retaining our top talent. We recognized the importance of enhancing productivity across all business areas, and therefore, we focused on providing a conducive learning and development environment while offering opportunities for multitasking to meet business demands and mitigate staff attrition.

Through strategic re-evaluation, we emphasized promoting the right skill sets to enhance team capabilities and took proactive steps to redeploy staff to active business lines, eliminating excess resources. By fostering a culture of adaptability and versatility, our aim was to strengthen our resilience in the face of evolving dynamics. Throughout these efforts, we remained steadfast in our dedication to fortifying our core competencies and competitiveness in the market.

These initiatives underscore our commitment to nurturing talent, enhancing operational efficiency, and ensuring our readiness to navigate through changing industry landscapes. As we move forward, we will continue to prioritize investments in our people and processes to sustain our growth trajectory and drive long-term success.

ACCOLADES

I am delighted to announce that for the fifth consecutive year, MIFL has proudly received the esteemed title of "Great Place to Work," as voted by our dedicated employees in the survey conducted by Great Place to Work Sri Lanka. This recognition is not just a title; it is a reflection of the supportive environment and positive workplace culture we have cultivated together over the years.

Our consistent achievement of this accolade is a testament to the collective efforts of our entire team. It underscores the commitment we have to fostering a workplace where every individual feels valued, respected, and empowered to reach their full potential. We believe that a great workplace is built on the foundation of trust, collaboration, and open communication, and these principles have guided us in creating an environment where innovation and creativity can thrive.

I would like to extend my heartfelt gratitude to all our employees for their unwavering dedication and for contributing to the vibrant and inclusive culture that defines MIFL. Your feedback through the Great Place to Work survey is invaluable, and it helps us continually improve and evolve as an organization. Together, we will continue to strive for excellence, ensuring that MIFL remains a place where everyone feels proud to work.

Thank you for being a part of this remarkable journey and for helping us achieve this prestigious recognition once again.

STRATEGIC EMPHASIS ON GOVERNANCE

We stand as an organization built on the pillars of strong fundamentals and a robust governance framework. In our relentless pursuit of excellence, we have placed significant emphasis on further fortifying our corporate procedures to ensure full compliance with Direction No. 05 of 2021 on Corporate Governance under the finance business act.

Our commitment to transparency and accountability has been unwavering, and this year, we have taken proactive measures to enhance our governance practices. By strengthening our corporate procedures, we aim to not only meet regulatory requirements but also to exceed industry standards, setting a benchmark for ethical conduct and sound governance practices.

In light of the dynamic and evolving nature of the financial industry, risk management has become increasingly critical. To address this challenge, the Board, along with its Sub-Committees and Management, has embraced effective risk management practices. This includes the implementation of robust risk assessment methodologies, and scenario analysis. By conducting thorough evaluations and proactively identifying potential risks, we are better equipped to mitigate adverse impacts and seize opportunities for growth.

Furthermore, our commitment to risk management extends beyond mere compliance; it is ingrained in our organizational culture. We encourage a proactive and vigilant approach to risk identification and mitigation at all levels of the organization, fostering a culture of risk-awareness and accountability.
As we navigate through an ever-changing landscape, characterized by both challenges and opportunities, our dedication to upholding the highest standards of corporate governance and risk management remains steadfast. By prioritizing integrity, transparency, and prudent risk management practices, we are not only safeguarding the interests of our stakeholders but also laying a strong foundation for sustainable growth and long-term success.

NAVIGATING ECONOMIC RECOVERY AND BUSINESS OPPORTUNITIES

As the Sri Lankan economy sets on a trajectory of recovery and growth, we maintain a positive outlook on the progress achieved in macroeconomic stabilization and the emerging opportunities for the business community.

The anticipated bounce-back of the Sri Lankan economy to pre-COVID growth levels and beyond in the medium term is promising. Factors such as the gradual increase in tourism, stabilization of inflationary pressures, exchange rate stability, easing monetary policy, and improving foreign exchange reserves contribute to this optimism. The ongoing debt restructuring process, supported by the IMF extended loan facility program, further reinforces this positive momentum.

In the near term, upcoming elections and global unrest, coupled with rising oil prices and slowing world demand amidst inflationary pressures in advanced economies, may present temporary shocks to the Sri Lankan domestic market. However, in the medium term, we anticipate the global economy to stabilize post-COVID, paving the way for increased opportunities in the domestic market.

To enhance operational efficiency and control cost escalations, we are committed to a cost optimization drive, focusing on deploying scalable concepts for leaner and more agile operations at the branch level. Investing in skill development and talent retention is paramount to drive productivity amidst evolving market dynamics. We anticipate the financial industry to evolve towards sophisticated offerings tailored to changing customer behavior.

Through these strategic initiatives, we are well-positioned to navigate the evolving landscape with resilience and foresight, ensuring the enduring success and stability of our initiatives. As a responsible corporate entity, we remain firmly committed to delivering sustainable value to all our stakeholders, including customers, employees, and business partners.

ACKNOWLEDGEMENT

I extend my heartfelt gratitude to our esteemed Chairman and the Board of Directors for their exemplary leadership and unwavering guidance throughout the year. Their confidence in our vision has been instrumental in steering us through both challenges and triumphs.

As we draw the curtains on another year, one marked by formidable obstacles and remarkable achievements, I am deeply grateful to my exceptional management team and dedicated employees. Their tireless commitment, boundless talents, and unwavering passion have been the cornerstone of our success, propelling us forward even in the face of adversity.

I also extend my sincere appreciation to our valued customers, suppliers, business partners, shareholders, and other stakeholders. Your resilience and unwavering support have been nothing short of inspiring. Together, we have weathered storms and navigated turbulent waters, confident that our perseverance through tough times will pave the way for growth, prosperity, and a new era of success.

As we look ahead with optimism and determination, I am confident that our collective efforts will lead us to even greater heights. With your continued support and collaboration, we are poised to not only survive but thrive, charting a course towards sustained growth and excellence.

Duminda Weerasekare
Chief Executive Officer

18 April 2024

LEAP AHEAD

to strategic formulations for long term growth

Operating Environment

GLOBAL ECONOMY

Throughout the fiscal year 2023/24, the global economy exhibited remarkable resilience in overcoming various challenges, including the aftermath of the COVID-19 pandemic, geopolitical tensions, and significant cost-of-living pressures. Despite these obstacles, concerted efforts were undertaken to stabilize the economic environment, including the implementation of tightening monetary policies worldwide. Consequently, there was a gradual enhancement observed in both headline and underlying core inflation indicators during the review period..

However, the global economy encountered additional disruptions, particularly in energy and food markets, as a consequence of ongoing conflicts. These disruptions, coupled with the unprecedented tightening of global monetary conditions aimed at combating persistently high inflation levels, contributed to a projected slowdown in global economic growth. Expectations indicated a decrease from the 3.5% growth rate observed in 2022 to 3.0% in 2023, a figure notably below the historical average of 3.8%.

Despite the anticipated deceleration in economic growth, there remained optimism for stability and recovery. Global inflation, while still a significant concern, was forecasted to decrease from 8.7% in 2022 to 6.9% in 2023 on a year-on-year basis. These trends underscored the resilience of the global economy and highlighted the ongoing efforts to navigate through a complex and challenging economic landscape.

(Source: IMF World Economic Outlook - October 2023)

LOCAL ECONOMY

Economic Growth

The Sri Lankan economy experienced a contraction in the first two quarters of 2023, influenced by the ramifications of the economic slowdown, coupled with social, political, and economic uncertainties. High inflation, monetary tightening, and fiscal measures led to a decrease in aggregate demand during this period. However, signs of gradual recovery emerged in the latter part of the year, with all three key sectors showing growth in the third and fourth quarters. According to the National Accounts Estimates published by the Department of Census and Statistics, the Sri Lankan economy recorded an annual contraction of 2.3% in 2023, primarily attributed to the significant decline reported in the first and second quarters.

Inflation Outlook

Following a rapid disinflation process, inflation reached lower single-digit levels towards the end of 2023. However, an interim rise in inflation occurred during early 2024, primarily driven by the implementation of Value Added Tax (VAT) adjustments in January 2024. Nonetheless, data from early 2024 suggests that the direct impact of the VAT change on inflation and its secondary effects may not be as substantial as initially anticipated, given the subdued demand. Additionally, the effects of this tax increase are expected to be partly offset by significant downward revisions to electricity tariffs effective from March 2024 and a moderation in food prices. These factors contributed to a considerable reduction in inflation observed in March 2024, and according to current projections of the Central Bank, they are anticipated to keep inflation below the 5% target during the second quarter of 2024.

Exchange Rate: Following the foreign exchange liquidity crisis witnessed in 2022, notable improvements were observed in 2023. These improvements were attributed to several factors, including the finalization of the International Monetary Fund (IMF) Extended Fund Facility, increased inflows through workers' remittances, and improved tourist earnings. Import restrictions also played a role in preserving liquidity. Consequently, the exchange rate stabilized, with the Sri Lankan Rupee appreciating against the USD throughout the year. By the end of 2023, the exchange rate stood at Rs. 327.294. However, this trend reversed slightly, dropping to 301.18 by the end of 2024.

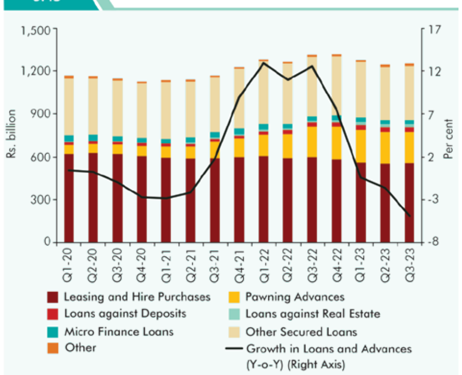
External Sector: The cumulative deficit in the trade account in 2023 narrowed to the lowest since 2010, amounting to USD 4.9 billion, down from USD 5.2 billion in 2022. However, earnings from merchandise exports declined by 9.1% year-on-year (YoY) in 2023, primarily driven by a decrease in industrial exports led by garments. Meanwhile, expenditure on merchandise imports recorded a YoY decline of 8.1% in 2023, resulting from restrictions on non-urgent imports, reduced economic activities, and lower public spending capacity due to tight monetary conditions.

Interest Rates: The Central Bank of Sri Lanka initiated a monetary policy easing from June 2023, aiming to stimulate the economy following the significant contraction observed in 2022 and alleviate pressures in the financial markets. Consequently, market interest rates experienced a notable decline, further supported by the reduction in risk premiums following the finalization of the Domestic Debt Optimization (DDO) program.

Financial Sector: The financial sector, which confronted challenging macro-financial circumstances in recent years, exhibited signs of recovery and stabilization in the later part of 2023. The resilience of the financial sector is anticipated to improve further as macroeconomic vulnerabilities dissipate in the foreseeable future. The emergence of fragilities and uncertainties within the financial sector prompted the Central Bank to implement various policy measures and initiate structural reforms aimed at preserving and enhancing the resilience of both the economy and the financial sector. With the relaxation of monetary conditions, evidenced by declining interest rates and the reduction of uncertainty reflected in interest rate adjustments, credit extended to the private sector is projected to rebound in 2024 following the contraction experienced in 2023.

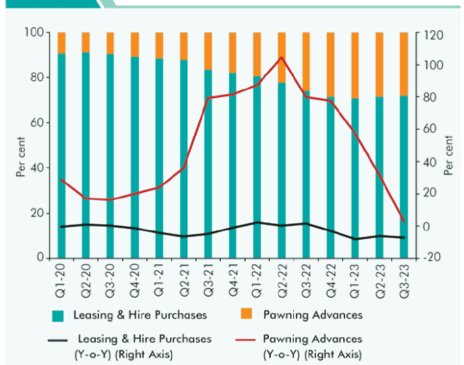
Sri Lanka's Non- Bank Financial Institution (NBFI) Sector: The loans and advances portfolio of the Licensed Finance Companies (LFCs) sector contracted by 5.6% year-on-year to Rs. 1.1 trillion by the end of Q3 2023, compared to a 14.5% growth in 2022. Challenges like vehicle import restrictions and adverse economic conditions impacted the sector's leasing and hire purchase business, prompting a shift towards pawning advances. While pawning saw significant growth in 2021 and 2022, there was a noticeable slowdown in 2023 due to reduced consumer spending amid inflation. This shift poses risks due to the volatility of gold prices, highlighting emerging challenges for the sector.

Figure 3.45 Loans and Advances



Source: Central Bank of Sri Lanka

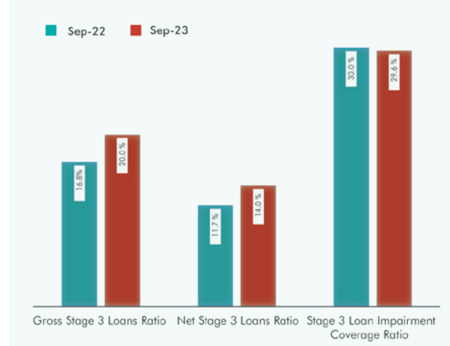
Figure 3.46 Pawning vs. Leasing Portfolio



Source: Central Bank of Sri Lanka

The asset quality of the sector, measured by Stage 3 Loans to Total Loans, worsened throughout the year ending Q3 2023. Both the Gross and Net Stage 3 Loans Ratios increased to 20% and 14%, respectively, by the end of Q3 2023, up from 16.8% and 11.7% in Q3 2022, indicating a decline in asset quality and higher susceptibility to credit risk. This deterioration can partly be attributed to regulatory changes mandating the adoption of a 90-day past due classification for non-performing loans from April 1, 2023. However, the Stage 3 Impairment Coverage Ratio decreased to 29.6% by the end of Q3 2023, compared to 30.0% in Q3 2022. Given the significant exposure of many LFCs to stage 3 loans relative to their capital, it's advisable for the sector to bolster impairment coverage to withstand potential credit shocks.

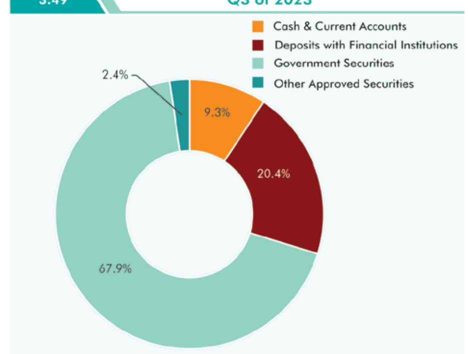
Figure 3.47 Asset Quality Indicators



Source: Central Bank of Sri Lanka

The sector maintained a strong liquidity position, surpassing the minimum regulatory threshold with a surplus of Rs. 150 billion, largely attributed to increased investments in Government securities. As of the end of Q3 2023, the total regulatory liquid assets available amounted to Rs. 251.9 billion, well above the mandated minimum of Rs. 101.9 billion. Government securities comprised the majority, representing 67.9% of the sector's liquid assets. Despite an overall surplus, a few companies experienced challenges meeting the minimum liquidity requirement.

Figure 3.49 Composition of Liquid Assets at end Q3 of 2023



Source: Central Bank of Sri Lanka

During this period, LFCs increased their exposure to the sovereign, with investments in Government securities rising from 6.7% to 11.6% of total assets by the end of Q3 2023. This shift was driven by the attractive yields offered by Government securities. Additionally, there has been a notable change in the investment preferences of the sector, particularly towards long-dated Government securities. While LFCs are less exposed to sovereign risk compared to banks, the increasing trend in investments in Government securities indicates a growing tilt towards sovereign investments.

Stable funding sources saw an uptick, reducing funding risks for the sector. Capital and deposits increased, while borrowings decreased during the review period. The successful implementation of the Consolidation Masterplan boosted sector confidence, leading to increased capital, improved deposit growth, and reduced borrowings. Consequently, Borrowings to Total Liabilities dropped from over 28.9% to 19.4% by the end of Q3 2023. However, with falling interest rates due to monetary policy easing, deposit growth may reverse, and borrowings may decline.

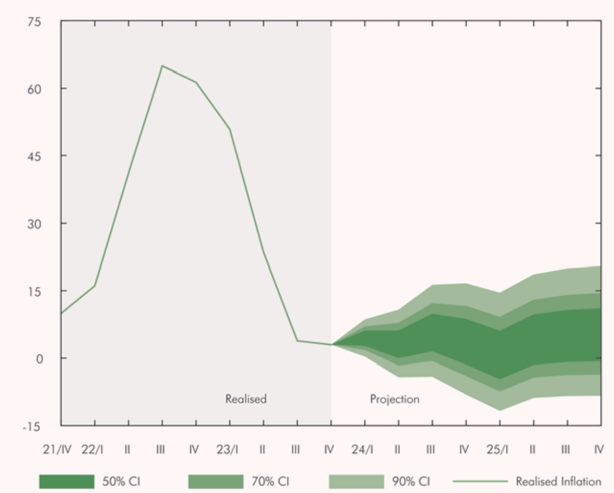
Figure 3.50 Investments in Government Securities as a Share of Total Assets

Source: Central Bank of Sri Lanka

OUTLOOK

The trajectory for headline inflation in the latter half of the year may be influenced by subsequent revisions to electricity tariffs and monthly adjustments to fuel and gas prices. However, inflation is projected to hover around the 5 per cent target, on average, throughout 2024. Based on current information, inflation is expected to experience a brief decline in early 2025, primarily due to the favourable base effect associated with the previous increase in inflation resulting from tax adjustments and notable food inflation in early 2024, in the absence of significant demand pressures. Meanwhile, core inflation is forecasted to increase in the upcoming quarters, largely attributed to changes in the VAT structure despite subdued demand conditions. This expected trajectory of core inflation is further influenced by the exclusion of energy-related expenses from the core consumption basket and the relatively high persistence typically observed in core inflation. Similar to headline inflation, core inflation is anticipated to follow a declining trend in early 2025, partially influenced by the favourable base effect, albeit to a lesser extent than headline inflation. However, core inflation is expected to stabilize around mid-single-digit levels over the medium term, supported by appropriate policy measures.

Figure 3.1 Headline Inflation Projections CCPI* (quarterly average, year-on-year, %)



*Realised data up to Q4 2022 shown in the fan chart are based on CCPI (2013=100, seasonally adjusted), while data after this period are based on CCPI (2021=100, seasonally adjusted).

Note: A forecast is neither a promise nor a commitment

The projections reflect the available data, assumptions and judgements made at the forecast round in March 2024.

The fan chart illustrates the uncertainty surrounding the baseline projection path using confidence bands of gradually fading colours. The confidence intervals (CI) shown on the chart indicate the ranges of values within which inflation may fluctuate over the medium term. For example, the thick green shaded area represents the 50 per cent confidence interval, implying that there is a 50 per cent probability that the realised inflation outcome will be within this interval. The confidence bands show the increasing uncertainty in forecasting inflation over a longer horizon.

Source: Central Bank Staff Projections

Table 3.2

Near term Macroeconomic Projections (a)

Indicator	Unit	2022 (b)	2023 (c)	Projections 2024
Real Sector (d)				
Real GDP Growth	%	-7.3 (c)	-2.3	3.0
GDP at Current Market Price	Rs. tn	24.1 (c)	27.6	29.9
Per Capita GDP (e) (f)	USD	3,464 (c)	3,830	4,075
Total Investment	% of GDP	28.6 (c)	25.3	25.8
Domestic Savings	% of GDP	25.0 (c)	23.8	22.4
National Savings	% of GDP	27.2 (c)	27.2	26.3
External Sector (d)				
Trade Balance	% of GDP	-6.7	-5.8	-7.8
Exports	USD bn	13.1	11.9	12.9
Imports	USD bn	18.3	16.8	20.0
Current Account Balance (g)	% of GDP	-1.9	1.8	0.5
External Official Reserves	Months of Imports	1.2	3.1	3.4
Fiscal Sector				
Total Revenue and Grants	% of GDP	8.4 (h)	11.1 (d)	13.0 (i)
Expenditure and Net Lending	% of GDP	18.6 (h)	19.4 (d)	22.3 (i)
Current Account Balance	% of GDP	-6.4 (h)	-6.0 (d)	-3.2 (i)
Primary Account Balance	% of GDP	-3.7 (h)	0.6 (d)	0.8 (i)
Primary Account Balance (With Bank Recapitalisation)	% of GDP	-	-	-1.3 (i)
Overall Budget Deficit	% of GDP	-10.2 (h)	-8.3 (d)	-7.3 (i)
Overall Budget Deficit (With Bank Recapitalisation)	% of GDP	-	-	-9.4 (i)
Central Government Debt	% of GDP	114.2 (h)	103.9 (d)	110.3 (i)
Monetary Sector and Inflation				
Broad Money Growth (M_{2b}) (j)	%	15.4	7.3	15.0
Private Sector Credit Growth (in M_{2b}) (j)	%	6.2	-0.6	8.5
Annual Average Inflation	%	46.4 (k)	17.4 (l)	5.0 (l)

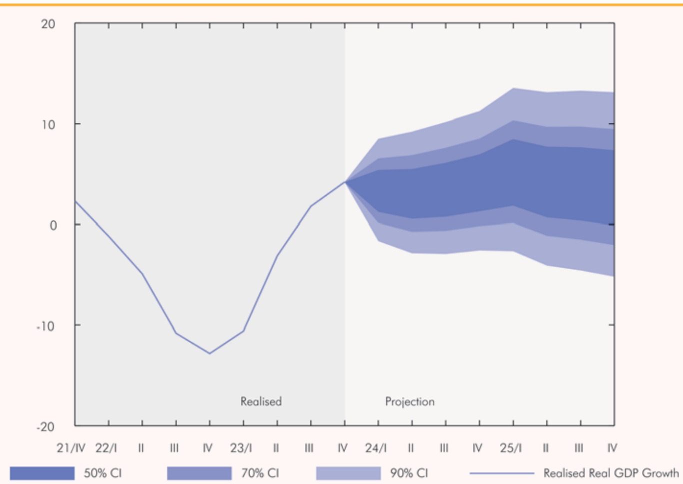
(a) Based on information available up to mid-March 2024
(b) Revised
(c) Provisional
(d) GDP estimates (base year 2015) released in March 2024 by the Department of Census and Statistics have been used
(e) Estimates updated with the latest population figures
(f) Based on quarterly GDP in USD terms calculated using quarterly average exchange rate
(g) Based on accrual basis
(h) Revised based on the latest GDP data published by the Department of Census and Statistics on 15 March 2024
(i) Projections for 2024 are based on 2023 December IMF staff report
(j) Year-on-year growth based on end year values
(k) Based on CCPI (2013=100)
(l) Based on CCPI (2021=100)

Sources: Department of Census and Statistics
Ministry of Finance, Economic Stabilization and National Policies
Central Bank of Sri Lanka

After enduring six consecutive quarters of year-on-year contractions, the economy exhibited positive performance in the latter part of 2023, signaling a sustained recovery anticipated in the forthcoming period. Projections suggest that the economy will expand by 3 per cent in 2024, benefiting from the relaxed monetary policy stance and a low inflation environment, which are gradually stimulating economic activity. The unexpected swifter recovery of the tourism sector is anticipated to bolster growth momentum in the short term, fostering positive ripple effects on other associated sectors.

Figure 3.2

Projected Quarterly Real GDP Growth (year-on-year, %)



Note: A forecast is neither a promise nor a commitment

The projections reflect the available data, assumptions and judgements made at the forecast round in March 2024.

The fan chart illustrates the uncertainty surrounding the baseline projection path using confidence bands of gradually fading colours. The confidence intervals (CI) shown on the chart indicate the ranges of values within which real GDP growth may fluctuate over the medium term. For example, the thick blue shaded area represents the 50 per cent confidence interval, implying that there is a 50 per cent probability that the realised real GDP growth will be within this interval. The confidence bands show the increasing uncertainty in forecasting macroeconomic variables over a longer horizon. Given the volatile global environment and the uncertainties in the domestic economy, the baseline forecasts are exposed to various potential upside and downside risks. Any notable change in the underlying assumptions and judgements could lead to the realised growth path deviating from the projection.

Source: Central Bank Staff Projections

Given the positive trajectory and outlook of inflation, as evidenced by available data, it is anticipated that the Central Bank will maintain an accommodative monetary policy stance in the foreseeable future, aiming to stimulate economic activity. This strategy, supported by measures to ease monetary policy, improve domestic liquidity conditions, and reduce risk premiums on government securities, is expected to lead to a normalization of market interest rates, particularly lending rates. Such normalization would alleviate financial burdens on businesses and households by lowering financing costs. The expansionary trend observed in private sector credit extension by banks since June 2023 is projected to persist, driven by improving lending rates and enhanced business sentiments, thereby fostering the anticipated resurgence in domestic economic activity.

The Central Bank's monetary policy stance will continue to be guided by data and forward-looking analysis. Adjustments to policies and strategies will be made promptly under the Flexible Inflation Targeting (FIT) framework in response to incoming data. To enhance transparency, the Central Bank will maintain open communication regarding its policies, projected macroeconomic outcomes, and likely monetary policy actions, along with the rationale behind them. This transparency aims to manage public expectations effectively, thereby contributing to overall price and macroeconomic stability.

INPUTS

Relying on the strength of our resources and relationships

FINANCIAL CAPITAL

- Equity: LKR 2,932 Mn
- Debt: LKR 3,844 Mn
- Deposit Base: LKR 5,204 Mn
- Gearing Ratio: 3.09

MANUFACTURED CAPITAL

- Branches/Touchpoints: 32
- Capex/PPE Investments: LKR 174 Mn

INTELLECTUAL CAPITAL

- Rating: AA- (by Fitch Ratings)
- New Gold loan system went live in June 2023
- Governance, ERM, Policies, Processes

HUMAN CAPITAL

- Permanent Employees: 218
- Contract/Probation: 129
- Service Over 5 Years: 59
- Average Training Hours: 0.9 Hrs
- Female Staff: 38.9%

SOCIAL AND RELATIONSHIP CAPITAL

- Number of Customers: 111,313
- Number of cumulative contracts: 371,313 (including gold loan tickets)
- Memberships in Financial Ombudsman, Finance Houses Association of Sri Lanka and the Chamber of Commerce
- Community Engagement: Stationary donated to under-priviledged schools.

NATURAL CAPITAL

- Energy Usage: 225,427 kWh
- Water Usage: 125,067 litres
- Incentives to minimise electricity and water usage across branches

VISION

MISSION

KEY STRATEGIC PRIORITIES

Organic Growth | Customer Centricity | Brand Strength

GOVERNANCE

HOW WE CREATE VALUE

Lending | Leasing | Deposit Mobilisation

VALUE CREATION ENABLERS

Call Centre | Delivery Channels | Above the Line Media

RISK MANAGEMENT

Experienced Human Capital

Gold Loans

New Branches in Rural Semi-urban Areas

OUTPUTS

Our Products and Services

- Leasing
- Fixed Deposits
- Mortgage Loans
- Pawning (Gold Loan)
- Personal Loans

OUTCOMES

Delivering sustainable value to our Stakeholders

Shareholders
- ROA: 3.58%
- ROE: 1.88%

Partner - MMFSL
- Synergy: Adoption of best practices and strengthening of Governance and Risk Management Frameworks
- Enhanced Brand Value

Customers
- Gold loan portfolio recorded a 75% growth and LKR 13,941 Mn disbursements
- Call Centre capabilities enhanced
- Zero open customer complaints
- Data Privacy/Integrity

Employees
- Total Personnel Expenses: LKR 502 Mn
- Number of Promotions: 25
- Training Hours: 225.5
- Training Programmes: 19
- Highest Recruitment in a given Year: 203
- Percentage of new Recruits who were recruited within the district: 100%

Suppliers
- Preference to local suppliers
- Providing business opportunities and improving their service level with constant engagement

Government
- Taxes Paid: LKR 231 Mn
- Zero Incidents of Non-Compliance

Community
- Imparting financial literacy and focusing on livelihood, health and education in communities

Natural Capital
- Minimising the Negative Impact of our Operations
- Reduction in Electricity Consumption
- Reduction in Water Consumption

MIFL's strategic roadmap is meticulously crafted to drive us towards our Vision of becoming the "ideal partner in creating wealth and enriching lives." Our near-term strategies are centred on enhancing customer service, with a particular emphasis on penetrating rural and semi-urban markets. We recognize the immense potential in these areas and are committed to delivering superior service to meet their unique needs.

To support this, we will leverage our strong brand equity, which has been built on years of trust and excellence, and harness the synergies from our strategic relationship with MMFSL. This collaboration enables us to offer a more comprehensive suite of services and reinforces our market presence.

FORMULATING STRATEGY

STRENGTHENING AND LEVERAGING CUSTOMER SERVICE	ORGANIC GROWTH	HARNESSING THE SYNERGIES OF MMFSL PARTNERSHIP	LEVERAGING BRAND STRENGTH
Dedicated Call Centre	Opened 5 new branches in rural and semi-urban locations	Adoption of best practices	Access to foreign banks
Trained Service Agents	Highest number of recruits in any given year	Integration of employee training programs	AA- Credit Rating (by Fitch)

At MIFL, our strategy formulation begins with a comprehensive understanding of our stakeholders' needs, ensuring that we adopt strategies that effectively address their concerns. This strategy involves prioritizing the needs and concerns of different stakeholder groups, which guides our decision-making and strategy refinement within the context of the current operating environment.
Given the turbulent conditions of the past year, we had to make certain tactical adjustments. The unprecedented challenges over the past few years have tested our resilience and ability to thrive, highlighting the strength of our business model. It was crucial to remain agile in our strategy and implementation, allowing us to respond innovatively to challenges and seize opportunities amidst these difficulties.

To ensure our strategies remain relevant, we periodically review and fine-tune them to adapt to changing circumstances. This iterative approach helps us maintain a strategic balance, addressing immediate needs while staying aligned with our long-term goals.

STAKE HOLDER ENGAGEMENT PROCESS

The stakeholder engagement process at MIFL is a comprehensive approach designed to ensure that our strategies and business processes are closely aligned with the needs and concerns of our stakeholders. The process begins with identifying the various stakeholder groups and individual representatives, followed by the creation of an initial stakeholder list. This list serves as the foundation for a high-level stakeholder assessment, where we prioritize stakeholders based on their level of influence and interest in our operations.

Once the stakeholders are prioritized, we identify the most effective communication channels for each stakeholder group. This step is crucial as it ensures that our communication is tailored to the preferences and needs of each group, facilitating better engagement and more meaningful interactions. Additionally, we determine the best methods for obtaining feedback from stakeholders, ensuring that their voices are heard and considered in our decision-making process.

Engaging with stakeholders involves implementing the communication strategies we have developed and deciding on the necessary actions based on the feedback we receive. This engagement is an ongoing process, requiring regular interaction and follow-up to maintain strong relationships and address any emerging issues or concerns.

The output of this thorough engagement process is a continuous improvement loop for our strategies and business processes. By incorporating stakeholder feedback, we can refine and enhance our operations, making them more effective and responsive to the needs of those we serve. This iterative approach not only helps us to meet our stakeholders' expectations but also strengthens our overall business resilience and adaptability in a dynamic operating environment.

IMPLEMENTING STRATEGY

Macro-Economic Factors which influenced Strategy in FY 2023-24

Challenges

- High inflation rates affecting operational costs and consumer purchasing power
- Fluctuating interest rates impacting debt management and investment decisions
- Reduced consumer spending and demand in key markets
- Focus on cost-cutting and efficiency improvements to maintain profitability
- Uncertainty and risks associated with geopolitical tensions affecting global trade
- Adjustments in market strategies to mitigate regional risks
- New regulations and compliance requirements impacting business operations
- Investments in compliance systems and processes to adhere to regulatory standards
- Rapid technological changes requiring continuous innovation and adaptation
- Increased investments in technology and digital transformation initiatives

Opportunities

- Gradual Economic Recovery: Indicates potential for growth and expansion strategies in the local economy, setting a favourable stage for implementing growth-oriented initiatives.
- Stable Inflation Outlook: Provides a conducive environment for planning and executing business strategies, ensuring stability in pricing and financial planning.
- Monetary Policy Easing: Presents opportunities for investment and expansion with reduced financing costs, facilitating easier access to capital for business growth initiatives.
- Financial Sector Stabilization: Enables businesses to access financing more readily, fostering growth and expansion, and indicates improved market conditions for financial transactions and investments.
- Liquidity Surplus: Offers opportunities for businesses to access capital and make investments, providing financial flexibility for pursuing growth-oriented projects.
- Interest Rate Normalization: Reduces financial burdens on businesses, encouraging refinancing and new investments, creating a favourable environment for borrowing and capital investment activities.
- Rising Global Gold Prices: Presents an opportunity to expand the gold loan portfolio, attracting more borrowers with the prospect of larger loan amounts.
- Entrepreneurs Seeking Working Capital: Enhances market share and customer base by meeting financing needs of entrepreneurs, reflecting the growing popularity of gold loans as a source of working capital.
- Pursuing a Refinancing Model: Capitalizes on restrictions on vehicle imports to offer refinancing options, addressing demand for vehicle financing in a market with limited competition.
- Expanding into New Regions: Leverages cultural ties with India for smoother market entry and growth, providing a competitive advantage in North and East regions.

Strategic Progress in FY 2023-24

- Strategic focus on human capital: Emphasis on attracting, nurturing, and retaining talent through incentives and recognition programs.
- Talent development and diversity: Implementation of comprehensive training programs and support for female employees to uphold a diverse workforce.
- Future readiness: Commitment to enhancing digital skills and providing professional development opportunities to empower employees for future growth.
- Achieved 19% post-tax profit increase to LKR 103.3 million.
- Witnessed substantial growth in total assets by LKR 3,858 million.
- Recorded 20% revenue growth to LKR 2,309 million, driven by lease and loan portfolio expansion.
- Notable expansion of investment portfolio by 252% to LKR 2,273 million, led by government securities.
- Gold Loan Portfolio achieved a notable 14% increase in overall disbursements, reaching a total of LKR 4,505 million.
- Leasing Portfolio experienced substantial growth with disbursements soaring to LKR 4,038 million, reflecting a 27% increase over the previous year.

Impact on MIFL

- High inflation rates reducing consumer purchasing power.
- Fluctuating interest rates impacting debt management.
- Supply chain disruptions increasing costs and delays.
- Reduced consumer spending affecting loan demand.
- Geopolitical tensions necessitating market strategy adjustments.
- Regulatory compliance requirements demanding investment in systems

Our Responses

- Introduced competitive interest rates and flexible repayment options to mitigate the impact of high inflation on consumer purchasing power.
- Implemented strategies and diversified funding sources to manage risks associated with fluctuating interest rates, ensuring effective debt management.
- Established alternative supply chain channels and negotiated contracts with multiple suppliers to minimize disruptions and contain costs.
- Introduced tailored loan products and promotional campaigns to stimulate loan demand amidst reduced consumer spending.
- Conducted regular market analysis and adjusted marketing strategies to navigate geopolitical tensions and maintain market relevance.
- Invested in robust compliance systems and training programs to ensure adherence to regulatory requirements and enhance operational efficiency.

Intellectual

Challenges

- Brand Equity: Sustaining brand reputation amidst economic contractions and credit rating downgrades.
- Accolades: Maintaining a supportive workplace culture and fostering innovation amidst market challenges.
- Institutional Capacity: Ensuring efficiency and relevance of systems and processes amid evolving market dynamics.

Opportunities

- Brand Equity: Leveraging partnerships to attract funding and maintain creditworthiness.
- Accolades: Building on recognition to attract and retain top talent, particularly among millennials.
- Institutional Capacity: Investing in technology and infrastructure to enhance customer experience and operational efficiency.

Strategic Progress in FY 2023-24

- Brand Equity: Collaboration with MMFSL preserves credit rating, enhancing financial sustainability.
- Accolades: Consistent recognition as a "Great Place to Work" underscores positive workplace culture and adaptability.
- Institutional Capacity: Investments in new gold loan system and development of new modules in existing leasing and deposit system improve customer service and operational performance.

Human Capital

Challenges

- Maintaining Cultural Dynamics: Rapid headcount growth poses challenges in nurturing and preserving cultural dynamics, necessitating ongoing attention and adaptation.
- Policy Alignment: Navigating country-specific laws and regulations presents challenges, requiring careful consideration and localized adjustments to ensure compliance while upholding organizational standards.
- Brain Drain and Talent Retention: Difficulty in acquiring and retaining skilled professionals, amidst increasing competition, poses ongoing challenges for talent retention and development.

Opportunities

- Strategic HR Management: Sustainable motivation and performance excellence through recognition methods, incentives, and continuous learning initiatives offer opportunities for enhancing employee productivity and reducing costs.
- Recruitment Drive: Successfully attracting new talent through brand reputation and strategic recruitment initiatives, aligning with expansion plans and future growth prospects.
- Diversity and Inclusion: Leveraging diverse talent pools and promoting inclusivity in the workplace contribute to innovation, customer engagement, and organizational resilience.

