

MAHINDRA IDEAL FINANCE LIMITED

FINANCIAL STATEMENTS

31 MARCH 2024

HLF/WDPL/LL/DRM

**INDEPENDENT AUDITOR'S REPORT
TO THE MAHINDRA IDEAL FINANCE LIMITED**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mahindra Ideal Finance Limited ("Company") which comprise the statement of financial position as at 31 March 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows 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 Accounting Standards.

Basis for opinion

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

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

Management is responsible for the other information included in the Company 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 to read the other information and, in doing so, consider whether the other information is 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.

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Auditor's responsibilities for the audit of the financial statements

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

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

Mahindra Ideal Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

	Notes	2024 LKR	2023 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		<u>1,091,737,732</u>	<u>883,573,989</u>
Fees and Commission Income	5	10,249,062	13,067,675
Net Fee and Commission Income		<u>10,249,062</u>	<u>13,067,675</u>
Other Operating Income	6	145,173,275	105,911,732
Total Operating Income		<u>1,247,160,069</u>	<u>1,002,553,396</u>
Impairment Charges for Loans and other Losses	7	49,871,815	(70,983,116)
Net Operating Income		<u>1,297,031,884</u>	<u>931,570,280</u>
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		<u>334,098,558</u>	<u>247,993,187</u>
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		<u>201,190,201</u>	<u>153,092,202</u>
Income Tax Expenses	11.1	(97,898,498)	(66,194,388)
Profit/ (Loss) for the period		<u>103,291,703</u>	<u>86,897,814</u>
Basic and Diluted Earning per Share	12.2	0.71	0.60
Profit/ (Loss) for the period		<u>103,291,703</u>	<u>86,897,814</u>
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		<u>(5,671,339)</u>	<u>1,491,669</u>
Total Comprehensive Income for the period, Net of Tax		<u>97,620,364</u>	<u>88,389,483</u>

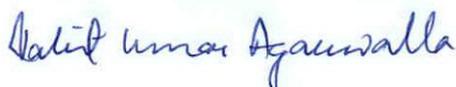
Mahindra Ideal Finance Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	Notes	2024 LKR	2023 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.



.....
Chief Financial Officer

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


.....
Chairman


.....
Deputy Chairman

The Accounting Policies and Notes on pages 07 through 52 form an integral part of the Financial Statements.

Mahindra Ideal Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Stated Capital LKR	Retained Earnings LKR	Statutory Reserve Fund LKR	Total 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	<u>1,908,247,125</u>	<u>878,196,794</u>	<u>48,178,465</u>	<u>2,834,622,384</u>
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	<u>1,908,247,125</u>	<u>970,936,139</u>	<u>53,059,484</u>	<u>2,932,242,748</u>

The Accounting Policies and Notes on pages 07 through 52 form an integral part of the Financial Statements.



Mahindra Ideal Finance Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Note	2024 LKR	2023 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)
Investment 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

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 2024 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

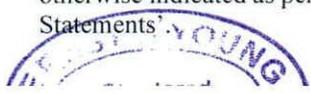
The financial statements are presented in Sri Lankan Rupees, except when otherwise is indicated. No adjustments have been made for inflationary factors.

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 2024.

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

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 exists or otherwise. That is, it considers all relevant factors that create an economic benefits for it to exercise either the renewal or termination.

Basis of measurement

The company recognises right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-Use assets are measured at cost less any accumulated 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.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services. The liability is not externally funded.

2.3.11 Provisions

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

2.3.12 Other Liabilities

Other liabilities are recorded at the cash value to be 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

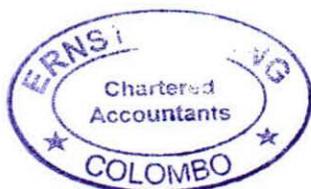
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(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.