Strategic Progress in FY 2023-24

- Talent Strength: Recognition of top performers, implementation of technology-driven HR solutions, and strategic talent sourcing from educational institutions contribute to organizational growth and resilience.
- Fostering a Culture of Appreciation and Care: Celebrating achievements, promoting work-life balance, and facilitating transparent communication foster a positive workplace culture and boost employee morale.
- Training and Development: Comprehensive training programs, succession planning, and continuous learning initiatives empower employees, driving innovation, agility, and organizational success.
- Accolades: Recognition as a Great Place to Work for the fifth consecutive year underscores commitment to employee well-being and solidifies reputation as an employer of choice.

Social & Environmental Factors

Challenges

- Resource Utilization: Balancing the need for operational efficiency with minimizing resource consumption poses challenges in optimizing natural capital utilization.
- Initial Investment: Implementing environmentally sustainable initiatives, such as LED lighting and solar panels, may require significant upfront investment, posing financial challenges in the short term.
- Behavioural Change: Encouraging behavioural changes among employees and stakeholders to adopt sustainable practices may face resistance or require significant cultural shifts.

Opportunities

- Cost Efficiency: Integration of natural capital considerations into business strategy presents opportunities for cost savings through reduced energy consumption and waste generation.
- Innovation: Exploring innovative solutions, such as battery inverters and solar panels, offers opportunities to enhance environmental stewardship and differentiate the company in the market.
- Brand Reputation: Demonstrating commitment to environmental sustainability enhances brand reputation and attractiveness to environmentally conscious customers and investors.

Strategic Progress in FY 2023-24

- Operational Integration: Seamless integration of environmental considerations into operational frameworks, such as incorporating natural lighting and ventilation features, demonstrates progress in optimizing resource utilization.
- Monitoring and Management: Implementation of robust monitoring mechanisms to track resource consumption reflects progress in proactively managing environmental impact and promoting resource efficiency.
- Initiatives for Sustainability: Spearheading initiatives like LED lighting adoption and waste management protocols showcases proactive steps toward reducing environmental footprint and promoting sustainable practices.
- Future-Forward Strategy: Adoption of forward-thinking strategies, such as transitioning to battery inverters and exploring solar panel integration, demonstrates progress in aligning with long-term sustainability goals and fostering innovation.

LEAP AHEAD

to comprehensive products and services

Mahindra Ideal Finance's financial capital encompasses the monetary resources and assets the company utilizes to fund its operations, growth, and expansion initiatives. This includes the company's equity, debt, retained earnings, and any other financial instruments that provide liquidity and capital for business activities. Financial capital is critical for underwriting loans, making strategic investments, managing operational expenses, and ensuring the overall financial stability and profitability of the organization. By effectively managing its financial capital, Mahindra Ideal Finance can support sustainable growth, innovation, and competitive advantage in the financial services sector.

As the financial year 2023-24 commenced, the Company embarked on its journey with a set of ambitious goals carefully crafted to align with the prevailing economic landscape. However, the aftermath of an economic crisis, echoing the challenges of the preceding year, prompted a necessary reassessment of these objectives. The Company's proactive response to the shifting market dynamics led to a strategic realignment of previously set targets, ensuring its ability to remain responsive and adaptable in the face of uncertainty.

Despite navigating through an environment characterized by unpredictability and volatility, the Company demonstrated remarkable resilience, achieving a notable post-tax profit of LKR 103.3 million. This achievement represented a substantial increase of 19% compared to the previous year's earnings of LKR 86.9 million, showcasing the Company's ability to thrive amidst adversity. Moreover, the Company witnessed significant growth in its total assets, which surged by LKR 3,858 million to reach an impressive total of LKR 12,650 million.

The leasing business was paused during FY 2022/23. However, in FY 2023/24, the company recommenced leasing disbursements, initially adopting a cautious approach. Based on positive market feedback, we progressively scaled up our leasing activities on a month-by-month basis, ensuring a steady and measured expansion. This strategic approach allowed us to adapt effectively to market conditions and optimize our leasing operations.

Additionally, our continued emphasis on gold loans played a significant role in our financial performance. By maintaining a strong focus on this segment, we achieved a notable 14% increase in overall disbursements. This dual strategy of cautiously resuming leasing while prioritizing gold loans has strengthened our market position and contributed to our financial growth for the fiscal year.

Furthermore, the Company's steadfast commitment to serving its customers with integrity and reliability was evidenced by the exponential expansion of its fixed deposit base, which witnessed a remarkable year-on-year growth of 49%, culminating in a total of LKR 5,204 million by the end of the fiscal year on 31st March 2024. This significant achievement not only reflects the Company's strong customer confidence but also underscores its ability to effectively mobilize funds for continued growth and expansion.

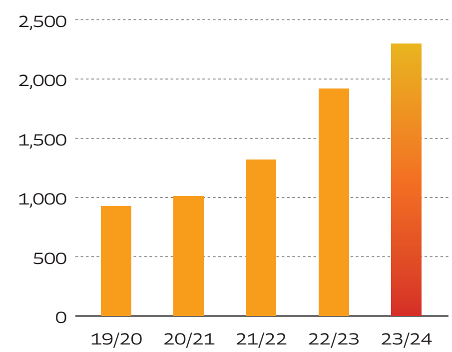
Integral to these impressive operational highlights was the Company's strategic initiative to expand its branch network rapidly. This concerted effort not only enhanced accessibility to its services but also served as a catalyst for driving overall performance and fostering deeper connections with its diverse customer base throughout the financial year.

INCOME STATEMENT

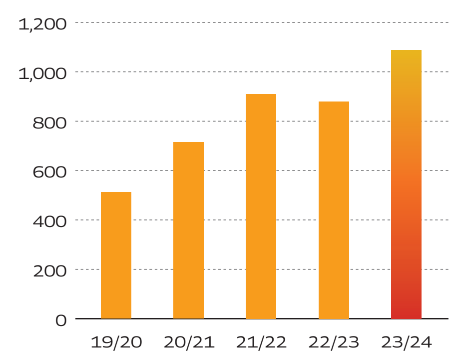
In the fiscal year under review, the Company witnessed a significant increase in total income, rising by 20% year-over-year to reach LKR 2,309 million, compared to LKR 1,924 million in FY 2022-23. This notable surge is attributable to the restart of lease and loan disbursements along with expansion of the gold loan portfolio throughout the financial year. The lease and loan portfolio grew by 27% over the year reaching LKR 4038 million and the gold loan portfolio experienced a 14% year-over-year growth, reaching LKR 4,505 million.

Additionally, other operating income demonstrated a modest increase of 37%, reaching LKR 145 million by the end of the fiscal year. Net Interest Income (NII) exhibited positive signs of growth, appreciating to LKR 1,091 million, marking an 24% year-over-year increase. This upward trajectory in NII was primarily driven by 41% increase in overall disbursements over last year and also the Company's ability to borrow funds at competitive rates from financial institutions. Operating income also displayed growth, expanding by 24% over the same period.

Total Income (LKR Mn)



Net Interest Income (LKR Mn)



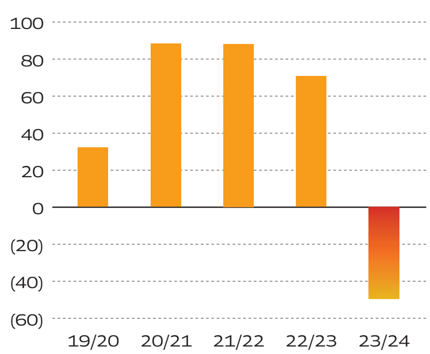
IMPAIRMENT CHARGES

In alignment with the economic recovery the country witnessed last year, the Company observed good collections from its leasing and other loan portfolio which led to reversal of impairment charges of LKR 49.9 million during the year.

During this period, the Company wrote off LKR 60 million of leasing and other loans. Each individually significant customer underwent thorough evaluation, enabling the Company to make appropriate provisions based on the severity of the impact on each customer. Moreover, provisions for other customers were determined based on the collective impairment pool.

Furthermore, the Company recalibrated the computation of Economic Factor Adjustment (EFA) by incorporating variables aligned with the latest macro-economic conditions.

Impairment Charges (LKR Mn)



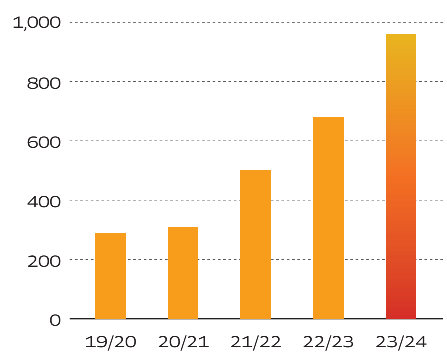
OPERATING EXPENSES

In the fiscal year under review, total operating expenses surged by 41% to reach LKR 963 million, compared to LKR 684 million in the previous year. This increase can be primarily attributed to higher personnel costs and a culmination of widespread price hikes that escalated other operating expenses.

Personnel expenses experienced a notable 43% growth, reaching LKR 502 million in 2023/24. This increase was primarily driven by the responsible recruitments done during the year for operating the new branches as well as filling other positions considering Company's long-term growth plan. Annual salary increments and bonus payments also added to the cost.

Additionally, other operating expenses climbed by LKR 110 million to LKR 346 million during the fiscal year under review. This uptick was influenced by inflationary conditions and the elevated cost of imports resulting from the devaluation of the LKR against the US Dollar.

Operating Expenses (LKR Mn)



TAXATION OVERVIEW

In the fiscal year 2023, the Company encountered a dynamic taxation landscape, reflecting both shifts in profitability and adjustments in tax regulations. Total tax expense for the year amounted to LKR 230 million, comprising income tax (LKR 97 million), value-added tax on financial services (LKR 117 million), and social security contribution levy (LKR 16 million).

The profit before taxation during the financial year has increased by 35%, however on the taxation front there were notable fluctuations in specific components. The value-added tax on financial services notably increased by LKR 28 million compared to the previous fiscal year, amounting to LKR 117 million in FY 2023/24. This increase reflects changes in the company's financial activities and change in tax regulations affecting these services.

Income tax expense saw an increase of LKR 31 million from the previous year, reaching LKR 98 million. This uptick could be attributed to various factors such as changes in tax rates, adjustments in taxable income, or alterations in tax deductions.

Furthermore, the Company made adjustments in recognition of deferred tax assets/liabilities. These adjustments reflect the Company's adherence to updated tax regulations and its commitment to maintaining transparency and compliance in its financial reporting.

Overall, the Company navigated through a complex taxation environment, adapting to changes in profitability and regulatory frameworks while ensuring compliance with tax laws and regulations.

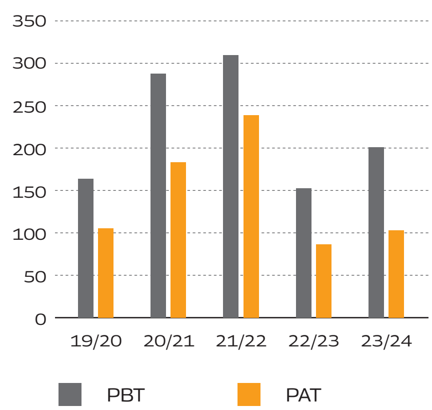
PROFITABILITY

The company's Profit Before Taxes (PBT) demonstrated a significant improvement, increasing by 31% year-over-year (YoY). This rise took PBT from LKR 153 million in the previous year to LKR 201 million. This upward trend in profitability continued post-tax, with the profit after tax also showing an impressive 19% increase. The profit after tax climbed to LKR 103 million, compared to LKR 87 million in the prior year.

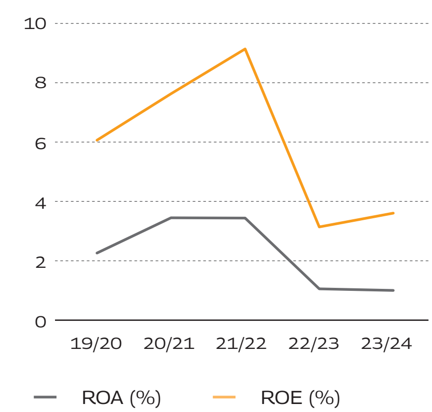
This enhanced profitability positively impacted the earnings per share (EPS). The EPS rose to LKR 0.71, up from LKR 0.60 in FY 2022/23. The consistent growth in both pre-tax and post-tax profits underscores the company's strong financial performance and its ability to generate increased returns for its shareholders. The year-over-year improvements in PBT, profit after tax, and EPS highlight the company's successful strategies and operational efficiencies over the fiscal year.

Return on Assets (ROA) before tax improved to 3.4% in FY 2023/24, up from 3.0% in the previous fiscal year. This positive change reflects the company's enhanced efficiency in utilizing its assets to generate earnings. Additionally, the Return on Equity (ROE) for the year was recorded at 3.6%, which, was not at the desired level. These metrics indicate a solid financial performance and effective management strategies contributing to the company's growth.

Movement of PBT and PAT



Movement of ROA and ROE



STATEMENT OF FINANCIAL POSITION

Asset Growth

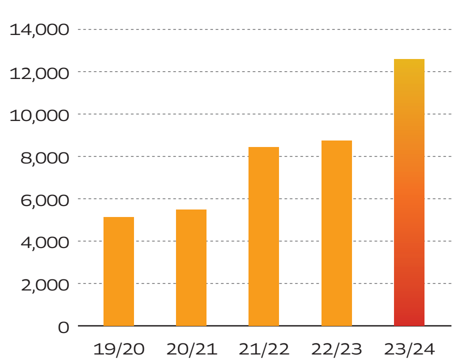
Over the course of the year, the company's total assets demonstrated remarkable growth, expanding by LKR 3858 million. This increase brought the total assets to LKR 12,649 million as of March 31, 2024, compared to LKR 8,792 million at the previous year-end. The significant growth in total assets can be attributed to multiple factors.

A substantial portion of this growth came from increased investments and significant additions to property, plant, and equipment. The expansion of branches contributed notably to this increase, reflecting the company's strategy to broaden its operational footprint and enhance service delivery capabilities.

The company's total earning assets amounted to LKR 11,719 million, accounting for 93% of the overall asset base. This highlights the company's effective deployment of assets to generate revenue. Within the total assets, leases and other loans experienced a significant increase of LKR 865 million compared to the prior year, indicating robust growth in the company's lending activities. Meanwhile, the gold loan portfolio saw an impressive rise of LKR 554 million, bringing the total to LKR 4,505 million. This substantial increase underscores the company's strong performance in this segment, although the growth in leases and other loans outpaced that of the gold loan portfolio, reflecting a well-diversified and expanding lending strategy.

Overall, the considerable growth in total assets, driven by strategic investments and expansion, highlights the company's robust financial health and its capability to sustain and enhance its asset base while delivering increased value to its stakeholders.

Total Assets (LKR Mn)



Loans and Advances

Over the past year, the company navigated a challenging macro-economic landscape characterized by high volatility in key parameters such as interest rates, inflation, and import restrictions. These conditions prompted the company to adopt a cautious approach by temporarily suspending the granting of leases in FY 2022-23. This decision was driven by the need to mitigate risks associated with the unstable economic environment and to safeguard the company's financial stability. Leasing activities were resumed in May of FY 2023-24, reflecting a strategic decision to re-enter the market under more favorable conditions and support the company's growth objectives.

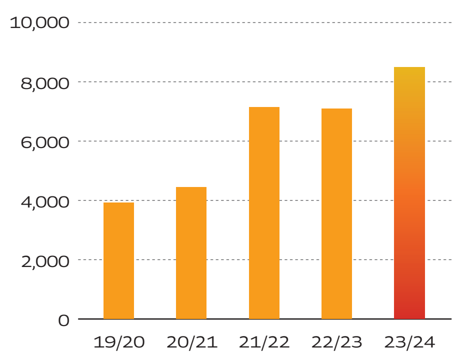
As the economy began to show signs of recovery, the company strategically decided to re-enter the leasing market. This re-entry was approached with caution and gradual implementation to ensure a measured response to the improving economic conditions. The initial cautious steps allowed the company to monitor the market dynamics closely and adjust its leasing operations accordingly.

This resulted in significant growth of the gold loan portfolio, which reached LKR 4,505 million as of March 31, 2024. The success in this segment underscores the company's ability to identify and capitalize on profitable opportunities even amid economic uncertainty.

Simultaneously, with the decision to gradually re-enter the leasing market, the company's leasing portfolio experienced substantial growth. The portfolio increased by LKR 865 million, bringing the total to LKR 4,038 million. This growth reflects the company's strategic resilience and its capability to adapt to changing economic conditions while diversifying its portfolio.

Overall, the company's strategic decisions in managing loans and advances during a volatile economic period highlight its adaptive approach and focus on maintaining profitability. The emphasis on the gold loan business provided a stable and profitable revenue stream, while the cautious re-entry into leasing ensured that the company could capitalize on emerging opportunities without exposing itself to undue risk. This balanced strategy has positioned the company well for sustained growth and profitability in the coming years.

Loans & Advances (LKR Mn)



Investment Growth

As of March 31, 2024, there has been a notable expansion in the company's investment portfolio. The overall investment has seen a substantial increase, rising by 252% to reach LKR 2,273 million over the course of the year. This growth in investments has been influenced by various factors and asset classes.

Notably, investments in Government securities experienced a significant surge, increasing by 298% to LKR 1,819 million from LKR 458 million in the previous year. This marked increase underscores the company's confidence in government-backed securities as a reliable investment avenue.

Conversely, placements with banks and other financial institutions witnessed a decrease, declining to LKR 355 million by the end of the year under review. This reduction in placements may reflect strategic shifts in investment allocation or changes in market conditions that prompted a reallocation of resources.

Overall, the growth and composition of the investment portfolio reflect the company's dynamic approach to portfolio management and its responsiveness to changing market dynamics. By diversifying its investments across different asset classes, the company aims to optimize returns while managing risks effectively.

Asset Quality

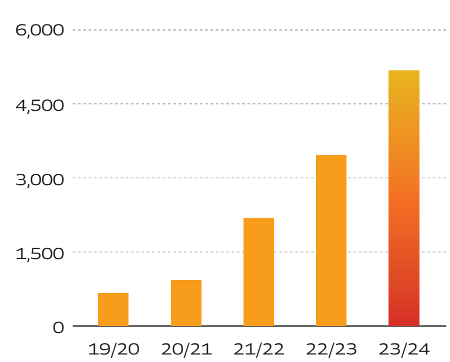
In 2023, Sri Lanka's non-bank financial institution (NBFI) sector encountered a concerning trend in non-performing loans (NPLs), reflecting a broader deterioration in asset quality. This deterioration stemmed from the country's turbulent economic landscape, characterized by significant inflation, a depreciation of the Sri Lankan Rupee against major currencies like the US Dollar, and elevated interest rates. These factors collectively strained borrowers' ability to repay loans, contributing to the uptick in NPLs within the sector. Despite these challenges, the NBFI sector responded by implementing robust credit management practices and bolstering recovery efforts to contain the escalation of NPLs. While facing notable pressures, concerted actions were taken to navigate the adverse economic conditions and maintain stability within the sector, albeit with an awareness of the ongoing challenges posed by non-performing assets.

The provision for Impairment, a pivotal indicator of asset quality, exhibited notable fluctuations across fiscal periods. Specifically, in the financial year 2023/24, the impairment charge reversal amounted to LKR (50) Mn, marking a discernible decline from the preceding year's charge of LKR 71 Mn in 2022/23. Such variance underscores the dynamic nature of risk assessment and management within the company's operational framework. These figures serve as critical benchmarks in evaluating the company's prudence in addressing potential losses associated with impaired assets over consecutive fiscal periods.

Deposits

The deposit base experienced a significant surge in FY 2023/24, marking an impressive 49% increase from LKR 3487 Mn in the previous year to reach a notable level of LKR 5204 Mn. This remarkable growth trajectory underscores the company's strength and stability in attracting and retaining deposits. A pivotal factor contributing to this achievement was the company's AA- credit rating by Fitch, which served as a catalyst in bolstering depositor confidence. This endorsement not only validated the company's financial robustness but also instilled trust among investors, ultimately facilitating the milestone of surpassing the LKR 5000 Mn benchmark in deposits. This accomplishment reflects the company's unwavering commitment to excellence and its ability to leverage strategic advantages to drive sustainable growth in its deposit portfolio.

Deposits (LKR Mn)



CAPITAL

As of March 31st, 2024, the Company's financial position reflected a robust growth trajectory. Bolstered by Retained Earnings and Reserves totalling LKR 1024 Mn, the total capital stood at LKR 2932 Mn, showcasing a noteworthy increase of 3.44% compared to the previous fiscal year's total capital of LKR 2835 Mn. This expansion underscores the company's effective financial management and strategic allocation of resources. Moreover, the company demonstrated a commitment to maintaining a healthy capital structure, as evidenced by its Capital Adequacy Ratio. With Tier 1 capital at 39% and Tier II capital at 40% as of March 31st, 2024, the company ensured a solid buffer to absorb potential risks and sustain its operations, reinforcing investor confidence and long-term stability.

Capital Adequacy	2023-24 %	2022-23 %
Tier 1 (Minimum Requirement 8.50%)	40.35	48.92
"Total Capital Ratio (Minimum Requirement 12.50%)"	41.37	49.93
Liquid Assets to External Funds	22.41	19.52
Debt Equity Ratio	3.09	1.93

Manufactured Capital

Mahindra Ideal Finance's manufactured capital includes the physical assets and infrastructure necessary for delivering financial services and supporting business operations. This comprises office buildings, branch networks, IT systems, equipment, and other tangible resources that facilitate the efficient provision of financial products and services. Manufactured capital is crucial for ensuring operational efficiency, customer satisfaction, and seamless service delivery. By maintaining and upgrading its physical assets and infrastructure, Mahindra Ideal Finance can enhance productivity, reduce operational costs, and provide a reliable and accessible service experience to its customers.

Within our organizational framework, our Manufactured Capital stands as a cornerstone, encompassing both physical infrastructure and technological assets crucial for value creation across all stakeholder realms. As markets and technology undergo constant evolution, the significance of our technological assets steadily escalates.

Under the umbrella of Manufactured Capital, our physical assets span a spectrum ranging from our esteemed Head Office and branch premises to the operational nerve centre, the Call Centre. Complementing these are our fleet of vehicles, technology hardware, and the meticulously chosen office furniture and fittings that together form the backbone of our operational infrastructure.

PHYSICAL ASSETS

Our physical assets, comprising the Head Office, Branches, and Call Centre, serve as the tangible backbone of our operational infrastructure. The Head Office stands as the central hub from which strategic decisions are made and organizational initiatives are coordinated, fostering cohesion and alignment across all branches. Meanwhile, our network of branches extends our reach into communities, providing convenient access points for our customers and facilitating face-to-face interactions. At the heart of our customer service operations lies our Call Centre, where dedicated teams work tirelessly to address inquiries, resolve issues, and ensure seamless communication channels. Together, these physical assets form the foundation upon which we deliver exceptional service and support to our stakeholders, driving the success and growth of our organization.

BRANCHES

Central to MIFL's value creation process is its extensive island wide branch network, a vital conduit for engaging with diverse stakeholders and establishing a strong brand presence. This wide geographic reach has not only enabled us to extend financial empowerment to previously marginalized segments of the population but also to enhance our brand visibility across various demographics. Throughout the year, the Company demonstrated its commitment to expansion and accessibility by investing LKR 118.87 million in opening 5 new branches, further strengthening our ability to serve and support communities nationwide.

TECHNOLOGICAL ASSETS

Within our technological assets portfolio, strategic investments have been made to streamline operations and enhance efficiency. This included bolstering the ICT Department with additional human capital, aligning our workforce with emerging technologies. Subsequently, the adoption of business process automation marked a pivotal advancement, catalysing in-house development initiatives such as our digitization journey facilitated by the acquisition of the InBank system source code. Furthermore, our technological infrastructure received a significant upgrade with the enhancement of the Gold Loan system, integrating cutting-edge technology for fully automated processes.

The implementation of business process automation revolutionized our operations, significantly boosting process efficiency by eliminating manual error handling and workflow bottlenecks. This led to minimized operational costs, optimized resource allocation, and reduced wastage. Moreover, automation streamlined document management, simplifying data organization and retrieval, thereby enhancing day-to-day task handling. With role-based access controls ensuring data confidentiality, the seamless transfer of accurate information between processes exponentially increased employee productivity. Additionally, automation enabled enhanced tracking of Key Performance Indicators (KPIs), providing real-time insights into multiple processes.

These transformative initiatives, as integral parts of our technological assets, have not only streamlined operations but also empowered us with advanced digital capabilities, enhancing overall performance and ensuring future readiness in an ever-evolving technological landscape.

NEW INVESTMENTS IN FY 2023-24

	in LKR Mn
Furniture and Fittings	43.04
Office Equipment	33.94
Computers	11.78
Software	30.11

FUTURE FOCUS

As we intensify our focus on enhancing digital engagement with our stakeholders, particularly our valued customers, we remain cognizant of the enduring importance of our branch network in propelling the Non-Banking Financial Institution (NBFI) sector in Sri Lanka in the foreseeable future. With this recognition, we are poised to expand our branch footprint while capitalizing on synergies with MMFSL to optimize brand strategies, enhance customer interaction experiences, and maximize value delivery.

Aligned with our strategic objective of securing a position among the top five NBFIs and driving growth primarily through organic means in the near term, we are actively pursuing plans to inaugurate 3 new branches in the Quarter 1 of fiscal year 2024-25. Furthermore, we recognize the strategic imperative of software upgrades to bolster operational efficiency and support our growth trajectory.

In addition to technological enhancements, the integration of Environmental, Social, and Governance (ESG) principles into our business operations will play a pivotal role in shaping our investments in new hardware and software. This holistic approach underscores our commitment to sustainability and responsible business practices, aligning with our broader vision of delivering value while fostering positive societal impact.

Mahindra Ideal Finance's intellectual capital encompasses the intangible assets and knowledge-based resources that provide a competitive edge and drive innovation within the organization. This includes intellectual property such as patents, trademarks, and proprietary technologies, as well as the accumulated expertise, processes, and organizational knowledge that facilitate efficient operations and strategic decision-making. Intellectual capital also covers the company's brand reputation, customer relationships, and data analytics capabilities. By leveraging and protecting its intellectual capital, Mahindra Ideal Finance can create value, foster innovation, and maintain a strong market position.

As organizations strive to enhance their impact and value within their respective industries, the role of Intellectual Capital becomes increasingly vital. Mahindra Ideal Finance Limited (MIFL) places significant emphasis on three key intangible assets that greatly influence its value creation process: brand equity, accolades, and institutional capacity.

Brand Equity: MIFL recognizes that the strength and reputation of its brand are essential drivers of its success. A strong brand resonates with customers, instills trust and confidence, and distinguishes the organization from competitors. Through consistent delivery of quality services, ethical practices, and customer-centricity, MIFL has built a robust brand identity that is synonymous with reliability and excellence.

Accolades: The recognition and awards bestowed upon MIFL serve as tangible evidence of its achievements and contributions to the industry. These accolades not only validate the organization's efforts but also enhance its credibility and reputation. Whether it's industry awards for innovation, excellence in customer service, or corporate social responsibility initiatives, each accolade reinforces MIFL's commitment to excellence and inspires confidence among stakeholders.

Institutional Capacity: MIFL's institutional capacity encompasses its human capital, knowledge assets, and organizational capabilities. The expertise, skills, and experience of its workforce drive innovation, operational efficiency, and strategic decision-making. Furthermore, MIFL's robust systems, processes, and infrastructure enable it to adapt to changing market dynamics, seize opportunities, and mitigate risks effectively.

By leveraging these three pillars of Intellectual Capital, MIFL not only enhances its competitive advantage but also creates enduring value for its stakeholders. These intangible assets form the foundation upon which MIFL builds its reputation, fosters innovation, and sustains long-term growth and success in the marketplace.

BRAND EQUITY

Over the past decade, we've dedicated ourselves to empowering individuals and businesses across the country to startup and thrive. This commitment has not only earned us the trust and loyalty of our customers but has also underscored the importance of our reputation, especially as a custodian of our customers' finances.

In 2021, our reputation received a significant boost through our partnership with Mahindra and Mahindra Financial Services Limited (MMFSL), India. Despite facing economic contractions and a countrywide credit rating downgrade, MIFL distinguished itself as one of the few Licensed Finance Companies (LFCs) to maintain its credit rating at AA-(lka) 'Watch Negative' by Fitch Ratings.

This endorsement of our creditworthiness and financial sustainability, made possible by our collaboration with MMFSL, has been instrumental in attracting funding from leading international financial institutions at competitive rates. This achievement is particularly noteworthy amidst the multitude of challenges that have impacted the entire industry.

ACCOLADES

For fifth consecutive years, MIFL has proudly received the esteemed title of "Great Place to Work," as voted by our dedicated employees in the survey conducted by Great Place to Work Sri Lanka. This consistent recognition is a testament to the supportive environment and positive workplace culture we have cultivated over the years.

In addition to this prestigious accolade, we were further honoured in 2022 with the distinction of being named a "Great Place to Work for Millennials." This recognition underscores our commitment to creating an inclusive and dynamic workplace that resonates with the younger generation.

Our success in earning these titles can be attributed to several key factors. Firstly, our welcoming and open culture encourages collaboration, innovation, and mutual respect among employees. We prioritize diversity and inclusion, ensuring that everyone feels valued and empowered to contribute their unique perspectives.

Furthermore, our adaptability to rapidly changing market conditions demonstrates our commitment to staying ahead of the curve. We embrace change as an opportunity for growth and evolution, constantly seeking new ways to improve and innovate in our industry.

- MIFL Town Hall -

Overall, these accolades not only validate our efforts to foster a positive work environment but also inspire us to continue striving for excellence in everything we do. We are proud to be recognized as a "Great Place to Work" and remain dedicated to maintaining this reputation for years to come.

INSTITUTIONAL CAPACITY

At the core of our success lies the efficiency of our systems and processes, which play a pivotal role in delivering value to our customers. From ensuring swift turnaround times to facilitating seamless information flow, our robust systems, including a cloud-based platform for internal communication, have been instrumental in driving our operations forward.

Recognizing the necessity of keeping our systems and processes relevant and effective, we remain committed to regular review, renewal, and significant investments aimed at bolstering our institutional capacity. Throughout the year, we have focused on enhancing and expanding our Customer Call Centre to better cater to our clients' needs and elevate the value we bring to them.

Our revamped Customer Call Centre is equipped with a state-of-the-art, customized CRM system hosted on the cloud. This innovative system enables us to monitor employee performance across various parameters on a daily basis, ensuring that our agents consistently uphold the expected service standards. In addition to facilitating traditional voice calls and emails, the system has seamlessly integrated social media platforms like WhatsApp, offering customers a more convenient means of communication.

By continuously refining our systems, investing in cutting-edge technology, and expanding our service offerings, we remain dedicated to providing an exceptional customer experience while staying agile and responsive to evolving market demands.

Mahindra Ideal Finance's human capital refers to the collective skills, knowledge, experience, and capabilities of its employees. This includes the professional expertise, competencies, and innovative potential that the workforce brings to the organization. Human capital is essential for driving the company's success, as it influences productivity, efficiency, customer service quality, and overall organizational performance. By investing in employee development, training programs, and fostering a positive work culture, Mahindra Ideal Finance enhances its human capital, ensuring that it remains competitive and capable of adapting to market changes and challenges.

In the dynamic landscape of modern business, the strategic management of human capital emerges as a pivotal factor in organizational success. Mahindra Ideal Finance Limited (MIFL) exemplifies this ethos through a multifaceted approach aimed at attracting, nurturing, and retaining top-tier professionals while fostering a culture of continuous learning and innovation.

Throughout the year, we've witnessed a range of specific factors that have positively impacted the performance of the Division. Firstly, our deep understanding of the organization's culture has fostered a cohesive and productive work environment, allowing us to leverage the strengths of our workforce effectively. Secondly, our keen awareness and responsiveness to the expectations of Mahindra Finance India have enabled us to implement necessary initiatives with precision, ensuring seamless alignment with broader company objectives while maintaining employee morale. Lastly, our efforts to align the expectations of our staff with the overarching organizational goals have further solidified our operational effectiveness and contributed to our overall success.

However, amid these positive developments, we've also encountered challenges that have occasionally impacted performance. Despite our best efforts, rapid headcount growth has presented hurdles in maintaining and nurturing cultural dynamics, requiring ongoing attention and adaptation. Additionally, navigating policy alignment, particularly concerning country-specific laws, has posed challenges, necessitating careful consideration and localized adjustments to ensure compliance while upholding organizational standards.

Despite these challenges, our commitment to strategic human capital management remains unwavering as we continue to navigate and adapt to the evolving landscape of modern finance.

TALENT STRENGTH

As we continually refine our HR strategies to align with the evolving needs and shifting business objectives of the Company, sustainability remains at the core of our approach. Our aim is to motivate employees and drive performance excellence through a variety of recognition methods, including incentives, bonuses, and annual increments. Additionally, we honour outstanding achievers, such as top branch managers and marketing officers, at our annual award ceremony.

In our quest to enhance productivity and reduce costs, we introduced a new Attendance and Leave Management System, despite facing initial challenges in staff adaptation. Embracing technological advancements remains a priority in our HR management approach. We strategically identify talent concentrations in specific regions, prompting us to establish business operations in those areas to maximize the utilization of available skills. Moreover, we have begun directly sourcing talent from educational institutions, prioritizing strong communication skills, and leveraging referrals and social media for recruitment.

Our talent management strategies encompass various approaches, including providing opportunities for staff to take on new roles, cross-skilling, and upskilling initiatives. Performance is meticulously managed through key performance indicators (KPIs), while engagement activities aim to boost morale and foster loyalty. Furthermore, succession planning ensures that employees are groomed for future leadership roles, ensuring the continuity of our organizational success.

Despite the prevailing challenges, such as brain drain and difficulty in acquiring and retaining skilled professionals, MIFL has successfully attracted and retained the right individuals by leveraging the strength and reputation of our brand. This achievement is further underscored by our milestone of recruiting 203 new

Number of employees

Permanent
218

Contract and probation
129

Age analysis of employees

Age		
19-24	72	30
25 -29	23	52
30 - 34	39	30
35 - 39	35	14
40 - 44	22	5
45 - 49	8	2
50 - 54	5	1
>55	8	2
Total	212	135

Marketing
158

Operational
54

Marketing
64

Operational
71

employees in a single year, indicating a remarkable 26% growth in recruitment. This recruitment drive not only aligns with our strategic plans for expansion but also reflects our optimistic outlook on future growth prospects in the coming years.

As of March 31, 2024, Mahindra Ideal Finance boasts a talented workforce of 347 individuals. Our team is characterized by its youthfulness and dynamism, with 87% Sinhalese and 13% Tamil staff. Skill distribution within our workforce is segmented as follows: Sales & Marketing - 64%, Operations - 16%, Technical - 10%, and Management - 8%. Moreover, our team's experience spans various ranges, with 35% having 0 to 5 years of experience, 21% with 5 to 10 years, 31% with 10 to 15 years, and 13% with over 15 years of experience. Despite the rapid headcount growth, maintaining and inculcating cultural dynamics remains a priority. Policy alignment, though challenging due to differing country laws, has been managed by giving prominence to Sri Lankan regulations.

FOSTERING A CULTURE OF APPRECIATION AND CARE

At our workplace, celebrating achievements, big or small, is ingrained in our culture as it bolsters self-confidence, motivation, and overall performance. What sets our culture apart is the familial bond among team members, where values like respect, empathy, and a sense of belonging are deeply cherished. This familial atmosphere adds immense value to our continuous success and cultivates a positive, motivating, and morale-boosting environment for everyone.

PRIORITIZING EMPLOYEE WELFARE

In a challenging year marked by economic hardships, we remained committed to supporting our employees through various initiatives. To alleviate some of the financial pressures caused by inflation, we provided transport and inflation allowances, which were later integrated into monthly salaries. Additionally, a year-end bonus was extended to all employees, and financial aid was readily available through our Welfare Fund for those facing crisis-level challenges.

We also facilitated flexible work arrangements by providing necessary resources like laptops and connectivity to ensure uninterrupted operations. Our emphasis on work-life balance ensures that employees can complete their tasks during regular working hours, minimizing stress levels. Teamwork is promoted at all levels, with provisions in place to cover for absent employees, reducing the need for extended work hours.

Description	2023/24
Number of employees entitled to maternity leave	6
Number of employees who took maternity leave	5
Returned to work after maternity leave	4
Returned to work rate (%)	80%

PROMOTING OPEN COMMUNICATION

The Company fosters an environment of transparent communication, allowing every staff member direct access to the CEO or COO. Additionally, our management team conducts routine visits to all branch locations every three months, attentively addressing any staff concerns. These visits serve to uphold uniform service standards across all branches and ensure consistent working environments.