3. INCOME	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	<u>2,309,040,380</u>	<u>1,924,279,355</u>
4. NET INTEREST INCOME	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	<u>2,153,618,043</u>	<u>1,805,299,948</u>
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	<u>1,061,880,311</u>	<u>921,725,959</u>
Net Interest Income	<u>1,091,737,732</u>	<u>883,573,989</u>
5. FEE AND COMMISSION INCOME	2024 LKR	2023 LKR
Commission Income	10,249,062	13,067,675
Fee and Commission Income	<u>10,249,062</u>	<u>13,067,675</u>
6. OTHER OPERATING INCOME	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	<u>145,173,275</u>	<u>105,911,732</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

7. IMPAIRMENT CHARGES FOR LOANS AND OTHER LOSSES	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	<u>(49,871,815)</u>	<u>70,983,116</u>
	2024 LKR	2023 LKR
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
	<u>(86,550,120)</u>	<u>6,330,679</u>
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
	<u>(27,744,173)</u>	<u>4,014,741</u>
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
	<u>4,364,256</u>	<u>11,972,276</u>
	2024 LKR	2023 LKR
8. PERSONNEL EXPENSES		
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	<u>501,575,385</u>	<u>349,974,582</u>
	2024 LKR	2023 LKR
9. OTHER OPERATING EXPENSES		
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	<u>345,864,952</u>	<u>236,296,248</u>
	2024 LKR	2023 LKR
10. VALUE ADDED TAX ON FINANCIAL SERVICES AND SSCL		
VAT on Financial Services	116,700,020	88,673,219
Social Security Contribution Levy (SSCL)	16,208,337	6,227,766

11. INCOME TAX EXPENSES**11.1 The major component of income tax for the period ended 31 March as follows;**

Income Statement	2024 LKR	2023 LKR
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	<u>97,898,498</u>	<u>66,194,388</u>
Statement of Other Comprehensive Income		
Deferred 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	<u>(2,430,574)</u>	<u>639,287</u>
Total Income Tax Expense for the year	<u>95,467,924</u>	<u>66,833,675</u>
Income Tax Rate Applicable	30%	30%

11.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by Income tax rate for the year ended 31 March 2024 as follows.

	2024 LKR	2023 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
	<u>305,625,340</u>	<u>263,286,860</u>
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)
	<u>91,936,481</u>	<u>70,798,241</u>
Deferred taxation charged/(Reversal)	5,962,017	2,255,098
Less : Due to rate change	-	(6,858,952)
	<u>97,898,498</u>	<u>66,194,388</u>
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;

	2024 LKR	2023 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 Share	0.71	0.60

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

13. CASH AND BANK BALANCES	2024 LKR	2023 LKR
Cash in Hand	102,627,472	127,864,098
Bank Balances	8,140,248	37,719,598
	<u>110,767,720</u>	<u>165,583,696</u>
14. INVESTMENT IN GOVERNMENT SECURITIES	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	-
	<u>1,819,024,328</u>	<u>458,137,517</u>
14.1 Financial Investments-Measured at Fair Value Through PL	2024 LKR	2023 LKR
Investment in Unit Trust Funds	1,001,278,217	-
	<u>1,001,278,217</u>	<u>-</u>
15. PLACEMENT WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	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
	<u>355,848,060</u>	<u>445,268,915</u>
16. GOLD ADVANCES	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	<u>4,505,162,573</u>	<u>3,950,688,495</u>
Collective Impairment	2024 LKR	2023 LKR
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	<u>25,002,009</u>	<u>20,637,753</u>
17. LEASE RENTAL RECEIVABLES	2024 LKR	2023 LKR
Rental Receivable on Lease	3,788,875,387	3,224,676,754
Gross Rentals Receivables	<u>3,788,875,387</u>	<u>3,224,676,754</u>
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	<u>2,957,049,963</u>	<u>2,553,495,717</u>
Less : Allowance for Impairment Losses (Note 17.2)	(92,920,215)	(179,470,334)
Total Net Rentals Receivable	<u>2,864,129,749</u>	<u>2,374,025,383</u>