TRAINING AND DEVELOPMENT

At the core of our commitment to excellence lies our dedication to equipping our Branch and Regional Managers with the skills, knowledge, and mindset necessary to thrive in a dynamic and customer-centric environment. To this end, we have developed and implemented a comprehensive training program designed to instill a culture of customer-centricity and ensure alignment with the ever-evolving needs of our business.

This training program goes beyond mere skill-building exercises; it is a holistic initiative aimed at empowering our managers to become true ambassadors of customer satisfaction and organizational success. Through a combination of interactive workshops, immersive simulations, and real-world case studies, we provide our managers with the tools and techniques they need to understand and anticipate customer needs, exceed expectations, and drive loyalty and advocacy.

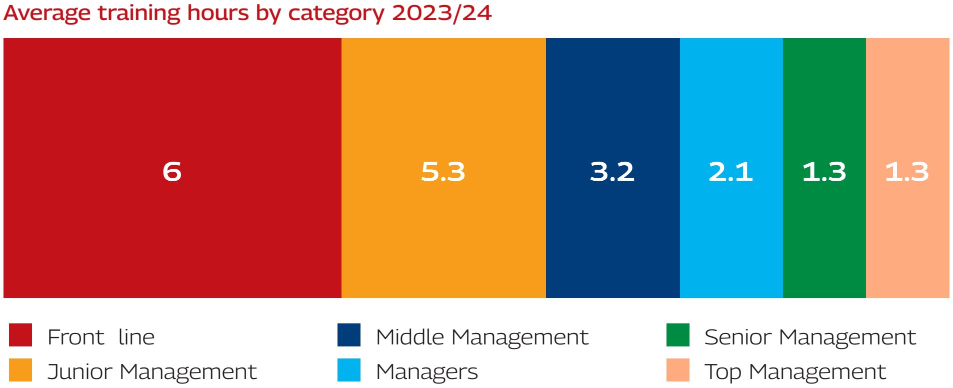
Moreover, our training program is not just about enhancing individual performance; it is about fostering a culture of innovation, agility, and continuous improvement across our entire managerial cadre. We challenge our Branch Managers to think creatively, act decisively, and embrace change as an opportunity for growth and development. By encouraging them to push the boundaries of conventional thinking and explore new ways of doing business, we empower them to drive positive change and deliver exceptional results.

Through this program, we aim to cultivate a cadre of high-performing managers who are not only capable of meeting the demands of today's competitive landscape but also equipped to lead us into the future. By investing in the development and growth of our managerial talent, we ensure that our organization remains agile, resilient, and responsive to the ever-changing needs of our customers and the market at large.

Training programmes conducted during 2023-24

Training Program	# Participants	Male	Female	Training Hours	# of Programs
Induction for new recruits (Group 1)	18	10	8	54	1
Induction for new recruits (Group 2)	18	12	6	54	1
Training on Anti Money Laundering	312	201	111	3744	2
Issues on Recovery and Seizing of vehicles	10	10	0	10	1
Induction for new recruits (Group 1)	15	9	6	45	1
Induction for new recruits (Group 2)	13	7	6	39	1
Management Development, Leading the Teams	80	58	22	960	3
Customer Service Standards	80	58	22	960	3
FD Compliance Training (Sinhala)	44	31	13	88	1
FD Compliance Training (English)	8	6	2	16	1
EFC HR/IR Forum	2		2	2.6	1
Customer Protection Framework for Financial Institutions	8	5	3	240	1
Managing Financial Crime Risks Financial Services Sector	1		1	3.15	1
Initial Call Confirmation Training	8		8	32	1
Sri Lanka Green Finance Taxonomy	1		1	4	1
Induction for new recruits (Group 1)	42	28	14	138.6	1
Induction for new recruits (Group 2)	41	31	10	135.3	1
The Compliance Symposium 2024	1		1	8.45	1
Groom yourself and be a game changer.	28		28	36.4	1

Average training hours by category 2023/24



Average training hours per employee
9

Total investment on training and development
LKR 4 Mn

FOSTERING CONTINUOUS LEARNING

At MIFL, fostering a culture of continuous learning is not just a goal but a fundamental aspect of our organizational ethos. We believe in nurturing the potential of our employees by providing them with the necessary tools, resources, and opportunities to grow both personally and professionally.

One of the key strategies we employ is the identification of top talent across various departments and roles within the company. Through rigorous assessment and evaluation processes, we pinpoint individuals who demonstrate exceptional skills, aptitude, and potential for growth. Once identified, we work closely with these employees to develop individualized development plans tailored to their specific needs, goals, and aspirations.

These development plans are not static documents but dynamic roadmaps that evolve over time, reflecting the changing needs of both the individual and the organization. We regularly review and revise these plans in consultation with the employees, ensuring that they remain relevant and aligned with their career trajectories.

Furthermore, we provide continuous support and guidance to employees as they progress along their development journey. This includes access to a wide range of learning resources such as training programs, workshops, seminars, mentorship opportunities, and educational subsidies. We encourage employees to take ownership of their learning and growth, empowering them to seek out new challenges, acquire new skills, and expand their horizons.

By fostering a culture of continuous learning, we not only invest in the professional development of our employees but also lay the foundation for long-term success and sustainability. We believe that by helping our employees reach their full potential, we ultimately strengthen our organization as a whole, driving innovation, productivity, and excellence across all levels.

SUCCESSION PLANNING

In terms of performance management and succession planning, we established product-wise and branch-wise KPIs, cascading them from top to bottom to ensure accountability and alignment with organizational goals. Pay structures were aligned with individual performance, incentivizing excellence.

INCULCATING A DIVERSE AND INCLUSIVE ENVIRONMENT

At the core of our organizational ethos is an unwavering commitment to championing equal opportunity across all facets of our operations, fostering a workplace environment characterized by fairness, inclusivity, and diversity reflective of our nationwide workforce. Embracing this diversity is not just a moral imperative but also a strategic advantage, granting us access to a rich tapestry of perspectives, ideas, and talents that drive innovation, enhance customer experiences, and ultimately create value for our shareholders.

As steadfast proponents of equal opportunity, we vehemently oppose discrimination in any form, whether based on age, ethnicity, religion, gender, marital status, sexual orientation, or caste. Our adherence to meritocracy ensures that every individual is evaluated solely on their ability to meet job requirements and align with our company's employment standards, free from prejudice or bias.

Talent within our merit-based culture is duly recognized and rewarded based on performance, with new hires, salary structures, benefits packages, and advancement opportunities contingent upon demonstrated capability and achievement. Furthermore, our commitment to providing all employees with equitable access to training and development resources empowers them to carve out their own career trajectories and unlock their full potential within our organization.

Promoting diversity encompasses deliberate efforts to embrace varied backgrounds, including socioeconomic, cultural, and religious affiliations. At Mahindra Ideal Finance Limited (MIFL), our workforce represents a tapestry of identities reflective of the communities we serve. With an emphasis on local talent sourcing, our branches mirror the demographic composition of their respective locales. Despite the prevailing male dominance in the financial services sector, we proudly maintain a female workforce comprising 39%. Our recruitment practices prioritize diversity in academic/professional backgrounds, age, marital status, and family situations. This intentional pursuit of diversity not only enhances our ability to connect with customers but also fosters a diverse array of perspectives that fuel business innovation and growth.

In our commitment to fostering an inclusive workplace environment, MIFL upholds an Equal Opportunity

Employment policy. This policy underscores our dedication to treating all individuals fairly and respectfully, ensuring equitable access to opportunities and resources. We adamantly oppose discrimination based on race, color, sex, national origin, age, religion, marital status, sexual orientation, gender identity, gender expression, military or veteran status, disability, or any other factors prohibited by applicable law. This commitment to inclusivity extends across all facets of employment, including recruitment, training, career advancement, and termination or retirement processes.

Initiatives tailored to support female employees further reinforce our commitment to inclusivity and gender equality. Several branches are led by female professionals, providing them with opportunities for career growth and expertise development within the financial services sector. To accommodate the unique needs of pregnant staff members, we offer flexible work arrangements, including the option to work from home or the nearest branch. These accommodations prioritize the physical and mental well-being of expectant mothers, facilitating a healthy work-life balance during this pivotal time. Furthermore, we conduct specialized sessions for female staff, featuring external experts who provide guidance on grooming, career progression, and maintaining work-life balance. These initiatives collectively contribute to a workplace culture that values and supports the diverse needs of all employees, irrespective of gender.

Service analysis of employees 2023/24

No. of years			Total
Below 5 years	168	120	288
6-10 years	33	12	45
11-15 years	11	03	14

Service analysis of employees 2023/24

Front line	121	101
Junior Management	18	19
Middle Management	26	7
Managers	25	07
Senior Management	13	00
Top Management	09	01

New hires based on age and gender 2023/24

Under 30

Marketing	84	28
Operational	13	32
Total	157	

30-50 AGE

Marketing	24	08
Operational	08	04
Total	44	

Over 50

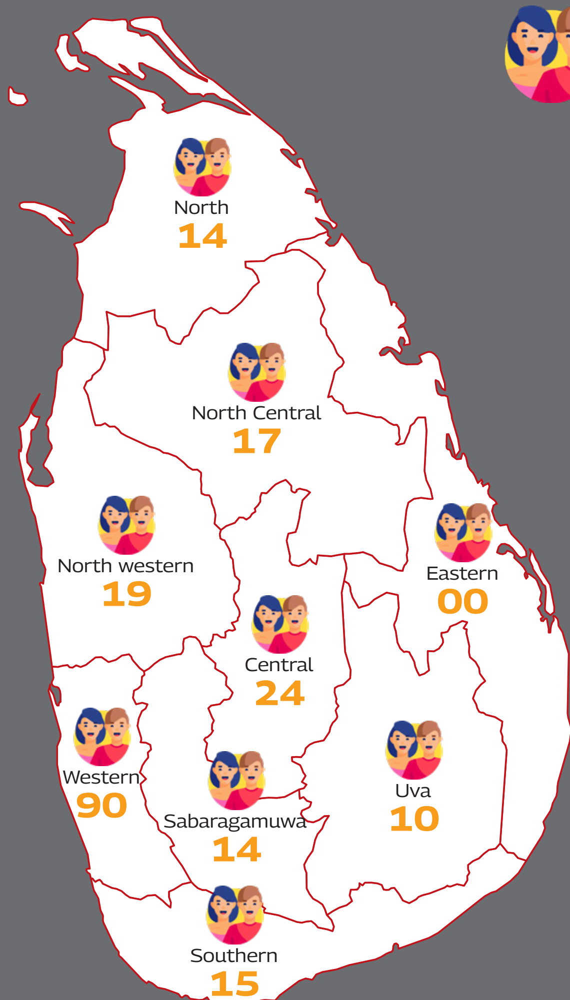
Marketing	02	00
Operational	00	00
Total	02	

New hires based on employment category2023/24

No. of years		
Front line (Assistant to Ex)	96	62
Junior Management (SE)	03	07
Middle Management (AM)	12	01
Managers (M)	13	01
Senior Management (SM/RM)	04	00
Top Management AGM and above	03	01
Total	131	72

New hires based on employment category2023/24

Grand Total
203



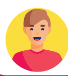
REWARDS AND RECOGNITION

We have implemented comprehensive incentive schemes to financially reward employees who consistently achieve high performance levels. These programs have significantly boosted productivity across all business lines and have successfully reduced employee turnover. By ensuring our staff receive superior compensation, we have enhanced our competitiveness in the market.

Our incentive schemes are designed not only to reward but also to motivate. They play a crucial role in fostering a culture of excellence and continuous improvement within the organization. By offering competitive compensation and unique development opportunities, we ensure that our employees are motivated to maintain high performance and are equipped with the skills and knowledge necessary to drive the company's success. This comprehensive approach to employee recognition and development has made us an attractive employer and has been instrumental in retaining top talent.

During the year we celebrated the achievements of our top performers through various avenues. The best field performers were nominated for the MD's Club, a prestigious development program conducted by Mahindra Finance India. Additionally, outstanding performances across all products were rewarded and recognized at our annual awards ceremony. Monthly achievements were also acknowledged and rewarded in accordance with relevant guidelines.

Promotions granted 2023/24

Category		
Middle Management	4	1
Junior Management	5	4
Front Line	7	4
Total	16	9
Percentage of total	64%	36%

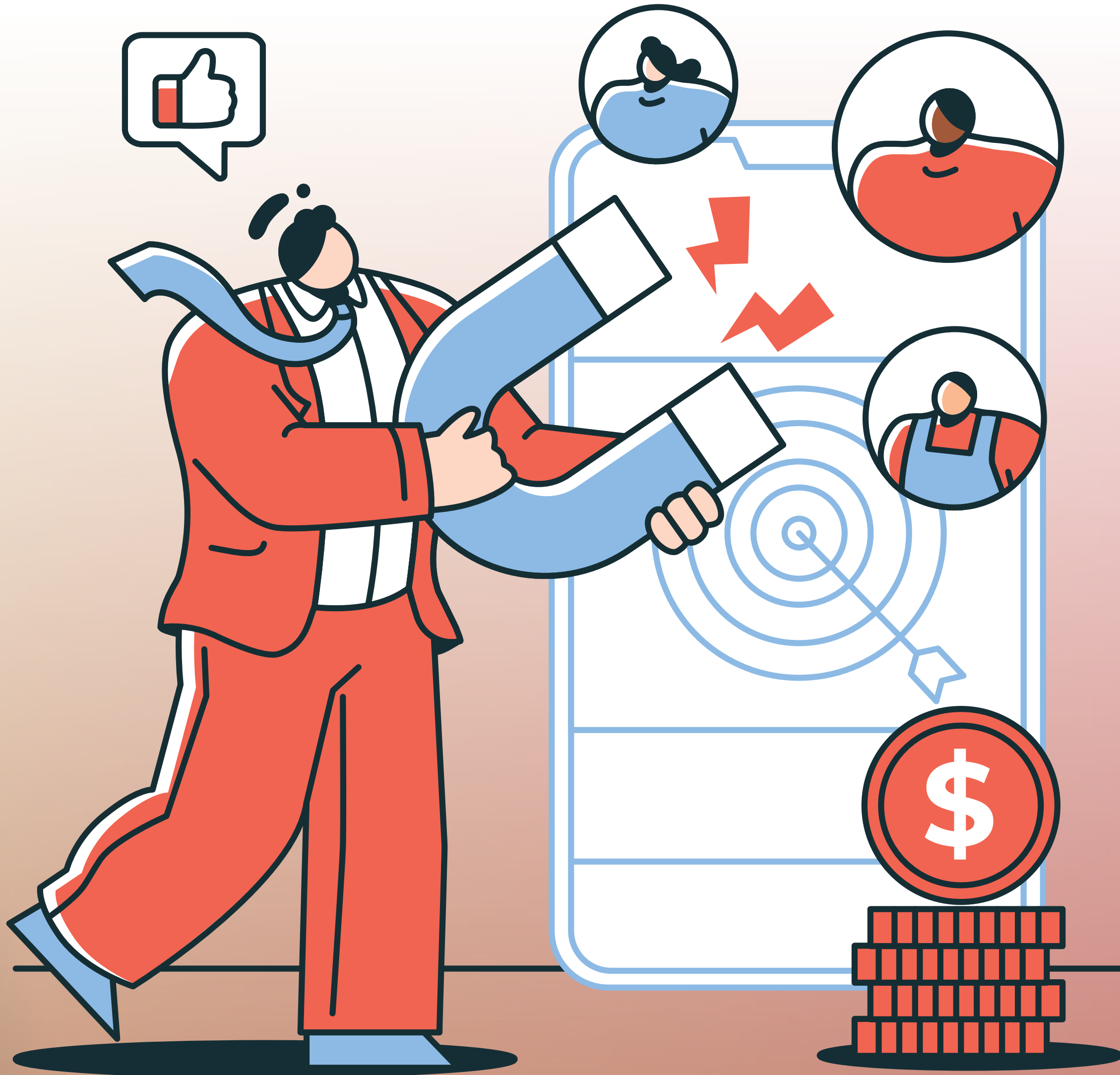
ACCOLADES

We are proud to announce that for the fifth consecutive year, we have been certified as one of the Great Places to Work in Sri Lanka. This recognition reflects our unwavering commitment to fostering a positive and inclusive workplace culture. Each year, we carefully analyse the survey results to understand the areas where we excel and identify opportunities for improvement. We then implement corrective and preventive measures to enhance the overall employee experience. By continually refining our practices, we strive to ensure that our employees feel valued, supported, and motivated to contribute to our collective success. This ongoing commitment to excellence has solidified our reputation as an employer of choice in Sri Lanka.

FUTURE PLANS

In preparation for the evolving landscape of business, we are committed to enhancing the digital skills of our employees, ensuring they are equipped to tackle future challenges head-on. With the anticipated growth of our business over the next two years, we are dedicated to providing our staff with ample opportunities for professional development and advancement. Recognizing the pivotal role our employees play in driving our growth plans, our HR focus for the upcoming financial year will center on training, engagement, and retention. We will prioritize the establishment of strong relationships through engagement events and feedback mechanisms to foster a culture of continuous improvement. Moreover, we will instill a performance-driven ethos by implementing incentive schemes tied to specific performance targets. This holistic approach aims to empower our employees with the requisite skills and motivation to realize our ambitious growth objectives.

Social and Relationship Capital



Mahindra Ideal Finance's social and environmental capital encompasses the company's commitment to social responsibility, community engagement, and environmental sustainability. This includes building strong relationships with stakeholders, such as customers, employees, suppliers, and communities, and fostering a positive social impact through ethical practices, philanthropy, and community development initiatives. Environmental capital focuses on the company's efforts to minimize its ecological footprint, implement green practices, and support environmental conservation. By investing in social and environmental capital, Mahindra Ideal Finance aims to create value beyond financial returns, ensuring that its operations contribute to the well-being of society and the environment. This holistic approach not only enhances the company's reputation and stakeholder trust but also supports sustainable business practices that align with global sustainability goals.

Our social and relationship capital is the foundation upon which Mahindra Ideal Finance has built its success. Over time, we have forged significant connections with our customers, businesses, and the community at large. These relationships are not just valuable—they are essential to our sustained growth and success. We understand that our ability to thrive as a business is deeply intertwined with the health and prosperity of these connections. Therefore, we are committed to continuously nurturing and strengthening these bonds by creating value that benefits all parties involved.

Our customers are at the heart of everything we do. We strive to build trust with them through consistent, high-quality service and by addressing their needs with empathy and efficiency. By listening to their feedback and acting on their suggestions, we aim to enhance their experience and satisfaction. This customer-centric approach ensures that we remain responsive and relevant to those we serve.

In our business relationships, we aim to cultivate partnerships based on mutual respect and shared goals. We believe in working collaboratively with our business partners to achieve common objectives. This involves transparent communication, reliable service delivery, and a commitment to shared success. By aligning our goals with those of our partners, we create synergies that drive growth and innovation.

CUSTOMER CENTRICITY

Amidst the economic challenges of the 2023/24 fiscal year, Mahindra Ideal Finance Limited (MIFL) stood out for its unwavering dedication to customer-centric principles, which played a pivotal role in its performance. MIFL's clientele spanned a diverse spectrum of financial needs, ranging from vehicle leases to emergency cash loans, with a strategic focus on rural and semi-urban markets. Notably, the company remained steadfast in supporting MSMEs and individuals facing financial emergencies, a critical need amplified by the ongoing pandemic and economic downturn.

MIFL's approach to marketing was holistic, involving coordinated efforts across departments, including Marketing, Sales, Compliance, and Service. Through personalized service and sustainable customer relationships, MIFL achieved significant milestones, including a remarkable 49% growth in its deposit base and effective management of non-performing loans (NPLs) despite the challenging economic landscape.

Collaboration with MMFSL, a leading non-bank finance company in India, added strength to MIFL's brand equity and operational capabilities. Moreover, strategic enhancements such as an expanded branch network, streamlined service processes, and a customer referral program contributed to MIFL's ability to attract and retain customers amidst turbulent times.

In essence, MIFL's resilience and commitment to excellence shone through in the face of economic adversity, underscoring its position as a reliable and customer-centric financial institution dedicated to navigating challenges and delivering value to its stakeholders.

MARKETING COMMUNICATIONS

We conducted a series of strategic marketing communication initiatives to promote our primary products: Leasing, Gold Loans, and Fixed Deposits.

We invested heavily in advertising through above-the-line (ATL) activities to enhance our brand visibility and awareness across the mass market. This included the use of prominent hoardings, strategically placed pylons, and impactful branch branding with light boards. These efforts ensured that our brand message reached a wide audience, reinforcing our presence in the financial sector.

In addition, we focused on below-the-line (BTL) activities to drive sales promotions, particularly targeting specific areas to encourage repeat sales and build customer loyalty. For our Gold Loans, we implemented door-to-door promotions, organized mega marketing events, distributed leaflets, and conducted sound campaigns. These initiatives allowed us to engage directly with customers, providing personalized services and strengthening their trust in our offerings.

Our digital marketing strategy featured through-the-line (TTL) activities aimed at raising brand awareness, targeting potential customers, and converting these interactions into measurable sales. We effectively utilized platforms such as Facebook, our corporate website, Instagram, LinkedIn, and TikTok to connect with a broad and diverse audience. These digital efforts not only promoted our products but also fostered strong customer relationships and boosted sales performance.

Overall, these comprehensive marketing initiatives during the 2023/24 financial year helped Mahinda Ideal Finance maintain a competitive edge, expand our customer base, and enhance our brand reputation in the market.

EXPANDING OUR CUSTOMER REACH

During the financial year, Mahinda Ideal Finance undertook several strategic initiatives to enhance customer reach and engagement. We deployed promotion trucks to visit customers' doorsteps in specific areas, providing targeted marketing promotions and essential information about our products and services. Through SMS campaigns, we kept clients informed about special rates and exclusive schemes, ensuring they were always aware of our latest offers. Door-to-door leaflet campaigns further raised customer awareness by delivering detailed information directly to their homes.

To motivate our leasing agents, we implemented a commission scheme, and to boost Fixed Deposit volumes and expand our customer base, we introduced an attractive incentive scheme. Our social media platforms were regularly updated with accurate and timely information, enhancing our online presence and customer interaction. We also prioritized customer feedback, actively seeking and incorporating reviews to improve satisfaction and service quality.

Moreover, we strategically expanded our branch network across the island, enhancing customer convenience and accessibility. To facilitate easy and efficient transactions, we introduced convenient payment methods, including online fund transfers and cash or cheque deposits via Cash Deposit Machines (CDM). These comprehensive initiatives collectively contributed to significantly improving our customer reach and service quality throughout the financial year.

RESPONSIBLE LENDING

During the year we took deliberate steps to champion responsible lending practices. Central to our efforts was our contribution to the green revolution in the automotive sector, achieved through tailored financing options for electric cars, underscoring our dedication to environmental sustainability.

Upholding strict ethical standards, we abstained from providing leases to businesses engaged in unethical practices, thereby ensuring the integrity of our financing activities. Additionally, our lending initiatives prioritized support for women, with a notable 55% of our Gold loan portfolio comprising female clients, empowering them with vital financial resources.

Complementing these efforts, we proactively educated customers about the risks associated with escalating debt, fostering responsible financial decision-making. Moreover, in instances of overdue facilities, we offered flexible repayment terms with reasonable timeframes and monthly instalments, exemplifying our commitment to assisting customers in managing their financial obligations responsibly.

These cohesive initiatives underscore our unwavering dedication to fostering positive impacts through responsible lending practices, benefitting individuals and communities alike.

ENHANCING CUSTOMER SERVICE WITH ADVANCED CRM AND MULTICHANNEL SUPPORT

Opened last year, the new Call Centre at Mahindra Ideal Finance is equipped with a state-of-the-art, cloud-hosted CRM system that continuously monitors employee performance across various parameters daily. This ensures agents maintain the expected service levels. The advanced system not only facilitates voice calls and emails but also integrates social media platforms such as WhatsApp. By including these additional communication channels, the Centre provides customers with more convenient and flexible options to connect with customer service representatives, enhancing the overall customer experience.

At Mahindra Ideal Finance, our commitment to providing exceptional service to our customers is unwavering. We employ various methods to gauge customer satisfaction levels and continuously improve their experience. One of our primary approaches involves conducting customer satisfaction surveys and follow-ups through our dedicated Contact Centre. This centralized unit serves as the focal point for collecting feedback on sales leads, inquiries, requests, and complaints received from customers via multiple channels such as hotline, general line, WhatsApp, email, and more, ensuring prompt and efficient resolution within stipulated timeframes.

In addition to soliciting feedback, we actively foster strong relationships with our customers through enhanced digital platforms and communication channels. Our company website and Facebook page have been revamped to provide engaging content and updates on our activities. Customers can easily reach out to us through our Customer Care Unit via hotline, general line, WhatsApp, and email. Moreover, we've introduced a four-digit hunting number for easy access to our services, ensuring convenience for our valued customers. Whether through phone calls or messages, our dedicated staff is always ready to provide assistance promptly. We leverage WhatsApp messaging services to address customer inquiries promptly, even outside of regular office hours, ensuring a swift response during the earliest working hours.

Our commitment to accessibility extends to accommodating customers' preferred languages, with our staff proficient in serving clients in all three languages. Additionally, we guide customers on convenient payment methods, including online fund transfers and cash or cheque deposits via Cash Deposit Machines (CDM). Upholding principles of trustworthiness and privacy, we prioritize customer confidentiality, instilling confidence in our services. We actively encourage customers to share their experiences with us through any communication channel they prefer, valuing their feedback as we strive for continuous improvement in service delivery.

KPIS OF THE CALL CENTRE IN 2023/24

	Total
Average waiting time in queue	2 seconds
Average handling time (Max. 2 min.30 seconds)	2 minute & 11 second
% of calls abandoned (KPI 5%)	1%
% of calls answered (above 90%)	99%

KPI	Action	Achievement (%)
Service level of over 85%	• Identifying peak times and staffing according to the requirement • Monitor and track agent's performance	99%
Abandon level to be less than 5%	• Reduce average call time • Use wallboards and team broadcast • Schedule according to call volume	1%
Maintain zero customer complaints on call center operations	• Respond/direct and provide feedback within 24 hours • Deliver on promised standards • Improve internal communications	100% - No complaint received related to Call centre Operation

Community

Our commitment to the community goes beyond corporate social responsibility; it is about being an integral part of the societal fabric. We actively engage with local communities to understand their challenges and needs. Our initiatives are designed to create positive, long-term impacts, whether through supporting education, providing essential resources, or enhancing healthcare. We aim to be a trusted partner in community development, contributing to the welfare and upliftment of those around us.

Our overarching goal is to form solid partnerships rooted in trust, respect, and shared objectives. By prioritizing these values, we ensure that our relationships are strong and enduring. We are dedicated to creating environments where everyone can thrive, fostering a sense of community and collaboration that extends beyond transactional interactions. Through these efforts, Mahindra Ideal Finance not only achieves its business goals but also contributes to a more connected and resilient society.

Supporting Underprivileged Communities

Mahindra Ideal Finance Limited is deeply committed to community development, viewing it as a means to uplift the lives of underprivileged individuals. We have undertaken numerous CSR projects aimed at assisting the poor and needy in our neighbourhoods. One such initiative is the donation of dry food items. In response to the recent economic crisis in Sri Lanka, which caused significant disruptions and unstable economic conditions, we identified individuals in need within our local communities at the branch level. Our teams have organized and distributed essential dry food packages to ensure that these individuals and families have access to basic nutrition during these challenging times. This initiative not only provides immediate relief but also reinforces our commitment to supporting the welfare of our community members.

Enhancing Education for Underprivileged Children

In addition to providing food aid, we have focused on supporting education for underprivileged school children across the country. Recognizing the critical role that education plays in breaking the cycle of poverty, Mahindra Ideal Finance has been actively involved in donating school bags, books, and other essential supplies to children in need. Our branches coordinate with local schools to identify students who lack basic educational materials and organize donation drives to meet these needs. By ensuring that these children have the necessary tools for their education, we are helping to create a more equitable future where every child has the opportunity to learn and succeed, regardless of their socio-economic background.

- Donations for underpriviledge students -

Blood Donation Campaigns

Another cornerstone of our community involvement is our commitment to healthcare initiatives, exemplified by our organized blood donation campaigns. Blood donation is a vital part of global healthcare, as it enables life-sustaining and life-saving blood transfusions. Our campaigns are designed to encourage voluntary blood donation from employees, customers, and community members. We partner with local hospitals and blood banks to ensure that the collected blood is safely stored and utilized for patients in need. These campaigns not only contribute to the availability of safe and quality blood for medical emergencies but also foster a sense of solidarity and social responsibility among our stakeholders. By promoting voluntary blood donation, we aim to make a significant impact on public health and demonstrate our ongoing commitment to saving lives.

- Blood donation -

- Dansal for vesak -

Mahindra Ideal Finance's natural capital refers to the environmental resources and ecosystems that the company relies on and interacts with in its operations. This includes the responsible use of resources such as energy, water, and raw materials, as well as the impact of the company's activities on the environment. Natural capital also encompasses efforts to minimize the ecological footprint through sustainable practices, waste reduction, and carbon footprint management. By prioritizing and investing in natural capital, Mahindra Ideal Finance demonstrates its commitment to environmental stewardship, sustainability, and corporate social responsibility, contributing to the long-term health and viability of the planet while supporting the company's sustainable growth.

Mahindra Ideal Finance places a paramount emphasis on integrating considerations of natural capital into its overarching business strategy and decision-making processes. This integration is pivotal as it underscores the company's commitment to not only fostering environmental sustainability but also enhancing cost efficiency across its operations. Recognizing the multifaceted impact of natural capital on both environmental health and financial performance, Mahindra Ideal Finance ensures that every decision is carefully informed by a nuanced understanding of how various factors such as energy consumption and resource utilization can significantly influence operational expenses.

To effectively harness natural capital and minimize environmental impact, Mahindra Ideal Finance implements a diverse array of initiatives that are seamlessly integrated into its operational framework. For instance, the company prioritizes the incorporation of natural lighting and ventilation features in its branch refurbishment projects. By strategically leveraging elements such as tempered glass walls and innovative architectural designs, Mahindra Ideal Finance optimizes the utilization of natural light and airflow, thereby reducing dependency on artificial lighting and air conditioning systems. Consequently, this not only leads to tangible reductions in energy consumption but also contributes to substantial cost savings in the long run.

Moreover, Mahindra Ideal Finance remains steadfast in its commitment to continuously evaluating and refining its business strategies to align with the overarching principles of environmental sustainability and resource efficiency. This entails a meticulous analysis of resource consumption patterns across its branch network, coupled with the proactive implementation of best practices aimed at minimizing environmental footprint while simultaneously maximizing operational efficiency.

In addition to these proactive measures, Mahindra Ideal Finance has instituted robust monitoring mechanisms to closely track daily electricity and water consumption across all its branches. By meticulously monitoring and managing these vital resources, the company strives to not only minimize usage but also mitigate the risk of unnecessary waste generation, thus further underscoring its steadfast commitment to resource efficiency.

Furthermore, Mahindra Ideal Finance has spearheaded several exemplary initiatives aimed at reducing its environmental footprint and promoting sustainable practices. One such initiative involves the widespread adoption of LED lights, a strategic move designed to significantly reduce energy consumption and greenhouse gas emissions across its operational footprint. Additionally, the company has implemented stringent waste management protocols, ensuring that all waste generated at both the head office and branch locations is sorted and responsibly disposed of in collaboration with local municipal councils.

As we look to the future, Mahindra Ideal Finance is implementing a forward-thinking strategy. This includes the adoption of battery inverters over fuel-based generators for new branches. This transition aligns with our commitment to environmental stewardship, showcasing our dedication to sustainable practices and innovation.

In summary, Mahindra Ideal Finance's steadfast commitment to integrating considerations of natural capital into its business strategy and decision-making processes exemplifies its unwavering dedication to environmental stewardship and resource efficiency. By prioritizing sustainability alongside profitability, the company not only positions itself as a responsible corporate citizen but also mitigates the risks associated with environmental degradation and resource scarcity in the long run.

LEAP AHEAD

to innovations that add value to our stakeholders

MR NALIN J WELGAMA

Chairman
Non Independent Non Executive

Mr Nalin J Welgama is the founder and chairman of Ideal Group, with subsidiaries spanning the Automotive, Logistics, Renewable energy, Real estate, agriculture and financial services sectors. He has a passion for the future of mobility and has partnered with India's Mahindra & Mahindra to assemble and manufacture automobiles in Sri Lanka. He is a senior accountant in the UK, having managed a firm of chartered Accountants in England, for several years and later forming Ideal Plant & Vehicles Ltd, in 1986, which exported luxury motor vehicles and contractors plant worldwide. He is the youngest son of Sri Lanka's well known entrepreneur Mr S A Welgama, whose name is synonymous with Road Haulage. Nalin Welgama's professional training and business ventures in the UK, coupled with his family DNA, contributed significantly towards the successful journey of Ideal Group. He is a past pupil of St Thomas' college, Mount Lavinia.

Other than in Mahindra Ideal Finance Limited Mr Welgama holds Non-Executive Directorships in Ideal Motors Pvt Ltd , Ideal First Choice Pvt Ltd,Ideal Drive Pvt Ltd , Ideal Greentech Pvt Ltd ,Ideal Wheels and Tyres Pvt Ld,Ideal Industries Lanka Pvt Ltd , Mahindra Ideal Lanka Pvt Ltd ,Skynet WWE Pvt Ltd , Ideal Commercial Pvt Ltd , Ideal Modicon Engineering Pvt Ltd , Ideal Premier Pvt Ltd , Ideal Automotives Parts Pvt Ltd, Ideal Automobile Pvt Ltd and Beatrice Investments Pvt Ltd.

MR ARAVINDA DE SILVA

Deputy Chairman
Non Independent Non Executive

An all-time legend in the cricketing world, Mr Aravinda De Silva with an international cricketing career spanning over 20 years, is the only cricketer to have scored a century and taken 3 wickets in a World Cup final. He was instrumental in winning the Cricket World Cup for Sri Lanka in 1996 and was adjudged as Man of the Match on two occasions, in the all-important semifinal and the final. He retired at the pinnacle of his career in 2003 as Sri Lanka's highest ever run-scorer in Test and ODI, having captained the side many times including the 1991/1992 World Cup.

Mr Aravinda De Silva further continued his association with the game in Sri Lanka, serving in an advisory capacity to Sri Lanka Cricket and the Minister of Sports, as well as being Vice-President of Sri Lanka Cricket, Chairman of Selectors and Cricket Committee on numerous occasions.

Mr De Silva was selected as one of the five Wisden Cricketers of the Year in 1996 and one of the five Sri Lankan cricketers named on the prestigious list. In 2023 Mr De Silva was inducted into ICC Hall of Fame, making him the 4th Sri Lankan to receive that honor.

Mr Aravinda De Silva joined the Ideal Group of Companies in 2009 where he infused his passion for automobiles and keen acumen for cricket and became a co-partner of the Ideal Group of Companies. He currently serves as the Deputy Chairman of the Group, which represents the global giant Mahindra & Mahindra in the Automotive and Finance sectors.

Mr Aravinda De Silva has been involved with property and infrastructure development in multiple countries. His experience in identifying investment opportunities and as a business strategist in mergers and acquisitions, keeps him actively involved as a private venture capital investor.

Mr Aravinda De Silva sits on a number of Executive Boards in the country and in 2017, he was appointed as Chairman of Thomas Cook Lanka (Pvt) Ltd., a fully owned subsidiary of Fairbridge Capital Canada. He is currently the Non-Executive Directors at Ideal Motors (Pvt) Ltd. , Ideal First Choice (Pvt) Ltd. ,Ideal Drive (Pvt) Ltd. ,Prompt Xpress (Pvt) Ltd. , Ideal Premier (Pvt) Ltd. , Ideal Industries Lanka (Pvt) Ltd. ,Mahindra Ideal Lanka (Pvt) Ltd. , Ideal Modicon Engineering (Pvt) Ltd , Skynet WWE (Pvt) Ltd. , Arvana Investments (Pvt) Ltd. ,Arcasia Investment & Trading (Pvt) Ltd. ,Luxe Asia (Pvt) Ltd. , Steam Ed Global (Pvt) Ltd. , Bluesky Aviation (Pvt) Ltd. , Mayfair Capital (Pvt) Ltd. , Game Design , Gateway International Campus (Pvt) Ltd and Good Earth Fertilizers Pvt Limited.

MR MUFADDAL A. CHOONIA

Non - Independnet Non- Executive Director

As Vice President - Emerging Asian Markets at Mahindra Finance, Mufaddal is responsible for leading Mahindra Finance's expansion into Asian Markets and to ensure the planned financial returns on the company's investments through a direct P&L responsibility for the businesses in these markets. He has been the anchor for Mahindra Finance's investment in Sri Lanka through the joint venture in Mahindra Ideal Finance Limited (MIFL) and now sits on MIFL's Board as Non - Executive Director.