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



17. LEASE RENTAL RECEIVABLES (Contd...)

17.2 Allowance for Impairment Losses 'LKR.

(a) Allowance for Impairment with stage wise

	Stage -1	Collective Stage -2	Stage -3	Individual Stage -3	Total
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

	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

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

	2024 LKR	2023 LKR
Individual Impairment		
As at 1 April	5,048,046	10,525,173
Charges/(reversals) for the year	(4,893,577)	(5,477,127)
Amounts written off	-	-
As at 31 March	154,469	5,048,046
Collective Impairment		
As at 1 April	174,422,287	162,614,481
Charges/(reversals) for the year	(81,656,543)	11,807,806
Amounts written off	-	-
As at 31 March	92,765,744	174,422,287
Total	92,920,214	179,470,333

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

Particulars	Stage 1	Stage 2	Stage 3	Total
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

Particulars	Stage 1	Stage 2	Stage 3	Total
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

Reconciliation of ECL balance

As at 31st March 2024

Particulars	Stage 1	Stage 2	Stage 3	Total
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

Particulars	Stage 1	Stage 2	Stage 3	Total
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.

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 23,754,455.

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

Changed Criteria	Changed Factor	2024	2023
		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
	Increase by 5%	1,324,078	2,200,628

17. LEASE RENTAL RECEIVABLES (Contd...)

17.4 Rental Receivable on Lease	Within One			Total LKR
	Year LKR	1 to 5 Years LKR	Over 5 Years 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

	2024 LKR	2023 LKR
Loan Receivable		1,467,645,333
Less : Unearned Interest Income		(235,976,588)
Net Receivable		1,231,668,745
Less : Repayments in advance		(14,352,641)
Net Loan Receivables before charging Allowance for Impairment Losses		1,217,316,104
Less : Allowance for Impairment Losses (Note 18.2)		(43,684,818)
Total Net Loan Receivable		1,173,631,285

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
	<u>1,217,316,104</u>	<u>43,684,818</u>	<u>1,173,631,285</u>	<u>870,241,843</u>	<u>71,428,991</u>	<u>798,812,852</u>

18.2 Allowance for Impairment Losses 'LKR.

(a) Allowance for Impairment with stage wise

	Stage -1	Collective Stage -2	Stage -3	Individual Stage -3	Total
	Balance as at 01 April 2023	7,654,812	10,006,164	44,746,543	9,021,472
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	<u>12,640,689</u>	<u>1,590,175</u>	<u>27,961,689</u>	<u>1,492,265</u>	<u>43,684,818</u>

(b) Movement in allowance for impairment

	2024 LKR	2023 LKR
As at 01 April		71,428,991
Charges/(reversals) for the year		(27,744,173)
Amounts written off		-
As at 31 March		<u>43,684,818</u>
Individual impairment		1,492,265
Collective impairment		42,192,553
Total		43,684,818

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



18. LOANS AND ADVANCES (Contd...)**18.2 Allowance for Impairment Losses (Contd...)**

	2024	2023
	LKR	LKR
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	<u>1,492,266</u>	<u>9,021,473</u>
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	<u>42,192,553</u>	<u>62,407,519</u>
Total	<u>43,684,819</u>	<u>71,428,992</u>

18.3 Credit Exposure and ECL Stage wise movement

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

Gross exposure reconciliation**As at 31st March 2024**

Particulars	Stage 1	Stage 2	Stage 3	Total
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	<u>1,084,097,928</u>	<u>59,655,503</u>	<u>73,562,674</u>	<u>1,217,316,104</u>

As at 31st March 2023

Particulars	Stage 1	Stage 2	Stage 3	Total
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	<u>364,983,716</u>	<u>202,548,041</u>	<u>302,710,086</u>	<u>870,241,843</u>

Reconciliation of ECL balance**As at 31st March 2024**

Particulars	Stage 1	Stage 2	Stage 3	Total
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)

18. LOANS AND ADVANCES (Contd...)**18.3 Credit Exposure and ECL Stage wise movement (Contd...)**

As at 31st March 2023

Particulars

ECL allowance balance as at 1 April 2022

Changes due to loans recognized in the opening balance that have:

- Transfers to Stage 1

- Transfers to Stage 2

- Transfers to Stage 3

- Loans that have been derecognized during the period

New loans originated during the year

Write-offs

Net remeasurement of loss allowance

ECL allowance balance as at 31 March 2023

	Stage 1	Stage 2	Stage 3	Total
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

Changed Criteria	Changed Factor	2024	2023
		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

	Within One Year LKR	1 to 5 Years LKR	Over 5 Years LKR	Total 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 LKR	2023 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 LKR	2023 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 LKR	No. of Shares	2023 LKR	No. of Shares
Equities-Unquoted				
Credit Information Bureau of Sri Lanka	457,700	100	457,700	100
	457,700	100	457,700	100

Mahindra Ideal Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

22. PROPERTY, PLANT & EQUIPMENT

22.1 Gross Carrying Amounts	Balance As at 31.03.2023 LKR	Additions LKR	Disposals LKR	Balance As at 31.03.2024 LKR
At Cost				
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
	<u>416,567,232</u>	<u>88,766,534</u>	<u>-</u>	<u>505,333,766</u>
Assets on Leases				
Right of Use Assets	359,437,947	85,662,333	-	445,100,281
Total Value of Depreciable Assets	<u>776,005,179</u>	<u>174,428,867</u>	<u>-</u>	<u>950,434,046</u>

22.2 Depreciation	Balance As at 31.03.2023 LKR	Charge for the year LKR	Disposals LKR	Balance As at 31.03.2024 LKR
At Cost				
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
	<u>180,464,564</u>	<u>64,647,516</u>	<u>-</u>	<u>245,112,079</u>
Assets On Leases				
Motor Vehicles	-	-	-	-
Right of Use Assets	125,183,156	45,778,169	-	170,961,325
Total Depreciation	<u>305,647,720</u>	<u>110,425,685</u>	<u>-</u>	<u>416,073,405</u>

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
	<u>260,221,687</u>	<u>236,102,668</u>
Assets on Leases		
Motor Vehicles	-	-
Right of Use Assets	274,138,955	234,254,791
Total Carrying Amount of Property, Plant & Equipment	<u>534,360,642</u>	<u>470,357,459</u>



22. PROPERTY, PLANT & EQUIPMENT (Contd...)**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;

	2024	2023
	LKR	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
	<u>151,053,700</u>	<u>110,928,414</u>

23. INTANGIBLE ASSETS**Computer System Software****Cost:**

	2024	2023
	LKR	LKR
Opening Balance	68,674,106	66,490,036
Addition	30,114,396	2,184,070
Disposal	-	-
Closing Balance	<u>98,788,502</u>	<u>68,674,106</u>

Less: Amortization

Opening Balance	50,626,970	47,293,330
Amortization Charge for the Period	5,067,304	3,333,640
Closing Balance	<u>55,694,274</u>	<u>50,626,970</u>
Net Book Value as at 31 March	<u>43,094,228</u>	<u>18,047,136</u>

24. INTEREST BEARING BORROWINGS

	2024	2023
	LKR	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
	<u>3,843,671,591</u>	<u>1,989,957,781</u>



Mahindra Ideal Finance Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2024

24. INTEREST BEARING BORROWINGS (Contd...)

	2024 LKR	2023 LKR
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	<u>2,324,856,046</u>	<u>1,259,147,334</u>
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	<u>2,269,762,428</u>	<u>1,062,329,669</u>
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	<u>55,093,618</u>	<u>196,817,665</u>
Total Net Liability	<u>2,324,856,046</u>	<u>1,259,147,334</u>
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	<u>616,519,290</u>	<u>659,333,580</u>
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	<u>124,119,290</u>	<u>559,333,580</u>
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	<u>492,400,000</u>	<u>100,000,000</u>
Total Net Liability	<u>616,519,290</u>	<u>659,333,580</u>