Before joining Mahindra Finance, Mufaddal served as the Chief Executive Officer of Mahindra Racing SpA, an Italian subsidiary of the Mahindra Group, involved in the business of designing and manufacturing high-performance racing motorcycles. Mahindra Racing was the only Indian company that developed these motorcycles in house at its own, exclusive racing development center near Milan, in Italy. He served as the CEO and Director of Mahindra Racing, Italy from 2012 to 2019.

Mufaddal started his career in the Mahindra Group in 1999 after passing from NITIE, one of India's leading business schools. He has held various key positions in marketing and sales across the Automotive and Financial Services sectors of the Group. Mufaddal' s first assignment in the Group as Brand Manager - Scorpio, saw him become part of the core team that developed & launched the iconic Scorpio. After gaining valuable experience in the automotive sector of the Group, he then moved on to spearhead the marketing function at Mahindra Finance, where he was responsible for launching the company's first every integrated national marketing campaign. After a 2.5 year stint outside the Group with Emirates NBD Bank in Dubai, Mufaddal re - joined the Group in 2010 in the Group Strategy Office, where he worked with the business leaders of various Mahindra businesses and helped them develop their long-term business and growth strategies.

Mufaddal has extremely rich international experience of over a decade and is very widely traveled across the globe. His educational qualifications include a graduation in Automobile Engineering and post-graduation in Business Management from NITIE.

MR. VIVEK KARVE

Non-Independent Non-Executive Director

Vivek is a Chartered Accountant (1994), a Cost Accountant (1993) and a B. Com. from the University of Bombay (1991). He has more than 25 years of experience in sectors such as FMCG, Banking & Financial Services and IT across five organizations - Mahindra Finance, Marico, Siemens Information Systems, ICICI and P&G.

Vivek joined Mahindra & Mahindra Financial Services Limited as its CFO in September 2020. He also oversees the entire finance function for the Financial Services Sector under Mahindra Finance.

Prior to joining Mahindra Finance, Vivek worked as Group CFO of Marico. He joined Marico in 2000, as a Manager in Corporate Finance. He took over the charge as CFO of Marico Limited effective in April 2014. Over the years, he made significant contributions in the areas of performance management, investors relations, risk management, governance and controls. He has also played an active role in Marico's M&A efforts through due diligence, deal structuring, funding etc.

In 2017, he was recognized as the 2nd Best CFO by Institutional Investor, a reputed magazine for Investors. In 2018, Financial Express recognized him as the Best CFO in Large Enterprise Category.

Vivek has served as a member of FICCI's Corporate Finance Committee. He is currently a member of FICCI's CFO Conclave. Other than in Mahindra Ideal Finance Limited he holds directorships in Mahindra Insurance Brokers Limited,Mahindra Rural Housing Finance Limited and Mahindra Finance CSR Foundation.

MR. SUJEEWA MUDALIGE

Senior Independent Non-Executive Director

Mr Mudalige counts over 30 years of experience as a Chartered Accountant. He is also a fellow member of CIMA (UK), ACCA (UK) and CPA (Australia). He has vast experience as the Audit Committee Chair in both public and private sector organizations. Mr Mudalige was the former Managing Partner of PricewaterhouseCoopers, He is also an independent non- executive director at National Development Bank PLC , CIC Feeds Group,Linked Samahan , CIC PLC, Link Natural Products (Pvt) Ltd, NSBM Green University, Sherwood Capital (Pvt) Ltd and is the Chairman of The Mercantile Service Provident Society. Mr Mudalige is a past President of ICASL and has been a member of the Council of ICASL and of the governing board of CIMA UK- Sri Lanka Division, a Commission member of the Securities and Exchange Commission of Sri Lanka and held several such other positions locally and globally during the span of his career. He was an independent non-executive director of Hatton National Bank PLC from 2012 to 2018

MS. CHRISHANTHI JAYAWARDHANA

Independent Director

Ms. Chrishanthi Lucilla Jayewardene is an Attorney-At Law with over 30 years of post-qualification experience. She commenced her carrier at M/s F.J & G De Sarams Attorney At Law. Thereafter she joined the National Development Bank and was a member of the Senior Management Team.

Currently she is serving as a Consultant at the Urban Development Authority. Ms. Jayewardene is a member of the Association of Development Finance Institutions in Asia and Pacific. She has also held Directorships in several Companies.

MR. RAUL REBELLO

Non Independent Non Executive

Raul is a career banker with extensive experience in the domain of Rural Banking and Financial Inclusion. Mr. Raul Rebello is currently Managing Director & CEO of Mahindra & Mahindra Financial Services Ltd and he is a Non-Executive director at Mahindra Finance CSR Foundation. Prior to joining Mahindra Finance, he was with Axis Bank as EVP & Head - Rural Lending & Financial Inclusion.

Over nearly 2 decades with Axis Bank, he led key businesses including Rural Lending, Farmer Funding, Gold Loans, MSME lending, Commodity Loans, Tractor & Farm Equipment Lending, Agri-Value chain Deposits, Payments & Insurance. He also led the Business correspondent channel including 15,000+ partner outlets and the Micro-ATM channel of the Bank. He played a pivotal role to increase the Banks Distribution in Rural and Semi - Urban areas through light format Banking outlets, Micro-ATMs and Rural ecosystem partnerships.

He is credited with several transformational interventions viz. introducing various end-to-end digital initiatives and paperless loan journeys for low-income households, besides launching suitable phygital tools and customer journeys including Aadhar Pay. Under his leadership, Axis Bank has won the prestigious Financial Inclusion Award at the Asian Banking and Finance Awards in 2019 and 2021.

Raul is a member of CII National Council on Agriculture since FY19 and serves as an Advisory Board Member on the Expert Committee for Agriculture & Food Processing of Bombay Chambers of Commerce and Industry since 2017. He is a Post Graduate in Management from the Goa Institute of Management.

DUMINDA WEERASEKARE

Chief Executive Officer

With an expansive knowledge and skill experience garnered over three decades, he holds the distinction of being a Fellow of both the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of UK.

He has functioned in directorial, CEO and COO positions in a number of leading corporate institutions.

His work experience ranges from negotiating and sourcing funding from international funding organizations and agencies to introducing pioneering funding sources into the country to being commissioned by international agencies to develop strategic plans for development in various financial strata and sectors.

A recipient of a Fellowship by the Netherlands Development Bank.

ROHITHA BANDUSENA

Chief Operating Officer

Mr. Bandusena who counts over 20 years of experience in Finance, Operations, Treasury, Credit and Risk Management, holds a BSc (Hons) (Business Administration) special degree from the University of Sri Jayawardenapura.

Among the positions he has held are Senior Manager - Finance at Nations Leasing (Nations Trust Bank PLC), Assistant General Manager - Treasury and Operations at LB Finance PLC.

Prior to joining Ideal Finance Limited at the inception in April 2012 he served in the position of Head of Credit and Risk Management at Sampath Leasing and Factoring Limited.

ROHIT AGARWALLA

Chief Financial Officer

Prior to joining Mahindra Ideal Finance Limited Mr Agarwalla worked in the capacity of General Manager at Mahindra and Mahindra Financial Services Limited, Head Office, Mumbai. Prior to this he was placed as a Regional Accountant at Mahindra Finance Regional Office, Guwahati (2005-2017). He is a Chartered Accountant certified by Institute of Chartered Accountants of England and Wales (2012-2013), Cost and Management Accountant certified by Institute of Cost Accountants of India (2008-2011) and Chartered Accountant certified by Institute of Chartered Accountants of India (2002-2005)

PRADEEP DE SILVA

Assistant General Manager - Gold loan

With over 35 years experience in finance, Mr Pradeep De Silva commenced his career with L B Finance PLC in 1987 and once the gold business was incepted in 1998 was placed in charge of gold loan operations and promoted to Senior Manager. In 2008, he joined Alliance Finance as an Assistant General Manager gold loans, continuing in a similar position at Orient Finance Ltd. from 2016 until he joined Mahindra Ideal Finance Limited in 2017. With proven skills he is responsible for promoting and expanding the gold loan products through the entire branch network.

PRIYASHANTHA FERNANDO

Assistant General Manager - Asset Finance

Mr Fernando, worked in the capacity of Assistant Vice President - Leasing (Zone II) at Nations Trust Bank PLC. He began his career in 1991 as an Executive Leasing at Central Finance Company PLC. Thereafter, he was promoted to the capacity of Assistant Manager. In 1998 he joined Mercantile Leasing Company PLC as a Branch Manager and was promoted to Senior Manager - Leasing in 2003. Thereafter, he joined Nations Trust Bank PLC as a Senior Manager and moved up the ranks of the Company until he was promoted to the post of Assistant Vice President in 2015.

VISHMITH KARIYAWASAM

Assistant General Manager - Human Resources

Vishmith has over 18 years of experience in Human Resource Management in Plantation, IT Consultancy, Telecommunication, and Financial Services industries. He began his career as a Human Resource Executive in year 2004 and subsequently practiced Human Resource Management in Virtusa (Pvt) Ltd. and Dialog Axiata PLC in the capacities of Human Resources Manager and Senior Business HR Partner. He holds a BSc Human Resources Management degree from University of Sri Jayewardenepura and Master of Business Administration from Postgraduate Institute of Management (PIM) - University of Sri Jayewardenepura.

MANJULA BALASURIYA

Assistant General Manager - ICT

He has more than twenty years of ICT experience of which 12+ years with the Non -Banking Financial Services industry including Siyapatha Finance PLC and Peoples Leasing PLC. He is an IT professional with a sound knowledge in Banking & Finance operations. Further, he has experience in IT Operation Management, Project Management, IT Infrastructure Solutions Management and IT Security Administration. He is very familiar with Core Banking Solutions with NBFI operations.

He has played many key roles in System Implementation, Project Management, Product Management and Business Solution Architect. He is designated as Assistant General Manager – Information and Communication Technology in his current role where he is responsible for the overall ICT requirements of the company. He is a member of the British Computer Society , BCS-the Chartered Institute for IT – UK and He is also a practitioner of ITIL.

SAMEERA KAUMUDI

Assistant General Manager - Compliance

Sameera Kaumudi counts over 16 years of experience in the fields of risk management and compliance. Experienced at financial as well as at non-financial institutions including leading conglomerates with exposure to multiple sectors such as financial services, healthcare, leisure, FMCG, power, insurance, automobile, retail, and media. Prior to joining Mahindra Ideal Finance Limited, she served Softlogic Finance PLC as the Head of Risk Management.

She is an Associate Member of the Chartered Institute of Management Accountants of UK and holds a Bachelor's Degree in Town and Country Planning from University of Moratuwa. At present, she is reading for her Executive MBA at Commonwealth of Learning.

CHATHURA GALHENA

Assistant General Manager- Internal Audit

Commencing as an Audit Trainee at Ernst & Young in 2004, Mr. Galhena has embarked on a journey marked by unwavering dedication and continuous growth with over 18 years of experience in the banking and finance industry.

Having held pivotal positions as the Head of Internal Audit at Siyaptha Finance PLC and Assistant General Manager Internal Audit at Alliance Finance Company PLC, he brings a wealth of strategic insight to Mahindra Ideal Finance Ltd. He has been an instrumental role in the Corporate Management teams in shaping business oriented internal audit practices over last 9 years.

He is a holder of a B.Sc. (Accounting) Special from the University of Sri Jayewardenepura, an Associate Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka.

CORPORATE GOVERNANCE

Corporate Governance is defined as the system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of Management and Directors and thereby mitigating agency risks which may stem from the misdeeds of corporate officers.

The Board of Directors is responsible for the governance of the Company and has placed significant prominence on developing rules, structures, policies and processes to ensure integrity and transparency in all of the Company's dealings and making the best effort in achieving performance and quality profits. We have continuously refined our structure and systems to ensure governance on the lines as defined, aware at all times that we are accountable to our stakeholders and the general public.

This statement describes the application of the corporate governance practices carried out within the Company during the year under review.

BOARD OF DIRECTORS

The Board is the apex body of Mahindra Ideal Finance Limited that carries the responsibilities of directing the Company. The responsibilities of the Board includes making an accurate assessment of the Company's position, taking strategic decisions, holding regular meetings of the Board and Board Subcommittees, ensuring good governance and overseeing the risk management of the Company.

COMPOSITION AND INDEPENDENCE

The Board comprises Seven (07) members, including the Chairman, are Non-Executive Directors with the balance of skills and experience appropriate for the business carried out by the Company.

The Board has determined that two (02)Non-Executive Directors, namely, Ms Chrishanthi Jayawardena and Mr Sujeewa Mudalige are "Independent".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The functions of the Chairman and the Chief Executive Officer are separated, with a clear distinction drawn between responsibilities, which ensure a balance of power and authority.

Mr Nalin J Welgama is the Chairman of the Board of Directors and Mr Duminda M Weerasekare serves as the Chief Executive Officer of the Company.

TENURE, RETIREMENT AND RE-ELECTION OF DIRECTORS

There shall be a formal, considered, and transparent procedure for the appointment of new Directors to the Board.

If a Director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka with the reasons for such removal or resignation.

The provisions of the Company's Articles of Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at such a Meeting.

BOARD MEETINGS

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter which requires the attention of the Board.

The Board meets once a month and whenever necessary, special meetings of the Board are held.

APPRAISAL OF THE BOARD PERFORMANCE

As per the Direction No 05 of 2021 Corporate Governance Direction, MIFL conducts Board performance evaluation for each director at MIFL Board. The appraisal includes Board Self evaluation of each director and CEO , Performance Evaluation of the Non-Executive directors by Chairman , Performance Evaluation of Chairman by Non-Executive directors and Chairman assessing the performance of the CEO.

A summary of the evaluations is prepared by the Company Secretary and table it in the Board Meeting by her.

BOARD SUBCOMMITTEES

An Audit Committee, Integrated Risk Management Committee, Remuneration Committee, Nomination Committee, Related Party Transactions Review Committee and an IT Steering Committee function as subcommittees of the Board. The names of the Directors who serve on the said Committees are mentioned below.

COMPLIANCE OFFICER

The Company has a Compliance Office to ensure compliance with the regulatory and statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and business activities undertaken by the Company in general.

THE MANAGEMENT

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Chief Executive Officer. They ensure that risks, uncertainties and opportunities are identified and necessary actions are taken to mitigate the risk exposure thus ensuring the achievement of targets within defined time frames and budgets.

FINANCIAL DISCLOSURES AND TRANSPARENCY

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards. Intemational Financial Reporting Standards, the Companies Act, the Finance Companies Act and the directions and rules Issued there under.

Messrs Ernst & Young. Chartered Accountants acts as Extemal Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of the Company to express an opinion on the Financial Statements of the Company. The Auditors are provided with all required Information for examinations.

ETHICAL STANDARDS

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

STATUTORY PAYMENTS

All statutory payments due to the Govemment, which have fallen due, have been made or where relevant provided for Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards LKS 19. Employee Benefits (Revised 2006).

COMPLIANCE WITH CENTRAL BANK REGULATIONS

As both a registered finance company and a registered finance leasing establishment, the Company is govemed by the Non-Bank Financial Institutions directions and rules issued by the Monetary Board of the Central Bank of Sri Lanka. Accordingly, the Company is required to carry out and maintain business activities in compliance with the Directions from time to time issued by the Central Bank of Sri Lanka.

ACCOUNTABILITY AND DISCLOSURE

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

OUTLOOK

Corporate govemance plays a vital role in business and future emphasis is to further satisfy the Company's stakeholders whilst sustaining the growth of the Company. Therefore, we believe in implementing a broad operating structure, monitoring intemal control review, benchmark, feedback effective and transparent communication.

Nalin J Welgama
Chairman

18 April 2024

The Finance Business Act Directions No.05 of 2021 on Corporate Governance issued by the Central Bank of Sri Lanka for Licensed Finance Companies.

Section	Corporate Governance Principle	Compliance
1.	**BOARD'S OVERALL RESPONSIBILITIES**	
1.1	The Board shall have overall responsibility and accountability for the Finance Company (FC), including approving and overseeing management's implementation of the FC's corporate strategy, setting up the governance framework, establishing a corporate culture, and ensuring compliance with regulatory requirements.	Strategic objectives and corporate values are communicated throughout the company at Management & Staff meetings in order to enhance their understanding regarding the future goals and objectives of the company.
1.2	**Business Strategy and Governance Framework**	
1.2.a	Approving and overseeing the implementation of strategic objectives, including, the overall business strategy with measurable goals for at least the next three years, and updating annually in light of the current developments.	Board approved business plan for 2025-2027 and projected financial statements / budget for these years are in place. The Board measures corporate performance against predetermined goals.
1.2.b	Approving and implementing the Company's governance framework in light of the Company's size, complexity, business strategy, and regulatory requirements.	The Board approved governance framework is in place.
1.2.c	Assessing the effectiveness of its governance framework periodically.	The governance framework is assessed periodically by the Board of Directors.
1.2.d	Appoint the Chairman and the Chief Executive Officer and define the roles and responsibilities.	The Board has appointed a Chairman and a CEO. The Board approved Corporate Governance Framework defines functions and responsibilities of the Chairman and the CEO
1.3	**Corporate Culture and Values**	
1.3.a	Ensuring that there is a sound corporate culture within the Company, which reinforces ethical, prudent, and professional behavior.	A Board approved Code of Conduct for employees are in place. The Code of Conduct translates generic values into more specific policies and guidance, which in turn influences behavior. The Code of Conduct emphasize that the Company sees the value in acting with integrity
1.3.b	Playing a lead role in establishing the Company's corporate culture and values, including developing a code of conduct and managing conflicts of interest.	This Code focuses mainly on the following areas: Conflict of interest, corporate opportunities, antitrust and fair dealing, Confidential Information, Outside directorship and other activities, insider trading, families and relatives and harassment and discrimination areas
1.3.c	Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.	Board approved sustainable finance policy is in place.We have already implemented the sustainable initiatives such as financing electronic cars and etc where strategies will be incorporated in the next financial step as we have taken only the initial steps this year
1.3.d	Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers, and other creditors, in the view of projecting a balanced view of the Company's performance, position and prospects with the public and regulators.	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers.
1.4	**Risk Appetite, Risk Management, and Internal Controls**	
1.4.a	Establishing and reviewing the Risk Appetite Statement (RAS) in line with Company's business strategy and governance framework.	Board approved RAS along with the quantified risk limit which is subject to periodic review.
1.4.b	Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.	Risk indicators and monitoring pertaining to Credit Risk, Liquidity risk , Operational Risks, and other residual risks are discussed and appropriate mitigating actions are recommended at the BIRMC meeting.

Section	Corporate Governance Principle	Compliance
1.4.c	Adopting and reviewing the adequacy and the effectiveness of the Company's internal control systems and management information systems periodically.	The Board Audit Committee assists the Board in assessing the adequacy and integrity of the internal controls system, management information system (MIS), and financial reporting processes of the Company. The Internal Auditor team add to the process by monitoring compliance with policies and procedures and their suitability of design and effectiveness on an ongoing basis. Further, the External Auditors were engaged in providing assurance on the Directors' Responsibility Statement on Internal Controls over financial reporting included in the annual report, and their opinion was submitted to the Board.
1.4.d	Approving and overseeing Business Continuity and Disaster Recovery Plan for the Company to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.	Board approved comprehensive Business Continuity and Disaster Recovery Plan is in place and company ensure stability and preserve critical operations and services under unforeseen circumstances.
1.5	**Board Commitment and Competency**	
1.5.a	All members of the Board shall devote sufficient time to dealing with the matters relating to the affairs of the Company.	The views of the Board of Directors on issues under consideration are ascertained, and a record of such deliberations are reflected in the minutes. Further, the Board is in complete control of the Company's affairs and aware of its obligations to all shareholders and other stakeholders. Board of directors regularly attend for the Board and sub-Committee meetings.
1.5.b	All members of the Board shall possess the necessary qualifications, adequate skills, knowledge, and experience.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
1.5.c	The Board shall regularly review and agree on the training and development needs of all the members.	Directors have recognized the need for continuous training and take part in professional development as they consider it necessary in carrying out their duties as Directors. Any training programs relevant to the Board are communicated to the Board by the Company Secretary for the Directors' participation.
1.5.d	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Boards as a whole and that of its committees and maintain records of such assessments.	A process is in place for annual self-assessments to be undertaken by each Director, of its Board as a whole and that of its committees. The records of such assessments are maintained by the Company Secretary. The summary of the assessments is submitted to the Board.
1.5.e	The Board shall resolve to obtain external, independent, professional advice to the Board to discharge duties to the FC.	Procedure manual of the Company contains a section providing the procedures on seeking independent professional advice by Directors at company expense.
1.6	**Oversight of Senior Management**	
1.6.a	Identifying and designating senior management, who are in a position to significantly influence policy, direct activities, and exercise control over business operations and risk management.	In line with the Central Bank of Sri Lanka (CBSL) direction on No 06 of 2021. KRP are defines as per the mentioned direction,.
1.6.b	Defining the areas of authority and key responsibilities for the senior management.	JDs have been updated and reviewed by the Nomination Committee
1.6.c	Ensuring the senior management possesses the necessary qualifications, skills, experience, and knowledge to achieve the FC's strategic objectives.	The set of skills and competencies expected by the Company is determined through the recruitment process. A candidate is evaluated and verified during the interview process. Information related to experience and qualifications is verified through their affidavit and declaration, which is submitted to the CBSL. Further, the physical documents/ confirmations are verified and obtained from the candidates during the on-boarding process.

Section	Corporate Governance Principle	Compliance
1.6.d	Ensuring there is appropriate oversight of the affairs of the Company by senior management.	To safeguard better governance practices, the affairs of the Company are reviewed and monitored by the Board of Directors through CEO. To ensure better management, development, and effective performance of the Company, KRPs make regular presentations to the Board on matters under their purview.
1.6.e	Ensuring the FC has an appropriate succession plan for senior management.	Board approved Succession plan is in place
1.6.f	Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.	CEO and CFO are represented at the Board, IRMC and IT Steering Committees. CEO attends the Audit Committee upon invitation. Key Management Personnel are invited as and when the need arises by the Board or the Committee to explain matters relating to their areas of functions
1.7	**Adherence to the Existing Legal Framework**	
1.7.a	Ensuring that the FC does not act in a manner that is detrimental or prejudicial to the interests of, and obligations to, depositors, shareholders and other stakeholders	A Board approved Governance Framework and Communication policies are in place. The Company operates within the Governance Framework and the laws and directions issued by the regulator.
1.7.b	Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.	The Company adheres to the directions, regulations, rules, and circulars issued by the Central Bank of Sri Lanka. Further, the Company ensures that all employees adhere to the internal policies and procedures. Additionally, the Board approved Code of Conduct for all employees is in place and it is signed off by each employee, and the Board regularly monitors compliance with the Code of Conduct.
1.7.c	Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.	Continuous monitoring is in place to avoid criminal liabilities through implementing a governance framework, recruiting Directors of suitable caliber and obtaining fit & propriety of members annually.
2.	**GOVERNANCE FRAMEWORK**	
2.1	Board shall develop and implement a governance framework in line with the Finance Business Act Directions No.05 of 2021.	A Board approved Governance Framework is in place.
3.	**COMPOSITION OF THE BOARD**	
3.1	The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the Company.	All members of the Board possess vast experience, qualifications, adequate skills, and knowledge in the relevant fields.
3.2	The number of directors on the Board shall not be less than 7 and not more than 13.	As at 31.03.2024 The Board consists of seven Directors, which is within the statutory requirement.
3.3	The total period of service of a director other than a director who holds the position of Chief Executive Officer/Executive Director shall not exceed nine years, subject to direction 3.4.	Two Non-executive directors hold more than nine years subject to section 3.4 with the CBSL approval
3.4	Non-Executive directors, who directly or indirectly hold more than 10% of the voting rights or who are appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however, the number of non-executive directors eligible to exceed 9 years is limited to one-fourth (¼) of the total number of directors on the Board.	Two of the Non-Executive directors of the Company have exceeded nine years of service as at 31st March 2024 and obtained the CBSL approval subject to 3.4

Section	Corporate Governance Principle	Compliance
3.5	**Executive Directors**	
3.5.a	Only an employee of a Company shall be nominated, elected, and appointed, as an Executive Director of the Company, provided that the number of Executive Directors shall not exceed one-third (1/3) of the total number of directors of the Board.	There were No Executive directors during the year 2023/24
3.5.b	A shareholder, who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may be reappointed as a non-executive director subject to provisions contained in directions 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may be reappointed as non-executive directors subject to provisions contained in directions 4.2 and 4.3.	No such circumstance transpired.
3.5.c	In the event of the presence of the Executive Directors, CEO shall be one of the Executive Directors and may be designated as the Managing Director of the Company.	There were No Executive directors during the year 2023/24
3.5.d	All Executive Directors shall have a functional reporting line in the organization structure of the Company.	
3.5.e	The Executive Directors are required to report to the Board through the CEO.	
3.5.f	Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.	
3.6	**Non-Executive Directors**	
3.6.a	Non-Executive directors (NED) shall possess credible track records and have the necessary skills, competency, and experience to bring independent judgement on the issues of strategy, performance, resources, and standards of business conduct.	The Non-Executive Directors of the Company possess vast experience and skills in the relevant fields.
3.6.b	A Non-Executive Director cannot be appointed or function as the CEO/Executive Director of the Company.	None of the Non-Executive Directors are appointed or function as the Executive Directors of the Company.
3.7	**Independent Directors**	
3.7.a	The number of Independent Directors of the Board shall be at least three or one-third of the total number of directors, whichever is higher.	By 31.03.2024 the board comprised of 2 Independent directors complying with corporate governance direction No 03 of 2008. Company has obtained transitional provision until 01.07.2024 to comply with the new direction.
3.7.b	Independent Directors appointed shall be of the highest caliber, with professional qualifications, proven track records, and sufficient experience.	All Independent Non-Executive Directors of the Company are of the highest caliber with professional qualifications, a proven track records, and sufficient experience in the given fields.
3.7.c	A Non-Executive Director shall not be considered independent if such:	
3.7.c.i	Director has a direct or indirect shareholding exceeding 5% of the voting rights of the Company or exceeding 10% of the voting rights of any other Company.	In 2023/24, no such circumstance transpired.
3.7.c.ii	Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.	In 2023/24, no such circumstance transpired.

Section	Corporate Governance Principle	Compliance
3.7.c.iii	Director has been employed by the Company or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.	In 2023/24, no such circumstance transpired.
3.7.c.iv	Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the Company or its affiliates during the one year preceding the appointment as director.	In 2023/24, no such circumstance transpired.
3.7.c.v.	Director has a relative, who is a director or senior management of the Company or has been a director or senior management of the Company during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the Company or exceeding 20% of the voting rights of another Company.	In 2023/24, no such circumstance transpired.
3.7.c.vi	Director represents a shareholder, debtor, or such other similar stakeholder of the FC;	Non-Independent directors , Mr. Choonia Mufaddal, Mr. Vivek Karve and Mr Raul Rebello- represents Mahindra and Mahindra Financial Services Ltd which is the parent company of MIFL. Mr Nalin Welgama and Mr Aravinda De Silva represent Ideal Motors Pvt Limited which is a shareholder of the company
3.7.c.vii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the stated capital in a Company or business organization, in which any of the other directors of the FC is employed or a director;	In 2023/24, no such circumstance transpired.
3.7.c.viii	Director is an employee or a director or has a direct or indirect shareholding of 10% or more of the voting rights in a Company, which has a transaction with the Company as defined in direction 12.1(c), or in which any of the other directors of the Company has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.	In 2023/24, no such circumstance transpired.
3.7.d.	The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed in direction 3.7, which might impact a director's independence or the perception of the independence.	In 2023/24, no such circumstance transpired.
3.7.e.	An Independent Director shall immediately disclose to the Board any change in circumstances that may affect the status as an Independent Director. In such a case, the Board shall review such director's designation as an Independent Director and notify the Director/DSNBFI in writing of its decision to affirm or change the designation.	In 2023/24, no such circumstance transpired.
3.8	**Alternate Directors**	There were no Alternate Director appointments.
3.9	**Cooling off Periods**	No such appointments were made.
3.10	**Common Directorships**	
3.10	Director or senior management of a Company shall not be nominated, elected, or appointed as a director of another Company except where such Company is a parent Company, subsidiary Company, or an associate Company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).	No Directors or Senior Managers held positions in other Finance Companies during the year .
3.11	The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a Finance Company shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/societies/bodies, including subsidiaries and associates of the FC.	None of the directors holds office as a director of more than 20 Companies.

Section	Corporate Governance Principle	Compliance
4.	**ASSESSMENT OF FIT AND PROPER CRITERIA**	
4.1	No person shall be nominated, elected, or appointed as a director of the Company or continue as a director of such Company unless that person is a fit and proper person to hold office as a director of such Company in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.	The Board shall appoint directors subject to the policy is in line with the Finance Business Act Direction No.06 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons.
4.2	A person over the age of 70 years shall not serve as a director of an FC.	None of the Directors of the Company are above the age of 70 years.
4.3	Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to a maximum of 75 years of age subject to the following;	No such appointments occurred.
4.3.a	Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	In 2023/24 , no such appointments occurred.
4.3.b	Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).	In 2023/24, no such appointments occurred.
4.3.c	The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.	No such appointments occurred.
4.3.d	The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.	No such appointments occurred.
5.	**APPOINTMENT AND RESIGNATION OF DIRECTORS AND SENIOR MANAGEMENT**	
5.1	The appointments, resignations, or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.	The Company conforms to the provisions of Finance Business Act Direction No.6 of 2021 on Assessment of Fitness and Propriety of Key Responsible Persons for appointments, resignations, or removals.
6.	**THE CHAIR AND THE CHIEF EXECUTIVE OFFICER**	
6.1	There shall be a clear division of responsibilities between the Chairperson and CEO and the responsibilities of each person shall be set out in writing.	The roles of the Chairman and the Chief Executive officer are separated and not performed by the same individual.
6.2	The Chairperson shall be an Independent Director, subject to 6.3 below.	
6.3	In the case where the Chairperson is not independent, the Board shall appoint one of the Independent Directors as a Senior Director, with suitably documented Terms of Reference to ensure a greater independent element. The Senior Director will serve as the intermediary for other directors and shareholders. Non-Executive Directors including Senior Directors shall assess the Chairperson's performance at least annually.	As the Chairman is a Non-Independent director, the Board has appointed a senior Independent director. Terms of Reference for Senior Independent director is in place.

Section	Corporate Governance Principle	Compliance
6.4	**Responsibilities of the Chairperson**	
6.4.a	Provide leadership to the Board;	Chairman's key responsibilities and duties have been approved by the Board. The self-evaluation process ensures that the said requirements are fulfilled. Company Secretary compiles the agenda in consultation with the Chairman, as this function has been delegated to the Company Secretary by the Chairman. The Board approved communication policy is in place for communication with all stakeholders including depositors, creditors, shareholders, and borrowers. Annual assessment of the directors including Chairman and CEO has been done in the 2023/24 and tabled a summary of it by the Company secretary
6.4.b	Maintain and ensure a balance of power between the Executive and Non-Executive Directors;	
6.4.c	Secure effective participation of both Executive and Non-Executive Directors.	
6.4.d	Ensure the Board works effectively and discharges its responsibilities	
6.4.e	Ensure all key issues are discussed by the Board in a timely manner	
6.4.f	Implement decisions/directions of the regulator.	
6.4.g	Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the Company Secretary.	
6.4.h	Not engage in activities involving direct supervision of senior management or any other day-to-day operational activities.	
6.4.i	Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	
6.4.j	Annual assessment of the performance and the contribution during the past 12 months of the Board and the CEO.	
6.5	**Responsibilities of the CEO**	
	The CEO shall function as the apex executive in charge of the day-to-day management of the FC's operations and business. The responsibilities of the CEO shall include	
6.5.a	Implementing business and risk strategies in order to achieve the FCs strategic objectives;	
6.5.b	Establishing a management structure that promotes accountability, and transparency throughout the FC's operations, and preserves the effectiveness and independence of control functions;	
6.5.c	Promoting, together with the Board, a sound corporate culture within the FC which reinforces ethical, prudent, and professional behavior.	The Board approved functions and responsibilities of the Chief Executive Officer are in place. The Chief Executive Officer functions as the apex executive in charge of the day-to-day operations of the Company and he acts as a direct liaison between the Board and Management of the Company.
6.5.d	Ensuring the implementation of a proper compliance culture and being accountable for accurate submission of information to the regulator.	
6.5.e	Strengthening the regulatory and supervisory compliance framework.	
6.5.f	Addressing the supervisory concerns and non- compliance with regulatory requirements or internal policies in a timely and appropriate manner.	
6.5.g	CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another Company, subject to Direction 3.10.	

Section	Corporate Governance Principle	Compliance
7.	**MEETINGS OF THE BOARD**	
7.1	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.	Board has met 12 times during the year 2023/24.There were instances where the Board's consent has been obtained through the circulation of written resolutions/ papers during the year 2023/24
7.2	The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the board are to be represented in the agenda for scheduled Board Meetings.	Agenda is circulated , among the Board members by electronic mail prior to the meeting, which enables Directors to communicate any matters which they wish to be discussed at the meeting, to be included in the agenda. Procedure manual of the Company includes the procedure on enabling all Directors to include matters and proposals in the agenda.
7.3	A notice of at least 3 days shall be given for a scheduled Board Meeting. For all other Board meetings, reasonable notice shall be given.	As a practice, Directors are given a notice of at least seven days for regular Board Meetings and also the next board meeting is finalized at the end of the previous meeting.
7.4	A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.	The views of the Board of Directors on issues under consideration are ascertained and a record of such deliberations are reflected in the minutes.
7.5	A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present unless at least one-fourth of the number of directors that constitute the quorum at such meeting are independent directors.	In 2023/24, no such incidents occurred.
7.6	The Chairperson shall hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary, and at least twice a year.	There has been two meeting during the 2023/24 financial year with the presence of Chairman and only with the Non-Executive directors
7.7	A director shall abstain from voting on any Board resolution in relation to a matter in which he/she or any of his relatives or a concern, in which he has a substantial interest, is interested, and he/she shall not be counted in the quorum for the relevant agenda item in the Board meeting.	Articles of Association give evidence on the procedure for "Restrictions on Voting" by Board of Directors when they have a substantial interest on any matter and not to be counted in the quorum. No such transaction has taken place during the year.
7.8	A director, who has not attended at least two-thirds of the meetings in the period of 12 months, immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance.	The Board of Directors has fully complied with the requirement and each Director of the Board is well-informed and acquainted with their attendance. Further, the Company Secretary monitors attendance. During the year 2023/24, none of the directors has been absent for three consecutive meetings. Details of the Director's attendance are set out on page 87 of the Annual Report.
7.9	**Scheduled Board Meetings and Ad Hoc Board Meetings**	
	For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where the director cannot attend on short notice, participation through electronic means is acceptable.	The attendance of the directors are tabled in page 87. Further, participation in person or through electronic medium is clearly recorded in minutes.
8.	**COMPANY SECRETARY**	
8.1.a.	The Board shall appoint a Company Secretary considered to be senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings and to carry out other functions specified in the statutes and other regulations.	In terms of section 221 of the Companies Act No. 07 of 2007, a qualified Company Secretarial services provider (S S P Corporate Services (Private) Limited)with adequate experience has been appointed by the Board as the Company Secretary. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures, and other applicable rules and regulations are followed.

Section	Corporate Governance Principle	Compliance
8.1.b.	The Board shall appoint its Company Secretary, subject to the transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a Company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the Company Secretary, such person shall become an employee of the Company and shall not become an employee of any other institution.	The Company would comply with the direction by appointing a Company Secretary considered as Senior Management by 01st July 2024. A transitional period until 01st July 2024 has been granted to comply with the same.
8.2	All directors shall have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures laws, directions, rules, and regulations are followed.	A Board approved procedure is in place to enable all Directors to have access to the advice and services of the Company Secretary and to ensure all Board procedures, applicable laws, rules, directions, and regulations are followed.
8.3	The Company Secretary shall be responsible for preparing the agenda in the event the Chairperson has delegated carrying out such function.	Agenda and previous month's Board minutes are prepared by the Company Secretary.
8.4	The Company Secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.	Company Secretary maintains the minutes of Board Meetings with sufficient details. Upon a reasonable request, any Director can inspect the minutes.
8.5	The Company Secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.	Minutes of the Board meetings with all submissions to the Board are maintained for a minimum period of 6 years.
8.6	Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) fact-finding discussions and the issues of contention or dissent including contribution of each individual director. (d) the explanations and confirmations of relevant parties which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; directions. (e) the Board's knowledge and understanding of the risks to which the Company is exposed and an overview of the risk management measures adopted; (f) the decisions and Board resolutions.	Minutes of the Board meetings are recorded in sufficient detail.
8.7	The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Minutes are open for inspection at any reasonable time or notice by any director
9.	**DELEGATION OF FUNCTIONS BY THE BOARD**	
9.1	The Board shall approve a DA and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.	DA limits are included in respective polices. However DA manual was compiled and reviewed by the IRMC on 27.05.2024 and it will be submitted to the Board approval on 28.06.2024
9.2	In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.	Board sub-committees are in operation.
9.3	The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.	Asset and Liability Committee and Credit Committee are in operation.
9.4	The Board shall not delegate any matters to a Board Sub-committee, Executive Directors, or Senior Management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	The Board is empowered by the Articles of Association to delegate its powers to a committee of Directors or to a director or employee upon such terms and conditions and with such restrictions as the Board may think fit.

Section	Corporate Governance Principle	Compliance
9.5	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the Company.	The delegation process is periodically reviewed to ensure it fulfills the demands of the Company.
10.	**BOARD SUB-COMMITTEES**	
	A transitional period until 01.7.2024 will be granted. However, during the transitional period provisions contained in "Section 8: Board Appointed Committees" of the Finance Companies (Corporate Governance) Direction No.03 of 2008 will be applicable.	
	Board Sub-Committees	
	FCs with asset base of less than Rs. 20 bn	
	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), and Related Party Transactions Review Committee.	In terms of the FBAD No.05 of 2021, the Company has in operation a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Board Nomination Committee (BNC), Board Human Resource and Remuneration Committee (BHRRC), and Board Related Party Transactions Review Committee (BRPTRC).
	Meetings - Meetings shall be held at least quarterly for BAC and BIRMC. Other committees shall meet at least annually.	There were 5 BAC meetings and 4 BIRMC meetings held during the year 2023/24, which comply with the requirements. Please refer Board subcommittee reports given on page 88 to 97 of the Annual Report.
10.1.b	Each Board sub-committee shall have a written term of reference specifying clearly its authority and duties.	Written Term of References clearly specifying the authority and duties are in place for each Sub-Committee.
10.1.c	The Board shall present a report on the performance of duties and functions of each Board Sub- Committee, at the Annual General Meeting of the Company.	Performance, duties, and functions of all subcommittees are disclosed on pages 88 to 97 of the Annual Report.
10.1.d	Each sub-committee shall appoint a Secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records, and carry out such other such secretarial functions under the supervision of the Chairperson of the committee.	The Company Secretary is the Secretary to the Board Nomination Committee, Board Remuneration Committee and the Board Audit Committee
10.1.e	Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge, and experience relevant to the responsibilities of the committees.	Members of all Board subcommittees consist of Board members and the performance, duties, and functions of all subcommittees are disclosed on pages 88 to 97 of the Annual Report.
10.1.f	The Board may consider the occasional rotation of members and of the Chairperson of Board sub- committees to avoid undue concentration of power and promote new perspectives.	Latest rotation was happened on 25.03.2022
10.2	**Board Audit Committee (BAC)**	
	The following shall apply in relation to the Board Audit Committee.	
10.2.a	The Chairperson of the committee shall be an independent director who possesses qualifications and experience in accountancy and/or audit.	Chairman of the Audit Committee is an Independent Non-Executive Director and possesses qualifications and related experience.
10.2.b	The Board members appointed to the BAC shall be Non-Executive Directors and the majority shall be Independent Directors with the necessary qualifications and experience relevant to the scope of the BAC.	All members of the Board Audit Committee are Non- Executive Directors. All of them have expertise and knowledge in the fields of banking, finance, leasing, information technology, etc.
10.2.c	The secretary to the Board Audit Committee shall preferably be the Chief Internal Auditor (CIA)	The Company will adhere to the aforesaid section once it takes effect on 01st July 2024. Currently, Company Secretary serves as the secretary to the BAC

Section	Corporate Governance Principle	Compliance
10.2.d	**External Audit Function**	
	i. The BAC shall make recommendations on matters in connection with the appointment of the External Auditor for audit services to be provided in compliance with the relevant statutes, the service period, the audit fee, and any resignation or dismissal of the auditor.	The Auditor's appointments, service periods, and fees are determined and recommended by the BAC at the end of each financial year.
	ii. Engagement of an audit partner shall not exceed five years, and the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.	E&Y functioned as the External Auditor of the Company. The Company will adhere to the aforesaid section once it takes effect on 01st July 2024.There is a separate policy governing this requirement-"Policy on Engagement of External Auditors"
	iii. The audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.	Audit Partner was not a substantial shareholder, director, senior management or employee of any FC
	iv. The Committee shall review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	External Auditor is independent since they directly report to the Board Audit Committee and their report on the Financial Statements of the Company for the year 2023/24 indicates that the audit is carried out in accordance with SLAuS. Further, the auditors have declared that their independence has not been impaired.
	v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.	Board approved the procedure on engagement of an External Auditor to provide non-audit services.
	vi. The BAC shall, before the Audit commences, discuss and finalise with the External Auditors the nature and scope of the audit, including (i) an assessment of the Company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.	Committee has developed a mechanism to meet the auditors before commencing the audit to inquire about the nature and scope of the audit, with the External Auditors in accordance with SLAS.
	vii. The BAC shall review the financial information of the Company's, in order to monitor the integrity of the Financial Statements of the Company in its Annual Report, Accounts and Periodical Reports prepared for disclosure, and the significant financial reporting judgements contained therein. In reviewing the Company's Annual Report and Accounts and Periodical Reports before submission to the Board, the committee shall focus particularly on: (i) major judgemental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.	Committee has a process to review the financial information of the Company.
	viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.	The Board Audit Committee discusses issues, problems, and reservations arising from the interim and final audits with the External Auditors. During the year the Committee has held two meetings with the External Auditors, without the Executive Management being present, to discuss any matters the auditor may wish to discuss.

Section	Corporate Governance Principle	Compliance
10.2.d	ix. The BAC shall review the External Auditor's Management Letter and the Management's response thereto within 3 months of submission of such, and report to the Board.	The Committee has reviewed the External Auditor's Management letter and management responses thereto, relating to the audit for the year ended 2022/23
10.2.e	The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.	Presently the effectiveness of the Company's internal control mechanism has been certified by the Directors on pages 105 and 106 of the Annual Report under the heading "Directors' Statement on Internal Controls over Financial Reporting" where company will adhere to the said criteria with effective from the next financial year.
10.2.f	The BAC shall ensure that the Senior Management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non- compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to the Internal Audit function of the Company.	BAC monitors this through regular reporting from the Internal Auditors.
10.2.g	**Internal Audit function:**	
	i. The Committee shall establish an Independent Internal Audit function, either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the Company's internal control, risk management, governance systems and processes	Company established an Inhouse Internal Audit Department with effective from December 2023.
	ii. The Internal Audit Function shall have a clear mandate, be accountable to the BAC, and be independent of the audited activities. It shall have sufficient expertise and authority within the Company to carry out their assignments effectively and objectively.	There is a Board approved Internal Audit Charter that defines the purpose, authority and responsibility of the Internal Auditor. The said mandate establishes the independence of the department too. The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same.
	iii. The BAC shall take the following steps with regard to the Internal Audit Function of the Company:	
	(i) Review the adequacy of the scope, functions and skills and resources of the Internal Audit Department, and satisfy itself that the department has the necessary authority to carry out its work;	Scope of the audit has been included in their audit reports. Internal Audit Reports have been submitted to the Audit Committee for their review.
	(ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit ;	The Board Audit Committee has reviewed and approved the Annual Internal Audit Program. Internal Audit Reports, with the management comments, have been discussed at length, and action is taken to rectify the same.
	(iii) Assess the performance of the head and senior staff members of the Internal Audit Department;	To be implemented in 2024/25 as the function was established in December 2023.
	(iv) Ensure that the Internal Audit Function is independent and activities are performed with impartiality, proficiency, and due professional care;	CIA is independent and he directly reports to Board Audit Committee
	(v) Ensure the Internal Audit Function carries out a periodic review of the Compliance Function and regulatory reporting to regulatory bodies.	Compliance Audit is included in the Audit Plan in the 2024/25 financial year. Apart from the main compliance Audit compliance related findings are presented in each Audit report
	(vi) Examine the major findings of internal investigations and management's responses thereto. ;	There is regular reporting to the BAC on the status of investigations.
10.2.h	Committee shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.	BOD reviews the status of the pending action points of the statutory examination report of the CBSL on every quarter and to the Board every month to ensure necessary actions are taken.

Section	Corporate Governance Principle	Compliance
10.2.i	**Meetings of the Committee**	
	i. The committee shall meet as specified in direction 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	BAC has met five times for the financial year and meeting minutes are in place.
	ii. Other Board members, senior management, or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview	Members of the Board Audit Committee, CFO, CEO, COO, CIA attend the meetings by invitation.
	iii. BAC shall meet at least twice a year with the external auditors without any other directors / senior management / employees being present.	Two meetings were held with the External Auditors without any other directors / senior management being present.
10.3	**Board Integrated Risk Management Committee (BIRMC)**	
	The following shall apply in relation to the BIRMC	
10.3.a.	The Committee shall be chaired by an Independent Director. The Board members appointed to BIRMC shall be Non-Executive Directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with Senior Management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Committee consisted of four Non-Executive Directors and the committee is chaired by independent director. The Chief Executive Officer may attend the meetings upon invitation. The Committee closely works with Key Responsible Personnel and makes decisions on behalf of the Board within the framework of the authority and responsibility assigned to the Committee.
10.3.b	The secretary to the committee may preferably be the CRO.	The Senior Manager Finance acts as the secretary of the IRMC
10.3.c	The committee shall assess the impact of risks, including credit, market, liquidity, operational and strategic, compliance and technology to the Company at least once in two monthly basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board;	The Committee has an appropriate process to assess the impact of all risks quarterly through identified risk indicators and management information
10.3.d	Developing the Company's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision-making and establishing the means to raise risk issues and strategic concerns throughout the FC.;	Board approved Risk Appetite is in place along with the quantified risk limits
10.3.e.	The BIRMC shall review the Company's risk policies including RAS, at least annually.	All policies including the Risk policies are reviewed by BIRMC on an annual basis.
10.3.f	The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	In fulfilling its responsibilities, the Committee reviewed the adequacy and effectiveness of Management Committees to manage risks. BIRMC assessed the adequacy and effectiveness of the Assets & Liabilities Committee (ALCO) to address specific risks.
10.3.g	The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.	Any event which impacts the business continuity is discussed in the meeting. Disaster recovery is an important part of Company's IT Policy.
10.3.h	BIRMC shall annually assess the performance of the compliance officer and the CRO.	This will be practiced from 2024/25 onwards.

Section	Corporate Governance Principle	Compliance
10.3.i	**Compliance function**	
10.3.i.i	BIRMC shall establish an independent compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business' operations.	The BIRMC has established an independent Compliance Function.
10.3.i.ii	For a Company with an asset base of more than Rs. 20 bn, a dedicated Compliance Officer considered to be Senior Management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.	Though the company is below 20Bn asset base BIRMC had appointed a dedicated Compliance Officer by the Board with the approval of CBSL As per the Job Description, Compliance Officer does not involve in any of these activities mentioned in the Direction.
10.3.i.iii	For FCs with an asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.	Though the company is below 20Bn asset base BIRMC had appointed a dedicated Compliance Officer
10.3.i.iv	The responsibilities of a compliance officer would broadly encompass the following:	
	i) Develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements;	Board approved policies and procedures are in place. and available on the intranet which is accessible by all employees of the Company
	ii) Ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture;	IRMC approved Compliance policy is in place and those have been communicated and given specific trainings for the employees such as Anti Money Laundering policy etc.
	iii) Ensures that reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards;	Periodic reviews are conducted to assess the level of compliance with regulatory rules and internal compliance standards.
	iv) Understand and apply all new legal and regulatory developments relevant to the business of FC;	The Company implements all new legal and regulatory developments that are applicable to its business.
	v) Secure early involvement in the design and structuring of new products and systems, to ensure that they conform to regulatory requirements, internal compliance, and ethical standards	All regulatory compliances are ensured before launch of any new product.
10.3.i.iv	vi) Highlight serious or persistent compliance problems and where appropriate, work with the management to ensure that they are rectified within an acceptable time-frame, and	Compliance testing is carried out periodically and action is taken to rectify if deviations are noted. Currently this is tested by the Compliance and reported periodically. To enhance this process, we have developed a compliance testing plan where we have given responsibility for the relevant departments to comply and to confirm the testing in each quarter
	vii) Maintain regular contact and a good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with the highest integrity	With the regulators, a positive working relationship is upheld. There is maintenance of timely reporting and communications.
10.3.j	**Risk management function**	
10.3.j.i	BIRMC shall establish an independent risk management function responsible for managing risk- taking activities across the FC.	The Company is in the process of establishing an independent risk management function.
10.3.j.ii	For FCs with an asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO, considered to be senior management, shall carry out the risk management function and report to the BIRMC periodically.	This is not required as we are a company with an asset base less than Rs 20bn

Section	Corporate Governance Principle	Compliance
10.3.j.iii	The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.	Board approved RAS is in place
10.3.j.iv	The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: various potential risks and frauds possible sources of such risks and frauds; mechanism of identifying, assessing, monitoring and reporting of such risks and frauds; includes quantitative and qualitative analysis covering stress testing. Effective measures to control and mitigate risks at prudent levels; and relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.	The Company has established Risk Management policies covering various the company has established Risk Management policy covering various types of risks their identifications and mitigation plan. The policy is reviewed in periodical basis.
10.3.j.v	The chief risk officer shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc, and make recommendations on risk management.	There is no dedicated CRO at present. However, the Risk Management/mitigation strategies are considered in making decisions
10.3.j.vi	The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.	Presently the company is not maintaining a risk register and we will ensure to implement for the upcoming meetings
10.3.j.vii	The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.	This will be adopted from 2024/25 onwards
10.4	**NOMINATION COMMITTEE**	
	The following shall apply in relation to the Nomination Committee:	
10.4.a.	The committee shall be constituted of Non-Executive Directors and preferably the majority may be Independent Directors. An Independent Director shall chair the committee. The CEO may be present at meetings by invitation of the committee.	The committee is comprised of four Non-Executive Directors and two of the directors are independent. We will comply with it as this will be effective from 01.07.2024
10.4.b	Secretary to the nomination committee may preferably be the Company Secretary.	Secretary to the committee is the Company Secretary.
10.4.c	The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management is to be appointed with the recommendation of CEO, excluding CIA, CRO and Compliance officer.	KRP appointments are subject to the respective committee approvals
10.4.d	The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the FBA (Assessment of Fitness and Propriety of Key Responsible Persons).	The Committee ensures that this has complied with the terms of FBA (Assessment of Fitness and Propriety of Key Responsible Persons) and with the committee recommendation for the board approved
10.4.e	The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfil their responsibilities on the Board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.	The selection process is carried out to confirm with the stated section.
10.4.f	The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.	The composition of the Board is not in any manner dominated by an individual or a small group of individuals.

Section	Corporate Governance Principle	Compliance
10.4.g	The committee shall set the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and senior management.	The Committee considers and recommends to the Board the criteria, such as qualifications, experience, and key attributes required for eligibility, to be considered for the appointment to the posts of CEO and Senior Management.
10.4.h	Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the Company Secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.	The Company will adhere to the said section when applicable.
10.4.i	The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.	Company Secretary follows said criteria's
10.4.j	The committee shall consider and recommend from time to time, the requirements of additional/ new expertise and the succession arrangements for retiring directors and senior management.	Board approved Succession Plan is in place
10.4.k	A member of the Nomination Committee shall not participate in decision-making relating to their own appointment/re-appointment and the Chairperson of the Board should not chair the Committee when it is dealing with the appointment of the successor.	Members of the Board Nomination Committee is not involved in the decision-making process for their own appointment or re- appointment.
10.5	**Human Resources and Remuneration Committee**	
	The following shall apply in relation to the Human Resources and Remuneration Committee:	
10.5.a	The committee shall be chaired by a Non-Executive Director and the majority of the members shall consist of Non-Executive Directors.	The Committee is comprised of Five Non-Executive Directors.
10.5.b	The secretary to the Human Resource and Remuneration Committee may preferably be the Company Secretary.	The Company Secretary functions as the secretary to the committee.
10.5.c	The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to Executive Directors and senior management of the FC and fees and allowances structure for Non-Executive Directors.	Presently the Remuneration and Benefits of the senior management are decided by the BRC. The Company is in the process of drafting a policy to further streamlined the process The updated version has been circulated among the committee members for the approval
10.5.d	There shall be a formal and transparent procedure in developing the remuneration policy.	The existing Remuneration mechanism focus on achieve transparent, fair and equitable benefits
10.5.e	The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances, and other financial incentives for all employees of the FC. The policy shall be subject to periodic review by the Board, including when material changes are made.	The remuneration and benefits are reviewed annually and recommended by the committee and approved by the Board. The updated version has been circulated among the committee members for the approval
10.5.f	The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests, and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take an excessive risk or to act in self- interest.	The remuneration structure is in line with the business strategy, objectives, values, long-term interests, and cost structure of the Company. It also includes measures to prevent conflicts of interest.

Section	Corporate Governance Principle	Compliance
10.5.g	The committee shall review the performance of the senior management (excluding Chief Internal Auditor, Compliance Officer, Chief Risk Officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits, and other payments of performance-based incentives.	The performance of the senior management has been reviewed by the BRC. Financial benefits have been decided based on their Performances Compliance officer and Chief Internal Auditor's performance will be directed to the relevant sub committees from 2024/25 onwards
10.5.h	The committee shall ensure that the senior management shall abstain from attending committee meetings when matters relating to them are being discussed.	The committee adheres to the stated section.
11	**INTERNAL CONTROLS**	
11.1	FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines, and adequate operating procedures in order to mitigate operational risks.	
11.2	A proper internal control system shall: promote effective and efficient operations; provide reliable financial information; safeguard assets; minimize the operating risk of losses from irregularities, fraud, and errors; ensure effective risk management systems; and ensure compliance with relevant laws, regulations, directions, and internal policies.	This is ensured through - Board approved policies and procedures - TORs for sub committees - Approved organizational structure - Job descriptions - Regular reviews of internal controls by the IAD
11.3	All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.	
12.	**RELATED PARTY TRANSACTIONS**	
12.1	Board shall establish a policy and procedures for related party transactions, which covers the following.	A board approved RPT policy is in place Since the committee composition will be changed as per the requirement w.e.f.01.07.2024 , the policy will be updated accordingly.
12.1.a	All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the Chairperson shall be an Independent Director and the members shall consist of Non-Executive Directors.	The Board has established a Board Related Party Transactions Review Committee, in conformity with the Direction.
12.1.b	All related party transactions shall be prior reviewed and recommended by the RPTRC.	Related party transactions are subject to prior approval.
12.1.c	The business transactions with a related party that is covered in this Direction shall be the following: Granting accommodation; Creating liabilities to the FC in the form of deposits, borrowings and any other payable; Providing financial or non-financial services to the FC or obtaining those services from the FC. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to sharing proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.	The policy which speaks on types of related party transactions for the Company to avoid any conflicts of interest that may arise from any transaction with the related parties is in place. All related party transactions have been disclosed in the Financial Statements.

Section	Corporate Governance Principle	Compliance
12.2	The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises. Directors and senior management. Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC. Subsidiaries, associates, affiliates, holding Company, ultimate parent Company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa Directors and senior management of legal persons in paragraph (b) or (c). Relatives of a natural person described in paragraph (a), (b) or (d). Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction Guide is in place which discusses categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
12.3	The Committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, "more favorable treatment" shall mean: Granting of "total accommodation" to a related party, exceeding a prudent percentage of the FC's regulatory capital, as determined by the committee. Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counter-party; Providing preferential treatment, such as favourable terms, that extends beyond the terms granted in the normal course of business with unrelated parties; Providing or obtaining services to or from a related party without a proper evaluation procedure; Maintaining reporting lines and information flows between the FCs and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	There is a documented process approved by the Board which clearly defines related party transactions and ensures that the Company does not engage in such transactions in a manner that would grant such related parties "more favorable treatment" than what is accorded to other constituents of the Company carrying out similar transactions with the Company.
13.	**GROUP GOVERNANCE**	
13.1	Responsibilities of the FC as a Holding Company.	The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited India. The Company does not have subsidiaries or associates.
13.2	**Responsibilities as a Subsidiary**	
	If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.	The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited. The Company fulfills its own legal and governing obligations.

Section	Corporate Governance Principle	Compliance
14.	**CORPORATE CULTURE**	
	A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, the integrity of reporting, protection and proper use of Company assets and fair treatment of customers.	The Company has an internally developed Code of Conduct for all employees including Corporate and Senior Management. This Code focuses mainly on the following areas: Fair dealing, protection and proper use of the Company assets, record-keeping and reporting, accounting and financial reporting concerns, reporting illegal or unethical behaviour, discrimination and harassment, health and safety, discipline, etc
14.2	The FC shall maintain records of breaches of the code of conduct and address such breaches in a manner that upholds high standards of integrity.	The Company maintains records of breaches of the Code of Conduct. If any breach of the Code of Conduct is reported, the disciplinary procedure is implemented and subsequent actions are taken as per the gravity of such incidents.
14.3	A FC shall establish a Whistle Blowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confident manner and without the risk of reprisal. The BAC shall review the policy periodically.	A Board approved Whistle Blowing Policy is in place. All employees are encouraged to raise any matter which they genuinely believe, constitutes a potential or existing wrongdoing such as a breach of the Code of Ethics of the Company. The Board has reviewed the policy in 2023.
15.	**CONFLICTS OF INTEREST**	
15.1.a	Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has a substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.	The Board is well aware of the requirement of identification of related party transactions and a Board approved Related Party Transaction policy is in place which speaks on categories of related parties, and aids the Company to avoid any conflicts of interest that may arise from any transaction of the Company.
15.1.b	The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall; Identify circumstances that constitute or may give rise to conflicts of interests. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest. Implement a rigorous review and approval process for directors and senior management to follow before they engage in certain activities that could create conflicts of interest. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and Articulate how any non-compliance with the policy is to be addressed.	A Policy on Related party transaction is in place where we are in process of updating the policy as per the latest direction Board approved Conflict of Interest Policy is in place which lines with the said criteria's

Section	Corporate Governance Principle	Compliance
16.	**DISCLOSURES**	
16.1	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English. The Board shall ensure that at least the following disclosures are made in the Annual Report of the FC.	Annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards. Further, such statements are published in the newspapers in Sinhala, Tamil and English.
	i. Financial Statements- In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. A statement of responsibility of the Board in preparation and presentation of financial statements.	This is being disclosed in the "Annual Report of the Board of Directors on the state of affairs of the Company" appearing on pages 93 of the Annual Report.
	ii. Chairperson, CEO and Board Related Disclosures Name, qualification and a brief profile. Whether executive, non-executive and/or independent director. Details of the director who is serving as the senior director, if any. The nature of expertise in relevant functional areas. Relatives and/or any business transaction relationships with other directors of the company. Names of other companies in which the director/ CEO concerned serves as a director and whether in an executive or non-executive capacity. Number/percentage of board meetings of the FC attended during the year; and Names of board committees in which the director serves as the Chairperson or a member.	Details of the Directors including names and transactions with the Finance Company are given on pages 56 to 59 of the Annual Report.
	iii. Appraisal of Board Performance An overview of how the performance evaluations of the Board and its committees have been conducted	A process is in place for the annual self-assessments of Directors to be undertaken by each Director and the records of such assessments are maintained by the Company Secretary. The summary of the self- assessment is submitted to the Board enabling Directors to discuss relevant matters if any.

Section	Corporate Governance Principle	Compliance
16.1	iv. Remuneration A statement on the remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) The aggregate values of remuneration paid by the FC to its directors and senior management.	Performance driven remuneration and increments to the remuneration package shall depend on achievement of agreed performance standards or financial benchmarks which have been set as per the Annual Strategic Plan and the Budget. All employee's annual promotions, increments, bonus are directly in relation with the employee's performance, contribution, commitment, professional conduct and behaviour. The remuneration structure of the staff and Senior Management shall be in line with the business strategy, objectives, values, long term interest, cost structure of the Company, incorporating prevention of conflict of interest in particular incentives embedded within the remuneration structures that does not incentivize employees to take excessive risk or act in self-interest Aggregate values of remuneration paid for: Senior Management Remuneration - Rs 85,915,080 Directors' fees are given in Note 9 of the financial statement
	v. Related Party Transactions The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.	Total of net accommodation granted in respect of each category of related parties Net accommodation for Directors - Nil Net accommodation for Senior Management - Rs Nil The aggregate values of the transactions of the FC with related parties; Deposits - Rs. 13,346,908
	vi. Board Appointed Committees The details of the chairperson and members of the board committees and attendance at such meetings.	The Directors attendance for Board meetings and other Board sub-committee meetings is tabled in page 87.
	vii. Group Structure The group structure of the FC within which it operates. The group governance framework	The Company is a fully owned subsidiary of Mahindra and Mahindra Financial Services Limited , India . The Company fulfills its own legal and governing obligations.
	viii. Director's Report - A report, which shall contain the following declarations by the Board The FC has not engaged in any activity, which contravenes laws and regulations. The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. The business is a going concern with supporting assumptions; and The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness	This is disclosed in the Corporate Governance Report on page 93 of the Annual Report. This is given on page 93 under the Annual Report of the Board of Directors on the State of Affairs of the Company. This is disclosed in the Chairman's Message on pages 10 to 12. This is given on pages 105 and 106 of the Annual Report.

Section	Corporate Governance Principle	Compliance
16.1	ix. Statement of Internal Control A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.	
	The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published.	Given on pages 105 and 106 of the Annual Report.
	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	
	A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions.	
	x. Corporate Governance Report Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.	The Corporate Governance Report is set out on pages 63 to 86 of the Annual Report of the Company. The Company has obtained an independent assurance report from the External Auditors over compliance with Finance Business Act Direction No. 05 of 2021 on Corporate Governance.
	xi. Code of Conduct FC's code of business conduct and ethics for directors, senior management and employees. The Chairperson shall certify that the company has no violations of any of the provisions of this code.	A Board approved Code of Conduct is in place. Please refer the Chairperson's message on pages 10 to 12 that the Company has no violations of any of the provisions of this code
	xii. Management Report Industry structure and developments Opportunities and threats Risks and concerns Sustainable finance activities carried out by the company Prospects for the future	Please refer CEO's message on pages 13 to 16
	xiii. Communication with Shareholders The policy and methodology for communication with shareholders. The contact person for such communication.	The Board approved Communication Policy is in place which covers all stakeholders including Depositors, Creditors, Shareholders, and Borrowers. The Board of Directors, officers, and employees comply with the policy in order to ensure effective communication for the best interests of all stakeholders. The Company Secretary shall communicate with the shareholders through the Annual report and by notices issued to the shareholders.

BOD ATTENDANCE FOR BOARD MEETINGS AND BOARD SUB COMMITTEES

Director Name	MIFL Board Meeting	Board Audit Committee	Board Integrated Risk Management Committee	Board Remuneration Committee	Board Nomination Committee
Mr. Nalin Welgama	12/12	5/5 Member	-	2/3 Member	1/1 Member
Mr. Aravinda De.Silva	12/12	-	3/4 Member	3/3 Member	-
Mr. Chrishanthil L. Jayawardena	12/12	5/5 Member	-	-	1/1 Chairman
Mr. Sujeewa Mudalige	10/12	5/5 Chairman	4/4 Chairman	1/3 Member	Excused Member
Mr. Rajnish Agarwal *	7/9	-	-	2/3 Member	-
Mr. Choonia Mufaddal	12/12	-	4/4 Member	3/3 Chairman	1/1 Member
Mr. Vivek Karve	9/12	5/5 Member	2/4 Member	-	-
Mr. R.I.Rebello **	2/4	-	-	-	-

* Mr. Rajnish Agarwal was resigned from MIFL Board on 20th December 2023

** Mr. Raul Rebello was appointed to the MIFL board on 29th November 2023

Board Audit Committee Report

The Board Audit Committee (the Committee) is appointed by the Board of Directors of Mahindra Ideal Finance Limited (the Company). The Committee comprises of four Independent, Non-Executive Directors who conducted Committee proceedings in accordance with the Terms of Reference of the Committee approved by the Board of Directors of the Company.

COMPOSITION

The Committee's composition during the period ended 31st March 2024 is as follows:

Mr. D T Sujeewa H Mudalige
(ID/NED) - Chairman

Mr. Nalin J Welgama
(NID/NED) - Member

Mr. Vivek Karve
(NID/NED) - Member

Ms. Chrishanthi L Jayawardena
(ID/ NED)- Member

(ID – Independent Director,
NID-Non Independent Director
NED – Non-Executive Director)

Mr.Sujeewa Mudalige is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, CIMA (UK), ACCA (UK) and CPA (Australia). Also, Mr. Mudalige is a past President of ICASL and has been a member of the Council of ICASL and of the governing board of CIMA UK- Sri Lanka Division, a Commission member of the Securities and Exchange Commission of Sri Lanka and held several such other positions locally and globally during the span of his career. He was an independent non-executive director of Hatton National Bank PLC from 2012 to 2018

Brief profiles of the members are given on pages 56 to 59 of the Annual Report.

MEETINGS

During the year 2023/24, the Committee convened four (04) meetings and two (02) meetings were held with the External Auditors during the year, without any other Directors, Senior Management and employees being present. The details of attendance of the Committee members at these meetings are given in the table on page 87 of the Annual Report. The other members of the Board, CEO, the management members and representative from the External Audit may also attend meetings upon the invitation of the Committee.

Proceedings of the Committee meetings, with adequate details of matters discussed, were reported regularly to the Board to assist the Board in its general oversight of financial reporting, internal controls and functions relating to internal and external audits.

THE TERMS OF REFERENCE

The Terms of Reference of the Committee are clearly stated in the Charter of the Board Audit Committee, which is approved by the Board of Directors. These terms are being reviewed annually and approved by the Board of Directors, after incorporating best practices relating to the functions of the Committee.

FUNCTIONS OF THE COMMITTEE

The Committee assists the Board of Directors to effectively carry out its supervisory responsibilities by reviewing the accounting and financial information of the Company, in order to monitor the integrity of its annual and quarterly Financial Statements, Annual Report, Management Accounts and other periodical reports prepared for publication, including the critical accounting estimates and judgments contained therein.

The Committee is empowered to examine the adequacy and effectiveness of internal control systems, assess risk management processes and compliance with regulatory requirements, review the adequacy of the scope and functions of the Internal Audit Department, and assess the internal audit program and results of the internal audit process. The Committee also evaluates the performance of External Auditors and recommends their appointment and remuneration.

REGULATORY COMPLIANCE

The Committee assessed the Company's compliance with financial reporting requirements and information requirements under the Companies Act no. 7 of 2007, Finance Business Act no. 42 of 2011, and other relevant financial reporting regulations/ frameworks, such as LKASs/ SLFRSs.

ROLES AND RESPONSIBILITIES

The Committee is responsible for

a) Review the integrity of Interim Financial Statements and the Annual Financial Statements prepared for disclosure, prior to submission to the Board of Directors.

b) Ensure adherence to applicable accounting standards, statutory and regulatory compliance requirements and best practices.

c) Overseeing the appointment of the External Auditor for audit services is in compliance with the relevant statutes; approval of the audit fee, service period and any matters relating to the resignation or dismissal of Auditors.

d) Ensure that the internal audit function is independent of the activities it audits and it is performed with impartiality, proficiency and due professional care.

e) Review the internal audit program, comment on the audit findings, recommend appropriate action, ensure coordination between the internal and External Auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

f) Ensure that the Committee is apprised of the resignation of senior staff members of the Internal Audit Department including the Head of Internal Audit and any outsourced service providers, and provide an opportunity for the resigning senior staff members and outsourced service providers to submit reasons for resigning.

g) Review the Company's statement on internal control systems before endorsement by the Board, and to ensure the adequacy and effectiveness of the internal control systems in the Company.

SUMMARY OF ACTIVITIES FINANCIAL REPORTING

The Committee reviewed the integrity of Interim Financial Statements and the Annual Financial Statements on behalf of the Board of Directors. The review included the adequacy and effectiveness of the internal control systems over financial reporting, the clarity of the disclosures, extend of compliance with financial reporting standards, and the reasonableness of significant estimates and judgmental areas.

EXTERNAL AUDIT

The Committee ensured the independence and objectivity and effectiveness of the audit processes in accordance with applicable standards, regulations, corporate governance principles and/or best practices.

The Committee has reviewed the policy on engagement of External Auditor and recommended for the approval of the Board. The auditors were also given the opportunity to meet the Committee separately without the presence of any other Directors, Senior Management and employees being present to discuss any concerns and express their opinion on any matter. The Committee was informed by the External Auditor that there are no specific concerns for them to report to or discuss with the Committee and the Management has provided all information and explanation requested by the Auditors.

The Committee discussed the audit plan, approach and scope of the audit before commencing the audit. The Committee reviewed the audited Financial Statements with the External Auditor, who is responsible for expressing an opinion on whether the Company's financial statements give a true and fair view of the financial position, financial performance and cash flows of the Company. The Committee also reviewed the Management Letter issued by the External Auditor with the Management responses.

The Committee conducted a comprehensive review of the Policy on the Engagement of External Auditors in December 2023.

INTERNAL AUDIT

During the year, the Committee reviewed the adequacy of the scope, functions, resources, and independence of the Internal Audit Department. The Committee ensured the department has the necessary authority and resources to carry out its work independently.

KEY DEVELOPMENTS IN 2023/24

In December 2023, the Company established an in-house Internal Audit Department by recruiting an Assistant General Manager Internal Audit.
The Committee approved the following key internal audit documents:

- Internal Audit Framework
- Internal Audit Charter
- Audit Committee Charter
- Audit Scorecard

The Committee also reviewed and approved the:

- Policy on Engagement of External Auditors
- Policy on Engagement of External Auditors for Non-Audit Services

The risk-based audit plan was reviewed and approved by the Committee at the beginning of the year. The Committee monitored the implementation of the audit plan throughout the period to ensure the effectiveness of the entire processes of the Company.

The Committee reviewed the internal audit program, significant audit findings, and management action plans for the audit recommendations. They also evaluated the effectiveness of the management action plan in terms of timely implementation and addressing repetitive audit issues

EVALUATION OF THE COMMITTEE

The annual self-evaluation of the effectiveness of the Committee was carried out by the members of the Committee and concluded that the Committee had carried out its responsibilities in an effective and satisfactory manner. Further, the Board undertakes an annual performance evaluation of the Committee as required by the Finance Business Act Direction 5 of 2021.

REPORTING TO THE BOARD

Approved minutes of the Committee meetings are tabled at Board meetings, enabling all Board members to have access to them.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview.

On behalf of the Board Audit Committee

Sujeewa Mudalige
Chairman
Board Audit Committee

18 April 2024.

Report of the Remuneration Committee

The Remuneration Committee, appointed by the Board of Directors comprised two Non-Executive Directors.

COMPOSITION

Mr Mufaddal Choonia (Chairman)
Mr Nalin J Welgama
Mr P Aravinda De Silva
Mr D T Sujeewa H Mudalige

MEETINGS

During the period committee reviewed to make recommendations on salaries, bonuses and increments, and also on matters relating to recruitment of Key Management Personnel to ensure that the management and staff at all levels are adequately rewarded for their performance and commitment. The Chief Executive Officer shall attend meetings of the Committee by invitation and provide relevant information and his view to the Committee for its considerations except when his own remuneration package and other matters relating to him are discussed.

FUNCTIONS

The primary objective of the committee is to attract, motivate and retain talent with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company remuneration framework for the Executive Directors and Corporate Management Team is designed to ensure alignment between short and long-term interests of the Company and thereby create and enhance value for all stakeholders of the Company.

Directors' Remuneration
The total of Directors' remuneration paid during the year under review is set out in Note 9 to the Financial Statements.

Mufaddal Choonia
Chairman
Remuneration Committee

18 April 2024

Board Nomination Committee Report

The Board Nomination Committee (the Committee) is appointed by the Board of Directors of Mahindra Ideal Finance Limited (the Company) to which it is responsible. The Committee operates within the agreed Terms of Reference and work closely with the Board in reviewing the structure and skills needed in a successful organization.

COMPOSITION

The Committee consists of two (02) Independent, Non-Executive Directors and two (02) Non-Independent, Non-Executive Directors. The Committee is chaired by an Independent, Non-Executive Director appointed by the Board.

The Committee's composition during the period ended 31st March 2024 was as follows:

Mrs Chrishanthi Jayawardane
(ID/NED) - Chairman

Mr. Sujeewa Mudalige
(ID/NED) - Member

Mr. Nalin Welgama
(NID/NED) - Member

Mr. Choonia Mufaddal
(NID/NED) - Member

[ID - Independent Director,
NID - Non-Independent Director, NED - Non-Executive Director]

MEETINGS

During the year 2023/24, the Committee held four (04) meetings and the attendance of the Committee Members at these meetings are given in the table on page 87 of the Annual Report. The CEO attends meetings of the Committee by invitation except when matters relating to himself are reviewed.