24.2.1 Institution Wise Loan Facilities	As at 31.03.2024	As at 31.03.2023	Security
	LKR.	LKR.	
Short Term			
HSBC	1,925,642,546	762,945,205	Mortgage over Lease and Gold Loan Receiv
Deutsche Bank	788,537,189	-	Mortgage over Lease and Gold Loan Receiv
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 Receiv
	<u>3,027,938,802</u>	<u>838,368,986</u>	
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
Agord Securities (Private) Limited	616,519,290	371,697,886	Mortgage over Lease and Gold Loan Receiv
	<u>815,732,789</u>	<u>1,080,111,928</u>	

Mahindra Ideal Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
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25. DUE TO CUSTOMERS	2024 LKR	2023 LKR
Fixed Deposits accepted from public	5,204,224,178	3,487,076,917
	<u>5,204,224,178</u>	<u>3,487,076,917</u>
26. OTHER FINANCIAL LIABILITIES	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
	<u>547,160,170</u>	<u>379,280,751</u>
26.1 Obligation to Make the Lease Payment	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	<u>303,757,226</u>	<u>251,265,783</u>
27. OTHER NON FINANCIAL LIABILITIES	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
	<u>67,585,279</u>	<u>37,393,904</u>
28. RETIREMENT BENEFIT LIABILITY	2024 LKR	2023 LKR
28.1 Defined Benefit Liability		
Defined Benefit Liability	49,036,778	30,896,045
	<u>49,036,778</u>	<u>30,896,045</u>
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	<u>49,036,778</u>	<u>30,896,045</u>
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)
	<u>20,775,483</u>	<u>7,319,857</u>



Mahindra Ideal Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2024

28. RETIREMENT BENEFIT LIABILITY (Contd...)

28.4 The principal financial assumptions used are as follows

Messrs. Piyal S Goonetilleke Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity on 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

Sensitivity Analysis

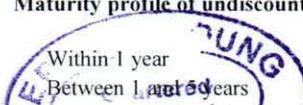
+/- 1% change on Discount Rate and Salary Increase- present value of defined benefit obligation as at 31 March 2023.

	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 6 years	26,264,322



29. DEFERRED TAX (ASSET)/ LIABILITY

As at 31st March 2024

	Accelerated Depreciation for Tax Purposes				Impairment of Loans and Receivables	Defined Benefit Plan Obligation	Others	T
	Property, Plant and Equipment	Intangible Assets	Right of Use Assets	Lease Rentals				
Balance as at 1st April 2023	18,075,244	1,817,178	(5,103,297)	253,661	(33,422,405)	(9,268,814)	-	(2)
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)	-	(2)
Other comprehensive income								
Due to change in temporary differences	-	-	-	-	-	(2,430,574)	-	(2)
Balance as at 31st March 2024	19,986,436	2,516,849	(8,885,481)	-	(23,023,761)	(12,280,460)	-	(2)

As at 31st March 2023

	Accelerated Depreciation for Tax Purposes				Impairment of Loans and Receivables	Defined Benefit Plan Obligation	Others	T
	Property, Plant and Equipment	Intangible Assets	Right of Use Assets	Lease Rentals				
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	(2)
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)	(2)
Due to change in temporary differences	4,096,261	(422,727)	10,168,495	(6,015,453)	(3,564,947)	(2,006,531)	-	(2)
Other comprehensive income								
Due to rate change	-	-	-	-	-	(8,780)	-	(2)
Due to change in temporary differences	-	-	-	-	-	648,066	-	(2)
Balance as at 31st March 2023	18,075,244	1,817,178	(5,103,297)	253,661	(33,422,405)	(9,268,814)	-	(2)

30. STATED CAPITAL

Issued and Fully Paid-Ordinary Shares

	No. of Shares	
Balance as of 1 April 2022	145,639,098	1,90
Issued during the Period	-	-
Balance as of 31 March 2023	145,639,098	1,90
Balance as of 1 April 2023	145,639,098	1,90
Issued during the Period	-	-
Balance as of 31 March 2024	145,639,098	1,90

31. RESERVES

Statutory Reserve Fund

Opening Balance as at 1 April

Addition during the year

Closing Balance as at 31 March

2024
LKR48,178,464
4,881,019
53,059,4842
L4
L

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.