S S P Corporate Services (Private) Limited functions as the Secretary to the Committee.

THE TERMS OF REFERENCE

The Board approved Terms of Reference of the Committee contain the role and functions of the Committee which are regulated by the relevant statutes.

ROLES AND RESPONSIBILITIES

The duties of the Committee shall be to make recommendations on the following matters:

a) The Committee shall make recommendations to the Board on the appointment of the Board Members, the Managing Director and the Corporate Management Personnel considering skills, knowledge, expertise, experience, independence, objectivity, integrity and good reputation, to fulfill the responsibilities.

b) The Committee shall recommend from time to time, successors in place of resigning or retiring Directors and Corporate Management Personnel.

c) The Committee shall consider and recommend the re-election of current Directors due for reappointment annually in accordance with the Articles of Association of the Company, taking into account, the combined knowledge, performance towards dealing with strategic demands faced by the Finance Company (FC) and contribution made by the Director concerned towards the discharge of the Board's overall responsibility as required by the guidelines issued by the Central Bank of Sri Lanka (CBSL).

d) The Committee shall ensure that Directors and Corporate Management Personnel are fit and proper persons to hold office and to perform their functions in compliance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons, Direction No. 6 of 2021).

e) The Committee shall implement a formal and transparent procedure to select/appoint new Directors and Corporate Management Personnel. The Corporate Management Personnel's appointed shall be with the recommendation of the CEO, except the AGM Internal Audit, AGM Compliance.

f) The Committee shall set the criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment or promotion to the posts of CEO and Corporate Management Personnel.

g) The Committee shall carefully review and recommend from time to time, the requirements of additional/ new expertise and the succession planning for retiring Directors and Corporate Management Personnel.

h) The Committee shall carry out an annual evaluation of the Committee's performance to determine the effectiveness of the Committee.

i) The Committee shall make recommendations on any other matters delegated by the Board of Directors.

j) A member of the Nomination Committee shall not participate in decision-making relating to his/her own appointment/reappointment.

k) The Chairperson of the Board shall not chair the Committee when dealing with the appointment of his successor.

PERFORMANCE

The Members of the Committee work closely with the Board, in reviewing the structure and skills needed for a strong and successful organization.

REPORTING TO THE BOARD

The minutes of the Committee meetings are tabled at Board meetings, enabling all Board Members to have access to them.

PROFESSIONAL ADVICE

The Committee has the authority to seek appropriate professional advice in-house and externally, as and when it is considered necessary.

Director to the Board Nomination Committee

Chrishanthi Jayawardane
Chairperson

18 April 2024

Annual Report of the Directors on the State of Affairs of the Company

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31st March 2024. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007 and are guided by recommended best accounting practices.

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is to carry on finance business in conformity with the provisions of the Finance Business Act, No. 42 of 2011 as amended or superseded from time to time and in conformity with provisions of all written laws for the time being in force and all regulations, directions, determinations, rules, orders or requirements made, given or imposed thereunder.

2. Financial Statements

The financial statements of the Company are given on pages 110 to 113.

3. AUDITOR'S REPORT

The Auditor's report on the financial statements is given on pages 108 to 109.

4. ACCOUNTING POLICIES

The accounting policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 114 to 164 There were no material changes in the Accounting Policies adopted.

5. INTEREST REGISTER

The Company maintains an Interest Register and the particulars of those Directors who were directly or indirectly interested in a contract of the Company are stated therein.

6. DIRECTORS' INTEREST

None of the directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 38, related party transactions to the financial statements.

7. DIRECTORS REMUNERATION AND OTHER BENEFITS

Directors' remuneration in respect of the Company for the year ended 31st March 2024 is given in Note 9 to the financial statements.

8. CORPORATE DONATIONS

There were no donations made by the Company for the year ended 31st March 2024.

9. DIRECTORS

The Directors of the Company as at 31st March 2024

Mr. N.J. Welgama
Non-Executive Chairman

Mr. P.A. De Silva
Non-Executive Director

Mrs. C.L. Jayawardena
Non-Executive Independent Director

Mr. D.T.S.H Mudalige
Senior Non-Executive Independent Director

Mr. V. A. Karve
Non-Executive Director

Mr. M. A. Choonia
Non-Executive Director

Mr. R.I. Rebello
Non-Executive Director

Mr. R.I. Rebello, Non-Executive Director was appointed to the Board with effect from 29th November 2023.

Mr. R. Agarwal, Non-Executive Director resigned from the Board with effect from 20th December 2023.

The Board wishes to place on record the Company's sincere appreciation to Mr. R. Agarwal, Non-Executive Director for their valuable contribution extended to the Company during his tenure on the Board.

In terms of Article 24 (2) of the Articles of Association of the Company Mr. R.I. Rebello retires and being eligible offers himself for re-election.

In terms of Article 24(6) of the Articles of Association of the Company Mr. P.A. De Silva and Mr. D.T.S.H Mudalige retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

10. BOARD SUB-COMMITTEES

The following Board Sub-Committees are functional.

Audit Committee

Mr. D.T. Sujeewa H. Mudalige
Chairperson/Non-Executive Independent Director

Mr. Nalin J. Welgama
Member/Non-Executive Director

Mr. Vivek A. Karve
Member/Non-Executive Director

Ms. Chrishanthi .L. Jayawardena
Member/Non Executive Independent Director

- **Integrated Risk Management Committee**

Mr. D.T. Sujeewa H. Mudalige
Chairperson/Member/Non-Executive Independent Director

Mr. Vivek A. Karve
Member/Non-Executive Director

Mr. P. Aravinda De Silva
Member/Non-Executive Director

Mr. Mufaddal A. Choonia
Member/Non-Executive Director

- **Human Resource and Remuneration Committee**

Mr. Mufaddal A. Choonia
Chairperson/Non-Executive Director

Mr. Nalin .J. Welgama
Member/Non-Executive Director

Mr. P.Aravinda De Silva
Member/Non-Executive Director

Mr. D.T. Sujeewa H. Mudalige
Member/Non-Executive Independent Director

- **Nomination Committee**

Ms. Chrishanthi L. Jayawardena
Chairperson/Non-Executive Independent Director

Mr. Mufaddal.A. Choonia
Member/Non-Executive Director

Mr. Nalin J. Welgama
Member/Non-Executive Director

Mr. D.T. Sujeewa H. Mudalige
Member/Non-Executive Independent Director

- **IT Steering Committee**

Mr. Mufaddal A.Choonia
Chairperson/Non-Executive Director

Mr. P. Aravinda De Silva
Member/Non-Executive Director

- **Related Party Transaction Review Committee**

Mr. D.T. Sujeewa H. Mudalige
Chairperson/Non-Executive Independent Director

Mr. Vivek A. Karve
Member/Non-Executive Director

Mr. P. Aravinda De Silva
Member/Non-Executive Director

11. DIRECTORS SHAREHOLDING

None of the Directors held shares in the Company as at 31st March 2024.

12. AUDITORS

The financial statements for the year ended 31st March 2024 have been audited by Messrs Ernst & Young, Chartered Accountants.

A resolution will be passed at the Annual General Meeting to appoint BDO Partners, Chartered Accountants as auditors of the Company in place of Ernst & Young, Chartered Accountants and authorize the Directors to determine their remuneration.

The fees paid to the Auditors are disclosed in Note 9.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

13. DIVIDENDS

The Directors do not recommend a dividend for the financial year ended 31st March 2024.

14. INVESTMENTS

Details of investments held by the Company are disclosed in Note 14 and 15 to the financial statements.

15. INTANGIBLE ASSETS

There were no intangible assets, other than Computer System Software, which is disclosed in Note 23 to the financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 22.3 to the financial statements.

17. CAPITAL COMMITMENTS

There were no capital commitments outstanding as at the Balance Sheet date.

18. STATED CAPITAL

The Stated Capital of the Company is Rs. 1,908 Mn

19. TAXATION

The tax position of the Company is given in Notes 10, 11 and 29 to the Financial Statements.

20. Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the government and the employees have been made on time.

21. CORPORATE SOCIAL RESPONSIBILITY

Our Company specializes in maintaining high standards of Corporate Social Responsibilities such as carrying out management practices and decisions which have no negative impact on the environment and on the community around which we operate.

22. CONTINGENT LIABILITIES

There were no material contingent liabilities outstandings as at 31st March 2024.

23. POST BALANCE SHEET EVENTS

Subsequent to the date of the Balance Sheet no circumstances have arisen which would require adjustments to the accounts. There are also no significant post balance sheet events which in the opinion of the Directors require disclosure.

For and on behalf of the Board of Directors of

MAHINDRA IDEAL FINANCE LIMITED

Nalin J Welgama
Director

P A De Silva
Director

S S P Corporate Services (Private) Limited
Secretaries

Date: 18 April 2024

Report of the Integrated Risk Management Committee

The Board Integrated Risk Management Committee at Mahindra Ideal Finance Ltd (MIFL), entrusted by the Board of Directors, continues to uphold its commitment to assessing and enhancing the company's risk profile. The Committee remains vigilant to external changes in the Political, Economic, and Social arenas, stress-testing the portfolio for adaptability. The proactive approach of the Committee ensures that MIF remains resilient in navigating the evolving risk landscape.

COMPOSITION

The Integrated Risk Management Committee for the financial year ended 31 March 2023 comprised the following members:

Mr D T Sujeewa H Mudalige (Chairperson)
Mr Vivek Karve
Mr P Aravinda De Silva
Mr Mufaddal Choonia

The following members participate for the Integrated Risk Management Committee:

Mr Duminda Weerasekare (CEO)
Mr Rohitha Bandusena (Chief Operating Officer)
Mr Pradeep De Silva (AGM - Gold Loan)
Mr Rohit Agarwalla - (CFO)
Mr Channa Prabhath - (Senior Manager - Finance)
Ms Sameera Kaumudi (Compliance Officer)
Ms Sarini Mallawarachchi (Assistant Manager - Compliance)

MEETINGS

During the year, the Committee had four (04) meetings. The attendance is listed on page no. 87 of the Annual report.

ROLE OF THE COMMITTEE

- Assessing all risks, i.e. credit, liquidity, interest rate, currency, regulatory, operational and strategic risks to the finance company through appropriate risk indicators and management information.
- Reviewing the adequacy and effectiveness of all management level committees such as the Credit Committee and the Asset- Liability Committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the Committee.
- Taking prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the Committee on the basis of the finance company's policies and regulatory and supervisory requirements.
- Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the Committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- Establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations.

CONCLUSION

The Integrated Risk Management Committee is satisfied about comprehensive risk management strategies and procedures that are in place in order to mitigate MIFL's risk exposure.

Sujeewa Mudalige
Chairman
Integrated Risk Management Committee

18 April 2024

Board Related Party Transactions Review Committee Report

The Board Related Party Transactions Review Committee (the Committee) was established by the Board on 25 March 2022, in line with the Finance Business Act Direction No. 05 of 2021 on Corporate Governance.

COMPOSITION

During the period ended 31 March 2023 the Committee comprised three Non-Executive Directors, including one Independent Non-Executive Director. The Committee is Chaired by an Independent, Non-Executive Director appointed by the Board.

MEMBERS

Mr D T Sujeewa H Mudalige (Chairman)
Mr Vivek Karve
Mr P Aravinda De Silva

ROLE AND RESPONSIBILITIES

Taking all necessary steps to avoid any conflicts of interest that may arise from any transaction conducted by the Company with any category deemed as "Related Parties" in line with the regulatory requirements. Ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties a "More Favourable Treatment" than that accorded to other constituents of the Company carrying on the same business. Committee shall establish a policy and procedures for related party transaction and review them frequently.

REPORTING TO THE BOARD

Related party transactions are reported at monthly Board meetings ensuring that the transactions are done at arms length.

Sujeewa Mudalige
Chairman
Board Related Party Transactions Review Committee

18 April 2024

Risk Management Report

Mahindra Ideal Finance Limited (MIFL) works in the space of being a financial services provider offering an expansive range of financial products including leases, loans, fixed deposits and gold loans. The Company continues to focus on extending its branch network in the country for more accessibility.

The MIFL Board of Directors remains proactive in the Company's risk management maintaining a careful balance between profitability, financial stability and growth aspirations, thereby ensuring customer satisfaction, depositor protection and shareholder value.

The Board Integrated Risk Management Committee (BIRMC) is a subcommittee responsible for overseeing the risk management function, aligning its efforts with the Board's approved policies and strategies, setting the risk appetite and monitoring material risks. The committee engages in active communication with the CEO, Board Audit Committee, and Board Credit Committee, ensuring coordination on various Risk Management related activities.

This is an imperative at MIFL as we remain aware that an effective risk management strategy will flag risks pertaining to the Company and evaluate these at its early stages in order to implement necessary measures to mitigate or minimize the risks impact.

KEY CHALLENGES FACED DURING FY 2023-24

The Company successfully navigated a challenging year by proactively managing various risks. Key areas addressed during the year under review are :

1. Responding to the revised Central Bank of Sri Lanka (CBSL) Non-Performing Assets (NPA) classification guidelines, the Company proactively realigned internal processes and strengthened follow-up procedures. It achieved an NPA ratio of 5.25%, outperforming the industry average of 14.70%.
2. The import ban and foreign currency shortages resulted in inflated vehicle prices and decreased demand. The team's expertise in forecasting market trends enabled the Company to acquire vehicles at competitive prices, mitigating these risks.
3. High interest rates initially dampened credit demand despite economic progress. The Company strategically focused on promoting short-term loans, specifically gold and auto loans, gradually transitioning to longer-term advances. Overall, the Company achieved a lending growth of 19.92%.
4. The Company's business is sensitive to interest rate fluctuations. WRegular Asset and Liability Committee (ALCO) meetings helped in ensuring favourable repricing strategies for both interest income and interest expense.
5. The Company adhered to the various regulatory changes implemented by CBSL during the year, mitigating potential risks.

RISK MANAGEMENT PROCESS

Due to the nature of the business and the inherent risks resulting from the macroeconomic environment, the Company is exposed to the following risks:

- Credit risk/Default risk
- Liquidity risk
- Interest rate risk
- Currency risk
- Collateral risk
- Strategic risk
- Operational risk
- Regulatory risk
- Reputational risk

Managing these risk is a multistage process as seen below.

Identification of Risk
↓
Risk Analysis and Evaluation
↓
Risk Mitigation
↓
Risk Monitoring
↓
Risk Reporting

The risk identification process involves identifying all risk categories and subcategories the business is exposed to. In the event of changes to the business environment or new products to be introduced, all potential risks are identified. Once risks are identified, these are analyzed and evaluated using both quantitative and qualitative techniques. Based on these findings, necessary action is taken to manage risk and reduce the impact of risk occurrence. These are then monitored to avoid the accumulation of risk. Findings are reported to the Board through BIRMC.

MIFL'S RISK APPETITE

Risk Criteria	Appetite	Regulatory Limit	31st March 2024
Credit Risk			
Gross NPL Ratio	<10%	NA	5.25%
Exposure to Top 10 customers	<10% of lending portfolio	NA	4.11%
Maximum exposure to single borrower	15% of capital funds	NA	2.11%
Liquidity Risk			
Liquid Asset Ratio	10% of deposit liabilities and Unsecured borrowings	10% of deposit liabilities and Unsecured borrowings	38.96%
Deposit Renewal Ratio	>=60%	NA	58%
Maximum single depositor exposure	< 7.50% of total deposit base	NA	6.72%
Regulatory Risk			
Core Capital Ratio	>20%	8.50%	40.35%
Total Capital Adequacy Ratio	>22%	12.50%	41.37%

MANAGEMENT OF KEY RISKS FACED BY THE COMPANY

Credit Risk

Credit risk is the major risk the Company is exposed to and can be categorized mainly into two - default risk and concentration risk.

i) Default Risk

Default risk is the risk arising due to customers being unable to meet their debt obligations. The Company has well-defined credit procedures to mitigate the default risk in daily business operations which includes credit appraisal, credit approval, monitoring and recovering debt. MIFL obtains sufficient collateral as security in the event of non-payment by the borrower and all non-performing facilities are analyzed periodically to make sure the Company maintains a very low non-performing loan NPL ratio.

The Central Bank of Sri Lanka (CBSL), as per their laid plan, reduced the NPL classification norm to 3 months starting FY 2023-24. In line with the direction, the Company strengthen its collection and credit evaluation process to ensure minimum impact from the change. The recovery team played a pivotal role in incorporating empathy into the process, demonstrating the Company's commitment to prioritise people's needs and experiences, further solidifying MIFL's reputation as a people-centric organization.

The efforts enabled the Company to record a NPA of 5.25%for the year FY 2023-24 against the industry reported 14.70% as of 31st March 2024 based on CBSL records.

ii) Concentration Risk

Concentration risk occurs when facilities are extended to a single counterparty, industry or geographical area. MIFL sets prudential limits on maximum exposure which are reviewed periodically and single borrower limits as defined by the Finance Companies Direction No. 04 of 2006 issued by Central Bank of Sri Lanka. Top 10 customers contributed 4.11% of the lending portfolio as on 31st March 2024.

Liquidity Risk

Liquidity risk arises when the Company has insufficient funds to meet obligations due to unmatched maturities in assets and liabilities. The primary objective of MIFL's liquidity management policy is to ensure availability of adequate funding for its daily business activities. The Company also maintains the statutory liquid asset ratios at required levels as a method that measures and controls liquidity risk.

The following precautionary measures were taken during the year to manage liquidity risk :

- Liasing with bank and other financial agencies to keep ourselves updated on the interest movement.
- Revision of budgets based on macro changes and identification of future funding requirement
- Identification of the cumulative gap in the assets and liabilities
- Identification of the amount of unpredicted cash requirements arose during the past six months
- Regular ALCO meetings to monitor and managed liquidity levels.

Interest Rate Risk

Interest rate risk result from adverse and unanticipated movements in future interest rates impacting credit facilities granted and deposits accepted by the Company. Several factors give rise to interest rate risk. Two main risks are identified as:

- Term structure risk - arising due to the mismatch in maturity of assets and liabilities
- Basis risk - arising due to differences in interest rates bases

During the year, the Company conducted periodic review of interest rates by :

- Analyzing past fluctuations of interest rate patterns and forecasting interest rate movements based on these past trends
- Monitoring other market factors including market liquidity and Treasury Bill rates
- Identifying the gap analysis of interest earning assets and interest paying liabilities
- In the reducing interest rate trend, the Company focused on increasing long term disbursements.

Currency Risk

Currency risk is defined as the potential changes arising from exchange rates of various currencies. The Company does not have direct exposure to foreign exchange risk. However, the exchange rate fluctuations indirectly affected gold prices and interest rates, thus impacting the Company's business operations during FY 2023-24.

Collateral Risk

Collateral risk arises due to the value of security held being insufficient to meet the capital outstanding of the facilities in event of default of payment by the customer.

The Company ensured at all times that the value of collateral held as security is sufficient to meet the facility amount in case of default and have the following in place to mitigate the collateral risk:

- Physical verification of the asset before granting facilities
- Check of absolute ownership of the asset
- Obtaining a valuation report from a CBSL approved valuer
- Obtaining a full insurance policy for the asset
- Managing healthy margin levels and Loan to Value (LTV) ratios in Gold loans to mitigate the risk of change in gold prices.

Operational Risk

Operational risk is the risk of financial losses due to the failure or inadequacy of internal processes or systems, human error or external events. Mainly placed under fraud risk and technological risk, MIFL manages operational risks by maintaining a comprehensive system of internal controls and using technology to automate processes and minimize manual errors.

The Company established an in-house internal audit department during the year to have more robust internal audit process.

Regulatory Risk

Regulatory risk is the financial loss and damage to the reputation of the Company that arises from failing to comply with applicable laws and regulations. As the financial industry is highly regulated and is continuously monitored for compliance by the regulatory bodies, the Company has set internal procedures to ensure that all regulatory reporting requirements are met and all statutory payments are paid before due dates.

A separate Compliance Officer has been appointed to carry out the compliance function independently. Regular reviews are carried out to assess the Company's compliance with regulatory and statutory requirements.

Reputational Risk

Reputational risk is minimal for MIFL given the implementation of comprehensive and rigorous risk management strategies and procedures. Reputational risk cannot be managed in isolation from other forms of risks, since all can have an impact on reputation which in turn impact the MIFL brand, earnings and capital. Credit, liquidity, interest rate, operational and regulatory risks are managed effectively in order to safeguard the Company's reputation, as MIFL has identified reputation as a valuable business asset in its own right and essential component in optimizing shareholder value.

Plans for FY 2024-25

Compliance with CBSL regulations will remain a top priority for the Company in the coming year and beyond, especially as the regulatory landscape continues to evolve. The Company's commitment to maintaining a separate Compliance Officer and conducting regular reviews will continue to be an advantage. The Company will continue to invest in IT infrastructure security and disaster recovery plans to mitigate any potential IT risks. It will strengthen its asset quality through enhanced credit underwriting practices by leveraging on insights gained at more frequent portfolio reviews. It will also expand its exception monitoring process.

By continuously monitoring, evaluating, and improving the risk management framework, the Company will maintain adaptability and resilience in the face of evolving financial landscape.

LEAP AHEAD

to partnerships that will result in stronger results

FINANCIAL REPORTS

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HLF/WDPL/LL

INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF MAHINDRA IDEAL FINANCE LIMITED

Report on the Statement on Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control

We were engaged by the Board of Directors of Mahindra Ideal Finance Limited (the "Company") to provide assurance on the Statement of Internal Control Over Financial Reporting included in the Directors' Statement on Internal Control for the year ended 31 March 2024 (the "Statement") included in the annual report for the year ended 31 March 2024.

Management's responsibility

Management is responsible for the preparation and presentation of the Statement in accordance with the "Guidance for Directors of License Finance Company/ Finance Leasing Company on the Directors' Statement on Internal Control" issued in compliance with the Section 16 (1) (ix) of Finance Companies corporate Governance Direction No 05 of 2021 by the Institute of Chartered Accountants of Sri Lanka.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities and compliance with SLSAE 3051

Our responsibility is to assess whether the Statement is both supported by the documentation prepared by or for directors and appropriately reflects the process the directors have adopted in reviewing the design and effectiveness of the internal control of the Company.

We conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE) 3051, Assurance Report for License Finance Company/ Finance Leasing Company on Directors' Statement on Internal Control, issued by the Institute of Chartered Accountants of Sri Lanka.

This Standard required that we plan and perform procedures to obtain limited assurance about whether Management has prepared, in all material respects, the Statement on Internal Control.

For purpose of this engagement, we are not responsible for updating or reissuing any reports, nor have we, in the course of this engagement, performed an audit or review of the financial information.

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working world

Summary of work performed

We conducted our engagement to assess whether the Statement is supported by the documentation prepared by or for directors; and appropriately reflected the process the directors have adopted in reviewing the system of internal control over financial reporting of the Company.

The procedures performed were limited primarily to inquiries of the Company personnel and the existence of documentation on a sample basis that supported the process adopted by the Board of Directors.

SLSAE 3051 does not require us to consider whether the Statement covers all risks and controls or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3051 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Statement has been prepared.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors has adopted in the review of the design and effectiveness of internal control over financial reporting of the Company.

Ernst & Young

18 April 2024
Colombo

Directors' Responsibility Statement on Internal Control over Financial Reporting

RESPONSIBILITY

The Board of Directors ("the Board") of Mahindra Ideal Finance Limited ("the Company") presents this report on Internal Control Over Financial Reporting, in compliance with Section 16 (1) (ix) of Finance Companies Corporate Governance Direction No 05 of 2021.

The Board is responsible for ensuring the adequacy and effectiveness of the internal control mechanism of the Company. This mechanism is designed to provide a reasonable assurance to maintain proper accounting records, generate reliable financial information and safeguard assets of the Company. The internal control mechanism can therefore provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the mechanism of Internal Control over Financial Reporting as and when there are changes to business environment or regulatory guidelines.

Reviews of this process are conducted by the Board on a regular basis. On the basis of such reviews the Board expresses the view that the internal control mechanism over financial reporting in place is adequate to provide reasonable assurance regarding reliability of financial reporting and that the preparation of Financial Statement for external purpose is in accordance with relevant accounting principles and regulatory requirements.

Board policies and procedures pertaining to internal control over financial reporting have been documented. The implementation of such policies and procedures is carried out with the assistance of the management. In order to assess the internal control system over financial reporting, identified officers of the company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statement of the Company. The Internal Audit Department of the Company observes and checks them annually for suitability of design and operating effectiveness.

Given below are the key processes which have been established to review the adequacy and integrity of internal control, with respect of financial reporting:

- Establishment of various sub committees to assist the Board with a view to ensuring the effectiveness of the Company's daily operations and such operations conform to the Company's corporate objectives, strategies and the annual budget as well as policies and business directions approved by the Board.
- Policies and Procedures are developed to capture all functional areas of the company, which are recommended by the relevant Board Sub Committees and approved by the Board. These Policies and Procedures are reviewed periodically and approved by the Board.
- The Internal Audit Department of the company verifies whether policies and procedures of the Company are being complied with, while ascertaining effectiveness of the internal control mechanism, on an ongoing basis during their process audits. The risk-based auditing approach is adopted by the company and the entire audit universe is reviewed annually in accordance with the annual audit plan approved by the Board Audit Committee. Independent and objective reports covering significant Observations of the Internal Audit Department are also tabled for review by the Board Audit Committee, at their periodic meetings.
- The Board Audit Committee also reviews the internal audit functions, with particular reference to the scope and quality of the audits. Minutes of all the Board Audit Committee meetings are submitted to the Board for review. In addition, periodical summaries submitted by the Internal Audit Department indicating the functions carried out are reviewed by the Board Audit Committee.
- Evaluation of adequacy and effectiveness of internal controls over financial reporting is carried out by the Board Audit Committee through review of internal control issues identified by the Internal Audit Department, the External Auditors, regulatory authorities and the management.
- In order to assess the internal control mechanism, all procedures and controls which are connected with significant accounts and disclosures of the Financial Statements of the Company are continuously reviewed and updated by identified officers of the Company. The Internal Audit Department verifies the suitability of design and operating effectiveness of such procedures and controls, on an ongoing basis.
- The Company further strengthened its internal control processes to ensure that the impact of the economic crisis is accurately captured in the financial reporting by providing adequate impairment provisions for expected credit losses.

CONFIRMATION

Based on the above process, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements of the Central Bank of Sri Lanka.

Directors' Responsibility Statement on Internal Control over Financial Reporting Contd.

REVIEW OF THE STATEMENTS BY EXTERNAL AUDITORS

The external Auditors, Messrs. Ernst & Young, have reviewed the above Directors' statement on Internal Control over Financial Reporting included in this Annual Report of the Company for the year ended 31 March 2024 and reported to the board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal Controls over Financial Reporting of the Company. Their report on the statement of Internal Control over Financial Reporting is given on page 103 of this Annual Report.

STATEMENT ON PRUDENTIAL REQUIREMENTS, REGULATIONS AND LAWS

There are no material non-compliance to prudential requirements regulations, laws and internal controls affecting the Company.

There were no lapses which caused supervisory concern on the Company's Risk Management Systems or non-compliance with these directions which led to them being pointed out by the Director of Non-Bank Supervision of the Central Bank of Sri Lanka and which have caused the

Monetary Board to give directions that they be disclosed to the public. Since there have been no such lapses or instances of non- compliance and since no such directions have been given by the Monetary Board, the issue of measures to be taken does not arise and there is nothing to disclose in this regard.

By order of the Board,

Nalin J Welgama
Chairman

Sujeewa Mudalige
Chairman -Board Audit Committee

Mahindra Ideal Finance Limited
18 April 2024

Statement of Directors' Responsibilities for Financial Reporting

The Directors are required by the Companies Act No. 07 of 2007 to prepare Financial Statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the Financial Statements comply with any regulations made under the Companies Act which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors consider that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the relevant Directions issued in respect of Registered Finance Companies.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the Financial Statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2023/24, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
Mahindra Ideal Finance Limited

D M Weerasekare
Chief Executive Officer

Building a better working world

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BW/WDPL/PR/DRM

INDEPENDENT AUDITOR'S REPORT
TO THE 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 31 March 2024, and the Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash-flows for the year then ended, and Notes to the Financial Statements, including material accounting policies.

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

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 Information included in the Company's 31 March 2024 Annual Report

Management is responsible for the other information included in the Company's 31 March 2024 annual 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 lo read the other information and, in doing so, consider whether the other information ls materially inconsistent with the financial statements, or our knowledge obtained In the audit or otherwise 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. We have nothing to report in this regard.

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 these financial statements.

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

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

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

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 appears from our examination, proper accounting records have been kept by the Company.

18 April 2024
Colombo

Statement of Comprehensive Income

Year ended 31 March	Notes	2024	2023
		LKR	LKR
Income	3	2,309,040,380	1,924,279,355
Interest Income	4.1	2,153,618,043	1,805,299,948
Interest Expenses	4.2	(1,061,880,311)	(921,725,959)
Net Interest Income		1,091,737,732	883,573,989
Fees and Commission Income	5	10,249,062	13,067,675
Net Fee and Commission Income		10,249,062	13,067,675
Other Operating Income	6	145,173,275	105,911,732
Total Operating Income		1,247,160,069	1,002,553,396
Impairment Charges for Loans and other Losses	7	49,871,815	(70,983,116)
Net Operating Income		1,297,031,884	931,570,280
Operating Expenses			
Personnel Expenses	8	(501,575,385)	(349,974,582)
Depreciation of Property Plant & Equipment	22.2	(110,425,685)	(93,972,623)
Amortization of Intangible Assets	23	(5,067,304)	(3,333,640)
Other Operating Expenses	9	(345,864,952)	(236,296,248)
Operating Profit before VAT on Financial Services and Social Security Contribution Levy		334,098,558	247,993,187
Value Added Tax on Financial Services	10	(116,700,020)	(88,673,219)
Social Security Contribution Levy	10	(16,208,337)	(6,227,766)
Profit before Taxation		201,190,201	153,092,202
Income Tax Expenses	11.1	(97,898,498)	(66,194,388)
Profit/ (Loss) for the period		103,291,703	86,897,814
Basic and Diluted Earning per Share	12.2	0.71	0.60
Profit/ (Loss) for the period		103,291,703	86,897,814
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Actuarial Gain/ (Loss) on Defined Benefit Obligations	28.3	(8,101,913)	2,130,956
Deferred Tax (Charge)/Reversal on Other Comprehensive Income	29	2,430,574	(639,287)
Other Comprehensive Income for the period, Net of Tax		(5,671,339)	1,491,669
Total Comprehensive Income for the period, Net of Tax		97,620,364	88,389,483

The Accounting Policies and Notes on pages herein form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March	Notes	2024	2023
		LKR	LKR
Assets			
Cash and Bank Balances	13	110,767,720	165,583,696
Investment in Government Securities at Amortized cost	14	1,819,024,328	458,137,517
Financial Investments-Measured at Fair Value through PL	14.1	1,001,278,217	-
Placements with Banks and Other Financial Institutions	15	355,848,060	445,268,915
Gold Advances	16	4,505,162,573	3,950,688,495
Lease Rental Receivables	17	2,864,129,749	2,374,025,383
Loans and Advances	18	1,173,631,285	798,812,852
Other Financial Assets	19	29,495,526	24,340,891
Other Non Financial Assets	20	188,496,352	58,781,143
Financial Investments-Measured at Fair Value through OCI	21	457,700	457,700
Property, Plant and Equipment	22.3	534,360,642	470,357,459
Intangible Assets	23	43,094,228	18,047,136
Deferred Tax Assets	29	24,116,990	27,648,433
Total Assets		12,649,863,370	8,792,149,620
Liabilities			
Interest Bearing Borrowings	24	3,843,671,591	1,989,957,781
Due to the Customers	25	5,204,224,178	3,487,076,917
Other Financial Liabilities	26	547,160,170	379,280,751
Other Non Financial Liabilities	27	67,585,280	37,393,905
Post Employment Benefit Liability	28	49,036,778	30,896,045
Current Tax Liabilities		5,942,625	32,921,837
Total Liabilities		9,717,620,622	5,957,527,236
Equity			
Stated Capital	30	1,908,247,125	1,908,247,125
Retained Earnings		970,936,139	878,196,794
Reserves	31	53,059,484	48,178,465
Total Equity		2,932,242,748	2,834,622,384
Total Liabilities and Equity		12,649,863,370	8,792,149,620

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

Rohit Kumar Agarwalla
Chief Financial Officer

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

Nalin J Welgama
Chairman

P A De Silva
Deputy Chairman

The Accounting Policies and Notes on pages herein form an integral part of the Financial Statements.
18 April 2024
Colombo

Statement of Changes in Equity

Year ended 31 March 2024	Stated Capital	Retained Earnings	Statutory Reserve Fund	Total
	LKR	LKR	LKR	LKR
Balance As at 1 April 2022	1,908,247,125	794,226,786	43,758,990	2,746,232,902
Total Income / (Loss) for the Period	-	86,897,814	-	86,897,814
Other Comprehensive Income (Net of Tax)	-	1,491,669	-	1,491,669
Transfer to Statutory Reserve Fund	-	(4,419,474)	4,419,474	-
Balance As at 31 March 2023	1,908,247,125	878,196,794	48,178,465	2,834,622,384
Balance As at 1 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	-	(4,881,019)	4,881,019	-
Balance As at 31 March 2024	1,908,247,125	970,936,139	53,059,484	2,932,242,748

The Accounting Policies and Notes on pages herein form an integral part of the Financial Statements.

Statement of Cash Flows

Year ended 31 March	Note	2024	2023
		LKR	LKR
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		201,190,201	153,092,202
Adjustment for Other Non Cash Items Included in Profit Before Tax			
Depreciation of Property, Plant and Equipment & ROU Assets	22.3	110,425,685	93,972,623
Amortization of Intangible Assets	23	5,067,304	3,333,640
Provision for Impairment	7	(49,871,815)	70,983,116
Interest expenses on Borrowings	4.2	377,945,850	434,895,016
Defined Benefit Obligation	8	12,673,570	9,450,813
Dividend Income	6	(179,520)	(240,000)
Disposal (Gain)/Loss on Fixed Assets		-	-
Operating Profit before Working Capital Changes		657,251,275	765,487,410
(Increase)/Decrease in Lease Rental Receivables		(463,612,467)	1,135,054,895
(Increase)/Decrease in Loans and Advances		(347,074,261)	603,795,207
(Increase)/Decrease in Gold Advance		(558,838,334)	(1,703,801,685)
(Increase)/Decrease in Other Financial Assets		(5,154,635)	(7,967,458)
(Increase)/Decrease in Other Non Financial Assets		(123,753,192)	113,784,455
(Increase)/Decrease in Inventories		-	328,056
Increase/(Decrease) in Amounts Due to Customers		1,717,147,261	1,292,058,075
Increase/(Decrease) in Other Financial Liabilities		231,602,037	(110,978,929)
Increase/(Decrease) in Other Non Financial Liabilities		30,191,375	(7,573,033)
Increase/(Decrease) in Current Tax liabilities		(8,732,522)	3,633,728
Cash Generated from Operations		1,129,026,537	2,083,820,723
Retirement Benefit Liabilities Paid	28.2	(2,634,750)	(2,762,375)
Income Tax Paid		(116,145,188)	(87,024,625)
Net Cash Flows from/(Used in) Operating Activities		1,010,246,599	1,994,033,723
Cash Flows from / (Used in) Investing Activities			
Purchase of Property, Plant and Equipment	22.1	(88,766,534)	(141,303,856)
Purchase of Right of Use Assets	22.1	(85,662,333)	(76,526,736)
Purchase of Intangible Assets	23	(30,114,398)	(2,184,070)
Disposal of Property, Plant and Equipment			
Dividend Received	6	179,520	240,000
Investment in Treasury Bills	14	(515,700,380)	(300,329,263)
Investiment in Fixed Deposits	15	189,420,855	(157,524,998)
Net Cash Flows from/(Used in) Investment Activities		(530,643,270)	(677,628,924)
Cash Flows from / (Used in) Financing Activities			
Proceeds from Bank Borrowings		15,985,000,000	6,424,000,000
Repayment of Bank Borrowings		(15,340,051,428)	(7,494,177,824)
Rental Paid for Lease Obligation		(63,722,616)	(60,047,593)
Repayment of Other Borrowed Funds		-	-
Net Cash Flows from/(Used in) Financing Activities		581,225,956	(1,130,225,417)
Net Increase/(Decrease) in Cash & Cash Equivalents		1,060,829,285	186,179,382
Cash and Cash Equivalents at the Beginning of the Period		251,915,083	65,735,701
Cash and Cash Equivalents at the End of the Year	32	1,312,744,367	251,915,083

The Accounting Policies and Notes on pages herein form an integral part of the Financial Statements.

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 Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011, and also 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. Further the company does not have any investments in the form of subsidiary, joint venture or associate.