Mahindra Ideal Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2024

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

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

33. ANALYSIS OF FINANCIAL ASSETS & LIABILITIES BY MEASUREMENT 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	<u>1,001,278,217</u>	<u>457,700</u>	<u>10,858,059,241</u>	<u>11,859,795,158</u>
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	<u>-</u>	<u>-</u>	<u>9,595,055,940</u>	<u>9,595,055,940</u>

As at 31 March 2023

	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	-	-	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	<u>-</u>	<u>457,700</u>	<u>8,216,857,749</u>	<u>8,217,315,449</u>

Interest Bearing Borrowings	-	-	1,989,957,781	1,989,957,781
Due to the Customers	-	-	3,487,076,917	3,487,076,917
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>5,477,034,698</u>	<u>5,477,034,698</u>



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 LKR	Fair Value 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.

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

Investment in Unquoted Equity instruments	Fair Value Heirarchy	Carrying Amount LKR	Fair Value LKR
As at 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 hirerachy.

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 LKR	Fair Value 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



34. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)**34.3 Fair Value of the Financial Instrument Carried at Amortized Cost**

As at 31 March 2023	Level	Carrying Amount LKR	Fair Value 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 LKR	After 12-Months LKR	Total LKR
ASSETS			
Cash and Bank Balances	110,767,720	-	110,767,720
Investment in Government Securities	1,819,024,328	-	1,819,024,328
Financial Investments-Measured at Fair Value Through PL	1,001,278,217	-	1,001,278,217
Placements with Banks and Other Financial Institutions	355,848,060	-	355,848,060
Gold Advances	4,505,162,573	-	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

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

	Within 12-Months LKR	After 12-Months LKR	Total LKR
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	<u>8,577,143,952</u>	<u>1,140,273,212</u>	<u>9,717,417,164</u>
Net Assets	<u>1,268,799,480</u>	<u>1,663,646,726</u>	<u>2,932,446,206</u>
As at 31 March 2023			
	Within 12-Months LKR	After 12-Months LKR	Total 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	<u>6,561,592,378</u>	<u>2,230,557,242</u>	<u>8,792,149,620</u>
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	<u>5,168,464,855</u>	<u>789,062,380</u>	<u>5,957,527,235</u>
Net Assets	<u>1,393,127,523</u>	<u>1,441,494,862</u>	<u>2,834,622,384</u>



Mahindra Ideal Finance Limited
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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 LKR.	2023 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
		<u>5,919,262,441</u>	<u>5,175,162,841</u>	

* 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:

38.1 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

	2024 LKR	2023 LKR
Short Term Employment Benefits	43,638,044	36,992,968
Post Employment Benefits	-	-
	<u>43,638,044</u>	<u>36,992,968</u>

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

38.1.2 Transaction with KMP and their Close Family Members

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

	2024 LKR	2023 LKR
Fixed Deposits accepted during the year	-	-
Fixed Deposits held at the end of the year	-	-

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Year ended 31 March 2024

38. RELATED PARTY TRANSACTIONS (Contd...)

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

	Nature of Relationship	Amount of the Transactions during the year	Outstanding Receivable/ (Payable) Balance as at 3/31/2024	Outstanding Receivable/ (Payable) Balance as at 3/31/2023
		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 & Mahindra				
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 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

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 Integri 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 is 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 past due on its contractual payments.





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40. RISK MANAGEMENT (Contd...)

40.2.1 Credit Quality of Financial Assets :

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

Particulars	31st March 2024	31st Mar
Gross carrying value of Lease Rental Receivables		
Neither Past due nor impaired	1,543,486,709	665,
Past Due but not impaired		
30 days past due	571,069,761	455,
31-90 days past due	584,202,430	833,
Impaired (more than 90 days)	258,291,063	599,
Total Gross carrying value as at reporting date	2,957,049,964	2,553,

Particulars	31st March 2024	31st Mar
Gross carrying value of Loans and Advances		
Neither Past due nor impaired	926,942,183	251,
Past Due but not impaired		
30 days past due	157,155,745	112,
31-90 days past due	59,655,503	202,
Impaired (more than 90 days)	73,562,674	302,
Total Gross carrying value as at reporting date	1,217,316,104	870,



40. RISK MANAGEMENT (Contd...)

40.2.2 Analysis of Risk Concentration

40.2.2.1 Industry Analysis

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

Sector wise Break Down as at 31 March 2024	Cash & Bank Balances	Investment in Government Securities at Amortized cost	Placement with Bank & Other Financial Institutions	Lease Rental Receivables and Loans and Advances	Financial Investments- Measured at Fair Value through OCI	Gold Advances	Other Financial Assets	Total Fir Asse
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Agriculture	-	-	-	155,467,844	-	-	-	155,
Manufacturing	-	-	-	82,178,113	-	-	-	82,
Construction	-	-	-	94,270,057	-	-	-	94,
Financial Services	110,767,720	1,819,024,328	355,848,060	26,501,994	-	-	-	2,312,
Trading	-	-	-	200,260,970	-	-	-	200,
Hotels	-	-	-	29,214,127	-	-	-	29,
Services	-	-	-	-	457,700	-	-	-
Transport	-	-	-	3,223,465,451	-	-	-	3,223,
Consumer	-	-	-	226,402,478	-	4,530,164,582	29,495,526	4,786,
Total	110,767,720	1,819,024,328	355,848,060	4,037,761,034	457,700	4,530,164,582	29,495,526	10,883,

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

Province	Lease Rental Receivables	Loans & Advances	Gold Ad
Central	121,801,609	26,374,629	557,
North Central	354,854,923	650,417,189	121,
North Western	288,458,515	125,715,767	187,
Northern	160,851,349	25,319,844	1,007,
Sabaragamuwa	182,351,360	8,248,026	188,
Southern	325,994,273	81,718,795	395,
Uva	522,217,849	20,455,590	727,
Western	1,000,520,084	279,066,265	1,343,
Total	2,957,049,963	1,217,316,104	4,530,



40. RISK MANAGEMENT (Contd...)

40.2.1 Analysis of Risk Concentration (Contd...)

40.2.2.1 Industry Analysis (Contd...)

Sector wise Break Down as at 31 March 2023	Cash & Bank Balances	Investment in Government Securities at Amortized cost LKR	Placement with Bank & Other Financial Institutions LKR	Lease Rental Receivables and Loans and Advances LKR	Financial Investments- Measured at Fair Value through OCI LKR	Gold Advances LKR	Other Financial Assets LKR	Total Fin Asse LKR
Agriculture	-	-	-	233,519,242	-	-	-	233,
Manufacturing	-	-	-	45,794,715	-	-	-	45,
Construction	-	-	-	145,530,881	-	-	-	145,
Financial Services	165,583,696	458,137,517	445,268,915	8,041,880	-	-	-	1,077,
Trading	-	-	-	178,840,812	-	-	-	178,
Hotels	-	-	-	15,596,463	-	-	-	15,
Services	-	-	-	-	457,700	-	-	-
Transport	-	-	-	2,559,614,724	-	-	-	2,559,
Consumer	-	-	-	236,798,844	-	3,971,326,248	24,340,891	4,232,
Total	165,583,696	458,137,517	445,268,915	3,423,737,560	457,700	3,971,326,248	24,340,891	8,488,

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

Province	Lease Rental Receivables	Loans & Advances	Gold Ad
Central	98,174,826	23,155,694	294,
North Central	169,735,615	83,082,655	161,
North Western	406,994,974	87,364,576	221,
Northern	202,505,319	17,499,768	931,
Sabaragamuwa	271,024,314	7,300,983	116,
Southern	295,852,812	97,755,262	420,
Western	522,394,624	19,999,123	814,
Total	2,553,495,717	870,241,843	3,971,



40. RISK MANAGEMENT (Contd...)

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 liabilities. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes.