1.4 Date of Authorization for Issue

The financial statements of MAHINDRA IDEAL Finance Limited for the period ended 31 March 2024 were authorized for issue in accordance with a resolution of the Board of Directors on 18 April 2024.

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 31 March 2023 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 retirement benefits obligation, which was ascertained by an actuarial valuation.

2.1.4 Presentation of Financial Statements

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items are 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 is 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of 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 reclassified whenever necessary to comply with the current presentation in the Financial Statements. However, the Company has not restated comparative information for 2023.

2.1.8 Statement of Cash Flow

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 unfavorable bank balances and securities purchased under repurchase agreement (less than three months).

2.1.9 Events After the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, 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 they do 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 judgement, 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, changes in which 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 judgements 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 so allowances for financial assets 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.

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 in to 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 amortization of property, plant, equipment and intangible assets at each reporting date. The judgement 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 in below.

2.3.1 SLFRS 09 Financial Instrument

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

2.3.1.1 Classification & 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 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 judgement 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 Reclassification of Financial Assets and Liabilities

The company does not reclassify 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 reclassify any of its financial assets or liabilities in year 2023/24.

2.3.1.3 De-recognition 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 derecognized when the rights to receive cash flows from the financial asset have expired.

2.3.1.3.2 Financial Liabilities

A financial liability is derecognized 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 by using forward-looking Expected Credit Loss (ECL) approach. From 1 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, in this section all referred to as 'financial instruments'. 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 months 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 months 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 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified 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 reclassified 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 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 summarized below:

Stage 1

The 12 months 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 months 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 unlikeliness to pay. In such instances, the Company treats the customer with an increased credit risk level, 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 categorized 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 recognized based on credit adjusted EIR. ECLs are recognized 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 2022/23.

	2023/24	2022/23
Base case	50%	50%
Best case	10%	10%
Worst case	40%	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.

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 recognized as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognized as unearned finance income, which is allocated to accounting periods reflect 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 modified retrospective method from 1 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 recognized 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 1 April 2019 has been duly adjusted. The company elected to use the transitional practical expedient to not reassess 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 recognize 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 is 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 & 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 shall be changed to reflect the changed pattern.

Property plant & Equipment is derecognized 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 recognized in 'Other Operating Income' in the Statement of Comprehensive Income (Profit or Loss) in the year the asset is recognized.

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 judgements in evaluating the level of certainty whether the option of renewing the lease exits 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 amortization 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 1 April 2019 using the incremental borrowing rate as at 1 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 yearend.

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 realizable value.

2.3.9 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any 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 recognized 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 exceeds 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.

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 recognized as a Personnel Expenses in the Statement of comprehensive income in the periods during which services are rendered by 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 recognized 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 recognized in the Statement of Financial Position in respect of 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 interest rate that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating to 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.12of 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 realized when settled.

2.3.13 Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling 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.

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.

(iv) Expenditure Recognition

Expenses are recognized 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 the 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 recognized for all taxable temporary differences.

Deferred tax assets are recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable 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 realized 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 27 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 1 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 shall 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 April 1, 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

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 Sri Lanka Accounting Standards Not Yet Effective as at 31 March 2024

- **SLFRS 17 Insurance Contracts**

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. On effective, SLFRS 17 will replace SLFRS 4 (Insurance Contracts)

No material impact on the financial statements of the Company.

- **Amendments to LKAS 1 - Presentation of Financial Statements**

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. 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. The requirements apply only to liabilities arising from loan arrangements. The amendments are effective for annual periods beginning on or after 1 January 2024.

No material impact on the financial statements of the Company.

- **Amendments to LKAS 12 - Income taxes**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

No impact on the financial statements of the Company.

3. INCOME

Year ended 31 March	2024 LKR	2023 LKR
Interest Income (4.1)	2,153,618,043	1,805,299,948
Fee and Commission Income (5)	10,249,062	13,067,675
Other Operating Income (6)	145,173,275	105,911,732
Total Income	2,309,040,380	1,924,279,355

4. NET INTEREST INCOME

Year ended 31 March	2024 LKR	2023 LKR
4.1 Interest Income		
From Placements with Banks and Other Financial Institutions	70,723,448	55,087,026
From Government Securities	169,043,385	60,364,968
From Lease Rental Receivables	574,634,047	641,168,494
From Loans and Advances	154,281,660	239,486,405
From Gold Advances	1,183,588,966	807,982,594
From Refundable Deposits	1,346,537	1,210,461
Total Interest Income	2,153,618,043	1,805,299,948
4.2 Interest Expense		
Due to Banks	377,945,850	434,895,016
Due to Customers	646,062,235	452,995,806
On Intercompany Borrowings	-	-
On Obligation to Make the Lease Payment for Right of Use Assets	37,872,226	33,835,137
Total Interest Expenses	1,061,880,311	921,725,959
Net Interest Income	1,091,737,732	883,573,989

5. FEE AND COMMISSION INCOME

Year ended 31 March	2024 LKR	2023 LKR
Commission Income	10,249,062	13,067,675
Fee and Commission Income	10,249,062	13,067,675

6. OTHER OPERATING INCOME

Year ended 31 March	2024 LKR	2023 LKR
Dividend Income	179,520	240,000
Service Charges - Gold Loans	74,157,350	88,672,799
Service Charges - Leases & Other Loans	14,487,892	-
Fair Value Gain or Loss	45,883,569	-
Other Operating Income	10,464,944	16,998,933
Total Other Operating Income	145,173,275	105,911,732

7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES

Year ended 31 March	2024 LKR	2023 LKR
Charge/(write-back) to the statement of comprehensive income		
- Impairment on individually significant loans	(12,422,784)	1,568,253
- Impairment on collective loan portfolio	(97,507,252)	20,749,444
- Write-offs net of recoveries	60,058,221	48,665,419
Total Impairment Charge	(49,871,815)	70,983,116
Lease Rental Receivables (Note 17.2.a)		
Stage 1	(5,674,981)	(20,244,828)
Stage 2	(29,921,311)	5,722,590
Stage 3	(50,953,828)	20,852,917
	(86,550,120)	6,330,679
Loans and Advances (Note 18.2.a)		
Stage 1	4,985,876	(18,581,605)
Stage 2	(8,415,989)	1,983,542
Stage 3	(24,314,060)	20,612,805
	(27,744,173)	4,014,741
Gold Advances		
Stage 1	9,057,810	2,742,606
Stage 2	(1,501,914)	5,548,169
Stage 3	(3,191,639)	3,681,501
	4,364,256	11,972,276

8. PERSONNEL EXPENSES

Year ended 31 March	2024 LKR	2023 LKR
Salaries	373,156,843	278,909,249
Employers' Contribution to Employee's Provident Fund	33,224,198	27,527,802
Employers' Contribution to Employee's Trust Fund	8,303,550	6,881,950
Gratuity Charge for the year	12,673,570	9,450,813
Other Staff Related Expenses	74,217,224	27,204,768
Total Personnel expenses	501,575,385	349,974,582

9. OTHER OPERATING EXPENSES

Year ended 31 March	2024	2023
	LKR	LKR
Directors' Emoluments	4,499,783	5,600,000
Auditors' Remuneration	1,663,063	965,613
Professional and Legal Expenses	14,263,904	8,989,716
Office Administration and Establishment Expenses	176,433,985	126,056,473
Advertising and Promotional Expenses	65,632,021	35,933,596
License and Renewal Fees	1,083,080	4,051,298
Other Expenses	67,835,890	54,699,552
Total Other Operating expenses	345,864,952	236,296,248

10. VALUE ADDED TAX ON FINANCIAL SERVICES AND SSCL

Year ended 31 March	2024	2023
	LKR	LKR
VAT on Financial Services	116,700,020	88,673,219
Social Security Contribution Levy (SSCL)	16,208,337	6,227,766
	132,908,357	94,900,985

11. INCOME TAX EXPENSES

11.1 The major component of income tax for the period ended 31 March as follows;

Year ended 31 March	2024	2023
	LKR	LKR
Income Statement		
Current Income Tax		
Income Tax for the Period	91,687,602	71,056,252
Due to rate reduction	-	-
Tax Adjustment with Final Payment	248,879	(258,011)
Deferred Tax (Note 29)		
Due to change in temporary differences	5,962,017	2,255,098
Due to rate change	-	(6,858,952)
Income Tax Expenses reported in the Income Statement	97,898,498	66,194,388
Statement of Other Comprehensive Income		
Deffered Tax related to items recognized in OCI during the year		
Net Gain/(Loss) on Actuarial Gains/Losses during the year	(2,430,574)	639,287
Income Tax Expenses reported in the Other Comprehensive Income	(2,430,574)	639,287
Total Income Tax Expense for the year	95,467,924	66,833,675
Income Tax Rate Applicable	30%	30%

11. INCOME TAX EXPENSES CONTD.

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 31 March 2024 as follows.

Year ended 31 March	2024	2023
	LKR	LKR
Accounting Profit / (Loss) Before Income Taxation	201,190,201	153,092,202
Aggregate allowable expenditure	(69,686,692)	(169,784,887)
Tax loss utilised	-	-
Aggregate disallowable expenditure	174,121,831	279,979,545
	305,625,340	263,286,860
Tax at statutory rates	91,687,602	71,056,252
Less : Due to rate reduction	-	-
Less : Tax Adjustment with Final Payment	248,879	(258,011)
	91,936,481	70,798,241
Deferred taxation charged/(Reversal)	5,962,017	2,255,098
Less : Due to rate change	-	(6,858,952)
	97,898,498	66,194,388
Effective Tax Rate	48.66%	43.24%

12. BASIC AND DILUTED EARNING PER ORDINARY SHARES

12.1 Basic and diluted earning 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-Earning Per Share.

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

Year ended 31 March	2024	2023
	LKR	LKR
Amount Used as Numerators		
Profit attributable to Ordinary Share Holders	103,291,703	86,897,814
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	0.71	0.60

13. CASH AND BANK BALANCES

Year ended 31 March	2024 LKR	2023 LKR
Cash in Hand	102,627,472	127,864,098
Bank Balances	8,140,248	37,719,598
	110,767,720	165,583,696

14. INVESTMENT IN GOVERNMENT SECURITIES

Year ended 31 March	2024 LKR	2023 LKR
Investment in Treasury Bills with original maturity less than 3 months	-	157,808,254
Investment in Treasury Bills with original maturity more than 3 months	816,029,643	300,329,263
Investment in Reverse Repurchase Agreements (less than 3 months)	1,002,994,685	-
	1,819,024,328	458,137,517

14.1 Financial Investments-Measured at Fair Value Through PL

Investment in Unit Trust Funds	1,001,278,217	-
	1,001,278,217	-

15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Year ended 31 March	2024 LKR	2023 LKR
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	255,848,060	445,268,915
	355,848,060	445,268,915

16. GOLD ADVANCES

Year ended 31 March	2024 LKR	2023 LKR
Gold Advances	4,530,164,582	3,971,326,248
Less : Allowance for Impairment Losses	(25,002,009)	(20,637,753)
Net Gold Advances	4,505,162,573	3,950,688,495
Collective Impairment		
As at 1 April	20,637,753	8,665,477
Charges/(reversals) for the year	4,364,256	11,972,276
As at 31 March	25,002,009	20,637,753

17. LEASE RENTAL RECEIVABLES

Year ended 31 March	2024 LKR	2023 LKR
Rental Receivable on Lease	3,788,875,387	3,224,676,754
Gross Rentals Receivables	3,788,875,387	3,224,676,754
Less: Unearned Income	(796,367,769)	(656,352,549)
	2,992,507,618	2,568,324,205
Less : Rentals Received in Advance	(35,457,655)	(14,828,488)
Net Rentals Receivables before charging Allowance for Impairment Losses	2,957,049,963	2,553,495,717
Less : Allowance for Impairment Losses (Note 17.2)	(92,920,215)	(179,470,334)
Total Net Rentals Receivable	2,864,129,749	2,374,025,383

17.1 Net Rentals Receivable on Leases 'LKR

	As at 31st March 2024			As at 31st March 2023		
	Gross Rentals Receivables	Allowance for Impairment Losses	Net Rentals Receivables	Gross Rentals Receivables	Allowance for Impairment Losses	Net Rentals Receivables
Stage - 1	2,114,556,470	24,258,088	2,090,298,382	1,120,683,414	29,933,070	1,090,750,344
Stage - 2	584,202,430	13,254,909	570,947,522	833,587,566	43,176,219	790,411,347
Stage - 3	258,291,063	55,407,218	202,883,845	599,224,738	106,361,045	492,863,692
	2,957,049,964	92,920,215	2,864,129,749	2,553,495,717	179,470,334	2,374,025,383

17.2 Allowance for Impairment Losses 'LKR.

(a) Allowance for Impairment with stage wise

	Collective			Individual	Total
	Stage -1	Stage -2	Stage -3	Stage -3	
Balance as at 01 April 2023	29,933,069	43,176,219	101,312,999	5,048,046	179,470,334
Charges/(Reversals) for the year	(5,674,981)	(29,921,311)	(46,060,251)	(4,893,577)	(86,550,120)
Amount written off	-	-		-	-
Balance as at 31 March 2024	24,258,088	13,254,909	55,252,748	154,470	92,920,214

(b) Movement in allowance for impairment

Year ended 31 March	2024 LKR	2023 LKR
As at 01 April	179,470,334	173,139,654
Charges/(reversals) for the year	(86,550,120)	6,330,679
Amounts written off	-	-
As at 31 March	92,920,214	179,470,334
Individual impairment	154,470	5,048,046
Collective impairment	92,765,744	174,422,287
Total	92,920,214	179,470,334

17.3 Credit Exposure and ECL Stage wise movement

An analysis of changes in the gross carrying amount and the corresponding ECL of Lease Rental Receivables is as follows :

Gross exposure reconciliation

As at 31st March 2024	Stage 1	Stage 2	Stage 3	Total
Particulars				
Gross carrying amount balance as at 1 April 2023	1,120,683,414	833,587,566	599,224,738	2,553,495,717
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	259,846,167	(180,594,784)	(79,251,383)	-
- Transfers to Stage 2	(207,837,062)	319,394,085	(111,557,023)	-
- Transfers to Stage 3	(25,314,339)	(87,748,669)	113,063,008	-
- Loans that have been derecognized 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
Write-offs	(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 31 March 2024	2,114,556,469	584,202,430	258,291,063	2,957,049,963

As at 31st March 2023	Stage 1	Stage 2	Stage 3	Total
Particulars				
Gross carrying amount balance as at 1 April 2022	2,363,139,989	841,524,574	532,551,469	3,737,216,031
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	305,252,733	(227,982,508)	(77,270,225)	-
- Transfers to Stage 2	(650,847,342)	733,912,019	(83,064,676)	-
- Transfers to Stage 3	(280,333,439)	(195,939,914)	476,273,353	-
- Loans that have been derecognized during the period	(213,684,737)	(129,572,711)	(193,726,965)	(536,984,413)
New loans originated during the year	35,329,389	22,163,570	12,596,816	70,089,776
Write-offs	-	-	49,227,956	49,227,956
Remeasurement of net exposure	(438,173,179)	(210,517,464)	(117,362,989)	(766,053,632)
Gross carrying amount balance as at 31 March 2023	1,120,683,414	833,587,566	599,224,738	2,553,495,717

17.3 Credit Exposure and ECL Stage wise movement

Reconciliation of ECL balance

As at 31st March 2024	Stage 1	Stage 2	Stage 3	Total
Particulars				
ECL allowance balance as at 1 April 2023	29,933,070	43,176,219	106,361,045	179,470,334
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	23,420,969	(9,354,026)	(14,066,942)	-
- Transfers to Stage 2	(5,551,332)	25,352,453	(19,801,121)	-
- Transfers to Stage 3	(676,146)	(4,545,000)	5,221,147	-
- Loans that have been derecognized 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
Write-offs	(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 31 March 2024	24,258,088	13,254,909	55,407,218	92,920,215

As at 31st March 2023	Stage 1	Stage 2	Stage 3	Total
Particulars				
ECL allowance balance as at 1 April 2022	49,803,710	37,453,629	85,882,316	173,139,655
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	22,607,830	(10,146,789)	(12,461,041)	-
- Transfers to Stage 2	(13,819,851)	27,215,339	(13,395,488)	-
- Transfers to Stage 3	(5,952,496)	(8,720,673)	14,673,169	-
- Loans that have been derecognized during the period	(4,537,302)	(5,766,876)	(31,241,526)	(41,545,705)
New loans originated during the year	943,649	1,147,977	2,235,907	4,327,532
Write-offs	-	-	7,938,784	7,938,784
Net remeasurement of loss allowance	(19,112,471)	1,993,613	52,728,925	35,610,068
ECL allowance balance as at 31 March 2023	29,933,070	43,176,219	106,361,045	179,470,334

The contractual amount outstanding on financial assets that has been written off by the Company during the year ended 31 March 2024 and that were still subject to enforcement activity was Rs 49,530,354.

17.4 Sensitivity Analysis of Accumulated Impairment for Lease Rental Receivables as at 31st March

		2024	2023
Changed Criteria	Changed Factor	Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	3,899,660	9,352,206
Probability of Default (PD)	Increase by 1%	2,715,477	4,278,683
Economic Factor Adjustment (EFA)	Increase by 5%	1,324,978	2,209,628

17.4 Rental Receivable on Lease

Year ended 31 March	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total LKR
Gross Rentals Receivables	1,805,146,134	1,983,379,020	350,232	3,788,875,386
Less: Unearned Income	419,625,688	376,717,797	24,285	796,367,769
	1,385,520,447	1,606,661,223	325,947	2,992,507,618
Less : Rentals Received in Advance				(35,457,655)
Net Rentals Receivable before charging Allowance for Impairment Losses				2,957,049,963

18. LOANS AND ADVANCES

Year ended 31 March	2024 LKR	2023 LKR
Loan Receivable	1,467,645,333	1,019,283,159
Less : Unearned Interest Income	(235,976,588)	(127,899,429)
Net Receivable	1,231,668,745	891,383,730
Less : Repayments in advance	(14,352,641)	(21,141,887)
Net Loan Receivables before charging Allowance for Impairment Losses	1,217,316,104	870,241,843
Less : Allowance for Impairment Losses (Note 18.2)	(43,684,818)	(71,428,991)
Total Net Loan Receivable	1,173,631,285	798,812,852

18.1 Net Receivable on Loans

	As at 31st March 2024			As at 31st March 2023		
	Gross Loan Receivables	Allowance for Impairment Losses	Net Loan Receivables	Gross Loan Receivables	Allowance for Impairment Losses	Net Loan Receivables
Stage - 1	1,084,097,928	12,640,689	1,071,457,239	364,983,716	7,654,812	357,328,904
Stage - 2	59,655,503	1,590,175	58,065,327	202,548,041	10,006,164	192,541,877
Stage - 3	73,562,674	29,453,955	44,108,719	302,710,086	53,768,015	248,942,071
	1,217,316,104	43,684,818	1,173,631,285	870,241,843	71,428,991	798,812,852

18. LOANS AND ADVANCES CONTD.

18.2 Allowance for Impairment Losses 'LKR.

(a) Allowance for Impairment with stage wise

	Collective			Individual	
	Stage 1	Stage 2	Stage 3	Stage 3	Total
Balance as at 01 April 2023	7,654,812	10,006,164	44,746,543	9,021,472	71,428,991
Charges/(Reversals) for the year	4,985,876	(8,415,989)	(16,784,853)	(7,529,207)	(27,744,173)
Amount written off	-	-		-	-
Balance as at 31 March 2024	12,640,689	1,590,175	27,961,689	1,492,265	43,684,818

(b) Movement in allowance for impairment

Year ended 31 March	2024	2023
	LKR	LKR
As at 01 April	71,428,991	67,414,250
Charges/(reversals) for the year	(27,744,173)	4,014,742
Amounts written off	-	-
As at 31 March	43,684,818	71,428,991
Individual impairment	1,492,265	9,021,472
Collective impairment	42,192,553	62,407,519
Total	43,684,818	71,428,991

(C) Movement in individual

Individual Impairment		
As at 1 April	9,021,473	1,976,093
Charges/(reversals) for the year	(7,529,207)	7,045,380
Amounts written off	-	-
As at 31 March	1,492,266	9,021,473
Collective Impairment		
As at 1 April	62,407,519	65,438,157
Charges/(reversals) for the year	(20,214,966)	(3,030,638)
Amounts written off	-	-
As at 31 March	42,192,553	62,407,519
Total	43,684,819	71,428,992

18.3 Credit Exposure and ECL Stage wise movement

An analysis of changes in the gross carrying amount and the corresponding ECL of Receivables is as follows :

Gross exposure reconciliation

As at 31st March 2024	Stage 1	Stage 2	Stage 3	Total
Particulars				
Gross carrying amount balance as at 1 April 2023	364,983,716	202,548,041	302,710,086	870,241,843
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	96,712,040	(70,066,030)	(26,646,011)	-
- Transfers to Stage 2	(9,897,875)	35,770,649	(25,872,774)	-
- Transfers to Stage 3	(12,138,897)	(11,097,387)	23,236,284	-
- Loans that have been derecognized 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
Write-offs	-	(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 31 March 2024	1,084,097,928	59,655,503	73,562,674	1,217,316,104

As at 31st March 2023	Stage 1	Stage 2	Stage 3	Total
Particulars				
Gross carrying amount balance as at 1 April 2022	1,058,746,170	210,345,614	204,945,266	1,474,037,050
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	69,073,810	(42,431,345)	(26,642,465)	-
- Transfers to Stage 2	(149,180,252)	173,255,751	(24,075,499)	-
- Transfers to Stage 3	(223,213,603)	(51,214,980)	274,428,583	-
- Loans that have been derecognized during the period	(345,967,767)	(67,080,485)	(93,967,075)	(507,015,327)
New loans originated during the year	160,782,531	43,234,528	9,497,349	213,514,408
Write-offs	-	-	18,275,514	18,275,514
Remeasurement of net exposure	(205,257,173)	(63,561,042)	(59,751,587)	(328,569,802)
Gross carrying amount balance as at 31 March 2023	364,983,716	202,548,041	302,710,086	870,241,843

18.3 Credit Exposure and ECL Stage wise movement

Reconciliation of ECL balance

As at 31st March 2024	Stage 1	Stage 2	Stage 3	Total
Particulars				
ECL allowance balance as at 1 April 2023	7,654,812	10,006,164	53,768,015	71,428,991
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	8,194,284	(3,461,362)	(4,732,922)	-
- Transfers to Stage 2	(329,741)	4,925,319	(4,595,578)	-
- Transfers to Stage 3	(404,399)	(548,227)	952,626	-
- Loans that have been derecognized 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
Write-offs	-	(212,178)	(9,569,885)	(9,782,064)
Net remeasurement of loss allowance	(9,107,577)	(5,294,145)	15,012,683	610,960
ECL allowance balance as at 31 March 2024	12,640,689	1,590,175	29,453,955	43,684,818

As at 31st March 2023	Stage 1	Stage 2	Stage 3	Total
Particulars				
ECL allowance balance as at 1 April 2022	26,610,604	8,022,622	32,781,024	67,414,250
Changes due to loans recognized in the opening balance that have:	-	-	-	-
- Transfers to Stage 1	5,879,806	(1,618,340)	(4,261,466)	-
- Transfers to Stage 2	(3,729,225)	7,580,105	(3,850,879)	-
- Transfers to Stage 3	(5,579,920)	(1,953,349)	7,533,269	-
- Loans that have been derecognized during the period	(8,418,161)	(2,558,463)	(15,030,047)	(26,006,670)
New loans originated during the year	851,985	2,135,848	1,686,940	4,674,772
Write-offs	-	-	2,923,171	2,923,171
Net remeasurement of loss allowance	(7,960,276)	(1,602,259)	31,986,004	22,423,469
ECL allowance balance as at 31 March 2023	7,654,812.23	10,006,164.13	53,768,015.01	71,428,991

The contractual amount outstanding on financial assets that has been written off by the Company during the year ended 31 March 2024 and that were still subject to enforcement activity was Rs 6,161,538.

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 4,725,652.

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

		2024	2023
Changed Criteria	Changed Factor	Sensitivity effect on Impairment Allowance Increase	Sensitivity effect on Impairment Allowance Increase
Loss Given Default (LGD)	Increase by 1%	1,459,373	2,642,881
Probability of Default (PD)	Increase by 1%	823,696	843,450
Economic Factor Adjustment (EFA)	Increase by 5%	471,413	532,662

18.5 Receivable on Loans and Advances

Year ended 31 March	Within One Year	1 to 5 Years	Over 5 Years	Total
	LKR	LKR	LKR	LKR
Gross Receivables	827,958,394	632,088,411	4,836,052	1,464,882,856
Less: Unearned Income	150,850,585	81,996,760	366,766	233,214,112
	677,107,808	550,091,650	4,469,286	1,231,668,745
Less : Rentals Received in Advance				(14,352,641)
Net Receivable before charging Allowance for Impairment Losses				1,217,316,104

19. OTHER FINANCIAL ASSETS

	2024	2023
	LKR	LKR
Refundable Deposit	18,353,600	15,181,797
Sundry Debtors	9,107,107	7,120,075
Other Receivable	2,034,819	2,039,019
	29,495,526	24,340,891

20. OTHER NON FINANCIAL ASSETS

	2024	2023
	LKR	LKR
Advances and Prepayment	188,215,932	58,781,143
Other Receivable	280,420	-
	188,496,352	58,781,143

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

	2024	No. of Shares	2023	No. of Shares
	LKR		LKR	
Equities-Unquoted				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	457,700	100	457,700	100

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

22. PROPERTY, PLANT & EQUIPMENT

22.1 Gross Carrying Amounts

At Cost	Balance As at 31.03.2023 LKR	Additions LKR	Disposals LKR	Balance As at 31.03.2024 LKR
Freehold Assets				
Furniture & Fittings	205,341,810	43,044,101	-	248,385,911
Office Equipment	119,319,009	33,942,191	-	153,261,199
Computer Equipment	42,516,968	11,780,242	-	54,297,211
Motor Vehicles	49,389,445	-		49,389,445
	416,567,232	88,766,534	-	505,333,766
Assets on Leases				
Right of Use Assets	359,437,947	85,662,333		445,100,281
Total Value of Depreciable Assets	776,005,179	174,428,867	-	950,434,046

22.2 Depreciation

At Cost	Balance As at 31.03.2023 LKR	Charge for the year LKR	Disposals LKR	Balance As at 31.03.2024 LKR
Freehold Assets				
Furniture & Fittings	88,457,171	34,918,792		123,375,963
Office Equipment	51,040,552	21,641,724		72,682,277
Computer Equipment	23,103,375	6,290,511		29,393,886
Motor Vehicles	17,863,464	1,796,488		19,659,953
	180,464,564	64,647,516	-	245,112,079
Assets On Leases				
Motor Vehicles	-	-	-	-
Right of Use Assets	125,183,156	45,778,169		170,961,325
Total Depreciation	305,647,720	110,425,685	-	416,073,405

22.3 Net Book Values

	2024 LKR	2023 LKR
At Cost		
Furniture & Fittings	125,009,948	116,884,638
Office Equipment	80,578,923	68,278,456
Computer Equipment	24,903,325	19,413,594
Motor Vehicles	29,729,492	31,525,981
	260,221,687	236,102,668
Assets on Leases		
Motor Vehicles	-	-
Right of Use Assets	274,138,955	234,254,791
Total Carrying Amount of Property, Plant & Equipment	534,360,642	470,357,459

22.4 Fully Depreciated Property, Plant and Equipment

The initial cost of fully-depreciated property, plant and equipment as at 31 March 2024, which are still in use as at the reporting date is as follows;

Year ended 31 March	2024 LKR	2023 LKR
Furniture & Fittings	56,943,791	35,607,005
Office Equipment	32,360,152	19,829,301
Computer Equipment	17,968,149	12,885,109
Motor Vehicles	3,257,000	3,257,000
Computer Equipment	40,524,609	39,350,000
	151,053,700	110,928,414

23. INTANGIBLE ASSETS

Year ended 31 March	2024 LKR	2023 LKR
Computer System Software		
Cost:		
Opening Balance	68,674,106	66,490,036
Addition	30,114,396	2,184,070
Disposal	-	-
Closing Balance	98,788,502	68,674,106
Less: Amortization		
Opening Balance	50,626,970	47,293,330
Amortization Charge for the Period	5,067,304	3,333,640
Closing Balance	55,694,274	50,626,970
Net Book Value as at 31 March	43,094,228	18,047,136

24. INTEREST BEARING BORROWINGS

Year ended 31 March	2024 LKR	2023 LKR
Bank Over Draft	902,296,255	71,476,867
Bank Borrowings	2,324,856,046	1,437,647,334
Securitization Borrowings	616,519,290	480,833,580
	3,843,671,591	1,989,957,781

24.1 Bank Borrowings

Gross liability	2,399,585,802	1,423,450,494
Less: Finance Charge Allocated to Future Period	(74,729,756)	(164,303,160)
Net Liability	2,324,856,046	1,259,147,334

24. INTEREST BEARING BORROWINGS

Year ended 31 March	2024 LKR	2023 LKR
Repayable Within one year		
Gross Liability	2,341,551,742	1,187,267,248
Less: Finance Charge Allocated to Future Period	(71,789,314)	(124,937,579)
Net Liability	2,269,762,428	1,062,329,669
Repayable After one year (1 to 5 Year)		
Gross Liability	58,034,060	236,183,245
Less: Finance Charge Allocated to Future Period	(2,940,442)	(39,365,580)
Net Liability	55,093,618	196,817,665
Total Net Liability	2,324,856,046	1,259,147,334

24.2 Securitization Borrowings

Gross liability	789,789,817	778,883,800
Less: Finance Charge Allocated to Future Period	(173,270,527)	(119,550,220)
Net Liability	616,519,290	659,333,580
Repayable Within one year		
Gross Liability	154,083,064	649,640,587
Less: Finance Charge Allocated to Future Period	(29,963,774)	(90,307,007)
Net Liability	124,119,290	559,333,580
Repayable After one year (1 to 5 Year)		
Gross Liability	635,706,754	129,243,213
Less: Finance Charge Allocated to Future Period	(143,306,754)	(29,243,213)
Net Liability	492,400,000	100,000,000
Total Net Liability	616,519,290	659,333,580

24.2.1 Institution Wise Loan Facilities

	As at 31.03.2024 LKR.	As at 31.03.2023 LKR.	Security
Short Term			
HSBC	1,925,642,546	762,945,205	Mortgage over Lease and Gold Loan Receivables
Deutsche Bank	788,537,189	-	Mortgage over Lease and Gold Loan Receivables
Hatton National Bank PLC	200,153,233	75,423,781	Mortgage over Gold Loan Receivables
Commercial Bank of Ceylon PLC	81,201,759	-	Lien over Treasury Bills
Seylan Bank PLC	32,404,075	-	Mortgage over Lease and Gold Loan Receivables
	3,027,938,802	838,368,986	
Long Term			
Bank of Ceylon	107,373,499	260,204,847	Mortgage over Lease Receivables
Hatton National Bank PLC	91,840,000	160,573,500	Mortgage over Loan Receivables
M Power Capital Limited	-	198,205,286	Mortgage over Gold Loan receivables
National Development Bank PLC	-	89,430,409	Mortgage over Lease Receivables
Agora Securities (Private) Limited	616,519,290	371,697,886	Mortgage over Lease and Gold Loan Receivables
	815,732,789	1,080,111,928	
	3,843,671,591	1,918,480,914	

25. DUE TO CUSTOMERS

Year ended 31 March	2024 LKR	2023 LKR
Fixed Deposits accepted from public	5,204,224,178	3,487,076,917
	5,204,224,178	3,487,076,917

26. OTHER FINANCIAL LIABILITIES

Year ended 31 March	2024 LKR	2023 LKR
Trade Payable	44,585,480	2,924,680
Accrued Expense	85,192,918	45,622,351
Obligation to Make the Lease Payment (Note 26.1)	303,757,226	251,265,783
Sundry Creditors	113,624,546	79,467,937
	547,160,170	379,280,751

26. OTHER FINANCIAL LIABILITIES contd.

26.1 Obligation to Make the Lease Payment

Year ended 31 March	2024 LKR	2023 LKR
As at 1 April	251,265,783	205,263,558
Additions and improvements during the year	78,341,834	109,009,988
Disposals during the year	-	(36,795,307)
Accretion of interest during the year	37,872,226	33,835,137
Payments to lease creditors	(63,722,616)	(60,047,593)
As at 31 March	303,757,226	251,265,783

27. OTHER NON FINANCIAL LIABILITIES

Year ended 31 March	2024 LKR	2023 LKR
WHT Payable	4,657,803	3,140,234
Stamp Duty Payable	8,351,337	561,350
VAT Payable	17,374,405	276,844
Dividend Payable	961,829	961,829
Other Liabilities	36,239,905	32,453,647
	67,585,279	37,393,904

28. RETIREMENT BENEFIT LIABILITY

	2024 LKR	2023 LKR
28.1 Defined Benefit Liability		
Defined Benefit Liability	49,036,778	30,896,045
	49,036,778	30,896,045
28.2 Changes in the Defined benefit obligation are as follows		
Opening Liability	30,896,045	26,338,562
Net Benefit expense	20,775,483	7,319,858
Benefit paid	(2,634,750)	(2,762,375)
Closing Liability	49,036,778	30,896,045
28.3 Net Benefit expense		
Interest Cost	6,055,624	3,979,756
Current Service Cost	6,617,946	5,471,057
Gain on Plan Ammendment	-	-
Actuarial Gain on obligations	8,101,913	(2,130,956)
	20,775,483	7,319,857

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 31 March 2024. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2024	2023
Discount Rate*	12.30%	19.60%
Future Salary Increment Rate	12.00%	15.00%
Retirement age	60 Years	60 Years
The weighted average duration of the defined benefit obligation	8.2 Years	6 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 31 March 2024.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31-Mar-24	31-Mar-24	31-Mar-24
Discount Rate	11.30%	12.30%	13.30%
Basic Salary Scale	12.0%	12.0%	12.0%
Census at	31-Mar-24	31-Mar-24	31-Mar-24
Total PVDBO	52,757,318	49,036,778	45,932,740

	Present Value of Defined Benefit Obligation (PVDBO)		
	31-Mar-24	31-Mar-24	31-Mar-24
Discount Rate	12.30%	12.30%	12.30%
Basic Salary Scale	11.0%	12.0%	13.0%
Census at	31-Mar-24	31-Mar-24	31-Mar-24
Total PVDBO	45,935,992	49,036,778	52,681,635

28. RETIREMENT BENEFIT LIABILITY contd.

28.5 Sensitivity Analysis

+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2023.