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

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

40.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below 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	-	257,004,795	101,416,667	-	-	358,421,462
Investment in Government Securities	1,002,994,685	375,000,000	490,000,000	-	-	1,867,994,685
Financial Investments-Measured at Fair Value through P/L	1,001,278,217	-	-	-	-	1,001,278,217
Gold Advances	1,324,963,032	3,088,083,209	118,760,029	5,025	-	4,521,811,295
Lease Rentals Receivable	175,393,943	349,555,586	1,276,270,563	1,983,379,020	350,232	3,784,959,343
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	13,138,976,663
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	-	5,589,676,516
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	10,368,114,171
Total Net Financial Assets/(Liabilities)	3,673,146,720	122,871,795	(2,203,676,636)	1,329,633,224	(151,453,492)	2,770,862,481



40. RISK MANAGEMENT (Contd...)

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

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

As at 31st March 2023	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	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	-	3,971,266,248
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	881,464,659
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	24,281,901.06
Total Financial Assets	539,597,936	4,712,831,859	2,002,472,450	2,009,622,701	6,318,153	9,270,433,899.06
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	-	3,909,640,354
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	6,656,520,032
Total Net Financial Assets/ (Liabilities)	539,597,936	1,489,919,094	(356,221,722)	1,108,499,016	(167,472,153)	2,614,913,867.06



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40. RISK MANAGEMENT (Contd...)

40.4 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; gr 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 int 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 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 associ 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 earlie contractual repricing or maturity dates.

As at 31st March 2024	Total As at 31-03-2024 LKR	Interest Bearing				Non Interest LKR
		Less Than 3 Months LKR	3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
Financial Assets						
Cash and Bank Balances	110,767,720	-	-	-	-	110,767,720
Investment in Government Securities and Placements with Banks	2,174,872,372	1,622,707,839	552,164,533	-	-	-
Financial Investments-Measured at Fair Value Through PL	1,001,278,217	1,001,278,217	-	-	-	-
Gold Advances	4,531,811,295	4,413,046,241	118,760,029	5,025	-	-
Lease Rentals Receivable	2,957,049,962	381,118,082	968,944,709	1,606,987,171	-	-
Loans and Advances	1,217,316,104	156,970,541	488,144,774	572,200,789	-	-
Financial Investments-Measured at Fair Value through OCI	457,700	-	-	-	-	-
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	-	130,210,735
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)	130,210,735



40. RISK MANAGEMENT (Contd...)

40.4 Interest Rate Risk (Contd...)

As at 31st March 2023

Financial Assets	Total As at 31-03-2023 LKR	Less Than 3 Months LKR	Interest Bearing			Non Interest LKR
			3 to 12 Month LKR	1 to 5 Years LKR	Over 5 Years LKR	
Cash and Bank Balances	165,583,696	-	-	-	-	165,
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	-	-	-	-	
Other Financial Assets	24,340,891	4,897,876	-	-	-	19,
Total Financial Assets	8,488,852,527	4,914,819,123	1,697,263,482	1,691,285,512	-	185,
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,



Mahindra Ideal Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

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41. OPERATING SEGMENTS

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

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

As at 31st March 2023	Finance Lease	Gold Loan	Loans and Advances	Other	Total
	LKR	LKR	LKR	LKR	LKR
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
	<u>641,168,494</u>	<u>896,655,393</u>	<u>239,486,405</u>	<u>146,969,063</u>	<u>1,924,279,355</u>

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.

	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	<u>616,519,290</u>	<u>2,324,856,046</u>