	Present Value of Defined Benefit Obligation (PVDBO)		
	31-Mar-23	31-Mar-23	31-Mar-23
Discount Rate	18.60%	19.60%	20.60%
Basic Salary Scale	15.0%	15.0%	15.0%
Census at	31-Mar-23	31-Mar-23	31-Mar-23
Total PVDBO	32,363,756	30,896,045	29,625,022

	Present Value of Defined Benefit Obligation (PVDBO)		
	31-Mar-23	31-Mar-23	31-Mar-23
Discount Rate	19.60%	19.60%	19.60%
Basic Salary Scale	14.0%	15.0%	16.0%
Census at	31-Mar-23	31-Mar-23	31-Mar-23
Total PVDBO	29,580,915	30,896,045	32,394,685

28.6 Maturity profile of undiscounted cash flows of defined benefit obligation

	2024
Within 1 year	17,911,586
Between 1 and 5 years	26,264,322
More than 5 years	38,975,154
	83,151,062

29. DEFERRED TAX (ASSET)/ LIABILITY

As at 31st March 2024	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)		5,962,017
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)	-	(24,116,990)

As at 31st March 2024	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 2022	11,183,186	1,791,923	(12,217,434)	5,015,292	(23,885,966)	(6,321,255)	750,388	(23,683,867)
Profit or loss (Note no. 11.1)								
Due to rate change	2,795,796	447,981	(3,054,359)	1,253,823	(5,971,491)	(1,580,314)	(750,388)	(6,858,952)
Due to change in temporary differences	4,096,261	(422,727)	10,168,495	(6,015,453)	(3,564,947)	(2,006,531)		2,255,098
Other comprehensive income								
Due to rate change	-	-	-	-	-	(8,780)	-	(8,779)
Due to change in temporary differences	-	-	-	-	-	648,066	-	648,066
Balance as at 31st March 2023	18,075,244	1,817,178	(5,103,297)	253,661	(33,422,405)	(9,268,814)	-	(27,648,433)

30. STATED CAPITAL

	No. of Shares	Rs.
Issued and Fully Paid-Ordinary Shares		
Balance as of 1 April 2022	145,639,098	1,908,247,125
Issued during the Period	-	-
Balance as of 31 March 2023	145,639,098	1,908,247,125
Balance as of 1 April 2023	145,639,098	1,908,247,125
Issued during the Period	-	-
Balance as of 31 March 2024	145,639,098	1,908,247,125

31. RESERVES

	2024 LKR	2023 LKR
Statutory Reserve Fund		
Opening Balance as at 1 April	48,178,464	43,758,990
Addition during the year	4,881,019	4,419,474
Closing Balance as at 31 March	53,059,484	48,178,464

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

Year ended 31 March	2024 LKR	2023 LKR
Components of cash and cash Equivalents		
Favorable Cash & Cash Equivalents Balance	110,767,720	165,583,696
Cash and Bank Balance (Note 13)	1,001,278,217	
Investment in Mutual Fund	-	157,808,254
Investment in Government Securities (Note 14)	100,000,000	-
Investment in FD with short Term Maturities (Note 15)	1,002,994,685	
Investment in Reverse Repurchase Agreements	2,215,040,622	323,391,950
Un-Favorable Cash & Cash Equivalents Balance		
Bank Over Draft (Note 24)	902,296,255	71,476,867
	902,296,255	71,476,867
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	1,312,744,367	251,915,083

33. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASURMENT BASIS

As at 31 March 2024	Financial Assets at Fair Value Income Statement LKR	Financial Assets at Fair Value Other Comprehensive Income LKR	Financial Assets and Liabilities at Amortized Cost LKR	Total LKR
Financial Assets				
Cash & 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 & 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	1,001,278,217	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

As at 31 March 2023	Financial Assets at Fair Value Income Statement	Financial Assets at Fair Value Other Comprehensive Income	Financial Assets and Liabilities at Amortized Cost	Total
	LKR	LKR	LKR	LKR
Financial Assets				
Cash & Bank Balances	-	-	165,583,696	165,583,696
Investment in Government Securities	-	-	458,137,517	458,137,517
Placements with Other Banks & Financial Institutions	-	-	445,268,915	445,268,915
Lease Rental Receivables	-	-	2,374,025,383	2,374,025,383
Loans and Advances	-	-	798,812,852	798,812,852
Gold Advances	-	-	3,950,688,495	3,950,688,495
Financial Investments-measured at Fair Value through OCI	-	457,700	-	457,700
Other Financial Assets	-	-	24,340,891	24,340,891
Total Financial Assets	-	457,700	8,216,857,749	8,217,315,449
Financial Liabilities				
Interest Bearing Borrowings	-	-	1,989,957,781	1,989,957,781
Due to the Customers	-	-	3,487,076,917	3,487,076,917
Other Financial Liabilities	-	-	379,280,751	379,280,751
Total Financial Liabilities	-	-	5,856,315,450	5,856,315,450

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 Determination of Fair Value and Fair Value Hierarchy

The company use 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	Fair Value
		LKR	LKR
As at 31 March 2024	Level 1	1,000,000,000	1,001,278,217
As at 31 March 2023	Level 1	-	-

The Investment in Unit Trust Funds are measured at market value as on 31 March 2024 and hence are classified as Level 1 heirarchy.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS contd.

34.2 Financial Instruments regularly measured using Fair Value - recurring items

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

Investment in Unquoted Equity instruments	Fair Value Heierarch	Carrying Amount	Fair Value
		LKR	LKR
As at 31 March 2024	Level 3	457,000	457,000
As at 31 March 2023	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 hierarchy.

34.3 Fair Value of the Financial Instrument Carried at Amortized 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 31 March 2024	Level	Carrying Amount	Fair Value
		LKR	LKR
Financial Assets			
Lease Rental Receivables	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

As at 31 March 2023	Level	Carrying Amount	Fair Value
		LKR	LKR
Financial Assets			
Lease Rental Receivables	Level 02	2,374,025,383	2,095,629,218
Loans and Advances	Level 02	798,812,852	763,441,751
Financial Liabilities			
Interest Bearing Borrowings	Level 02	1,918,480,914	1,959,936,050

For the following list of Financial Instrument 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 & LIABILITIES

Table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

As at 31 March 2024	Within 12-Months	After 12-Months	Total
	LKR	LKR	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	4,505,162,573	-	4,505,162,573
Lease Rentals Receivable 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	29,495,526
Other Non Financial Assets	178,055,010	10,441,342	188,496,352
Financial Investments-Measured at FVOCI	-	457,700	457,700
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	9,845,943,432	2,803,919,938	12,649,863,370
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	8,577,143,952	1,140,273,212	9,717,417,164
Net Assets	1,268,799,480	1,663,646,726	2,932,446,206

35. CURRENT AND NON CURRENT ANALYSIS OF ASSETS & LIABILITIES Contd.

As at 31 March 2023	Within 12-Months	After 12-Months	Total
	LKR	LKR	LKR
ASSETS			
Cash and Bank Balances	165,583,696	-	165,583,696
Investment in Government Securities	458,137,517	-	458,137,517
Placements with Banks and Other Financial Institutions	445,268,915	-	445,268,915
Gold Advances	3,950,688,495	-	3,950,688,495
Lease Rental Receivables and Loans and Advances	1,481,552,723	1,691,285,512	3,172,838,234
Other Financial Assets	15,612,072	8,728,819	24,340,892
Other Non Financial Assets	44,748,960	14,032,183	58,781,143
Financial Investments-Measured at Fair Value through OCI	-	457,700	457,700
Inventories	-	-	-
Property, Plant and Equipment	-	470,357,459	470,357,459
Intangible Assets	-	18,047,136	18,047,136
Deferred Tax Assets		27,648,433	27,648,433
Total Assets	6,561,592,378	2,230,557,242	8,792,149,620
LIABILITIES			
Interest Bearing Borrowings	1,693,140,116	296,817,665	1,989,957,781
Due to the Customers	3,257,263,796	229,813,120	3,487,076,917
Other Financial Liabilities	147,745,201	231,535,550	379,280,751
Other Non Financial Liabilities	37,393,905		37,393,905
Current Tax Liabilities	32,921,837		32,921,837
Retirement Benefit Liability	-	30,896,045	30,896,045
Total Liabilities	5,168,464,855	789,062,380	5,957,527,235
Net Assets	1,393,127,523	1,441,494,862	2,834,622,384

36. COMMITMENT AND CONTINGENCIES

There were no significant capital commitment and 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
		2024	2023	
		LKR.	LKR.	
Lease Rentals Receivable *	Bank Loans and Overdrafts	1,321,738,844	2,289,046,071	Lease Rentals Receivable
Loan Receivable*	Bank Loans and Overdrafts	343,760,366	423,411,966	Loan Receivable
Gold Advances*	Bank Loans and Overdrafts	4,253,763,231	2,462,704,804	Loan Receivable
		5,919,262,441	5,175,162,841	

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

37. EVENT OCCURRING AFTER THE REPORTING DATE

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

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. RELATED PARTY TRANSACTIONS Contd.

38.1 Transactions with Key Managerial Personnel (KMPs)

The Company has identified and disclosed personnel those 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, Board of Directors, Chief Executive Officer, Members of Corporate Management team have been identified as "Key Management Personnel'.

38.1.1 Compensation to KMP

As at 31 March	2024	2023
	LKR	LKR
Short Term Employment Benefits	43,638,044	36,992,968
Post Employment Benefits	-	-
	43,638,044	36,992,968

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.

As at 31 March	2024	2023
	LKR	LKR
Fixed Deposits accepted during the year	-	-
Fixed Deposits held at the end of the year	-	-
Interest paid during the year	-	-

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

As at 31 March	Nature of Relationship	Amount of the Transactions during the year	Outstanding Receivable/ (Payable) Balance as at 31-03-24	Outstanding Receivable/ (Payable) Balance as at 31-03-23
		LKR	LKR	LKR
Ideal Motors (Pvt) Ltd.	Affiliate Company			
Vehicle Repair Services		227,966	-	-
Trade Advance for City Pickups		271,741,000		
Other Purchases & Services		22,619,078	-	-
Ideal Automobile (Pvt) Ltd	Affiliate Company			
Fixed Deposits placed with the Company		50,000,000	236,263,657	186,263,657
Interest Expenses on Fixed Deposits		36,583,805	1,381,762	1,617,603
Ideal Premier (Pvt) Ltd	Affiliate Company			
Vehicle Repair Services		2,226,822	-	-
Ideal First Choice (Pvt) Ltd	Affiliate Company			
Vehicle Repair Services		126,023	-	-
Prompt Express Private Limited	Affiliate Company			
Lease and Loan Receivables		-	24,913,224	54,423,171
Courier Service Charges		3,327,495	607,520	632,268
Ideal Drive Private Limited	Affiliate Company			
Vehicle Hire Expense		4,899,564	-	-
E M G Logistics Pvt Ltd	Affiliate Company			
Fixed Deposits placed with the Company		48,567,399	-	48,567,399
Interest Expenses on Fixed Deposits		36,583,805	-	493,685
Mahindra and Mahindra Limited				
Trade Mark Fee	Ultimate Parent Company	376,000	-	-

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 maximize 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 Company's risk management policies. The Committee is headed by an Independent Non-Executive Director and is comprised of 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 & 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 arise due to the uncertainty in 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.

40.2.1 *Credit Quality of Financial Assets :*

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

Particulars	31st March 2024	31st March 2023
Gross carrying value of Lease Rental Receivables		
Neither Past due nor impaired	1,543,486,709	665,189,258
Past Due but not impaired		
30 days past due	571,069,761	455,494,155
31-90 days past due	584,202,430	833,587,566
Impaired (more than 90 days)	258,291,063	599,224,738
Total Gross carrying value as at reporting date	2,957,049,964	2,553,495,716
Gross carrying value of Loans and Advances		
Neither Past due nor impaired	926,942,183	251,983,980
Past Due but not impaired		
30 days past due	157,155,745	112,999,736
31-90 days past due	59,655,503	202,548,041
Impaired (more than 90 days)	73,562,674	302,710,086
Total Gross carrying value as at reporting date	1,217,316,104	870,241,843

40. RISK MANAGEMENT CONTD.

40.2.2.1 Industry Anawlysis

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

Sector wise Break Down as at 31 March 2024	Cash & Bank Balances	Investment in Government Securities at Amortized cost	Placement with Bank & Other Financial Institutions
	LKR	LKR	LKR
Agriculture	-	-	-
Manufacturing	-	-	-
Construction	-	-	-
Financial Services	110,767,720	1,819,024,328	355,848,060
Trading	-	-	-
Hotels	-	-	-
Services	-	-	-
Transport	-	-	-
Consumer	-	-	-
Total	110,767,720	1,819,024,328	355,848,060

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

Province
Central
North Central
North Western
Northern
Sabaragamuwa
Southern
Uva
Western
Total

Lease Rental Receivables and Loans and Advances	Financial Investments-Measured at Fair Value through OCI	Gold Advances	Other Financial Assets	Total Financial Assets
LKR	LKR	LKR	LKR	LKR
155,467,844	-	-	-	155,467,844
82,178,113	-	-	-	82,178,113
94,270,057	-	-	-	94,270,057
26,501,994	-	-	-	2,312,142,102
200,260,970	-	-	-	200,260,970
29,214,127	-	-	-	29,214,127
-	457,700	-		457,700
3,223,465,451	-	-	-	3,223,465,451
226,402,478	-	4,530,164,582	29,495,526	4,786,062,587
4,037,761,034	457,700	4,530,164,582	29,495,526	10,883,518,951

Lease Rental Receivables	Loans & Advances	Gold Advances
121,801,609	26,374,629	557,922,767
354,854,923	650,417,189	121,898,873
288,458,515	125,715,767	187,637,478
160,851,349	25,319,844	1,007,879,770
182,351,360	8,248,026	188,891,895
325,994,273	81,718,795	395,680,487
522,217,849	20,455,590	727,079,331
1,000,520,084	279,066,265	1,343,173,979
2,957,049,963	1,217,316,104	4,530,164,580

40. RISK MANAGEMENT CONTD.

40.2.2.1 Industry Analysis

Sector wise Break Down as at 31 March 2023	Cash & Bank Balances	Investment in Government Securities at Amortized cost	Placement with Bank & Other Financial Institutions
	LKR	LKR	LKR
Agriculture	-	-	-
Manufacturing	-	-	-
Construction	-	-	-
Financial Services	165,583,696	458,137,517	445,268,915
Trading	-	-	-
Hotels	-	-	-
Services	-	-	-
Transport	-	-	-
Consumer	-	-	-
Total	165,583,696	458,137,517	445,268,915

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

Province
Central
North Central
North Western
Northern
Sabaragamuwa
Southern
Uva
Western
Total

40.3 Liquidity Risk & Funding Management

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of 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.

Lease Rental Receivables and Loans and Advances	Financial Investments- Measured at Fair Value through OCI	Gold Advances	Other Financial Assets	Total Financial Assets
LKR	LKR	LKR	LKR	LKR
233,519,242	-	-	-	233,519,242
45,794,715	-	-	-	45,794,715
145,530,881	-	-	-	145,530,881
8,041,880	-	-	-	1,077,032,008
178,840,812	-	-	-	178,840,812
15,596,463	-	-	-	15,596,463
-	457,700	-		457,700
2,559,614,724	-	-	-	2,559,614,724
236,798,844	-	3,971,326,248	24,340,891	4,232,465,982
3,423,737,560	457,700	3,971,326,248	24,340,891	8,488,852,527

Lease Rental Receivables	Loans & Advances	Gold Advances
98,174,826	23,155,694	294,590,457
169,735,615	83,082,655	161,463,347
406,994,974	87,364,576	221,681,067
202,505,319	17,499,768	931,005,484
271,024,314	7,300,983	116,274,144
295,852,812	97,755,262	420,024,749
522,394,624	19,999,123	814,841,509
586,813,233	534,083,783	1,011,445,491
2,553,495,717	870,241,843	3,971,326,248

40.3.1 *Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities*

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

As at 31st March 2024	On Demand	Less Than 3 Months	3 to 12 Months	1 to 5 years	Over 5 Years	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and Bank Balances	110,767,720	-	-	-	-	110,767,720
Placements with Banks and Other Financial Institutions in government securities	-	257,004,795	101,416,667	-	-	358,421,461
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 Rentals Receivable	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	2,638,583,431	15,196,412	13,138,636,663
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	-	5,589,696,487
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	4,798,889,014	1,308,950,207	166,649,904	10,368,115,051
Total Net Financial Assets/ (Liabilities)	3,673,146,720	122,871,795	(2,203,676,636)	1,329,633,224	(151,453,492)	2,770,521,611

As at 31st March 2023	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	165,583,696	-	-	-	-	165,583,696
Placements with Banks and Other Financial Institutions	-	24,620,114	468,991,912			493,612,026
Investment in Government Securities	-	165,000,000	328,000,034	-	-	493,000,034
Gold Advances	-	3,900,684,135	70,172,673	469,440		3,971,326,248
Lease Rental Receivables	220,523,520	314,350,533	916,179,827	1,790,003,965	-	3,241,057,845
Loans and Advances	153,490,720	294,255,388	217,437,621	214,986,693	1,294,237	881,464,658
Financial Investments-Measured at Fair Value through OCI	-	-	-	-	457,700	457,700
Other Financial Assets	-	13,921,689	1,690,383	4,162,603.06	4,566,216	24,340,891
Total Financial Assets	539,597,936	4,712,831,859	2,002,472,450	2,009,622,701	6,318,153	9,270,843,098
Financial Liabilities						
Interest Bearing Borrowings	-	1,294,497,129	536,038,778	365,426,459	-	2,195,962,366
Due to the Customers	-	1,786,360,256	1,783,245,376	340,034,622	-	3,909,640,254
Other Financial Liabilities	-	128,014,969	-	-	-	128,014,969
Obligation to Make the Lease Payment		14,040,411	39,410,018	195,662,605	173,790,305	422,903,339
Total Financial Liabilities	-	3,222,912,765	2,358,694,172	901,123,685	173,790,305	6,656,520,928
Total Net Financial Assets/ (Liabilities)	539,597,936	1,489,919,094	(356,221,722)	1,108,499,016	(167,472,153)	2,614,322,170

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 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 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 & Liabilities

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

		Interest Bearing				
As at 31st March 2024	Total As at 31-03-2024	Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Interest Bearing
	LKR	LKR	LKR	LKR	LKR	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	2,128,014,046	2,179,192,984	-	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	9,594,852,483	4,125,401,974	4,378,214,075	957,306,730	133,929,704	-
Interest Sensitivity Gap	2,423,041,778	3,454,616,822	(2,250,200,029)	1,221,886,255	(133,929,704)	130,668,435

As at 31st March 2023	Total As at 31-03-2024	Interest Bearing				Non Interest Bearing
		Less Than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	LKR	LKR	LKR	LKR	LKR	LKR
Financial Assets						
Cash and Bank Balances	165,583,696	-	-	-	-	165,583,696
Investment in Government Securities and Placements with Banks	903,406,432	160,572,123	742,834,309	-	-	-
Gold Advances	3,971,326,248	3,900,684,135	70,642,113	-		
Lease Rental Receivables	2,553,495,717	412,141,696	666,349,439	1,475,004,582		
Loans and Advances	870,241,842	436,523,292	217,437,621	216,280,929		
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	8,488,852,527	4,914,819,123	1,697,263,482	1,691,285,512	-	185,484,411
Financial Liabilities						
Interest Bearing Borrowings	1,989,958,106	1,264,844,608	428,295,833	296,817,665	-	-
Due to the Customers	3,487,076,918	1,746,722,802	1,510,540,995	229,813,120	-	-
Other Financial Liabilities	379,280,752	132,054,510	15,690,692	94,799,993	136,735,557	-
Total Financial Liabilities	5,856,315,776	3,143,621,920	1,954,527,520	621,430,778	136,735,557	-
Interest Sensitivity Gap	2,632,536,751	1,771,197,202	(257,264,039)	1,069,854,733	(136,735,557)	185,484,411

41. OPERATING SEGMENTS

Entity-Wide Disclosures: Analysis of Gross Income on Product Basis

	Finance Lease	Gold Loan	Loans and Advances	Other	Total
	LKR	LKR	LKR	LKR	LKR
As at 31st March 2024					
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
	583,927,638	1,257,746,316	159,475,961	307,890,465	2,309,040,380
As at 31st March 2023					
Interest Income	641,168,494	807,982,594	239,486,405	116,662,455	1,805,299,948
Commission Income				13,067,675	13,067,675
Other Income	-	88,672,799	-	17,238,933	105,911,732
	641,168,494	896,655,393	239,486,405	146,969,063	1,924,279,355

42. 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 31 March 2024 are disclosed below.

As at 31 March	Securitization Borrowing	Bank Borrowing
	LKR	LKR
Balance as at 01 April 2023	480,833,580	1,437,647,334
Net cash flows from financing activities	119,166,420	861,565,880
Non cash changes		
Foreign exchange movements	-	-
Amortization of loan origination costs	(9,896,736)	-
Accrual for interest expense	26,416,026	25,642,832
Balance as at 31 March 2024	616,519,290	2,324,856,046


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to returns that will enrich
lives and livelihoods

	2024	2023	2022	2021
	LKR	LKR	LKR	LKR
Operating Results				
Revenue	2,309,040,380	1,924,279,355	1,321,536,812	1,015,293,382
Interest Income	2,153,618,043	1,805,299,948	1,242,067,922	973,813,610
Interest Expenses	1,061,880,311	921,725,959	328,347,452	256,037,926
Net Interest Income	1,091,737,732	883,573,989	913,720,470	717,775,684
Fees and Commission Income	10,249,062	13,067,675	12,097,982	10,904,398
Other Operating Income	145,173,275	105,911,732	67,370,908	30,575,374
Impairment Charges for Loans and other Losses	49,871,815	70,983,116	88,336,470	88,586,557
Operating Expenses	962,933,326	683,577,093	504,059,205	310,454,118
Value Added Tax on Financial Services	116,700,020	88,673,219	90,504,774	71,777,093
Social Security Contribution Levy	16,208,337	6,227,766	-	-
Profit Before Taxation	201,190,201	153,092,202	310,288,911	288,437,688
Income Tax Expenses	97,898,498	66,194,388	71,067,116	104,682,413
Profit After Taxation	103,291,703	86,897,814	239,221,795	183,755,275
Liabilities & Equity				
Interest Bearing Borrowings	3,843,671,591	1,989,957,781	2,872,386,024	1,706,358,102
Due to the Customers	5,204,224,178	3,487,076,917	2,195,018,842	929,639,458
Other Liabilities	663,782,228	447,570,701	621,612,772	285,787,486
Current Tax Liabilities	5,942,625	32,921,837	50,118,346	87,363,461
Deferred Tax Liabilities	-	-	-	5,252,716
Total Equity	2,932,242,747	2,834,622,384	2,746,232,901	2,505,427,388
Total Liabilities & Equity	12,649,863,370	8,792,149,620	8,485,368,885	5,519,828,611
Assets				
Cash and Bank Balances	110,767,720	165,583,696	135,648,058	71,609,393
Investment in Government Securities & Fixed Deposits	2,174,872,388	903,406,432	536,453,861	713,411,391
Financial Investments-Measured at Fair Value through PL	1,001,278,217			
Gold Advances	4,505,162,571	3,950,688,495	2,258,859,086	1,183,764,064
Lease Rentals Receivable and Stock out on Hire	2,864,129,749	2,374,025,383	3,535,934,193	2,414,429,648
Loans and Advances	1,173,631,285	798,812,852	1,389,311,844	865,820,622
Other Assets	218,449,580	83,579,734	263,465,647	69,078,142
Property, Plant and Equipment	534,360,642	470,357,459	346,499,489	188,756,810
Deferred Tax Assets	24,116,990	27,648,433		
Intangible Assets	43,094,228	18,047,136	19,196,706	12,958,541
Total Assets	12,649,863,370	8,792,149,620	8,485,368,885	5,519,828,611
Ratios				
Growth In Income (%)	20%	46%	30%	9%
Growth In Net Interest Income (%)	24%	-3%	27%	40%
Growth In Profit After Tax (%)	19%	-64%	30%	74%
Growth in Total Assets (%)	44%	4%	54%	7%
Earnings Per Share (LKR)	0.71	0.60	1.64	1.26

2020	2019	2018	2017	2016	2015
LKR	LKR	LKR	LKR	LKR	LKR
927,784,733	777,461,473	630,995,212	390,805,849	222,316,313	175,497,559
886,069,373	704,307,306	572,537,068	342,965,230	202,564,337	167,630,354
371,873,790	292,974,160	228,114,523	133,806,481	45,259,962	28,817,761
514,195,583	411,333,146	344,422,545	209,158,749	157,304,375	138,812,593
8,940,422	9,298,176	8,099,316	4,524,547	3,625,563	2,214,672
32,774,938	63,855,991	50,358,828	43,316,072	16,126,413	5,652,533
32,076,446	24,551,990	18,602,824	11,895,328	2,400,000	2,100,000
289,418,308	240,552,579	205,596,345	156,751,722	124,230,807	104,213,657
70,381,010	56,961,345	32,387,274	16,986,682	6,256,568	3,086,059
-	-	-	-	-	-
164,035,179	162,421,399	146,294,246	71,365,635	44,168,975	37,280,082
58,684,095	61,299,253	43,477,954	13,571,601	6,042,993	8,086,145
105,351,084	101,122,146	102,816,292	57,794,034	38,125,982	29,193,936
1,877,769,625	2,190,707,788	1,529,388,772	1,183,196,053	484,704,388	158,347,533
671,917,133	584,784,876	367,110,412	301,121,019	380,790,865	170,192,825
212,996,719	156,385,265	170,298,642	148,305,647	103,309,353	47,484,743
38,024,293	19,629,876	9,730,702	-	-	-
44,690,234	62,911,102	45,328,996	19,027,700	13,643,567	10,773,769
2,320,989,977	1,116,744,254	1,043,829,755	738,228,906	683,437,136	648,159,573
5,166,387,981	4,131,163,161	3,165,687,280	2,389,879,325	1,665,885,309	1,034,958,443
44,196,582	42,822,230	51,593,413	37,998,795	22,025,138	3,207,505
939,422,380	67,032,677	66,501,437	41,834,974	37,954,426	176,086,225
672,715,396	456,564,892	177,748,346	16,119,775	6,825,383	-
2,309,893,463	2,282,389,816	2,040,010,374	1,743,026,107	1,276,304,949	708,725,937
959,057,649	1,003,352,881	496,510,205	299,830,820	101,079,702	28,448,192
56,632,752	143,549,516	214,224,013	155,215,900	158,272,547	52,440,484
166,334,908	112,358,368	94,701,119	70,399,883	34,275,833	35,671,537
18,134,851	23,092,781	24,398,373	25,453,071	29,147,331	30,378,562
5,166,387,982	4,131,163,161	3,165,687,280	2,389,879,323	1,665,885,309	1,034,958,442
19%	23%	61%	76%	27%	34%
25%	19%	65%	33%	13%	23%
4%	-2%	78%	52%	31%	62%
25%	30%	32%	43%	61%	17%
1.11	1.12	1.29	0.72	0.48	0.36

Information of Ordinary Shares

DISTRIBUTION OF SHAREHOLDING

Shares	No of shareholders	Share %	Number of shares
upto 5,000,000	1	2.02	2,935,851
5,000,001-10,000,000	1	5.24	7,633,211
Above 10,000,000	2	92.74	135,070,036
		100	145,639,098

DISTRIBUTION OF SHAREHOLDING

Type of Investors	No of shareholders	Share %	Number of shares
Local individuals	1	5.24	7,633,211
Local institutions	2	36.55	53,237,757
Foregin Institutions	1	58.2	84,768,130
		100	145,639,098

Glossary of Financial Terms

Earning Assets

Income earning assets held by the Company. Typically include interest bearing balances, Investment securities and loans.

Interest Bearing Liabilities

Liabilities on which the Company is paying interest.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to Maturity.

NET INTEREST MARGIN

Ratio of net interest income to earning assets.

Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

Non-Performing Loan (NPL) Ratio

The net non-performing loans as a percentage of the total loan portfolio.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange, Treasury Bills.

Provision for Bad Debts

Amounts set aside against possible losses on financial leases, hire purchases, advances and other credit facilities according to the Finance Companies Direction 3 of 2006.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Assets Value Per Ordinary Share

Shareholders' funds excluding preference shares divided by the number of ordinary shares in issue.

Risk-Weighted Assets

On balance sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

Segmental Analysis

Analysis of financial information by segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Equity (ROE)

Net income, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve

Reserves set aside for future distribution and investment.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Net Interest Income

The difference between income earned from interest earning assets and cost incurred on interest bearing liabilities.

Non-Performing Loans

Loan advances and hire purchase/lease finance of which interest or capital is in arrears six months or more.

Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Return on Average Assets (ROA)

Profit after tax divided by the average assets.

Substance Over Form

The consideration that the accounting treatment and the presenting in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital representing revaluation reserves, general provisions and other capital instruments which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Debt to Equity Ratio

Long-term borrowings of the Company including Debentures divided by shareholders funds.

Interest Cover

Earnings before interest and taxes divided by interest cost.

Liquid Assets Ratio

Liquid Assets divided by public Deposits.

Capital Adequacy Ratios

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying international best practices on maintenance of capital for financial institutions, to suit the local requirements.

Interest in Suspense

Interest suspended on non-performing contracts without recognising to the Income.

Earnings Per Share

Net profit after tax divided by the number of ordinary shares in issue.

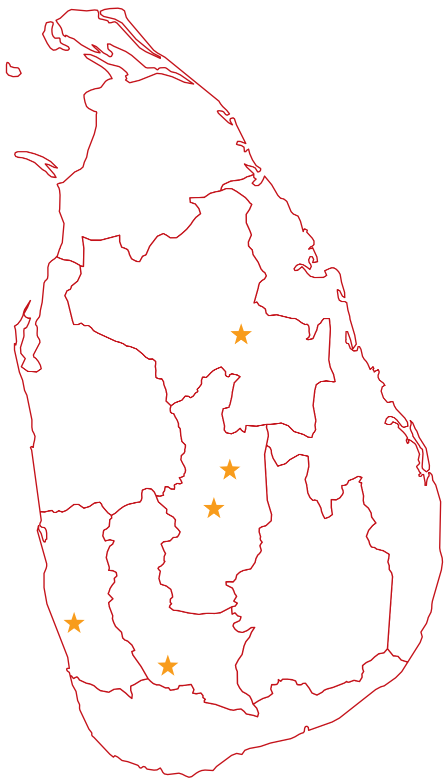
Deferred Tax

Sum set aside in the financial statements for taxation that may become payable/ receivable in a financial year other than the current financial year.

Related Parties

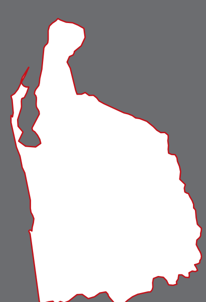
Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Branch Network



★NEW 5 BRANCHES 2023/24

North Western Provinces



Kurunegala
No.34, Suratissa Mawatha,
Kurunegala
0372232110

Kuliyapitiya
No 26 ,Madampe Road ,
Kuliyapitiya
0372031030

Chilaw
No 22, Shirley Corea
Mawatha,Chilaw
0322035050

Western Provinces

Head Office
299,Dr Colvin R De Silva Mawatha ,
Colombo 02
0112396060

Negombo
No.293/1, Main Street, Negombo
0312035066

Gampaha
No 3, Bauddaloka Mawatha, Gampaha
0332121321

Ja ela
No 08 , Negombo Road , Ja ela
0112103780

Kandana
No 24 , Negombo Road , Kandana
0112010666

Wattala
No 440, Negombo Road , Wattala
0112010100

Kadawatha
No 139/6 Kandy Road , Kadawatha
0112103030

Kaduwela
No 482/6 , Awissawella Road,
Kaduwela
011242 5470

Panadura
No 447 , Galle Road , Panadura
0382117257

Bandaragama
No 26, Kaluthara Road, Bandaragama
0382117266

Piliyandala ★
No 64/1, Horana Road, Piliyandala
0112048080

Northern Provinces

Jaffna
No.408, Hospital Road, Jaffna
0212219990

Vavuniya
No 164, Bazzar Street,
Vavuniya
0242228989

Chunnakam
No 59 , K.K.S. Road ,
Chunnakam
0212035060

Nelliadi
No 07 , Kodikamam Road,
Nelliadi
0212035050

Southern Provinces

Elpitiya
No 117, Main street ,
Elpitiya
0912291427

Matara
No.91, Anagarika
Dharmapala Mawatha,
Matara
0412226916

Galle
No 18, Mosque Road, Main
street Galle
0912117422

Central Provinces

Kandy
119 A, Kotugodella Vidiya, Kandy
0812208708

Katugasthota
No.214, Madawala Road,
Katugasthota
0812244730

Hatton ★
No 125, Dimbulla road, Hatton
0512018100

Matale ★
No 302, Trincomalee road, Matale
0662117500

Uva Provinces

Monaragala
100, New Bus Stand, Monaragala
0552055858

Bandarawela
No.339, Main Street, Bandarawela
0572221025

Welimada
No 28, Nuwaraeliya Road, Welimada
0572236020

North Central Provinces

Anuradhapura
9C, Main Street, Anuradhapura
0252237925

Kaduruwela ★
No 766/A, Sawmill Junction ,
Batticaloa road,Kaduruwela
0272030590

Sabaragamuwa Provinces

Embilipitiya
No.28, Pallegama,
Embilipitiya
0472261467

Ratnapura ★
No 202, Main
street,Ratnapura
0452031500

Notice of Meeting

MAHINDRA IDEAL FINANCE LIMITED - PB 4963

Notice is hereby given that the Eleventh Annual General Meeting of Mahindra Ideal Finance Limited will be held at the Board Room of Ideal Motors (Pvt) Limited, No.299, Dr. Colvin R. De Silva Mawatha, Colombo 2 on Friday, 13th September 2024 at 4.00 p.m. and the business to be brought before the meeting will be:

AGENDA

1. To receive and consider the Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31st March 2024 with the Report of the Auditors thereon.
2. To re-elect Mr. R.I. Rebello, Director who retires in terms of Article 24(2) of the Articles of Association of the Company.
3. To re-elect Mr. P.A. De Silva, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
4. To re-elect Mr. D.T.S.H. Mudalige, Director who retires by rotation in terms of Article 24(6) of the Articles of Association of the Company.
5. To appoint BDO Partners, Chartered Accountants as Auditors in place of Ernst & Young, Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board of Directors of
Mahindra Ideal Finance Limited

S S P CORPORATE SERVICES (PRIVATE) LIMITED
SECRETARIES

Colombo
21st August 2024

The member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such proxy need not be a member of the Company.

A Form of Proxy is enclosed.

Note:- *The completed Form of Proxy should be deposited at the Registered Office of the Company, at No.299, Dr. Colvin R. De Silva Mawatha, Colombo 2, not later than 48 hours before the time appointed for the holding of the meeting.*

Notes

Form of Proxy

MAHINDRA IDEAL FINANCE LIMITED - PB 4963

I ....(NIC No...) of

....being a member of the above Company, hereby appoint:

Mr. Nalin Jeyaraj Welgama	of Colombo or failing him
Mr. Pinnaduwage Aravinda De Silva	of Colombo or failing him
Ms.Chrishanthi Lucilla Jayawardena	of Colombo or failing her
Mr. Don Tibertius Sujeewa Handapangoda Mudalige	of Colombo or failing him
Mr. Vivek Anant Karve	of India or failing him
Mr. Mufaddal Abbas Choonia	of India or failing him
Mr. Raul Ignatius Rebello	of India

Mr./Mrs./Miss ....(NIC No...)

of .... as my proxy to represent me and vote on my behalf at the Annual General Meeting of the Company to be held on 13th September 2024 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the State of Affairs of the Company and the Audited Financial Statements for the year ended 31st March 2024 with the Report of the Auditors thereon.	☐	☐
2. To re-elect Mr. R.I. Rebello, Director who retires in terms Article 24 (2) of the Articles of Association of the Company.	☐	☐
3 To re-elect Mr. P.A. De Silva, Director who retires by rotation in terms Article 24(6) of the Articles of Association of the Company.	☐	☐
4. To re-elect Mr. D.T.S.H. Mudalige, Director who retires by rotation in terms of Article 24 (6) of the Articles of Association of the Company.	☐	☐
5. To appoint BDO Partners, Chartered Accountants in place of Ernst & Young, Chartered Accountants and to authorize the Directors to determine their remuneration.	☐	☐

Signed this .... day of ....Two Thousand and Twenty Four

Signature: ....

Note :

1. Please delete the inappropriate words.
2. Instructions for completion of form of proxy are noted on the reverse
3. A proxy need not be a member of the Company

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. 1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, and your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given or if there is any doubt as to how the Proxy should vote by reason of the manner in which the instructions are carried out, the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.299, Dr. Colvin R. De Silva Mawatha, Colombo - 02, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

Note:

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No.7 of 2007 applies to corporate shareholders of Ideal Finance Limited. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may, where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder of that other Company.

Corporate Information

NAME OF THE COMPANY

MAHINDRA IDEAL FINANCE LIMITED

DATE OF INCORPORATION

24th January, 2012

HEAD OFFICE

No 299, Dr. Colvin R De Silva Mawatha, (Union Place) Colombo 02

Telephone : +94112396060

Fax : +94112396757

E-mail : info@mahindraifl.lk

Website : www.mahindraifl.lk

LEGAL FORM

Limited Liability Company incorporated in Sri Lanka under The Companies Act No.7 of 2007.

A Finance Company registered under the Finance Companies Act No. 42 of 2011.

A registered Finance Leasing Establishment in terms of Finance Leasing Act No. 56 of 2000.

SECRETARIES

SSP Corporate Services (Private) Limited
101, Inner Flower Road, Colombo 03

BANKERS

Bank of Ceylon
Commercial Bank of Ceylon PLC
HSBC
Deutsche Bank AG
Hatton National Bank
Seylan Bank PLC
People's Bank
Pan Asia Banking Corporation PLC
Cargills Bank Limited

COMPANY REGISTRATION

PB 4963

AUDITORS

Ernst & Young
Chartered Accountants
Rotunda Towers
No. 109, Galle Road
P.O. Box 101
Colombo 03, Sri Lanka

DIRECTORS

Mr. Nalin Welgama(Chairman)
Mr. Aravinda De Silva (Non-Executive Director)
Ms. Chrishanthi Jayawardena
(Independent Non - Executive Director)
Mr. Sujeewa Mudalige
(Senior Independent Non - Executive Director)
Mr. Raul Rebello (Non - Executive Director)
Mr. Vivek Karve (Non - Executive Director)
Mr. Mufaddal Choonia (Non - Executive Director)

SHARE HOLDING

Mahindra & Mahindra Financial Services Limited	-	58.20%
Ideal Motors (Pvt) Ltd.	-	34.54%
Mr. Viraj Malawana	-	5.24%
Veritas Holdings (Pvt) Ltd	-	2.02%

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IDEAL FINANCE

Mahindra Ideal Finance Limited

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